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Secretary James: Thank you to all of you for joining our conference today. We've had a terrific program and I hope there's been a lot of good information exchanged here today.

I'd like to begin by just telling you all what an honor and a huge privilege it is for me to serve as the 23rd Secretary of the Air Force. It really is an awesome responsibility and I'm going to work very hard to work up to the task. And among all the privileges, the greatest privilege of all is to be able to serve alongside of the 690,000 -- you just heard about them -- active duty, National Guard, Reserve, and civilian Airmen. It has just been enormously gratifying over these first eight or nine weeks. I've seen them at work in the Pentagon and I've seen them at work out in the field. I have been out and about a fair amount over these first few weeks and they are really doing a terrific job for you and for me.

My overarching goal is to have an effective Air Force that meets the strategy that has been laid out, while also taking into account the likely budgets that we will see in future years.

In addition to that I have personally laid out three priorities for the Air Force. They are number one, taking care of our people. Number two, balancing today's readiness with tomorrow's readiness. Tomorrow's readiness of course means our modernization programs, the key technologies, getting us ready for the years to come. And number three, working very hard to ensure that every dollar that we spend in the Air Force is a dollar of added value to the taxpayers. That we don't waste it, and that ultimately we produce an effective Air Force at the lowest possible cost to the taxpayer.

I've been around Washington for upwards of 30 years as an observer on the scene in defense arenas, and I think many of you have been round for quite a number of years as well. And you know, just as I know, that there are frequent times when strategy and budgets don't match exactly. Perhaps they never matched exactly, and so when they don't match exactly what do we do? Well, we have to make judgment calls. We have to make judgment calls and those judgment calls involve judgments concerning risks. What risks are prudent, what risks are less prudent? If we don't do this, whatever plans we may come up with simply aren't going to be terribly useful.

So the budget that we will be rolling out in detail next week, and which we're going to talk about in some level of detail today contains many such judgment calls, always taking into account first the strategy, what it is that we've been asked to do; then the budgets, what are the likely budgets that we will face in the

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coming years; and taking into account risks and always trying to be as prudent with those risks as possible.

The budget uncertainty and the sequestration of recent years have certainly set us back in the Department of Defense, but thank goodness we do have limited relief in FY14 and FY15, thanks to the budget agreement and the FY14 Appropriations Act and that is extremely welcomed and we are grateful for that level of stability.

However, it certainly did not meet all of our needs and we were still faced with very tough choices as we built the budget that again, we will be rolling out next week.

So as the SecDef said on Monday, we prioritized our strategic needs to reflect the transition that we now need to make after 13 years of war. Then we match these strategic interests against the likely budget resources. So there you go again with strategy and likely budgets.

So starting with the strategy we are repositioning to focus on both the challenges and the opportunities that will define our future. That future is one in which we must invest to have the new technologies, we have to get ready for the new centers of power such as the Pacific and the rebalance to the Pacific, and what will be a more volatile and unpredictable world -- a world in which we can no longer take for granted, we can no longer assume as we have been so fortunate for the last 50 years in the Air Force, to dominate the skies and more recently to dominate space. We can no longer take that for granted because many other countries are advancing in key technologies. So we need to prepare now for that world, particularly that world eight or 10 years from now, but also the world of today, standing ready today, if we are called upon tonight to deploy and go do the nation's wars. So once again it comes down to that balance.

That's the strategy. Now let's factor in budgets. I'll be short and sweet on this one. The budgets that we are facing are going to be much, much, much less than what we predicted just a few short years ago. And I won't get into tons of [inaudible], because you've hear them already, but we've already taken hundreds of billions of dollars out the defense budget. So the budgets are going to be much smaller than we predicted.

So now how about those judgment calls that I talked about? Well, we chose reduction in manpower and force structure in order to sustain the readiness of today and also to build the technological superiority for tomorrow. We chose to delay or terminate some programs. Why? Because we wanted to protect what we considered higher priorities for procurement and R&D. Again,

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looking to tomorrow. We also did slow the growth modestly in our compensation programs to free up funding for today's readiness and tomorrow's modernization. So those were three core principles.

You also heard the SecDef say that although our FY15 budget hits the prescribed dollar targets under the budget agreement, we will be including in that budget an additional \$26 billion for what is called the Opportunity, Growth and Security Initiative. So you can say okay, \$26 billion. What does the Air Force get in that? The answer is the Air Force is about \$7 billion worth of that, and if we get it, that would include additional funds for such things as aircraft modifications, facilities repairs, training range improvements. By the way, all of those things are readiness oriented. Also we would get some additional high priority modernization items.

This additional money is only going to be available to us in FY15 if Congress will pass offsets, and we will be proposing next week a package of spending and tax reforms. Again, the details of all of this will be revealed next week.

For FY16 through FY19, the President's plan calls for budget levels that are \$115 billion above the sequestration levels. Again, look at what the Air Force would get from that, our share would be approximately \$34 billion. Why are we doing this? Because after all the law of the land in FY16 and beyond calls for a return to sequestration levels. But we're doing it because we believe strongly that sequestration level spending will compromise our security. It will compromise it in the short run on readiness; and will compromise it for the longer run in some of the important modernization programs.

So we're proposing what we think is best. It's a more responsible level of [inaudible] programs than the sequestration level budget, but at the same time we have to be realists and we have to think through, and we have, of what we would do and how we would manage operating in sequestration levels.

Now let me turn to some of the key Air Force judgment calls that we made. The first level of judgment calls assume that the entire [inaudible] budget levels are agreed to. I'm just going to have to apologize again, I can't give you full details yet. Again, those will be available next week, but I do want to give you a little bit more color on some of the major areas that the Secretary of Defense talked about on Monday.

First let me run through some of the savings that we will achieve.

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First of all in the area of headquarters reduction. You'll recall that the Secretary asked all of the services as well as OSD to achieve a 20 percent cut in the money associated with headquarters and to do that over a five year period. So we in the Air Force took this opportunity to do our best to step back and to try to fundamentally rethink and put a lot of things on the table of how we do business and how might we do it differently in the future. So we looked at all different types of options, various overlapping organizations, and we are going to be combining some of them in the future.

For example, we're going to put together our shops that currently do strategy and planning and budget. That's a good way to achieve efficiencies as well as make it flow better between those three fields.

We're also looking to centralize policy and oversight of installation support, so this would be a joining together of such functions for policy and oversight to include civil engineering, security forces, and contracting as well as some others. We're taking a strong look at what can we stop doing. So there are all kinds of administrative types of tasks that we currently do. Why do we do some of them? We do some of them because we've always done some of them. So we're relooking all of that and we're trying to reduce some of these tasks that are not required by law and that we can reduce, and in so doing, we won't simply foist more work upon fewer people.

So the bottom line on headquarters reductions. I think you will see when the details roll out that the Air Force will achieve better than 20 percent, so it will be more than 20 percent, and we will do it faster than five years. We're looking at doing it in a one to two-year period.

In the area of force structure, we will be proposing to retire our fleet of A-10 aircraft. This is the close air support combat aircraft. There are about 283 of these aircraft in today's inventory and this action would begin in FY15, but it won't be all done in FY15. It will take multiple years through the five year plan to achieve this. It will be what we call a vertical cut. That is to say it's an entire fleet and it will save about \$3.5 billion over time. Vertical cuts of entire fleets save much more money than horizontal cuts where you take a few aircraft from here and a few aircraft from there. Those don't save nearly as much money. So we went vertical in this case for the maximum amount of savings. And we also chose the A-10 because it is a single purpose aircraft, again, it does close air support. A very very important mission, I want to add, and one that the Air Force is absolutely committed to providing in the future. In no way will the Air Force ever step back from close air support.

But the fact of the matter is, given the budget environment that we have, we will be using other aircraft in the future to provide this important mission. So what other aircraft currently do close air support? There are quite a few of them. The AC-130, the F-15E, the F-16, the B-1, the B-52. All of these aircraft do close air support and more. These other aircraft are dual mission, multi-mission aircraft. So we're committed to close air support. We're going to get the job done with the inventory, the other aircraft that we have. And by the way, one other little factoid, approximately 80 percent of the close air support that has been provided in Afghanistan has not been by A-10s, it's been by all these other aircraft. So I offer that as a bit of evidence that we've got it. We're going to do this mission and we will provide it for the future.

Number two, we're going to retire the U-2 fleet. This will happen in FY16 and FY17 under our proposal, and we will be keeping the Global Hawk fleet. These are, of course, ISR capabilities. And as we have said over time, keeping both of these fleets is probably too expensive for us and it gives us more capability in the area of high altitude reconnaissance than we probably need going forward.

For those of you who have been following this issue, however, in the past we have been in favor of keeping the U-2 and retiring the Global Hawk. So why the change? The answer is, the change is because there's been a new development over the last year or year and a half or so and it has to do with sustainment costs. The sustainment cost in earlier times was projected to be higher for the Global Hawk. That was going to be the more expensive aircraft, the U-2 was less expensive. That has flipped in the last year and a half. The sustainment costs now are less, so we will be going with the Global Hawk.

The Global Hawk has some superior capabilities over U-2 in the areas of longer range capability and endurance; however, the sensors at the moment are not quite as good so we will be working on that over time. Again, Congress has asked us to certify to them that ultimately we can bring the Global Hawk in terms of sensors up to par with the U-2, so we will be working on that over time. That's decision number two, retire the U-2 fleet in favor of keeping the Global Hawk.

Three, we're going to increase but somewhat more gradually our combat air patrols, otherwise known as CAPs. This involves our Predators, the MQ-1 and the MQ-9 which of course are our Reapers.

Originally, a year or so ago, we were projecting we would increase the CAPs from the current of 50 to 65. The new plan

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has us going from the current of 50 to 55. So it's an increase, it's just not as much of an increase. This seems like prudent approach because, again, Afghanistan is winding down. We won't need as much of this capability on a constant basis, so 55 should be sufficient and we'll still be able to surge to 71 CAPs if we need to.

The other piece is that we will over time gradually retire out the MQ-1s, the Predators, and we will eventually have an all MQ-9 force which is the Reaper. Again, that won't happen overnight, it will be gradual. This is a five year plan.

Also a reminder, both of these systems have done a magnificent job in what are called permissive environments, an environment like Afghanistan where guys on the ground don't have the capability to shoot them down or interfere with them. But these won't do as well in a contested environment. So we also have to work on that capability and we'll be doing that over time as well.

On the manpower side I will tell you that our entire force will get smaller, however the total picture will be greater reliance on our National Guard and Reserve going forward, but again, we'll see reductions between active, Guard and Reserve.

We've talked about up to a 25,000-person reduction across the five year plan. We've said this over time. Most of that will fall on the active duty forces, and it probably won't be quite as high [inaudible], but that's what we've said. Again, more detail will be available this week.

I do want to lastly reiterate, the SecDef said and I totally agree, we do need another base closure round, and we must try to work to get past these difficult but important compensation changes. So all this is part of the savings that we want to achieve for the future.

Now let me turn to the investments we want to make in the President's budget. We remain committed to our top three programs, the F-35, the new tanker, and the long range strike bomber. These are important investments.

We're also going to invest in readiness. We want to fully fund flying hours and other high priority readiness issues. Readiness has degraded over the decades. The last 20 years there's been a gradual decline. We need to get those levels back up and fully funding the flying hours will get us part of the way there.

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The SecDef noted, and I want to reiterate, we're committed to the triad going forward. For the Air Force, of course, that means our bombers, and that means our nuclear missiles, our ICBMs.

We also have a plan to invest a billion dollars over the next five years in next generation jet engine technology that promises reduced fuel consumption, lower maintenance, and should help us to ensure a robust industrial base.

Everything I just said is under the President's budget figures, which remember is that higher level of defense spending. If we have to revert to sequestration beginning in FY16, and that is the law of the land unless Congress changes it. If we do, that means \$34 billion comes out of our Air Force budgets over time. Then here are the additional actions we're going to have to do.

We'll have to retire up to 80 more aircraft which would include our entire KC-10 tanker fleet. There are about 59 of these KC-10s in our inventory. This action would happen in FY16 and would save us about \$2.6 billion over the five years. Once again, that's a vertical cut. You get more money that way, rather than taking bits and pieces from different inventories.

The KC-10 has a commercially equivalent aircraft. That commercially equivalent aircraft is going to be going away and that means the spare parts and logistics and what not for KC-10s -- the price will go up so it becomes a more expensive system for us to keep. I'm just explaining why we chose that one. Furthermore, everybody remembers the KC-46 will be coming on-line. So we don't want to take this action, but if we have to under sequestration the KC-10 would come out.

We would also have to defer those sensor upgrades to the Global Hawk I told you about. We would have to retire the Global Hawk Block 40 fleet. That is a fleet that provides long endurance lockdown radar capability to detect and track moving targets.

We would have to buy fewer, meaning slow the purchase rate, of the Joint Strike Fighter which would mean 19 fewer aircraft of the five year defense plan.

We would have to do fewer if the combat air patrols. I told you 55 in the President's budget, it would have to be 45 under our sequestration level.

No funds would be available under the sequestration level for the next generation jet engine program.

So this gives you an idea of the choices that we would make if we are faced with sequestration, as well as the higher levels and

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the choices that we would make if we can convince the Congress to support the President's budget level.

Let me wrap now by saying that tomorrow's Air Force has to be the most agile, credible and affordable one that we can provide, that can make the strategic defense guidance; and ultimately our job, just as our segment today is entitled, is to fly, fight and win the nation's wars. We do feel that by making these tough choices today we will set ourselves on a path that we will be the most ready and modernized Air Force in the world, albeit a smaller one. But we need to remain very lethal against any of the potential adversaries that we might face.

Sequestration compromises our national security too much. It compromises it too much. We hope we won't return to this. We will be working hard to convince the Congress that it simply is too much risk.

I thank you so much and I look forward to my wingman, Larry Spencer, joining me here on the stage and taking your questions as well. Thank you.

Moderator: Thank you for your comments. I'll set the stage for some of my questions here.

Let me ask you first of all, you've in your brief time already made some visits to a number of facilities around the country. How do you think this budget plan, particularly the Air Force budget plan, is going to play with your Airmen? And how hard a job is it going to be to maintain morale in this environment? You're talking about a smaller Air Force. There are people who are doing jobs out there now who aren't going to be doing those jobs.

Secretary James: Everywhere I go, in addition to receiving briefings and taking tours of facilities, I do town hall meetings with Airmen and I frequently will do smaller focus groups with Airmen, precisely to get at some of those questions you're asking. How are people feeling and what's on their minds? I will tell you that the number one enemy of our Airmen, so to speak, is uncertainty. So to have a stable budget, to know what's what, to know what they can expect is something they all yearn for. That's difficult to provide in a world in which we frequently have to operate in conditions of ambiguity, but we are trying hard to provide that.

As we talk about manpower reductions, it's not just an absolute reduction that we're seeking. We will also be force shaping. By that I mean the force of the future, at the moment we have some people in certain ranks and certain specialties where we have too

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many; and then we have other categories of jobs where either because of rank or because of a specialty, we have too few. So there will be opportunities for some of our Airmen to retrain from one area into another. So that's one segment that's going on.

We're also putting out voluntary incentives. So some will leave us and go on into the private sector. I know that we have people from the private sector here today and I'd like to say up front, thank you all for hiring our veterans. They're terrific employees, and please keep that up. So some will leave us through voluntary measures. We think that will be most of the jobs, but we also have some involuntary measures that we will take if we cannot get the numbers that we need.

So when all of this is said and done, and I hope it will be over the next year or two rather than the next four or five years, we will get the period of uncertainty behind us. Again, with the higher levels in defense spending we can provide our Airmen with the readiness, the equipment, and all of the factors that go into having a positive experience which motivates them tremendously.

Moderator: General Spencer, I'd love to get you to weigh in on this as well, with your perspective on the compensation component of this and what this means to an Airman out there, whether the right people will be re-upping, whether you're going to have the talent you need for the Air Force of the future.

General Spencer: That's a good question and I'll just reiterate some of what the Secretary mentioned. You may not be aware of this, but I'm prior enlisted and I talk to Airmen a lot. I really focus on the enlisted force. What I hear from them is that we've got the best Air Force on the planet and we want to continue to have the best Air Force on the planet. For them that means having the right equipment, having the right training, and making sure if they have to go off in harm's way they're ready, they're trained, they have the equipment to do so.

Getting smaller is frankly not really new. The Air Force stood up in 1947, we had 25,000, 24,000 platforms -- we've got a little over 5,000 now. We've had a generally steady decline in terms of platforms for quite some time. Now, we can't compare the capability between those two. But drawing down or getting smaller is not anything new.

When I talk to Airmen about morale, they talk to me about having the best equipment available and having the best training available so that if we have to send them off in harm's way they're ready to do what we ask them to do and come back home.

Moderator: Let's talk a little bit about equipment. You mentioned some of the tough decisions, the A-10, the U-2. Let me ask you first of all about the U-2. It is a situation where [inaudible] even what we've been hearing just a year or so ago about the U-2 over the Global Hawk. Walk us through, what's changed in the last year, [inaudible]?

Secretary James: I'll begin, and then maybe General Spencer you can continue. I was sworn in on December 20th so I got here a little bit late to the decision-making process. But it really came down to capability and it came down to cost.

Let me take the second one first. On the cost, a year and a half, two years ago, given the sustainment costs that each of those platforms was projected to have, the U-2 was the least costly; the Global Hawk was the more costly of the two systems. Through negotiations with industry and over time, that situation reversed. Now the Global Hawk is actually the lesser expensive, the least expensive of those two systems. So cost is one thing, but of course cost is not everything.

Now let's talk about the capability. Both are capable platforms, however there are differences. The Global Hawk is superior in certain ways. The key area where the Global Hawk is not superior has to do with the sensors. So part of the plan, and part of the savings we will achieve over time, will be plowed back into making the Global Hawk more on par with the U-2, and that will take a few years. We're not there yet. So that will be the introduction that I would do.

General Spencer: I think it's important to establish a baseline right up front. Whether you're talking about a U-2 or Global Hawk Block 30 or an A-10, they are platforms, they're not capabilities. So we have missions and we then try to find the best platform to perform that mission. So I think it's important not to get hung up on an airplane, but to figure out what's the best platform to get the mission done.

As the Secretary mentioned, you're right, a year or so ago we had the U-2, it was less expensive to maintain than the Block 30. The really big difference in addition to that was the sensor capability on the U-2 was so far superior to the Block 30, particularly the optical sensor.

So what we've been able to do over the last year or so is come up with a universal payload adapter that will essentially allow us to unbolt the sensor from the U-2 and bolt it onto a Global Hawk Block 30. Now you've got a longer endurance platform, a platform that's got more persistence, a platform that can fly farther distances, has now roughly the same sustainment cost and roughly

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the same parity in sensor capability. So it just made sense as the Global Hawk matured and we found ways to bring the sensor capability up to the U-2, it just made sense to go forward with the Block 30.

There are other things we're doing, by the way, with the Block 30. We're adding weather capability which is one of the issues that we had. So we're trying to make it as equal to the U-2 as best we can.

Moderator: Let me ask you about the A-10. I've seen one of these things fly. I know it's got many fans. It's had many fans over the years. I don't even need to ask you about the cost/benefit analysis done here. I need to ask you about the politics of it. It's a popular aircraft. You've got some members of Congress already saying absolutely no, we're going to maintain it. How tough an uphill fight is it going to be for you to convince Congress that you don't need this plane?

Secretary James: I think it will be tough. I think it will be tough, but our mission, of course, is to lay out the facts and to not only have someone like me, for example, lay out the facts, but people who have actually served in combat, been with the A-10, and so forth. So we will be prepared to make this case.

Personally, again, coming in in December as I did, trying to review when we were in the penultimate literally weeks and days of putting together our budget, I took briefings and then I tried to seek out counsel of other people, right? I talked to the Chief of Staff of the Army and I talked to the Commandant of the Marine Corps. I've asked them about the A-10. Of course I've talked to our Air Force leaders as well about the A-10. So what I hear uniformly across the board from all of these leaders, including from the leaders who served on the ground in combat and commanded others who did the same, the A-10 is a great plane, but the number one thing that Army soldiers and Marines on the ground, when they get into a firefight, when they're in trouble, the number one thing they want is the mission, and whatever plane can get there first, and whoever can come to their aid and get that mission done. That's what they want. That's the number one thing. And as I mentioned earlier, the facts that were laid out to me, 75-80 percent of these missions were done with other aircraft, some of which I mentioned.

So I certainly said to those leaders, I know General Welsh, General Spencer have delivered the same message, we've got it. We are not backing away, we will be there if you need us and we've got various platforms to do this with.

So now we just have to make that case.

Moderator: One of the platforms to come is the F-35. We've had a lot of discussion of the F-35 so far today. Obviously the Air Force is counting on this aircraft to a significant degree. Your level of confidence that that plane will deliver as you all hope it will, and that it will be there [inaudible] what the A-10 has been doing.

Secretary James: Of course the F-35 is still a couple of years out until we reach the IOC. If the A-10s were gone tomorrow, which they're not going to be, but even if they were we've eventually got these aircraft to cover the mission.

Based on everything I have learned to date about the F-35, I'm pretty confident. I'm pretty confident. I've been to Eglin, I've seen some of the testing which is both operational testing and developmental testing. Of course I've met with the program manager. I'm aware of the history. The history has been a tough one, but the re-baselining in 2010 I think has put us on a good path. They are working hard at Eglin, I will tell you that. They are working through challenges. It's difficult doing operational and developmental testing all at once. There's a lot going on. But the people are pumped and even when they run into a road block they are very motivated to get beyond the challenge.

So I could never sit here and say for sure that it won't slip some more and so forth, but everything I hear gives me confidence that we're on a good path now, and certainly everything I've learned about the threat, we do need the F-35.

Moderator: General Spencer, if we do get sequestration, if it does not go away in 2016, the F-35 as the Secretary mentioned, would be one of those platforms that we would have to slow.

General Spencer: That's certainly true, if we go to sequestration levels we won't be able to buy as many. But let me talk about it. The F-35, the crews that fly the F-35 love the airplane. I've been in the F-35 simulator, I've had the helmet on. It is a great capability. It will over time also be able to do the close air support mission. The F-35 is something that we're trying to convert to an all fifth generation fleet, as best we can, so a combination of the F-22s and F-35s will be critical to our capability going forward.

The Secretary mentioned the A-10 and obviously we fight together as a joint team. We want to save lives on the battlefield. We want to support our brethren in the Army and Marine Corps who are on the ground. And the A-10, it's a great airplane. General Welsh was an A-10 pilot. We love the airplane. But we simply can't afford it in this budget environment as money comes down

and we have a platform that was built for another time. Since then, precision-guided munitions have been developed that can put a weapon on a target from all types of altitudes. It also allows us to keep aircraft that could not just only focus on close air support but, and the Army and Marine Corps folks here can speak for themselves, but to be able to go back and intercept deep into enemy territory is a big deal for ground forces, be it to protect supplies, to be able to protect crews that are behind the front lines.

So we looked, again we looked at this holistically, trying to divorce ourselves from the platform because if anybody's got a love for the A-10 it's General Welsh because he flew the airplane, he loves it. But if you divorce yourself away from the platform and focus on what is our mission, that's really what's key. How can we save lives on the battlefield? How can we get the mission done?

Moderator: Let's talk about another mission, another platform that's gotten, my sense is getting more and more attention yet we don't know that much about it, the long range bomber. When will we know more about this program? A lot of it is classified. Can you give us any better sense of time table here? This is obviously a program that's going to cost a lot of money. What would you say to Americans who say the Air Force is getting a lot of great toys, the F-35, we're just not sure this is the right time to spend money on this kind of platform right now in this budget environment.

Secretary James: There will be some additional details available next week when the budget rolls out. The actual budget for the long range strike bomber is not classified. That's in the so-called white world, not in the so-called black world. So that additional detail will be available next week.

I can tell you that there are two teams at present who are working no pre-proposal types of activities, preparing to sort of take the next step in competition on the long range strike bomber. There's a draft RFP that is being reviewed and commented upon and so forth.

Moderator: So having two competitors is important to the Air Force right now?

Secretary James: Competition is always a good thing, so I'm going to say absolutely that's a good thing. And we expect that there will be a full RFP, a final RFP out and a competition probably in the fall time frame. So we can certainly share that with you at this point. I'm not sure there's too much more to share at this time.

General Spencer: You know the age of our B-52s. We've only got 20 B-2s. To go forward with a penetrating platform that will be able to penetrate the sophisticated IAD systems that we have now, is just critical to our future, particularly in the long term as more and more of our adversaries try to figure out ways through anti-access to keep us out. So if you look at the threat that we expect to face as the long range strike bomber comes on and our ability to be able to have an impact or an effect on that threat, the long range strike bomber is really critical to our future.

Moderator: In doing my research I think the price tag that I saw from some time ago, like \$550 million per aircraft. I've had some people suggest that seems awfully low for what you're asking this plane to do.

General Spencer: What's happened in the past, as we've developed new platforms, whether CSAR-X or in other services they've had other platforms. What's happened over time is the price just starts to skyrocket as people want to put more and more stuff on it. As technology changes, people want more and more capability. So the 550 was designed to -- we can't afford to just buy 20 of these airplanes as we did the B-2. We want to get 80 to 100 of these. The only way of doing that is to keep the price down. So we have had to turn back the temptation to put more stuff on this bomber. But I've got to tell you, as the folks working on this program are really working hard to get us the capabilities we need for that price which is really what we want. They're really pushing the envelope.

Moderator: I did not hear the Secretary the other day, or you, Madame Secretary, mention the search and rescue helicopter. The status of that program, and there's talk there may be a decision soon. Where does that rank in terms of priorities for the Air Force?

Secretary James: First let me answer that by saying a few words about the mission of combat search and rescue. There are a variety of missions in the Air Force, but I think we can probably all agree this is a really sacred mission, right? This is the mission of if an Airman goes down in difficult circumstances, behind enemy lines, is lost in difficult terrain, something of this nature, the message is we're coming. We're going to come get you.

Similarly, if Army soldiers -- search and rescue helicopters aren't just for Airmen, they're for other Soldiers and Sailors and Airmen. So it's a sacred mission and it's part of the ethos of the military.

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So much like you have heard in other stories, we have current helicopters that perform this mission. They are getting older. They won't last forever. Something's got to give. We're either going to have to buy a new helicopter, we're going to have to do major upgrades, but something's going to have to give. So I would say it's a priority but we have to rack and stack that priority along with the others.

As you mentioned for about 10 years now in the Air Force we've been talking about replacing this helicopter. There have been a couple of solicitations out. It's been a little bit of a rocky start, shall I say, so the most recent action is, there has been another solicitation out and so I will tell you that I personally am looking at this very hard, doing my due diligence again. I'm going to be going to Air Combat Command later tonight as a matter of fact, going to see some of the aging helicopters, hearing from a variety of parties. It's a question of can we afford it, can we afford it now versus later, is it better to do upgrades or buy new? So it's all of these different factors that we need to weigh. But again, the mission is sacred and we're going to provide the mission one way or another.

Moderator: I want to try with the few moments left to at least get to one or two quick questions, if I could.

Question: John Tirpac, Air Force Magazine.

Madame Secretary, could you tell us about the proposal to retire the A-10s? Was the idea to completely scrap them? Or do you have it in mind to put them in the bone yard storage at Davis-Monthan to bring them back if necessary in the future?

Secretary James: The idea, as I understand it, is to retire them. Retire them fully. Again, it would be over time. It wouldn't be all in one year. There are A-10s in the active component, the Reserve and National Guard. Over the five years and over this course of retirement, the beginning years would tilt toward more of the active component retirements and the latter years of the five year plan would tilt more to the Guard and Reserve retirement. Again, in the interim period, we'd have close air support provided by the other platform I talked about and eventually with the F-35 coming in, it will cover the mission.

Question: Aaron Mehta, Defense News.

You mentioned that the engine program, the one billion dollars invested, would not be considered if sequestration continues in FY16. Does that mean that there are no plans to have that going

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in FY15? It's only going to be FY16? How is that going to get parceled out over the five years?

Secretary James: Can you take that one?

General Spencer: I wasn't clear on the question. You said we obviously invest \$1 billion in this new engine technology, but I wasn't clear on the question.

Question: The question was, Madame Secretary said that if sequestration continued in '16 and onward the engine program would not be funded. The \$1 billion would not be invested. So I'm trying to get a sense of the time line on what that's going to look like.

General Spencer: That's a good question. I'm not exactly clear on what the specific time line would be if we did sequester, but I will say it is critical for us to continue S&T type investments for our future. As you know, I don't know how many of you have ever been to a jet engine school like I have, but there's a basic structure to a jet engine. It takes in air, squeezes it, heats it up, and kicks it out the back. If you can picture an airliner, while you're sitting on an airliner on the flight line, and you see the big blades turning around, those blades pull air over the core of the engine. This new technology actually pulls air inside of the core which gives us a lot more power and makes it a lot more cost effective.

So as we go forward, we are continually, and the Secretary mentioned one of the things she's really focusing on is what she calls, what we call every dollar counts. We want to make sure that we find the most effective and efficient ways to conduct our missions going forward. So clearly investing in S&T technology going forward is something we really would like to do.

Moderator: With that, I've got a whole long list of other questions I'd like to ask you, so we'll have to have you back for another conference. But thank you very much for coming, thanks for bringing your wingman, and we appreciate your participation in this. Good luck as you begin your tenure as Secretary. We appreciate it very much.

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