

**SECRETARY OF DEFENSE JIM MATTIS  
HOUSE ARMED SERVICES COMMITTEE  
WRITTEN STATEMENT FOR THE RECORD  
THURSDAY, APRIL 12, 2018**

Chairman Thornberry, Ranking Member Smith, distinguished members of the committee; I appreciate the opportunity to testify in support of the President's budget request for Fiscal Year 2019. I am joined by Chairman of the Joint Chiefs, General Dunford, and the Department's Comptroller/Chief Financial Officer, Mr. David Norquist.

I am now in my second year as Secretary of Defense. With your help, we have made steady progress during the past 14 months.

In January, the Department published the 2018 National Defense Strategy – the first national defense strategy in a decade. Framed within President Trump's National Security Strategy, the 2018 National Defense Strategy provides clear direction for America's military to restore its competitive edge in an era of reemerging long-term strategic competition. The Department next released the 2018 Nuclear Posture Review which calls for America's military to provide a safe, secure, and effective nuclear deterrent that is "modern, robust, flexible, resilient, ready, and appropriately tailored to deter 21<sup>st</sup> century threats and reassure allies."

In South Asia and Afghanistan, uncertainty in the region has been replaced by the certainty of the Administration's South Asia Strategy. Concurrently in the Middle East, we have dramatically reduced ISIS' physical caliphate, using a coordinated, whole-of-government approach that works "by, with, and through" our allies and partners to crush ISIS' claim of invincibility and deny them a geographic haven from which to plot murder.

Last month, thanks to the bipartisan support and political courage of Congress, President Trump signed an omnibus spending bill that funds the government for the remainder of the fiscal year. This law – along with the two-year budget agreement passed as part of February's Bipartisan Budget Act – finally freed us from the inefficient and damaging continuing resolution in 2018, providing the funding needed to start implementing the 2018 National Defense Strategy.

We in the Department of Defense (DoD) are grateful to the American people for their sacrifices on behalf of military readiness and for the priority given the military at a time when numerous competing demands must be met by our government. We recognize and embrace our responsibility to gain full value from every taxpayer dollar spent on defense. As such, every decision we make will focus on lethality and affordability as we rebuild readiness and provide the combat capabilities required for our Nation's security.

I want to thank this committee for your strong spirit of bipartisan collaboration. We continue to implement the range of reform initiatives directed by the 2017 National Defense Authorization Act. For example, your establishment of Under Secretaries for Research and Engineering and for Acquisition and Sustainment is already paying dividends in current and future readiness. This change—and others called for by Congress in its oversight role—sets the right course and we are aggressively implementing them.

While our trajectory is going in the right direction, our work has just begun. This is a year of opportunity and a chance to build on a strong start as we turn the 2018 National Defense Strategy into action. Continuing our close collaboration will address our security challenges, thereby enhancing the protection of our way of life. Initiatives such as codifying reform efforts to further streamline the defense acquisition process and employing feedback loops to reduce the number of Congressionally-mandated annual reports are areas that need our combined attention.

## **STRATEGY-DRIVEN BUDGET**

The DoD's Fiscal Year (FY) 2019 budget is the second complete budget request from President Trump's administration. This budget will provide the resources necessary to fulfill DoD's requirements to meet the National Security Strategy's four vital national interests:

- Protect the American people, the Homeland, and the American way of life,
- Promote American prosperity,
- Preserve peace through strength, and
- Advance American influence.

The DoD FY 2019 base budget requests the resources necessary to fulfill the Department's enduring mission to provide the combat-credible military forces needed to deter war and, if deterrence fails, win in the event of conflict. Our armed forces reinforce America's traditional tools of diplomacy, ensuring that the President and our diplomats negotiate from a position of strength.

The 2018 National Defense Strategy provides clear strategic direction for America's military to reclaim an era of strategic purpose. Although the Department continues to prosecute the campaign against terrorists, long-term strategic competition – not terrorism – is now the primary focus of U.S. national security.

Nations as different as China and Russia have chosen to be strategic competitors as they seek to create a world consistent with their authoritarian models and pursue veto power over other nations' economic, diplomatic, and security decisions. Rogue regimes like North Korea and Iran persist in taking outlaw actions that undermine and threaten regional and global stability. Additionally and despite our successes against ISIS's physical caliphate, violent extremist organizations continue to sow hatred, incite violence, and murder innocents.

Due to our open, multi-cultural, democratic society and strengthening economy—more than any other nation—America can expand the competitive space, challenging our competitors where we possess advantages and they lack depth. In order to restore our competitive military edge, the FY19 budget funds our defense strategy's three overarching lines of effort to:

- build a more lethal force,
- strengthen traditional alliances while building new partnerships, and
- reform the Department's business practices for performance and affordability.

### **Build a More Lethal Force**

The Department's policies, expenditures, and training must contribute to the lethality of our military. We cannot expect success fighting tomorrow's conflicts with yesterday's thinking, weapons, or equipment. As General Washington said during his first State of

the Union address, “to be prepared for war is one of the most effectual means of preserving peace,” and a lethal military arm will enhance our diplomat’s persuasiveness.

The paradox of war is that an adversary will move against any perceived weakness, so we cannot adopt a single, preclusive form of warfare. Rather, we must be able to fight across the entire spectrum of combat. This means the size and composition of our force matters, and the Nation must field sufficient, capable forces to deter conflict. If deterrence fails, we must win. In today’s environment we are determined to maintain a credible nuclear deterrent so these weapons are never used, and a decisive conventional force that includes irregular warfare capability.

Our military remains capable, but our competitive edge has eroded in every domain of warfare – air, land, sea, space, and cyber. The combination of rapidly changing technology, the negative impact on military readiness resulting from the longest continuous period of combat in our Nation’s history, and a prolonged period of unpredictable and insufficient funding, created an overstretched and under-resourced military. The FY 2017 Request for Additional Appropriations and FY 2018 Omnibus Appropriation provided the funding needed to address immediate readiness shortfalls and accelerate modernization programs in a sustained effort to solidify our competitive advantage. As indicated below in Figure 1, America can afford survival. The FY 2019 strategy-based budget is affordable and will continue to enhance U.S. military capabilities, but the budget can only be fully effective if passed on time, not later than October 1<sup>st</sup>.

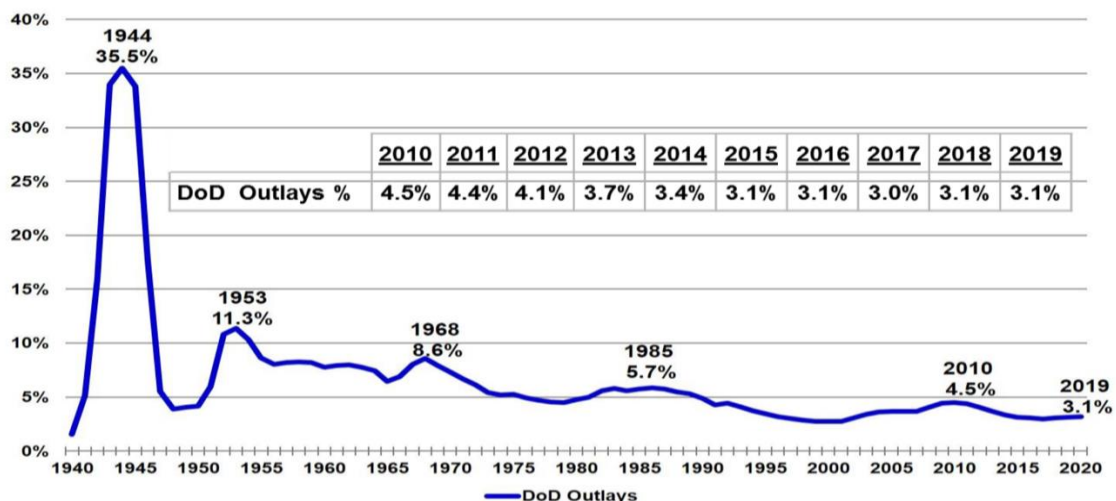


Figure 1. Defense outlays as a percentage of gross domestic product (FY 1940 – FY 2023)

The National Defense Strategy prioritizes major power competition and, in particular, reversing the erosion of U.S. military advantage in relation to China and Russia. The FY 2019 budget request invests in key capabilities to implement the National Defense Strategy through:

- modernization of nuclear deterrence forces and nuclear command, control and communications (NC3) capabilities;
- additional missile defense capabilities;
- modest increases in end strength for Army, Navy, Air Force, and Marine Corps;
- a 2.6% military pay raise;
- continuing increased procurement of certain preferred and advanced munitions;
- acquisition of 10 combat ships and 8 support ships;
- continued production of F-35 and F/A-18 aircraft;
- increasing funds to enhance communications and resiliency in space, and;
- investment in technological innovation to increase lethality, including research into advanced autonomous systems, artificial intelligence, and hypersonics.

As noted earlier, one of the key elements of the 2018 National Defense Strategy is to ensure America's military provides a safe, secure, and effective nuclear deterrent that is fit for our time.

The global situation is sobering. Russia is modernizing its full range of nuclear systems while espousing a theory of nuclear escalation in military conflict. China, too, is modernizing and expanding its already considerable nuclear forces, pursuing entirely new capabilities. China is also modernizing its conventional military forces to a degree that will challenge U.S. military superiority. While recent events have given rise to a sense of positive movement, North Korea's nuclear provocations threaten regional and global peace and have garnered universal condemnation by the United Nations. Iran's nuclear ambitions also remain an unresolved concern. Globally, nuclear terrorism remains a tangible threat.

The recently completed 2018 Nuclear Posture Review reaffirms the findings of previous reviews that the nuclear triad—comprised of silo-based intercontinental ballistic missiles, bomber aircraft, and nuclear-armed submarines—is the most strategically sound means

of nuclear deterrence. Given the range of potential adversaries, their capabilities and strategic objectives, the review calls for a nuclear deterrent fit for its time—a tailored and diverse set of nuclear deterrent capabilities that provides a flexible, tailored approach to deterring one or more potential adversaries.

Deterrence exists in the mind of an adversary. Given today's complex security environment and the dynamics of deterrence, our Nuclear Posture Review introduces two supplemental nuclear capabilities to strengthen our deterrent stance. Both capabilities deny any adversary the confidence that limited nuclear use can provide an advantage.

First is the near-term modification of a small number of existing submarine-launched ballistic missile warheads to reduce their yield. From submarines this provides a survivable capability to credibly hold at risk heavily-defended targets, which an adversary might believe could be successfully defended against current air-delivered nuclear weapons. This is consistent with the New START Treaty and does not increase the number of deployed U.S. strategic nuclear weapons. It counters any misconception on the part of Russia that they could escalate a conventional war through the use of a low yield weapon and we could only respond with a high yield weapon, which they calculate we would not do. In terms of deterrence, this submarine-launched low yield weapon gives us an option other than surrender or suicide, thus strengthening our deterrence to adversary use of nuclear weapons.

Second is the pursuit of a nuclear sea-launched cruise missile. This is not a new or novel capability. The U.S. had these weapons for decades before dismantling them after the Cold War. If we subsequently choose to go into full production, this INF Treaty-compliant capability will close a capability gap. Currently this effort is meant to incentivize Russia to return to compliance with its obligations under the INF Treaty.

These capabilities do not lower the nuclear threshold. Rather, by convincing adversaries that even limited use of nuclear weapons will be more costly than they can tolerate, it raises that threshold.

Preserving this range of options requires the recapitalization of our Cold War legacy nuclear deterrent forces as initiated during the previous Administration. **Modernizing the Nation's nuclear deterrent delivery systems**, including our nuclear command and control, is the Department's top priority, and these programs are fully funded in the FY 2019 budget. Most of the Nation's nuclear deterrence delivery systems, built in the 1980's or earlier, reach the end of their service life between 2025 and 2035, with all currently-fielded systems extended well beyond their original service lives. Replacement programs are underway to ensure there are no gaps in capability when the legacy systems age out.

Investments include the Ground Based Strategic Deterrent system; COLUMBIA-class ballistic missile submarine; Trident II submarine-launched ballistic missile service life extension program; B-21 Raider strategic bomber; replacing the air-launched cruise missile with the Long-Range Standoff weapon; and B61 Mod 12 life extension program to consolidate four legacy B61 variants into a single variant for carriage on heavy bombers and dual-capable aircraft.

Our modernization estimates align with a recent Congressional Budget Office report that estimated \$1.2 trillion to (1) modernize and (2) operate our nuclear deterrent forces over 30 years when combined with the costs incurred by the Department of Energy to develop and sustain the warheads. However, the cost of our nuclear modernization program is significantly less than the cost of failing to deter war by underinvesting in these capabilities.

Nuclear deterrent forces, along with our conventional forces and other instruments of national power, help deter aggression and preserve peace. Our goal is to convince adversaries they have nothing to gain and everything to lose from the use of nuclear weapons. I note again that our deterrent stance does not lower the nuclear threshold, and it remains U.S. policy to consider employing nuclear weapons only in extreme circumstances to defend the vital interests of the United States, its allies, and partners.

The 2018 Nuclear Posture Review reaffirms the mutually reinforcing role of nuclear deterrence in a complex and dynamic security environment and continued U.S.

commitment to non-proliferation, counter-nuclear terrorism, and arms control. The United States remains committed to its global leadership role to reduce the number of nuclear weapons, and to fulfill existing treaty and arms control obligations, including the New START Treaty. While Russia and U.S. both met their agreed New START strategic weapons reduction requirement on time, Moscow has violated the Intermediate Nuclear Forces (INF) Treaty over the past several years. While our intent is to bring Russia back into compliance, the duration of Russia's INF violation illustrates the challenging environment for progress in arms control efforts and undermines U.S. confidence in Russia as a reliable treaty partner.

The FY 2019 budget funds **enhancements to U.S. missile defense capabilities** to defend the homeland, deployed forces, allies, and partners against an increasingly complex ballistic missile threat. In accordance with the soon-to-be-released 2018 Missile Defense Review, this budget requests continued robust support for missile defense capacity and capability to keep pace with advancing threats. The budget includes \$12.9 billion for missile defense, including \$9.9 billion for the Missile Defense Agency. The Department will develop an additional missile field in Alaska and increase the number of operational deployed Ground-Based Interceptors to 64 missiles as early as FY 2023. While our efforts remain focused on increasing interceptor capacity in Alaska, the Department has completed environmental impact studies for four possible ballistic missile defense sites on the East Coast should the Iranian ICBM threat materialize.

The FY 2019 request will continue development of the Redesigned Kill Vehicle to address the evolving threat along with development of a 2<sup>nd</sup> / 3<sup>rd</sup>-stage booster selectable capability to expand battlespace for ground-based interceptor engagements for homeland defense. The budget also uses available technology to improve existing sensors, battle management, fire control, and kill vehicle capabilities to include a Long-Range Discrimination Radar in Alaska, a Homeland Defense Radar in Hawaii, and an additional Medium Range Discrimination Radar in the Pacific.

For regional missile defense capabilities, the FY 2019 budget request supports improved missile defense capability on the Korean peninsula; provides funding for development of advanced missile defense technologies to counter future threats; supports the Aegis



Ashore site in Romania and deployment of a second site in Poland as part of NATO's Ballistic Missile Defense architecture; increases BMD capability and capacity of the Aegis fleet; integrates SM-3 Block IIA into the Aegis weapon system; provides funding for Terminal High Altitude Area Defense (THAAD) development efforts and software upgrades; and continues support for Israeli Cooperative BMD Programs, including the Iron Dome system to defeat short-range missiles and rockets, and co-development/co-production of the David's Sling Weapon System and Arrow-3 System.

**Modest increases in end strength for the Army, Navy, Air Force and Marine Corps** are critical to restoring readiness. DoD's FY 2019 budget funds a total end strength increase of 25,900 as depicted in figures 2 (Active Force) and 3 (Reserve Force) below.

Service	FY 2018*	FY 2019	Delta (FY18 – FY19)
Army	476.0	487.5	+11.5
Navy	327.9	335.4	+7.5
Air Force	325.1	329.1	+4.0
Marine Corps	185.0	186.1	+1.1
<b>TOTAL</b>	<b>1,314.0</b>	<b>1,338.1</b>	<b>+24.1</b>

Figure 2. Active Component End Strength (in thousands) \*FY 2018 reflects the PB request

Service	FY 2018*	FY 2019	Delta (FY18 – FY19)
Army Reserve	199.0	199.5	+0.5
Navy Reserve	59.0	59.1	+0.1
Air Force Reserve	69.8	70.0	+0.2
Marine Corps Reserve	38.5	38.5	--
Army National Guard	343.0	343.5	+0.5
Air National Guard	106.6	107.1	+0.5
<b>TOTAL</b>	<b>815.9</b>	<b>817.7</b>	<b>+1.8</b>

Figure 3. Reserve Component End Strength (in thousands) \*FY 2018 reflects the PB request

Our joint culture remains one of our military's greatest strengths, and a force multiplier on the battlefield. Each service's manpower needs remain unique to their specific missions. For example, the Army will continue to rebuild manpower readiness with a new "Sustainable Readiness" force generation model, making greater use of Reserve forces, updating the force structure model, and providing greater home station training against a

broad range of threats. The Navy will ensure Sailors with the right skills are assigned to the most appropriate jobs, using the increase in end strength to reduce identified gaps in critical manning areas. The Marine Corps will implement a 1:2 deploy-to-dwell ratio for active duty forces, providing more recovery time between deployments and for home station training. The Air Force is closing gaps in aircrew and skilled maintenance personnel, targeting their increased personnel to get more planes in the air.

Increasing lethality requires us to change our approach to talent management. We must reinvigorate our military education and training, and hone our civilian workforce's expertise. The creativity and talent of the Department is our deepest wellspring of strength and warrants greater investment. The FY 2019 budget will continue to invest in the military's most important asset—its warfighters—with a **2.6% military pay increase**. This pay raise and the increase in manpower will improve readiness and lethality by reducing personnel tempo and retaining skillsets like cyber, electronic warfare, and special operations. With changes to our forces' posture, we will prioritize for warfighting readiness in major combat, making us more strategically predictable and reliable for our allies but operationally unpredictable to any adversary.

The U.S. Military's predominant mission is to be prepared to fight and win our Nation's wars. No human endeavor is more demanding physically, mentally, and emotionally than the life and death struggle of battle. High standards for military service are designed to ensure our military remains the most professional and lethal force in the world. While not everyone in the military sees combat, every Soldier, Sailor, Airman and Marine must be physically and mentally qualified and prepared to endure the hardship of war, for the U.S. military to carry out its demanding missions.

Acknowledging that infantry units take over 80% of combat casualties, the Department's Close Combat Lethality Task Force is integrating human factors and technology to ensure our forces retain their hard won superiority in battle. We will expose troops to as many simulated tactical and ethical challenges possible before they see combat, ensuring that their first time in combat doesn't feel like their first time in combat. The Task Force will also provide recommendations regarding the fundamentals of performance, including physical fitness and nutrition standards. The end result is to

ensure that U.S. close quarters battle is conducted in a way that ferociously destroys the enemy's spirit and brings back as many as possible in top physical and mental shape.

To ensure the most lethal and effective fighting force in the world, the Department maintains high mental, physical, and behavioral standards. These necessarily high standards mean that 71% of young Americans (ages 17-24) are ineligible to join the military without a waiver. The Department's detailed 44-page report thoroughly explains why and under what circumstances transgender persons without gender dysphoria can serve, and why transgender persons with gender dysphoria cannot, except in limited circumstances. I'm confident that my recommendation to the President is in the best interests of the military and is consistent with the Constitution. The report also explains why transgender persons who entered under the prior administration's policy will be retained. The Department will continue to comply with the court orders that require the accession and retention of transgender persons until this issue is fully resolved, and I must remain careful with my comments on this matter while it is in active litigation.

**Continued increased procurement of preferred and advanced munitions** is necessary due to ongoing operations in the Middle East and the need for war reserves. Specifically, the DoD has expended a significant number of munitions, primarily to defeat Islamic State of Iraq and Syria (ISIS). Many preferred munitions are precision-guided, low-collateral damage munitions, used by all Services and by U.S. allies. Addressing the Department's need to maintain critical munition inventories, the FY 2017 and FY 2018 funds you provided have strengthened the Department's lethal posture, enabling our industrial base to increase production capacities. The FY 2019 budget provides \$4.4 billion to continue to procure munitions at maximum production capacity, lowering the price for each unit and ensuring greater buying power for those munitions as we rebuild our war reserve.

The United States remains the world's preeminent maritime power. During peacetime and in times of conflict, Sailors and Marines are deployed at sea, enabling forces to arrive sooner and remain longer, while bringing everything they need with them. These forces reassure allies and temper adversaries' designs. The U.S. Constitution vests Congress with the authority to "provide and maintain a Navy," and the FY 2019 budget

provides \$23.7 billion to **fund 10 combat ships and 8 support ships**. These funds arrest the downward trajectory of the Navy's size and lethality. Consistent with the National Defense Strategy, the Fleet will continue to grow to meet capabilities needed in the future and to maintain an industrial base healthy enough to adapt and evolve in a dynamic environment. The FY 2019 budget provides for a deployable battle force of 280 ships growing to 355, supporting the requirements to respond to persistent and emerging threats. We are also increasing near-term capacity by investing in service life extension programs for six guided missile cruisers (adding five years of service life) and one Los Angeles-class submarine (extending service life by 11 years). We are committed to expanding the Navy while making it fit for operations in the face of future threats.

Along with shipbuilding, the FY 2019 budget prioritizes capabilities to enhance air and sea power through the **continued production of F-35 and F/A-18 aircraft**. The F-35 program is developing, producing, and fielding three variants of the F-35 to support the needs of the U.S. Air Force, Marine Corps, and Navy. The budget requests 77 F-35s and 24 additional F/A-18 Super Hornets in FY 2019, increasing the readiness of the Navy's fighter fleet and relieving pressure on its aging, legacy F/A-18A-D aircraft. It remains imperative that our air fleet deliver performance, affordability, and capability. The F-35 aircraft is performing well, but the contractor is not delivering the affordability that keeps solvency and security as our guideposts. We are working with the contractor to reduce the costs associated with purchasing and sustaining the F-35. We will evaluate the performance of both F-35s and F/A-18s to determine the most appropriate mix of aircraft as we move forward.

The FY 2019 budget request provides \$9.3 billion for space and space-based **systems to enhance communications and resiliency in space**, addressing needs for overhead persistent infrared capabilities; positioning, navigation, and timing (PNT); and space launch systems. The Department will sustain existing systems, while developing follow-on capabilities to support operations in a contested space environment.

The Air Force will continue the production of space-based infrared systems (SBIRS) and advanced extremely high frequency space vehicles currently in production to meet military satellite communication needs. Facing rising threats to our space capabilities,

however, the FY 2019 budget request transitioned the SBIRS space vehicles 7 and 8 procurements to the Next Generation Overhead Persistent Infrared effort in order to field rapidly a more survivable system by the mid-2020s. The Air Force will incorporate a technology refresh of the sensor to assure missile warning capabilities equal to or greater than today's SBIRS, taking advantage of sensor technology improvements.

The FY 2019 budget request supports resiliency improvements in the PNT mission, incorporating military protection capability into the next generation global positioning system (GPS) III constellation. This enhancement assures PNT capabilities in contested environments and funds improvements to the GPS ground segment to improve anti-jamming and secure access of military GPS signals.

Successful implementation of the 2018 National Defense Strategy includes **investing in technological innovation to increase lethality**. Rapid technological change includes developments in advanced computing, big data analytics, artificial intelligence, autonomy, robotics, miniaturization, additive manufacturing, directed energy, and hypersonics—the very technologies that ensure we will be able to fight and win wars of the future. Ultimately, these technologies will change the character of war, a reality embraced by DoD.

The Department's FY 2019 Science and Technology (S&T) program invests in and develops capabilities that advance the technological superiority of the U.S. military to counter new and emerging threats. The Congressionally-directed split of my office's Undersecretary of Defense (Acquisition, Technology and Logistics) into two portfolios (Acquisitions and Sustainment, and Research and Engineering) has enabled a stronger focus on urgently needed innovation, aligned with our defense strategy.

The FY 2019 budget request for science and technology is \$13.7 billion, focusing on innovation to advance DoD's military dominance for the 21st century. Highlights include: a robust basic research program of \$2.3 billion; funding the Defense Advanced Research Projects Agency budget of \$3.4 billion to develop technologies for revolutionary, high-payoff military capabilities; and continuing to leverage commercial research and

development to provide leading edge capabilities to the Department while encouraging emerging non-traditional technology companies to focus on DoD-specific problems.

The 2018 National Defense Strategy recognizes cyberspace as an increasingly contested warfighting domain, where malevolent cyber incidents and attacks present significant risks to national security. Long-term strategic competitors like Russia, China, North Korea, and Iran are using increasingly aggressive methods and levels of sophistication to conduct malicious activities. The challenge facing the Department is equally applicable to public and private networks across the United States, networks that are already held at risk.

In terms of cyber as a contested domain, the Department of Defense has two broad portfolios: First is DoD's requirement to defend its networks, weapons, infrastructure, and information while providing integrated offensive cyber capabilities as options if needed. Second is our responsibility to Defend the Nation, which we perform by defending forward against significant cyber threats, and by supporting the Department of Homeland Security (DHS) which has the lead responsibility for integrating various governmental roles, missions, and responsibilities. Because DoD has offensive and defensive cyber capabilities in U.S. Cyber Command (Title 10) and the National Security Agency (Title 50) on a scale and scope not available through other agencies and departments, we have a responsibility to the President and the Secretary of DHS for effectively aligning our capabilities to support cyber deterrence and responses to malicious cyber actions as part of a whole of government approach. Further, protection of our Nation's economy is fundamental to protecting our open society's way of life and ultimately to maintaining our military power. There are critical sectors (e.g., energy/electricity, finance, communications) vulnerable to disruption which must be reflected in our Nation's strategy and DoD's role.

The FY 2019 budget provides \$8.6 billion to build and maintain offensive and defensive capabilities for cyberspace operations. This funding also provides the resources needed to organize, train, and equip the 133 Cyber Mission Force teams whose purpose it is to perform DoD's cyber missions. This budget further provides the resources to elevate

U.S. Cyber Command to a 4-star level command as required by the 2017 NDAA, to ensure DoD's organization accounts for the new threats facing our Nation.

Across manpower, research, procurement, operations and maintenance, and construction—every investment in the FY 2019 budget is designed to contribute to the lethality of our military as we adapt the size and composition of our force to address the current international situation while adjusting our stance to account for an evolving future. The enduring departmental theme is derived from our National Defense Strategy and Congressional intent: that we field forces sufficient and capable of deterring conflict or dominating the battlefield if we must fight and win. This year's budget reinforces a message to those seeking to threaten America's experiment in democracy: if you challenge us, it will be your longest and worst day.

### **Strengthen Traditional Alliances while Building New Partnerships**

The 2018 National Defense Strategy's second line of effort is to strengthen traditional alliances while building new partnerships.

In the past, I had the privilege of fighting many times in defense of the United States, but I never fought in a solely American formation; it was always alongside foreign troops. Easier said than done. Winston Churchill noted that the only thing harder than fighting with allies is fighting without them. History proves that we are stronger when we stand united with others. Accordingly, our military will be designed, trained, and ready to fight alongside allies.

Acknowledging the lessons of World War II, the Greatest Generation invested in this approach to security, and our Nation's resulting prosperity helped much of the world develop. Working by, with, and through allies who carry their fair share remains a source of strength for the U.S. Since the costly victory in World War II, Americans have carried a disproportionate share of the global defense burden while others recovered.

Today, the growing economic strength of allies and partners has enabled them to step up, as demonstrated by the 74 nations and international organizations participating in the

Defeat-ISIS campaign, and again in the 41 nations standing shoulder-to-shoulder in NATO's Resolute Support Mission in Afghanistan. 15 NATO allies are also increasing their defense budgets as a share of gross domestic product, giving credence to the value of democracies standing together. Our Pacific partners are also doing so.

To strengthen and work jointly with more allies, our organizations, processes, and procedures will be ally friendly. The Department will do more than just listen to other nations' ideas—we will be willing to be persuaded by our partners, recognizing that not all good ideas come from the country with the most aircraft carriers. This line of effort will bolster an extended network of like-minded nations capable of promptly and prudently meeting the challenges of our time.

The FY 2019 budget prioritizes investment where it is needed today and tomorrow. In the Middle East, we will work with responsive governments to ensure a more stable and secure region that denies safe haven to terrorists; is not dominated by any power hostile to the United States; and that contributes to stable global energy markets and secure trade routes. The \$69 billion requested for the Overseas Contingency Operations account maintains our regional presence to protect the homeland, allies, and partners from terrorist threats. The budget request supports U.S. forces in Afghanistan as part of the Administration's South Asia Strategy; continues operations to prevent the resurgence of ISIS; and continues our security partnership with Iraqi Security Forces to support Iraq's long-term stability and independence.

NATO remains our key security alliance. The Overseas Contingency Operations request also provides \$6.5 billion for the European Deterrence Initiative (EDI). Established in 2015, the EDI supports a strong and free Europe, reaffirms America's commitment to the security and territorial commitment of NATO member states, and enhances activities in Eastern Europe to deter Russian aggression such as we have observed in Georgia and Crimea/Ukraine. This initiative also increases bilateral and multilateral exercises and training with allies and partners to ensure our deterrent stance is built on a strong, joint military capability.



A free and open Indo-Pacific region provides prosperity and security for all. We will continue to strengthen our alliances and partnerships in the Indo-Pacific to a networked security architecture capable of deterring aggression, maintaining stability, and ensuring free access to common domains. With key countries in the region, we will bring together bilateral and multilateral security relationships to preserve the free and open international system.

In our own hemisphere, the Canadian-American North American Air Defense Command is a long-standing, allied effort to protect both our nations. We maintain mature relations with both Canadian and Mexican militaries with a high degree of quiet collaboration. Further South we work jointly with Latin American nations on counter-narcotics and other operations and training efforts.

Our efforts in Africa are largely focused on assisting nations facing violent terrorists to develop their own capability to provide internal security and mutual support against insurgents and terror groups. Ethical use of force is inherent in all training we provide.

### **Reform the Department's Business Practices for Performance and Affordability**

As we take proactive steps to ensure our military is ready to fight today and in the future, we must urgently reform the business practices of the Department to provide both solvency and security. **We will continue to establish a culture of performance where results and accountability matter on every expenditure, thereby gaining full benefit from every single taxpayer dollar spent on defense.** We also have a commitment to exercise the utmost degree of financial stewardship and budget discipline within the Department, and we will deliver our Department's full financial audit this year. We also have the right leaders in place to make meaningful reform a reality: Pat Shanahan as Deputy Secretary of Defense; Jay Gibson as Chief Management Officer; Ellen Lord as Undersecretary of Defense for Acquisitions and Sustainment; Michael Griffin as Undersecretary of Defense for Research and Engineering; Bob Daigle as Director of Cost Assessment and Program Evaluation; and David Norquist as the Department's Comptroller/Chief Financial Officer. Each brings the intellect and energy required to

implement and sustain meaningful reform, ensuring the Department provides performance and affordability for the American taxpayer.

The Department began a consolidated financial statement audit in FY 2018. **For the first time, the Department will complete an independent and full audit across its business processes and systems, as required by law.** A financial statement audit is comprehensive, occurs annually, and covers more than just financial management. During a financial statement audit, an independent public accounting firm or the DoD Office of Inspector General examines the Department's books and records. Financial statement audits give management independent validation and feedback on the effectiveness of each reporting entity's business systems and internal processes and controls. The financial statement audit helps drive enterprise-wide improvements to standardize our business processes and improve the quality of our data. Audits also ensure Department leaders have visibility over the counts, locations, and conditions of DoD property to inform current readiness and inform future programming, budgeting, and investment decisions. While we fully expect to find deficiencies, we will take swift action to correct them, thereby earning the trust of Congress and the American people.

Remediating audit findings is at the center of our financial improvement strategy. The Department owes accountability to the American people. The taxpayers deserve a level of confidence that the Department's financial statements present a true and accurate picture of its financial condition and operations. Transparency, accountability, and business process reform are some of the benefits the Department will receive from the financial statement audit even before achieving a positive opinion.

The Department is transitioning to a culture of performance and affordability that operates at the speed of relevance. We will prioritize speed of delivery, continuous adaptation, and frequent modular upgrades. With your continued, critical support, we will shed outdated management and acquisition processes while adopting American industries' best practices. Our management structure and processes are not engraved in stone. They are a means to an end—empowering the warfighter with the knowledge, equipment, and support needed to fight and win. If current structures inhibit our pursuit

of lethality, I have directed Service Secretaries and Agency Heads to consolidate, eliminate, or restructure to achieve the mission.

Deputy Secretary of Defense Shanahan has established the Reform Management Group (RMG), which relies on cross-functional teams to drive efficiency by using shared, centralized services throughout the Department with the goal of making each area maximally effective and improving our performance. The RMG's central goal is to leverage best practices, centers of excellence, and private sector sources to benchmark and best align business operations. Improved performance in the Department's business operations leads to a more effective force, and savings will be reinvested to increase lethality.

Initial Reform Teams are focused on evaluating operations in the following areas:

- Information Technology,
- Healthcare,
- Real Property,
- Human Resources,
- Financial Management,
- Contracted Services and Goods,
- Logistics and Supply Chain,
- Community Services, and
- Testing and Evaluation.

Goals and performance metrics are crucial to measuring the benefit-to-cost and value generated as business processes are optimized. Key to this reform effort is generating relevant, accurate, and timely data. Displaying this data will ensure that all decision makers have access to the best information on a real-time basis. As reform efforts are underway, the longer-term objective is to institutionalize the behavior of continuous improvement throughout the culture of the Department.

As the Department implements reform initiatives that reduce the operating costs of institutional activities, those resources will be reallocated to readiness, modernization, and recapitalization. The Department is ensuring that the savings associated with better

business practices from previous Presidents' Budgets are implemented fully, including streamlining major headquarters activities and eliminating redundancy. This effort includes a systemic review of past Inspector Generals' findings to ensure remedial action has been fully implemented.

There are several efforts currently underway to improve the Department's ability to acquire and field products and services that provide for significant increases in mission capability and operational support in the most cost effective and schedule efficient manner possible.

A Defense Acquisition System that facilitates speed and agility in support of mission accomplishment is key. The Department is engaging with the independent advisory panel on streamlining and codifying acquisition regulations established by section 809 of the FY 2016 NDAA and amended by section 863 of the FY 2017 NDAA. This effort also includes potential recommendations for new statutes as well as amendments or repeal of existing statutes.

The Department looks forward to working with the Congress to provide the right capabilities to the warfighters when needed and at an affordable cost. A Defense Acquisition System that facilitates speed and agility in support of the aforementioned objective is key in this regard.

### **Current Issues Update**

Aviation Mishaps / Deaths: Recent aviation mishaps across each of the Services are tragic and troubling, with 133 service members killed over a five year period. In the last three weeks alone, 16 service members have been killed. I am concerned that these recent mishaps represent lagging indicators, a tragic manifestation of readiness that has degraded during 17 years of war and made worse by budget cuts and fiscal instability. The two-year Bipartisan Budget Act and 2018 Omnibus appropriation will begin restoring the flight hours, equipment, and manpower needed to regain readiness, but it took us years to get to this point and measurable improvements will take time.

Border Security Support: In support of the Department of Homeland Security, and as directed by the President, I have authorized use of up to 4,000 National Guardsmen in Title 32 duty status. They will be assigned supporting roles requested by DHS along our southern border region under the command of their respective governors. Current requested support is for aviation, surveillance, intelligence analysis, and planning support in priority sectors. I anticipate additional requests for construction and logistical support. National Guard personnel will not perform law enforcement duties or interact with migrants. Previously employed Title 10 forces (approximately 195) conducting ongoing counter-narcotics support missions remain under U.S. Northern Command's control.

Cancellation of Joint Surveillance Target Attack Radar System (JSTARS)

Recapitalization and Space-Based Infrared Systems: The Air Force has proposed replacing JSTARS – the aircraft that performs battle management, command and control, and ground moving target sensing – with a network of sensors, fusing information from space, air, ground, and sea sensors. In a contested environment with integrated air defenses, the currently planned JSTARS replacement would be unable to get close enough to the fight to accomplish its mission, leaving our forces potentially blind to enemy activity. These functions must be adapted if they are to survive in the changed threat environment. We will move swiftly to Advanced Battle Management and Surveillance, and the Next Generation Overhead Persistent Infrared procurements, rapidly fielding capabilities with more survivability.

Niger Incident and Loss of Four Soldiers: This incident and contributing factors have been extensively investigated by U.S. Africa Command. The Chairman of the Joint Chiefs has added his review, and I expect my review and endorsement to be completed shortly. We will then brief the families and Congressional leadership followed by a public release.

Countering America's Adversaries Through Sanctions Act (CAATSA): President Trump signed CAATSA into law on August 2, 2017, imposing new sanctions to counter aggressive actions from Iran, Russia, and North Korea. I look forward to working with Congress to address the national security implications created by this act. It is important

for us to have a flexible waiver authority, otherwise we prevent ourselves from acting in our own best interest and place an undue burden on our allies or partners.

Transition to the Cloud: DoD must remain on the cutting edge of advanced computing capabilities to support warfighting and lethality. Our cloud initiative simplifies the ability to provide enterprise-wide access to information and improves security to safeguard critical information. Despite what you have heard in the media, the contract is not a sole source contract. The initial 2-year contract will follow a fair and open competition with the ultimate decision made based on performance and affordability. We are pursuing this path to ensure cloud providers are competitive and responsive to DoD needs.

## CONCLUSION

Again, thank you for your bipartisan support and strong spirit of collaboration between this committee and our Department.

The 2018 National Defense Strategy's three primary lines of effort—**building a more lethal force, strengthening traditional alliances while building new partnerships, and reforming the Department's business practices for performance and affordability**—will restore our competitive military advantage, ensuring we are prepared to fight across the full spectrum of combat now and into the future.

Department of Defense readiness degraded over the course of many years. It will take continued budgetary stability to rebuild the readiness and increase the lethality required to expand the American military's competitive space. Now that we have a strategy-driven budget, the FY 2019 budget request needs a timely appropriation enacted before October 1<sup>st</sup> to be fully effective.

This budget request requires each and every one of us in the Department to be good stewards of every taxpayer dollar spent on defense. This budget also holds me accountable to the men and women of the Department of Defense, for they are the ones that must ultimately turn the 2018 National Defense Strategy into action. Every day, more than two million Service members and nearly one million civilians do their duty,

honoring previous generations of veterans and civil servants who have sacrificed for their country. I am reminded every day of the privilege I have to serve alongside them, and I thank them for their tireless efforts and unyielding standards in defense of our Nation.

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