

Statement of

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Thank you for the opportunity to speak with you today about the effects of sequestration on the U.S. defense establishment.

Before doing so, however, I'd like to first put what is happening into historical context.

We find ourselves in the fifth defense drawdown since World War II. Each of these drawdowns coincided with the end of either a hot or cold war. The first came at the end of World War II, before the menace of communism had become clear. The second and third came towards the end of the Korean and Vietnam Wars, respectively. The fourth came towards the end of the long Cold War. And this fifth drawdown began roughly with the end of the war in Iraq, and will likely continue at least through our disengagement in Afghanistan, if not beyond.

Each of the previous four drawdowns had their own unique character. The post-World War II drawdown was a massive demobilization, with the size of the defense budget falling over 80 percent off the wartime high. For example, the Navy went from over 6,700 ships in commission when the war ended to just 634 ships five years later. The other services coped with similar dramatic reductions. Unsurprisingly, given the magnitude of the cuts, our forces were generally unprepared when the North Koreans invaded South Korea in June 1950.

The post-Korean War and Vietnam War drawdowns were similar in that both wars occurred during the Cold War and were fought with large conscript forces, which were shed at the end of the conflicts without regret. The final cuts to defense topline averaged between 30 and 40 percent off the wartime high, applied over four to eight years. By then, the demands of containment and for forces ready to respond to communist aggression arrested and reversed the cuts to defense spending.

The post-Cold War drawdown was much different than the three relatively short, sharp downturns that preceded it. It was the first drawdown in the era of the all-volunteer force. It also occurred over a much longer period. The downturn started after FY1985, as the threat of communist expansionism seemed to be moderating. It then accelerated with the dissolution of the Soviet Union. Through much of this period, even as the defense topline was being reduced year after year, successive administrations worked with the Department of Defense (DoD) and Congress to

establish the post-Cold war floor in defense spending. In the end, the floor was established during the 1993 Bottom Up Review, which adopted a national military strategy and force-sizing construct that called for a Joint Force capable of fighting and winning two regional wars in over-lapping time frames. By FY1998, after a 33 percent drop off the FY1985 spending peak, it was clear that this strategy was being underfunded, and the thirteen-year drop in defense spending must be reversed.

I was confirmed as Undersecretary in May 2009. When I arrived, the FY2010 President's Budget (PB) was on the Hill. The Pentagon was in the midst of the 2009 Quadrennial Defense Review. DoD had seen real increases in defense spending during every year since FY1998, resulting in the longest sustained defense buildup since World War II. Despite the sharp economic downturn in 2007-2008, the Department's general mindset was that it would continue to see real increases in yearly defense spending, albeit at much more modest rates than in the past. Based on this assumption, the 2009 QDR and the supporting FY2011 PB submission affirmed and sustained the two-war strategy.

This mindset began to change the following year, which informed the efficiencies effort launched by Secretary Gates during the formation of the FY2012 budget. Because personnel costs and operations and support costs consistently outpaced inflation, Secretary Gates reckoned the Department would need to see real defense increases of 2-3 percent per year to sustain the two-war strategy and supporting force structure. However, he thought the defense budget would flatten by FY2015. He therefore ordered each of the Departments to come up with at least \$30 billion in "efficiencies" in overhead or "tail," and divert it to force structure and program "tooth."

In hindsight, this laudable effort was simply the last ditch effort to stave off the inevitable defense downturn that was coming. Indeed, just as the efficiencies drill ended, the Department was levied a last minute \$78 billion cut, which was incorporated in the final FY2012 PB submission. This budget marked the official start of the fifth post-World War II drawdown.

The next year was consumed by the need to accommodate the cuts to defense topline mandated by the passage of the 2012 Budget Control Act. These cuts ultimately came to \$489 billion apportioned over ten years, I believe this effort was generally well led and executed. The President, Secretary and Deputy Secretaries of Defense, Service Secretaries and Undersecretaries, and Service Chiefs and Vice Chiefs were personally invested and involved in the process. The output of these efforts was outlined in *Sustaining US Global Leadership: Priorities for 21st Century Defense*, published in January 2012 in advance of the FY2013 PB submission. In my opinion, it stands as one of the more cohesive and coherent documents published by DoD since the end of the Cold War.

That said, *Priorities for 21st Century Defense* announced a major change to a national military strategy and force-sizing construct that had been modified but never

substantially altered since 1993. Instead of being sized and ready to fight two simultaneous regional wars in overlapping timeframes, the document announced the future Joint Force would be sized to fight one major regional combined arms campaign while simultaneously denying the objectives of—or imposing unacceptable costs on—an opportunistic aggressor. I, for one, hoped this momentous and important change might spark a serious debate in Congress over its ramifications. However, I was disappointed in the response, which might be best summed up as a collective “ho hum.”

This was followed by the yearlong “debate” over sequestration. Through late fall 2012, the signals coming from the White House, Congress, and the Office of the Secretary of Defense suggested sequestration could not and would not happen. As a result, for better or worse, the Department did little to prepare for it. However, as we now know, no grand bargain was struck and sequestration was triggered on 1 January 2013, although it did not come into effect until 1 March. If fully implemented, future defense spending will be cut another \$520 billion, apportioned equally over the next ten years.

I provide this background not only to put sequestration into proper historical context, but to make an important point. The DoD staff is suffering from intense change fatigue. The pace of change and cuts over the past several years has been astonishing. Moreover, DoD’s civilian workforce has been demoralized due to several years of pay freezes, cuts in bonus pools, and now furloughs. These patriots provide much of the brainpower and energy behind the Planning, Programming, and Budgeting System. As a result, unlike the planning effort following the 2012 BCA, DoD is behind the planning power curve and is finding it hard to catch up.

With this as background, what might be the effect of these additional cuts? First and foremost, the cuts will surely cause a further alteration to our national military strategy and force-sizing construct. For a global superpower, maintaining a force capable of fighting one major war and denying the objectives of an opportunistic aggressor in a different theater would seem to be the absolute minimum requirement. However, sequestration will make it virtually impossible to maintain this minimum standard. *The associated defense cuts will inevitably result in a less capable future Joint Force that is less ready and less robust than at any time since the end of the Cold War.*

The reasons for this are quite easy to understand. The problem is less about the size of the cuts, however painful they might be. Instead, it is the mindless way the cuts are being apportioned.

To begin with, the cuts were triggered nearly half way into FY2013, on top of a continuing resolution in effect since October 2012. Thankfully, Congress quickly resolved the CR and later approved a generous reprogramming of Department of Defense funds. These actions helped stave off much of the potential carnage and damage in FY2013. However, the way the cuts are apportioned inevitably forced all

of the Services to defer maintenance, cut training, and slow buying parts. Make no mistake, although the effects might not be immediately obvious, these actions mean the readiness of the Joint Force has already started a downward spiral.

This spiral will continue and accelerate through FY2014 and FY2015, as the Department scrambles to hit the yearly \$52 billion sequestration budget marks. As you know, military manpower was exempted from sequestration. Regardless, because this is an all-volunteer force, any savings associated with manpower cuts would not be seen in the year of execution. The Services will be kicking out volunteers, not conscripts, many of whom want to remain on active duty. It will therefore likely require buy-outs and early retirements, which may actually cost money in the near term.

This means that the Services will only be able to hit their marks by going to two major accounts. The first will be investment accounts—research and development, procurement, and military construction. Funding for promising technologies, key to making the Joint Force ready for future challenges, will be cut. Weapon buys will be cut to minimum sustaining rates, which will increase the unit price of all munitions. Aviation “tails” will be cut, increasing the average age of already old aircraft inventories. Ground combat equipment accounts will be cut. Our restoration and renovation efforts to upgrade our aging infrastructure will be slowed, if not stopped altogether for a period of years. All these cuts will inevitably make the future Joint Force less capable.

The second place Services will be forced to cut will be in their operations and maintenance accounts. All the maintenance deferred in FY2013 will roll into FY2014. All the maintenance deferred in FY2014 will roll into FY2015. And so on, and so on. We will simply keep digging ourselves deeper and deeper into a readiness hole. The result will be that maintenance and training will be prioritized to those units deploying. Those that aren't scheduled to deploy won't train, at least to the levels to which they are accustomed. Consequently, while our forward deployed forces may be ready, their backup—our so-called “surge” forces—won't be. We will thus be less resilient and ready if a major crisis erupts.

If all this were not concerning enough, sequestration is made more difficult by the reduced freedom of action being imposed upon DoD. The Department urgently needs a new Base Realignment and Closure round, to shed unneeded infrastructure. Yet, DoD has no authority to start one. We need to reduce personnel costs by shaving back some of the generous benefits given to the force over the past decade. Yet, DoD is largely prohibited from doing so. We need to charge our service members more for the terrific health care benefits they are entitled to. Yet, DoD is largely unable to pursue such cuts. By giving DoD more freedom of action to address the sequestration cuts, Congress could moderate the pain and mitigate some of its more damaging effects.

I was a young Second Lieutenant in 1975. When I arrived on Okinawa, at the tail end of the post-Vietnam War defense drawdown, I was utterly shocked at the condition of our forces. I lived in a barracks infested with rats and vermin. Our equipment was in shambles. We had little money to train with and even less to spend on such things like toilet paper or office supplies. We were not remotely ready, and it was utterly demoralizing. Unless we change the mindless way sequestration has been implemented, I see us headed down a similar path, which will take several years to undo.

As I said earlier, the way sequestration is being implemented will inevitably result in a less capable future force that is less ready. However, this outcome is not preordained. Reducing the sequestration targets in FY2014 and FY2015 and providing DoD with greater degrees of freedom would help delay the near-term readiness problems outlined above, allow the Department time to take a breath, and allow it to better prioritize and plan the drawdown. I urge the Committee, and Congress, to consider doing so.