

Doing More Without More

Obtaining Efficiency and Productivity in Defense

Keynote speaker:

Dr. Ashton B. Carter, Under Secretary of Defense for Acquisition, Technology, and Logistics

6:00 p.m. – 7:00 p.m.

Tuesday, February 22, 2011

Transcript provided by:

DC Transcription – www.dctmr.com

MR. NATHANIEL FICK: Good evening everyone. My name is Nate Fick. I'm the CEO of the Center for a New American Security. And let me offer a warm welcome to everyone to this CNAS event featuring Dr. Ash Carter, the under secretary of defense for acquisition, technology and logistics, speaking on "Doing More without More: Obtaining Efficiency and Productivity in Defense Spending."

I want to thank all 500 of you or so for coming to this important discussion, but I'd like to offer a special thanks to Finmeccanica North America and its CEO, Simone Bemporad, for the generous support necessary to make this evening possible. And Simone, I hope you won't take it as a personal affront that we're not serving a vintage Barolo at the cocktail reception afterward, but this is a non-profit after all and an American one at that.

It's a special pleasure for me to introduce Dr. Carter since it wasn't all that long ago that I was sitting in this classroom as a student, a classroom that was about as crowded as this room tonight. And I know I'm not the only one in this crowd who was inspired to work in this field or to serve in public life at least in part by his example.

One of the corollary missions of CNAS is to train the next generation of national security leaders and that's one reason why Dr. Carter was such a good fit on our board of advisors before he took his current job nearly two years ago. And what a two years they've been: two wars, one winding down but one winding up; the ever accelerating pace of technological change and direct evidence each day of its impact on our nation's strategic calculus; and the inexorably dawning realization that much increased fiscal discipline is not a choice. To paraphrase Trotsky, if you will, you may not be interested in the budget but the budget's interested in you.

And one of Ash's many distinguishing characteristics is that he was present at the so-called last supper in Les Aspin's office in 1993. That dinner was made famous, among defense geeks anyway, by Norm Augustine later writing about it. He was head of Lockheed Martin at the time. And he commented to the people on his left and right at the table that evening, quote, "Next year, only one of you will be here."

That's not the case this time. The world has changed. The industry has changed. And it falls among Dr. Carter, among others, to help frame our response to this new world, aligning the needs of war fighters with the obligations to taxpayers, with the imperative of maintaining a thriving and competitive defense industrial base as a strategic national asset.

Dr. Carter has had a distinguished career in national security and academia. He's former chair of the International and Global Affairs Faculty at Harvard's Kennedy School of Government; has served on the Defense Science Board and the Defense Policy Board; co-chaired the Catastrophic

Terrorism Study Group with former CIA Director John Deutch; and served as assistant secretary of defense for international security policy during President Clinton's first term. He's also one of the relatively small number of people I would guess with degrees in both medieval history and theoretical physics.

We're truly thankful for this opportunity to host him here tonight. So please join me in welcoming Dr. Ash Carter.

(Applause.)

UNDER SECRETARY ASHTON CARTER: Well, thank you, Nate, for that kind introduction. And I also want to recognize and thank John Nagl and CNAS, recognize CNAS. Under their leadership, their fabulous leadership, CNAS has become one of the most highly regarded sources of ideas and conveners of thinkers about national security in Washington. So what you do is much appreciated and much admired.

And I now have the pleasure of working with a number of distinguished alumni of CNAS to include Michèle Flournoy, Jim Miller, Nate Tibbits, Kurt Campbell, Sharon Burke, and a number of others.

As Nate said, once upon a time he was a student of mine. And now at CNAS he's mentoring so many other bright and able and patriotic and dedicated young people to dedicate themselves to public service and especially to national defense.

And I wanted to start on that note because originally I thought this was going to be a small gathering of CNAS fellows and bright and up-and-coming younger people. And it grew in size and maybe in average age also in the weeks passing and moved over here to the Willard Hotel from CNAS. But I was going to address my remarks at CNAS to those of you who will be the future leaders of our national security community. And at the beginning, at least of my remarks, I'd still like to.

So for those of you who are CNAS fellows, first, I salute you for taking an interest in defense and I hope you'll stay with it. We really need you. And you'll find that public service is hard work and it can be frustrating and bruising, but you have the satisfaction of working for something that's bigger than yourself, and if you work in the Defense Department or any of the national security agencies, it's something even bigger than this great nation, which is the peace and security of the entire world.

So it's the mission that inspires all of us who work in national security and all of you – most

of you in this room, whether you're inside government or in industry or whatever, one way or another are contributing to national security. The mission inspires us and that's what is our best recruiting pitch.

So you all are at the beginning of your careers in this business and it's natural to wonder where it will all lead. So I thought I'd tell you that when I was starting out in the national security – but there was no CNAS. There was sort of no place to start. And for me, at least, it was all happenstance.

I was happily pursuing a career in theoretical physics and had no knowledge of or particular acquaintance with defense at all. And I was asked – it looks peculiar in retrospect now – but to take one year, just one year off and work on a problem that was at the time the big deal, which was how to – where and how to base the MX missile, 200,000 pound, 10 warhead ICBM. And the then current plan for basing MX was to base 200 MX missiles, to conceal them in 4,600 horizontal shelters in the southwest desert area.

And people were – as you might gather from that description of the then going plan – looking for alternatives. And so I was asked to join a technical group looking at alternatives for MX missile basing.

And we looked at everything that floated, flew, dug, hid, whatever, trains, airplanes. I even worked on a 14 million cubic foot helium filled airship which had we built it, would have, first of all, been the wonderment of our citizenry, I think, seeing a 200,000 pound missile floating around over them – (laughter) – but also would have been the largest airship built in this country since the Graf Zeppelin. And that particular plan was not selected, but at any rate the country moved on.

And when that project was done, I began to work on another technical problem, which was missile defense, which was the next thing that kind of came along. And people were looking at some things that didn't pan out, but that were chemical lasers, excimer lasers, free electron lasers, X-ray lasers, neutral particle beams, and these were things I knew something about and so I felt I could make a contribution.

And so I kept working in this field. And so while initially I didn't know anything about international politics or politics at all or really defense at all, I could see how important the problems were. And believe that my training would allow me an angle of attack that I could add some value. It happens that my angle of attack was a technical one. So I decided to stick with it and that's how I got into it. I'm very glad I did. And I hope, again, speaking to those of you who are fellows here, I hope you do too.

Problems you work on are compelling. The people you were with – and the department that I'm a part of now, uniformed and civilian, are just absolutely first rate. And you can return home at night and tell your family you were a part, however small, of a really great mission. So I encourage you to stay with it.

And if you do choose DOD, I hope my hosts will permit me a small recruiting pitch on behalf of Acquisition, Technology and Logistics, which is the part of the Department of Defense that I run. What do we do in AT&L – which has the longest title. My children say it's too long: under secretary of defense for acquisition, technology and logistics. They say it's too long and nobody's ever heard of it. And why can't I be CIA director or something that people would recognize and not under secretary. (Laughter.)

So what does AT&L do for those of you who are looking at possible employment in the future? Number one is support to the wars. That's job one, in acquisition, logistics and contracting. Our major acquisition programs – I'll say more about them a little later – all aspects of logistics, whether it's moving MRAPs through the ground lines of communication, coming up from Karachi and Pakistan and into Shaman and Torkham gate and into Afghanistan, or depot maintenance here in the United States of vehicles or ships or whatever – dining halls. We do it all.

Our installations are worldwide, all of our basing. We're the largest operator of real property in the world. Installations everywhere. Our technology base, our laboratories and our programs; our nuclear, chemical and biological defenses; our nuclear deterrent; missile defenses; energy; environment; a whole host of things. We're kind of the doers, the managers of the affairs of the department. Our job is to make things happen. It's a really exciting place to be. And I hope that you think of AT&L as you look out and decide what you're going to do with your careers. So, join us.

Let me touch on two subjects tonight and then I'll leave most of the time for Q&A. Our two top priorities. The first is – I mentioned already is job one everyday, the job that we wake up to, the job we go to bed with, which is ensuring that we're doing everything we humanly can to support our forces in Afghanistan, Iraq, and really around the world.

This summer witnessed a miracle of logistics, and this may be worth mentioning – just for those who don't tune in to logistics, how spectacular the performance of the U.S. logistics system was in getting into Afghanistan and out of Iraq on the timetable promised. If you look at a map and you ask where is the most god-awful place to wage a war from a logistics point of view, you would conclude, after Antarctica maybe, that Afghanistan was it.

And, nevertheless, by the end of August, the upsurge in force levels, the huge influx of

enablers to Afghanistan associated with the new forces and the forces already there and the normal rotations, all that accomplished in the spring and summer in Afghanistan despite volcanoes and floods and all kinds of other unplanned activities, truly a miracle.

A thousand MRAP ATV, all-terrain vehicles a month – not only do we produce them here and ship them to country, but manage to field them. And if you know anything about fielding things in Afghanistan – you have to fly them in, in general. Then you have to create a place for them to park, and then you have to get troops out and train them. When you create a place to park and you build the trainers, you have to get the housing for the trainers, and you have to bring that in. You have to clear the land to put the housing in, and then you have to bring in the people who build the housing, and then you have to have housing for them to live in, and so forth, and it's an and on and on and on kind of story. Nevertheless, 6,600 MRAP ATVs have been fielded so far.

ISR in Afghanistan – that is intelligence, surveillance and reconnaissance – something of critical importance, never enough of, that we are constantly struggling to get more in all kinds of innovative ways. It was about a year ago that then Commander Stan McChrystal – I remember him saying that he just never had enough, that he was only able to service 15 percent of the requests he received for full motion video from units in the field. And I thought about that and how could we possibly ever fill that gap.

And we knew that just – we couldn't just multiply by seven the number of orbits and operators of the traditional UAVs. We had to look at it in some other way. So if you go to Afghanistan today, you'll see sprouting above Forward Operating Bases (FOBs) and Contingency Operating Bases (COBs) all over the country aerostats tethered there, kind of a poor man's UAV, but good enough for a small unit. They can look out at their perimeter. They can look down the road at a town – has the market opened, who's there, is somebody burying something in the road, everybody has their own picture. And I can tell you story after story how it saved lives and made for mission effectiveness, a terrific thing.

Looking at wide area surveillance so you're not looking through one of those soda straws that the evening news helicopters have but something that is taking a picture of an entire city with high resolution and a reasonably high frame rate, sort of 15 hertz type frame rate all the time so we have a complete – you can't look at all that, but you have and you can then use it to selectively look, to backtrack events and see where they came from, so terrific.

Contracting – in Afghanistan we're doing about \$20 billion worth of contracting associated with Afghanistan, so-called contractors on the battlefield type of work, a very, very small number of contracting officers and contracting officer representatives. It is very hard to get people to go who are not uniformed, and so a very small number of people are trying to do a very – a tremendously

large amount of work under difficult circumstances and high time pressure. We're trying to support them as best we can with reach-back here in the United States, but these two projects take all kinds of form.

The Afghan security forces, they're building barracks, training bases, putting on the training programs, paying for the equipment and the salaries of the Afghan security forces, all the food and fuel and other things that our own forces need wherever they may be – we have to make sure that keeps flowing – all the way down to things like AID projects and civil reconstruction, \$20 billion which is larger than the economy of the country and, therefore, a very substantial responsibility to get right.

Now, last, you never know what will come up. Obviously, we're very concerned about IEDs. And it turns out that our best detector of homemade explosives is the dog. Dogs have spent their entire evolutionary life on nitrogenous materials and detecting them with their noses. They're exceedingly good at it. And so for someone who tries to buy airplanes and ships and armored vehicles and so forth, we're now learning how to buy dogs also, and there are various types of them. So you never know what will arise out of this need. But that is job one for us each and every day.

Job two is the management in a responsible way – and Nate touched on this – of the defense budget. And I also – I should acknowledge or compliment CNAS today did put out a study on the defense budget, which was a very timely and insightful piece of work. We're all focused on the FY-12 budget that the president rolled out a week ago. And I'd like to say something about the FY-12 budget. Before I do that, I really need to say something about the fiscal year that we are in.

It's February 22nd now and we do not have an appropriations bill for Fiscal Year '11. We're managing the department's affairs under a continuing resolution until at least March 4th. And what that means is that each and every program manager in the department is having to upset carefully calibrated plans, stop or slow activities only to restart them later, defer the commencement of important new programs, and so on. The result is not only delay. It's inefficient and uneconomical to proceed in this herky-jerky fashion. And with our programs and our procurements it's not only inefficient, it's anti-efficient. It adds a dollop of cost overhead to everything we do, like a hidden tax.

Secretary Gates has called it "a crisis on our doorstep." And I think every program manager in the department experiences that crisis in his or her program. We can only hope that we get an appropriation soon and that it meets the minimum level of \$540 billion for the base, as stated by Secretary Gates.

Turning now to the future budget starting with '12, it was in May last year that Secretary Gates began to signal loudly and clearly in his speech at the Eisenhower Library that we're entering a

new era in defense. As Bill Lynn, our deputy, says, we're at an historical "inflection point," but it is one that can be different if we manage proactively.

Secretary Gates launched something we call the efficiency initiative – no one particularly likes that name, but at any rate – to ensure the department is managing the budget in a manner that is, as he put it at the Eisenhower Library, "respectful of the taxpayer at a time of economic and fiscal distress."

Under this initiative, we were able to identify low-value added activities and overhead, \$178 billion worth overall, over the five years ahead of us, and allocate the savings to new programs, like a new bomber, more naval vessels, a new ground combat vehicle, and other military capabilities for the near and far terms. A hundred billion dollars was reallocated in this way and 78 billion dollars was allocated to top line reductions so we would not need to ask for as much money from the taxpayer in future years.

As one of the prongs of the efficiency initiative, Secretary Gates asked me as the acquisition executive for the department, to devise a plan for finding efficiencies within the \$400 billion of the \$700 billion defense budget that is my area of responsibility; namely, that is contracted out of the department for goods and services. The other \$300 billion of that \$700 billion is spent on us; that is, intramurally on the department, on the salaries of the civilians, uniformed and civilian, and their benefits, the building within which they work and so forth. But \$400 billion is contracted out.

And this led to something I call "better buying power," which was introduced by Secretary Gates and me on September 14th, and it takes the form of guidance from me to our acquisition workforce, 147,000 acquisition professionals on how they can get, as I put it, "more without more," because we're not going to have more. We're not going to have less, but we're not going to have more. We're not going to have the double-digit year on year growth that we had for the decade after 9/11. We're going to have very, very modest growth in the defense budget over the next five years. That's our plan and that's our projection. That will feel very different.

And so the 23 points – and I know this – they distributed it, you probably all have seen it – are a guide to our people for how they can deliver the program we need for the amount of money we're going to get.

The logic of it goes like this: over the last two years we've cancelled many programs that were not performing, whose time had passed, or where we'd already bought enough, more than \$300 billion worth. But most of the programs we now have underway or want to get underway are military capabilities we *do* need and *do* want and we need to get them for the money the country can afford to give us.

How can we do this? The phrase that comes to my mind – should come to all of your minds – is a phrase from economics called productivity growth. You go to the Best Buy every year and you buy a computer, you get a better computer and it costs less. So now why is it that when I go to Capitol Hill with the Joint Strike Fighter I have the same Joint Strike Fighter but it costs more every year. Well, we can't have that. And so, our first effort has to be at affordability and that has to be for the new programs we're beginning and ones that we've already begun. Let me start with the ones that we're already beginning.

I'll give – the example I'll give you is the Ohio class replacement, the SSBN-X submarine. This is the submarine that will replace the Ohio class nuclear missile carrying submarine in the decade between 2020 and 2030, a little further out. Fourteen Tridents will be retired and 12 SSBN-Xs will take their place. The reason you can have two less is that the reactors will not need to be changed out in mid-life of the submarine, new reactor design.

And those 12 submarines, when we did the first design and cost estimate for SSBN-X were coming at \$7 billion apiece. Now, if the Navy spent that much in the period 2020 to 2030 on the SSBN-X, it wouldn't be able to buy any other ships. Said differently, that ain't happening. So that – is simply unaffordable.

And rather than head down a road that was sure to lead to a broken program, we had to back up, look at the drivers of the design, where they drove cost – and they were in tube number, tube diameter, degree of stealth, flank speed, all of the things that drove the overall cost – and begin to shape the design with affordability as a requirement. And we found we could do that. The Navy's down to about \$6 billion with a target of \$4.9 billion.

And that's the kind of thing that we're going to have to do with everything that we're starting now: the new bomber that's part of the so-called family of systems for long-range strike which includes electronic attack and ISR and long-range weapons and other ingredients, such as rearward communications; the presidential helicopter which has already gone belly up once on cost grounds. The Army's new ground combat vehicle and so forth – all of the new programs that we're starting we need to start with affordability in mind and that means shaping the design from the beginning for affordability.

Unfortunately, not all of the programs we have do we get to start all over again. They are what they are. They were started, and maybe not this way and now here we are, we have them. And we need to control costs on them.

I talk about the distinction between will cost and should cost. Will cost is what lies behind

the cost estimates done by our cost estimators. They are credible and accurate cost estimates. They tell you what something is going to cost if we keep doing things the way we're doing it. This is what it will cost. And I look at those estimates and say, no. It's not going to happen with that cost estimate. So we have to ask ourselves what should it cost and is there some way we can drive cost down so that this activity or this program can survive.

A great example of that is the Joint Strike Fighter. I've already mentioned we're on the road to attempt to do that in the Joint Strike Fighter and we're going to need to do that with all our programs that are underway. Look for, aggressively identify unnecessary costs, try to drive it out of these programs.

Another big driver of efficiency, of course, is competition. We try to use competition as creatively as possible. One example, recently in the case of Littoral Combat Ship, two different sea frame makers asked to prepare bids for a subsequent buy of the ships. When we first got those bids in, the numbers in those bids suggested to me that both shipbuilders believed that they were entitled to build each ship for us. And so we said, well, this strategy isn't working out. And so we decided to change the plan and say, only one of you is going to win, so go back, give us a bid for 10 ships on the assumption that only one of you will win. And while you're at it, give us a so-called technical data package, which will allow us later to compete your own ship down the road. So we'd have two stages of competition, in this first head to head and then again later.

We got the bids back and guess what? Bids were substantially lower because the people preparing them had been able to examine their costs and think of plausible ways that they could reduce those costs. And of course they'll have to stick with those costs, as projected.

Those two bids were so attractive that we decided we'd buy all 20. It was a great deal. So now we're going to buy 20 Littoral Combat Ships. So we're looking for that kind of competition, what Secretary Gates calls real competition. He does that to contrast it with what he calls Washington competition, which is a competition in which he says everybody wins, and that's the context in which we're – and he in particular has emphasized a disinclination to pursue a second engine for the Joint Strike Fighter.

So we're always looking for competition. We look for what I call competitive strategy. You can't always have head-to-head competition. That's just not possible for us. So you have to look at other ways of having and harnessing the power of competition, just like you can have racers that are racing against one another or you can have racers that are racing against the clock all by themselves. You can have a competition for profit. That's what certain contract structures do. They create an incentive for the performer of the work to drive costs out because they get to save half, in general, a

fair portion, of whatever savings they're able to realize. And the government gets the other half. Everybody's incentives are in the right position.

So these are some of the ways that we're trying to look at better buying power and getting more without more.

I could go on. We look at our services spend. I've talked about goods. Services are the other half of our spending, \$200 million a year in services from lawn mowing to maintenance to professional services to medical services to IT services, and so forth. We're doing a lot to improve our tradecraft there. None of this, none of this good tradecraft means anything without good people doing it. In our acquisition cadre, we over-steered some years ago and we're trying to rebuild the numbers and the skill sets that are in the acquisition workforce. These are engineers, pricers, contracting officers, and so forth, who make all of this possible.

And that gets back to you, you fellows of CNAS. We need you – all of these projects are incredibly important, whether they're in Afghanistan or back here, whether they're goods, whether they're services and being part of the management of them and delivering for the taxpayer and war-fighter what they need, with the resources the country can afford to pay, it's a great mission. And so once again, any of the fellows of CNAS who are interested in a career in this area, I'd love to talk to you and I hope you stick with it.

At that point, let me stop and take some questions.

(Applause.)

MR. FICK: I want to thank Dr. Carter for his remarks. I had to admire his deft touch, starting with those lobbed soft balls across the plate sort of talking about young people in public service, and then winding up to some 90-mile an hour fast balls and I have no doubt that he has catalyzed the conversation here.

I have benefited from watching him moderate enough discussions at the Institute of Politics at the Kennedy School to have absorbed, I think, three of his ground rules. And they are first, please identify yourself. Second, wait for the microphone. And third, we prefer the questions to be short and end in a question mark. So with that, the floor is open, and I'm going to give them the hook at seven o'clock. So we have about 25 minutes.

Yes. Ennis.

Q: Yes, sir, Ennis Parker, Lieutenant Commander, U.S. Navy and military fellow at CNAS. You talked about competition and I think used the LCS as an example. I wonder if you could talk about that, though, in the context of also maintaining a robust defense industrial base because I think competition also tends to drive companies out of business, and the defense base is a valuable resource.

MR. CARTER: This is a great question and of course, the shipbuilding is a particularly difficult example of that because there are so few shipyards in the United States that build military ships and so we're constantly trying to keep the competitive spirit alive, but also make sure that we retain in business enough shipyards that we can get done what we get done.

Now, of course, some models, like aircraft carriers, it's unrealistic for us to have two yards, both making aircraft carriers. And in cases like that, your competition is more like the competition against the clock than it is a race one against the other. And that's a way we can decide to seek value in those circumstances.

More generally, you have a very good point about the industrial base. And a couple of things about that, I've been giving speeches about that over the last few weeks because that's an important consideration of ours. And you really got to start with the fundamentals here, which is – and I'm not sure how much the public at large appreciates the way we do things in this country, but we don't make anything in the Defense Department. The Pentagon doesn't make anything. All of the weapons systems and equipment that makes us the best military in the world and which is next to our people our greatest asset – our people in uniform, our greatest asset as a military, are made in industry.

And so the defense industry and its technological health and vitality is a national asset. And so we take an interest in its long-term health. And in that sense, we have – that is the taxpayer and the war fighter whom I represent – have the same interests as the long-term shareholder in the defense industry, but not the near term, not the short-term shareholder. We're in it for the long run. This country is going to be in it for the long run.

So I try to follow that thought to what our policies toward the industrial base because the industrial base is going to be changing, too, and as we change in defense, they will change as well. And that's fine. And most of that happens sort of automatically through economic forces and market forces. There are occasions, however, in which we will become concerned for competitive or other reasons, and so we do have some right and left hand limits. And we require from industry the transparency that allows us to evaluate whether things are within those right and left hand limits.

And I gave a speech a few weeks ago, I won't go through all that, which sort of delineates what those right and left hand limits are from the Department's point of view. It's very important.

MR. CARTER: Yes, sir.

Q: Good evening, sir. Thank you. Don Lauren (sp), another former naval officer. The processes developed – the acquisition processes are developed over the years to be fair, to bring appropriate evaluation, and to be very methodical. And it has morphed into taking 15 years from conceptualization to actually breaking the bottle of champagne over the stem of the ship. Granted that if we have to have the proper oversight and granted that we have to allow for congressional interaction, what can we do, what are we doing to ensure that we're capitalizing on – well, moment initiatives like spiral development, but to ensure that Moore's law doesn't overcome the length of the acquisition process.

MR. CARTER: It's a great question. And the thing is so cumbersome. I have – did some with the secretary the other day. I was talking to him and I opened on his desk this huge chart that maybe some of you have seen, which is the acquisition system. They train people in this. And at the top is the requirements process, in the middle is the acquisition process, down below is the budgeting process. And there're all these little blobs on it and arrows and so forth. And all the gates you need to get through. And I said, you know, Mr. Secretary, I'm sure that this is – you have a hard time remembering it. (Laughter.) So I put it on this handy pocket guide for you and anytime you get confused, you can just take thing out.

No, it is a system that is inexcusably complicated and debilitating in two ways. The first is the way you said; namely, it wastes money. It makes the people performing work do things that are not economically efficient. And it does add time. Time is – we all know that cost, schedule, and performance are the three variables in any program. Schedule is the hidden killer in acquisition because if you have something that takes 11 years and not 10 years, you can bet it's 10 percent more expensive because the same people are going to be working on it for yet another year. Most of these things are level-of-effort kinds of things. So the longer it stretches out, the more you pay. And so you look at a program – and I did – in this – just every day. I say why on earth is it going to take 15 years to do this?

I was down in Singapore a little while ago. They just put a whole new waterfront up in less than a year. Why – 15 years to do that? Why? It's just we're in the habit of taking forever, and forever costs an awful lot. And the place that really kills us is in war support. And that's something I struggle with every day. Secretary Gates is just – when we hired me for this job, he said, "The troops are at war. The Pentagon is not, especially your part and you got to fix it." And it's – you have to – whether it's – they ask for something in Afghanistan and then it comes in and people pour

over it – he asked for it. He’s there. Presumptively, we should just do it. And then you have to get through the acquisition system. You have to get the budgeting system. We are now, I should mention again – we have reprogrammings pending on the Hill in this terrible budget climate. These are reprogrammings that will allow us to proceed with fielding equipment that is needed in Afghanistan.

Every day that money is not available is a day I can’t put something on contract and start delivering something to people who need it. And unfortunately almost everything I do associated with the war has to be done outside the system and hotwired. And that shouldn’t be that way. And it doesn’t stop us from doing it. But it means that it’s a whole lot of perspiration and not much inspiration to get these things done. You make 10 calls. You call people and say, “do you know that sitting on your desk is a request for so and so?” This isn’t something ordinary. This is something that can turn the tide in a very difficult circumstance. We may not have that much time. And every week, every month counts hugely. And you can’t just treat it like you treat everything else.

MR. FICK: So we’re also taking questions via Twitter. And dispersed among rants against Muammar Gaddafi, we have a few here that are relevant –

MR. CARTER: Oh, great, you’re not kidding.

MR. FICK: – and they have the benefit of being very short, only 140 characters long. So is the U.S. willing to relax export rules?

MR. CARTER: Not only willing. I think the answer is determined from the president on down. Certainly I can speak for Secretary Gates, but I think Secretary Clinton said the same thing. Export control system is a little bit like the acquisition system, grown up over time, checks and balances and then balances and checks on the checks and balances on the checks and balances and so on until you got this huge sort of coral reef of little things. And it’s got to go.

My colleague, your former founder, Michèle Flournoy and Jim Miller also have been working very ably on this. It’s important in so many ways. Obviously it’s important to protect our security.

Exports are important to us for two reasons. They’re economically important to us and they are also important because they build the military capacities of international partners, which means they can assume burdens that we will not have to assume. So it’s in our interest to make this possible. And when we make it difficult for people, they just give up and go somewhere else to get the equipment they need.

MR. FICK: I think back behind the column here. Tony.

Q: Tony Capaccio with Bloomberg News. You've got an upcoming tanker decision coming. And you're talking about forever costing a lot.

MR. CARTER: No, no, nothing to add on tanker. Zero to add on tanker. Tanker is in source selection.

Q: Well, what are the one or two differences between this source selection and the 2008 source selection –

MR. CARTER: Nothing to add on tanker, Tony. I'm sorry.

Q: – all right.

MR. CARTER: Tanker is in source selection.

MR. FICK: I'll just pull you back out of view there behind the column. (Laughter.)

Q: My name is John Gardenier and I'm continuing the trend. I'm a retired naval officer, intelligence. I remember back to the 1980s when we of course made the mistake of abandoning the war after we had won it and wouldn't put even a million dollars into schools or infrastructure for the Afghans. The Congress seems determined to follow the same identical path again. I'm wondering, have you given any thought to what we can do to build up the Afghani and coalition partners to take leading roles in that area, so that we won't be dependent on our Congress to do that?

MR. CARTER: I think that is the end state that we all are seeking is one in which we do not bear that burden. That's the reason why we're working so hard to build up the Afghan police, the Afghan army, the border patrol. That's a very – that's a huge task, very difficult thing to do.

One has to recruit, motivate, train, lead a very large force in a complex country that has lots of diversity in it. And so you can't have people from the north necessarily patrolling the street of Kandahar. You have to be sensitive to regional differences. And so that is a really enormous effort right now and I – as the guy down in the engine room, I'm not on the bridge, I'm down the engine room, we're building the barracks and all that stuff and the training ranges and so forth for the Afghan security forces.

As far as the coalition partners are concerned, we have a great number, great variety of coalition partners and much could be said about them. Number one is to say thank you to them for

being part of this enterprise, but we work and shoulder to shoulder with them every day. I think we share tactical information to an unprecedented degree with our coalition partners. And you go into a operation center and maybe you all have done this, but anywhere in Afghanistan, you run into all kinds of uniforms. Those of us who are together in this really are together. We've been trying to provide equipment, where we might have something that's valuable to our coalition partners. That includes MRAPs, the vehicles I spoke of, which provide protection against improvised explosive devices, and so forth. And so we're trying to make them as safe but as capable as they can. So that is the main effort.

MR. CARTER: Yes. Yes, ma'am.

Q: Thank you. My name is – (inaudible). I'm with Chinese Media Net. My question is two weeks ago, Assistant Deputy Secretary of Defense Robert Scher he said the U.S. is going to increase its deployment in Asia-Pacific in order to secure its permanent footprint. I wonder if – are you concerned that with spending saving is it going to hinder U.S. competitiveness in Asia-Pacific? Thank you.

MR. CARTER: No. It's not. In fact, some of the savings that came about in the course of the efficiency initiative, the point of those was some of that will return to the Treasury, as I explained, but most of them were reinvested in the Defense Department in real – that's how we're able to start new programs like the Long Range Bomber. And so our modernization plans are actually enhanced by better management of the defense dollar.

Specifically for Asia-Pacific, I was just out there a few weeks ago, just to tell you some of the things that are going on out there. I was on – I was at Guam. We've got an enormous amount of activity there. Those of you who remember Anderson Air Force Base in the northern end of Guam, a lot of work going on there, Global Hawk has arrived at Anderson. Down at the naval base in the southwest, a lot of modernization going on. The port area considering carrier berthing in that port for the first time. In between, up on the west coast is where the Marines will be relocated from Futenma, Okinawa in Japan. We're building the installations there and the test ranges and so forth – all that in Guam.

Then I went to Korea, where we're repositioning the forces that at the end of the Korean War ended up there along the DMZ, now south of the Han River to Camp Humphreys, where we're building a city for 60,000 people. Another big project there again, so that there can be permanent – in this case, accompanied tours for service people on the Korean Peninsula, up to Japan, for Futenma.

Then I was in Alaska, at Fort Greely, our missile defense site, and our air bases there, from which we would – could move forces into the Pacific region if there was an emergency there. In another week and a half, I'll be going off again to India, Australia, Thailand. And so there's an enormous amount of activity there.

People think we're focused only on the CENTCOM area of operations just isn't so. We're acting in the Asia-Pacific. We have interests there. We've been the pivotal military power in that part of the world for a long time, to the good of all in that region and we're going to continue that.

MR. FICK: We're going to try to get two more questions into the few minutes we have remaining. So I'm going to ask these two gentlemen. And Travis Sharp, please go ahead – back to back and then Dr. Carter over to you to conclude. Thank you.

Q: John Parmentola. In regard to affordability, a lot of what you described is what I would call more the downstream aspects of technology development. If we – many of these projects, in my opinion, fail because we lack knowledge and a better understanding and predictability of what we can do. Could you comment on how science and technology, which is another aspect of the budget where the dollars are not as large, but the impact, if we spend them properly, can save us money downstream with greater predictability? I wish you'd comment on it.

MR. CARTER: Thanks, John.

Q: Travis Sharp, CNAS. Dr. Carter, as you mentioned, one of the great things about the efficiency initiative is that it frees up funding for modernization. We've talked about the long-range strike piece of that. I've also noticed ISR and cyber security continue to be two areas of emphasis for the Department. So could you share with us a little about what the Department is doing in those areas over the next few years? Thank you.

MR. CARTER: Sure. Absolutely. Thanks for the question about science and technology. John's a brother physicist, so I'm – you know I like that subject. And it just so happens that Secretary Gates does, too. I think for one thing, he was the president of a research university and he understands the value of research. He understands the dynamics of research. He understands the fruits of research. And that's as important to defense today as it has always been. And so the health of the technology based, the investments we make are very important. It's harder to place your bets now than it was in the Sputnik era because we're a piece of the global technology base, but the commercial and global part is so much larger than it was when the defense technology base was the largest single chunk of the world's technology effort. No longer, so we need to pick and choose.

We need to keep the investment level up, especially in a time when we're not going to be able to spend money on everything we can think of. We need to keep the mental process going. So we're going in one of those periods where science and technology becomes more important, not less important. And it's a much more demanding mission than it was for my predecessors decades ago, when you kind of owned the field. You no longer do in the modern world in your – the ecology of the science world is very different.

ISR and cyber, absolutely, they're two areas of importance and innovation. It's hard to narrow it down in the ISR field because the ISR field is like the IT field or something. There're so many new apps going around. There're so many sensors, there're so many new ways we're learning how to use sensors, how to layer one sensor's data on top of the other. We're doing this every day. The wars are the principal teacher here. And much more than charts, futurism, transformation, and all this stuff, the wars drive innovation and change – of necessity.

So we've learned so much about how to use the ISR data and use new kinds of sensors. And I could just go on and on and on, all the new things that are going on. Almost all of them, when we think of them, are flying now in Afghanistan. It's certainly remarkable.

And cyber, absolutely, incredibly important, a lot of awareness of that and making investments, both in expanding best practices to all of our information systems and expanding our concept of what best practices is because best practices, if we straight-line it, is – creates an indefensible sort of Maginot Line kind of thing. We need to be creative about how we think of cyber security in the future. And that gets us back to John's point early about science and technology.

In fact, one of our major investments this year is in a – in our – in research efforts, so that we could diversify the sources of – this is a sensitive area, so things tend to get restricted and compartmented in it, but when you do that, you're in danger of creating a monoculture of a single mindset on a problem. And so we need to make sure that we're keeping competitive ideals alive, even in this very sensitive area. And that's the purpose of the \$500 million investment add-on you saw on cyber, is to make sure that we were – that we didn't have a monoculture in any of our areas of cyber.

MR. FICK: Dr. Carter, thank you very much for a conversation that was candid and wide-ranging.

(Applause.)

MR. CARTER: Thank you.

(Applause.)



MR. FICK: And if I could add only one postscript before we adjourn to the bar, the Better Buying Power Initiative documents and the industrial policy speech along with the transcript of this evening's comments will be on our website at cnas.org.

Thank you all. Good night.

(Applause.)

(END)