

SEN. MCCAIN: Well, I'm sure you understand our frustration, which brings me to the F-35. Lieutenant General Bogdan has a pretty good reputation before this committee. He was in charge of the tanker program, which seems to be on track. And yet recently, actually a couple of -- few days ago, he said, quote, "What I see Lockheed Martin and Pratt & Whitney doing today is behaving as if they are getting ready to sell me the very last F-35 and the very last engine and are trying to squeeze every nickel of that last F-35 and that last engine," the general told reporters. Quote, "I want them both to start behaving like they want to be around for 40 years. I want them to take on some of the risk of this program. I want them to invest in cost reductions. I want them to do the things that will build a better relationship. I'm not getting all that love yet." And then he said -- asked if he had seen some improvement from the companies -- are they getting better at a rate that I want them -- to see them getting better, he said, "No, not yet."

And, of course, now we know that with massive failures, massive cost overruns that Lockheed has earned a 7 percent profit since the program began in 2001. You have any justification for that?

MR. ESTEVEZ: I can't address the past; I can address where we are today.

SEN. MCCAIN: You can't address the past?

MR. ESTEVEZ: I can't address, you know, what happened from 2001 till where I am today.

SEN. MCCAIN: You can't -- you can't address that at all?

MR. ESTEVEZ: Well, Senator, we've put new structures around that program. We have a new contracting process for that program. We now have a firm fixed-price contract, incentive fee, 12 percent share. Lockheed will also pay the concurrency problems on that contract. So we've restructured the program. As you know, we brought in Admiral Venlet

and now General Bogdan to run that program, two excellent PEOs. And we're working closely with Lockheed and Pratt to work through the problems that General Bogdan referenced in that news article.

SEN. MCCAIN: So since 2001 -- and we're in 2013 -- we are beginning to work through the problem. Is that -- is that -- is that what I can tell my constituents, Mr. Secretary?

MR. ESTEVEZ: I believe you can say over the last four or five years -- five years or so, we have restructured the program, and we believe we are now on track to get a successful program.

SEN. MCCAIN: Now, you're sitting here before this committee, and you can tell me -- you can tell us there will be no further cost overruns borne by the federal government?

MR. ESTEVEZ: I could not possibly do that, Senator.

SEN. MCCAIN: You know, why can't you? Why can't we penalize companies for failure to live up to the obligations of their contracts?

MR. ESTEVEZ: It's important to get the right structure of contract, Senator Levin (sic) --

SEN. MCCAIN: After 12 years?

MR. ESTEVEZ: On this particular airplane, I believe we do have the right structure of contract now, and we'll continue to get better contracts as we move into future development on -- or production of this airplane...

SEN. MCCAIN: Well, if I sound frustrated, I say to the witnesses, it's because I am. This committee has been tracking this program for many years. We've had witness after witness. We've had promise after promise. We've had commitment after commitment. And yet the only thing that

has remained constant is that Lockheed has earned a 7 percent profit since the program began in 2012. I -- excuse me. Since the program began in 2001, 12 years later.

So maybe you can help me out. What am -- what am I supposed to go back and tell my constituents about a billion-dollar program that the Air Force canceled and of course the most now expensive weapons system in history that has now reached a trillion dollars, and the aircraft is now grounded? Got any ideas for me, Mr. Secretary?

MR. ESTEVEZ: Senator McCain, we're working very diligently -- Secretary Carter, Secretary Kendall, myself, our leaders across the acquisition community -- to change the culture, change the processes by which we buy our programs. And I know you've been briefed on what we call better buying power. That includes accountability for our PEOs and program managers. It includes managing affordability, it includes cost control, so that we can change the way we do this.

SEN. MCCAIN: Well, according to one of the people who is very highly regarded by this committee because of his previous performance, General Bogdan, says, quote, "Are they getting better at a rate that I want to see them getting better?" he asked. "No, not yet."

I'd say you have your work cut out for you, and I can just say that as strong an advocate as many of us are for maintaining strong national security, you cannot continue these kinds of incredible, total loss of the taxpayers' dollars without there being an understandable backlash on the part of the taxpayers -- America -- of America, which I believe will harm our ability to defend this nation.