
Defense Report

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Defense Industry: Sick?

Fears about the alleged bogeyman—the Military-Industrial Complex—are still heard from time to time from both the news media and the Congress. But, the fact is that the complex, if it exists, is sick—and the problem isn't just a lack of defense money.

In 1973 when the Army was forced to give hundreds of its prime tanks to Israel and South Vietnam, it was recognized by both DOD and the Congress that U.S. tank production needed to be beefed up. To the surprise of many, this has turned out to be a monumental task. After months of effort the U.S. on 31 December 1975 had only 39% of its objective of about 14,000 prime tanks. The production rate has yet to reach even 100 tanks per month.

What happened?

The fact is that the military industrial base is badly eroded. Some blame the endless criticism of the complex itself and the beating that defense contractors have taken in recent years concerning alleged bribes, conflict of interest, and other hanky panky.

However, the real reason is profit. An aerospace industry spokesman recently pointed out that defense contracts have dropped to a 3 percent average profit which makes industry wonder if defense contracting is really worth it.

In addition, a recent study of the Defense Systems Management School based on FY 75 data released by DOD pointed out that "Defense business constitutes less than 10 per cent of the total business of the top 25 Defense contractors." This is a drop from 17% in 1968 and 14% in 1970.

The study also points out another reason for the fall-off in interest in defense contracts. Company revenues come from sales receipts, but defense contract awards do not result in significant income until the goods or services are actually delivered. This results in a considerable delay; normally only 15 per cent of DOD procurement funds are spent in the year they are appropriated.

In today's world, defense contracts are losing importance as far as the survival of most large U.S. industries is concerned. The time has come to nourish and encourage the U.S. Military-Industrial complex which makes a viable national defense a realistic goal.