

**COMMISSION ON
THE NATIONAL GUARD AND RESERVES**

RELEASE OF FINAL REPORT

**WELCOME AND MODERATOR:
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NATIONAL PRESS CLUB BOARD OF GOVERNORS**

**SPEAKERS:
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KEITH HILL: May I have your attention please? We're going to start in two minutes, but before we do, could you please turn off or set to vibrate your cell phones, pagers, and all those little doodads that make a noise during the presentation. Again, we'll be starting in two minutes, thank you.

Good morning, my name is Keith Hill. I'm an editor-writer with BNA and chair of the National Press Club's Board of Governors. This morning the Commission on the National Guard and Reserves will release its final report after conducting the most comprehensive independent review of the guard and reserves in 60 years. The commission's recommendations will be presented in light of quote, "overwhelming evidence of the need for change," unquote, because of among other things, the continued heavy use of the guard and reserves in Iraq, Afghanistan, and the homeland.

I'd like to introduce our speakers at this point. To my far left is Patricia Lewis, who is former senior staff member of the Senate Armed Services Committee. On her right is commission Chairman Arnold Punaro, who is a retired Marines Corps major general and a former staff director of that same committee. And on my right is Wade Rowley, homeland security specialist, who has served more than 23 years in the California Army National Guard. And for those of you in the audience, I'd like to you know that we will also be doing a teleconference with reporters outside the area. So occasionally I'll be taking questions from reporters that are calling in to this event.

Our speaking order will be Chairman Punaro, then Wade Rowley, and then Ms. Lewis. So at this point, I will turn the podium over to Chairman Punaro.

ARNOLD PUNARO: Thank you, Keith. Good morning. I want to thank the National Press Club for inviting us to release the commission's final report in a newsmaker here this morning. The report was delivered to the Congress and the secretary of Defense and officers all over the Pentagon very, very early this morning. I also want to thank the newly elected president of the National Press Club, Sylvia Smith, and all the reporters that are here today, as well as all those on the telephone lines.

We have come full circle. We kicked the commission's work off over two years ago in this very room in a newsmaker on March 6th, 2006. A year later we were also here when we released our second report that focused on our recommendations relative to the National Guard Empowerment Act. We were pleased and encouraged with the speed with which both Congress and the secretary of Defense supported and are implementing most all of the recommendations contained in that March-run report. DOD officially supported 20 of the 23 recommendations, and the Congress ultimately approved virtually all of our recommendations and made some noted good improvements working with the Department of Defense.

The president signed that bill into law several days ago, and so we have, particularly as it relates to the relationship of the National Guard to the Department of Homeland Security to the U.S. Northern Command – the command charged with the lead role for protecting our homeland – fundamental changes are underway in that area. And we're going to make some recommendations for the additional fundamental changes that have to occur as it relates to all of the seven reserve components here this morning.

Obviously we couldn't have gotten to the point we are today without a lot of help and cooperation, particularly the two commissioners – and I'll say more about them as they get up to speak – Commissioner Patty Lewis, who led our Personnel Subcommittee, Commissioner Wade Rowley, who co-led our Homeland Security Subcommittee. Also have several of our other commissioners here in the audience today: Dan McKinnon, former chairman of the Civil Aeronautics Board and the CEO of North American Airlines; Major General Gordon Stump, the former adjutant general of the state of Michigan; and Will Ball, the former secretary of the Navy, and also chief clerk of the Senate Armed Services Committee. So without them and their hard work over two and however years – our very capable staff led by Tom Eldridge, our staff director, Beverly Hudnut, who is in charge of our communications – we wouldn't have been able to accomplish this.

I want to – before getting to the substance, also I'd be remiss if I didn't thank the Department of Defense, the other government agencies that helped us, the GAO, the Congressional Budget Office, the Library of Congress, many, many other agencies, the Congress that cooperated with us and supported us from day one. One of the most pleasant surprises we all had in our two and a half years at work was you go into these commissions, and there are a lot of commissions around town all the time. And having worked around this town for a lot of years, I said, holy smokes, you know; this is going to be hard because they're not going to want to help us because they know we might say some things they don't agree with.

That absolutely did not happen. The Department of Defense could not have been more helpful, led by the assistant secretary of Defense for Reserve Affairs, Tom Hall, led by Major General Mike Sumrall, assistant to the chairman of the Joint Chiefs of Staff. Even when they knew we were probably going to say things they didn't agree with, they still rogered up, then made sure we had the information and support that we needed; same thing for Congress.

And finally we thank the authors of this legislation, the primary, the leadership of the two authorizing committees for giving us this opportunity to hopefully move the ball forward in this area, and with particular note to Senator John Warner, one of the principal architects of this legislation, who will be retiring from the Senate after an incredibly distinguished career of public service as a statesman and someone that was strong bipartisan advocate of a strong national defense throughout this entire career.

So with that, our analysis today is focused on what the nation needs the guard and reserve to do to meet the existing and emerging threats. And as with our March 1 report, we spent most of our time identifying, analyzing, supporting, documenting, and making sure we had a good understanding of the problems in these areas. We wanted to make sure that there may be some disagreements with some of our recommendations, but we wanted to make sure as we did in our

March 1 report, that we had the problems identified correctly. And I should add that most of these problems, if not all of these problems, have evolved over decades or are the results of new threats that have occurred in recent years.

These aren't – this is not a report card on any present or past administration or any present or past officials, and I can't emphasize that enough. I would say that not everyone will agree with all of our recommendations. That probably means that we've accomplished the task that Congress gave us. People of good conscience and good repute will disagree and may even have some better answers. Congress and the Department of Defense improved on the recommendations we made in our March 1 report. I feel certain they will do that again. That's great. We are absolutely not hung up on our recommendations. What we're hung up on is fixing these problems. And when it comes identifying, analyzing, and documenting the problems, we feel pretty confident that we've hit the bull's eye there.

Our report contains six broad conclusions, 95 recommendations based on 163 findings. To get to this result we had 17 days of public hearings, heard from over 115 official witnesses, we had 52 commission meetings to deliberate, discuss, and make these recommendations. We had over 850 interviews with subject matter experts here at home and abroad at the federal, state, and local level, stakeholders, first responders, family members, employers, anybody that had wisdom to share on these issues. A lot of site visits, we understood from day one that all wisdom does not reside inside the Beltway. And we spent most of our time our time out in the field making sure we understood what was really going on.

We had a lot of forums and panel discussions, and we did a detailed analysis of thousands and thousands and thousands of pages of documents that was provided to us, you know, by governmental officials and other entities to make sure, again, that we had the things documented correctly. The majority of our recommendations, the majority of our 95 recommendations can be implemented by DOD immediately without any legislation. And many others, those that require some legislation, Congress could deal with this year. So the vast buck of these recommendations, could be – if they agree with them – could be put in place by DOD and the Congress in very quick order, even recognizing that this will be a short legislative year.

Some of the recommendations, particularly in the personnel area, personnel management area, a number of these will and should take a number of years for Congress and DOD to analyze, to look at thoughtful ways of implementing them. Some of these will have to be phased in on a long period of time, and that's understandable. And we'd want them to take a longer time to do that. The Goldwater-Nichols, the landmark Goldwater-Nichols legislation that passed in 1986, took fully 10 years for its full effect to be held. And we feel many of our recommendations, while they can be implemented immediately, many others will have to be phased in over a period of time.

Interestingly in some of the areas that some people will tell you may be controversial, I like to, instead of using the word controversial, I say these are recommendations that are going to take some heavy lifting. There is a lot of work going on in the Department of Defense right now, so it will surprise some to learn that the department is actually moving out in many of these key

areas that are fundamental to the success of not only the guard and reserve, but the all-volunteer force in the future.

I anticipate that Secretary Gates and Admiral Mullen will want to move out smartly on the ones that can be done right away and that they agree with, and that they will want to work with the Congress, and they will want to work with the committees of jurisdiction. I know the Congress is going to be forward leaning in the saddle. Some of the relevant committees of jurisdiction, the full committees, have already scheduled hearings. We have stayed in close touch with them throughout our two and a half years. And the Department of Homeland Security and the homeland security committees also need to be engaged because some of the most fundamental areas that need to be addressed are in that area.

So with that, I'll briefly cover the major areas in the six chapters of our report and then turn to some specific conclusions from Patty and Wade. So our six broad areas and conclusions to meet the threats that the nation faces now and in the future is we need to create a sustainable operational reserve. And people will say, well, wait a minute, isn't that what we have? We've heard the Department of Defense say we have an operational reserve. You first have to understand that the difference between what's called a strategic reserve and an operation reserve.

The strategic reserve is really the foundation of laws, rules, regulation, funding processes that we have in place in the Department of Defense and the Congress today. The strategic reserve in the peak of the Cold War was a force that was designed to be used once in a lifetime if we had an unfortunate Major Theater War with say, the Soviet Union in the Warsaw Pact. In the peak of the Cold War we had a commitment to NATO to have 10 divisions there in 10 days, but everybody knew that wasn't sufficient. And you'd have to mobilize a guard and reserve, but that was over a lengthy period of time. And by the way, you would also have to reactivate the draft.

The all-volunteer force – and this is a key part of our report – the all-volunteer force was not designed for sustained combat. It was designed to keep up with peacetime operations, and it was understood when the Gates Commission released its report in 1970 recommending that we move away from the draft and go to an all-volunteer force, which was implemented in 1973 that it would not be able to deal with sustained combat.

So the guard was part of that surge force that would be dusted off once in a lifetime. That is absolutely not the situation we have today. The guard and reserve is an operational force. It's part and parcel of everything that goes on in our military today, both overseas, and now to deal with these new threats here at home. The guard and reserve has mobilized over 600,000 personnel and sent them forward into the fray. Without those 600,000 guard and reserve personnel brought forward at an operational context, the nation would have gone back to the draft if it had wanted to sustain the force levels in Iraq and Afghanistan that our military leaders have required.

We do not believe, in the commission, that's either a politically supportable or a militarily viable option. Therefore we believe that we've got to basically continue to have this operational guard and reserve that is both sustainable in the short term, feasible in the short term, and sustainable over the long term. But since everything that undergirds this was based on it

being a strategic reserve used once in a lifetime. That is why our recommendations indicate we have to make fundamental changes to the laws, rules, regulations, training, equipping, readiness levels, medical and dental readiness, and everything else that goes into that. And we need to have a much more integrated, active, and reserving guard force. We need to have an integrated continuum of service – one pay system, one personnel system, one promotion system, one retirement system – if we are going to have the kind of the forces the nation needs overseas.

But more importantly, the second compelling reason for having the operational guard and reserve is because of the new threats we face in the homeland. We need to enhance – our second major conclusion that – excuse me – Commissioner Rowley will talk about is, we need to enhance DOD's role in the homeland. The threats we face here at home are radically different than the ones we faced in the peak of the Cold War. A terrorist's use of a WMD is a catastrophic scenario that the Department of Homeland Defense, the lead agency for preparing for and managing a response to catastrophic natural and manmade disasters, has 15 planning scenarios. At the upper end of those scenarios, particularly a WMD scenario, only the Department of Defense has the capacity, the capability, the commanded control, the chemical decontamination, the mass casualty handling, the field hospitals to deal with these situations.

And everybody knows it. And it's time that we get off the dime and recognize to protect our nation's citizens, our lives, our property, our way of life, we're going to have to have the Department of Defense roger up, assume that role, and prepare in peacetime. If we can't prevent one of these weapons of mass destructions, we've got to be able to manage the consequences. The commission has concluded the nation has not adequately resourced the capabilities that were needed in this area. That ought to be in the guard and reserve. They have a geographic advantage because they are located in over 3,000 communities across the nation. They have a civilian skill advantage in that many of them are first responders. They have the units, they have the equipment, but they're not adequately resourced, were not man-trained, plan-coordinated. And the U.S. Northern Command, which is focused on old threats, not new threats, needs to shift its focus as well. And this has to be done cooperatively with the Department of Homeland Security.

So if you buy into those two arguments, that you're going to have to have an operational guard and reserve to meet the threats and meet the force levels, and if you want to have the capacity to survive a catastrophic WMD event, you're going to absolutely have to have an operational guard and reserve. So if to have that operational guard and reserve, then Commissioner Lewis and Commissioner Rowley are going to talk about training the continuum of service in the personnel area, developing the readiness levels in training and equipping that you need. You're going to have to have better support for the family members, the employers, when reservists return off of active duty. And you're going to have to make some fundamental reforms in the organizations and institutions that basically operate all this in peacetime.

So the bottom line there is those are kind of the six major areas. Last March, we concluded that the current operational reserve was neither feasible in the short-term, nor sustainable in the long-term because of all the changes that have not been made. Today, 10 months later, we have concluded again, it's neither feasible in the short-term or sustainable over the long-term because the needed changes have yet to occur. In March, we said that 88 percent

of the National Guard combatant forces here in the United States were not ready. Today it is – and we spent a good bit of time in the last couple of weeks making sure this was an accurate assessment – they are at the same low state of readiness. In fact, it's a little bit worse when you look at the Army Guard combat units.

While there are a lot of improvements in the pipeline, it's not going to materially change the circumstances given the current situation and the fact that the fundamentals are still tied to a strategic reserve, not an operational reserve. There really shouldn't – this low state of readiness and preparedness should not be a surprise. General Casey, the chief of staff of the Army, has said in recent months, our readiness – and he is talking about the total army – our readiness is being consumed as fast as we can build it. So you're not going to be able to reset, but we've got these new threats that we've got to address now.

So again, the case for the operational reserve in summary, I would say, it's the current firebreak to having to go back to the draft. And there is no reasonable or viable alternative to maintaining this operational reserve. Hypothetically, if you took the 600,000 guard and reserve personnel that have been mobilized for overseas deployments or you even looked at the 61 million man-days that the guard and reserve provided support to the Department of the Defense in 2006. That is the equivalent of another 168,000 people brought in to help out. And by the way, those mobilized figures don't include the 55,000 guard and reserve personnel that were deployed to Katrina. If you tried to replicate that and say, okay, why don't we just put all that in the active force, you're talking about an economically unaffordable option.

The Army is going to grow 65,000. That is going to cost 100 billion. If you try to add another 600,000, you're talking a trillion dollars. And even Bill Gates, Donald Trump, Warren Buffet together don't have that kind of money. And by the way, you're having trouble now recruiting and retaining the active force levels, much less expanding them. So that's not really a viable alternative. Furthermore you need the operational guard and reserve because of the homeland threats. They have again, a significant operational advantage over the active component in dealing with these WMD scenarios. They have a significant skill base advantage, and they have a tremendous operational advantage, as being – continue to be a great bargain for the taxpayers.

So again, we believe there is a compelling case and we were skeptics. When we started two and a half years ago, virtually every member of our commission had either served in the military, served with a military, extensive experience in dealing with these issues at the state level, federal level, and local level. As the former division commander of the 4th Marine Division, General Stump was a commander of all the forces in Michigan. I looked at it, and I knew, holy smokes, this is really, really different than what we have been ready for, trained for, equipped for, prepared for. This is really going to be hard. I'm not sure, you know, we're up to it. And I'm not sure the Pentagon is up to it, I'm not sure the Congress is up to it.

But over the course of the two and a half years, examining the facts, examining the options, and seeing that there are absolutely no viable alternatives, the nation has no recourse but to invest in support a full and sustainable operational guard and reserve. This should not be backed into to, it shouldn't be done in the dark of the night, it shouldn't be done with a magic

waveable wand where DOD gives a statement at a hearing and says, we have an operational guard and reserve.

DOD and Congress should have a full and open debate. Congress should roger up and make the decision, do we want this? And if we do want it, let's legislate it, require it by statute. Let's statutorily require that the Department of the Defense roger up to this homeland missions, particularly enhance their civil support capability and their ability to support these WMD situations. And if they make those decisions, then all these other changes would flow from that. So thank you for giving us the opportunity, and I'll turn it back over to Keith at this point or if you like, Wade Rowley will focus and give you a little bit more of the specifics on the WMD.

WADE ROWLEY: Thank you, Mr. Chairman, and good morning, ladies and gentlemen. Today the United States is part of the battlefield. As a result, DOD must make protecting the homeland a core mission that is equal priority to its war fighting mission. DHS is currently charged with leading the national effort to secure the homeland against terrorist attacks and in responding to disasters whether manmade or natural. We agree that this is appropriate and believe that DOD must be prepared to support this effort. With DHS, DOD should generate requirements, plan program, and budget for the increased homeland role.

There are certain circumstances in which DOD may be required to play a primary role such as in major catastrophes that incapacitate civilian government over a wide geographic area. This could be the result of a terrorist attack involving nuclear weapons or a major natural catastrophe such as a massive earthquake or a category five hurricane like Katrina. Everyone knows DOD will have a major role in these circumstances and DOD needs to acknowledge that and be a part of the deliberate planning for that role. As it stands today, DOD recognizes the homeland defense role, but has not put equal emphasis on the Homeland Security civil support role.

We have seven recommendations in chapter two of our final report. And it will help meet these goals. These recommendations are similar to those ones in the March 1st report, but we have added some different concepts and some shifts in emphasis. I'll just give you through a brief overview of these recommendations that are in the report. And then, of course, at the question-and-answer period at the end of this, I'd be more than happy to expand on any of these. Congress should define the nature of DOD's role in the homeland. Currently, there is no clear direction in law. Congress has not specifically tasked DOD with civil support responsibilities.

And also, to expand on that, nowhere is it specified the National Guard's role in homeland security or homeland defense support. Other than at the state level – and then some states better than others have covered this of course within their own disaster response plans. But at the DOD level, there isn't any guidance on how the National Guard and reserves would be utilized. The National Guard and reserves should be the backbone and play a lead role in DOD's response efforts at home, backed up by the regular component. You know, it's been long tradition that DOD or the active-duty military is responsible for the away game, and the National Guard is in a supporting role. Well, we believe as a commission that the National Guard and reserves should be the tip of the spear in the homeland security role, and active duty should be in a support role.

NORTHCOM should become the majority guard and reserve command and the command a deputy guardsmen or reservist with significant background in National Guard and reserves. Currently at NORTHCOM, a small percentage of the people who work there are National Guard and reserve soldiers. We believe that there should be a higher percentage, and some of the leadership should be National Guard and reserve.

DHS should generate civil support requirements for DOD to look at and include it in the budget. In plain language, as DHS plans and prepares for future disasters and other contingencies, it needs to tell DOD what DOD will be called upon to provide. Right now, there really has not been the analysis from DHS and DOD as to what the overall requirement is, and so it's really hard to plan, equip, train, and outfit the National Guard units until the federal government at the top levels defines what that mission is.

DOD should determine those forces needed for catastrophic response, ensure they are manned, trained, equipped at the highest levels of readiness. In other words, as we train our units to go to battle, we also need to train them to go to battle within the United States from the homeland security role. It should be an equal mission. Governors should be able to, through protocols, to direct efforts of military forces under defined and limited circumstances. In other words, the responses, whether it's a weapon of mass destruction or the response to whether it's a hurricane, the same civil agencies, fire departments, police departments, local agencies will always be the ones to respond to that. And we believe that it's appropriate to have the local commanders be in charge of those incidents and also take command of the active forces that are utilized to support those missions.

There has been some pushback on that. But we believe that problems should always be solved at the lowest level possible. There is precedent for that. We've oftentimes taken active-duty units and given them to or put them under the control of a foreign commander. We can darn well bet that our governors and their dual-hatted officers will be capable of commanding those units.

I've pretty much used up my time. Again, thank you for your time. I will be more than happy to answer questions toward the end. Mr. Chairman?

MR. PUNARO: Thank you, Wade. Commissioner Patti Lewis again led our personnel subcommittee. And she and her team of fellow commissioners and staff, Karen Heath in particular, had most of what I would call the heavy lifting areas. So Patti?

PATRICIA LEWIS: Thank you, Mr. Chairman. It's been an honor to be a part of this group, looking at the important issues related to our reserve component members. The chairman and Commissioner Rowley have spent some time talking about the threats and the changing challenges in our country. But I want to assure you all today that we spent a significant portion of the commission's time looking at how to support our reserve component members, their families, and the employers that support them. I don't want the strategy of how we utilized those forces to be lost on the fact that we recognized their contribution as individuals and that of their families as well. So it was critical to us that we ensure that they are both appropriately resourced

from an equipment perspective, but also that the appropriate personnel management initiatives were in place and benefit structures were there to support the new challenges of the future.

We've reached a personnel management situation that has evolved over a period of 50-plus years as was mentioned a bit earlier. The Cold War structure of personnel management is not conducive to the force requirements of today and the families of today. We did a lot of research on private-sector trends about the workforce environment of the future and how we can recruit and retain the personnel we need to staff our military forces in the future.

We recognize that technological advances are changing the nature of the workforce. There will be much increased job change rate. And by that, I mean, we examine Department of Labor reports that said the median-age worker is 55 to 64. Their longevity in a position was 3.9 years. When we look at the lower end, younger end of the workforce, 25 to 34, their average tenure in a position is 2.9 years. So we see the force of the future being much more mobile, needing a more flexible benefit, portable benefit package.

And we also looked at a number of previous DOD studies. The chairman mentioned the Gates Commission that created the all-volunteer force in 1970. Defense Science Board recommendations, Defense Advisory Committee on Military Compensation – a number of significant analytic efforts over time have caused us to examine some recommendations with regard to promotion based on skills rather than longevity, a more portable retirement package, and recognizing civilians skills for lateral entry into military service. So we prepared some recommendations with regard to a continuum of service that would facilitate movement in and out of the reserve component, active service, allow opportunities to return to the civilian sector, or to recognize life changes, for example, leaving for a period of time for child-rearing or higher educational opportunities.

We want to take advantage of the highly skilled workforce of the future that is looking, we believe, for a more mobile work environment. So we recommend a package of integrated total force management changes that are really a follow-on to the Goldwater-Nichols legislation. We want to facilitate a continuum of service that allows for seamless transition over the course of a military career.

And some of the critical pieces of that would be an integrated pay and personnel system. As service members move from different duty statuses, there are often pay issues – is one example of the need for this integrated pay and personnel system. We did not take a position on the internal debate in the Department of Defense about whether that should be a single system or multiple systems as part of a larger architecture.

We also recommended significant duty-status reform. And by that, I say there are somewhere between 29 and 32 current duty statuses. We recommend that there be two duty statuses. Either you're on active duty or you're not. Now, obviously, it would take some time to whittle back to that simplicity, but certainly it would facilitate much easier management of the personnel system, and be much simpler for the service members.

We also recommend a competency-based promotion system. The flexible system, promotion-based, depending on the career field and service requirements and competency, you would recognize an individual's knowledge, skills, and abilities, either in the private sector or the military, and utilize those to the advantage of the military services over time.

We're coming closer on an integrated compensation system, but we make some additional recommendations that facilitates a fully integrated compensation system. As far as retirement, we would provide some recommendation for more early vesting and portability and recognition of what we believe the force of the future is interested in having as a benefit package.

We make some specific recommendations with regard to joint duty and joint education that was part of the Goldwater-Nichols Act. And that legislation, while it was suggested that it applied to the reserve component – it wasn't mandated that that occur. So we make recommendations for opportunities and then after a transition period, application of those same joint duty and education requirements for promotion to flag officer for reserve component members.

Of critical and key importance is our support, not only for the service members but their families and the employer community who has been very strained by the continued deployments of reserve component members. For families, we think that we need to better publicize programs that are currently available and increase funding and staffing for those support programs for reserve component family members. For employers, we propose an enhanced role and additional resources for the national committee for employer support on the guard and reserve, and feel it's critical that we continue to dialogue and develop a contract with those employers in how we are able to provide support for our service members and utilize their skills. We also propose a one-stop shopping point for information about government laws and programs that are of assistance for employers and small businesses.

Finally, in the area of healthcare, we held a number of focus groups and hearings. And the participants still express considerable concern with frustration and confusion about access to the health benefit. Along those lines, we recommend more specific, targeted information, clearer, more easily accessible for reserve component families. But we also propose consideration of a stipend, either to the reserve component member or the employer for continuation of healthcare coverage under private-sector plans. Continuity of care is a significant issue for our reserve component members and their families. We also proposed allowing participation in the federal employees' health benefit plan for reserve component families.

I think that's the highlight of the initiatives that we embarked on in the personnel area, but we recognize the tremendous contribution and the growing strain on our reserve component members and their families. And we want to do everything we can to facilitate their continued active participation.

Thank you.

MR. HILL: Thank you, Chairman Punaro and Commissioners Lewis and Rowley. We will now open the floor up for questions. Yes.

Q: Bob Devins (sp), FOX Newspapers. Mr. Chairman, can you talk a little bit in a way the public could understand? Folks who think, well, things are bobbing along; they're doing okay. Could you talk a little bit about the toll of the deployments since 9/11 and sine – (inaudible) – on the readiness of the forces and the equipment these forces are using?

MR. PUNARO: Certainly. First of all, let's distinguish between the forces that are back home and are preparing to do an operational mission as opposed to the forces that are engaged in day-to-day combat. And I think as everybody can see from day one, our men and women in our military – active, guard, reserve – our civilian governmental personnel that are forward-deployed as well from other government agencies continue to meet the requirements, continue to perform magnificently. And there is a lot of effort and energy that goes into making sure that when those forces go downrange, they're fully capable and they're fully ready.

However, the fraying at the edges is in the back home area, and there's two things that you have to focus on. Number one is, we don't have the capacity remaining to deal with these homeland defense threats in an adequate way. In the peak of the Cold War, we didn't have those. We were worried about a Soviet nuclear attack. We deterred that with our own massive retaliation strategy. In the last four or five years, we have these real threats to our homeland, and because of the strains from overseas as well as the poor readiness of many of the forces that remain back here, we are not adequately resourced or fully prepared to deal with those threats. That's point number one.

Point number two, it's very clear, the volunteer force is fraying at the edges. There is no question about it. When you look at the cost to basically get people into the military and keep people into the military, you look at the strain on recruiting – not just in the active but in the guard and reserve components – you look at the propensity to enlist the people that we target. And the DOD has been tracking that since 1975, and it's been chopped in half. Typically, it ran around 18 percent. It's very low now. It's almost half of that. So the demographics, as Commissioner Lewis has alluded to, it's not just a question of whether they want to enlist or not, it's there's a smaller number of people in that bathtub as we're trying to ramp up. There's also fewer that are qualified to come into the military.

In terms of the actual people that we are recruiting, we're seeing particularly in the Army the quality of the force, they're lowering their standards for the quality of the force. That doesn't mean there aren't great people coming in the U.S. Army, but we saw particularly in the late '80s – and people ought to go back and look at the history of what happened to the United States Army and the United States Marine Corps – the ground forces – in the late '70s actually. The number of high school diploma-holders in the Army is dropping precipitously. The number of people in the highest mental categories is dropping. The number of waivers that they are having to grant for criminal behavior, drug use, and things of that nature are increasing.

And so, the costs of recruiting and retention – four or five years ago, the Army was spending \$200 million a year to recruit and retain active duty Army, guard and reserve, it's now

\$2 billion a year. The costs of active-duty manpower in the same period of time five years, they were averaging and budgeting about \$63,000 per person. It's now doubled to \$123,000 because when you consider the fringe benefits and the deferred compensation – we have a shortage of company-grade officers in our reserve components. We have a shortage of company-grade officers in the Army and the Marine Corps, and, you know, the promotion rates have been accelerated for first lieutenants, et cetera, et cetera. So basically, we're hitting the ball out of the park overseas, but the replacements, the backup force is badly bent. It could be broken. We're stretched very, very thin. Some of the rubber bands have already popped, and if we don't address these things forthwith, they're going to pop even more.

I mean, it is a very, very bad situation when, you know, at least 88 percent of your Army Guard combat units are not combat-ready sitting here in the United States. That is a bad situation; that's not a good situation. It's a bad situation when we have not adequately resourced the forces that we have to here in the United States of America if our military and government doesn't prevent the use of a terrorist weapon of mass destruction to basically manage the consequences of that situation. And we have put the lives, the property, and our economy at greater risk because of that.

So we have to deal with all of the problems; we can't just deal with the problems overseas as great as our forces are doing over there.

Q: On equipment.

MR. PUNARO: On equipment, the equipment readiness is very poor. I mean, you either have it or you don't; and many of the units don't have their equipment. By the way, that's a problem in the actives as well. And, again, we're improving because the cross-leveling for units that are deploying where we used to have to bar personnel and bar equipment from other units, a year ago, it was quite pronounced. It's gotten better. We're still having to beg, borrow, and steal for units that are going forward but not as bad as it was year ago. So there is a lot of stuff in the pipeline, but as General Casey said, we're consuming our readiness faster than we can build it. So, yes, we're ready – we're ready for the away game; we are not ready for the home game and the home threats are every bit as bad as the threats that we are dealing with overseas.

MR. HILL: Sylvia.

Q: Could you tell me whether those recommendations that you are proposing are easier to accomplish under the structure it is now, which is to say that the guard units are under the control of the governors. So would it be more efficient for – (off mike).

MR. PUNARO: Well, the – I think the recommendations we're making really are agnostic in terms of whether the governors are responsible or the federal government is responsible. Our government is responsible, and basically while we have some recommendations that would enhance the roles of the governors and give them more authority to basically initially – manages the consequences at the local level, which is of course what our total federal emergency response doctrine requires, our recommendations are basically to create an operational guard and reserve, to focus that guard and reserve more on the homeland, to

basically have this continuum of service, to make sure they're trained and equipped, medically ready, dental ready.

And so that governor, whether the governor is going to be controlling the situation or whether they're going to control it initially and then it transitions to a federal response, or whether the federal government will support it from the get-go, you're going to have that train-ready available force for the governor or the federal commander to use.

The second thing is, we recommend, for example, that the service secretary – Secretary Ball (sp) – is very familiar with this. Under Title 10, the service secretaries have the authority to mobilize and demobilize. We recommend for the homeland scenarios that Congress give the service secretaries the ability to activate the Title-10 reservists, the Army Reserve or the Air Force Reserve, for homeland, natural, or manmade situations, just like we can do for the Coastguard today. The Army Reserve has most of the chemical and nuclear decontamination mass-casualty handling, and yet, right now, if you needed them right away, they wouldn't be available whether the governor was in charge or somebody else was in charge.

So those are the kind of changes that need to be made. They are fundamental changes, they are massive structural changes, but they're kind of agnostic in terms of, you know, who's in charge.

MR. HILL: Gentleman in blue.

Q: Phil Dine with the Post Dispatch. Let me ask you a bit of a devil's-advocate question. You say that a lot of problems are due to our overseas commitments. So in a way, aren't you – doesn't a lot of those really stem from the current policies of the administration? And couldn't some of this be alleviated if in a year we have a different administration with a different – (off mike) – drawn down – (inaudible) – overseas.

MR. PUNARO: No. I don't see it that way at all and I don't think the commission sees it that way at all. The shift really started in the late '80s, so it predates the current administration – the shift from a strategic reserve to an operational guard and reserve really started with Desert Shield, Desert Storm. You know, I was in a unit, have commanded some units, understand how the guard and reserve got mobilized for Desert Shield, Desert Storm. That was the first time they'd actually been used. They weren't used in Vietnam; that was a big mistake. And so, the more operational use of the guard and reserve – for the Marine Corps and for the Air Guard and for the Air Force Reserve who are manned and ready to go at a C1 or C2, they didn't require the lengthy mobilization and equipping and training that some of the other units required.

Then, during the whole decade of the '90s – and I can't remember the exact dates when who was in charge and who was not in charge. But as I recall, through the late '80s and early '90s, you had every combination of political party in charge of everything – Republican presidents, Democratic presidents, Republican Congress, Democratic Congress, half Congress Democrat; half Republican. So this is absolutely not tied to any individual, any administration.

You started seeing the dramatic increase in the use of the guard and reserve in their man days during the decade of the '90s. And of course, after 9/11, very appropriately, the nation had to respond. What happened is, if you look at the peak of the Cold War, we went from 2.4 million active duty down to 1.4 million. We cut the force about 35 percent. We went from – we cut the guard and reserve about 30 percent. So basically, as we said, there's no viable alternative to using the guard and reserve in an operational fashion.

But this is a trend – and again, many of these problems – I joined the guard – I mean, I joined the Marine Corps reserve after my active-duty tour in Vietnam, so I went from active status to the reserve back in about 1973. So I've been through it a long time. And I can tell you, many of the problems that we're talking about here really stem over this long continuum or are a result of these new threats that we face because of these new threats that we face because of these terrorists that would use the WMD. So that was a long-winded answer, get back again where I started. My answer to your question is no.

Q: Well, I understand in theory, sir, but if we were not in Iraq or out of Iraq, how much would these symptoms be alleviated?

MR. PUNARO: Well, I think certainly if you didn't have the continuing deployments, you would alleviate some of the strains. But, one, your active-duty military is going to continue to be forward-deployed overseas. The Navy, the Marine Corps – you've got forces in places we weren't in 10 years ago. They're there now; they're going to be there for a long period of time. Number two, the homeland threats are not going to go away and you have to have a more ready guard and reserve for that. It makes no sense whatsoever to take the 82nd Airborne and triple-hat them for a WMD catastrophe here at home. They should be oriented to the overseas mission; the guard and reserve should be oriented to the homeland mission. So the guard and reserve needs to be more ready now for the new threats that we face here at home independent of Iraq and Afghanistan.

Q: We've seen some of the Defense Department's estimates on equipment shortfalls because of the amount of money – the \$48 billion over x amount of years. It looks like your report talks about, obviously, the need to replace that equipment, but also some other costs like enhanced training here at home. Did you guys come up with any sort of cost estimate on what it will take over how many years to get the guard up to the level that you think – the guard and reserve up to the level you think it needs to be?

MR. PUNARO: I may ask Wade to chip in here. Let me talk about the overall cost because that's a real good thing to focus on. We believe on balance – and again, when you look at we've got 95 recommendations here – we believe on balance when you tote it all out – the increases, the decreases, the efficiencies, the savings, et cetera – the final tally would be very modest and very reasonable and very affordable in terms of what the costs are going to be. The three big cost drivers are going to be improving the equipment. And we've say you've got to baseline that requirement.

We don't really know what we need right now. We don't know what's in the pipeline. We don't know what the new requirement for civil support is. The Department of Homeland

Security has yet to bring to the Department of Defense what they believe to be the requirements for this civil support, particularly this WMD. So DOD doesn't know what it is they're expected to do. We don't know – there may need to be some rebalancing between the Army Reserve, the Army Guard, and the active Army in terms of who is going to do what.

So yes, we need more equipment, no question about it in the active and the guard and reserve. But we say, before you start making – and by the way, there's billions and billions of dollars in the pipeline in the department's budget right now to fix it. The old requirements don't get fixed until 2019, so we would say that's too long. Number two, we want to make sure we get these units – guard and reserve units ready for the homeland right now. That may take some different kinds of equipment.

The training – it's going to have to increase training for those units that are going to have to be at C1 and C2. That's going to be more expensive. And, you're going to have more fulltime support. That's going to be more expensive. However, on balance, if you go to this continuum of service and you go to this integrated personnel management system where you basically as a force manager you look at your active component; you look at an operational reserve; and then you look at some pieces that would be in a strategic reserve. They can pick from those various pieces. Every mission doesn't require somebody to be C1 or C2 readiness. If you're not going to deploy for two years, you can be brought up to speed over a longer period of time.

And we've costed out some of the specific personnel initiatives that Patty talked about. And they're in the hundreds of millions, not billions. So again, yes, there's going to be some additional money required; there are also going to be some efficiencies and some savings.

MR. ROWLEY: Yeah, just to reiterate what Arnold said, we don't know what the mission is yet. Homeland Security is a new agency. It's in its – not the infancy; it's been around for a few years now. But they have not defined what the homeland security mission is. And DOD needs to be told by Homeland Security what is expected of them. There's really no way to do a bottom-up budget, to do an estimate on what's going to be needed until you know what the mission is. And so, fortunately, the military – DOD does have the talent within itself because of this long tradition, history of doing planning, formulating contingencies, putting together operational plans.

DOD has the capability, but it as of right now is not a core mission of DOD to do homeland security. It's only considering the homeland defense portion of it and they're detracted partially because of Space Command and NORAD. And so, they're divided between NORAD and the homeland defense mission. They are doing planning at high levels for homeland defense, but the thought as of right now is they will provide civil support when called upon by DHS. But DHS doesn't know what that is yet.

MR. HILL: Did you have a question?

Q: Yes, it was a cost-related question. So no one has put a pencil to determine if all 95 recommendations would be in put in place in the next year – next legislative – how much it

would cost? Also, some of the – for example, the change in the code, the ABSW codes – those are state funding issues and federal funding issues?

MR. PUNARO: Right. First of all, we actually have put a cost pencil to it to the best of our ability. We would expect the congressional committees to get CBO involved. We'd expect DOD to look at it. Some of the things, as I've indicated, can't be costed out now. We don't know the exact requirements. And we shouldn't start throwing money at the problem until we know what we really need. In addition, those things that the personnel initiatives like improving medical/dental readiness, we do know what those would cost. They'd be in the hundreds of millions, not the billions.

But here is the key to all of this – this is the key. So let me run through these costs very carefully. The most expensive option is not always the best option. You could, as I said, if you wanted to basically wave a magic wand and say, okay, let's not fix the guard and reserve. Let's just increase the size of the active military to cover everything. Let's add 600,000 people which, you couldn't recruit them or retain them – but let's say theoretically. You're talking a trillion dollars at least.

Consumer Reports – if you look at the guard and reserve and you can look at what they cost compared to putting the same capabilities in the active components, it is clear to me that if Consumer Reports was rating that, they would consider the guard and reserve a best buy for the taxpayer. You've got high quality; you've got great reliability and dependability. You've got significant affordability and availability. So right now, for 7 to 9 percent of the DOD budget, the guard and reserve provide 44 percent of all the manpower available to the Department of Defense. Conversely, it takes 63 percent of the DOD budget to provide the other 56 percent.

We had the General Accountability Office look at these costs. What is the cost of a reservist, full burdened costs – direct, indirect, and differed – compared to the active component – 15 percent of the active costs. So they're 85 percent cheaper than putting that capability in the active component. It's 20K a year for guard and reserve not mobilized versus 126K. And again, as I've said, the costs of an active-duty person has doubled in the last five years. The OSD comptroller, Dave Patterson, testified that if you want to look at personnel in ONM, it's basically 28 to 30 percent of the cost of the active; so it's 70 percent cheaper there. And active fully funded, he had 119K; guard and reserve 35K.

If you want to look – and people say, well, wait a minute. You're not factoring in the fact that the Army materiel command has to buy their equipment. So if you go to the four major appropriations: Personnel, ONM, procurement, and MILCON, the guard and reserve are 9 percent of the budget, so they're 77 percent cheaper. The active component are 61 percent of the budget. If you cost that out per person, for the guard and reserve, that's 51,000, for the active component, 223,000. So no matter how you slice it, the guard and reserve is anywhere from 70 to 75 percent less expensive than having that same capability in the active component.

And when it comes to the homeland mission, they're community-based; they're forward-deployed right where they need to be. They have the requisite civilian crossover skills at many of these areas. They certainly have the military skills. They perform admirably. One of the

other surprises in our two-and-a-half years, we thought we'd hear more about people going, hey, you've got to know, those guard and reserve people, they didn't really do that well in Afghanistan or Iraq. Hey, whispering – we heard none of that. I was flabbergasted. Yeah, there were some minor problems, but they have performed magnificently.

You also need a place – everybody doesn't stay in the military for a 20-year career; 85 percent of the people that enlist in the United States military never make it to a 20-year retirement. There needs to be a place for that huge investment. The Army spends \$8 billion a year to train people. When they leave active duty after four years, there needs to be a place for them to go so the country can reap more of a return on that investment.

So no matter how you slice it, when it comes to our 95 recommendations – and most of them are designed to basically say, if you want to save the government from having to spend a trillion dollars to put all this in the active component, let's make the guard and reserve operational. Let's make it feasible in the short term and sustainable in the long term. And it's going to be a real bargain for the taxpayer.

Q: If I could ask a quick follow-up, does this take some of the state control away from the governors and – (inaudible)?

MR. PUNARO: Not in our judgment. In fact, we would enhance some of the governors' control in particular circumstances. We have great confidence in our governors. We believe particularly they are the commanders-in-chief of their guard; they're responsible for their training and readiness; they're responsible for making sure those units, when they are mobilized into federal status, are ready. And by the way, they're also responsible for them when they come home and demobilize. Guard and reserve personnel are not located close to the major military installations, of which there are fewer and fewer and fewer and fewer. They are out in the thousands of communities all over the country, 5,000-plus facilities. So the governors feel a real keen responsibility, not only on the sending them off end but on the bringing them back home end.

And again, the key to this whole area of consequence management is you plan for it, you train for it, you coordinate it, you work it all out in advance. The biggest problem we got right now; it's pickup game. It's a sandlot thing. And you can't do that dealing with WMD. And that's because of the historical issues between the federal government and the state governments. And by the way, those go back to the beginning of the country.

But our country – and so people have kind of allowed that to kind of go back and forth – the federal is in charge; the state is in charge. That might have been okay even though it was very inefficient before you had these real threats from terrorists and WMD. We cannot allow that to continue. This is one that's got to move from the too-hard box to the fix-it box. And the governors are very important and it's got to be essential. And it's got to be a partnership with the federal government. And the Department of Homeland Security and the U.S. Northern Command need to get off the playbook of the 1970s and get on the playbook of the year 2008.

Q: Just to clarify on the governors, is your recommendation that during a disaster, the governor will have control of all active-duty soldiers, all active-duty troops in that state?

MR. PUNARO: Yes, if need be. It's a matter of degree. In other words, if we've got a hurricane, then of course the governor should be in charge of the National Guard forces coordinated support through Northern Command. And they should be reinforced by active-duty units, Army Reserve units, the appropriate units needed to respond to the disaster.

The agencies that are utilized, the local agencies, the coordination, the systems that are utilized, whether it's a WMD or a hurricane, are the same responses. It's the same process that is used either way. It's always going to be the local fire department, the local police department, the local emergency medical services that are going to respond initially to those disasters. After 72 hours, DOD starts to reinforce with whatever it needs to be. And ultimately, if the control has to go to the federal government, so be it.

But one of my experiences back in the riots of LA back in the early '90s, the operation was responded to by the state and then the whole operation stopped because they had to change to federal control. And there was a three- or four-day lag where things just came to a complete halt until they re-figured out how to reinitiate the whole system. We don't need to do that.

We need to build a protocol that is always followed, whether it be a DOD mission or a state mission. And the same people need to be involved. We basically need to merge the state control and the federal control together, provide those people qualified to manage the active-duty forces within the state commands if need be by dual-hatting them so they can command both Title 10 and Title 32 people, and then in that process define the trigger points of when it then goes to federal control. So that's the long answer, but yes, governors should be able to, if needed, to command Title 10 forces for a determined period of time. That hasn't been determined yet, but that's what we're pushing towards.

Q: And you mentioned that there would be some pushback to that? Do you expect that from the public as well?

MR. PUNARO: No, we don't expect it. In fact, the public doesn't care whether it's National Guard or active duty. They just know they need the help. It's our problem as far as –

Q: I mean, as far as governor versus chief executive.

MR. PUNARO: Not if it's pre-coordinated and pre-negotiated, no. That's one of the problems we have now is everybody shows up and everybody is in charge. And you know, that's just not as efficient as it should be. But if it's pre-negotiated who does what at what level and we define the trigger points, then I think we can work out a solution that both federal and state can live with.

MR. HILL: Okay, we've got time for two questions. The lady in the back?

Q: Quick question – with all of these recommendations, where do you go from here? Will you be working directly with DOD, DHS, Secretary Gates? What is the strategy from this point forward with all of these recommendations?

MR. PUNARO: All of the above. One of the things that we said at the outset two and a half years ago when all the commissioners got together, we said, holy smokes; we think we've been given a big task. And we don't want to spend the next couple years working on a report that is going to head to the dustbin of history. So we said, we're going to work cooperatively with our stakeholders in and out of government over the course of two and a half years. We have stayed in close touch with the leadership of the Department of Defense, the leadership of the relevant committees, and we're very encouraged by their receptivity to a lot of these ideas, even the ones that require some heavy lifting.

As we've been pre-briefing around town, again, because we focused on identifying and documenting the problems, I see a lot of head nods. And then, so if you buy into the problem, then people say, holy smokes; we've got to fix it. Maybe we don't like the way they recommended it, but we've got to fix it.

I will tell you that Secretary Gates heading up the Department of Defense, this is a guy I call a bureaucracy-buster. When he learned about the cross-leveling problem in the guard and reserve and active units, one of the battalion commanders that testified before our commission called it evil because it sent units that were less than cohesive. The minute he heard about it, he fixed it. He is not a person that allows the Pentagon to fall into its usual trap of gumming things to death and meeting it to death. And Admiral Mullen, I think, is very forward-leaning and very concerned about a number of these issues as well.

So I believe you'll see him look at doing a quick turnaround like they did on our report a year ago, looking for the things where there is agreement, trying to move out smartly, working with the Congress. As I've said, we've already heard from the relevant committees of jurisdiction, they're going to have some hearings coming up very quickly. We're going to work as closely with them as we can during our remaining months. And for the things that can get done right away, they should get done right away. And then for the others, I think hopefully with the Department of Defense and the Congress will work on establishing a framework – a statutory framework – in which these issues can be addressed.

So we have no intention of letting this report go to the dustbin of history. And we've got a pretty good track record going. And because we worked in a very cooperative way, we hope to build on that momentum that we had for last year's report.

MR. HILL: You get to bat clean-up.

Q: If these changes were implemented, what would be different about the response the next time a Katrina-type event happens?

MR. PUNARO: If we make all these changes – and as Wade said, the key in this whole area is you work it all out in advance. Our United States military, our combatant commanders

overseas, for every contingency that they face overseas, whether it's in the U.S. European Command, the U.S. Pacific Command, the U.S. Central Command, they spend – the DOD are the best planners, trainers, contingency, what-if, drill folks in the world, no question about it.

If we had a scenario where we had to go to the defense of the Korean peninsula, every single military unit – guard, reserve, active – they know who they are; they know what equipment to bring; they know when to show up for their deployment cycles; and there's a phased deployment list. And we spend just zillions and zillions of hours working, training, coordinating. They have major exercises. So we do that for the overseas missions today. These are plans – you know, they're not this thick; they're this thick because that's what it takes to respond to these extremely complex things with command-and-control.

We don't do any of that for the homeland. It's kind of on the back of an envelope. The U.S. Northern Command, oh, we do all that; we do all that. We looked at their plans. They're totally unacceptable. I mean, you couldn't move a Girl Scout unit with the kind of planning they're doing right now. We need to do the same detailed planning, working with DHS, working with FEMA, working with the Department of Defense, working with the governors.

As Wade said, you work all this stuff out in advance. You have these detailed contingency plans. I believe that the American people deserve every bit as much attention to protecting them and responding to these kind of threats at home that we spend getting ready to go and defend our freedoms in places overseas. So this is not that hard. It really isn't. It just goes back to this historical reluctance between the federal and the state government to get all these things worked out. They've all just got to get over it and realize that these kind of threats do not allow us to have these longstanding federal-state disputes.

DOD is very reluctant. They do not want to be the temp agency for the world. Our focus is very focused. We say the catastrophic where everybody knows only the Department of Defense has the ability to deal with it. So frankly, they would be better off if they would roger up to that. And then, they could say that's what we do. All this other stuff, Center for Disease Control, Health and Human Services, that's the other folks.

But so again, you sit down; you work it out in advance; but it takes people of good faith and good will to do it. I believe Secretary Gates is such a person. I believe the leadership of the committees of jurisdiction, both the Armed Services Committee and the Homeland Security Committees, I believe there will be agreement on fixing this problem, and I am very hopeful that the leadership of the Pentagon and the leadership of Congress will join Secretary Gates in being a bureaucracy-buster and crack some skulls and get the folks in these various agencies that need to get with the program on board and moving in the right direction.

MR. HILL: They're not going to be recruiting the Boy Scouts and the Girl Scouts, are they?

(Laughter.)

MR. PUNARO: They're pretty desperate. They might be.

MR. HILL: Uh-oh. All right, well, I'd like to thank Chairman Punaro and Commissioners Lewis and Rowley for their presentations. And I'd like to thank you for your participation. With that, this proceeding is over. Thank you.

(END)