

**Statement before the Senate Armed Services Committee**

Statement of

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Chairman Levin, Ranking Member McCain, distinguished members of the Armed Services Committee, thank you for inviting me to appear before this Committee again. I had the privilege of working for this Committee for nearly 10 years, the best years of my professional life. I will always be grateful for that opportunity, and I thank you for giving me a chance to appear before you today.

I congratulate Secretary Gates for his leadership. I know the purpose of the hearing today is to examine the specific recommendations on individual weapon systems, but the most important contribution he is making is to restore budget discipline in the Department and to start the long road back to competency in the acquisition process. This is crucial and he is courageous to take on this problem.

I recount my time with this committee because it was as a professional staff member of this committee that I had the most comparable experience to what we are living today. Back in 1989, then Secretary of Defense Richard Cheney offered sweeping recommendations to terminate a large number of weapon systems—the F-15, the F-14, the Army Helicopter Improvement Program, the V-22 tilt rotor aircraft, the M1 tank—to name just a few. In one sense, the circumstances are very similar to today. Back then, America had come through the Cold War and President Bush and the Congress promised major reductions in defense spending. The popular sentiment at the time was that we needed to harvest the so-called “peace dividend”.

Defense budgets started a long-term downward trend. I sense that we may be at a comparable pivot point now. In this sense the circumstances of these two episodes are similar. They differ, however, in a very substantial way. Back then we had a considerably larger base from which to cut programs and personnel. We eliminated nearly a third of active duty and reserve military personnel. We had 300,000 soldiers stationed in Europe. We reduced the Army and pulled them back from Europe. We had nearly 20 prime contractors. We could consolidate defense industry. We had a relatively large inventory of modern equipment produced during the height of the Cold War, so we could cut back production sharply and still have a very modern force. We could undertake four rounds of base closures—closing nearly a quarter of the physical infrastructure of the Department.

We undertook such sweeping changes 20 years ago, but we had a substantially larger base from which we could make reductions. The budget for the Defense Department now faces a similar pivotal change. Seven difficult years of war have removed a public consensus for increasing defense budgets. The misuse of supplemental appropriations bills has badly eroded budgetary discipline. All of this is coming together to create a new era of constrained budgets for the Defense Department. As was the case 20 years ago, we now must make major changes to the defense program. But unlike the time 20 years ago, all of the relatively easy pathways to reduced spending are gone. We cannot re-consolidate defense industry. We cannot again reduce our combat units by 25-30%. We cannot close major bases and installations. We now face exceptionally painful choices.

Secretary Gates has met this demanding situation with sweeping recommendations for cuts to major weapon systems. It is a courageous step. He has thought through his options and

has presented the Congress with a reasoned way forward. It is now the serious business of the Congress to decide whether or not to accept his recommendations. After all, they are just recommendations. Only the Congress can decide what is to be the will of the American people going forward.

I have enormous regard for Secretary Gates. I serve him as the Chairman of the Defense Policy Board. But today I appear as a single citizen, and my comments do not reflect the thinking of the Defense Policy Board, or of my think tank, the Center for Strategic and International Studies. These views are solely mine, and I alone am responsible for them.

I fully understand the Secretary's thinking, and believe that he has assembled a responsible set of recommendations. I strongly agree with the need to restore budget discipline in the Defense Department. The wide use of supplemental appropriations bills to fund basic activities of the Department was hugely corrosive to budget discipline. This was amplified by the very unfortunate practice during the last decade of "unfunded priority lists". The Military Departments would publish lists of things they couldn't get the Secretary of Defense to buy (or didn't even ask), and instead would beg Congress for more money to buy them. This broadly corrosive climate of indiscipline was created inside the Department, enabled, and in many instances encouraged, by the Congress. Now this is ending, and I very much support the Secretary's commitment to restore regular order and budgetary discipline.

Where I perhaps differ with the Secretary is on the very fundamental decision of where to make strategic investments—in people or in modernizing weapon systems. I could easily be misunderstood, so let me be very clear here. I honor, as do all Americans, the sacrifice of our military personnel who have borne the burdens of these wars. Like Secretary Gates, we must provide them and their families the support they deserve. The budget should reflect this.

But I also believe that we are not going to be able to afford over time the larger force that is now planned for the future. The cost of sustaining the current force is already daunting. The cost of sustaining over time a larger force structure will come only with sharp cuts in equipment modernization. We are seeing that today with these recommendations.

We have a very complex future to anticipate. During the Cold War we had a simple thought. If we built a force to fight the Soviet Union, we would have adequate capability to handle any lesser contingency. If we could skin a cat, we could skin a kitten.

But today we have a very different circumstance. We have to prepare for three very different contingencies. First, we must prepare for highly demanding asymmetric warfare. If we have to take actions in the Taiwan Straits, for example, we can anticipate a very challenging contingency. I don't want conflict with China, I don't predict it, and I don't think we will actually have it. But we do have to anticipate what it might entail should we face that crisis, and in this instance it will be highly demanding with an emphasis on advanced weapon systems.

At the other end of the spectrum we face asymmetric wars against low-technology opponents. We are in two wars like this now. I should point out that although our opponents utilize low-technology, we continue to depend on high technology in many ways. These wars

place enormous demands on people, and I fully understand why Secretary Gates believes we need to invest in a larger Army and Marine Corps at this time. The all volunteer force has performed very well during wartime, but we have not sized our force for 7 years of continuous warfare. We need a larger force right now. But that larger force—when combined with the substantial increase in the costs of maintaining that force—is now effectively crowding out weapons system modernization.

The third contingency we must anticipate is more traditional war against a serious potential opponent. We have waged two of these types of wars in the past twenty years. As a planning construct, it is quite different from the high-end asymmetric war, and the low-end asymmetric war. And we have to plan for all three.

The Secretary of Defense has given a proposal that balances these three, and in his judgment the right balance is to buy a larger force now and pay for it by cutting a series of major systems in the near term. I think he may be right. But I am also convinced that over time we will not be able to sustain even this reduced modernization with the expanded military end strength at the current cost structure for that military. Once we authorize new pay and benefits, we never take it back. So the personnel costs are now structural.

But if we cut procurement substantially now, we also make structural changes on the industrial base. In your letter of introduction, you asked me to comment on the industrial base, so let me conclude with a few comments about the industrial base. First, let me say that we made an enormously important decision 90 years ago to build aircraft in the private sector and not in government arsenals. I believe that was absolutely the right decision. Indeed, I think it was one of the three decisions that helped us win the Cold War—a decision made 30 years before the cold war. This strategic decision continues to this day, and it makes the defense industry indispensable partners. We cannot go to war and win without our defense industry partners.

When we harvested the so-called “peace dividend” 20 years ago, we forced a consolidation of the defense industrial base to an absolute minimum. Now we are proposing further cuts. I believe we are coming to the point where we will not be able to hold competitions for new weapon systems. This may be unavoidable, but I think it is a great worry. And I am absolutely convinced it will cost us enormously to try to recreate capabilities 10 years from now.

Let me illustrate this by taking only one example. The Department is recommending termination of the C-17. The current strategic airlift fleet is comprised of C-5s and C-17s. 19% of the fleet—the C-5A models—is today on average 37 years old. The C-5Ms—16% of the fleet—are on average 24 years old today. Their reliability reflects it. The mission capable rate for the C-5A is only 50% today, and I personally question that. The mission capable rate for the C-5M we hope will be 75%, but that will be its high point when we complete the modernization. It will decline from there.

Fortunately the C-17 comprises 65% of the strategic airlift fleet, and its reliability is 85%, which is logical because the average age of the fleet today is only 7 years. But we are now proposing to terminate the program. It took nearly 15 years to build a consensus, design the aircraft and manufacture and deliver the first C-17. In 15 years the C-5As will be 53 years old,

the Ms will be 39 years old and the C-17s 22 years old on average. And this assumes we terminate the C-17 today and start developing its successor next year. I doubt we will do that. Indeed, I doubt we will start a new strategic airlift aircraft in the next decade, given the budget pressures we face.

I use this just as an example. The C-17 is one of those systems that will be used in high-end asymmetric wars, low-end asymmetric wars and in conventional conflicts. I would suggest there is considerable risk in terminating the program at this time. I don't doubt we will have a producer of large commercial aircraft in 15 years that could build the next airlifter, but the only way to have a competition for it will be through an international competition, as we have today with the tanker modernization program.

Distinguished members of the Committee, I have only made your job more difficult. The Department has made important and principled recommendations, but only you can make this a national decision. Let me conclude by making your task even more complex.

Congress makes decisions one year at a time. The Department makes plans over a five year period. Right now, DoD is working on the next five year plan, and I can assure you this is even more difficult than the one they have just submitted. The program of record was not properly priced. For four years the Department has utilized unrealistic risk assumptions for most major weapon systems, meaning that every sophisticated weapon system is underfunded. There are major cuts still coming beyond those announced by the Secretary. And personnel costs continue to soar. As you make decisions on this year's budget, you must consider the impact this has on the next five years. This is possible only through a close dialogue with the Department. I know that Secretary Gates would welcome that dialogue.

Thank you for inviting me to testify before you today. I am grateful that you are willing to serve at this critical time on these important matters. I would be pleased to respond to any questions you might have.