

A 10-year look; More cuts are coming; Slaying the cost hydra; Taming middle management

THE BEST WE CAN AFFORD

The Air Force is working on a fresh look to see what capabilities it must have to deal with the threats of 2023, so it can plan its budgets and force structure accordingly. The assessment is due in August.

Lt. Gen. Michael R. Moeller, deputy chief of staff for strategic plans and programs—and the one who will head up the study—explained the effort at an Air Force Association-sponsored breakfast in March. His marching orders from the Air Force's four-stars, given at their February Corona meeting, were to “look out 10 years, and tell us how to build the most capable Air Force against a high-end threat—that's affordable—by 2023,” said Moeller.

This study will be “fundamentally different” from the many forecasts and similar studies done in recent years, he said. For one thing, it starts with the understanding that it will take a few years for the service to recover from its 23-year unbroken pace of combat operations and the devastating effect of sequestration on Air Force readiness accounts. That's why a decadal look was deemed necessary.

“If you look five years out, and you know at least three of [the years] are spent repairing readiness,” Moeller said, the Air Force must take a longer view.

The readiness problem will stem not only from sequester-driven cuts, such as in flying hours and depot maintenance, but due to the fact that, during the wars in Iraq and Afghanistan, the Air Force deferred much “full-spectrum training.” Many segments of the Air Force mastered the training and skills needed to defeat an insurgent opponent lacking an air force of its own, but spent precious little time developing the sorts of skills that would be needed in a hypothetical war against an enemy on the scale of Russia, China, Iran, or even Syria.

“We underinvested in readiness” for the last five or six years, Moeller said. “It will probably take us three or four years to reinvest in readiness to make sure that it's up to the levels our nation demands.”

The 10-year look will “inform” the Fiscal 2015 defense budget, which should be released in February 2014. Moeller said the review will be useful in helping USAF steer away from wasting money investing in force structure or other assets it would only have to “divest” itself of later anyway.

The 10-year look was to begin with a group of two- and three-star generals—among them, vice chiefs of major commands—answering “28 strategic questions” about readiness, force structure, and modernization needs, Moeller reported. This group had already reached a basic consensus about the answers to those questions, which were to inform another Corona set for April.

While he didn't delve into what the questions were—or what the consensus position was—Moeller did say, “I would almost guarantee, we'll be smaller.”

The strategic review will consider where the Air Force may already have more capability or capacity than it needs, as well as missions where another service might be better suited to take over, Moeller noted.

USAF will be looking for places to shed some force structure—in order to maintain or even increase its power in areas deemed to be of greater relevance or importance, he said.

The idea that the Air Force has more than it needs in some respects may be surprising, given the creeping austerity of recent years, but “external pressures have forced us to have overcapacities in some areas,” Moeller said.

Congress has mandated the service retain certain types and numbers of aircraft and especially bases and infrastructure that USAF had asked to divest. Overcapacities exist in intratheater lift and “medium-altitude intelligence, surveillance, and reconnaissance” assets—namely, Predator and Reaper remotely piloted aircraft, he reported.

USAF will have “discussions about where there might be redundant capabilities” with other services and jointly determine whether another branch will “keep its capability, and the Air Force will not—or vice versa,” Moeller said.

“PRINCIPLED REALISM”

Even deeper cuts in defense spending are coming, Chuck Hagel warned in his first major speech as Defense Secretary. The cuts will include more program terminations, a flattening of the command structure, and reductions in benefits for service members. All of this could add up to the most profound restructuring of the US military since the 1986 Goldwater-Nichols defense reorganization act.

Hagel, addressing the National Defense University in Washington, D.C., in early April, noted that there's been a hefty cost-cutting effort under the last two Defense Secretaries already. This has truncated major programs, initiated intense efficiency reviews, eliminated organizations, and recast the national strategy to get the Pentagon to live within its diminishing means.

But the reassessments, course-corrections, and cost cutting are far from over.

Hagel explained that his recently launched Strategic Choices and Management Review will prepare the Pentagon for the future, “but not in a way that neglects, or is oblivious to, the realities of the present.”

The review seeks the right path “to deal with further reductions in the defense budget that could result from a comprehensive deficit reduction deal or the persistence of sequester-level cuts, all anchored by the President's strategic guidance.”

The review, led by Deputy Defense Secretary Ashton B. Carter with the help of Joint Chiefs Chairman Gen. Martin E. Dempsey, will ensure “we are realistically confronting both our strategic and fiscal challenges,” Hagel said. The Pentagon can't engage in wishful thinking and assume the 10-year sequester cuts won't persist.

The strategic and financial situation demands an approach of “principled realism,” Hagel said.

The still-new sequester cuts have already hurt defense and will bite even harder as operating accounts drain, Hagel observed. Sequestration is already having “a disruptive and potentially damaging impact on the readiness of the force.”



Hagel (on the right) says cost-cutting is far from over.

Given no guarantees that the situation will turn around, Hagel said he's determined to "get out ahead" of the even harder choices coming.

The review will "consider big choices that could lead to fundamental change and a further prioritization of the use of our resources," Hagel asserted. He's determined this will not be simply "tweaking or chipping away at existing structures and practices" but potentially "fashioning entirely new ones" that are more appropriate for the strategic conditions of the 21st century.

The new Defense Secretary pledged to "challenge all past assumptions" and "put everything on the table" in a "steely eyed and clear-headed" analysis.

A THREE-HEADED COST MONSTER

Hagel plans to take on the "principal drivers" of cost growth in the Defense Department: acquisition, personnel costs, and overhead. He said he's troubled by "spiraling costs to sustain existing structures and institutions, provide benefits to personnel, and develop replacements for aging weapons platforms." These costs will eventually "crowd out spending on procurement, operations, and readiness."

Slowing or stopping the cost growth in these rising accounts won't be easy, he acknowledged, as there are huge institutional and inertial hurdles in the way. "Deep political and institutional obstacles to these necessary reforms will need to be engaged and overcome," he said.

Answering a question from the audience on service member benefits, Hagel said he sees no "immediate" cuts in the offing, but it's a "fact of life" that benefits and compensation must be adjusted.

"If you play this out over a 10-, 20-year period, we're not going to be able to sustain the current personnel costs and retirement benefits. There will be no money in the budget for anything else," he said, adding, "I wish it were otherwise."

Parenthetically, in regard to the Pentagon's runaway health care costs, he said DOD will ask Congress for permission to "increase fees on different programs. I think that's fair." The Pentagon has previously noted that while employees have been asked to bear increasing health care contributions in the commercial world—to the tune of 10 percent or more per year—retired military member Tricare premiums had until recently not been raised since the mid-1990s.

Hagel also voiced his concern that despite the "pruning" of major programs over the last four years, "the military's modernization strategy still depends on systems that are vastly more expensive and technologically risky than what was promised or budgeted for."

The Secretary wants an acquisition system that responds faster to the needs of field commanders and "rewards cost-

effectiveness and efficiency, so that our programs do not continue to take longer, cost more, and deliver less than initially planned and promised."

There will be "another hard look at personnel," to determine how many people are really needed, what they do, and "how we compensate them for their work, service, and loyalty with pay, benefits, and health care." Hagel will look at the "right mix" of civilian and uniformed personnel, the proper "balance" of officers and enlisted, and the proper distribution of uniformed people among combat, support, and administrative duties.

SHRINK THE BACK OFFICE

Harking back to the Goldwater-Nichols reforms, Hagel said they succeeded in improving jointness among the services, but did so by adding layers, processes, and organizations without really eliminating anything else.

"Cost and efficiency were not major considerations" of those reforms, he added. Moreover, while the operational forces—Army battalions, Navy ships, and aircraft wings—have shrunk dramatically since the Cold War, Hagel noted that the "three- and four-star command and support structures sitting atop these smaller fighting forces have stayed intact." In some cases, commands "are actually increasing in size and rank," suggesting he wants a broad flattening of command structures and a reduction in the number of flag officers.

Furthermore, "despite good efforts and intentions, it is still not clear that every option has been exercised or considered to pare back the world's largest back office," Hagel said. He's looking to shrink a variety of agencies ranging from his own Office of the Secretary of Defense to "the Joint Staff, the combatant commands, the defense agencies, and field activities" such as the Missile Defense Agency, "as well as those that provide health care, intelligence, and contracting support."

The goal will be "reducing layers of upper or middle management," Hagel said. He also wants to overhaul the requirements-setting enterprise.

Making such changes across the board "could prove unwise, untenable, or politically impossible," Hagel admitted. "Yet we have no choice but to take a very close look and see how we can do all of this better."

He pleaded with Congress to get its act together and begin supplying DOD with the budgeting guidance and authority the department requires. The task of plotting a way forward that preserves America's military power with far fewer resources is achievable if Congress will provide the time to get it right, as well as "long-term budget certainty." Cuts demanded by the sequester, he said, "afford neither time nor flexibility" and almost guarantee the Pentagon will get it wrong.

Nothing will escape scrutiny, Hagel said of his review. The balance between the active and reserve forces will be scrutinized, as well as the proper ratios of "conventional and unconventional capabilities; general-purpose and special operations units; and the appropriate balance between forward-stationed, rotationally deployed, and home-based forces." This will also require an assessment of "how much we can depend on our allies and partners."

There will also be a rethinking of "how we define and measure readiness and risk."

Hagel said the government made mistakes during the drawdowns that followed earlier wars, and he pledged to learn from them.

However, although he said it must be recognized that the nation "has grown weary of war and skeptical of foreign engagements," the US "does not have the luxury of retrenchment. We have too many global interests at stake." If the US does not lead, Hagel said, "something, someone will fill the vacuum" and the "next great power" may not use its power as "judiciously as America has" since World War II.

The US, he said, has "helped make a better world for all people with its power. A world where America does not lead is not a world I wish my children to inherit." ■