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# **A Poisoned Chalice? The Flaws in the FY2008 Defense Program**

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**With the Assistance of Ionut C. Popescu**

**July 2007**

# Ten Challenges the US Must Now Face

- **Challenge One:** extent to which strategic and planning problems in Iraq and in meeting other US strategic commitments have created the present strains on our forces.
- **Challenge Two:** determining the level of burden that defense should place on the national economy and federal spending.
- **Challenge Three:** meeting the needs of the US active and reserve military.
- **Challenge Four:** measuring the extent to which the US has too few forces or the wrong forces.
- **Challenge Five:** determining what kind of force transformation is affordable and needed, and the extent to which it can or cannot deal with the other aspects of overstretch.
- **Challenge Six:** dealing with the legacy of Cold War transformation programs and past efforts at force transformation that are fundamentally unaffordable.
- **Challenge Seven:** creating new approaches to interoperability and alliances on the national level, such as creating effective Iraqi forces and effective Iraqi capabilities for governance that are necessary to allow the US to reduce its presence and expenditures in Iraq.
- **Challenge Eight:** dealing with the problem of alliances, international cooperation, and interoperability at the regional and global level.
- **Challenge Nine:** creating an effective interagency capability to perform national security missions
- **Challenge Ten:** responsibility.

## **CHALLENGE ONE:**

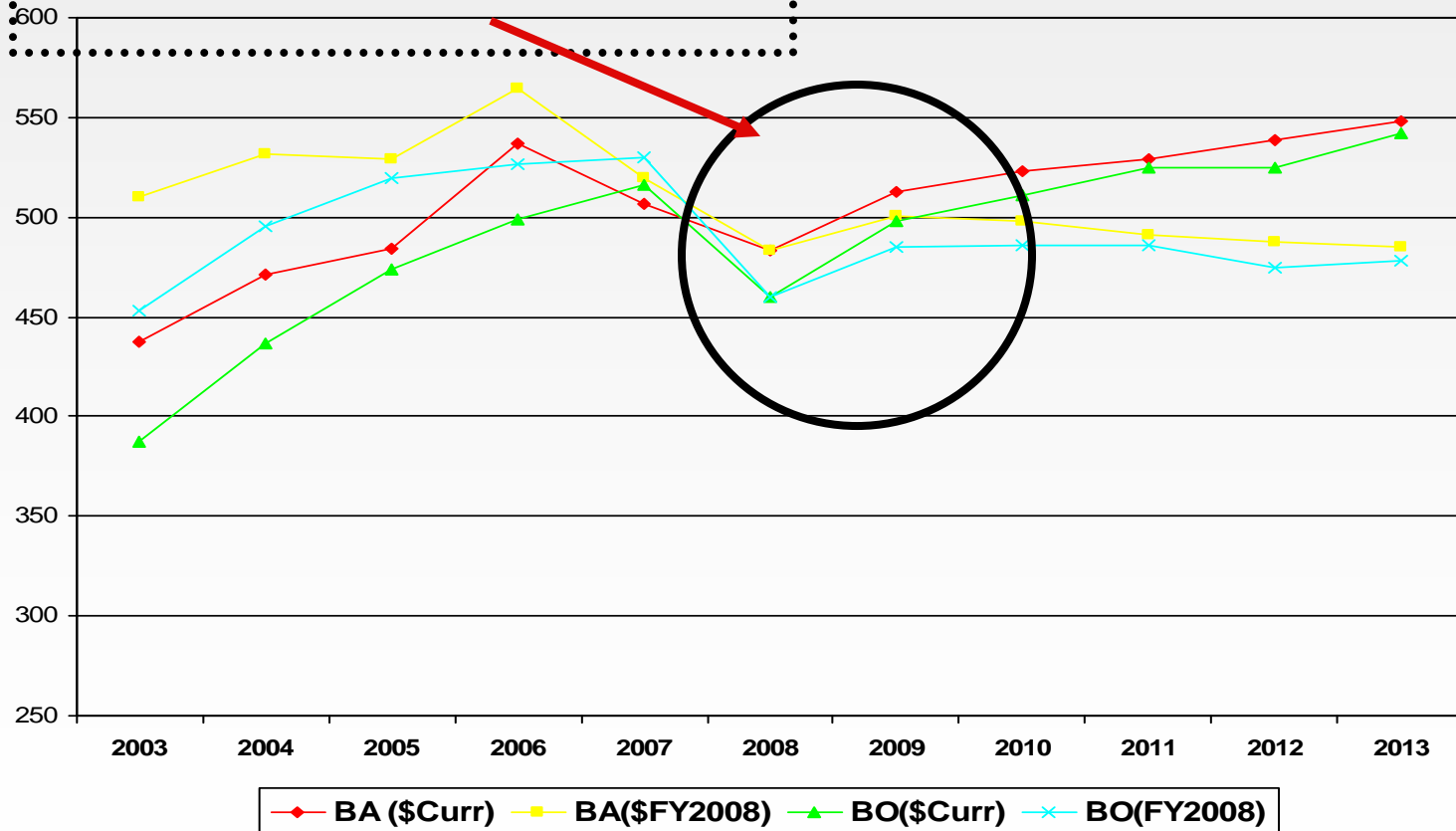
### *The Iraq War and Strains on US Forces*

- **War should mean stress on the force posture, but still claim a two major regional contingency or one major regional and one counterterrorism case.**
  - **Marginal, not “hollow”**
- **“100 Flowers of Uncertainty” in undefined or understudy projects in QDR2006.**
- **Serious questions about FY2008-FY2013 FYDP Green Book projections.**
  - **Rolling “get well” costs versus slipping outlays to out years and “dancing to the right”**
- **Much depends on Army and Marine Corp modularity and force restructuring.**
- **Iraq War strain or procurement bubble strain?**
- **Manpower entitlement legacy?**
- **Questions about should the US fight another Iraq; If limited wars are limited and optional, should the US commit itself ?**



# The Requested FYDP (2003-2013) 051 Does Not Fund War, Reset, or Force Transformation

False promise of victory followed by major outyear rise for transformational major procurement spending.



Source: Department of Defense, National Defense Budget for FY2008, March 2007, p. 115, 133

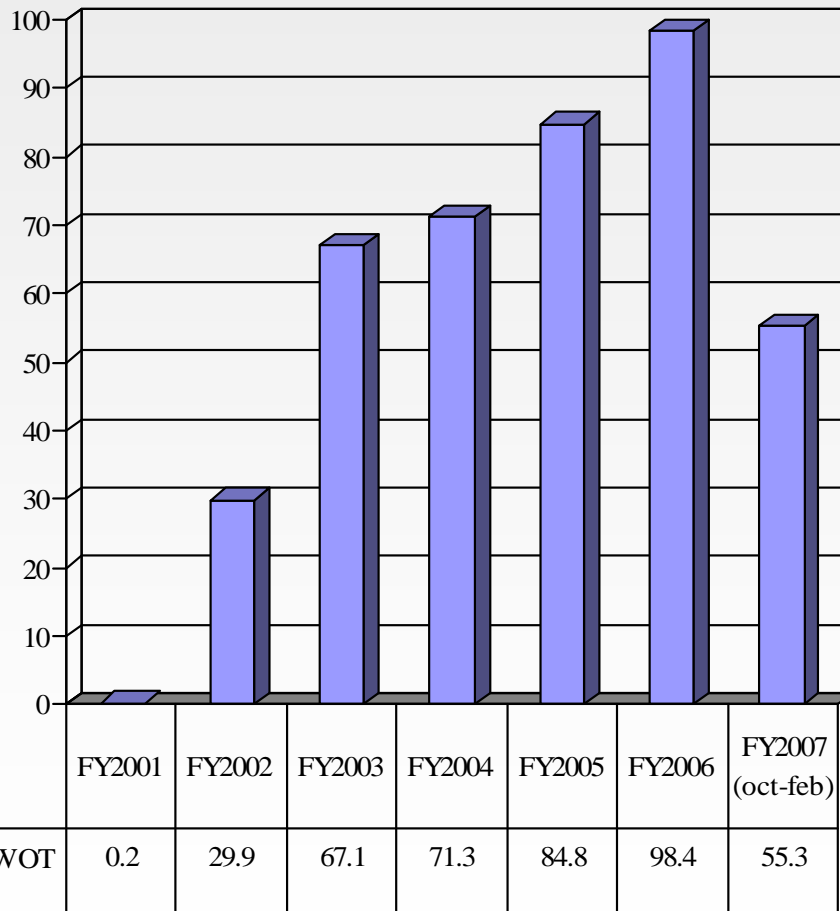
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# The Complexity of the “Long War”

- Struggles to deal with national threats, often of very different kinds and fought on different terms;
- International struggles to defeat terrorist movements that cut across national lines, and often cultures, political systems, and religions;
- An ideological and political battle against Islamist extremism, and tensions between the West and Middle East, that act as a breeding ground for terrorism and the tolerance or support of terrorist movements;
- A struggle to deal with new forms of national and global vulnerability such as proliferation, increasing dependence on information technology and netting; critical infrastructure, and the secure, just-in-time flow of global trade.
- The problem that terrorism/insurgency cannot be separated from asymmetric warfare and insurgency, state use of terrorists as proxies or false flags, or terrorist use of states as sanctuaries.
- Cannot separate forces or technology from need for humanitarian, nation-building, and stability operations.
- All military actions have broader consequences, part of information warfare, public diplomacy, war of perceptions.
- More than local perceptions count: World opinion, world media, NGOs, UN, etc.

# GAO: How Expensive is the GWOT To Date?

(US billions)



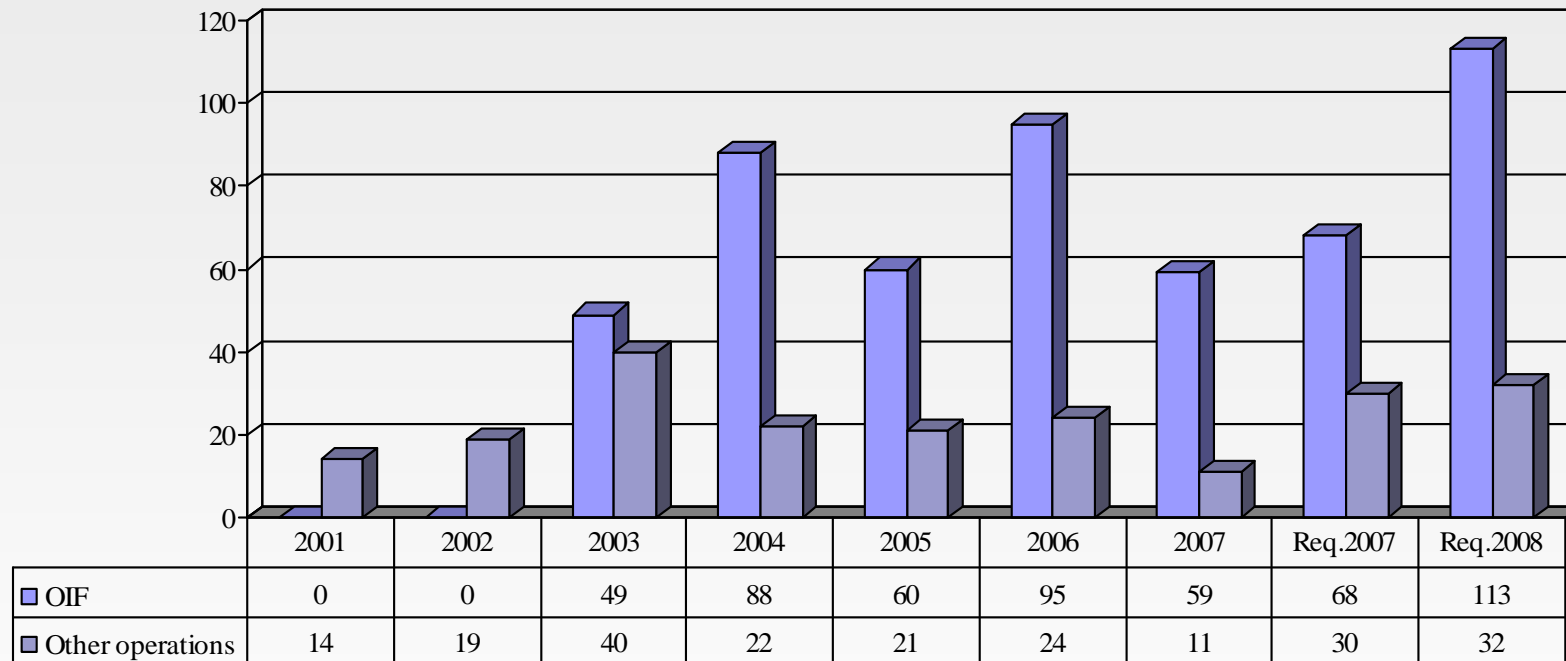
Source: GAO analysis of DOD data.

GAO—7-783R Global War on Terrorism, May 18, 2007

Note: Reported GWOT obligations include Operation Noble Eagle, Operation Enduring Freedom, and Operation Iraqi Freedom. Figures do not include about \$17.9 billion obligated in FY 2001-2003 that DOD did not include in its cost reports, or any obligations for classified activities. GAO has assessed the reliability of DOD's obligation data and found significant problems, such that they may not accurately reflect the true dollar value of GWOT obligations.

**DoD requested \$93.4 billion in emergency supplemental for the remainder of FY 2007 and \$141.7 billion for GWOT funding in FY2008**

# CBO's Estimation of GWOT Funding - OIF vs. Other Operations

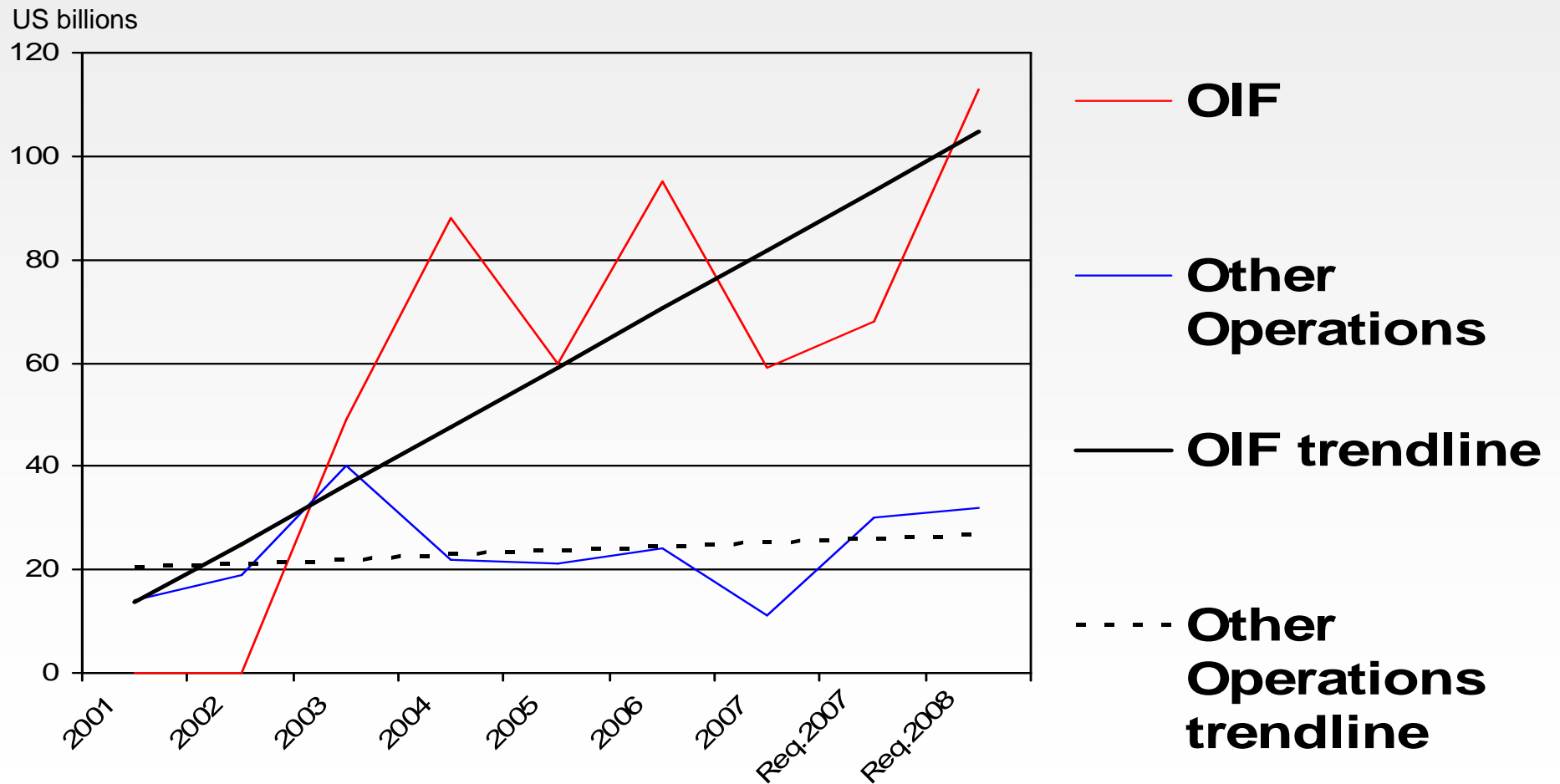


Total amount appropriated and requested between 2001-2008: \$746 billion (out of which \$532 billion for OIF and \$214 billion for other operations.)

Source: Congressional Budget Office, Letter to Hon. Kent Conrad, February 7, 2007

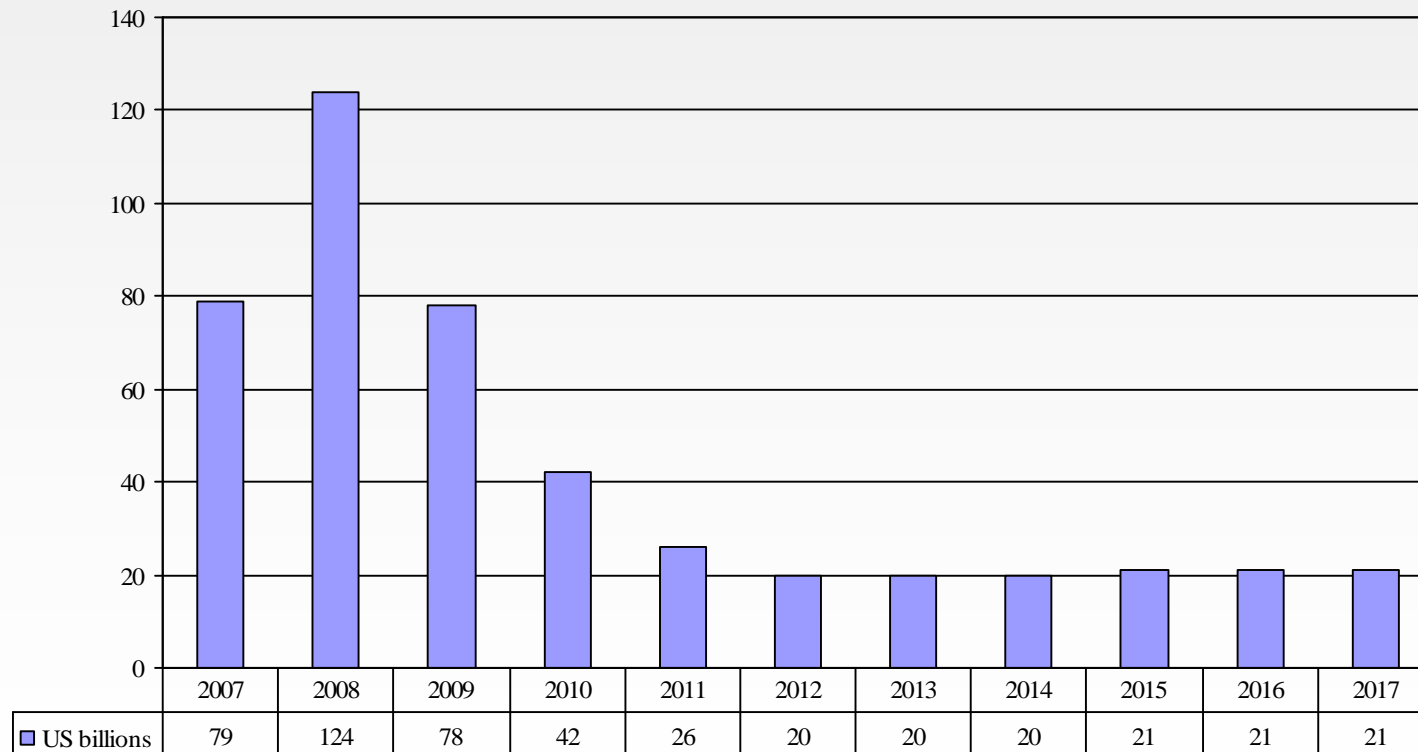
# The Future Burden Could Be a Problem

**CBO: Trendline costs for OIF vs. Other Operations part of the Long War**



# CBO's Estimated Additional Costs of OIF, OEF, and GWOT: Scenario one: Assuming Deployed Troops are reduced to 30k by 2010

Total, 2007-2017 : \$472 billion

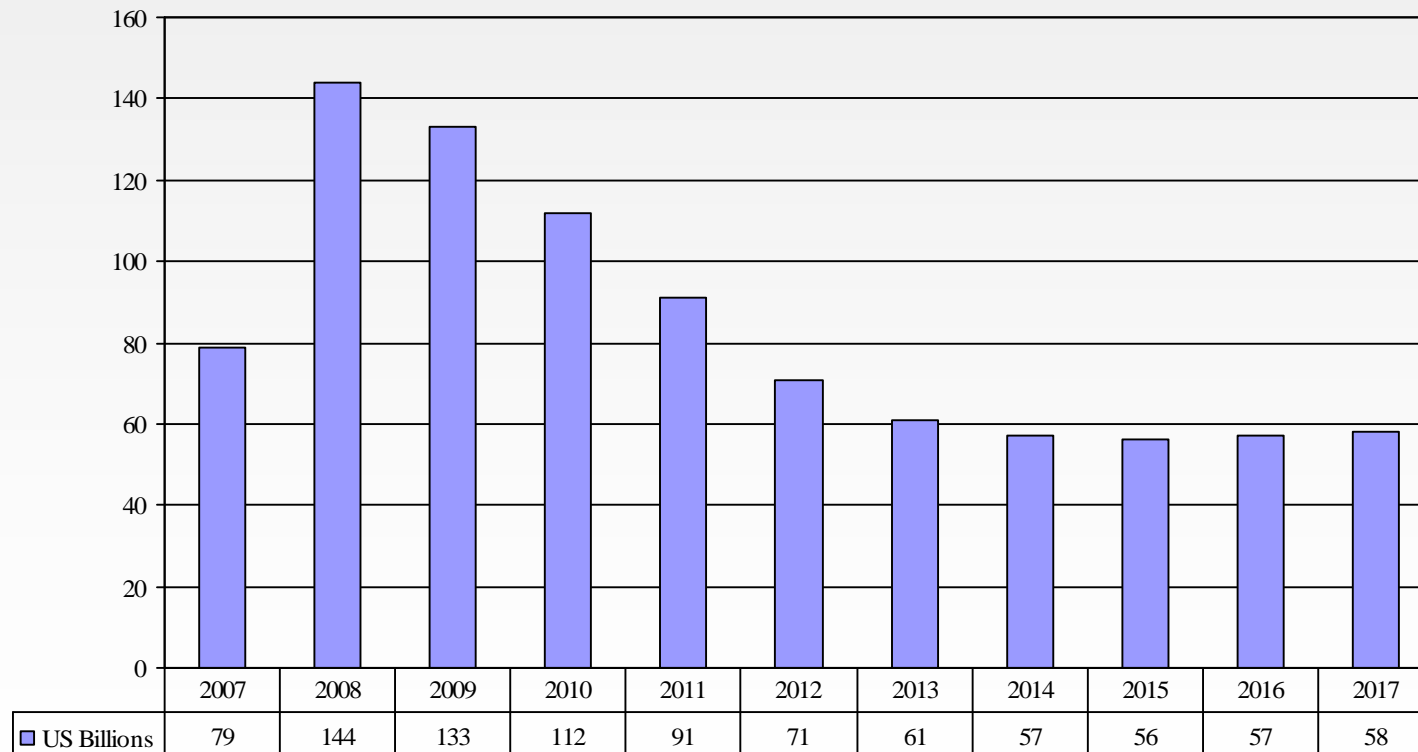


Source: Congressional Budget Office, Letter to Hon. Kent Conrad, February 7, 2007

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# CBO's Estimated Additional Costs of OIF, OEF, and GWOT: Scenario two: Assuming Deployed Troops are reduced to 75k by 2013

Total, 2007-2017 : \$919 billion



Source: Congressional Budget Office, Letter to Hon. Kent Conrad, February 7, 2007

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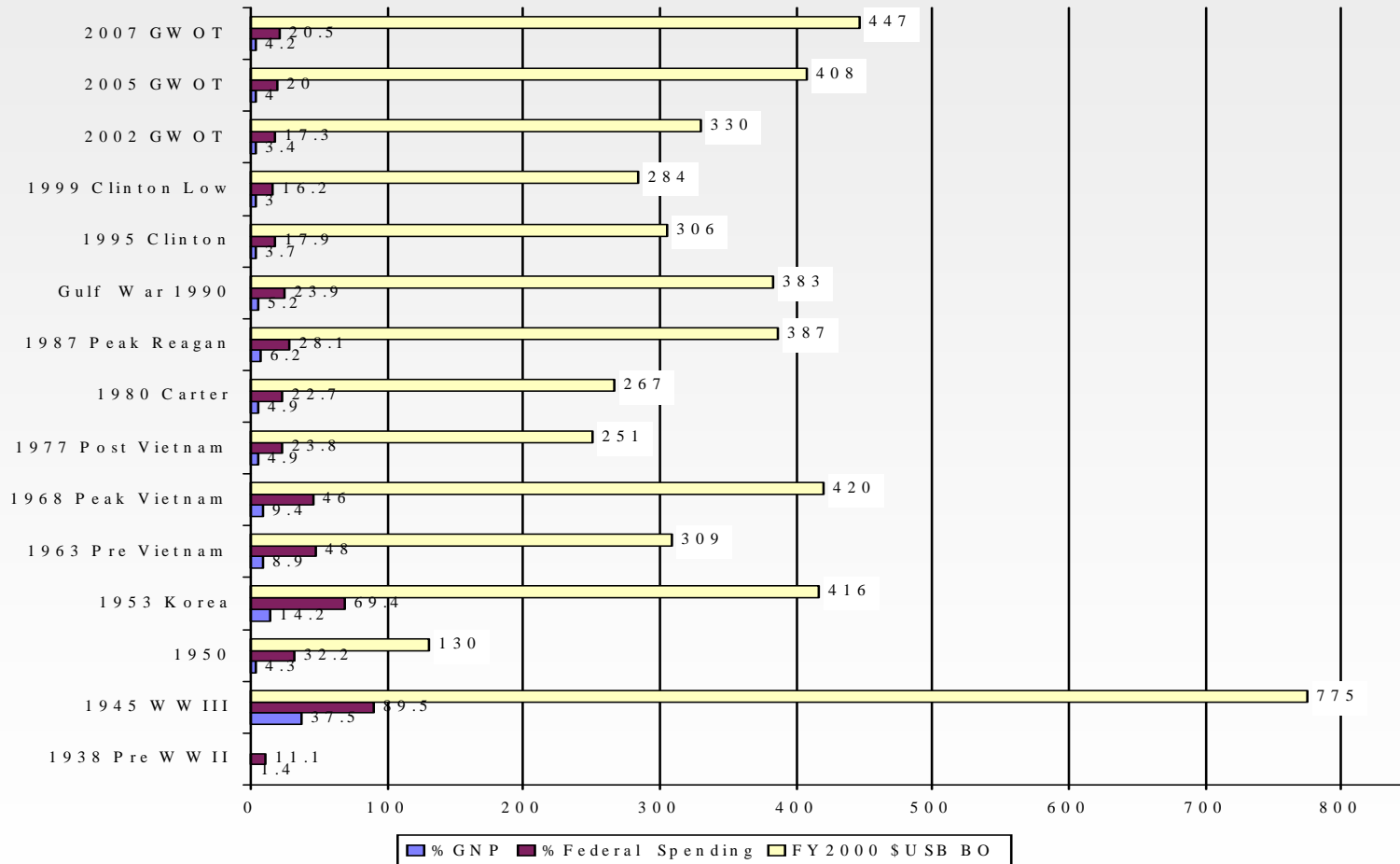
## **An Alternative Estimate of Additional Costs associated with GWOT/OIF**

- **Total cost as high as \$2 trillion**
  - **Veteran's health care could range between \$282 to \$536 billion**
  - **Veteran's disability benefits could range between \$67 to \$127 billion**
  - **Military replenishment: replacement costs from \$89 billion to 149 billion**
  - **Higher oil prices: impact of war could cost consumers \$125 billion to \$300 billion in the long run**

Source: "Researchers Weigh War's Other Costs", Richard Wolf, USA Today, 01/31/2007, quoting a study by Linda Bilmes of Harvard' JKK School and Joseph Stiglitz of Columbia University

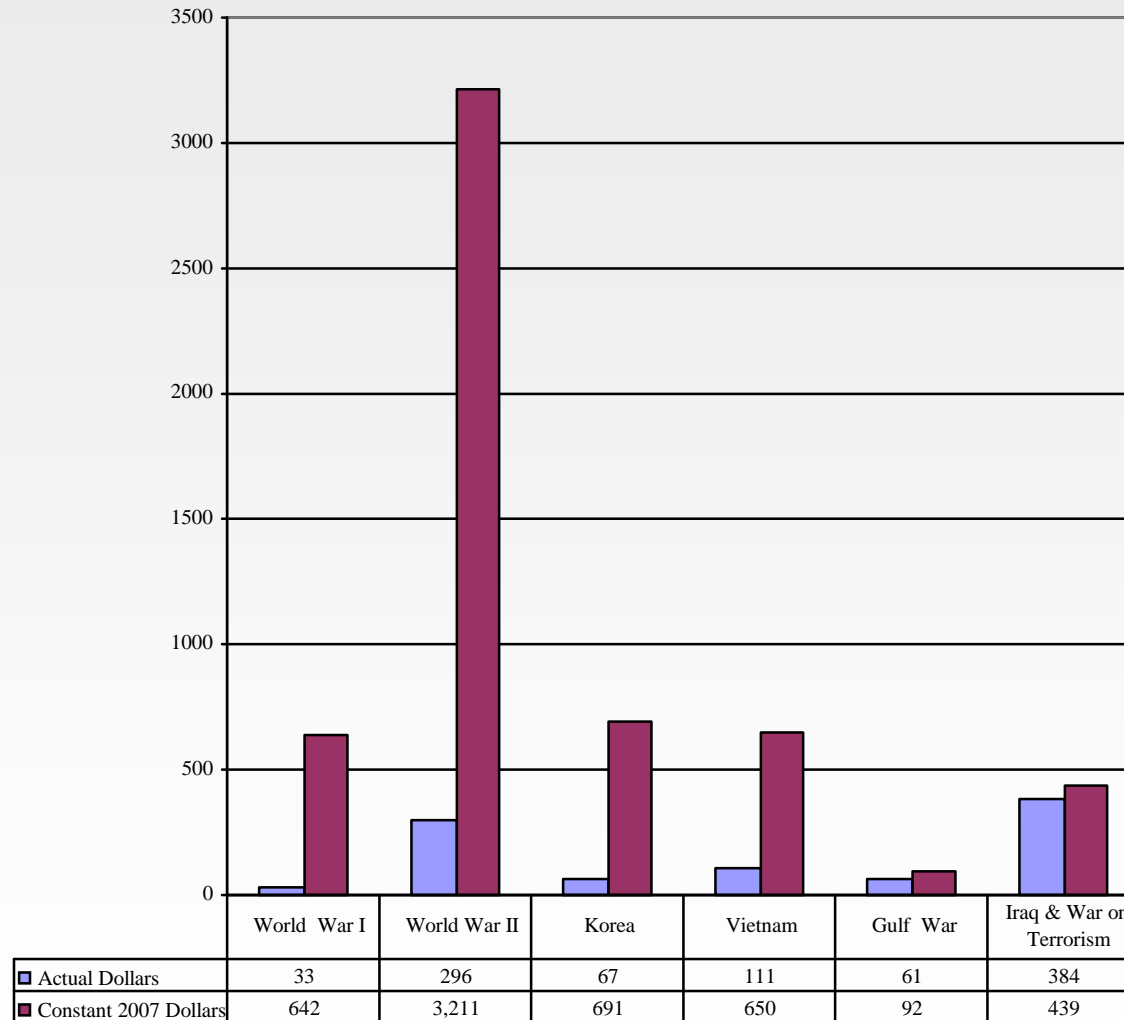
# Peak Annual Cost of Previous Wars

(BO in Constant FY 2000 Dollars)



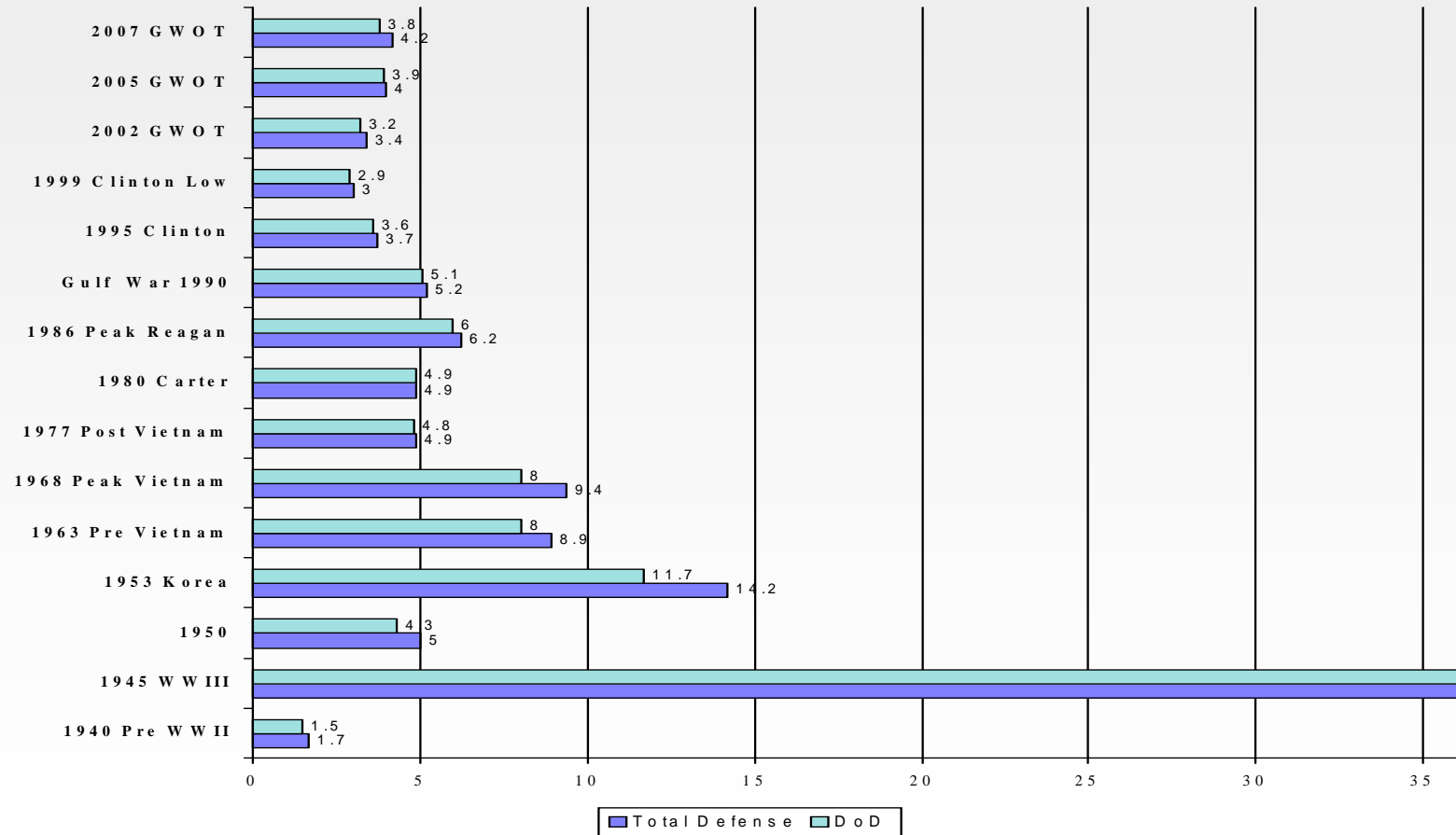
Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY2008, March 2007, Table 7-2. Budget total is for entire national defense, not just the Department of Defense.

# The Cost of Previous Wars: Constant Dollars



# The Economic Burden of Previous Wars

National Defense Spending as a Percent of GNP in Previous Conflicts and Crises (Total Federal Outlays)



Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY2008, Washington, Department of Defense, March 2007, Table 7-7, pp. 216-217. Budget Total is for entire national defense, and not just Department of Defense.

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# **New Spending Priorities: The US Must Now Radically Transform Transformation**

- **First, warfighters must focus relentlessly on the desired outcome of the war and not simply the battle or overall military situation**
- **Second, warfighters need to understand, as Gen. Rupert Smith has pointed out, enemies will make every effort to win counterinsurgency conflicts by finding ways to operate below or above the threshold of conventional military superiority.**
- **Third, warfighters and their political leaders need to acknowledge that enemies can fight above the threshold of US conventional ability, not just beneath it.**
- **Fourth, the US does need to improve our counterinsurgency technology, but cannot win with “toys.”**
- **Fifth, the best “force multiplier” will be effective allies, and interoperability with a true partner.**
- **Sixth, political legitimacy in counterinsurgency is measured in local terms and not in terms of American ideology.**
- **Seventh, the US needs to have a functional interagency process and partner our military with effective civilian counterparts.**

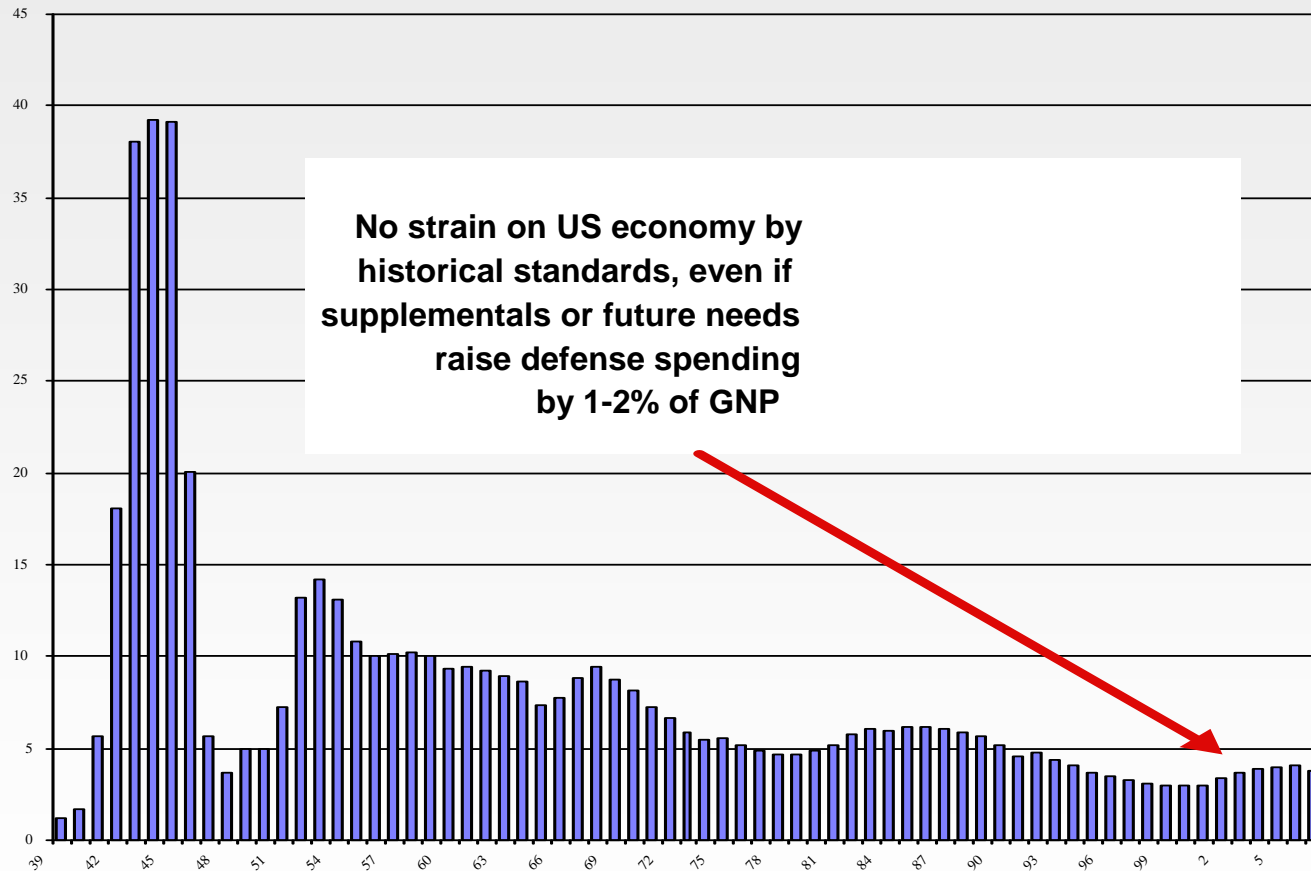
## **CHALLENGE TWO:**

### ***Determining Level of Burden that Defense Should Place on National Economy and Federal Spending***

- **Iraq War and Affordability:**
  - *\$2.5 trillion plus over FY2007-FY2011 (House less outyear war costs.)*
- **4.2% of GDP for FY2008 versus 3.0-5.1% in 1990s and 3.0% in 2001.**
  - **CBO projects 2.5%-3% through 2024.**
- **20.9% of federal budget in 2008 versus 16.2-23.9% in 1990s and 16.4% in 2001**
- **1.3% of national labor force, 25% of federal, 9% of public.**

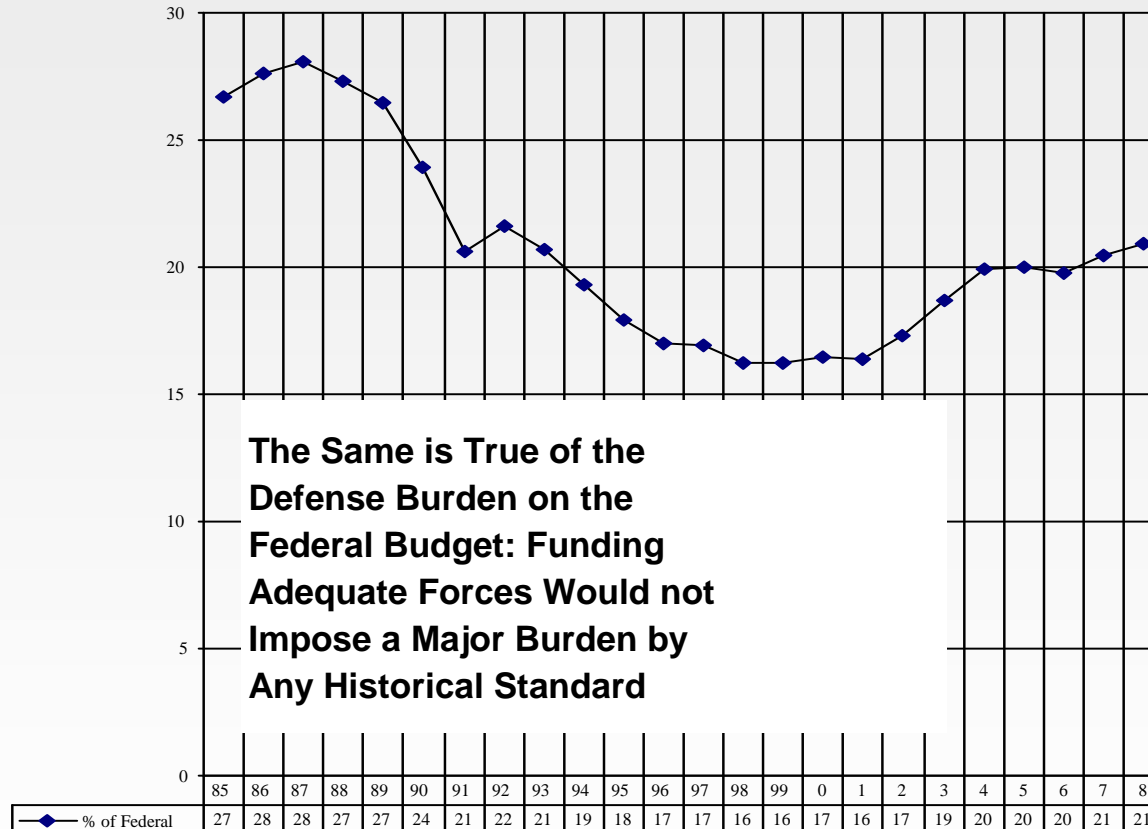
# Defense Spending as a Percent of GDP: 1939-2008

(050 Total defense spending for DoD and all agencies as % of GDP)



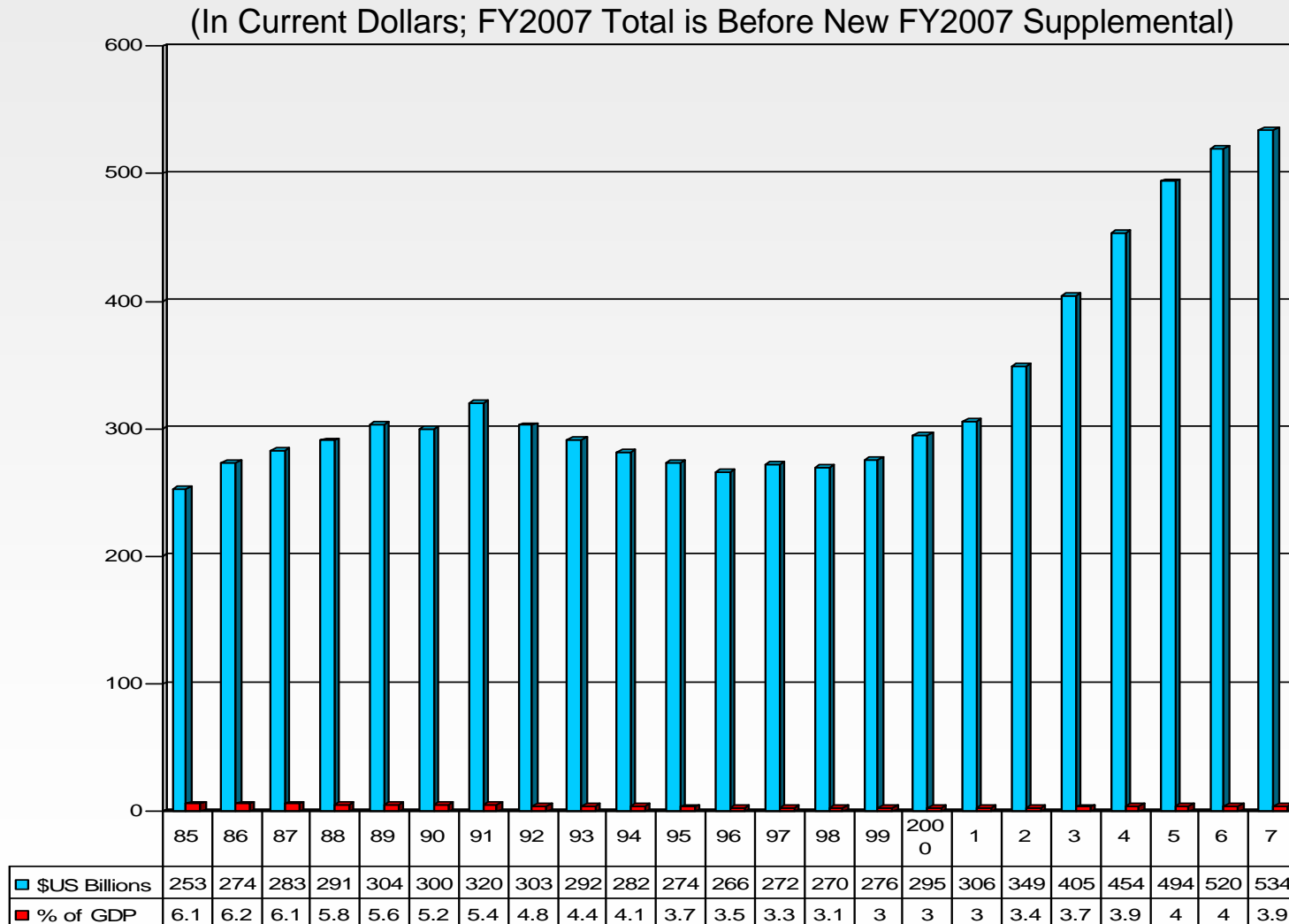
Source: Data provided by OMB, and Office of the Under Secretary of Defense (Comptroller), National Defense Budget 1 FY2008, Washington, Department of Defense, March 2007, Table 7-7.

# Defense Spending as a Percent of Federal Budget



Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY2007, Washington, Department of Defense, March 2007, Table 7-2;

# Recent Increases in US Defense Outlays in Current Dollars Have Not Increased GDP Burden:



Source: CBO, February 7, 2007. The Budget and Economic Outlook: FY 2008 to FY 2017, January 2007, p.68

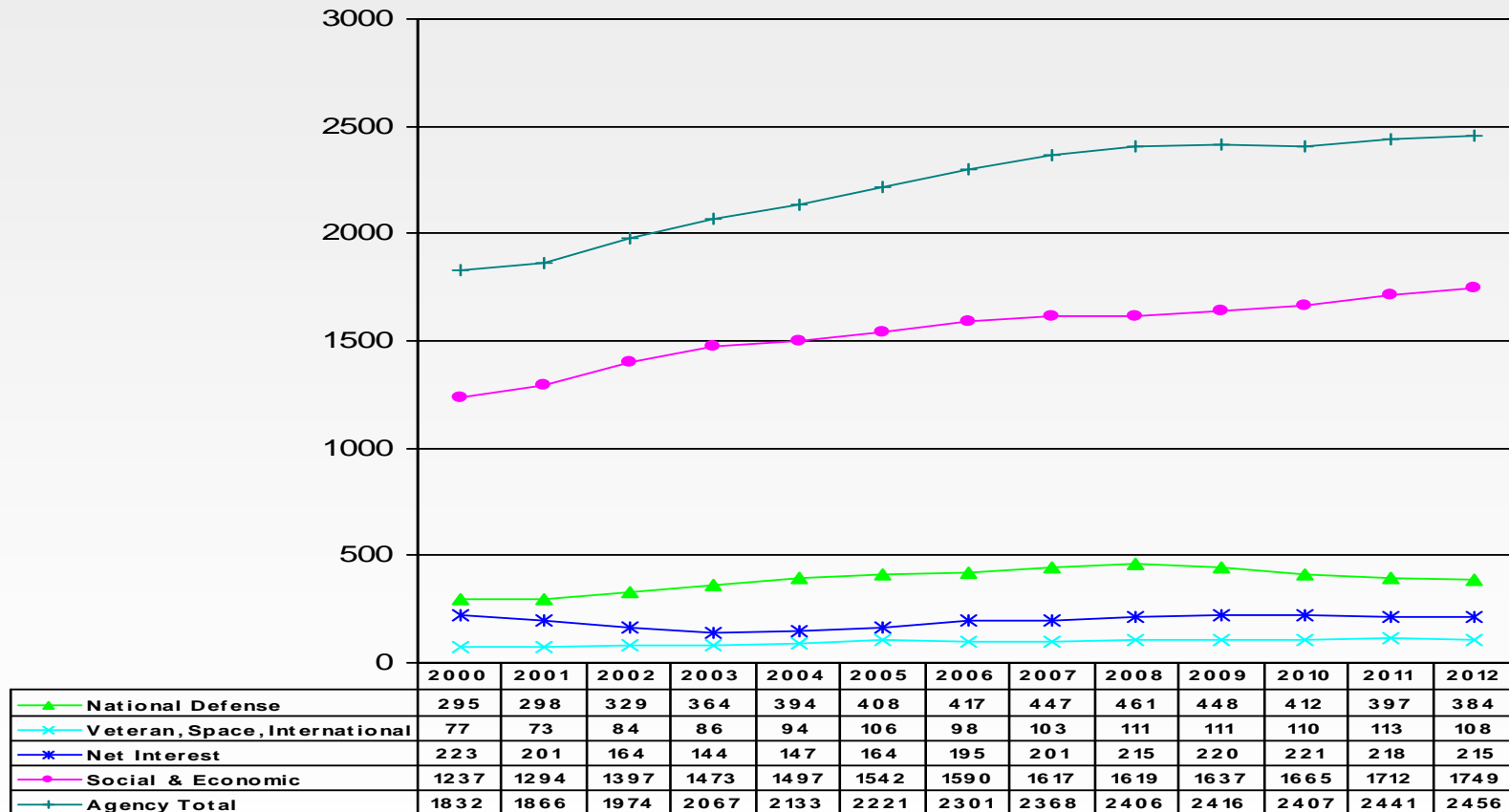
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# Federal Outlays Projected in the President's FY2008 Budget Request

## Show Mandatory Programs, Not Defense Will be the Problem

(FY 2000 \$ Billions)



Source: Department of Defense, National Defense Budget for FY2008, March 2007, p.207

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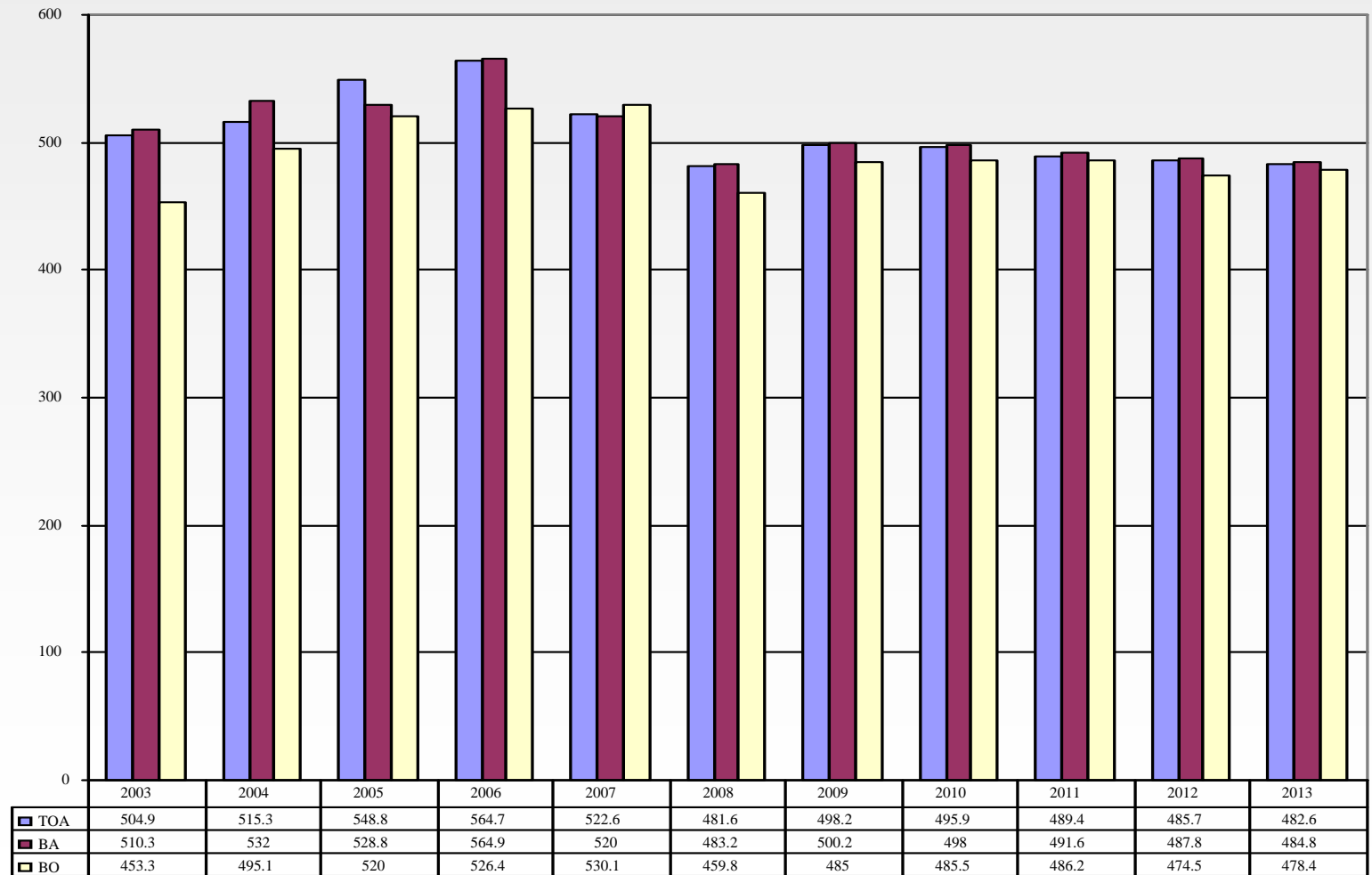
## Some “Punchline” Trends

- Federal debt to rise from \$8.5 trillion in FY2007 to \$11.3 trillion in FY2011.
- \$347 billion deficit in FY2007, and projected at \$2.25 trillion FY07 to FY11.
- DOD projects decline in real spending; CBO projects 5.8% annual rise in entitlements with rise from around 8% of GDP in 2006 to 11% in 2016.
  - Aging squeeze really hits hard after 2020.
- Projected Changes in baseline DOD Budget request in Billions of Constant FY2008 Dollars:

	<u>FY2001</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2012</u>
□ <b>Total BA</b>	<b>381.8</b>	<b>520.1</b>	<b>483.3</b>	<b>487.8</b>
■ <b>Military Manpower</b>	<b>97.9</b>	<b>122.3</b>	<b>118.9</b>	<b>124.2</b>
■ <b>Procurement</b>	<b>73.4</b>	<b>105.5</b>	<b>101.7</b>	<b>114.1</b>
□ <b>Total B0</b>	<b>357.1</b>	<b>530.1</b>	<b>459.7</b>	<b>474.5</b>
■ <b>Military Manpower</b>	<b>94.6</b>	<b>120.6</b>	<b>119.1</b>	<b>123.9</b>
■ <b>Procurement</b>	<b>63.5</b>	<b>103.9</b>	<b>88.9</b>	<b>105.1</b>

# The President's FY2008 Baseline Request does assumes cuts in the future total real cost of defense in ways that are unrealistic

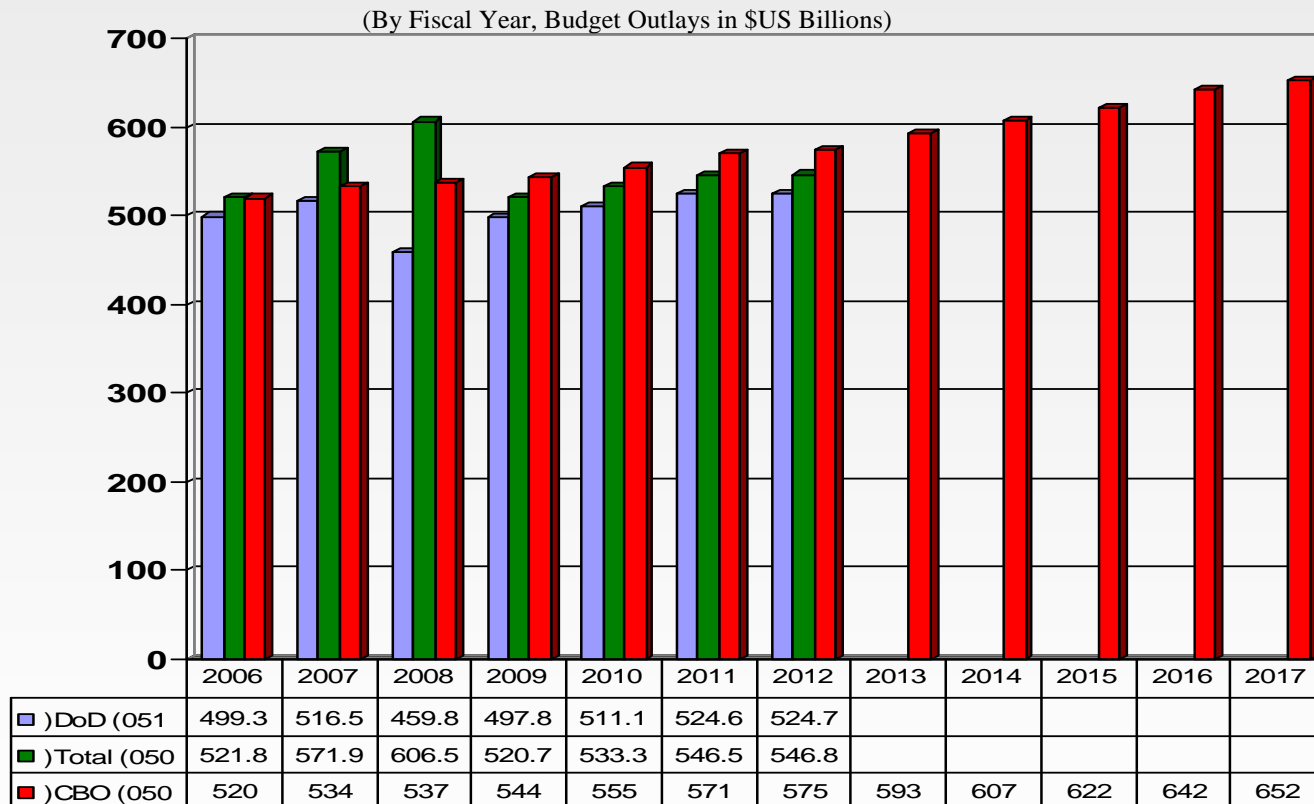
(Total Funding in \$US 2008 Billions in the FY 2008 FYDP)



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# These Problems Are Disguised in Estimates of Total Defense Budgets in Current Dollars

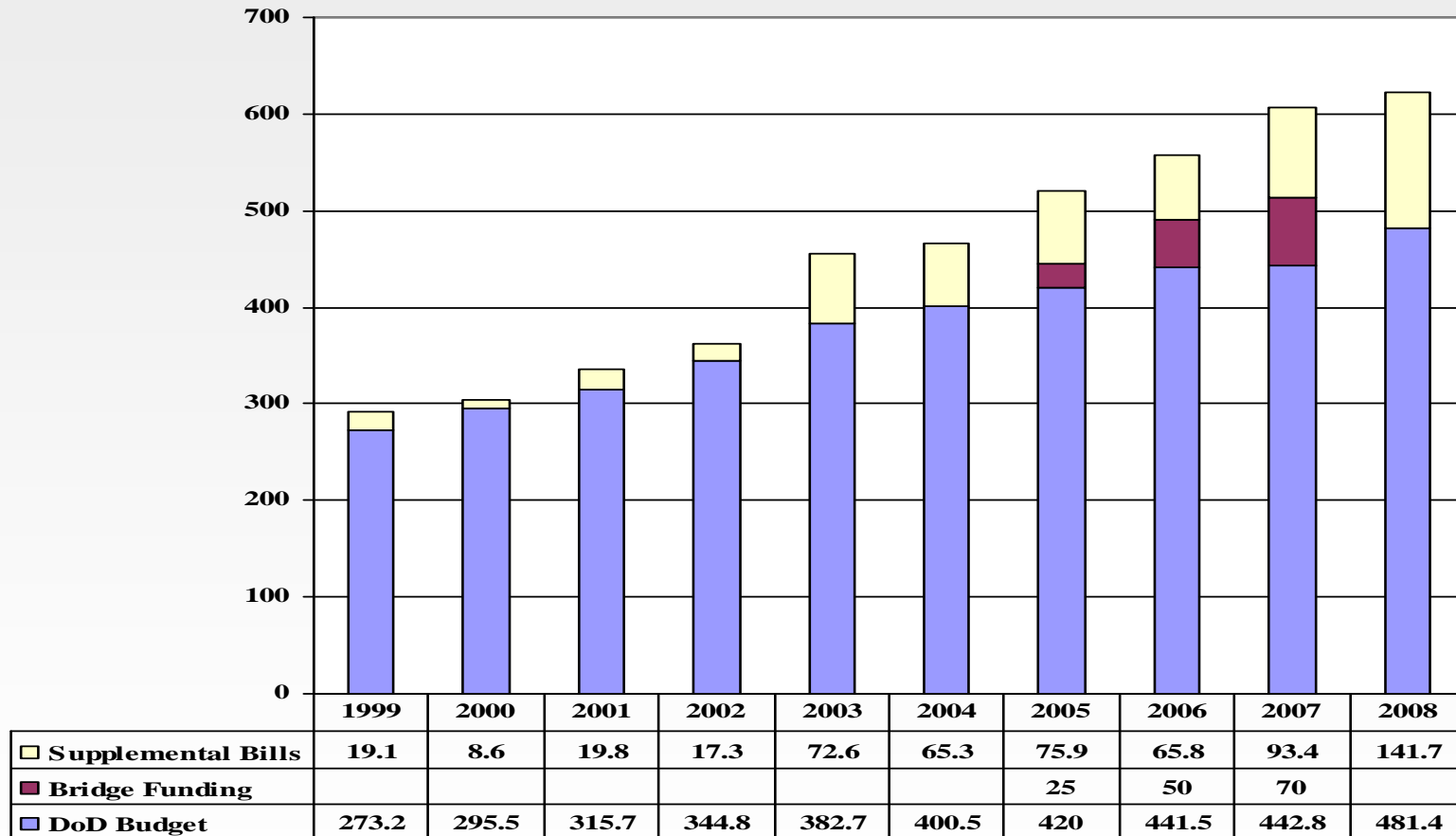


Source: Office of the Under Secretary of Defense (Comptroller), National Defense Budget Estimates for FY2008, Washington, Department of Defense, March 2007, Table 1-1 and 1-2; and Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2008 to 2017", Table 3-1, p. 50



# When You Truly and Sincerely Can't or Won't Plan: The Growing Impact of Budget Supplementals

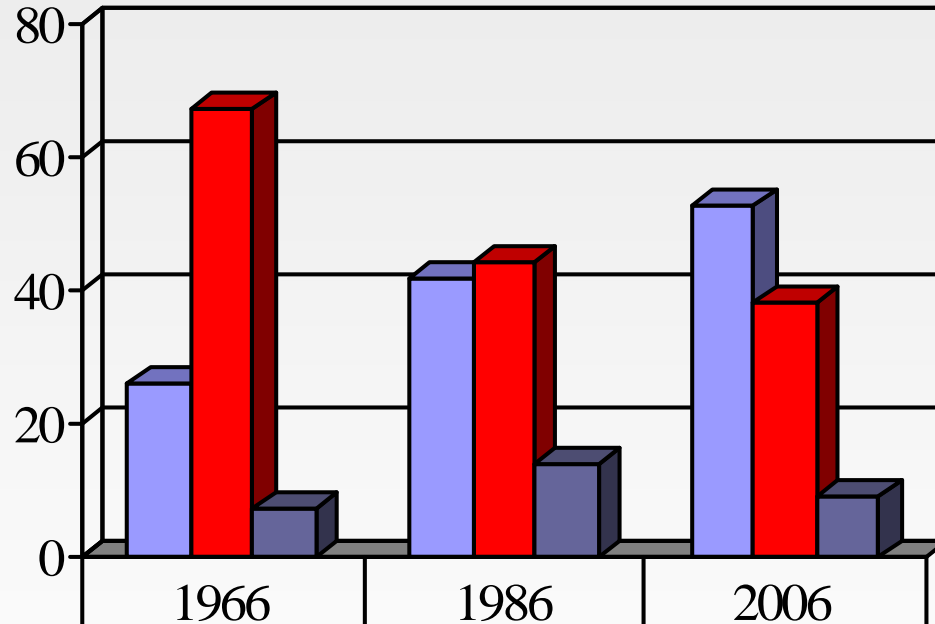
(in \$US billions)



Source: Adapted by Anthony C. Cordesman from data provided by Office of the Undersecretary of Defense (Comptroller), "National Defense Budget Estimates for 2008", Washington, Department of Defense, March 2007

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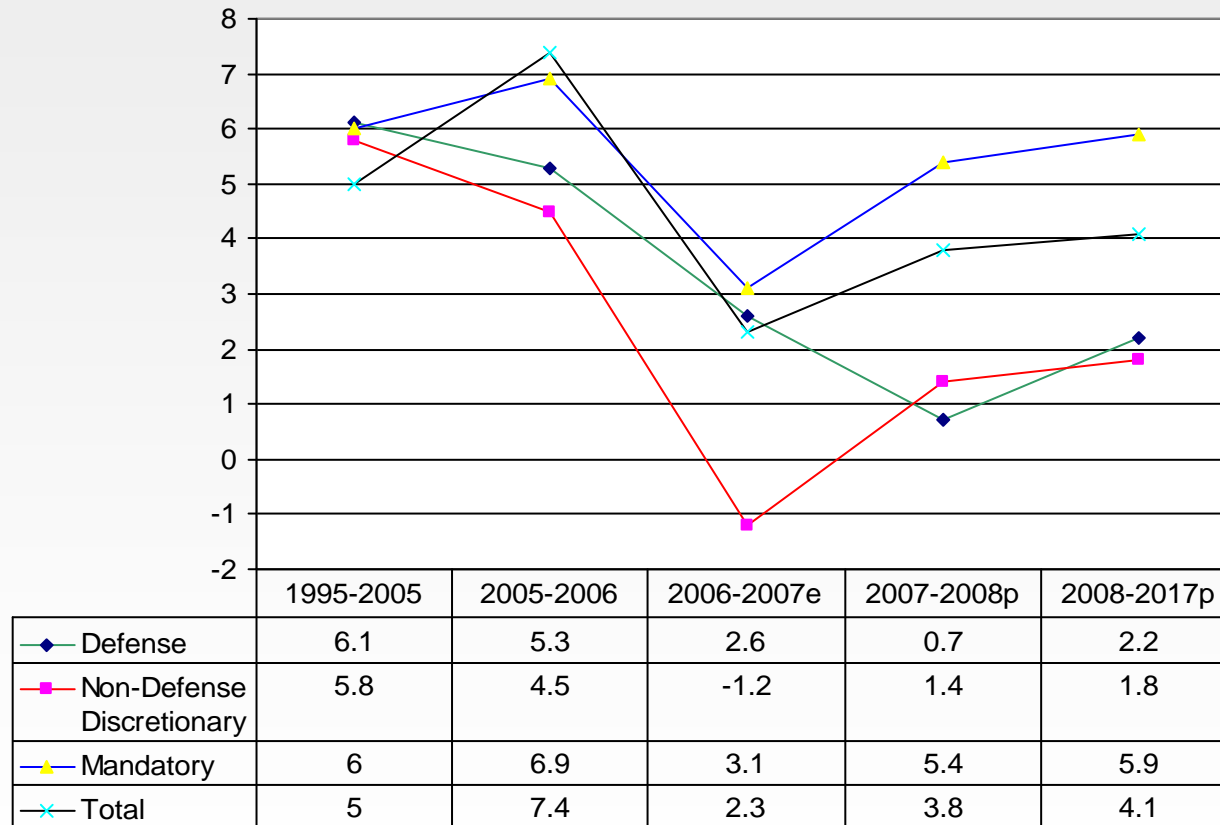
# Historical Trend in Discretionary vs. Mandatory Spending Shares of the Federal budget



■ Mandatory	26	42	53
■ Discretionary	67	44	38
■ Net Interest	7	14	9

Source: GAO-07-500CG, “DOD Transformation: Challenges and Opportunities”

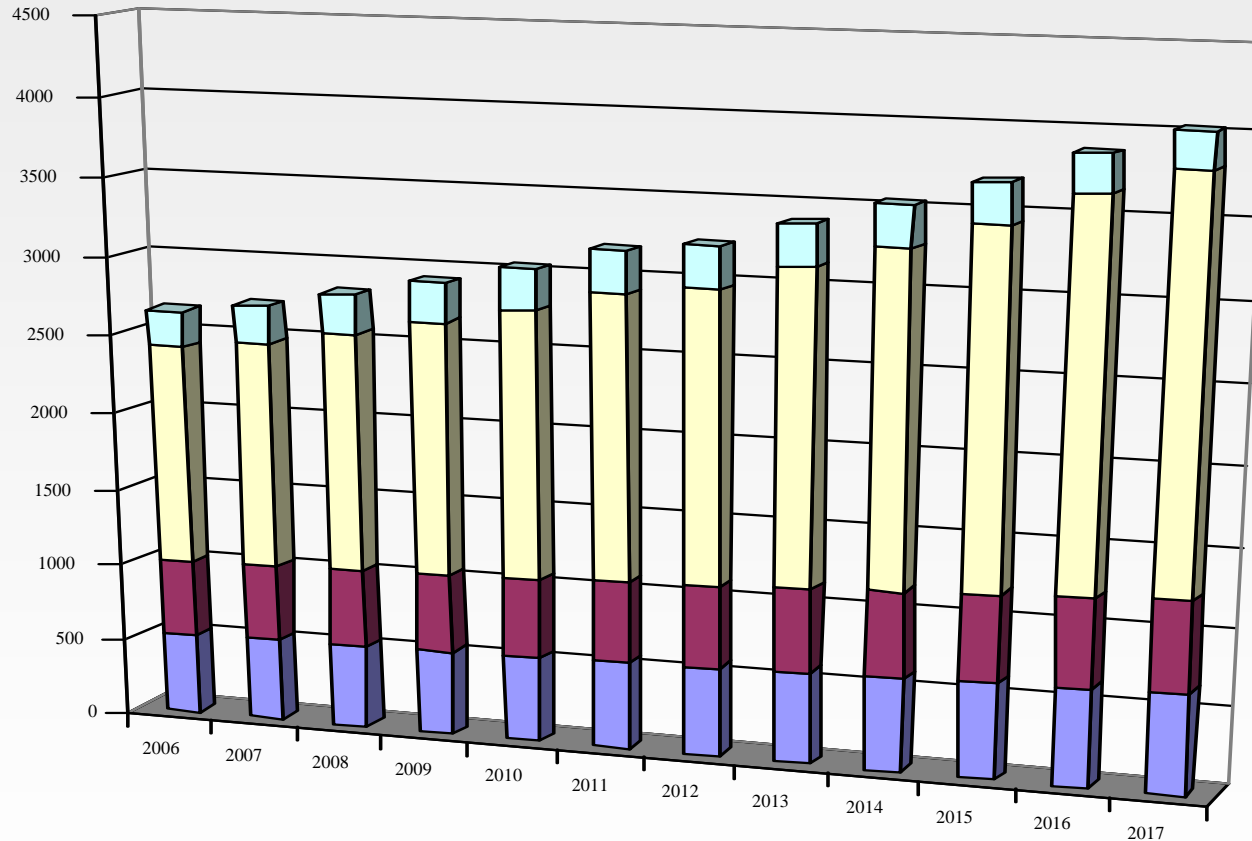
# Comparative Annual Rates of Growth in Outlays by Type of Federal Spending: Mandatory Spending Still Drives Growth



Source: Department of Defense, February 7, 2007

# Projected Squeeze from Rising Mandatory Spending: CBO Estimate of Defense as Share of Total Federal Spending

(In US \$Billions Defense Projection is Before New FY2007 Supplemental)



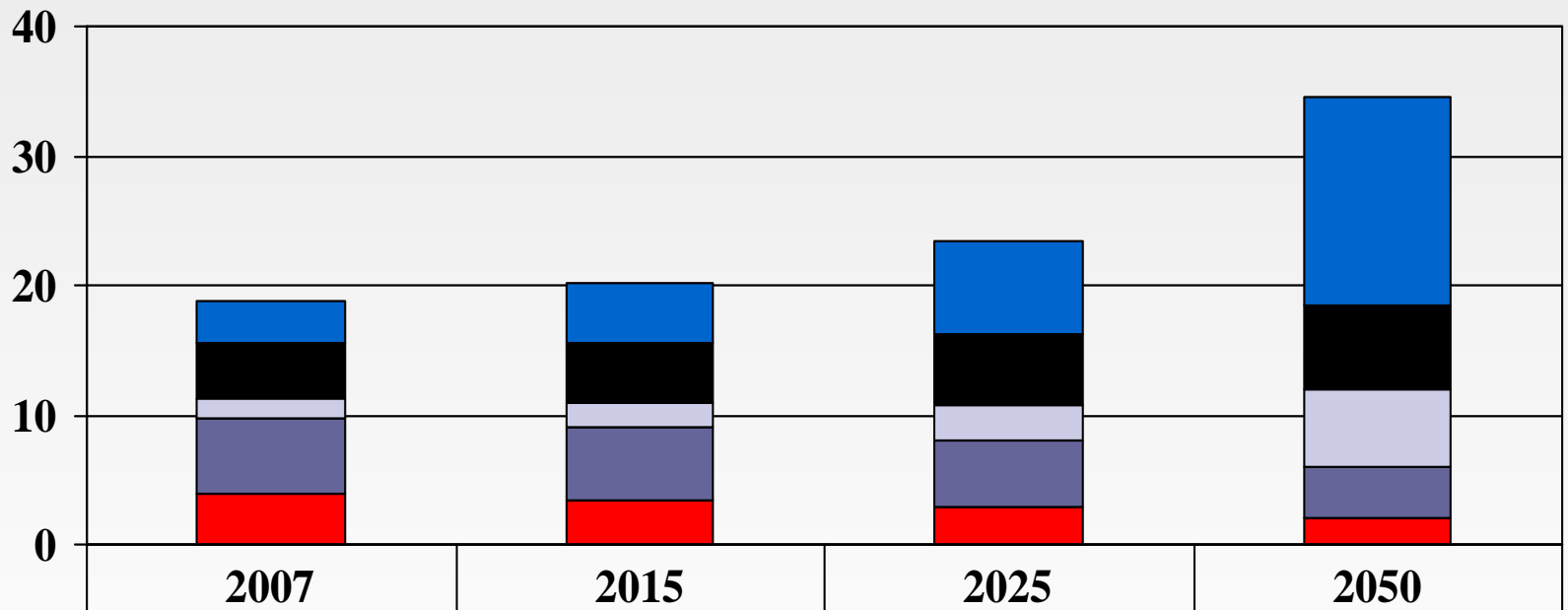
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>TOTAL</b>	*2654	*2714	*2818	*2926	*3038	*3179	*3234	*3391	*3533	*3687	*3892	*4034
Net Interest	227	235	250	255	262	269	268	261	255	248	239	228
Mandatory	1411	1455	1533	1620	1708	1821	1866	2001	2123	2258	2438	2568
Other Discretionary	496	490	497	506	513	519	525	536	548	560	573	586
Defense	520	534	537	544	555	571	575	593	607	622	632	652

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# Entitlements “Hell:” A CBO Guess

Programs As a Percentage of GDP



	2007	2015	2025	2050
Medicare	3.3	4.6	7.2	16.0
Social Security	4.2	4.6	5.6	6.6
Medicaid	1.5	2.0	2.7	5.9
Other	5.9	5.6	5.1	4.0
Defense	3.9	3.4	2.9	2.0

## **CHALLENGE THREE:**

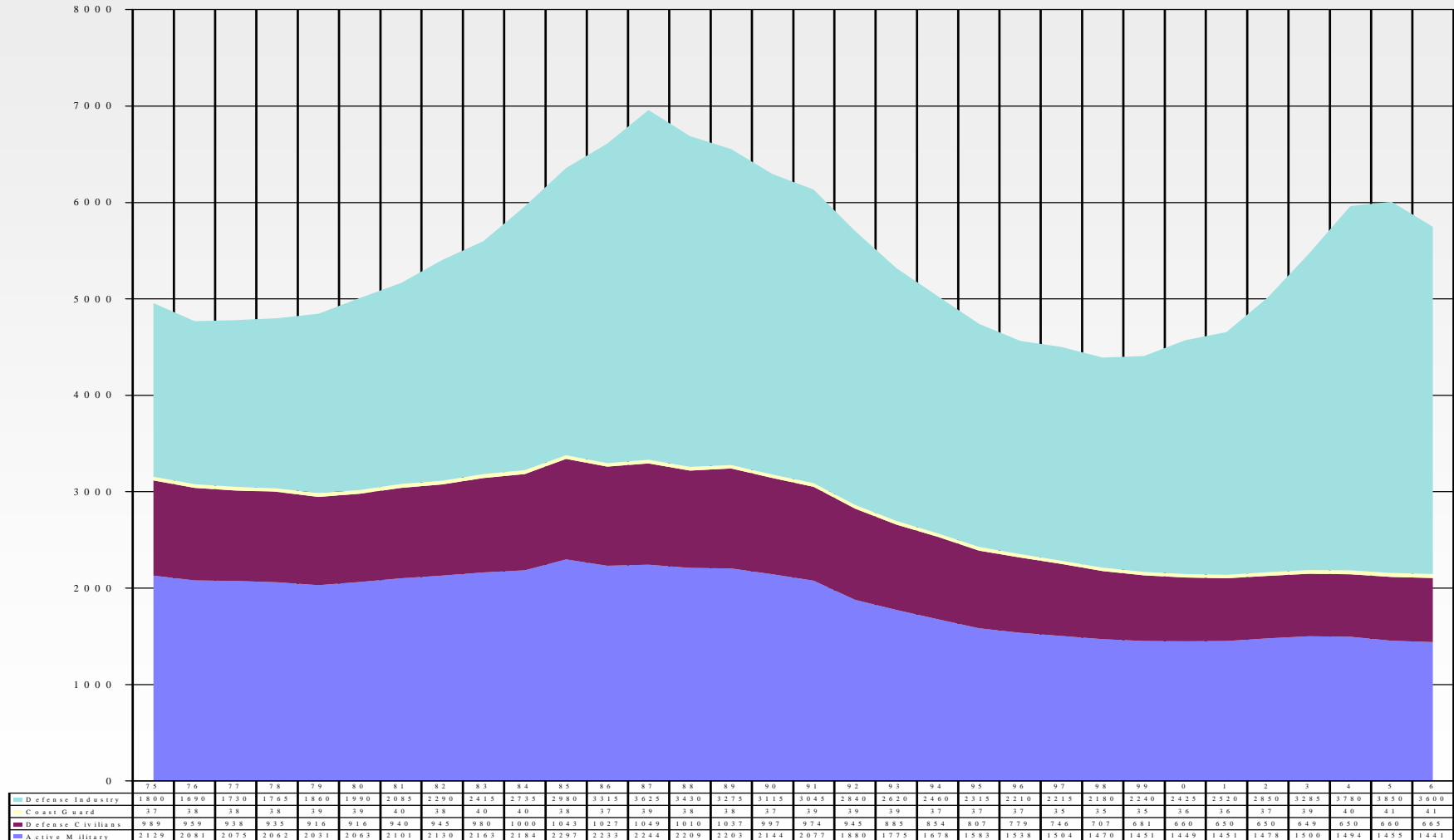
### *Meeting The Needs Of The U.S. Active And Reserve*

#### *Military*

- **Major shifts in end strength:**
  - **Military from 2.1 million in 1990 to 1.4 in 2007**
  - **Civilians from 997,000 to 664,000**
  - **Contractors?**
- **The “Social Contract” and Deployment Cycles**
  - **FY2007 and QDR call for longer reserve duty cycles less frequently.**
  - **Time to train; payment for ticket punching.**
- **Risk premium when so few serve.**
- **“Supersoldier” character of QDR**
  - **Everyone above average with unusual foreign language skill.**
- **Real-world life cycle cost and productivity of military vs, civilian vs. contracting out?**
- **Civilians as supplements to military end strength?**

# Past Trends in Defense Manpower: Cut Career, Boost Contract

(End-Strength in Millions)

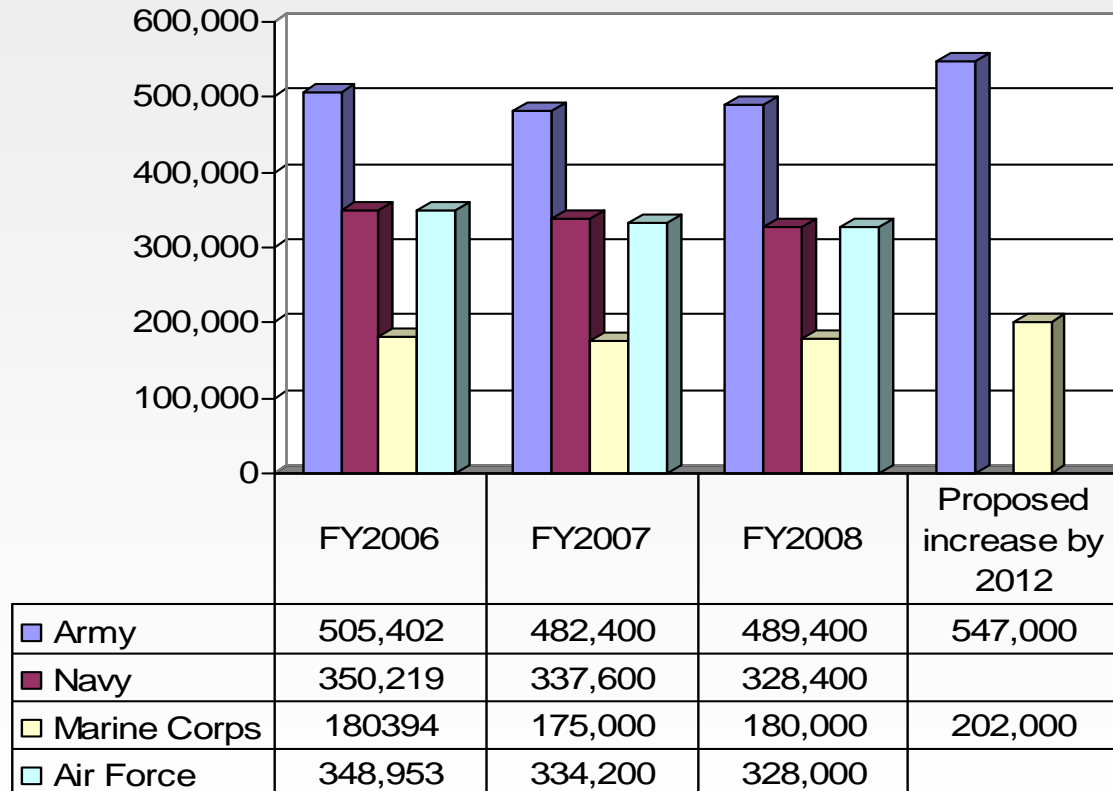


Source: Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2006*, Washington, Department of Defense, April 2005, Table 7-6.

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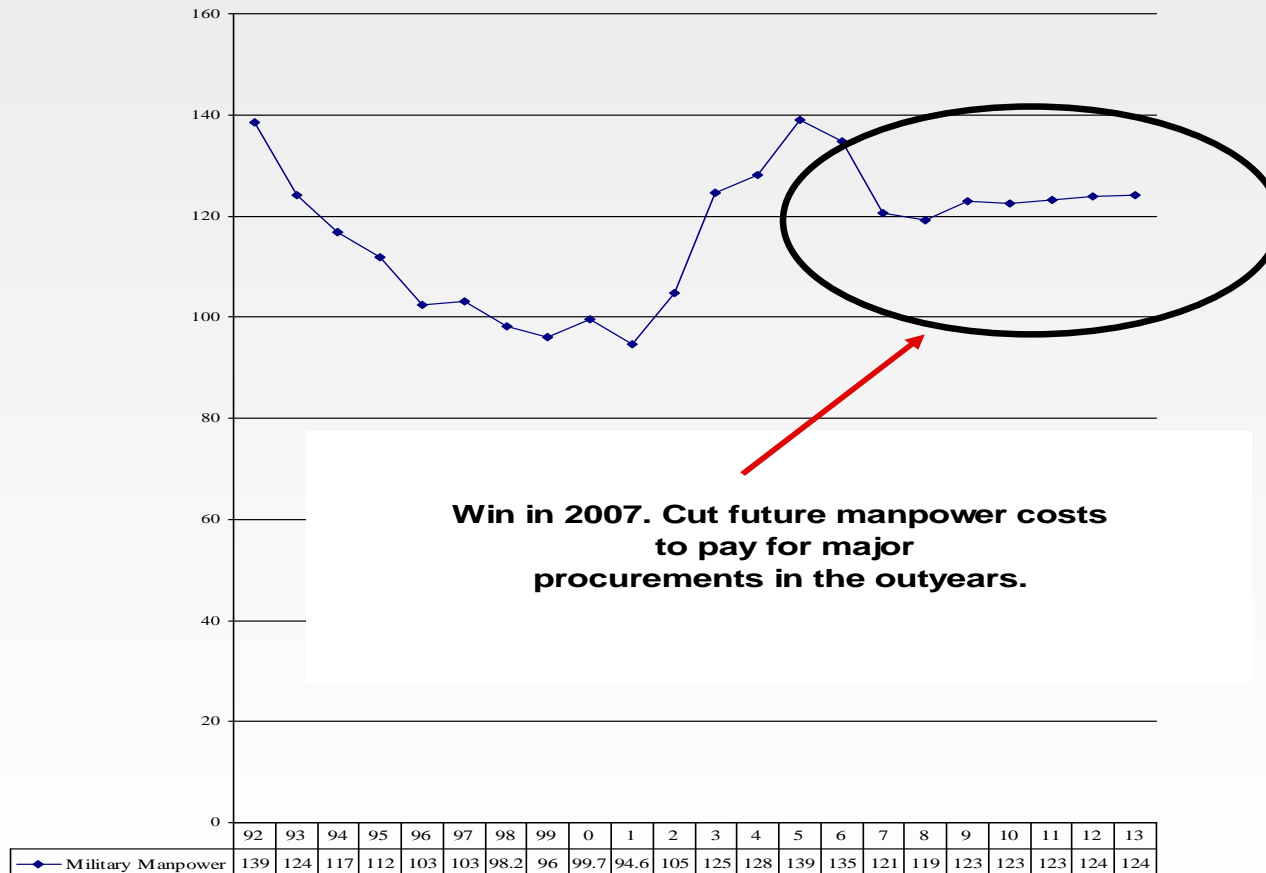
# US Authorized Active Military And Civilian Endstrength: FY2006-FY2008



Source: Department of Defense, February 7, 2007

# Projected Trends in Military Manpower Costs Can Pay for the Future

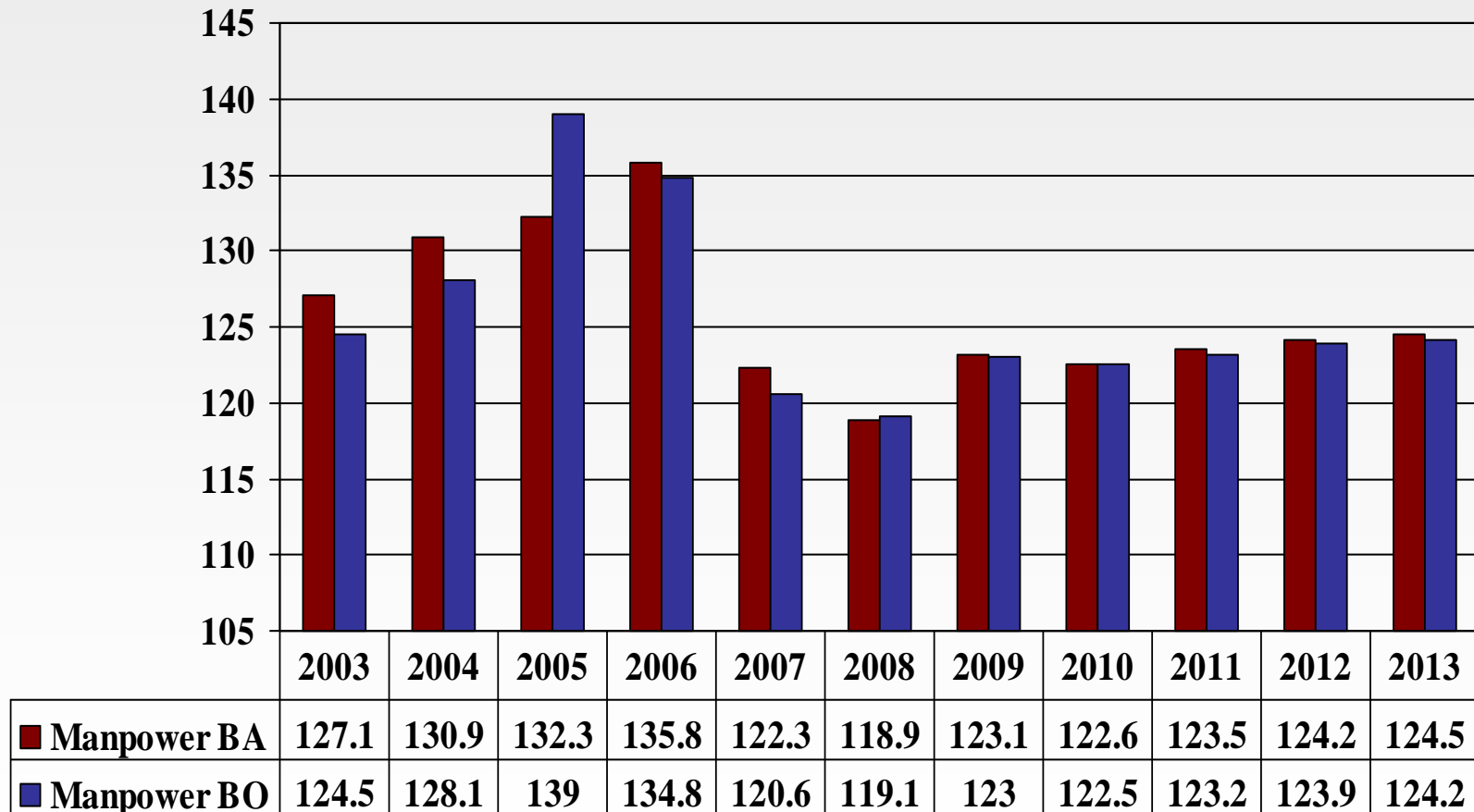
(Budget Outlays In Constant FY2008 \$US billions)



Source: Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2008*, Washington, Department of Defense, March 2007, Table 6-11.

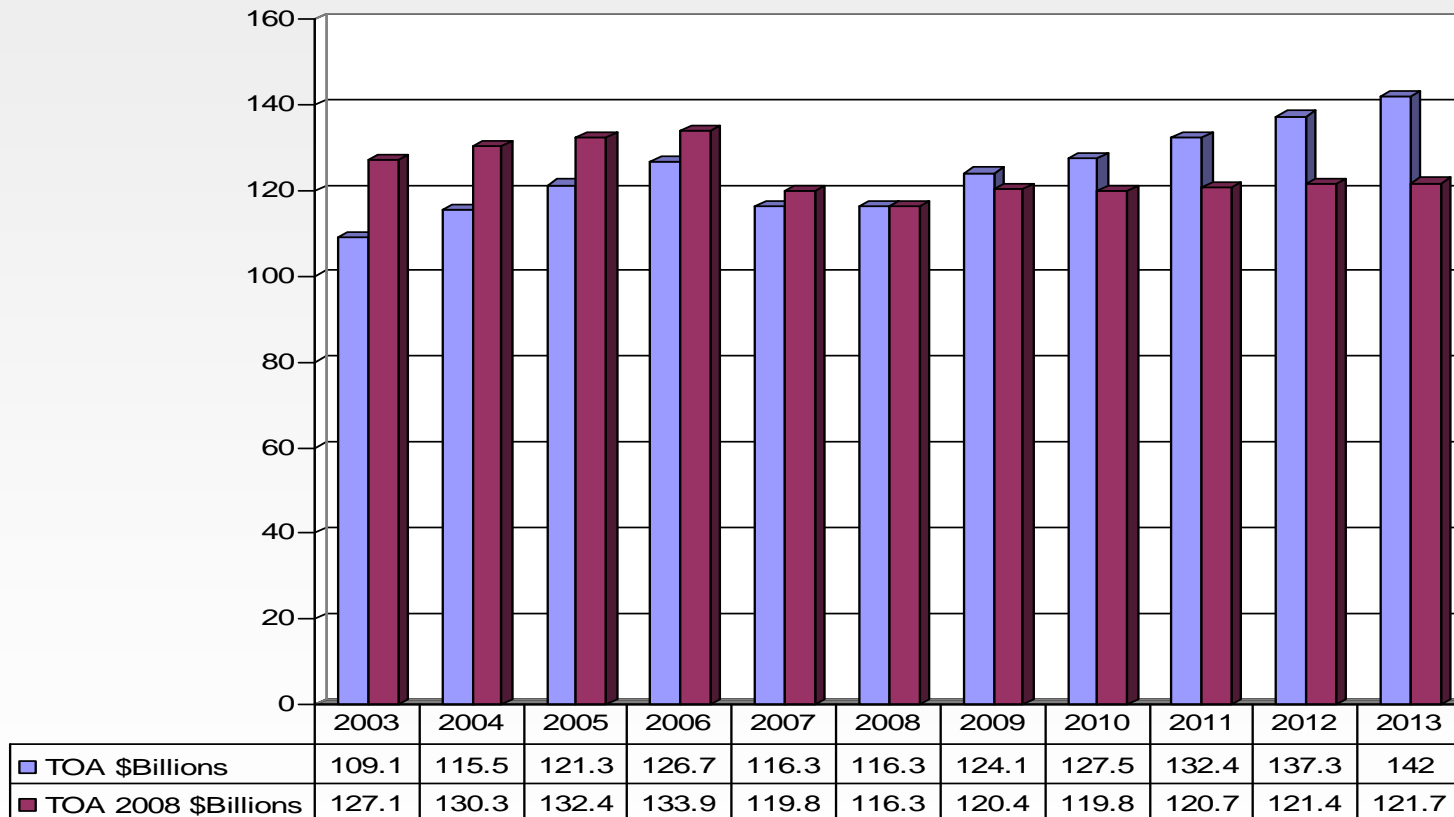
# Projected DoD Manpower Expenditures are Inadequate in Both BA and BO

(In Constant FY2008 Billions)



# The Same is True of the FY2008 Data for TOA

(Military Personnel Funding in \$US Billions in TOA in the FY2008 FYDP)



Source: Department of Defense. National Defense Budget Estimates for FY2008, March 2007, p. 67.

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## **CHALLENGE FOUR:**

### ***Measuring the Extend To Which the U.S. Has Too Few Forces or the Wrong Forces***

- **Can modularity, changing MOS specialties, rebalancing actives and reserves really do the job?**
  - **One-third increase in Special Forces not in Green Book.**
  - **National builders and stability experts up one-third?**
- **Netcentric to Humancentric to Cost Containment to Allied Reliance**
- **New high tech systems versus Legacy Systems on Hand?**
- **What war(s) to plan for:**
  - **Iraq vs. Korea vs. Taiwan**
  - **Long War**
  - **War “X?”**
- **Coalition of the Unpredictable and Unquantifiable**

# Manpower versus Equipment

- **All uses of resources compete.**
- **Quality versus quantity or both?**
- **No meaningful projections of end strength and cost.**
- **Retention and recruitment require new career patterns and deployment cycle.**
- **Rebalancing can't mean higher burdens.**
- **Uniform versus civilian versus contracting out.**

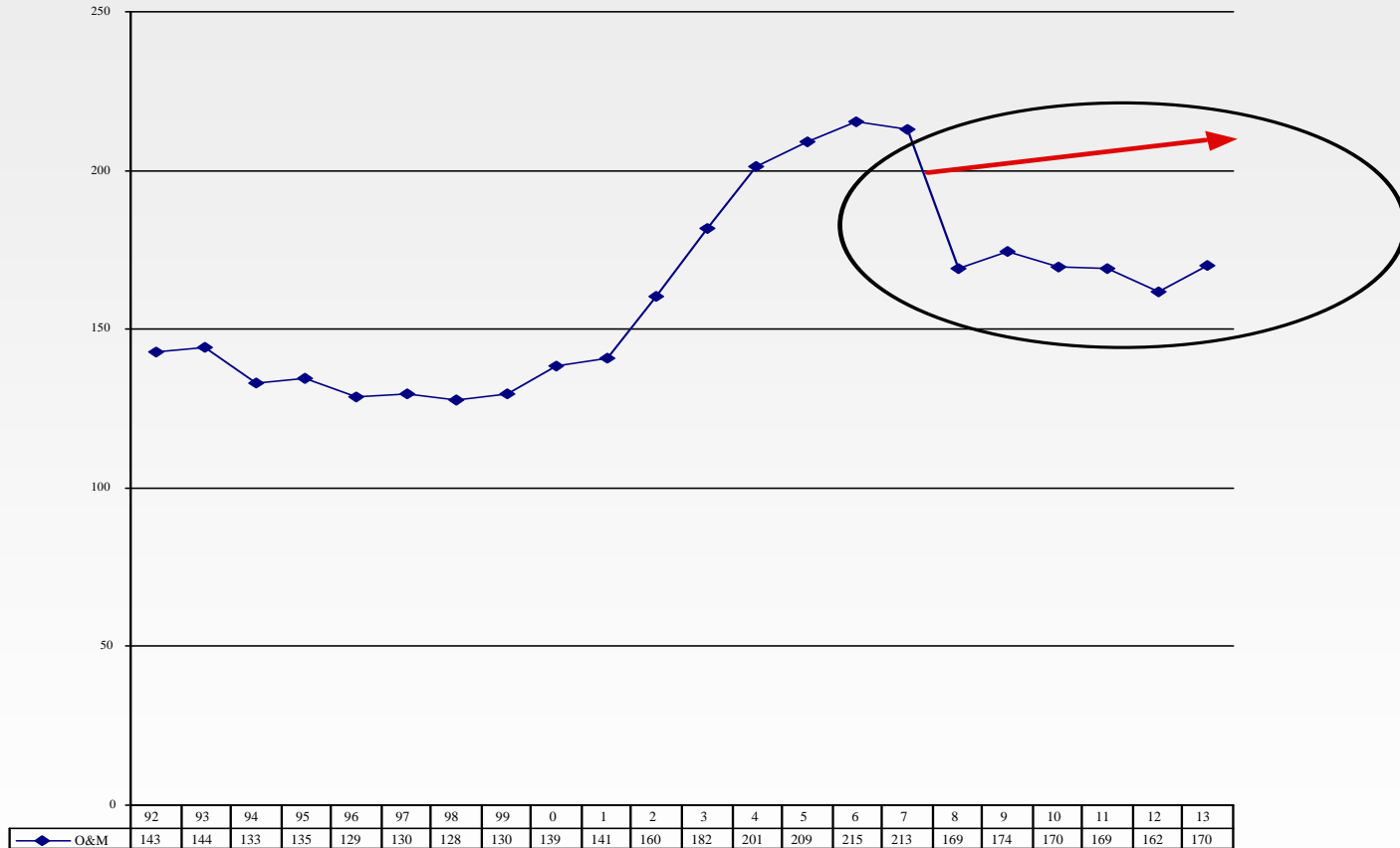
# Equipment versus Readiness

- **Readiness slipping at margins**
- **Have bled down services, quarters for military and family services.**
- **Major shortfalls in correcting cost of war in terms of backlogs and replacements in spite of \$17.1B for Army and \$5.8B for USMC.**
- **Cuts in end strength waiting in wings.**
- **Early phase out of useful force elements and legacy equipment.**
- **Lower priority program kills, delays.**

# Real War, Phony Operations and Maintenance

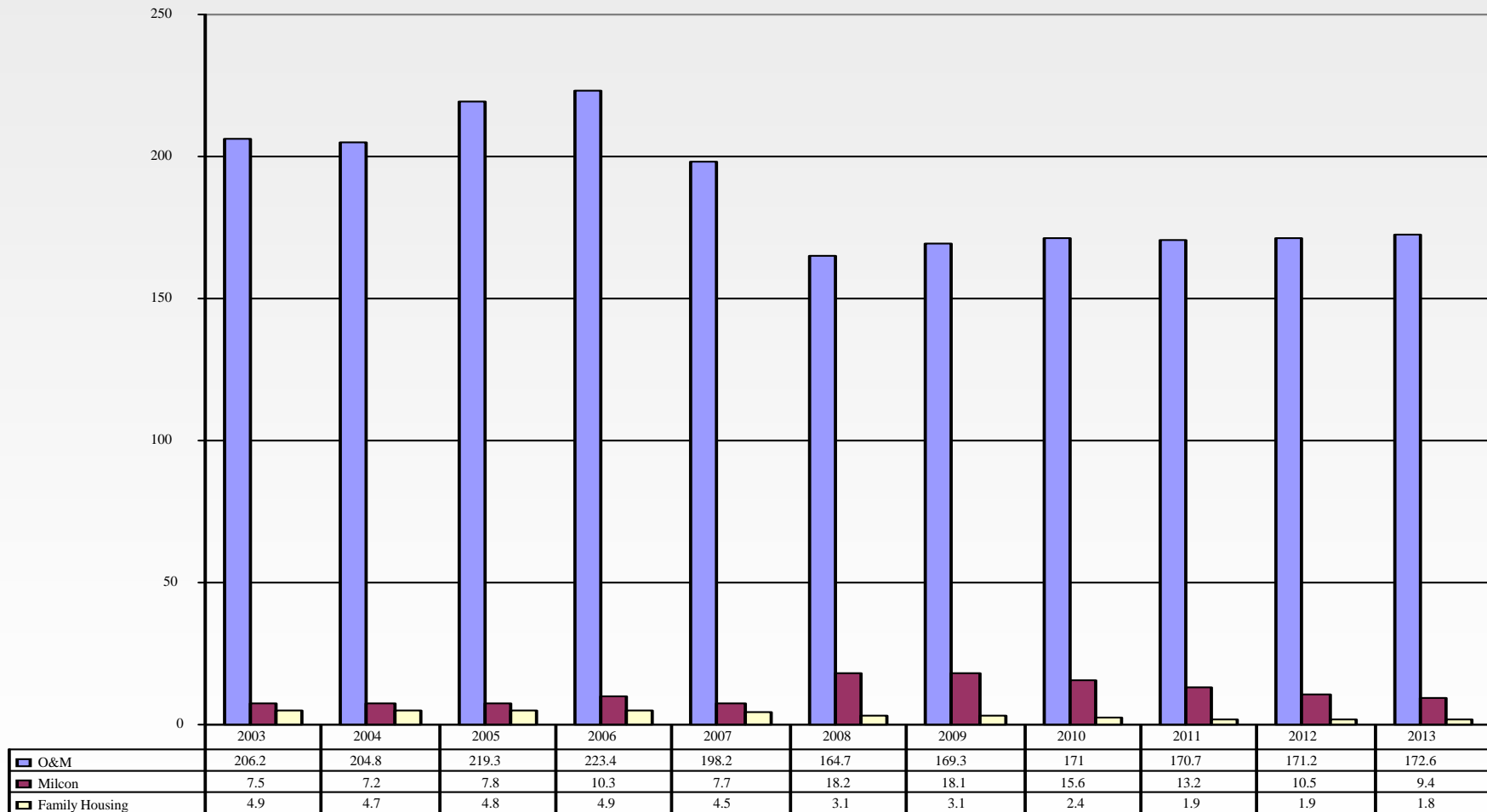
## Budget: FY1992-2013

(Budget Outlays In Constant FY2008 \$US billions)



Source: Adapted by Anthony H. Cordesman from data provided by Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2008*, Washington, Department of Defense, March 2006, Table 6-8 and 6-11.

## FY2008 Baseline Request assumes “victory” in 2008 would allow major O&M Cuts, provide “get well” in military construction, but not fund adequately family housing



Source: Department of Defense. National Defense Budget Estimates for FY2008, March 2007, p. 67.

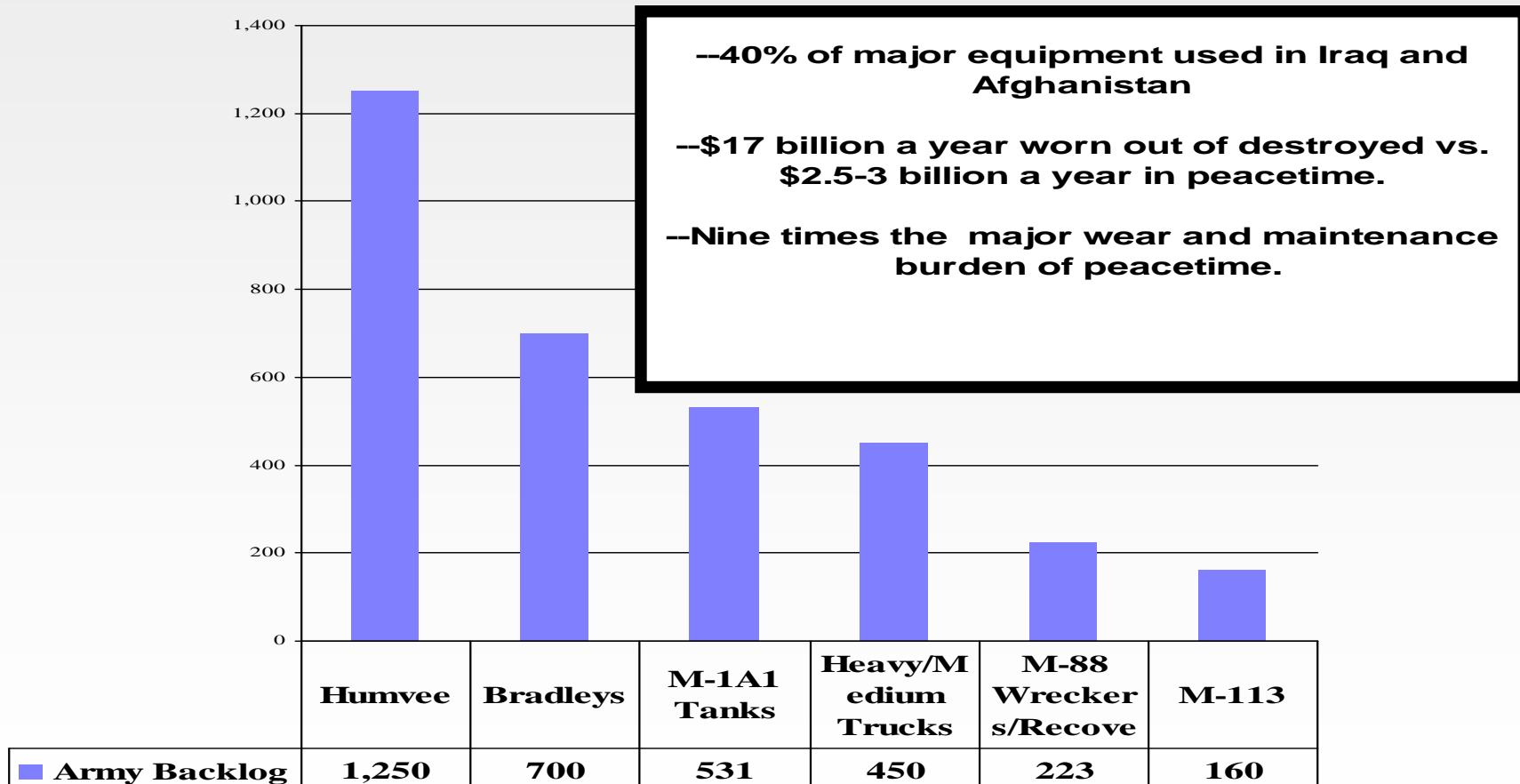
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# The Army-Marine Corps Equipment Readiness Crisis

"We have a strategy right now that is outstripping the means to execute it."

Army Chief of Staff Gen. Schoomaker

March, 19 2007



"This is not an Army that was built to sustain a Long War"

Gen. John Abizaid

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## Broken Army?

- Most Army brigades are “not combat ready” due to equipment shortages.
- Half of the Army’s 43 combat brigades are deployed overseas, with the remainder either recovering from their latest deployment or preparing for their next one.
- For the first time in almost half a century, the 82<sup>nd</sup> Airborne Division cannot generate enough combat power to keep one of its brigades on strategic alert as a rapid-reaction unit.
- In total, nearly half of the Army’s fighting equipment is wearing away in Iraq or Afghanistan or waiting forlornly for repair or disposal.
- Usage rate for tanks in peacetime are about 550 miles per year. In Iraq tanks average over 5000 miles per year.
- Repeated deployments and shortened “dwell time” increase the risk of losing junior officers and mid-grade enlisted soldiers who would be very hard to replace.
- Two of the five new brigades bound for Iraq had to skip standard training at Fort Irwin, Calif.

Sources: Gordon Lubold, “Is US Army Bent To The Breaking Point?”, CSM, April 4, 2007; Jay Price, “Stretched Thin, 82<sup>nd</sup> Airborne Giving Up Rapid-Reaction Unit”, Raleigh News & Observer, March 22<sup>nd</sup>, 2007; Robert H. Scales, “Army Equipment Disaster”, Washington Times, April 9, 2007; Mark Thompson, “Why Our Army is At The Breaking Point”, Time, April 16, 2007

# Reset Costs

## ■ Total request

- As in 2007, DoD requested in FY2008 \$37.6 bn for reconstitution and reset: \$8.9 bn for repair vs. 28.7 bn for procurement (including new and/or upgraded equipment)

## ■ Army:

- Prior to OIF, \$3bn per year funded from the base budget
- Today, reset costs mostly funded by supplementals: Army estimates \$12 to \$13 bn a year through the duration of conflict and two to three years afterwards – very optimistic!
- It took almost two years to reset the force after the six-month deployment and the 100-hour Gulf War
- Congress concerned about Army's reporting of reset costs: estimations for total costs too low and definition of "reset" too broad

## ■ The Marine Corps

- As of 2006, \$12 bn in "reset" costs shortfall
- Marines usually spend only \$1.5-2 bn a year on procurement, so reset without supplemental funding would take more than a decade

## CHALLENGE FIVE:

### *Determining What Kind of Force Transformation is Affordable and Needed*

- FYDP calls for major ramp up in procurement in BA, but slips BO to post Bush years
- From 2001 to the present, the GAO estimated that the Department of Defense has doubled its planned investment in new systems from \$750 billion to almost \$1.5 trillion
- DOD's annual investment in RDT&E and procurement of major weapon systems is expected to rise from \$157 billions in 2007 to \$173 billions in 2011, peaking at \$193 billions in 2013
- Even though for the period 2000-2006 defense spending accounts grew at an annual average of 5.4%, DoD projects that for the 2007-2011 period the growth rate will be **0.9%!**
- “Liar’s contest” mentality.

## **Setting the Stage: Resource Limits and Uncertainty**

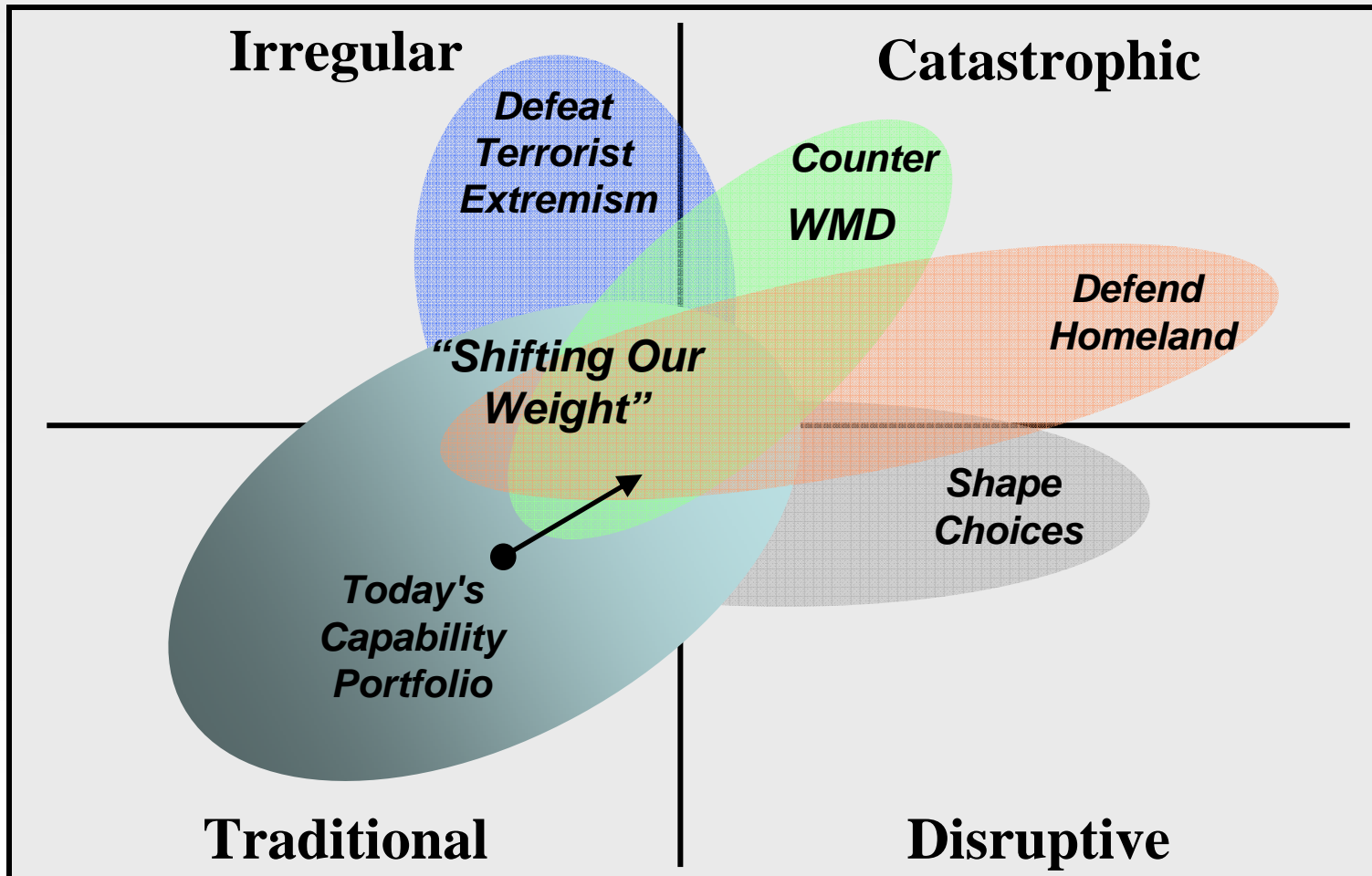
- **How typical is Iraq? (Korea? Taiwan? Iran?)**
- **How real is the “long war?”**
- **Is the QDR more than hollow rhetoric?**
- **How badly mortgaged is the FYDP and defense program?**
- **How “failed” are service procurement programs?**
- **Manpower quality versus quantity?**
- **Post-Iraq Retention and Rebalancing?**

## **Lessons Need to Be Global and Directed Towards the Future**

- **Korea: Precision strike/stealth, missile/air defense, intel, seapower, key land elements, extended deterrence.**
- **Taiwan: Seapower, ASW, precision strike/stealth, missile/air defense, intel, seapower, extended deterrence**
- **Iran: Counterproliferation, defense against asymmetric naval threats, ASW, precision strike/stealth, missile/air defense, intel, seapower, extended deterrence**
- **Afghanistan: Far more limited exercises in counterterrorism and limited war.**
- **Strategic: Shaping the mix of nuclear, conventional, and defense.**
- **Intelligence and Netcentric: Meeting diversified global needs.**
- **Power projection: Increasing speed, sustainability, and capability with severe limits on numbers; avoiding breaking the force.**

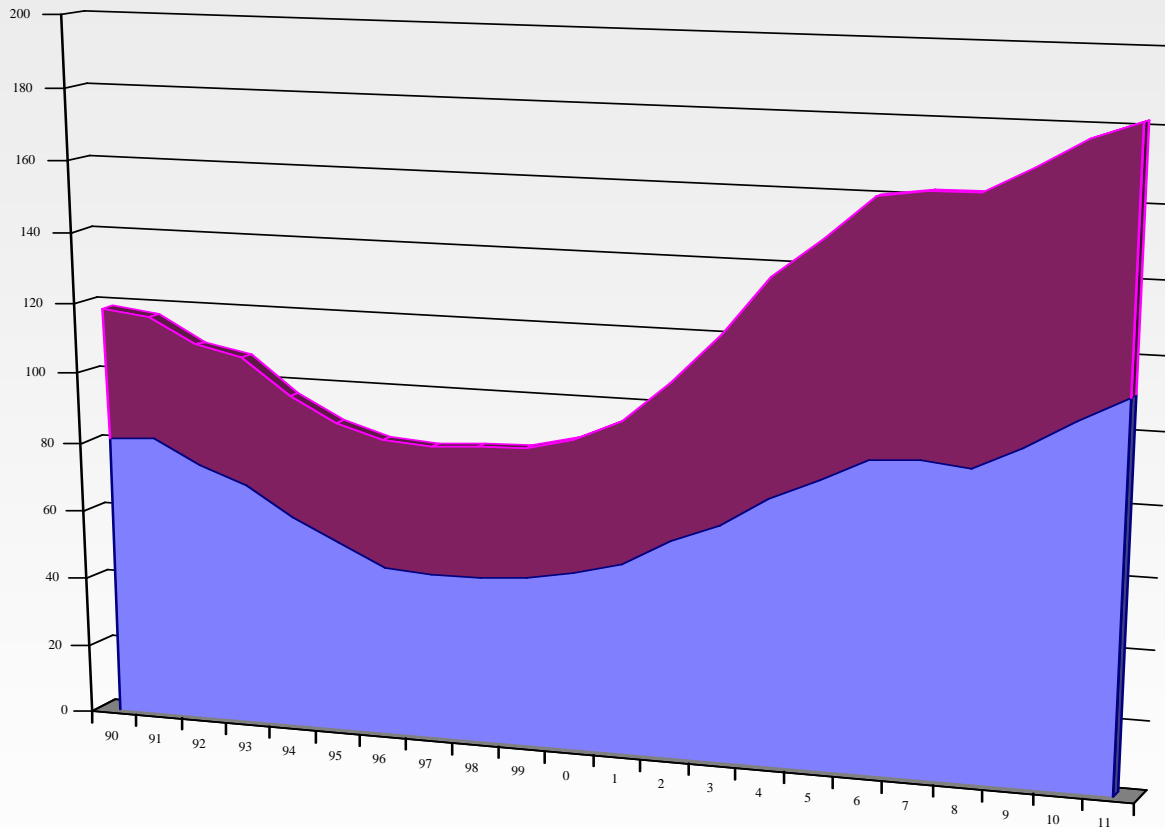
# QDR'06 Objective – Force Transformation Must Be Re-Defined

*Capability Portfolio*



# Paying for Transformation at the Expense of RDT&E

(Constant FY2008 \$US billions in Budget Outlays)



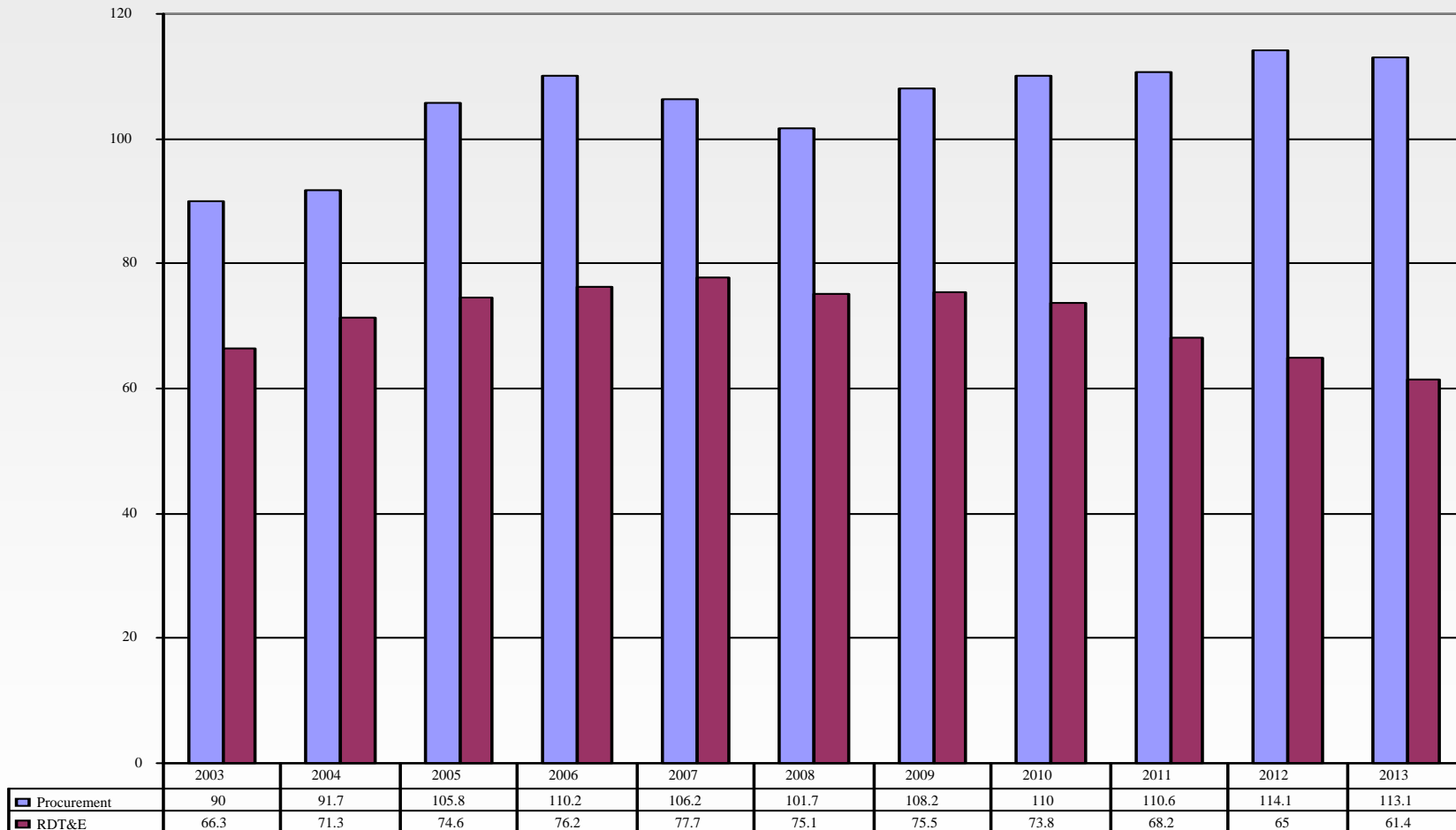
	90	91	92	93	94	95	96	97	98	99	0	1	2	3	4	5	6	7	8	9	10	11
RDT&E	37.5	34.6	34.6	37	34.8	34.7	36.6	37	37.4	37.4	37.6	40.5	44.4	53.1	60.8	65.7	70.8	72	73.1	74.3	73.8	71.7
Procurement	80.9	82	74.9	69.9	61.8	55	48.9	47.7	48.2	48.8	51.7	55	62.5	67.9	76.2	82.3	88.8	89.7	88.6	94.7	103	110

Source: Adapted by Anthony H. Cordesman from data provided by Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2008*, Washington, Department of Defense, March 2006, Table 6-8 and 6-11.

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## President's FY2008 Request provides an increase in procurement from FY2009 onwards at the expense of RDT&E, but not enough to cover the costs for reset and new programs

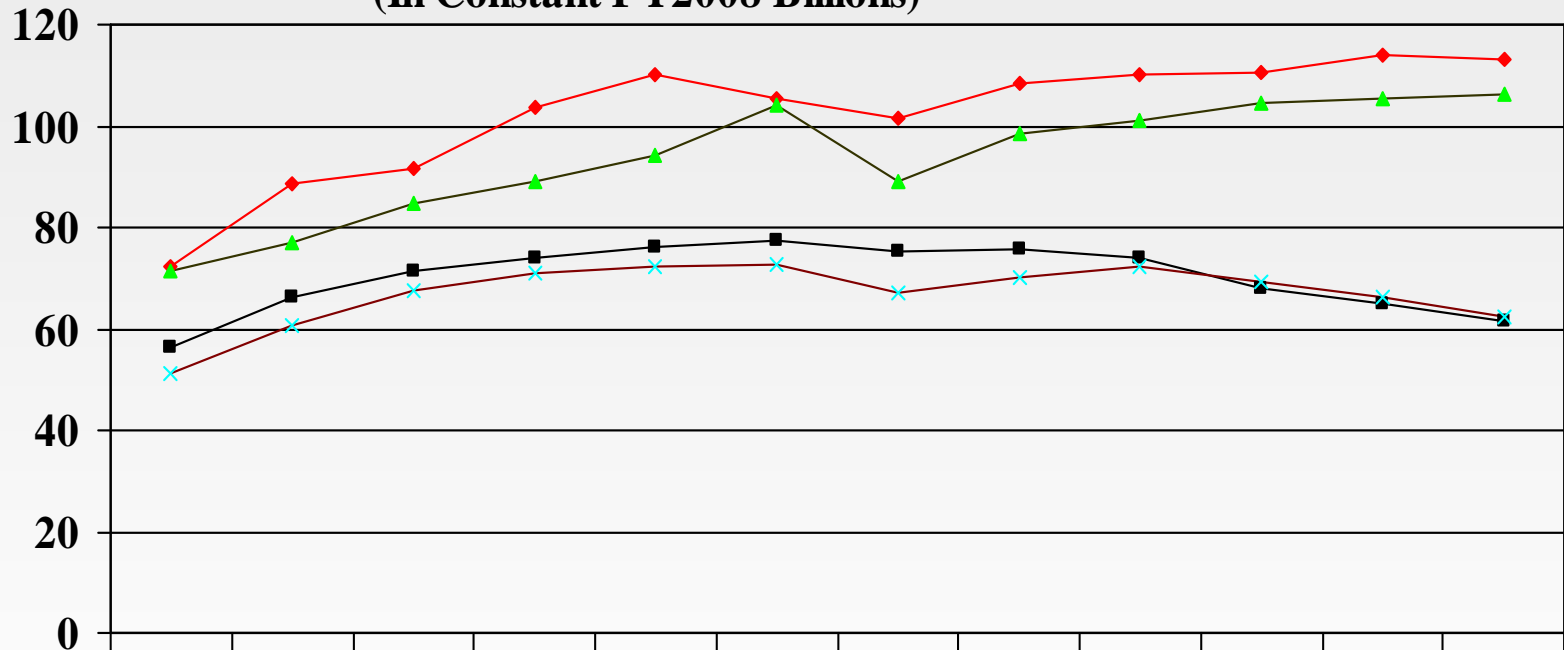


Source: Adapted by Anthony H. Cordesman from data provided by Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY2008*, Washington, Department of Defense, March 2006, Table 6-8 and 6-11.

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# Dancing to the Right: Deferring Key Procurement Expenditures to the Next Presidency

(In Constant FY2008 Billions)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
—◆— BA-Procurement	72.4	88.8	91.6	103.7	110.3	105.5	101.6	108.2	110.0	110.6	114.1	113.2
—■— BA -RDT&E	56.4	66.1	71.6	74.1	76.3	77.4	75.1	75.5	73.8	68.1	65.0	61.4
—▲— BO-Procurement	71.6	77.1	84.8	89.1	94.2	103.9	88.9	98.5	101.2	104.4	105.2	106.2
—×— BO-RDT&E	51.2	60.5	67.6	71.1	72.1	72.5	66.9	70.1	72.2	69.2	66.1	62.5

# Problems with Maximizing Returns on Major Weapons Programs

- **Weapon systems comprise one of the largest discretionary items in the federal budget, so they face pressure from rising mandatory spending obligations.**
- **Weapon systems face competing demands from other DoD priorities, i.e. operations in Afghanistan and Iraq.**

## New Procurement Vs. Cost Containment

- **Weapons programs typically take longer to develop and cost more to buy than planned. For example:**
  - **Future Combat Systems costs have escalated 54% to \$131 billion since the program started.**
  - **The F-22A Modernization and Improvement program unit costs have escalated 93% while the quantity to be procured has decreased by 36%.**
  - **The unit cost of the extended range guided munition (ERM) program has escalated 94% while the quantity to be procured has decreased by 76%.**
  - **The cost of the SBIRS-High program has escalated 312% in nine years.**

## **CHALLENGE SIX:**

### *Dealing With Legacy of Cold War Transformation Programs and Past Efforts At Force Transformation that that Are Fundamentally Unaffordable*

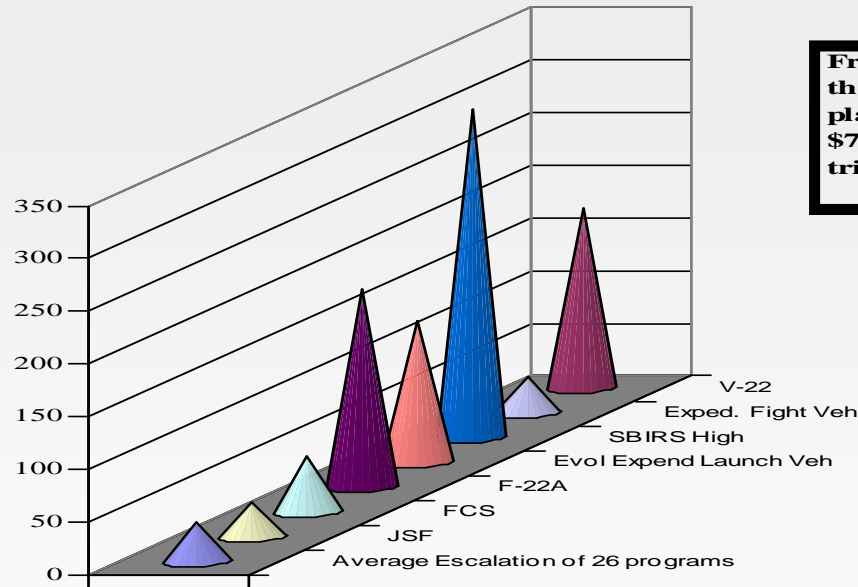
- **Legacy Problems**
  - **FCS.**
  - **Ship building.**
  - **Aircraft**
  - **Net and IT Systems: Agency-wide**
  - **Space**
- **New Requirements**
  - **Counterterrorism**
  - **Counterinsurgency**
  - **Stability/Nation Building Humanitarian.**
  - **Homeland Defense**

## GAO's Estimates on Major Weapon Programs Cost Escalation

- **In a review of 64 major weapon programs, GAO found that their cost has grown by more than 4.9% annually, in real terms. The cost of the 64 programs in FY2007 was \$165 billion more than had been projected in FY2004**
- **Total costs for a common set of 27 weapon systems increased by almost \$97 billion, or 19.1 percent, over the original business case. RDT&E costs increased by \$35 billion, or 33.5 percent.**
- **The same programs have also experienced an increase in the time needed to develop capabilities with a weighted average schedule increase of over 23 percent.**

# Procuring Defense to Death: The Wonderful World of “Transformational” Cost Escalation

(Measured as Percent Rise in Unit Cost by Program)



**From 2001 to the present, the DoD has doubled its planned investments from \$750 billion to \$1.5 trillion**

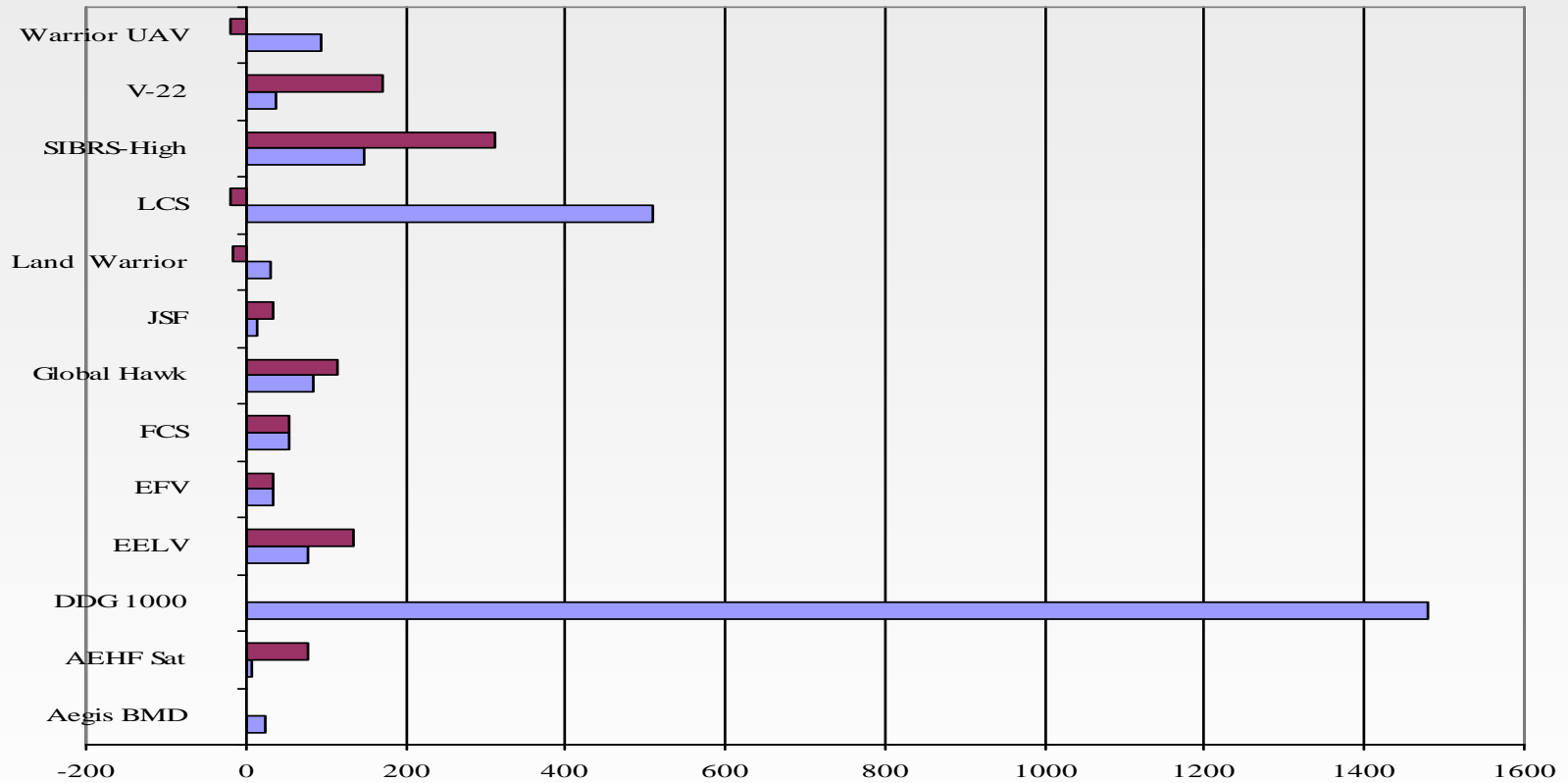
■ Average Escalation of 26 programs	39
■ JSF	33
■ FCS	54
■ F-22A	188.7
■ Evol Expend Launch Veh	135
■ SBIRS High	312
■ Exped. Fight Veh	34
■ V-22	170

Source: Government Accountability Office, “Defense Acquisitions: Assessments of Selected Weapons Systems,” GAO-06-391, March 2007 and the same report’s previous version, published in March 2006

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# Cost Escalation As of March 2007

(Percentage Change in Constant FY2007 Dollars)



	AegisBMD	AEHFSat	DDG1000	EELV	EFV	FCS	Global Hawk	JSF	Land Warrior	LCS	-SIBRS High	V-22	Warrior UAV
■ Unit Cost	-	78.3	-	135	34	54	114	33	16-	19-	312	170	19-
■ Program Cost	22.6	7	1480	78.9	34	54	83	14	30	508	147	36	95

“Defense Acquisitions: Assessments of Selected Major Weapons Programs.” Government Accountability Office Report to Congressional Committees. March 2007 and from “Tactical Aircraft: DoD Needs a Joint and Integrated Investment Strategy”, GAO, April 2007

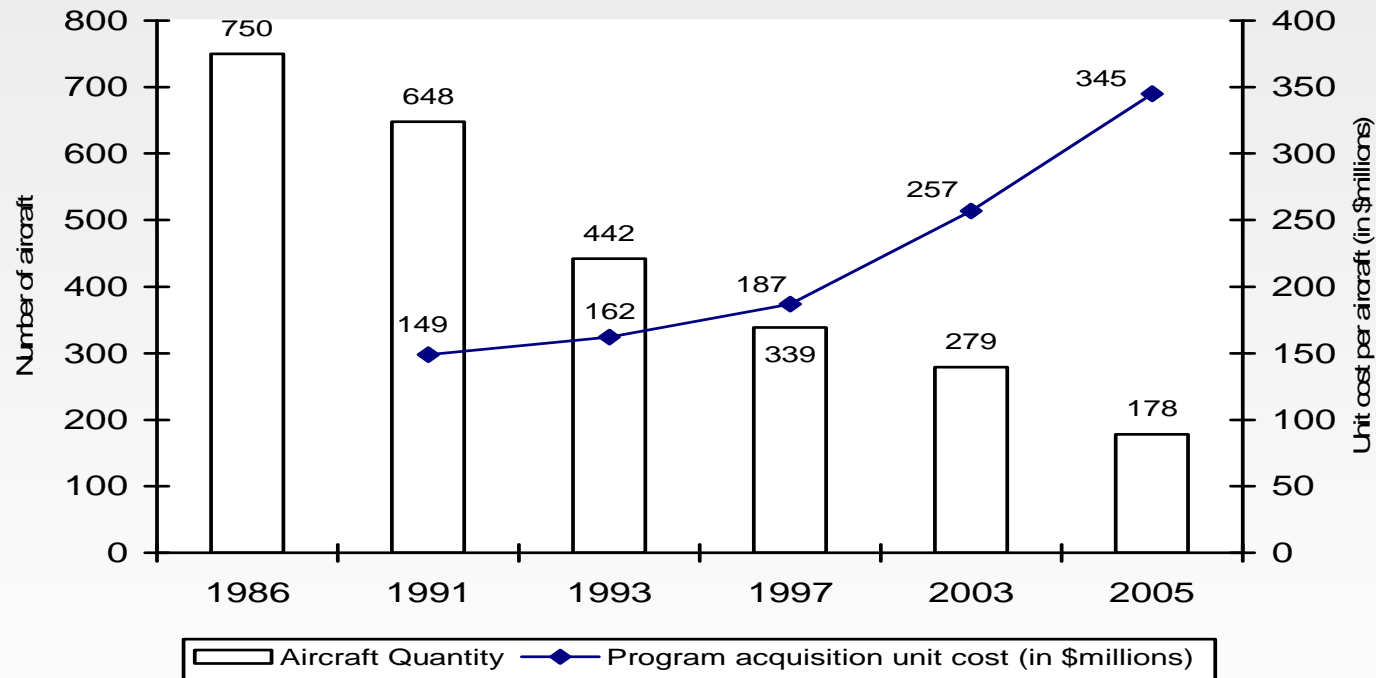
# Examples of Key Program Management Failures

Program	Initial Investment	Initial Quantity	Latest Investment	Latest Quantity	% unit cost increase	% quantity decrease
Joint Strike Fighter	\$196.5 billion	2,866 aircraft	\$223.8 billion	2,458 aircraft	32.8	14.2
Future Combat Systems	\$85.8 billion	15 systems	\$131.7 billion	15 systems	54.1	0
F-22A Raptor	\$81.1 billion	648 aircraft	\$65.4 billion	181 aircraft	188.7	72.1
Evolved Expendable Launch Vehicle	\$15.9 billion	181 vehicles	\$28.6 billion	138 vehicles	134.7	23.8
Space Based Infrared System High	\$4.2 billion	5 satellites	\$10.5 billion	3 satellites	311.6	40
Expeditionary Fighting Vehicle	\$8.5 billion	1,025 vehicles	\$11.3 billion	1,025 vehicles	33.7	0

Source: Adapted from “Defense Acquisitions: Assessments of Selected Major Weapons Programs.” Government Accountability Office Report to Congressional Committees. March 2007 and from the same report’s previous version published in March 2006. Note that the “Latest Investment” and the “Latest Quantity” do not necessarily reflect the latest projections of the total program costs or the total program’s procurement quantities.

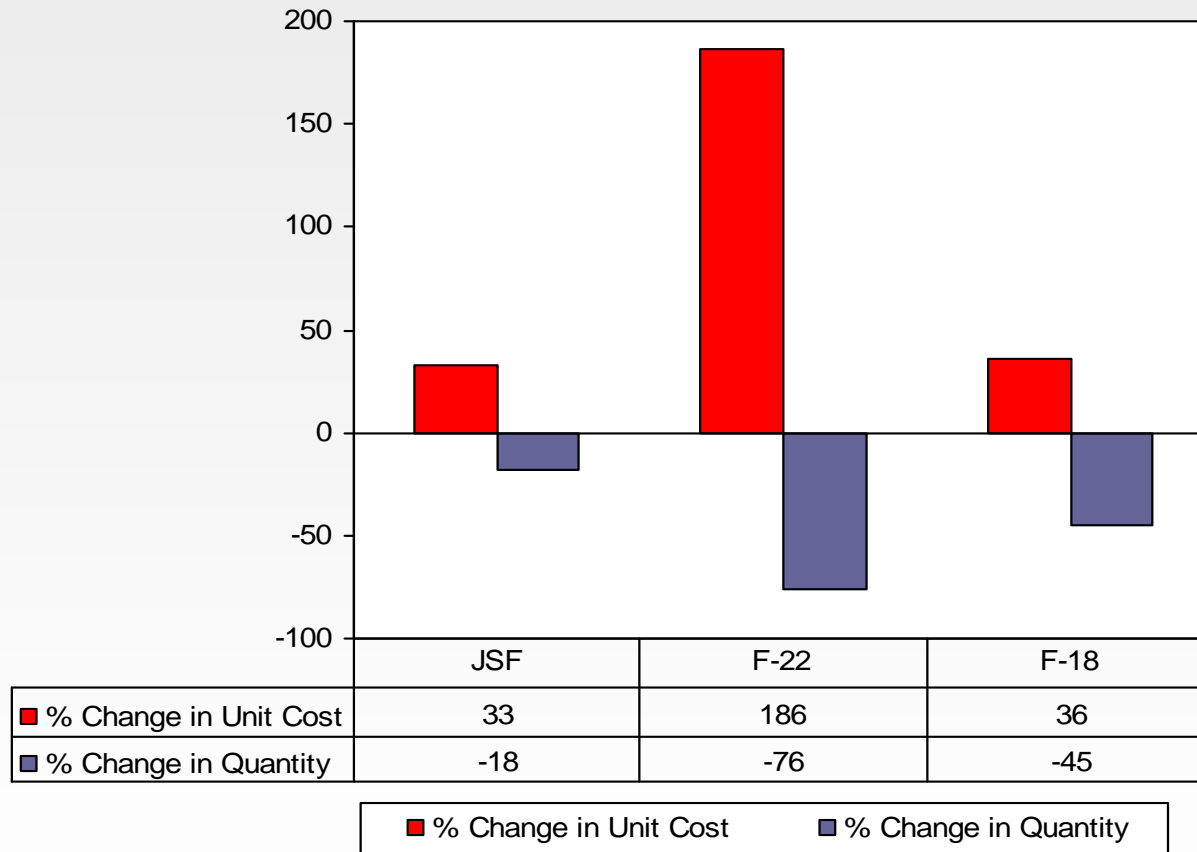
# The F-22: A High Technology Force Shrinker

**Quantity and Program Acquisition Unit Cost of F-22A**



Source: Adapted from “Tactical Aircraft: Air Force Still Needs Business Case to Support F/A-22 Quantities and Increased Capabilities.” Government Accountability Office Report to Congressional Committees. 15 March 2005.

# New Tactical Aircraft: Paying More for Less



Adapted from "Tactical Aircraft: DoD Needs a Joint and Integrated Investment Strategy", GAO, April 2007

## **CHALLENGE SEVEN:**

### *Creating New Approaches to Interoperability and Alliances on the National Level*

- **Shaping US forces for jointness with regional and local allies.**
- **A New Hierarchy? Local, national, regional CT and CI forces versus conventional warfare?**
- **Redefining interoperability**
- **Redefining advisory, power projection, arms transfer efforts.**
- **Counterproliferation**
  - **Defensive is offensive**
  - **Real role of BMD**
- **Emergency relief/Humanitarian assistance**
- **The NGO/UN/civil agency problem.**

## **CHALLENGE EIGHT:**

### *Dealing With the Problem of Alliances, International Cooperation, and Interoperability at the Regional and Global Level*

- **Post-NATO modernism: Alliance of the willing and capable.**
- **Reliance on regional and local powers for what?**
  - **Regional deterrence, war fighting, containment, and counterterrorism.**
  - **Taiwan, South Korea**
- **Developing the forces (political systems and economy) of “failed states.”**
- **Dealing with international informal networks of non-state actors: Specifically Neo-Salafi Sunni Islamists.**
- **Counterproliferation/Extended deterrence**
- **Cooperation in ideological battles, information warfare, and public diplomacy.**

# **Systemic Approach – The Long War as a Global COIN Campaign?**

## **PROs:**

- **Offers strategic meaning to vague formulations like GWOT/ Long War by mentioning an enemy (global Salafi jihadist networks), a political goal (strengthening Muslim governments threatened by these groups), and a mode of warfare (insurgency)**
- **Emphasizes the primordial importance of non-military efforts: COIN theory posits that a successful approach is 20% military and 80% non-military**

## **CONs:**

- **Great potential for misinterpretations when it comes to analyzing the connections between local insurgencies and their relations to the “global insurgency”**
- **Despite talk of “recreating the Caliphate”, many contemporary global insurgents may be more interested in continuing and expanding the fight than in “winning” in a classical sense; today’s insurgencies are of a different character than past ones.**

## **CHALLENGE NINE:**

### *Creating An Effective Interagency Capability to Perform National Security Missions*

- **NSC: Interagency versus line authority.**
  - **Role of the Vice President's office.**
- **Creating a focused, risk oriented foreign service.**
- **Integrating Homeland defense.**
- **What is the proper role of NDI and how should the intelligence community be defined.**
- **Solving the stability operation/nation building problem.**
  - **The art of strategic neglect.**
- **Redefining the role of Congress.**

# Creating USG Whole-of-Government COIN Capabilities

- **NSS, QDR, NSPD 44, DoD Directive 3000.05 all recognize the importance of SSTR/COIN/Irregular Warfare operations, BUT...**
  - **No extra resources have been allocated to support the implementation of DoD's Directive 3000.05, despite acknowledged capability shortages in various aspects of SSTR operations**
  - **NSPD 44 designates S/CRS as lead agency, but the office is underfunded, understaffed, and lacks bureaucratic clout**

## **CHALLENGE TEN:** *Responsibility*

- **Enforce War Powers Act or Junk It.**
- **Hold Top level decision-makers responsible: Real world affordability or selection out**
  - **Dep Sec Def, DDR&E, and Service Procurement/RDT&E Chiefs held personally responsibly.**
  - **Contractor CEO held responsible.**
- **Force realistic PPB on system with rolling, annual transparency of FYDP.**
  - **Force QDR, Budget, and FYDP Integration**
- **Tie Net Assessment to FYDP; Give Unified and Specified Commands Clear Role in Both**
- **Real time major program cost transparency.**
- **Redefine role of Congress from Line Item to PPB Review**