

Washington Watch

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The Air Force's Fiscal 2004 spending plan was prepared before the start of war in Iraq, and there is much uncertainty about "steady-state" requirements.



NEXT year's Air Force budget is notable for what it does not include. There is no money for new refueling tankers, for additional Air Force end strength, or for fighting the wars in

Afghanistan and Iraq, and, despite an increased topline, the budget leaves \$4 billion in unfunded requirements.

Under the Air Force's budget plan for Fiscal 2004, the top priorities of previous years remain but are influenced by a new focus on real-world needs. With two new major operations going on—and the buildup for the third—while the budget was being prepared, many future needs were poorly understood. The new budget was prepared before Operation Iraqi Freedom began in March, and there was already uncertainty about what the new "steady state" of requirements would be.

Future personnel levels and maintenance requirements are still unknown. This is leading the Air Force to stick with existing programs, to accept risk in some areas, and to plan for supplemental funding.

Overall, the Air Force's \$113.7 billion request is up from the \$108 billion the service is enacting this year. The budget is also \$3 billion more than USAF expected to need when it submitted its 2003 request, in early 2002.

The \$5.7 billion increase over 2003 makes it possible to boost funding for the Air Force's personnel, readiness, and modernization accounts.

Infrastructure funding loses in this equation. However, current policy calls for eliminating nonessential military construction since the Defense

Department gained Congressional approval to conduct a new round of base closures in 2005. Overall, funding for military construction and family housing will decline from about \$3.0 billion this year to \$2.6 billion next year.

Of the main funding categories, the biggest increase is seen in the research, development, test, and evaluation account. RDT&E will grow by nearly \$2 billion, to \$20.3 billion next year.

Procurement will be increased by \$1.8 billion to \$29.3 billion; military personnel accounts are up \$1.4 billion, to \$26.7 billion; and operations and maintenance funding grows by just over a billion to \$34.8 billion.

It is important to note these figures are essentially "peacetime budgets" to be enacted in wartime. Nearly all the costs of the war on terrorism, including Operation Iraqi Freedom, will be obtained separately, through supplemental funding.

New Priorities

One expense that was not on the books two years ago is the homeland air defense mission, Operation Noble Eagle. Although the round-the-clock combat air patrols initiated after the Sept. 11 terrorist attacks have largely yielded to random patrols and more aircraft on strip alert, officials note that this is still a new requirement.

On 9/11, USAF had 14 fighters on alert at any given time. Today, there are 35, joined on alert by eight tankers and two Airborne Warning and Control System aircraft. In February, Air Force Secretary James G. Roche said the homeland air defense mission is not really an operation. "It is our future," he said. "It is never going to go away."

Senior officials also note that the impact of the existing operations on aircraft is poorly understood. Typical missions are now longer but less

stressful. How this will affect long-term maintenance requirements is still unknown.

Despite the uncertainties, one thing is known for sure: In a time of limited acquisitions, aging systems are becoming an ever larger drain on resources. Operation and maintenance costs are steadily rising, and the budget adds more than \$1 billion to cover these expenses.

In addition, USAF decided to take a novel approach to offset the problems caused by its aging aircraft. Instead of continuing to spend billions on O&M for older aircraft, service leaders plan to retire some of those aircraft early to free up money to help pay for their replacements.

The Air Force announced that by 2009, it will send 114 fighter and 115 mobility aircraft into early retirement. According to Pentagon officials, this move will save the Air Force nearly \$3 billion in 2004 and \$21 billion over the six-year spending plan.

The exact aircraft to be retired was still undecided by late March, however. Officials said that primarily they will be early model F-16, and some F-15, fighters and older C-130 airlifters. The service also hopes to retire 68 of the oldest KC-135 tankers as soon as possible.

A senior Defense Department official said in February that the move creates some short-term risk. But, the official noted, these aircraft, while not useless, do not add enough marginal capability to justify their continuing operation when new systems are struggling for funding.

The biggest beneficiaries of the freed-up dollars will be accounts considered transformational or critical for near-term needs. These include the F/A-22, the F-35 Joint Strike Fighter, unmanned aerial vehicles such as Predator and Global Hawk, and precision guided munitions.

The Big Investments

The Air Force's top modernization priority, the F/A-22 Raptor, is also its largest current investment program. F/A-22 funding is ramping up as the aircraft nears its planned in-

All figures refer to new budget authority in constant 2004 dollars.

roduction to the combat fleet in 2005. The \$5.2 billion allocated in 2004 for the F/A-22 should enable the service to purchase 22 of the next generation fighters while continuing test and development. USAF is buying 20 Raptors this year and expects to purchase 24 more in 2005.

These quantities are subject to change, based on the program's buy-to-budget strategy.

The service is purchasing as many Raptors as possible with fixed funding each year. If developmental problems arise, as happened last year, dollars will be pulled from F/A-22 production to cover additional developmental funding. On the other hand, if USAF's cost savings initiatives are successful, the service will be able to purchase more Raptors.

The current estimate is that the Air Force will be able to purchase 276 F/A-22s with \$43 billion in total funding. However, USAF officials remain committed to obtaining 381 Raptors—the number the service needs to populate its 10 rotating air and space expeditionary forces.

USAF's No. 2 investment program is the C-17 airlifter, to which it devoted \$3.7 billion in 2004. This will purchase 11 aircraft, down from the 15 being purchased this year, but the program is now on track for an eventual purchase of 180 C-17s.

Other top investment programs include:

- The F-35 Joint Strike Fighter. Next year, the Air Force will spend \$2.2 billion to continue development of the triservice F-35. The USAF version, the F-35A, is scheduled to enter service in 2011. Although the Navy and Marine Corps have scaled back their F-35 requirements, based on a planned merger of their fighter squadrons, the Air Force still plans for a fleet of 1,763 F-35s.

- Science and technology. The service allocated \$2.1 billion to S&T programs, a subset of the \$20 billion earmarked for RDT&E. Officials stress the importance of S&T programs to help develop breakthrough technologies and consider S&T an investment program. The stealth aircraft capabilities and the Global Positioning System satellites critical to warfighting today were developed in defense laboratories. Today, DOD is emphasizing S&T programs that can quickly bring new capabilities to the field.

Overall, the Air Force says its top 20 investment programs will receive \$21.8 billion next year. The list includes such high-profile systems as the Space Based Infrared System for

missile launch warning; intercontinental ballistic missiles, which need upgrades and funding for some scheduled retirements; and the Evolved Expendable Launch Vehicle program, designed to ensure that USAF has reliable space launch capabilities.

Growth Areas

Some capabilities not at the top in terms of dollars are nonetheless receiving substantial new investment. These include some systems viewed as transformation in the medium term (such as the Transformational Communications System) or that have proved their effectiveness in recent operations (such as UAVs).

The Pentagon hopes to alleviate bandwidth shortages through TCS, which will utilize lasers for satellite communications. Funding for TCS will nearly quadruple next year, to \$450 million.

Officials say the program will offer 10 times the capacity and 100 times the connectivity of existing military satellite communications systems. The first launch for the five-satellite TCS constellation is planned for 2009.

Also on the horizon is the Multi-sensor Command and Control Aircraft, the newly designated E-10A. The Air Force will spend roughly \$300 million on E-10 development next year, so that C2 missions currently performed by aircraft such as the E-8 Joint STARS and AWACS can migrate to a single, modern platform.

Testifying before a Senate panel in February, Chief of Staff Gen. John P. Jumper said the E-10 will "horizontally integrate, at the machine level, manned, unmanned, and space platforms ... and it will be able to join in quickly with naval and land forces to do rapid targeting."

To that end, the service also seeks to end Joint STARS production at 17 aircraft and terminate the E-8 production line. The service did not budget for the line shutdown, however, and seeks \$20 million through a separate request to meet this contractual obligation.

Unmanned systems are similarly due for substantial new investment. Officials have praised the Predator and Global Hawk UAVs for the ability to effectively perform missions too dangerous or mundane to be efficiently handled by manned aircraft.

After successful reconnaissance and strike missions in the war on terrorism, the Air Force is moving ahead quickly with plans to acquire the weaponized Predator A, desig-

nated MQ-1. Roughly \$275 million will be spent on the multipurpose drones next year, up from \$174 million this year.

The cost of developing a larger, higher-flying, jet-powered version, called Predator B and designated MQ-9, means USAF will purchase only 14 Predators in 2004 (25 are being bought this year). Of the 14, 10 will be B models and four the less-capable Predator As.

Both the MQ-1 and MQ-9 will carry missiles as well as conduct reconnaissance. To arm them, USAF will spend \$23 million on 280 Hellfire missiles.

Jumper told the Senators the MQ-9 Predator B will provide "great leverage" on the battlefield. According to DOD's "Unmanned Aerial Vehicles Roadmap," it will be able to carry up to 10 missiles and loiter above a combat zone for 30 hours.

The Air Force is similarly pressing ahead with plans to develop an even more capable system, the X-45 unmanned combat air vehicle. In 2004, USAF will spend \$161 million on UCAV, a joint program with the Defense Advanced Research Projects Agency, to create an unmanned aircraft designed specifically for attack missions.

The Pentagon recently announced its intention to develop a C model X-45 that would be larger than the B model Boeing is currently building. There are also plans to create a joint UCAV program office, as it did for the JSF program, to integrate separate Air Force and Navy UCAV efforts. It is unknown, however, whether an X-45C can meet requirements for both services.

USAF is also moving forward on the Global Hawk high-altitude, endurance UAV, designated RQ-4. Officials describe it as a "key transformation program providing persistent theater surveillance." Funding for RQ-4s will increase more than \$100 million, to \$610 million. The funding boost will enable USAF to purchase four of the aircraft, as opposed to three this year.

Precision munition stocks are also being bolstered. In 2004, the military services will spend \$1.7 billion to purchase more than 45,000 precision munitions. At least 20,000 of those will be Joint Direct Attack Munitions for the Air Force, at a cost of \$427 million.

Both the Air Force and the Navy had planned to increase JDAM production dramatically even before the war with Iraq began, as the near-precision bombs are in constant demand.

For 2005, PGM purchases—not including the weapons needed to replenish those used in Iraq and Afghanistan—will be even greater than in 2004. JDAM kits, which cost roughly \$21,000 each, convert traditional gravity bombs into highly accurate, satellite-guided weapons, enabling them to destroy select targets at minimal cost.

What's Not There

According to a list of unfunded requirements the service sent to Congress in February, USAF's most urgent unfunded need is in depot maintenance.

Depot purchased equipment maintenance funding is the lowest it has been over the past 10 years. Simply to restore it to its traditional level, USAF would need an additional \$516 million. Without the money, service officials explained, maintenance backlogs could develop, taking critical weapons systems out of service for extended periods.

Gen. Robert H. Foglesong, USAF's vice chief of staff, said the Air Force has "taken some risks" with DPEM funding. The shortage developed primarily due to the rising costs of maintaining aging systems, he told a House panel in March. Deferring maintenance on engines and aircraft could affect readiness, emphasized Foglesong.

One of the most contentious aspects of the 2004 budget is that it contains no money for either a lease or purchase of aerial refueling aircraft. USAF needs new tankers because its KC-135s are more than 40 years old and are becoming unacceptably difficult to maintain. The Air Force has proposed plans either to lease or purchase 100 Boeing 767s that would be converted into tankers.

USAF officials say they would prefer to lease the aircraft, because it would allow more new tankers to enter service sooner. However, some Congressmen and Administration officials believe purchasing the aircraft would be far less expensive in the long run. At a March hearing, Arizona Sen. John McCain (R) went so far as to call the proposed lease a "military-industrial rip-off."

When the war in Iraq began, competing lease and buy proposals were still being reviewed at the Pentagon, with no decision in sight. The service did, however, include options for either a lease or purchase in the unfunded priorities list it submitted to Congress.

The lease option would require \$132 million to jump-start a lease agreement for 67 tankers by 2009 and all 100 by 2011.

Alternately, \$154 million could ac-

celerate a KC-135 replacement program, enabling up to 16 tankers to be acquired by 2009, with the full fleet delivered by 2014.

Another contentious issue in the budget is the decision by USAF leadership to forego a request to boost manpower. Senior officials said they will not push for an increase in end strength until they have a better understanding of what the new steady-state requirements will be.

Jumper said the Air Force has identified some 12,000 military members in positions that actually do not require uniformed personnel, so those individuals could be realigned to address some of the most critical manpower shortages. Those positions could be filled by civilians or contracted out.

In a related manpower review, the service identified another 12,000 airmen working outside the Air Force, either in joint positions or with defense agencies. Roche told a Senate panel in March that the service would try to return half of those airmen to Air Force positions. "We're trying to bring at least 6,000 of them back in," said Roche. (In an interview, Brig. Gen. William P. Ard, USAF's director of manpower and organization, said 166 of them had already returned to the Air Force, and 111 more are on their way back.)

According to service leaders, the Air Force contributes some 36 percent of the military members working in assignments outside the service, although it only constitutes 26 percent of overall military end strength.

One of USAF's most critical personnel shortages is in security forces. Force protection requirements skyrocketed after the 9/11 attacks, and to meet the new demands, USAF temporarily has turned to the Army for help. Nearly 9,000 Army National Guardsmen were brought in to defend Air Force bases and relieve Air National Guardsmen who would otherwise have gone into a second year of mobilization.

Officials note it will take time to recruit and train new forces for the stressed career fields even when additional manpower slots become available. In the meantime, USAF seeks \$141 million through its "wish list" to begin investing in anti-terrorism and force protection technologies that could reduce the demand for manpower in security.

The bottom line: Both Roche and Jumper maintain that the personnel shortage problem must first be attacked by shifting resources and adding technology. As Roche told Congress, "As of right now, we do not see asking for an end strength increase." ■