

The Honorable Jacques S. Gansler

Under Secretary of Defense (Acquisition & Technology)

Before the Subcommittee on Military Procurement and Subcommittee on Research and Development House National Security Committee

OCTOBER 8, 1998

Chairman Hunter, Chairman Weldon and Members of the Subcommittees: Slightly less than one year ago, I was confirmed as Under Secretary of Defense for Acquisition and Technology. These 11 months have been, to say the least, a time of challenge, as the Department of Defense seeks to transform our military in order to meet the anticipated threats of the early 21st century and, at the same time, make up for 10 years of decline in our military procurement following the end of the Cold War.

Difficult Choices

They have also been a time of great personal satisfaction, as representatives of our Armed Services and I have had the opportunity to work with you and members of your subcommittees as we struggle with the difficult choices that must be made with the finite resources at our disposal.

I come to you this morning, grateful for your past support of our nation's military and for your present and future commitment to maintaining a national defense that is the envy of the world. We have sometimes disagreed on details, but have never wavered in our common goal to support our men and women in uniform by making them the best equipped and best sustained fighting force in the world.

Beginning to Show Some Wear

Unfortunately, the world's most powerful nation is beginning to show some

wear around its defensive edges. We are undoubtedly the world's unchallenged military power. And our readiness is still high. But this will not last if we do not act now. This is an era of rapidly changing threats. The technical requirements to meet those threats must keep pace. But there are so many conflicting demands for defense dollars and so many competing interests for a dwindling supply of funds that we are hard pressed to meet even our most critical needs for items that we cannot do without.

I suppose that, with hindsight, we can see why it is that we have not been able to keep in step with the changing requirements of our military. The answer lies, in part, with the decision to cut back on modernization after the end of the Cold War. We had the best equipment in the world, and lots of inventory, so we could coast for awhile. As the defense budget rapidly declined, however, modernization was deferred in order to fully fund current operations and support and base infrastructure, and thus ensure current readiness. This strategy enabled us to maintain high readiness and operational tempo during the extremely unstable period following the collapse of the former Soviet Union. In fact, during the past eight years, we have deployed forces around the globe *38 times*, almost *four times* that of the previous 30 years. Meanwhile, our procurement account (to fund modernization) has fallen by 56 percent in real terms over the past 10 years!

Reduced Budgets Have Taken Their Toll

The reduced modernization budgets, combined with the increased military deployments, have taken their toll. Our weapons are overworked and aging. By next year, for example, the average age of our aircraft fleet will be over 20 years. Because many of our systems are old and overworked, they require more frequent and costlier maintenance. This accelerated maintenance is costing us much more each year: in repair costs, down time, and maintenance tempo. (As expected, empirical evidence shows that reliability decreases, and maintainability manhours increase with equipment aging and wear-out. Increased corrosion is a simple example.)

Furthermore, because our systems are so old, we find that the spare parts we need from third- and fourth-tier suppliers are no longer available. We reverse-engineer these obsolete parts, which requires extensive lead times, in some cases up to two years – and much higher spare parts costs. Clearly, we must keep our equipment in good repair to maintain readiness. However, it drains our resources – resources we should be applying to modernization or replacement of the existing systems as they become increasingly obsolete (relative to the rapidly changing technology of the information era); and to the development and deployment of the required new systems to counter the anticipated asymmetrical threats of the early 21st century.

Thus, with constrained resources and increased costs to maintain readiness, we continue to stretch out our modernization schedules and reduce the quantities of the new equipment and information systems we purchase – thereby raising their costs still further, and adding to the delay in modernization. Recently, in reviewing the projected DoD five-year fiscal plan, in order to maintain current readiness, we again added to the operations and support budget. Over the five-year period, this amounts to about \$4 to \$5 billion, or the loss of the equivalent of a wing of brand new fighter aircraft.

Logistics of Equal Concern

Of equal concern is the cost of the large logistics support system associated with attempting to maintain our readiness and sustainment. For example, we spend about \$4 billion a year to maintain our national supply infrastructure (inventory control points and distribution centers) that were built to Cold War standards, not to respond rapidly to the likely threats of the 21st century.

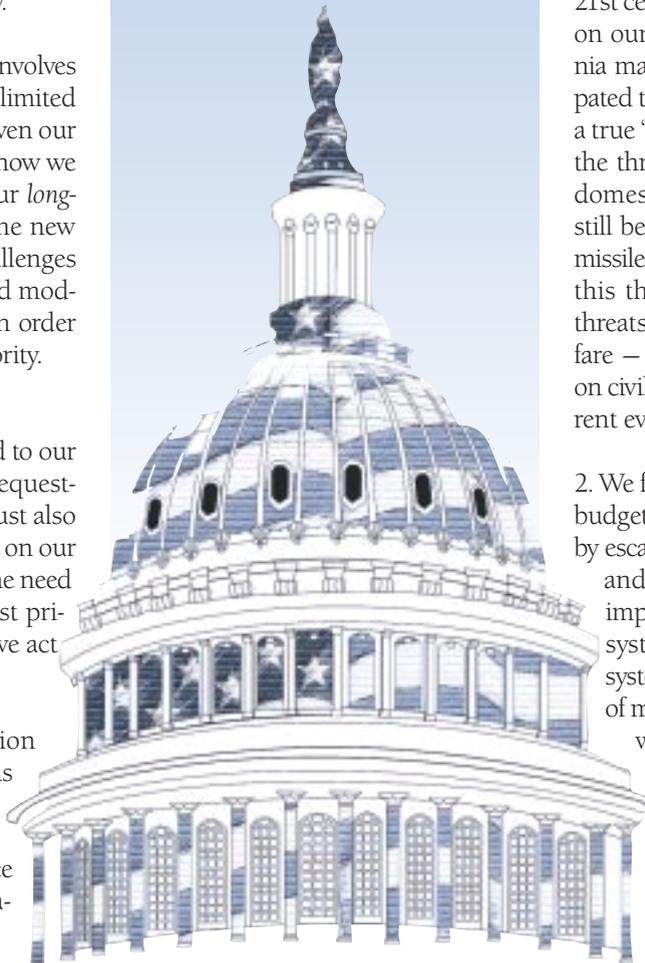
The dilemma we face right now involves competing – and seemingly unlimited – demands as we seek to meet even our *current readiness* needs. Yet, we know we must also invest now to meet our *long-term readiness* needs: develop the new systems needed to meet the challenges of early 21st century warfare and modernize our current equipment in order to maintain our military superiority.

The Need to Act Now

President Clinton has responded to our *immediate* readiness needs by requesting additional funds. But, we must also respond to an urgent need to act on our *long-range* readiness problem – the need to modernize. It is of the highest priority and greatest urgency that we act now to:

- Make the necessary migration away from traditional weapons systems that were designed to counter a Cold War threat, not the asymmetrical threats we face from terrorists and rogue nations.

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- Move ahead without delay on those new weapons which we believe will be most effective in meeting the unpredictable and dangerous threat from terrorism, rogue nations, and other asymmetrical sources – programs such as theater missile defense and counters for biological, chemical, and information warfare.
- Modernize those legacy systems we must live with as we engage in long-range modernization – increasing their reliability and creating an integrated “digital” battlefield.
- Design and build our future systems to be much more affordable so that we can buy them in sufficient quantities.
- Make those difficult, but absolutely essential, cuts in infrastructure and support that we believe will free up the funds we need for modernization.

The reason for urgency is threefold:

1. We once were able to talk about threats that we “anticipated” in the early 21st century. The recent terrorist attacks on our embassies in Kenya and Tanzania make it all too clear that the anticipated threat is here with us now. We face a true “clear and present danger.” While the threat of ballistic missile attack on domestic targets or on our allies may still be a ways off, recent North Korean missile tests, for example, may show that this threat is coming closer. And the threats of chemical and biological warfare – and devastating terrorist attacks on civilian and military targets – are current events.
2. We face an urgent need to reverse the budget-consuming spiral that is created by escalating maintenance costs on aging and overworked systems. We must improve the reliability of the current systems we will be using until new systems are deployed. If not, the costs of maintaining our current equipment will drain funds from long-range readiness programs.
3. Many of the systems under development today – even with accelerated development times – will not become fully operational

until the end of the first decade of the 21st century. The “bow wave” of deferred modernization makes it even more critical to begin to shift funds from support and infrastructure to combat and modernization now, in order to be able to afford such systems as, for example: the Joint Strike Fighter, the DD-21, Comanche, CVX, AAV, and the Navy Upper Tier Missile Defense Systems.

Given the realities of our current geopolitical/military situation, the need to develop long-term solutions to our current readiness problems, and the time it will require to develop and deploy new weapon systems to counter the unpredictable and dangerous threats we are increasingly facing, there are some additional considerations to take into account to achieve long-term readiness.

Balancing Our Focus

While modernizing, we must balance our traditional focus on weapons platforms (ships, planes, and tanks) with weapons that will counter future asymmetric threats – such as defenses against biological warfare, information warfare, and ballistic missiles. And, on the offensive side, we must increase our funding on enhanced and secure C³I and long-range, all-weather precision weapons – implementing the full capability of “reconnaissance/strike warfare” (the essence of the “Revolution in Military Affairs”).

Additionally, since the most likely combat scenarios for the United States involve coalition conflict, on a multinational scale, we must ensure that the equipment we use is not only interoperable among our Services, but is also interoperable with that of our allies. With the speed of change of technology, and the disparity in defense budgets, this is an increasingly difficult challenge to overcome, but one that is absolutely essential if we are to retain worldwide battlefield dominance.

Also, since we know that we must operate, in the near future, with legacy systems as the basis of our force structure, we cannot simply discard them. It is too expensive and impractical, given our cur-

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rent budget constraints. Thus, for the present, we must still invest heavily in upgrading current systems – in terms of both performance and reliability. All this we plan to do. But ask anyone, in any of the Services, and he or she will tell you that the time is fast approaching when all our Services must focus on building the new, rather than “jerry-rigging” the old.

Dealing With Unanticipated Crises

If this were not bad enough, we must also deal with the uncertainty of unanticipated crises, such as continued operations in Bosnia and military support to alleviate suffering around the world.

Even the Y2K computer problem – although not entirely unanticipated – in a flat-budget environment further drains funds from modernization.

To reverse this trend – with current short-term needs consuming an ever-increasing “share of the pie” at the expense of longer-term military capability – will be extremely difficult. I have called this situation a “death spiral”; and, in fact, we will come to that...if we do not act decisively, now. It will require significant cultural change, a sense of urgency, and difficult program funding decisions. The result may be that we will have to put some sacred cows out to pasture – not just keep trying to milk them. Popular, but outdated, weapons systems will have to give way to non-traditional, but effective, defenses against new threats. Underutilized and/or non-competitive infrastructure and support must be eliminated.

Unpopular, Difficult Choices Ahead

The required actions are – I admit – both unpopular and extremely difficult. But, I believe we have no choice. I have already mentioned most of them, but let me summarize specific initiatives we must take:

- Additional base closures.
- Termination of contracts for a number of traditional weapons systems in order to fund the required newer systems.
- Drastic improvement in cycle times (from 18-year developments toward 18 months; and from 40 days for spares order-to-receipt time to four days).
- Competitive sourcing of all but inherently governmental functions; and a rapid reduction in the civilian and military workforce made possible by the increased use of competitive market forces.
- A significant increase in investments for reliability enhancements on the large number of currently deployed systems.
- Widespread and full implementation of the “acquisition reforms” initiated over the last few years – including cost

as an independent variable, along with a military requirement and elimination of the current barriers to civil/military industrial integration (such as the government's specialized accounting and auditing systems), plus increased use of performance-based service contracting. We must remain totally focused on continued reform in order to get where we need to be.

- Full and rapid transformation of the complete DoD logistics system into a much more responsive, significantly lower-cost system.
- And last, but most important, a full and rapid transformation of our military tactics, doctrine, and structure to actually realize the strategy of the Chairman's "Joint Vision 2010."

We appreciate the past support we have received from you in the Congress as we make the necessary transformation to ensure long-term readiness. The Congress has responded positively to our need to cut back on unnecessary infrastructure and to take positive steps to reform our acquisition process. This partnership has been positive and beneficial. The representatives of the Services who are here with me today join me in pledging our continued best efforts to achieving modernization and improving our readiness.

Making the Right Decisions

In closing, Chairman Hunter and Chairman Weldon, I want to assure you that I would not be here this morning if I did not firmly believe that, working together, the Congress and the Administration can achieve long-range readiness goals. I come, not as an alarmist or as a prophet of doom – although I do believe we are headed into quicksand if we do not act quickly – but rather as a concerned citizen and as a public official in whom you have placed great responsibility for making the difficult transformation in our defense acquisition process.

What I want, 10 years from now, is for us to be able to say, "I'm glad we made those decisions back in '98 and '99. Where would we be if we hadn't?" I am confident we'll be able to say that – with your help and support.

Navy Cmdr. Jill Garzone, Director, Human Resources and Administration, departed the college on Sept. 30, 1998, to become the Deputy Director, OPNAV Services and Security Division, Pentagon, Washington, D.C. Garzone joined the DSMC staff in October 1994, and remained Director of the Human Resources and Administration Department throughout her assignment.



Navy Aviation Warfare Systems Operator Master Chief and Naval Aircrewman Samuel J. Hindman, Senior Enlisted Advisor, retires from active duty effective Jan. 1, 1999. In addition to several assignments within the continental United States, Hindman's 30-year career also included deployments to the Western Pacific in support of operations in and around North Vietnam, South Vietnam, North Korea, and South Korea; Kadena, Japan; Deigo Garcia, British Indian Ocean Territory; Bermuda; and Adak, Alaska.



Navy Aviation Warfare Systems Operator, Air Warfare and Naval Aircrewman Senior Chief Scott A. Russell joined the DSMC staff as Senior Enlisted Advisor, effective Sept. 30, 1998. Russell comes to the college from the Office of the Chief of Naval Operations (N88), Director Naval Aviation, where he served as the Naval Aircrewman Training Requirements Officer, Washington, D.C.



John T. "Tim" Shannon, Associate Dean of Faculty, became the Dean of Faculty effective May 8, 1998. Shannon joined the college in February 1991 after 21 years' military service with Department of Navy. First assigned as an instructor in the college's Funds Management Department, Shannon assumed increased levels of responsibility as Business Department Scheduler; Department Chair, Funds Management Department; and Associate Dean of Faculty.

