Supercommittee punts; Still aiming for loopholes; Future bomber at risk; No more F-35B? ....

FAILURE. WHAT NOW?

WASHINGTON D.C., Dec. 5, 2011

Defense leaders warned for months of a national security disaster if the bipartisan congressional “supercommittee” failed to make a deal on reducing the federal deficit by $1.2 trillion over the next decade.

The supercommittee failed. So now what?

The answer seems to be either catastrophic or merely very bad, depending on what Congress as a whole does now.

Most likely are major program terminations and cancellations, reduction of force structure, involuntary separation of tens of thousands of troops, overseas base closures, deferral of badly needed modernization, and foregoing reset of wartime equipment losses. And that could just be for starters.

To understand what happens now, though, a little background on this financial train wreck is in order.

Remember that last August, Congress refused to raise the federal debt ceiling unless drastic measures were taken to rein in spending. A deal was struck called the Budget Control Act. It required $450 billion in defense spending cuts over the next 10 years, which the Pentagon leadership said is “manageable,” but will raise the level of military risk significantly.

Translation: The armed forces will get smaller, able to be in fewer places at the same time, and wars will take longer to win. Air Force leaders have warned that multiple, simultaneous big operations—like Japanese tsunami relief, the Libyan campaign and operations in Iraq and Afghanistan, which all converged last March—will be impossible.

The cuts are to be guided by decisions stemming from a Pentagon in-house “strategic review” hastily launched in the wake of the BCA. It was to be finished by early December, in time to inform the Fiscal 2013 budget.

The BCA also created the supercommittee, which had to find $1.2 trillion of additional deficit reductions by Thanksgiving or else automatic cuts, called sequestrations, would be triggered. Both sides had a hostage at stake: If the supercommittee failed, Democrats faced a half-trillion in automatic social spending reductions while Republicans faced a like amount of additional automatic defense reductions. The supercommittee’s failure to agree now triggers those deeper cuts, which more than double the reductions previously levied against national security.

Meat-ax cuts are dangerous.

The sequestrations are more sinister than that, though. To make failure completely unpalatable to the supercommittee, the rules say the cuts must come right off the top of each and every line item. The practical effect is that nearly every Pentagon procurement program will break its supplier contracts, imposing stiff termination fees on the services. No one has estimated how much that would cost yet, but it will be huge, to say nothing of renegotiated prices for smaller runs of critical systems.

The BCA left two loopholes. One, the sequestrations don’t cut in until calendar 2013. Congress could still collectively act to find some other $1.2 trillion in cuts and head off the sequestrations, although 2012 being an election year makes its success dubious. Two, the sequestrations don’t affect wartime spending, so Congress could slip some “base budget” items into the wartime budget.

Defense Secretary Leon E. Panetta said on Nov. 30 that the sequestrations are a “meat-ax approach” to cutting spending and will be “damaging to this country,” creating a hollow military that can’t deliver when called on.

In early December, Pentagon spokesmen said that Panetta himself was making line-item choices about what to gut and what to keep.

Sen. John S. McCain (R-Ariz.) and Sen. Lindsey O. Graham (R-S.C.) said the sequestrations would shrink the military to dangerous levels, and they promised to introduce legislation to undo them if Congress doesn’t figure out an alternative. Rep. Howard R. McKeon (R-Calif.), chairman of the House

SCARY NUMBERS

The numbers are intimidating. Last year, the planned defense budget for Fiscal 2013 was $571 billion; now, according to the Office of Management and Budget, it will be no more than $524 billion. It’s estimated the budget will drop to about $480 billion if the sequestrations take effect.

As a minimum, defense will be cut by $261 billion over five years under agreed budget levels, with $47 billion coming out right away, in Fiscal 2013. Put another way, over the next 10 years, the combination of previously agreed cuts and—potentially—sequesters could remove two whole defense budgets of funding. That’s about a trillion dollars’ worth of equipment, personnel pay, readiness, modernization, and base operations, or about 23 percent of defense spending.

Put yet another way, however, the defense budget has grown so quickly in recent years that sequestration would only take DOD’s budget back to its Fiscal 2007 level, according to an assessment by Todd Harrison, budget analyst for the Center for Strategic and Budgetary Assessments.
The Obama Administration has initially refused to accept the supercommittee’s failure, saying it remains hopeful Congress will act to head off disaster before the sequestration deadline. It also promised Obama will veto any efforts like those promised by Graham, McCain, and McKeon to undo the BCA and void the sequestration penalty, unless it is part of a broader effort to capture savings in some other way.

The supercommittee’s failure fell quite late in the process of building the Fiscal 2013 budget. Deputy Pentagon comptroller Mike McCord told a conference in New York on Nov. 30 that it would likely “not be possible” to thoroughly redo the 2013 budget in the few weeks remaining before the spending plan goes to Congress. Any attempt to redo the budget in so short a time would result in broad slashing without the ability to calculate effects on other programs, he said.

Air Force leaders have said even the new baseline budget—before the sequestrations are counted—contains cuts that are onerous and not executable without doing fundamental damage. Vice Chief of Staff Gen. Philip M. Breedlove said in November that readiness and procurement accounts will be hit hardest because they can be squeezed for quick cash. Longer-term, more thoughtful reductions don’t yield enough savings to hit near-term targets, Breedlove said.

About the only breath of relief in the way the defense base budget will be reduced is the pace of the cutting. Rather than slash broadly up front, the Office of Management and Budget’s proposed five-year spending plan would maintain a fairly level ramp of reductions, compared with the plan it proposed along with last year’s budget.

The pace of cuts would be $47 billion for Fiscal 2013, followed by $53 billion in Fiscal 2014 and 2015, $55 billion in 2016 and $53 billion in 2017. OMB would not say how it would pace additional cuts imposed by the sequester, but chances are good it would follow a similar—albeit nearly doubled—annual pace.

So what are the programs most at risk?

Air Force leaders have pledged they will do their best to “protect” the KC-46A tanker, the F-35 fighter, and the penetrating bomber programs, all of which the service sees as essential to fulfilling its missions in the future.

However, the sequestrations could change that tune. As a program not yet under way, the bomber lacks a congressional constituency, and it has been deferred, canceled, and restarted several times in the last decade. Further delay may be one of the least painful choices for Congress, especially since the Air Force has said it will be able to fly the existing fleet for decades more; it plans to keep the B-1 and B-52 through 2040 and the B-2 through 2058.

The KC-46 tanker seems to have bipartisan support, as most members of Congress perceive that flying the Eisenhower-vintage KC-135 indefinitely won’t work. Much has been made of the fact that Boeing lowballed its bid for the KC-46, so it does not bear a perception of being gold-plated or a sweetheart deal for the contractor.

The F-35 is a different story. Delays in flight testing in previous years, along with some redesigns and a general sense—deserved or not—that the program is not being well-managed could open the door for steep reductions. Certainly, the short takeoff and vertical landing Marine Corps variant—the F-35B—might be in trouble, as it is already under a “probation” ordered by former Defense Secretary Robert M. Gates due to cost overruns and schedule delays.

The Navy has decreed that the Marines will fly the F-35C carrier model as well as the B. Given that Britain has terminated its plans to buy the F-35B in favor of the C, costs of the B model are likely to rise. Focusing on the F-35A (Air Force model, the lowest-cost variant) and F-35C might make production more efficient but would alienate foreign partners who have signed up to buy the STOVL version.

Air Force Chief of Staff Gen. Norton A. Schwartz, in testimony before the HASC in November, said the service might have to forego buying the C-27J small airlifter, something that would cause him personal heartache as he had given his word to the Army Chief of Staff that the Air Force would not take over the C-27J just to kill it.

Michael B. Donley, Air Force Secretary, has said the service won’t curtail its plans to acquire enough MQ-9 Reaper remotely piloted aircraft to put up 65 orbits. However, the Reaper was largely designed for Iraq and Afghanistan and lacks any capability to survive in contested airspace. Postwar, USAF may need far fewer Reaper orbits.

The Air Force has toyed with retiring the B-1B bomber fleet several times in recent years. Senior leaders have said “vertical cuts” of whole systems—which eliminate the need for operating funds, air and ground crew, capability upgrades, and a logistics pipeline—are the best way to achieve the savings targets they must hit, especially if other systems can do the same job.

Alternatively, retiring the B-52H fleet would phase out a 50-year-old system, support of which has become difficult because replacement parts largely must be made to order at high cost. However, the B-52, as the platform for nuclear-tipped cruise missiles, is a significant element of the nuclear bomber force; eliminating it would leave only the 20 B-2s armed with nuclear bombs as the bomber leg of the nuclear triad.

Donley has repeatedly argued that the triad is more—not less—relevant in light of a smaller US nuclear arsenal and a new, broad range of threats that may or may not respond to traditional deterrence.

There have been repeated warnings since August that the Air Force will cut personnel, although the service has said in recent years it can’t diminish its ranks without giving up missions. Donley said in November the interdependence of the active duty, Guard, and Reserve forces will have to improve, even though “we are already good at that,” because the three facets of personnel are going to “get smaller together.”

He promised to protect compensation and quality of life spending for those airmen who remain in uniform, but acknowledged that compensation from here on out will have to be “sustainable” and not see the kinds of increases of the last decade.