

DEPARTMENT OF THE AIR FORCE
PRESENTATION TO THE COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

SUBJECT: IMPACT OF SEQUESTRATION

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**Impact of Sequestration
Senate Armed Services Committee
February 12, 2013**

America's Air Force strives daily to be *The World's Greatest Air Force—Powered by Airmen, Fueled by Innovation*. However, the threat of sequestration continues to overshadow that vision, as well as the Department of Defense's efforts to organize, train, equip, and employ America's armed forces in the defense of our Nation, her allies, and her ideals. Designed as a forcing function to spur meaningful fiscal solutions for our country, sequestration has instead exerted incredible short- and long-term planning disruptions upon the military Services. It now threatens to carve crucial capability from America's military without thoughtful consideration of changes in the strategic environment, our Nation's defense strategy, or the conscious assumption of risk in the military instrument of national power.

If sequestration occurs, it will significantly undermine the Air Force's readiness and responsiveness today, wreak havoc on the Air Force civilian workforce in the coming months, and—by hobbling modernization efforts—mortgage the Air Force's future health for years to come. For the United States Air Force, the effects of sequestration equate to a potential \$12.4 billion topline budget reduction, affecting every non-exempt account and program. Coupled with a \$1.8 billion shortfall in overseas contingency operations funding resulting from a potential year-long continuing resolution, reductions of this magnitude have already driven disruptive actions in the near-term, and promise devastating impacts over the longer-term.

Near-Term Actions

As the current fiscal year approaches the halfway mark and the issue of FY13 funding remains unresolved, the Air Force and the other military Services have instituted many near-term cost-saving actions to provide as much fiscal flexibility as possible in the coming months. As directed by Deputy Secretary of Defense Carter's January 10, 2013, guidance memorandum "Handling Budgetary Uncertainty in FY13," these actions attempt to minimize adverse effects on Airmen and their families, protect unit readiness, and are to some degree "reversible" if the budgetary environment stabilizes. Nonetheless, the significant near-term actions the Air Force has already taken have induced turbulence into daily operations and future planning, and disrupted the lives of Airmen and their families.

As of January 16, 2013, the Air Force implemented a civilian hiring freeze. This practice will drive capability gaps across the force and slow the Air Force's ability to provide trained civilian Airmen to manage the nuclear enterprise, sustain investments in the intelligence community, and maintain and operate our joint and Air Force bases.

The Air Force is also releasing temporary employees and not renewing the appointments of term employees unless their positions are deemed mission critical. This will impact up to 990 temporary employees, 2,160 term employees, and 260 re-employed annuitants who were specifically re-hired from retirement status for their expertise to perform specialized tasks. These releases will generate mission gaps, and will require the use of military personnel to cover the workload of the civilian positions vacated.

Major commands have also been directed to anticipate and plan for an operations and maintenance (O&M) topline budget reduction of approximately 10 percent for FY13, or approximately 22 percent of their remaining funds, in order to lead-turn the possibility of sequestration. All flying not directly related to readiness is being reviewed for necessity, while also weighing the international partnership impacts of withdrawing from high-profile events. Supply purchases are limited to essential FY13 consumption only, which will drive a bow-wave of all maintenance supply requirements beyond the fiscal year as long-term needs remain unordered. This practice will most affect operations at remote locales, where supply chain delays exert the greatest impact in the absence of an on-station critical component. The commands are also de-scoping or incrementally funding contracts for FY13 only, particularly in the areas with the most flexibility, such as construction, facility support, information technology, and knowledge-based services. Unfortunately, these are also the areas where small business contracts typically thrive, and we anticipate a significant hit to our small business prime contractor base, an area where we have devoted time and energy to strengthen.

The Air Force has also deferred all non-emergency facility sustainment, restoration, and modernization projects across its installations, which amounts to a 50 percent reduction in annual spending in this area, and a 90 percent reduction in planned spending for the remainder of the fiscal year. These delays affect dozens of restoration, modernization, sustainment, and demolition projects at dozens of installations nationwide and overseas. Dormitory upgrade and repair projects are also delayed, as are many energy-saving initiatives at multiple installations.¹ Although these near-term facility actions are technically “reversible,” they also magnify already-verified infrastructure risks, invite more costly repairs once conducted in the future, and bring economic hardship upon the civilian workforce in the affected communities. Some of these deferments elevate operational risk by interrupting runway or taxiway sustainment, while others require us to maintain unneeded and energy-inefficient infrastructure.

Commanders across the Air Force major commands have already cancelled staff assistance visits, inspections, conferences, symposia, and training seminars not

¹ 93 restoration and modernization projects at 52 installations nationwide and overseas, 14 sustainment projects at 12 installations, and 82 demolition efforts across 39 locations have been delayed. Twelve dormitory upgrade and repair projects affecting 1,195 dorm rooms for Airmen at nine installations are also delayed, as are 220 energy focus fund projects at 70 installations, as well as some installation moves toward utility privatization and automated metering.

deemed mission critical. Some of these cancellations translate into increased operational risk that will compound over time as units delay much-needed compliance inspections, while others delay required certifications for specialized career fields like firefighters and explosive ordinance disposal specialists. A \$53 million reduction in specialized training of this type postpones the promotions of over 8,000 Airmen, and reduces the certification levels of those career fields to critical deficiencies.

If the Air Force executes all of these near-term actions for the remainder of the fiscal year, they will generate spending reductions of about \$2.9 billion of the \$12.4 billion total anticipated reductions required by sequester. Should sequestration occur, the remaining \$9.5 billion in reductions must come from three critical areas where reductions will inflict near- and long-term damage to our force—the civilian element of our Total Force, today's readiness (O&M accounts), and modernization accounts designed to ensure future institutional health—all during the latter half of the fiscal year. These longer-term actions will be substantial and will produce enduring consequences on our force for many years.

Longer-Term Actions

Should sequestration occur, the Air Force expects the requirement to involuntary furlough up to 180,000 civilian Airmen. Although the exact figures are still in work, we anticipate the loss of 22 working days for each civilian Airman between mid-April and September 30, 2013. This loss goes far beyond the 31.5 million man-hours of productivity we will lose—it also hits each individual with a 20 percent loss in pay over a six-month period, and it breaks faith with an integral and vital element of the Air Force family. The operational impacts will be particularly severe in parts of the Air Force that rely most heavily on civilians, like our depots and some of our flying training bases. For example, at Laughlin AFB, Texas, the Air Force's largest pilot producer in FY12², civilian Airmen comprise the entire maintenance and simulator instructor workforce. A twenty percent reduction in that base's ability to maintain jets and train student pilots will slow vital pilot production, an issue that always requires careful management.

Decreasing force structure and high operations tempo since 2001 have combined to increase stress on all the Services, and Air Force readiness levels have declined steadily since 2003. We have already been forced to put full-spectrum training on the back-burner to support the current fight, and now the arbitrary nature of sequestration threatens to put us even further into a readiness deficit. The Air Force's global range, speed, flexibility, and precise striking power are what make it one of America's premier asymmetric advantages. That strategic agility and responsiveness requires a high state of readiness across the Total Force to meet the requirements of the Defense Strategic Guidance—the Air Force cannot execute the defense strategy from a tiered-readiness posture. Continuing to sacrifice Air Force readiness jeopardizes the many strategic advantages of airpower, and as the Service chief charged with

² 358 Laughlin AFB undergraduate pilot training graduates in FY12

strengthening and advising on America's Air Force, I cannot stress strongly enough the devastating effects sequestration will have on Air Force readiness.

Operationally, flying hours remaining in the current fiscal year will drop by 203,000 hours across the Air Force, the consequence of an 18 percent reduction of the fiscal year's total budget, or about 30 percent of remaining funds. Because the Air Force must prioritize and continue to fly operational flights in support of ongoing named operations, nuclear preparedness, presidential support, and initial qualification training pipelines, many of the flight hours that must be eliminated will come from other combatant commander requirements such as theater security cooperation packages and continuous bomber presence missions in the Pacific, joint and coalition exercises,³ and the cancellation of important advanced tactical training such as the Weapons Instructor Course. Test and training ranges in Nevada and Utah would also close in the July 2013 timeframe, removing valuable airspace for both combat training and test-and-evaluation activities. Beyond the readiness impacts of the flying hour reduction, relationships and continued interoperability training with many key partners and allies around the world, particularly in the Pacific, are also adversely affected.

The remainder of the lost flight hours, which are so vital to aircrew proficiency and currency, will come from the training side of the equation. Those combat air force units not expected to deploy—the majority of fighter and bomber units—will only continue to fly until unit-level depletion of their flying hour funds, which could occur as early as mid-May 2013. Mobility air forces will experience training degradations in airdrop and air refueling, affecting both joint and international partners, with unit O&M funds potentially running out in July 2013. Lost training currencies from unit stand downs would require six months to a year to return to current sub-optimal levels, with desired flying proficiency for crewmembers requiring even longer. This restoration would require additional funding beyond expected FY14 levels, necessitating further cuts in other areas.

The Air Force pilot training pipeline is particularly sensitive to these types of disruptions. On April 1, 2013, Air Education and Training Command will curtail advanced flight training courses, freeing up resources necessary to protect initial qualification flight training. Despite those actions, initial qualification flight training may also stand down in early September 2013, or perhaps earlier depending upon the impact of civilian Airmen furloughs. The cascading effects of stoppages like these could result in future pilot shortages that could take over a decade to remedy.

Sequestration will also affect weapons system sustainment by deferring 30 percent of the remaining depot maintenance in the current fiscal year, representing about 18 percent of the fiscal year's total effort. These depot delays affect over 30 aircraft types and weapons systems across the Total Force and will require the

³Joint and international exercises like COPE TIGER, RED FLAG, GREEN FLAG, TALISMAN SABER, COMMANDO SLING, COPE WEST, and NORTHERN EDGE would likely be cancelled.

grounding of some of the affected aircraft.⁴ The deferments equate to a 33 percent depot workload reduction, resulting in idled production shops, a degradation of workforce proficiency and productivity, and corresponding future volatility and operational costs. Most importantly, all of this deferred maintenance simply slides all future work to the right, further delaying functional, safe equipment to the warfighter. Full recovery from this kind of depot pipeline disruption could take as long as six to ten years.

All of these longer-term impacts from sequestration negatively affect Air Force full spectrum readiness at a time when we've been striving to reverse a ten-year declining trend in this critical area. The unique characteristics of airpower include range, speed, flexibility, precision, lethality and persistence. These characteristics depend deeply on having a force ready to operate at a moment's notice. It is unconscionable that we would throw away the required readiness that is at the heart and soul of airpower's enduring value to the Nation and the Joint force rather than come together to provide a more precise, thoughtful, and effective budgetary solution.

These longer-term actions would only achieve an additional \$3.4 billion of the projected reductions required by sequester, driving the remaining \$6.1 billion into Air Force modernization and investment accounts, effectively mortgaging our future health to pay today's avoidable bills.

Sequestration cuts to Air Force modernization investments, if applied at the program, project, and activity level as planned, impact every one of the Air Force's investment programs. For example, the F-35A low rate initial production would see reductions of at least two aircraft from the requested 19 in FY13. Such potential reductions not only drive up unit costs—resulting in FY14 production funding shortfalls—they also delay follow-on software and flight testing. Test and evaluation delays could increase total test costs three-fold across all programs, and delay delivery of critical capability to U.S. servicemen and women in the field. Sequestration also puts our innovative acquisition strategy on complex space systems—efficient space procurement—at risk by jeopardizing cost efficiencies. For example, an estimated \$1 billion in savings within this strategy for the Space Based Infrared Radar System (SBIRS) would be lost under sequestration.

Each of these long-term investment account disruptions negate thousands of man-hours spent on planning, implementing, and managing complex programs intended to best balance the efficiency of taxpayer dollar expenditure with the effectiveness of capability creation to fulfill the Defense Strategic Guidance. Inflicting a sledgehammer blow to the planned execution of these programs through sequestration harms both aspects of that precious balance. And over time, more taxpayer dollars would be spent to address the contract re-structures and time-delay inefficiencies that sequestration will induce, while delivery delays of validated capabilities infused with perishable

⁴ Sequestration will induce 146 depot delays affecting over 30 aircraft types and weapons systems, including the C-17, C-130, F-15, F-16, KC-135, B-52, A-10, and E-8 JSTARS. 85 engines will also be pulled from service.

technologies will only reduce our already-shrinking advantage over potential adversaries.

Considerations for the Future

Many of the adverse impacts of sequestration to Air Force operations are aggravated by the fact that we are still operating under a continuing resolution, now five months into the fiscal year. The absence of a final FY13 appropriations bill thrusts each military Service into a planning purgatory of sorts, clouding near- and long-term fiscal programming with a fog of ambiguity, and placing dozens of acquisition programs at risk.⁵ These implications are above and beyond those of sequestration, and further complicate an already overly-complex budgetary environment.

None of the actions the Air Force has taken in anticipation of sequestration have been easy, but the actions that will be necessary should sequestration occur would be devastating. Although we will make every effort to minimize the impact of sequestration to Airmen and their families, operational readiness, and force modernization, each of those areas will experience painful, palpable, and ultimately pricey disruptions. Additionally, to better position the Air Force to meet the many challenges of providing the effective airpower America expects within shrinking funding levels, further base re-alignment and closure authority would generate significant infrastructure savings that might alleviate assumed risk in other areas. At a time when Air Force readiness is long-overdue for vital reconstitution, our fleet is aged beyond the bounds of comfort, and our force is at its smallest since its inception, we find ourselves in the untenable trade space of forcing further risk to our Nation's defense by sacrificing elements of three keys to the effective provision of airpower—Airmen, readiness, and modernization.

I am reminded of times like March 2011 when America's Air Force conducted simultaneous combat operations in Iraq and Afghanistan, homeland defense missions in America's skies, airlift missions in support of presidential diplomatic efforts in South America, short-notice and significant humanitarian aid to tsunami-ravaged Japan, all while providing 99 percent of operational airlift, 79 percent of in-flight refueling, 50 percent of airborne reconnaissance, and 40 percent of strike missions in support of a United Nations-sanctioned no-fly zone over Libya. The readiness effects we expect should sequestration occur will make executing multiple concurrent operations like these much more difficult, and in some cases impossible. History shows these kinds of demands for America's military will continue—it is my job to make sure the Air Force is ready.

I urge Congress to do all that is necessary to avert the arbitrary cuts of sequestration. We owe it to America's sons and daughters, who put their lives on the line whenever and wherever their Nation asks, to care for their families, provide them

⁵ Unapproved "new starts" and "quantity increases" will affect acquisition programs like the F-35A, MQ-9, and SBIRS, as well as negating the ability to award a CV-22 multi-year program. An additional twenty-two scheduled Air Force construction and family housing projects will also not be awarded.

sufficient training, and equip them to a position of advantage over all potential adversaries.