

Moving Into Sequestration

This is going to hurt.

By John A. Tirpak, Executive Editor

USAF Chief of Staff Gen. Mark Welsh III (far right) testifies with other DOD officials at a Senate Armed Services Committee hearing. Welsh and Air Force Secretary Michael Donley believe sequestration will have “immediate and devastating impacts” on the readiness of the force.

USAF photo by Scott M. Ash



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After more than a year of resisting preparations for a possible budget sequestration in 2013—certain Congress would never allow such a destructive hit on the nation’s military—then-Defense Secretary Leon E. Panetta in January reluctantly ordered the services to hunker down and hoard cash. The move was intended to blunt—however minimally—the effects of what he called a “perfect storm of budget uncertainty.”

Speaking with reporters in the Pentagon on Jan. 10, Panetta admitted that “we have no idea what the hell’s going to happen” with regard to military budgets in this and future fiscal years, making it impossible to plan and wickedly hard to manage defense spending. During the press conference and subsequent media interviews, he pleaded for action that would avert severe harm to military readiness, personnel, and investment.

However, forced to confront the growing likelihood that Congress wouldn’t act to prevent what he called arbitrary, “meat-ax” cuts across operating and investment accounts, Panetta ordered the services to stop or slow spending money on a range of things—from sailing and flying hours to property maintenance to travel.

In a Jan. 7 memo to Panetta, Air Force Secretary Michael B. Donley and Chief of Staff Gen. Mark A. Welsh III proposed 10 “near term actions” they would take to prepare for the sequester. These included a civilian hiring freeze; warning current employees of a possible furlough; canceling travel, air shows, and conferences; curtailing or canceling any studies either not critical or mandated by Congress; halting the pur-

chase of furniture and replacement information technology gear; deferring facilities maintenance by half; shortening contracts to cover only Fiscal 2013; and either halting or delaying contracts.

The top USAF leaders also said they’d “review overseas contingency operation requirements”—war spending needs not covered in the base budget—and “identify potential deferments” among them.

These actions would “only achieve a small share of the total sequestration reduction,” Donley and Welsh said, meaning they would have to raid readiness and investment accounts to find the rest of the money.

Just Some of the Pain

If Congress didn’t act before the deadline, they described how USAF would be hurt. The pain would include:

- A 17 percent cut in depot maintenance and aircraft engine overhauls, “pushing aircraft availability and mission capable rates much further below standards.”
- An 18 percent reduction of flying hours, potentially resulting in a “flying stand-down from late July through September and driving nearly all flying units to unacceptable readiness levels” by October.
- Civilian furloughs without being able to apply the usual reduction-in-force procedures, across the Active Duty, Guard, and Reserve.

Overall, sequestration would have “immediate and devastating impacts to [the] readiness” of the Air Force, Donley and Welsh wrote, especially since they have limited ability to reduce pay and benefits, and because the reductions would have to yield savings so fast.



Longer-term damage to the Air Force would be significant, the two top leaders wrote. While the new national strategy demands “a high state of readiness,” it cannot be executed with tiered readiness, they said.

“The flying hour reductions would compel us to focus almost exclusively on current missions such as training pipelines” and spin-up of units headed to Afghanistan and other deployments “while sacrificing preparedness for contingencies” and major war plans, including the nuclear deterrence mission.

As a result, the 18 percent reduction would be “disproportionately applied across the force,” compelling the flying stand-downs and pushing units Air Force-wide to “the lowest readiness levels” and requiring “extensive time and funding to recover.”

However, Air Combat Command chief Gen. G. Michael Hostage said on Feb. 21 that ACC will move toward tiered readiness. Units returning from Afghanistan will simply have to stand down, he said, in order to keep at least some portion of the force combat capable.

Sequestration would impose a backlog on depot maintenance, and the 50-50 ratio of contractor-to-organic maintenance work mandated by Congress itself “will be at risk,” Donley and Welsh said.

The civilian furloughs and hiring freezes would “drive nearly immediate capability gaps in all critical skill sets and have a direct impact on unit readiness, military productivity, morale, and quality of life,” the two USAF leaders said. The paucity of funds for facility maintenance would affect “new mission beddowns, range upgrades, runway repairs, energy initiatives, and drive substantial costs in the future.”

And given that priority would have to go to maintaining forces in combat at the expense of all other things, Donley and Welsh warned that sequestration would deliver “a protracted disruptive effect” on modernization programs. Specifically, it would cause “canceled or delayed delivery of modernization capability which is already under-capitalized to meet the new defense strategy.”

Donley, in a Pentagon press conference with Welsh, was asked if the Air Force, already shrinking in order to maintain a ready force, would have to get smaller to continue presenting forces that are not hollow to regional commanders.

“I think there are questions about how much smaller the Air Force can go in some of these areas without impacting the capability we provide to the joint and the coalition teams,” he answered. Donley had recently penned a multipart essay for AOL.com in which he argued that the Air Force could no longer do all the missions expected of it if its staffing and modernization needs were not met. The service’s equipment and people, he said, can’t be in two places at the same time.

“Our ‘supply’ of forces is equal to the strategic ‘demand’ with almost no margin in capacity,” Donley wrote in one of the essays.

“Today’s Air Force has very few options for further reductions in force structure without incurring significant risk to the capabilities we provide to joint and coalition forces.”

Deputy Defense Secretary Ashton B. Carter, speaking to the House Armed Services Committee on Feb. 13, said that if the full sequester took hold on March 1, it would constitute “an inability to execute our strategy.”

Initially intended to coerce Republicans to reach a deal on deficit reductions, the defense cuts no longer seemed to be much of a stick by late January.

Rep. Paul Ryan (R-Wis.), head of the House Budget Committee and his party's vice presidential nominee last fall, said on the NBC talk show "Meet the Press" in late January that "I think the sequester is going to happen."

Republicans feel the sequester may be the only way to get the spending cuts they demand, Ryan said.

"We think these sequesters will happen because the Democrats have opposed our efforts to replace those cuts with others and they've offered no alternatives," he claimed.

"We are more than happy to keep spending at those [Fiscal 2012] levels going on into the future while we debate how to balance the budget, how to grow the economy, how to create economic opportunity," Ryan said.

House Speaker Rep. John Boehner (R-Ohio) said that his party had largely come to accept the defense cuts as the only way to get spending reductions without also having to increase taxes.

Panetta, however, speaking a week after Ryan on the same program, said if Congress "stands back and allows sequester to take place, I think it would really be a shameful and irresponsible act." The cuts would "badly damage the readiness of the United States of America. ... We are going to weaken the United States. And make it much more difficult for us to respond to the crises in the world."

He added, "In a world of responsible politics, it should not happen."

House Armed Services Committee Chairman Howard P. McKeon (R-Calif.) told reporters in Washington on Feb. 15 he believed the sequester would be allowed to kick in, saying, "I think we've locked ourselves into positions we can't seem to get away from. I think we'll be forced into it." He offered some hope that after "about a month," the pain of sequester would be felt so deeply by the country that it might provide sufficient pressure to compel Congress to act.

Three-Quarters of a Million Furloughs?

Up to 800,000 civilian employees around the country could be furloughed for as long as 22 days, in effect a potential 20 percent cut in salary, said Panetta during a Feb. 6 speech to students at Georgetown University. A hiring freeze already was applied. Only units now or soon to be in combat would be spared, meaning other units would be hurt even more.

"Regardless of what Congress does or fails to do, we still have an obligation to protect this country," Panetta asserted in January. That's why "the leadership of this department has decided that it must begin to take steps in the coming weeks that would reduce the potential damage."

At the Defense Department, he said, "we really have no choice but to prepare for the worst."

Three main factors were in play: a postponement of the governmentwide sequestration until March 1; uncertainty as to whether DOD would actually get an enacted 2013 budget or operate under another continuing resolution at 2012 spending levels; and a political crisis, also coming to a head in March, as to whether Congress would allow an increase in the federal debt ceiling.

On Jan. 31, Congress voted to delay the debt ceiling showdown until late this summer. The action didn't grant an increase in the \$16.4 trillion national debt limit, but effectively allows the Treasury to ignore the ceiling until May 19, at which time it must resort to unnamed "extraordinary

measures" to pay the nation's bills. Reconsideration of the limit will come in August.

Sequestration was to be the painful enforcement penalty—the "stick"—in the 2011 Budget Control Act that also mandated some \$487 billion of defense spending cuts. It was meant to be the unbearable consequence if Congress couldn't agree on an overarching federal deficit reduction plan beyond those reductions. Failure to make a deal would trigger cuts to defense and social programs alike by more than a trillion dollars over a 10-year period, and do so with a simple, rough 10 percent cut to all accounts, without the flexibility to choose priorities. Defense cuts were the stick to get Republicans to deal, while social programs were to be the stick for Democrats.

While a temporary agreement was reached on Jan. 1, all it did was delay sequestration until March 1, Panetta noted. That made the effect even worse.

"The unfortunate thing is that ... the sequester threat was not removed," he said. If allowed to take place in March, the sequester would compel the Pentagon to reduce spending 20 percent in Fiscal 2013—but compress those cuts into just the last six months of the fiscal year. By any measure, the reductions would be draconian.

Panetta ordered the services to immediately curtail maintenance of facilities deemed nonmission-critical; delay certain contract awards; and scrutinize all other operating expenses to defer any spending not directly related to the Afghanistan war effort.

He also ordered the services to develop plans for how they would cope with sequestration, if it happened. The planning was necessary, he said, because "there will be so little time to respond" to a sequestration. "I mean, we're almost halfway through the fiscal year," he said.

The measures he ordered, Panetta said, "must be reversible to the extent feasible and must minimize harmful effects on readiness." He emphasized, however, that "no amount of planning ... can fully offset the harm that would result from sequestration, if that happens."

Carter told reporters in January that the Pentagon already had begun laying off some of its 46,000 temporary and contract workers, all of whom, he said, are "now subject to release." Carter said it is essential DOD slow its spending or funds "burn rate." He also said the 800,000 or so civilian employees of DOD would likely have to take one unpaid day off in five, starting in April, if the sequester were to kick in. Asking the employees to suffer a 20 percent pay cut is "unfair and unreasonable" but unavoidable, Carter said in a Pentagon press briefing.

"Obviously, this is a terrible thing to have to do to our employees and to the mission," he said. However, the move will save \$5 billion and "we have to find that money."

He emphasized that the pain will not just involve inside-the-beltway contractors and consultants but employees nationwide.

"I hope the Congress understands it's going to affect each and every state and district," he said.

Air Force officials developing an assessment of the impact of sequestration bore out Carter's assertion. The worst hurt states—due to Air Force austerity alone—would be Oklahoma, Texas, Georgia, and Ohio, which because of civilian-intensive logistics center or program management work, would all see payroll hits well in excess of \$110 million. Deferred military construction contracts nationwide—again, for the Air Force alone—would exceed the half-billion dollar mark, hitting local construction hard even as the nation struggles to get the industry back on its feet.

Carter, in his Feb. 13 HASC testimony, also pointed out that "the impact will be even greater on our contractors" than

expected, because “between 60 cents and 70 cents of every dollar we contract is subcontracted to the tier below the prime contractors. Many of these smaller companies don’t have the capital structure that will allow them to withstand this uncertainty and turmoil. ... Many of them are small businesses.”

The Aerospace Industries Association in February rereleased a study it sponsored indicating that sequestration would claim 2.1 million jobs in the US and raise the national unemployment rate by 1.5 percent.

Welsh, in the same hearing as Carter, said sequestration would mean “roughly two-thirds of our Active Duty combat Air Force units will curtail home station training beginning in March and will drop below acceptable readiness levels by mid-May. And most, if not all, will be completely nonmission-capable by July.” The sequester would mean postponing depot maintenance on “about 150 aircraft and 85 engines, ... which creates a backlog that will keep ‘giving’ for years,” Welsh said.

A Pervasive Crisis in Readiness

“Sequestration will have an almost immediate effect on our ability to respond to multiple concurrent operations around the globe,” Welsh continued, “something that we’ve been asked to do ... many times in the past.” Acquisition program effects will create delays and inefficiencies that will “raise unit costs, and they’ll delay delivery of validated capabilities to warfighters in the field.”

Welsh said the Air Force is “long overdue for reconstitution following more than two decades of war.” The service finds itself “stuck in the unenviable trade space between readiness and modernization, and we need your help to get out.”

None of the Pentagon leaders mentioned another, potentially huge cost of sequestration: the effect of breaking defense contracts. Practically every Pentagon contract provides some form of compensation to a vendor if the program is terminated early or significantly changed. These costs could run to the billions, dramatically reducing any “savings” to be obtained by imposing sequestration. Broadly, the Defense Department has moved to scrutinize all major contracts.

An early January memo from Carter to all DOD departments directed the services to get clearance from the Undersecretary for Acquisition, Technology, and Logistics Frank Kendall III before incurring any obligations greater than \$500 million. In a follow-up memo, Kendall specified that the services have to explain the broad anticipated value of any such obligations.

To prevent branches from awarding contracts just under the threshold, the timing of funding, the purpose of the program, and compelling reasons why it can’t be delayed also must be included in the explanation.

Air Force Undersecretary Jamie M. Morin, in a Feb. 7 meeting with reporters to discuss how USAF would be affected by sequestration, said numerous procurement programs would feel the bite. The KC-46 tanker project would probably have to be renegotiated, Morin said, and the potential cost to the service—possibly more than \$1 billion—would be a “significant” percentage of the sequester all by itself. Morin also said at least two F-35s would have to be cut from the next production lot, dropping the quantity from 19 to 17. The Air Force had put extra money into F-35 software to maintain momentum, but that would also evaporate, Morin said. Two Space Based Infrared Systems would have to be deferred, and Morin also said the C-5M re-engining project would be imperiled.

Air Force leaders said they would try to protect the KC-46, F-35, and Long-Range Strike Bomber from cuts, but Morin

said all major programs “will face disruption,” which usually translates to “increased cost to the taxpayer.”

Asked what the overall expense of termination fees would be, Morin said there’s “no way” that could be calculated until the sequester happens, but it would be a large number.

Memos from the Army and Navy Chiefs, similar to Donley and Welsh’s, circulated in late January, describing harsh reductions in the deployed naval fleet, reductions in training time, and greater demands on service members in the wake of sequestration. Chief of Naval Operations Adm. Jonathan W. Greenert, for example, detailed steps such as cutting travel, reducing exercises, and a civilian hiring freeze. But he also warned that, because refit of ships could be delayed quite some time, the ships now preparing to put out to sea could be “extended indefinitely” on their cruises, because there wouldn’t be a relief ship available in a timely manner.

Moreover, Adm. William E. Gortney, commander of Fleet Forces Command, said some ships may tie up at a pier and simply not deploy at all, and Navy air wings may simply shut down. Specifically, one effect would be the reduction of two carriers stationed in the Persian Gulf to just one—a direct impact on an area of critical interest to the US. Sailor and family support programs also would be at risk.

Army Chief of Staff Gen. Raymond T. Odierno, speaking in late January at an Association of the US Army event, said sequestration would take a “\$6 billion-plus bite” from the Army right away, and a continuing resolution would eat another \$6 billion, chiefly out of operations and maintenance.

The Army already is facing about a \$5 billion to \$7 billion “shortfall” in its overseas contingency operations account for Fiscal 2013, he said. Acquisition programs facing hits would be the CH-47 helicopter and the new Ground Combat Vehicle programs; funding to run Army bases could take a 30 percent hit, he said.

The sequestration, continuing resolution, and other fiscal calamities are creating “a pervasive crisis in readiness,” Carter said.

The uncertainty about defense spending was already beginning to affect the national economy in 2012. In January, the Federal Reserve reported the economy contracted at an annual rate of a tenth of a percent in the last quarter of calendar 2012. White House press secretary Jay Carney said, “The GDP number ... was driven ... in large part by a sharp decrease in defense spending—the sharpest drop since, I think, 1972. And at least some of that has to do with the uncertainty created by the prospect of sequester.”

McKeon, in the Feb. 13 hearing about the sequester, opened the session by saying, “We meet this morning at the 11th hour” and noted that the witnesses—comprising Carter, DOD comptroller Robert F. Hale, and all the Joint Chiefs of Staff—was an “unprecedented” assemblage during his tenure.

“Now it appears that this self-inflicted wound is poised to cripple our military forces in just a few days,” McKeon said. He acknowledged a letter from the Joint Chiefs saying, “We are on the brink of creating a hollow force,” and said neither Congress nor the White House comes to the debt crisis “with clean hands.” It was “decades in the making.”

McKeon said his fear is that “many may choose to soften the blow of these choices by turning once again to the Department of Defense,” which he noted had already given up \$487 billion in budget reductions. He said he would support no spending plan “regardless of how it addresses entitlement spending or revenue, unless it also offers meaningful and real relief for the DOD from [the] sequester.” ■