

DEPARTMENT OF DEFENSE BLOGGERS ROUNDTABLE WITH UNDERSECRETARY OF DEFENSE
(COMPTROLLER) AND CHIEF FINANCIAL OFFICER ROBERT HALE VIA TELECONFERENCE
SUBJECT: THE DEFENSE DEPARTMENT BUDGET FOR FISCAL YEAR 2011 TIME: 4:38
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LIEUTENANT JENNIFER CRAGG (Office of the Secretary of Defense
for Public Affairs): Without further ado, I'd like to welcome you all to
the Department of Defense's Bloggers Roundtable for Tuesday, February
2nd, 2010. My name is Lieutenant Jennifer Cragg with the Office of the
Secretary of Defense for Public Affairs, and I'll be moderating the call
today.

A note to the bloggers and online journalists on the call today:
Please remember to clearly state your name and organization you're with
prior to asking your questions, and a note also: If you're going to
place your phone on hold, please exit the roundtable and call back in.
We will sometimes hear your hold music. And also, if possible, please
place your phone on mute as well. Thank you, everyone, for doing that.
And today our guest, as Commander James had identified, is Undersecretary
of Defense and Chief Financial Officer Robert Hale. Without further ado,
I'm going to turn it over to Mr. Hale for opening statement, and we'll go
to question.

Sir, the floor is yours.

MR. HALE: Well, thank you. Bob Hale here. I appreciate the
chance to talk to you today about the budget that President Obama
submitted to the Congress, the Defense portion of it.

The fiscal '11 budget for the Department of Defense asks for
\$708 billion of budget authority, 549 billion (dollars) for our base
budget, 159 billion (dollars) for our wartime activities, as well as
supplementary funding for fiscal year '10 for 33 billion (dollars) to pay
for the added troops that the president has ordered to Afghanistan.

Now this is a huge amount of money, coming, obviously, at a time
when the United States is having economic problems. I've worked on and
off with Defense for many years, and Defense budget. I always remain in
awe somewhat of the size and complexity of this organization -- about 3

million people working on a variety of tasks right now, two wars -- involved in two wars, drawing down in one, building up in the other, as well as a number of other operations, most notably right now the Haiti operation.

It's a -- it's an organization that's very busy and therefore asks a lot in terms of resources.

When we present this budget, it has an overall theme, which is continuing the reform agenda. Last year in the fiscal year '10 budget, Secretary Gates established a reform agenda aimed at focusing more on today's wars -- (coughs) -- excuse me -- today's wars and also reforming what we buy and how we buy it.

This budget continues that reform agenda.

And there are four themes associated with the budget, and they are the same themes we used last year to underscore the fact that we are continuing the reform agenda. Let me just briefly mention them, and then I will -- I'll sum up. And I look forward to your questions.

Our highest priority and theme in this budget is taking care of our people. That involves adequate pay raises. We've proposed a 1.4 percent pay raise. It involves family-support initiatives.

We have invest -- invest substantially in health care, including \$2.2 billion to take care of our wounded warriors. Secretary Gates has said that, other than winning the wars themselves, nothing is more important than taking care of these brave people who have sacrificed for us. So taking care of people: our highest priority.

We also are seeking this budget to continue rebalancing the military to focus more on today's wars. That involves things like increasing our rotary-wing capability, our intelligence, surveillance and reconnaissance capability, our Special Operations Command. All of these activities are critical to today's irregular wars in Iraq and Afghanistan.

But we know that we aren't terribly good about guessing where we might have to fight next, and so we are investing broadly in a variety of capabilities that will hopefully prevent, or, if necessary, let us prevail in future conflicts, as well as support today's conflicts: tactical aircraft programs, the premiere one being the Joint Strike Fighter; a ship-building program involving buying 10 ships, nine for the Navy, one for the Army in fiscal '11; increases in our long-range strike capability, including studies to determine what kind of a new bomber we need and various other long-range strike capabilities; modernizing our ground forces, including \$3.2 billion in fiscal '11 to buy various spin-out capabilities from the Army's Future Combat System that was restructured last year, as well as to begin developing a new ground vehicle; and reprioritizing our missile defense -- our missile defenses, with a focus on regional defenses and the phased, adaptive approach that was announced late last year. So we're reprioritizing to focus on today's wars, but buying a balance of capability for potential future

conflicts. We also need to reform how and what we buy, and I think this is especially important in a period of economic problems. We've got some modest growth in this budget, and it's a lot of money. We owe it to the American taxpayers to be careful with that money and to weed out programs we no longer need. And to that end, we have proposed ending production of the C-17 aircraft -- it's a great plane, but we've got all we need -- and not pursuing an alternate engine for the joint strike fighter, for various logistics and cost reasons.

And Secretary Gates has said that if Congress chooses to add money for these two programs, he will strongly recommend that the president veto any legislation that does that.

And there are a number of other terminations in this budget as well.

We're also trying to change the way we operate and how we buy weapons, acquisition reform, a premier effort in this category of activities. We're trying to get a better handle early on requirements, do a better job of cost estimating and overall improve our acquisitions system, including adding more people. We think there aren't enough government people in particular to supervise contracts.

And our final theme in this budget is supporting our troops in the field, providing all the resources they need, including financial resources. And that brings us to what we call the overseas contingency operations, or OCO, portion of the budget, the wartime portion. And we have added -- asked, as I mentioned before, \$159 billion as we build up in Iraq and draw down -- I'm sorry, we build up in Afghanistan and draw down in Iraq, as well as \$33 billion in -- for fiscal year '10 supplemental to pay for the extra troops ordered to Afghanistan.

So we've got a budget sizable in amount, an organization that is very busy, an overall theme of continuing a reform agenda and providing all the resources that the United States needs to -- so the Department of Defense can maintain its national security.

With that, I'll stop and say I would be glad to hear your questions. And where do we go from here, in terms of questions?

LT. CRAGG: Thank you, sir. We're going to call on Spencer first. Spencer, please go ahead. Q Hi. Thanks very much, Mr. Hale. It's Spencer Ackerman from the Washington Independent.

Looking at some of your charts, I see you're projecting, in fiscal '10 and '11, defense spending to be at 4.7 percent of GDP. I was wondering if that's 4 -- if that represents the base budget's percent of GDP or that includes the OCO.

MR. HALE: It includes the OCO or wartime budget. Without that, it's more like 3-1/2 percent.

Q Three and a half?

Do you have projections about the base budget as a percentage of GDP going out beyond --

MR. HALE: Well, not beyond fiscal '11. We probably could make them, but they get pretty speculative particularly, I think, speculative in terms of the denominator of that or where GDP is heading.

So no, we don't have projections beyond fiscal '11.

Q Okay, thanks so much.

MR. HALE: Sure.

LT. CRAGG: Thank you, sir.

Thank you, Spencer.

Paul, please go ahead.

Q Hi, Mr. Hale. It's Paul McLeary from DTI. Thanks for talking to us.

MR. HALE: Hi.

Q You talked a bit about reforming how and what you buy. Other than canceling some of the big-ticket programs, what exactly -- what programs are you guys instituting to, you know, build up the procurement force and overwatch and things like that?

MR. HALE: Well, in the acquisition area, there are a number of initiatives. Overall we are implementing the Weapon System Acquisition Reform Act that Congress passed last year. We have established a separate organization with its own directors and a confirmed position. And we have Christine Fox onboard and is filling that position.

Part of her task is to build up our cost analysis capability, so that we have a better sense ahead of time, of what these weapons are likely to cost, and can make decisions based on that information. Probably one of the more important things I think we're trying to do is get a handle early on requirements and then try to avoid changing those requirements. Nothing leads to unanticipated cost growth, I think, more than shifts in requirements as a weapon is well into development.

We are also adding -- increasing the size of the workforce and increasing the portion of the workforce that's government employees. So over the period from fiscal '10 to '14, we'll add 20,000 people to the acquisition workforce.

Ten thousand of them will replace contractor personnel. And another 10,000 will add to the size, so a number of initiatives to improve our acquisition capability.

Does that answer your question?

Q Yes, sir. Thank you.

MR. HALE: Okay.

Q Thank you, sir.

Thank you, Paul.

Dale, please go ahead.

Q Good afternoon, Secretary Hale. This is Dale Kissinger from militaryavenue.com.

MR. HALE: Okay.

Q And it's great news on health care: support for TBI/PTSD, no increase in TRICARE, the VA connectivity issues.

All those things are great. I hope they continue in the out years.

I did notice that school construction is also going up by half a billion dollars. But the housing is going down by half a billion. And after living in military housing and serving for 30 years, I realize privatization has occurred, but is that the reason for this decrease? And how much of privatization would result in a half a billion dollars going down?

MR. HALE: Well, yes, it is the reason, the main reason for the decline in housing. I think it's actually a success story. We have made privatization work.

If you look at our basic allowance for housing, you'd see growth of, I think, 4.2 percent. J.R., is that right? Yeah, 4.2 percent. It's actually going up faster than the rate of inflation because we're having fewer people in government-built housing, more in private housing, and they're paying rent, so they're getting the rent reimbursed in BAH. As I say, I think that decline is really a success story for the department.

And some of the houses, I think, look pretty nice. And we have come up with a system that allows us to do this, allows private companies to do it for us and in turn pay rent. And I think it's working.

Q Yes, sir. Thank you. I appreciate that.

Do you have a number for how much housing has been privatized percentage-wise?

MR. HALE: Not in my head. Let me see if we can look that up for you. And if we can, we can come back maybe after the next question, if that would be all right. I'm not sure.

Q Appreciate it.

MR. HALE: Okay.

LT. CRAGG: Thank you, sir. Thank you, Dale.

Mandy, please go ahead.

Q Hi. This is Mandy Smithberger from the Project on Government Oversight, really talking -- so one of the problems with the Joint Strike Fighter program has been that Lockheed Martin has struggled with their financial management. And I'm wondering if there are resources in the budget at the service level for improving financial management at DOD.

MR. HALE: Yes, there are. We're doing two main things to improve financial management. You mentioned Lockheed Martin, but I think your question focused on financial management at the department. Right?

Q Right.

MR. HALE: Two major things going on. One, all of the services and a number of the defense agencies are installing new -- they call them enterprise resource planning system, or ERPs, in various stages of implementing those systems. They will -- they are off-the-shelf kind of software, and they will impose more restrictions, I guess is the right word, or more -- they will -- they will cause us to be more careful in terms of how we obligate money and justify it -- and justify that obligation. Stricter internal controls are built into the systems.

I've talked to a number of the people that use these systems as they're being installed. They find them frustrating initially -- (inaudible) -- afterwards that it's appropriate to have those added internal controls.

So I think the ERPs are -- we'll take a while to get them installed, but they are potential -- they have the potential to significantly improve our controls.

The other thing we've done -- you may be aware that this is the 20th anniversary of the Chief Financial Officers Act and the Government Management Reform Act a few years later that required auditable financial statements. We are one of a handful of organizations or agencies in the government that don't yet have auditable statements.

We've decided to change our approach to seeking improvement of information and audit readiness and focus first on the information we most use to manage the department, specifically budgetary information and the so-called statement of budgetary resources, and also so-called existence and completeness. Can -- do we know how many assets we have and where they are, from weapons systems, as well as our plant, property and equipment.

We're getting started in that effort. I think it'll focus more; it will hold down the costs, but put the money where it do most good in terms of improving information and establishing audit readiness.

So those are two major initiatives to improve financial management in the department.

Q How does the ERPs really compare to what's already being used at the department when it comes --

MR. HALE: Most of the systems we have now are 30 and 40 years old, and they were frankly designed -- and they do a pretty good job of keeping track of the money that Congress appropriates and whether we're spending it in those categories. And I might add that's an area where the department is already audit-ready. There have been a number of audits that have suggested that.

But what those systems don't do is provide the transaction detail and the strength of internal controls that one has to have to pass an audit that's similar to that imposed on private companies. So the ERPs will impose those restrictions, and they'll also handle the data at a sufficiently detailed level that we can satisfy audit requirements.

That answer your question?

Q That does. Thank you.

MR. HALE: Okay.

LT. CRAGG: Thank you, sir. Thank you, Mandy.

Taylor, please go ahead.

Q Yes. Hi, Secretary Hale. This is Taylor Kiland with the Navy Memorial's Navy-Log-Blog, and I also write for examiner.com.

I noticed that the training and equipping of security forces in both Afghan (sic) and Iraq are being increased. The funding for that, I believe, goes from 9.2 billion (dollars) in FY 2010 to 11.6 billion (dollars) in 2011 in Afghanistan, and it's going to be doubled from 1 (billion dollars) to 2 billion (dollars) in Iraq.

Just wondering -- and I don't know if this is too granular of a question for you -- for you, but how do you measure the effectiveness of this? And does more money assigned or allocated to this initiative necessarily equate to better-trained security forces? I'm sure it equates to an increased number of security forces trained, but does more money necessarily equate to better-trained security forces?

MR. HALE: Well, that's a good question, and kind of a hard one.

Q Yeah.

MR. HALE: But let me take -- let me take them separately. And I'll start with Iraq. The Iraq security forces -- as you noted, we've asked for a billion dollars in fiscal '10 and \$2 billion in fiscal '11. There I think the measure of effectiveness would be the quality of equipment and training of the forces we're going to leave -- or the Iraq

forces that will provide security for their country when our forces leave, which will occur by the end of 2011. So we're buying some additional equipment for rotary -- a rotary-(wing ?) capability. We're equipping with additional equipment when there are mechanized units. One measure is simply the degree of the modernization of that equipment. That'll be pretty easy to measure.

The outcome here, the internal security in Iraq, is -- I guess we will know it over time by the -- by the amount of incidents that occur there. But obviously the -- there'll be a lot many -- a lot of factors other than just the Iraq security forces that will contribute to that. I will say, though, security forces -- the Iraq security money -- we believe our commanders there, General Odierno in particular, feel strongly that we need to give Iraq every chance to succeed in terms of providing its own security. And he lobbied hard, or argued hard, for this funding. We're getting some questions on the Hill which are reasonable in terms of why we're doing this, but we think it's important.

On the Afghanistan side, some of the same measures, but we're at an earlier stage, really building up, as you mentioned, the size of both the Afghan National Army and the police. We're actually paying their salaries out of the funds that we're requesting.

We're also equipping them, and these are new units, so we're starting from scratch for equipping many of those units. And we're training them.

We've got some broad measures, not all of which are reassuring, about retention rates, which are not as high as we'd like yet. We've got a ways to go with the Afghan National Army, and especially the police. But I think the broader measure there will be the same: Are we able to turn over the security of Afghanistan to the Afghans at some point fairly soon?

So I -- those would be the measure -- the broad measure I'd offer, and the sort of input measures, if you will, which is the degree to which we modernize them and grow their size and recruit and train people.

That help?

Q Thank you. Yes, thank you very much.

MR. HALE: Okay. Thank you.

Before we go on, on the housing, a note that John Roth, my program budget director, handed me: 97 percent of domestic family housing is in -- has been privatized, with over 200,000 units privatized. So hopefully, that helps. We're well along the lines of privatizing housing in the Department of Defense.

Q Thank you very much, sir.

MR. HALE: Okay.

LT. CRAGG: Thank you, sir. And thank you, Taylor.

Laura, please go ahead.

Q Hello, Mr. Hale. This is Laura Peterson, from Taxpayers for Common Sense.

MR. HALE: Hi, Laura.

Q Hello. My question is, the 1997 legislation that created the QDR said it should identify the budget plan that would be required, but it also says it should make recommendations that are not constrained. Now, these would seem contradictory. But the upshot, from my understanding, has been that the QDR is essentially unconstrained by resources.

MR. HALE: Mm-hmm.

Q Now, I understand that at the time this was the product of some pressures on the Hill -- or otherwise. Do you recall what the situation was at the time that produced this language? And would there be support within DOD for changing the QDR to introduce resource constraints into the process?

MR. HALE: Well, I mean, going back to 1997, you had a Republican Congress and a Democratic administration. And I think there were some who felt we weren't spending enough on defense. I mean, I was here in the Pentagon, so I don't know if I'd agree with them, but -- but I think that was their feeling. And they wanted a plan that gave them a sense of requirements without constraints -- or without fiscal constraints.

I would personally argue that there is no such thing as requirements without some kind of fiscal constraints. The whole -- the whole process of determining a defense budget is the process of trading off risks against how much you're willing to spend. Obviously, if we had infinite resources, there'd be no risk, but that clearly is never going to be the circumstance. So I almost think you always -- you have to balance risk against dollars.

And the way I think we've done that, while obeying the law with the Quadrennial Defense Review, is to make it -- and the term we use is "resource informed." We didn't say, "You have just so much money." But the people doing the QDR were involved with the budget process.

They knew generally what our resource levels were going to be, and I think that clearly informed the choices that they made. So it was not budget-constrained, as required by law, but I think it was resource-informed, and should be. And I think the process works fine. I don't think we need additional legislation.

Q Thank you.

MR. HALE: Okay.

LT. CRAGG: Thank you, sir. Thank you, Laura.

And I believe someone else had joined us. Can I please get your name? (No response.) Okay. And I think -- I think Spencer might have dropped off as well. So let's just go around the horn really quickly to see if anyone has any follow-on questions.

Spencer, are you still on the line? Okay. He dropped off.

Paul, can you go ahead?

Q Yeah, sir, can you tell me exactly how much JIEDDO is getting in the latest budget?

MR. HALE: In fiscal '11 our request for JIEDDO is \$3.3 billion. Fiscal year '10, it got 1.8 (billion dollars) appropriated, and I think they've asked for .4 (billion dollars) -- is that correct? -- so it will be a total, if Congress appropriates it, of 2.2 billion (dollars).

Q A total of 2.2 billion (dollars) in --

MR. HALE: Two point two billion (dollars) in '10, and they're asking 3.3 (billion dollars) in '11.

Q Okay. And has there been any talk about, you know, trying to get -- I mean, I know there's been issues with JIEDDO. You know, they just don't have a comprehensive database of IED attacks and things like that. You know, is there any talk about giving the organization some teeth to actually get the services to cooperate?

MR. HALE: Hmm.

Q (Chuckles.) MR. HALE: I may not be the best guy to answer that.

Q All right.

MR. HALE: I'm looking around the room and I'm seeing -- I'm afraid you're going to need to either ask the JIEDDO force folks or the services. I apologize, but I don't have a good answer for you.

Q All right.

Just a quick follow-up on MRAPs. Is there going to be a purchase of further MRAPs? It's a little murky.

MR. HALE: Probably. Here's where we are: We've purchased or agreed to purchase around 8,000 MRAP all-terrain vehicles. It sounds like you're quite familiar with this program, so you'll know what they are. There's another -- let's see, 15 -- around 2,500 vehicles. But we're still looking at what should be the appropriate mix, whether we

should, as some of the older MRAPS -- or the older-design MRAPS come out of Iraq, whether you should move them to Afghanistan.

And so we've got the new ATV vehicles over there. They've been very effective in their off-road mobility, which is what we need, but there are other areas where the older MRAPS may be -- may serve us even better.

So frankly, we are reconsidering our requirements. So we'll buy, probably, I think, about 8,000 at least of the new version. What we do about the other couple of thousand remains to be seen. I mean, I think we're still -- we're still studying that and trying to get more input from the field.

Q Okay. Yeah, because Secretary Gates said about 10,600 more, about 6,600 of M-ATVs, which will leave about 4,000 MRAPS -- of the old MRAPS.

MR. HALE: I think the 4,000 -- the 4,000 would be a mix.

And I think at least around 1,500 of that 4,000 will be MRAP-ATVs. And then I think the other 2,500 are still being considered.

Q I see. Thank you.

LT. CRAGG: Thank you, sir.

Thank you, Paul.

Dale, please go ahead.

Q Yes.

Sir, Secretary Hale, in full disclosure, I'm a former C-17 pilot, and I have a question. I had a roundtable this morning with General Mixon, who is the Army commander in the Pacific, concerning Cobra Gold.

And I asked him some questions about the new Army command post out there. And he said he couldn't move it by air, because he didn't have enough airlift out in that theater to support him for that.

Does that fit in with what you're hearing about the C-17 and the need for more aircraft?

MR. HALE: Well, no. And I think what we need to do is -- I mean, we need to look, or he needs to look, through his command structure. It's probably a question of allocations.

But looking overall at our requirements, we feel the 223 C-17s that have been purchased, along with around 111 C-5s that we have, more than meets our requirements. Most of the studies have shown we need around 304 -- low-300s of those aircraft. And obviously with 223 C-17s already purchased and 111 C-5s, we've got more than that.

So we feel we've got plenty of airlift. The C-17 is a great plane. You know that a lot better than I do. But I don't think anybody questions that it's a fine airplane and it's serving us well. But we just have enough.

And we need to spend the money that we would spend, if we bought more C-17s, on other things that are more critical. And that could be everything from ISR to rotary-wing capability to Special Ops increases or shipbuilding, tact-air, et cetera. So we just think we've got enough, not that it's not a good plane. And the operational issue you raise, I mean, I suspect is allocation. But where the airlift is at the time he needs it, I assume he will work that through his appropriate -- through TRANSCOM or other commands.

Q Yes, sir. Thank you very much.

MR. HALE: Okay.

LT. CRAGG: Thank you, sir. Thank you, Dale.

Mandy.

Q Thanks.

Mandy from POGO again. I was wondering why April Stephenson was removed from the head of DCAA, just as she was beginning to take a more rigorous stance against contractors and new regulations were being implemented that contractors were complaining about.

MR. HALE: Well, we've had, it sounds like you probably know, a number of problems at the Defense Contract Audit Agency.

The most fundamental one is, we had a series of audits, from GAO and then the DOD IG, showing that DCAA was not following the so-called Yellow Book requirements in its audits, requirements set up by the Government Accountability Office as to minimum requirements for audits.

And that was the key problem --

Q But that was before she was the director. Most of those --

MR. HALE: Right.

Q -- reports cover a period of time before she was the director.

MR. HALE: I mean, it was my judgment, when I -- when I saw the totality of problems that DCAA, that we needed fresh eyes and, frankly, someone from outside. DCAA is a fine organization, and April, I got to know fairly well, is a good person and was trying her hardest, but we needed a fresh set of eyes and we needed an outside look at DCAA.

I mean, they have some hiring practices that essentially prohibit anybody for competing for jobs except from within the organization. We need to make some changes in DCAA, and we are in the process of doing that. I think, as I say, fresh eyes were needed. April did a good job while she was there, did her best to do a good job, but we needed a fresh look.

Q You didn't think the new regulations that were being implemented were enough, that she wasn't going to be able to really implement those successfully? Or --

MR. HALE: I think that's right. Just we needed -- we've made a number of changes, and will over the next few months, in addition to those that April set in motion. And I think fresh eyes were clearly -- were clearly needed.

Q Thank you.

MS. CRAGG: Thank you, sir. Thank you, Mandy.

Taylor?

Q Sorry, I don't have any additional question.

MS. CRAGG: Thank you, Taylor.

And then finally, Laura. Q Sir, I was wondering. There has been, you know, over the last few years -- GAO in particular has criticized the cost of -- DFAS cost-of-war reporting process as being inadequate, not providing enough detail. I know these have changed and do provide more detail now than they did couple of years ago. But as part of these new financial management tools and auditing tools that you're discussing, is that going to bring any more specificity to the cost-of-war reporting process?

MR. HALE: You know what, I'm going to -- J.R., do you have -- John Roth is here, my program budget head. Do you have any thoughts on this one?

JOHN ROTH (deputy undersecretary of Defense for Budget): Well, again, I think we've been given credit, as you noted, for having improved the reports. I mean, to go back to the legacy of the report, the report began when contingencies were much smaller than OIF, OEF.

And to be blunt, I think we were somewhat overwhelmed in the early days in the size and complexity of the operation. And so these reports were largely manual -- in essence, back-of-the-envelope kinds of reports in the early days.

We've now institutionalized those. We've worked very closely with the Defense Finance and Accounting Service. We've worked very closely with the accountants to make these a -- essentially an institutionalized accounting report. And so the -- both the quality and the timeliness of the reports have improved dramatically. And I think,

for most of our customers, the oversight committees and the auditors and all acknowledge that.

So we'll continue. I mean, it's not something you stop. There's always things you need to look back and see if there's ways of improving them. But they do, in fact, provide much more depth of information. The information is much more timely. And the kinds of corrections we used to always see don't seem to manifest themselves as frequently as they did before.

So you can always improve, and we'll always take a look at them, but I think the cost-of-war report has come a long way over the last two or three years.

Q Okay. But there's no immediate plan -- I mean, we won't see them changing in the immediate future as a result of some of the financial management changes you were mentioning earlier?

MR. ROTH: Well, again, I mean, the change already has been dramatic. I mean, we have, in fact, if you will, for lack of a better word, sort of automated them and made them a regular accounting report. And so we've actually essentially merged them into the accounting system. And so, I mean, if there's further changes, obviously, in the accounting systems, they will -- they will go along and make commensurate changes.

So no. I think the answer is, what we'd like to do is, now that we have people who understand them and know how to -- how to feed them, is to provide some stability and so to make sure that the accuracy and timeliness of the information is something we can depend on.

MR. HALE: Let me offer an overall thought of watching defense financial management for many years. The department's systems do a great job of keeping track of what Congress told us to spend and whether we're doing it. As I mentioned earlier, I think in general that would pass audit, and has passed outside audit.

They're not as good at separating out the costs of particular activities. It often has to be done by hand, as John just said, which is kind of what we were doing in the early stages of the cost-of-war reports. Hopefully, these enterprise resource planning systems that are being put in place will give us greater capability to automate cost kinds of reports.

There's some indication, perhaps particularly in the Army, which is focusing on that in its implementation, that that will be the case, because it would be helpful. I mean, the report now -- I watch the cost of war report carefully; John can tell you that I call him and ask him questions, because it's important, and we're spending a lot of money. It would be better if we could do these kinds of reports more quickly and without as much hand -- without as much manual work. And as I say, I think these new systems that are being installed will move us in that direction.

Q Thank you.

LT. CRAGG: Thank you, Laura, and thank you, sir.

And before we wrap up today's roundtable, I want to make sure there's no other lingering questions from any of the bloggers, online journalists.

Q I have one more, if you'd be willing to take a question about the Joint Strike Fighter program.

LT. CRAGG: Is this Laura or Mandy?

Q Sorry. This is Mandy.

MR. HALE: Sure, depending on the question. If I can answer it, I'm glad to field it.

Q (Chuckling.) All right. Thank you so much.

So then what we see in the budget is that the Joint Strike Fighter program really reflects the estimates from the joint estimating team in the costs, but I'm wondering to what degree we're really seeing the schedule changes based on what both the JET has found and the independent manufacturing review team, and why there isn't really any impact on the initial operational ability -- capability rates, or if this means that the department is going to have to have a reduced capability for some of the lots that they're getting. Do you -- can you speak to that?

MR. HALE: Well, yes. As it sounds like you know, we're adding 13 months to development period. We're designating four more aircraft. We'll buy one new aircraft as a test aircraft and strictly as a test aircraft, and three others we will -- we will take out of the LRIP line and make it a test aircraft, so that we don't increase concurrency. In fact, we hope to reduce it.

We are buying fewer planes than we had anticipated, at least in our internal plans of a year or so ago. We think it won't impact the IOC, but it will impact the number of planes that are available for some of those units at IOC. There's no question we're going to have fewer planes than we would have otherwise planned. It's just that we think we have enough to reach initial operating capability by roughly the same dates.

Q And is there any concern at your level with just program risk when it comes to things like weapons integration, which the JET really didn't take into consideration as -- or didn't heavily weigh.

MR. HALE: You know, I think there's always concern over any new weapon. I like to liken DOD weapons to kids. When they're real little, they do what you say, but they take a lot of care. Most of them have great problems when they're teenagers. Almost all of them grow up to be productive adults. And I can remember problems with the C-17. I'm told

there were problems with the F-16, perhaps one of our more successful weapons over a long period of time.

The JSF is an early teenager, and it will go through growing pains, I think, without question.

We will work through them. And I think this secretary and Undersecretary Carter are committed to improving the management of the JSF. But I don't think any -- and Secretary Gates has said, and I agree, there are no insurmountable technical problems with the JSF.

But I also think it would be naive to say there won't be further management challenges with this plan. Like I say, it's about 14 in human terms. We've got a number of teenage years to go.

Q Thank you so much.

MR. HALE: Okay.

LT. CRAGG: Thank you, sir. And thank you, Mandy.

I believe that was all the questions, so what I'm going to do is turn it back over to you, sir. If you'd like to end with any closing thoughts, the floor is yours again.

MR. HALE: Well, my closing thought would be, I mean, we've asked for an enormous amount of money from the American people, and we owe them an effort to make every dollar count. And we are trying that, particularly through the efforts I described as reforming what and how we buy. And we made some painful decisions that will be contentions in programs we think we no longer need, in order to hold down the growth and make sure all the money is focused on the areas we most need to fight and win the nation's wars, or prevent them whenever we can.

So I would just leave you with the thought that we see this budget as meeting our national security needs, but also continuing a reform agenda. And they are both equally important to us.

And with that, I thank you, and say I appreciate -- I appreciate all your time. And I'm glad to have been able to answer some of your questions.

LT. CRAGG: Thank you, sir.

And thank you, for the bloggers that were on the line today.

A note to all: You can access the transcript as well as the audiofile if you visit www.dodlive.mil, and click on Bloggers Roundtable. You'll find the transcript when it is eventually finished by Fed News. With that, you've been listening to Undersecretary of Defense and Chief Financial Officer Robert Hale.

Thank you, sir. And thank you, everyone. This concludes today's event.

MR. HALE: Thank you.

END.