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SEN. JOHN McCAIN AND REP. MAC THORNBERRY DISCUSS  
THE NATIONAL DEFENSE AUTHORIZATION ACT

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## P R O C E E D I N G S

MR. JONES: Good morning. Thank you for joining us. I see we have a standing room only at 8:00 o'clock in the morning. I'm a New Yorker, so I'm always impressed when people are at any meeting before about 9:30, but this is very impressive. My name is Bruce Jones. I'm the Vice President and the Director of Foreign Policy here at Brookings, and I'm delighted to welcome you today, and in particular to welcome our very distinguished guests. We are very honored to be joined today by Senator John McCain and Congressman Mac Thornberry, Chairman of the Senate and House Arm Services Committee, respectively, to discuss the National Defense Authorization Act, a \$600 billion Pentagon Appropriations Bill for 2016, which I think is vital to the national conversation. Moderating our discussion will be our very own Michael O'Hanlon, Co-Director of Center for 21st Century Security and Intelligence here at Brookings, and a very well known expert on the defense budget.

Senator McCain is extremely well known for his service to the nation, both in the U.S. Navy and in representing the people in Arizona in the U.S. Congress. He has been one of the key voices in the fight to strengthen American national security and our Armed Forces, to eliminate wasteful government spending, and to reform government. Congressman Thornberry has served in the House Permanent Select Committee on Intelligence as well as on the Budget Committee, the Resources Committee, and the Select Community on Homeland Security, and is widely known as an innovator and a strategic thinker in national security. And the two of them have been working together to put together the National Defense Authorization Act.

In a moment I'll turn to Mike to sort of frame and lead the discussion, but let me just make two brief points of context. It seems to me that we are clearly entering a moment of intensifying geopolitical challenge in both Asia and Europe, as well as confronting the rolling collapse of the post Ottoman order in the Middle East with huge implications for our interests and our values.

And the second is, despite many (inaudible) to the opposite and the premature reports of our decline, the United States remains the most important actor on the world stage and the most important potential contributor to stability in Asia, in Europe, and the Middle East. It seems to me that's the context in which we have to have the debate and the discussion about our Defense Appropriations

Act and the tools we need for American national security.

Mike, with that, over to you. And thank you all for joining us.

MR. O'HANLON: Thank you, Bruce. And, Chairman Thornberry, Chairman McCain, a great honor for us to have you both here. I think all of you know where we stand -- and let me just stay a couple of words before turning to our distinguished guests -- where we stand in the defense debate. But just to remind, today I believe the Congress will send the President the National Defense Authorization Act that these two gentlemen and their colleagues of both parties and both houses of Congress have been working on all year. That would, in addition to funding the Pentagon at the \$612 billion level -- which is the level the President has requested by the way last winter -- also takes some important steps forward on acquisition reform, on authorizing various steps in regard to Syria, Ukraine, other places, deal with the military pension question, where so far in our modern history the military has given a generous pension to those who did 20 years service, but nothing to those who do 19 or less, and therefore there are some changes in the bill that would address that, many other important bipartisan achievements. But of course we're at a juncture where high budget politics, if you will, are interfering with the likely prospects of this bill and the President has threatened to veto it, and he'll now have 10 days, excepting Sundays as I just learned from the Chairman for how this is counted, to make his decision about whether to veto or not. And if he does we will potentially lose all of the reforms in addition to the \$612 billion authorization.

The Senator and the Congressman have both pointed out the President could in theory support this Bill and then potentially veto an Appropriations Bill if he wished later on because as you're aware, what's going on right now is the Congress has tried to find a way to fully fund defense, but the Budget Control Act continues to prevent the funding levels the President would advocate for non defense. So we're at this juncture, how do you reconcile these competing concerns? And we'll get to that big high level question whenever the Chairman wish and certainly by the second half hour of this conversation.

But I thought we'd begin by talking about some of the specifics that are in the Bill that are so important. And I think regardless of one's position on whether the President should veto or not, most would agree that the reforms and the initiatives in this legislation are very, very helpful to our national defense and it would be wonderful to find a way to institute them in law. And so that's really the subject

with which I wanted to begin.

So, Senator McCain, if I could begin by asking you to address the military pension reforms, and anything else you wish to touch on in the personnel domain. And then we'll work through acquisition and some of the overseas crisis and hotspots in a minute as well before getting to the big picture questions. But thank you for being here, and if I could ask you about military pension reform.

SENATOR McCAIN: Thank you, Mike. And as I always say when I return here, and I'm always happy to, it's nice to see old friends and enemies back here at Brookings (laughter). Thank you for inviting me back and could I also say that it's been a real honor for me to have worked with Chairman Thornberry, a very dedicated and hardworking Chairman who also is committed to many of the reforms that we were able to enact together, particularly the issue of acquisition reform. There are many reforms, but acquisition reform has been -- and Mac has been engaged in that for many years. And that does not mean that we agree on everything always. In fact we've had very spirited discussions on occasion, but really am proud of the product that we and the members of our committees overwhelming bipartisan have approved of. The vote in our Committee was like 14-4 and similar in the House. So our product is a bipartisan product. If there was objection it, it was by members who were concerned or objected to this OCO process, which maybe we can talk about a little later on. But the product was overwhelmingly bipartisan, which is maybe unusual in Congress these days, but I think it shows the commitment of members on both sides of the aisle to the men and woman who are serving and a bipartisan approach to defense.

My friends, today 85 percent of the men and women who serve in the military, when they leave the military don't have any financial benefit. They certainly have veterans benefits and GI Bill and other benefits, but as far as pure financial is concerned, 85 percent, because those 85 percent don't serve 20 years. So with the benefit of a very excellent Commission that was composed of some pretty outstanding people, we adopted largely their recommendation which now allows someone to after two years and one month to contribute as in a 401K and the matching funds are required. This way some 85 percent of those who serve will receive a financial benefit from their service, even if it's only of two years.

And if I could just expand one second on that. There are other reforms that are going to

have to be made in the entitlements in the military. Secretary Gates a few years ago said we're going to be eaten alive by the personnel costs which continue to rise, a lot of it understandable in all volunteer military, but we're going to have to make some very tough decisions on that aspect, the entitlement aspect of the military over time, and it's not going to be easy.

MR. O'HANLON: You sort of found a way to straddle that or compromise on that in a sense I believe with the military pay increase, right, which is modest but it's at least there. So that's sort of a step in that direction and also some of the Tricare issues.

SENATOR McCAIN: Exactly. Mac, do you want?

MR. O'HANLON: So thank you, Mr. Chairman, for being here as well and if you wanted to comment on any of these personnel reforms, but also maybe launch into the discussion on acquisition reform that I know you and Senator McCain have done so much to work on.

CONGRESSMAN THORNBERRY: Well, again, thank you for having us. And I very much enjoyed and appreciated the opportunity to work with Chairman McCain who occupies truly a unique place in American history and political (inaudible).

SENATOR McCAIN: The loser. (Laughter)

CONGRESSMAN THORNBERRY: No. And just in a preliminary way I want to emphasize what he just said, and that is when you look at the merits of the Bill, it truly is a bipartisan product. Our Bill came out of Committee 60-2, and there was one of each who were a part of the two. So from the very conception it has been Republicans and Democrats working together in Committee, on the floor, in conference, that has produced this product. It is only this overlay of what I believe is essentially politics that is even causing us to be here to have any sort of controversy.

And I think we have -- because a Defense Authorization Bill has been signed into law every year for 53 straight years, we may take for granted all the individual provisions. I mean Chairman McCain was just talking about the retirement reform; let me just mention one other little provision in the personnel section, and that is a requirement that DOD and the VA have the same formulary when treating people for PTS, sleep disorder, and pain management. General Chiarelli has testified if you could just do one thing to help PTS victims, make sure that the drug they get on when they're in the military they can

stay on when they move to the VA system, and they haven't been able to do that. The systems have not been able to do that. We require them to do that in this Bill. And so if the Bill goes down that requirement does not get enacted. And my point is there are 600-something provisions in this bill that do important things that the system is not able to do on its own. And so that's part of the reason we have a separate branch of government to pass a Defense Authorization Bill.

Among the reforms, as Chairman McCain mentioned, is a beginning of acquisition reform. And my shorthand version of it is if it continues to take us 20 years to field a new airplane, that airplane is going to be hopelessly out of date by the time it gets there. We've got to do better, we've got to do better at being more agile in fielding technology quicker in responding to threats, and by the way, getting more value for the taxpayer dollars. And so we have a number of reforms, kind of fundamental reforms, thinning out some of the regulations requiring more of the be done up front, not invent as you go in acquisition. But it's on a beginning and we are committed on a bipartisan basis to doing much more work in the future. But, as I say, even that first step doesn't happen if the Bill doesn't become law.

SENATOR McCAIN: Could I just add?

MR. O'HANLON: Please.

SENATOR McCAIN: You know, there are seminal moments in people's experiences, and I mentioned this to you earlier, Mike -- it was two years ago, we had a hearing on the -- with the Navy witness, the Chief of Naval Operations, and I asked if the Chief of Naval Operations knew who was responsible for the \$2.4 billion cost overrun on the USS Gerald R. Ford, one of our latest aircraft carriers. I said, well who is responsible for this \$2.4 billion cost overrun, and he said, I don't know. My friends, we now have a Pentagon that -- a multibillion cost overrun and nobody knows who is responsible. One of the major features of our legislation to start with, as Mac pointed out, is that the service chiefs have to sign off when there's a cost overrun called Nunn-McCurdy, then they have to sign off on that and they are responsible. And guess what, the service chiefs want that responsibility, they crave that responsibility because they want a better Army, Navy, Air Force, and Marine Corps as well. So as Mac mentioned, we're just beginning because we have a long, long way to go.

And finally, could I just mention, both Mac and I have been out to Silicon Valley and I'm

sorry to tell you that right now there's not a lot of interest in Silicon Valley in being engaged in acquisition with the military and with the Pentagon because they don't see any benefit in getting involved in the labyrinth that is called defense acquisition. And that has got to be another one of our priorities, and that's where we're making the first step to make it so we can engage Silicon Valley because we all know the nature of warfare when we read in the paper this morning that the Director of the CIA has had his server hacked, my friends, we're in an interesting high tech cyber situation.

MR. O'HANLON: If I could follow up on acquisition policy, with apologies to some of you who I know are here more to talk about vetoes and top level budget issues, and we'll get to that, but these gentlemen have been working on acquisition policy and defense for so long and with such commitment that I think it's worth bearing down for a moment or two on that question.

If I could just ask you to talk both about where we stand in the history of defense acquisition reform, because if we go back to the day, Senator McCain, for example, when you were a Navy pilot, at that point the Services did run the acquisition world, and it was before Goldwater-Nichols and the centralization of certain authorities.

SENATOR McCAIN: That was during the Coolidge administration, yes. (Laughter)

MR. O'HANLON: And of course we thought that at that juncture -- maybe we were wrong at the time -- but we ultimately concluded at that juncture we had given them too much leeway to make their own decisions. They weren't doing enough things that were joint, they were perhaps putting too much high technology or silver plating into weapons because there the cultures of, you know, the fighter jock and the carrier and so forth that really put a premium on high performance and cost wasn't sufficiently considered, or timeliness in some of the acquisition programs. So we tried to centralize; Goldwater-Nichols reforms of the '80s tried to do that. And here we are today, are you essentially saying we've overdone it and we need to go a little bit back to the old days or is the current model that you're proposing in this legislation essentially a new approach that gives the services more authority, but in a different way than in the old days.

SENATOR McCAIN: It was about 30 years ago that Goldwater-Nichols was enacted, and the one thing we are committed to is a thorough and complete review of Goldwater-Nichols. Overall

Goldwater-Nichols was a great success, we will all admit. But times have changed over the last 30 years, the challenges have changed, a lot of things have changed. And so we're committed to starting -- frankly as soon as we get through this hurdle -- starting hearings to review Goldwater-Nichols so that we can make the changes that are necessary. It's not as difficult as one at first things. And let me just give you one example. When we saw that the IEDs, many of them imported from Iran, many of them sent by Mr. Soleimani, who now seems to be, according to the *Washington Post*, in charge of conflicts in at least three countries, sent in these copper tipped IEDs. And these copper tipped IEDs went through light armor. The humvees were getting taken out and our casualties were really high. Because the MRAP was in being -- we went through a rapid acquisition process, got those MRAPs over to Iraq, and I don't know how many lives that it saved. We used an accelerated process. If we would have taken the 20 year route that Mac just referred to of the F35, god knows what would have happened. So there is a model out there at least in some areas already in being that we could look at. Now that MRAP was already a developed technology, it wasn't something brand new, but at least we were able to get it to the battlefield in a matter of weeks or months -- I'm not -- but in a very rapid process and I don't know how many lives that it saved. Because the IEDs couldn't penetrate the MRAP. That's an example of what we can do if we get the right process into the Pentagon.

CONGRESSMAN THORNBERRY: And I'd just say, I don't think anybody says turn back the clock and that was perfect by any stretch, but it true that pendulums swing and we have swung in a direction where there are more layers of bureaucracy, which as Chairman McCain indicates results in no accountability for the decisions because everybody does this. And plus it is incredibly slow. So that's part of our just overall theme, is simplify so that somebody makes a decision and you can hold them accountable for the decision. And also to speed up the innovation so that we can get capability, so that the MRAP is not the exception, so that is more the norm.

And I would say there's a fundamental change, and that is the number of national security threats that we face all at the same time. Dr. Kissinger testified in front of Chairman McCain about this, as unique in history, and we have to respond in a more agile way. You cannot respond with this layered bureaucracy that has developed.



Now I will also admit we're part of the problem. So part of what happens is there's a cost overrun in the past, and what do we do, we set a new bureaucracy or a new procedure to make sure that never happens again. Well, we can't do that and we can talk more about that if you want to. It goes back to the simplify, and accountability is the direction to go, not all these checks and balances that paralyze the system. And so I think that's the direction we are trying to go.

Just the other point to emphasize, too many programs were inventing as we're buying. And that is a source of a lot of the cost overruns and the delays. One of the things that we want to move more toward is have your technology development over here, but then you buy established technology, so you're not inventing on the fly. And I think we end up with better results.

MR. O'HANLON: So I've got two more questions before we'll turn to you. And one of them, speaking of global hotspots is going to be about some of the things in your bill that would allow the President some new authorities to do different things in Syria, Ukraine, and other parts of the world.

And then secondly, I do want to ask about the hypothetical, were the President to veto this bill, can we imagine a path forward? Can you propose a possible, you know, road map recognizing that a lot of other people will have a say in that as well? And we're getting ahead of ourselves even to speculate, but it seems like it's a fairly imminent debate.

But back to the Bill itself, and to the hotspots. Again, you got important language on Syria, Ukraine, other areas, Iraq. I wondered if either one of you wanted to begin and then maybe the other follow up on those questions?

CONGRESSMAN THORNBERRY: Well, we try to give the President more tools to deal with a complex world. For example, we have authority to provide defensive lethal assistance to Ukraine, and there is a huge amount of bipartisan consensus in the House and the Senate that that should be done. In Iraq we say that if the Secretary cannot certify that the Iraqi government is inclusive, then they are authorized to give weapons directly the Kurds, to the Sunni Tribes, and other groups, so that everything doesn't have to go through Baghdad.

Now we can't make the President take one of those specific options, but we're trying to give him more tools to deal with a rapidly evolving situation.

SENATOR McCAIN: And we are expressing the sense of Congress bipartisan on both of those issues. I hope that we remain very careful, that the Constitution says the President of the United States is the Commander in Chief, and so for us to say that he has to give those weapons, that in my view is not in our area of responsibility. But we not only give them the authority, but overwhelmingly that is the policy we want him to pursue.

My friends, I've been to Ukraine on many occasions and when these people are crying for a javelin because Russian tanks are there in Eastern Ukraine and we won't give them that, we won't give them intelligence, it's heartbreaking is what it is. I used to get angry, now I'm just heartbroken at so many people who have been killed that are fighting bravely with 20th century weapons against 21st century weapons which Vladimir Putin is sending in.

And as far as the Kurds and Baghdad is concerned, again it's obviously a vacuum that's been created, but a new intelligence sharing now between Iraq, Russia, Syria, and Iran, that's an interesting scenario, one that frankly I never would have anticipated a fairly short time ago. And now there's talk about -- and I hope it's only talk -- about Russian airpower being brought into Iraq against ISIS. It might be nice to see him doing something against ISIS from one standpoint instead of the moderate opposition which is the object of almost all of their attacks.

But I think one thing is clear, the people who are really the best fighters right now for a whole variety of reasons are the Kurds. They're the ones that liberated Kobani, they're the ones that are doing a lot of the work in parts of Syria. And as you pointed out, Mike, this is a very dangerous game because there is the Turkish aspect, there is the KKK. None of it is simple, but at least in the short-term I think it's pretty clear that if we gave the Kurds the weapons that they probably need they could be much more effective in achieving some of at least our short-term goals that we are not achieving right now.

MR. O'HANLON: So thank you. And let me ask my final question which has to do with the big picture. And again to remind those of you -- I think everybody in this room is following this to some extent, but the basic idea here is the President has said he is happy with a higher level of defense spending, but he objects to the use of the Overseas Contingency Operations account to do to. It's essentially a safety valve that the Defense Department has available to it that domestic accounts from

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science, to education, to infrastructure don't have available. And he wants to demand some kind of a bill, like the Ryan-Murray compromise of two years ago, that would increase funding on both the defense and non defense sides. The Congress has basically said we're not going to do that, but we do have a safety valve in the defense realm, and isn't that better than nothing to at least address defense needs and save the domestic debate for a different day, and maybe next year's campaign. Perhaps I'm oversimplifying, but that's how I sort of see the debate boiling down, which leads to my question. And obviously you could either say whatever you want and challenge my rendition of where we stand, but in terms of if there is a veto wouldn't a natural compromise essentially be for the domestic accounts to get maybe half as much of a plus up as defense? In other words a Ryan-Murray bill, but tilted more in favor of defense because that would essentially be a compromise between where the President is and where the Congressional leadership is. So one imagines preserving the funding levels that you've got in your bill, but maybe increasing the domestic accounts roughly half as much for this year and next year. If you don't like that proposal, obviously I'd love to hear anything else that you think may be a viable way forward so we can someday get a defense bill even if the President vetoes this even in the short-term.

Chairman McCain, would you like to start?

SENATOR McCAIN: First of all, we authorize to the level that the President requested. I think that's an important fundamental fact. He asked for 681 I believe it was -- Mac -- whatever it --

CONGRESSMAN THORNBERRY: More like 612.

SENATOR McCAIN: An exact level the President requested. Second of all, it's an authorizing bill, it is not a money bill. The money is in the Appropriations Committee. So if he has a problem with the level of appropriations, then it seems to me that fight should be with the appropriators and that aspect of funding. We authorize -- we've just been through a small number, this is a big bill. Of all the reforms, all the benefits and pay, and all of the things that we're doing, the reforms. And so it seems to me he's picked the wrong target. Second or third of all, he has accepted other bills with OCO in it. It is not as if this is a brand new problem. And OCO -- we don't like OCO, we don't like it. Mac and I really dislike it because we'd like to see a multi-year level of authorization that we can plan on rather than lurching from one year to the next to see whether the Budget Committee is going to approve OCO or not.

I don't like it. And we'd rather in a perfect world see that level of budgeting that we can plan on and more importantly that the military can plan on. They're lurching from year to year, my friends. Over in the Pentagon how can you plan ahead on almost anything if you don't know what the following year's spending level is going to be? So it's a broken system.

If the President decides to veto this, then it seems to me that he is placing a higher priority over his concern and opposition to the funding budgetary mechanism than he is over the defense of the country. Because if he cared most about the defense of the nation, then he would focus his attention on the appropriations bills -- veto the appropriations bills then, Mr. President, because you don't like the way the money -- where the money is coming from. So it really is -- it's hard for me to understand why the President of the United States should focus on the defense of the nation.

And finally, getting at sequestration, my friends. It is a disaster. It is a disaster in so many ways. Look at the world in 2011 when we enacted it, the Budget Control Act, and look at the world today. And yet we continue to cut defense spending. I wouldn't mind increases in some spending, particularly where intelligence and other aspects are concerned, the CIA, many other agencies of government. But this is really an unnecessary fight and I really wish that the President would reserve that fight if he feels that strongly about the Overseas Contingency Operations to the appropriations process.

MR. O'HANLON: Chairman Thornberry.

CONGRESSMAN THORNBERRY: Just to reiterate just a bit. The President submitted a budget request for defense that the Chairman of the Joint Chief's said is the lower ragged edge of what is necessary to defend the country. He did not follow the Budget Control Act and he asked for base than was allowed in the Budget Control Act, and he asked for \$50 billion in OCO funding, \$50 billion. When the House and Senate come up with a budget resolution we have to follow the law I believe on the Budget Control Act, so we have a lower base, but we make up the difference in OCO, so it's an extra \$38 billion in OCO, but the total is exactly the same. The only question is which category the funding is put in. All of that extra OCO by the way -- or I think essentially all of it is operation and maintenance accounts, and every dollar of it is authorized just like the base is. So there's no difference between allocated to specific programs, being in OCO versus being in base.

In addition, Section 1501 of the NDAA says if there is a change in the sequestration numbers or the caps or anything, then that OCO is automatically adjusted to the base. So we have this automatic flexibility mechanism to reflect whatever budget agreement comes up.

But here to me is the bigger point, if you are a counter terrorism soldier in Afghanistan today, or if you are training the Iraqi Army today, or if you are at a Navy, Air Force, Marine, or Army base in the United States supporting those efforts, do you really care whether your operation and maintenance funds, if they are classified as OCO or whether they're classified as base? Don't you just want the money? Don't you just want the support to know that it's there? And so in some ways I think this is kind of an inside Washington political game that loses sight of what we are asking men and women to do for us all around the country. And in that way I think it is tragic. I think it is, as the *Washington Post* has written, if he vetoes it, it will be historic but not in a good way because there is nothing we could do in this Bill that would fix the problem he's complaining about. I mean I'd be fine with your solution to put more money in some domestic programs, and I suspect at the end of the day as John says, that there will be appropriations. You know, something has to be worked out before December 11. So I'm for whatever can be done, but I'm not willing to put at risk all of the reforms that we were talking about.

Last point. The world as we've been talking is growing more dangerous and more complex. I think if there's ever a time the world, not to mention our troops, need to see institutions of the American government operating for national defense, it's now. And so I don't pretend that signing a Defense Authorization Bill solves all these other problems. We still have these other problems to deal with, but good heavens, with such strong bipartisan support of the Bill, wouldn't it be a good thing for the country and the world to see that we can do something together instead of playing political games?

SENATOR McCAIN: May I also point out on additional factoid? In this Bill is \$11 billion in elimination of waste and excessive spending that is saved. For example, we require a 7.5 percent cut per year for 4 years in the size of staffs and headquarters. So we are saving \$11 billion in this legislation that is much needed, and frankly we're skimming the -- we're taking out the easy targets in this Bill, and it's easy. So we're now going to dispense with his veto of \$11 billion in savings.

MR. O'HANLON: Thank you. Let's go to you. Please get my attention, wait for a

microphone, identify yourself, and if you could, just as one question and we'll try to make room for everyone who would like to get into this. We'll start over here please.

MS. MCCANN: Good morning. My name is Erica McCann with the IT Alliance for Public Sector. And we just wanted to say on behalf of the tech industry we really appreciate the commercial item and regulatory review provisions in this year's Bill around acquisition reform. But you both emphasize the word "beginning" when talking about acquisition reform with this year's bill. Where do you see the FY '17 bill going?

CONGRESSMAN THORNBERRY: Well, as I mentioned, I think one of the big challenges we face is inventing technology as we are purchasing it. So I think focusing on that issue is something for the future. We have a lot more thinning out of the regulations and simplification to do. As John was talking about, the challenge of Silicon Valley doing business with the Department of Defense. It's not just Silicon Valley, there are all sorts of key industries that are saying I don't really think it's worth doing business with those people, they're so bureaucratic and so difficult. I have to have so many lawyers and regulators, accountants to deal with them. That is a huge problem because a key strength for us has always been the innovation that comes from the private sector that we plug into defense. So there is so much more to do. And we will never fix it by the way, all the way. It is taking steps each year to make it better.

SENATOR McCAIN: I would only add that there is a perception in many areas of industry that the Pentagon only does business with certain favored industry that they've done business with for years and years and years. Whether that is accurate or not, I can't say, but that's the perception when I talk to people who don't traditionally do business with the Pentagon.

And the other aspect is we're going to have to look at the entitlements. We're going to have to look at Tricare, we're going to have to look at a number of those aspects of defense spending that need reform, and don't think that's going to be easy. That may be one of our most difficult challenges.

MR. O'HANLON: Incidentally, quick vignette, we had an event here in April with Under Secretary Kendall who is in charge of DOD Acquisition, and also with Bill Lynn, who of course has been Deputy Secretary, and I first asked Secretary Kendall the question, how would you rate our acquisition

system. And he said well, you know, we have a lot of problems, and I've been doing this better buying power stuff, but we also have the best equipment in the world, and I'm sure you two would agree with that. And so overall I'd say --

SENATOR McCAIN: Not always at a reasonable cost.

MR. O'HANLON: Not always at a reasonable cost or a schedule. And he said, so overall, for all the work we still have to do, I give us a B+. And then I asked Bill Lynn the same question and Bill said, well, maybe a B+ for some of the things we've been traditionally good at, some of the larger platforms. But anything where Moore's Law is involved, I'd say more like a C-. And he gets to this issue of whether we're at the beginning or the midpoint or closer to where we need to be.

We'll stay here in the front row for a moment.

QUESTIONER: Good morning. This is (inaudible) from Saudi Arabia, (inaudible) political commentator. I would like first of all to thank you for this beautiful panel, and I would like to thank Senator McCain for his support for global security which is right now we are seeing it to be at stake. Specifically, like there was an article that was written in the *Wall Street Journal* just yesterday that talked about the fact that Obama is somehow taking the military hostage. And you've re-tweeted this just yesterday. I would like to say that current administration of the United States is not taking the military hostage, but it's taking the global security hostage. Why? Because of the issues that we are facing in Ukraine, in Syria, in Iraq, in so many different areas around the world without crucial actions that are taken into place. But at the same time, Representative Mac said something beautiful, which is political games. And that's what we are seeing from this administration at the moment.

MR. O'HANLON: Please get to a question.

QUESTIONER: So what is your point of view regarding the future of the United States when it comes to global security? Will they still follow the same path that President Obama has assigned, which is the military new doctrine?

SENATOR McCAIN: Well, I'll try to be as brief as possible. Long-term I am incredibly optimistic about America and its role in the world, whether you're talking about technology, whether you're talking about the fact we're now energy independent, whether you're talking about all of the new devices,

the new ways of conveying information and knowledge, or invented in the United States, manufacturing capability is improved. Long-term I am very bullish on American. In the short-term I agree with Henry Kissinger. The world has not seen more crises than we're in today since the end of World War II. If there is any benefit we now see an alliance or relationship between Israel and some of the Sunni nations that we have never seen before. That's really digging for the pony to tell you the truth. But I see an absence of American leadership. And I see frankly some of the countries in the region kind of hedging their bets and accommodating. Saudi Arabia just made a \$9 billion arms deal with Russia. I don't believe that Russia can provide them with superior weapons. I think it's because Saudi Arabia has been looking at their relationships and I still think that a seminal moment was the day when Saudi Arabia had planes on the runway ready to strike Syria, and the found out on CNN that crossing the red line was basically meaningless on chemical weapons. So I think in the short-term we are in the most serious challenge. And you didn't even mention the South China Sea, by the way. That's another area.

But, finally, we're seeing what Iran is seeking and Russia is helping them, and this is an arc of Shia influence in the region. As we see the latest military activities in Syria and the continued slaughter of young men who we are training and equipping and sending into Syria. We're watching the Russians bomb and kill them while our major priority is deconfliction -- that's a new word for appeasement; that we don't want to run into any Russian airplanes. Certainly we wouldn't want to run into any Russian airplanes while they're bombing the hell out of the people that we train and equip and send in into Syria. Don't think that that lesson is lost on other young people who we might ask to go in and fight against ISIS and against a brutal regime which has killed 240,000 of its own people and driven millions into refugee status.

MR. O'HANLON: Care to comment?

CONGRESSMAN THORNBERRY: The point was made in the introduction, the United States is a unique force for good in the world. Political dysfunction and political gamesmanship here has consequences far beyond our shores. It is even more the reason where if we can do something together, we ought to do that.

MR. O'HANLON: Sydney, here in the third row please.



MR. FREEDBERG: Good morning. Gentlemen, Sydney Freedberg, Breaking Defense. To get back to the agonizing political games for a moment, your favorite thing I know, if there is a veto is there some way to start disaggregating the NDAA? That's never been done before. In 53 years we have never had to. Are there ways to split off pieces to put place holders in to say, you know, for certain things so that you can preserve, for example, the acquisition reforms, the compensation reforms, while just deferring perhaps part of the Bill that authorize specific amounts from fixed sources, which is what's the matter of contention?

CONGRESSMAN THORBERRY: Well, the President's basic complaint is he wants to spend more money on domestic programs, the EPA, IRS, whatever. We can't do that in the Defense Authorization Bill. We can take it apart, we can put it together, we can put the pieces back a different way. We cannot fix his basic problem in any Defense Authorization Bill because his basic problem is he wants to spend more money on other stuff. Now I might agree on some of those other things that we ought to spend money on, but we can't fix it in this bill which is why the *Washington Post* says vetoing it not for anything that's in it, but because of this broader budget disagreement, using it as a hostage, would be historic.

MR. O'HANLON: We'll stay here in the front row, or the second row, and then we'll work our way back in just a moment. Yes, please.

MR. HARPER: Jon Harper with *National Defense Magazine*. My question is for both of you. You've talked about the differences with the White House over OCO versus base budget funding, but are there any substantive policy disagreements? And if so would you be willing to negotiate on any of those in order to preserve, you know, acquisition reform if the White House was willing to approve an Authorization Act and fight over the money later in an appropriations bill?

SENATOR McCAIN: There's one major issue that I know of, and that is of course Guantanamo. And we have pretty strict provisions in the Bill. And by the way I would remind that when the President released five prisoners in exchange for Bergdahl he broke the law, which no one seems to be too concerned about. But what we have asked for is a plan. We have asked for the President to submit to us -- I've been waiting six and a half years for a plan as to how they want to close Guantanamo

and how they want to move those prisoners and where to. I don't think that's a lot to ask for us to authorize such a thing, to get a plan. And as short a time ago as four months ago the President assured me that he would send us a plan and Lisa Monaco and Ash Carter came over and sat in my office three months ago and said we'll give you a plan. So far there is no plan. But that is an issue that is of continuing disagreement between the President and us.

CONGRESSMAN THORNBERRY: And just as a reminder, the language that the President primarily complains about on Guantanamo is exactly the same language he signed into law in 2010, in 2011, in 2012, in 2013, and in 2014. So he doesn't really like it, but until there is a plan that can get the support of the American people and their representatives I suspect most members of Congress are going to say don't bring them here and don't modify facilities here, which is basically the provisions.

Of course there are other differences between what the President asks for and what's in our Bill. The President proposed to retire the A10 aircraft. Well, it turns out they are sending A10s into the Middle East today and relying on them. And our judgment was probably it's not a good idea to retire that aircraft. So of course there are differences of opinion. No Congress rubber stamps a President's request, but if you look at the Constitution it says that Congress has the responsibility to build and provide and maintain armies, navies, and other military forces. So of course there are differences. But our colleagues in Congress and the President really is focused on the OCO issue.

MR. O'HANLON: In the very back; woman in the white coat against the door.

MS. PENNACCHIO: Victoria Pennacchio with Green Cross International. The 2016 NDAA Conference Report states that there is Congressional intent to reject the budget request to authorize another BRAC round in 2017. And I was just wondering why is that since it saves money and that in the long-term there seems to be an improvement and recovery in most local communities?

CONGRESSMAN THORNBERRY: Because the 2005 BRAC has not yet broken even. In other words, 10 years later it has still cost the tax payers more money than it has saved. So I think there are a lot of members who were here for 2005 and say we're not going to have a repeat of that.

Now there is another provision in the Bill that says the Department has to come to Congress with more specific data about where you think you have excess infrastructure, because what

we've heard for the past several years is all based on a study they did in 2004 and we're staying okay, let's not just trot out old information over and over again. If you think you have too much infrastructure come give us more specifics about it and we'll look at it and there may well be another BRAC in the future. But for this year -- and remember this is a one year authorization Bill, whether we're talking GTMO or BRAC -- for this year there will not be another BRAC.

SENATOR McCAIN: And I'll just quickly add a couple of decisions that I think looking back we never should have taken that was a result of BRAC. One was closing the Naval Air Station in Cecil Field, leaving us only with NAS Oceana which is having enormous encroachment problems and others. And the other was this consolidation of Bethesda and Walter Reed. I don't know of anybody when you look at the money that's going to be spent on transportation and all that kind of -- that was another bad decision. So to think somehow that BRACs are nirvana is really not an accurate depiction.

And we all know too what BRACs are. It's an abrogation, an act of cowardice on the part of Congress because they can't close a single base of their own. But I would never repeat that.

(Laughter)

MR. O'HANLON: Go here in the third row.

MS. MOORE: Hi, good morning; Christina Moore with the Government Accountability Office. Our organization along with our sister organization, CBO and CBRS, have a whole body of work on defense business operations that have come out basically that the Department of Defense is on an unsustainable path. Can you speak to that please?

SENATOR McCAIN: I can speak to those studies have been very important to us. They have been very helpful to us in developing the legislation that we have and we will continue to use them. I think all of us, particularly where Mac and I sit, appreciate the GAO particularly and the work that they do. They really are the watchdogs and they have become more and more important over the years as their knowledge and background on many of these issues. We had a very interesting hearing on the carrier as you know a couple of weeks ago and the GAO representative there, witness, was very important in providing balance in that hearing.

CONGRESSMAN THORNBERRY: And we have used GAO on the acquisition reform

steps we have taken so far and will continue to do so. I just emphasize that a lot of the things you all focus on, the business sorts of things with the Department, have a huge effect on acquisition and buying goods and services. So that's part of the reason that we're committed to take many more steps in order to improve the way that tax payer dollars are used for those things. And we'll need your help to do it.

MR. O'HANLON: Here in the fifth row please.

MR. PHILLIPS: Good morning. Jeff Phillips with the Reserve Officers Association. With the linkage of the National Guard and reserve equipment accounts to OCO what will happen to modernization equipping of our reserve components, a million men and women strong?

CONGRESSMAN THORNBERRY: Well, it depends on what happens with these bills. Obviously you cannot buy things if there is not some sort of agreement authorizing the purchases and appropriating the dollars to do so. And that's part of the reason you've seen a large number of House members say that just operating for the rest of the fiscal year on a continuing resolution is unacceptable because we're doing some things we don't need to keep doing, and we need to do more of some things that we're not doing now. And CRs do not allow you that flexibility. So there are needs in all sorts of areas, needs to be filled that will not be filled if this bill is vetoed and if there's not some sort of a budget agreement.

SENATOR McCAIN: I can't emphasize enough, a continuing resolution for the rest of this year is incredibly damaging to our ability to defend this nation. You know, General Odierno, who we have the greatest respect for -- you know him very well, Mike -- has painted a very stark picture of what happens if we don't stop sequestration. You don't stop sequestration and have a continuing resolution. I'll tell you it is going to be more damaging than any time that I've ever seen.

MR. O'HANLON: By the way, clarifying question for me. You mentioned, Chairman Thornberry, that a lot of the extra \$38 billion is in operations and maintenance accounts, but I assume by doing things that way you allowed yourself a little bit more play in the base budget for procurement. In other words, if we don't get a resolution and we go back to a CR, in addition to having to continue policies of last year, which may be in appropriate, we're also going to be at a lower level of defense acquisition. Is that a fair?

CONGRESSMAN THORNBERRY: Yes, and a lower level of operations and maintenance. Essentially, if you look at it, if sequestration kicks in and you have those across the board cuts, that is essentially the same level as a CR. So as John says, it would be devastating to any semblance of what it takes to defend the country.

SENATOR McCAIN: And please don't underestimate the affect that this has on the men and women who are serving. A lot of the really good ones and others are saying, I've had enough. They can't operate, they can't maintain, they can't do the exercises, they don't know when their next operation or exercise is. Talk to some of them, these young captains and majors and senior enlisted. They are hurting very badly and over time this is going to hurt retention of the really outstanding people that we have.

MR. O'HANLON: By the way, Bob Hale who I see in the audience has also noted that we hurt the civil service, we hurt the civilian employees with these kinds of messages as well because they are the ones who have also been furloughed and lost pay or least temporarily, and gotten a message that they weren't valued as much as they should.

I think we have time for one last question in the very back row.

MR. POLETTI: Hi, my name is Tarek Poletti, I'm with the Voice of America, the Persian Service, and my question is directed to Senator McCain. You talked yesterday about the possibility of a recommendation for a no fly zone on Syria. I was wondering whether to counter the Russian campaign there. Wouldn't that be a counterproductive with the coalition air campaign there?

And my second question is that if you are still in contact with al-Abadi government in Iraq, Prime Minister, have you recommended them to restrict the activities of General Soleimani there and whether they have come back with you with any kind of response to that?

Thank you.

SENATOR McCAIN: I've had several conversations with the Prime Minister of Iraq, but frankly I have not recently and it doesn't have to be me to carry the message of what we think of Soleimani. In a hearing before the Armed Services Committee Senator Cotton asked General Dunford how many marines and soldiers that he believed were killed by the copper tipped IEDs that I referred to

earlier that the Iranians shipped into Iraq, and General Dunford said he thought 500 were killed. I think it's a little less than that actually. So now we're seeing Mr. Soleimani flip flop, hopping around in different places, including a visit to Moscow and orchestrating activities in Iraq itself. We've come a long way. I didn't get the -- I couldn't hear the first question.

MR. O'HANLON: I think it was about Syria, right, and the no fly zone.

SENATOR McCAIN: Well, even former Secretary Clinton, as well as General Petraeus and others, have all recommended a no fly zone buffer zone for where refugees could locate, stop the barrel bombing, and an area where we could train and equip moderates. As far as I can tell almost everybody that know and respect approves of some form of that except for Susan Rice and Valerie Jarrett and Barack Obama.

MR. O'HANLON: Well, we've been very privileged to have these gentlemen here today, so please join me in a round of applause for the Chairmen. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

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