

AUSA POSITION PAPER

DIMINISHING DETERRENCE
A Look At The
FISCAL YEAR 1977 DEFENSE BUDGET



ASSOCIATION OF THE UNITED STATES ARMY

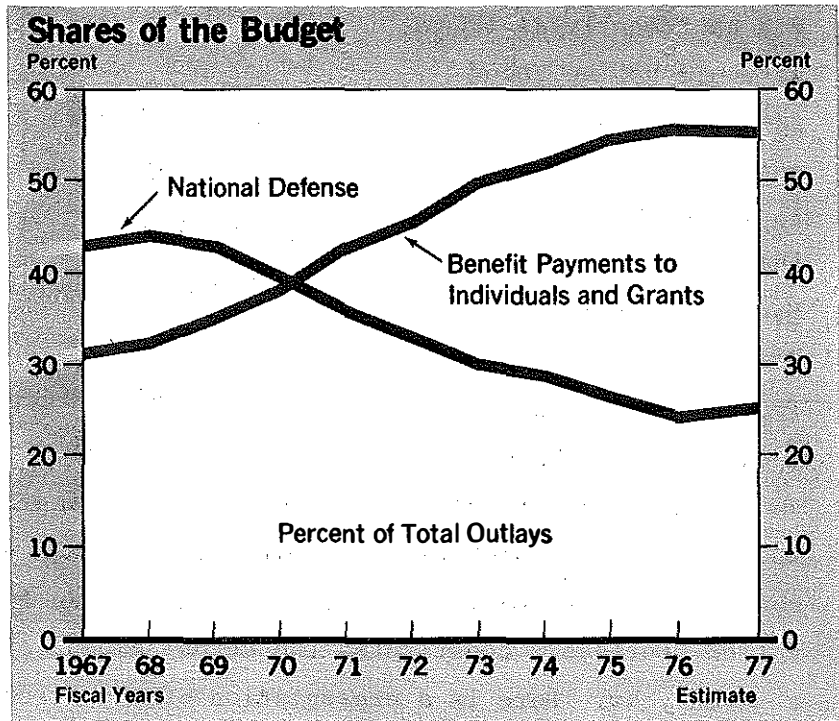
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Diminishing Deterrence
A Look At The FY 77 Defense Budget

One of the most fascinating aspects of the Annual National Defense Budget is the fact that it can mean many different things to many different people. To many liberals it represents an undesirable choking down of available funds for the seemingly unquenchable dollar thirst of welfare programs. The conservatives see little room in it for euphoria because to them the only improvement they see is that they will be hung with a new rope. To those who understand the threat - and in many cases bear the responsibility for the fighting - it represents too little - but hopefully not too late. To some politicians, who would prefer not to bite the bullet, it represents a compromise. To the average voter not versed in the intricacies of global strategy or internal politics - it represents a sizeable chunk of his tax bite which he would like to believe will keep him, his progeny and his country in a position to influence decisively the way in which they will live.

In a recent issue, Fortune Magazine commented on this very point: "A mind armored with ideological conviction is almost impenetrable to unwelcome facts. Consider the prevalent notion...that spending for national defense takes such a huge share of the nation's resources that it crowds out 'domestic needs.' This notion persists even among politicians and intellectuals who would claim to be well informed on public issues." The first chart clearly shows how false this notion is.



A recent Secretary of Defense aptly pointed out that while everyone is entitled to his own opinion, he is not entitled to a separate set of facts. We will try to deal with the facts from which educated opinions on the National Defense Budget may be drawn.

In our most recent position paper, "The Security of the Nation - 1975 Year End Assessment," we presented an evaluation of the potential trouble spots around the globe which could impinge very directly and rapidly on the national interests of the United States. Throughout this paper we present, where appropriate, evidence of growing Soviet strength - much of it beyond purely defensive needs. It is far more important to measure our defense spending against our real needs rather than as some arbitrary percentage of the GNP or share of the Federal Budget. However, these latter comparisons do have the important role of keeping discussions and consideration of defense spending on a factual rather than an emotional level - and this is most critical if we are to begin to restore our defenses to a prudent level.

It is worth noting that if we were to allocate to Defense the same percent of the GNP as we did as recently as 1964, we would now be spending over \$130 billion annually. If we were to match what we think is the current Soviet percent of GNP devoted to defense, our defense spending would be over \$200 billion.

TREND OF FEDERAL EXPENDITURES

(OUTLAY IN BILLIONS)

	FY 1964	FY 1977	PERCENT CHANGE
DEFENSE - MILITARY	50.8	100.1	97%
HUMAN RESOURCES	28.6	188.1	558%
VETERANS BENEFITS	5.7	17.2	202%
COMMERCE/ TRANSPORTATION	5.6	16.5	195%
SPACE RESEARCH	4.9	4.5	-8%
INTEREST ON NATIONAL DEBT	9.8	41.3	321%

The Federal Budget is presented to the Congress with two sets of figures. One set, called "Total Obligational Authority" (TOA), represents the amount of money authorized to be obligated during a given fiscal year. The second, called "Outlays," constitutes the actual amount of money to be paid out in a given year. Here is a presentation of the Fiscal Year 1977 Budget Request compared with the previous three years.

DEFENSE BUDGET TOTALS (\$ IN BILLIONS)

<u>CURRENT DOLLARS</u>	<u>FY1974 ACTUAL</u>	<u>FY1975 ACTUAL</u>	<u>FY1976 ESTIMATE</u>	<u>FY1977 ESTIMATE</u>	<u>INCREASE FY1976-77</u>
<i>Total Obligational Authority (TOA)</i>	85.1	87.9	98.3	112.7	14.4
<i>Outlays</i>	78.4	86.0	91.2	100.1	8.9
 <u>CONSTANT FY1977 DOLLARS</u>					
<i>Total Obligational Authority (TOA)</i>	107.3	100.7	105.3	112.7	7.4
<i>Outlays</i>	101.7	99.1	98.2	100.1	1.9

To place it in proper perspective as compared with the principal indicators of our total national activities, the following figures are useful:

DEPARTMENT OF DEFENSE BUDGET FINANCIAL SUMMARY

	<u>FY 1964</u>	<u>FY 1968</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
<i>DOD/MAP as Percentage:</i>					
<i>Federal Budget (Outlays)</i>	42.8%	43.6%	26.5%	24.4%	25.4%
<i>Gross National Product</i>	8.3%	9.4%	6.0%	5.7%	5.4%
<i>Labor Force</i>	7.9%	9.7%	5.0%	4.8%	4.8%
<i>Net Public Spending</i>	28.1%	29.2%	17.3%	16.4%	16.5%

Before we dissect the defense budget in more detail, an illustration of one area of national interest that must concern us is our increasing reliance on the importation of a growing list of critical raw materials essential to our own industrial health from around the globe. Here are some of the more critical paired up with the source from which they are imported.

MINERAL	% IMPORTED	MAJOR FOREIGN SOURCES
MANGANESE	100%	BRAZIL, GABON, S. AFRICA, ZAIRE
COBALT	98%	ZAIRE, FINLAND, NORWAY, CANADA
TITANIUM	97%	AUSTRALIA, INDIA
CHROMIUM	91%	USSR, S. AFRICA, TURKEY, PHILIPPINES
ALUMINUM	88%	JAMAICA, SURINAM, DOM REP.
TANTALUM	88%	AUSTRALIA, CANADA, ZAIRE, BRAZIL
PLATINUM GROUP	86%	USSR, S. AFRICA, CANADA
TIN	86%	MALAYSIA, THAILAND, BOLIVIA
FLUORINE	86%	MEXICO, SPAIN, ITALY
NICKEL	80%	CANADA, NORWAY, USSR
TUNGSTEN	60%	CANADA, BOLIVIA, PERU, MEXICO
GERMANIUM-INDIUM	60%	USSR, CANADA, JAPAN
BERYLLIUM	50%	BRAZIL, S. AFRICA, UGANDA
ZIRCONIUM	50%	AUSTRALIA, CANADA, S. AFRICA
BARIUM	40%	IRELAND, PERU, MEXICO
IRON	23%	CANADA, VENEZUELA, LIBERIA, BRAZIL
LEAD	21%	CANADA, PERU, AUSTRALIA, MEXICO
COPPER	18%	CANADA, PERU, CHILE, S. AFRICA

Not shown on this list is the 36% of our petroleum needs which we obtain principally from nations in the Western Hemisphere, Africa, and the Mideast. Our allies in Europe import 97% of their petroleum needs, primarily from the Mideast.

By contrast, the Soviet Union, with its large untapped national resources, can do without imported raw materials except for aluminum, fluorine, tin and tungsten.

So our problems are real and our interests are vulnerable - and it is to these that the defense budget is addressed.

Constraints and Assumptions

The FY 77 Defense Budget contains a fairly major caveat: a list of constraints or assumptions included in the Defense Department's calculations in preparing the Budget. In our view some of these are at least tenuous assumptions. Certainly AUSA does not support them all, as we shall indicate in reviewing that segment of the budget in which they appear. They do deserve recapitulation at the outset:

- First, this budget assumes that the President will be supported in his efforts to maintain a cap on pay increases of about 4.5% for the military and 4.7% for Department of Defense (DOD) civilians. The budget further assumes a cut of 26,000 civilian personnel positions.

- The Administration again proposes the elimination over a three year period of the subsidies for the operations of Military Commissaries. A similar proposal involving two years was turned down resoundingly by the Congress this year.

- The budget proposes additional cuts in temporary duty and permanent change of station travel for the military.

- A proposal sure to excite a hornet's nest is that which would deny military leave for Federal Employees when on annual summer training with the National Guard and the Reserve.

- Reduced petroleum costs will presumably be accompanied by cuts in proficiency flying training plus some substitution of smaller aircraft and simulators.

- Another assumption is that the Federal Civil Defense program will be drastically reduced and in effect limited to the support of state and local efforts.

- A new straw in the wind is a DOD effort to include a reduction in paid drill strength of some 40,000 in the Navy Reserve, as part of this assumption package.

- Construction levels for the military would be constrained to the FY 76 levels.

This shopping list of constraints totals \$2.8 billions which would have to be added to the Defense budget if Congress does not agree to them. Our guess is that Congress will not buy the total package.

Stashed throughout the budget are other assumed or proposed savings upon which we will comment.

Strategic Forces

However great our other needs, the protection of this nation from external danger is the first and foremost responsibility of the government. While this has implications for all levels of conflict, it has particular applicability for most Americans in terms of our ability to deter nuclear attack and to have the capability for an adequate response in the event of such an attack on our homeland. This is one area where we cannot afford the luxury of second guessing enemy intentions but must deal head on with capabilities. When you consider that it takes 18 months to prepare a missile silo, around two and one-half years to build a B-1 bomber and

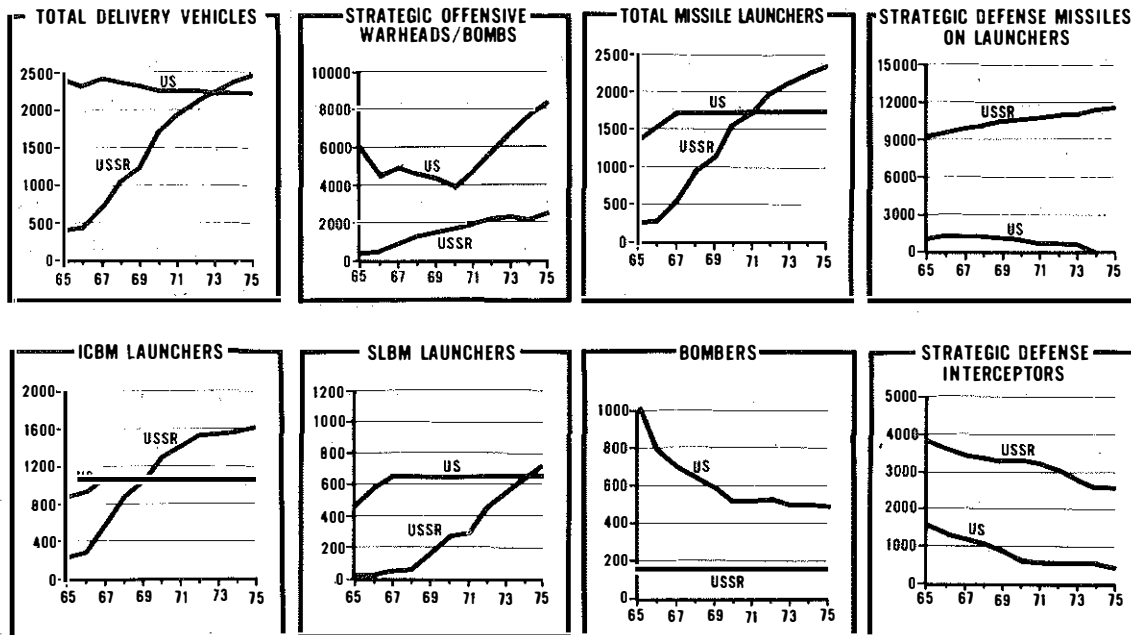
about four years to construct a Trident submarine, plus the lead times for research and development - it seems obvious that we have to be decisive now in insuring our safety. Nations - be they allies or not - must also be aware of our decisiveness if the deterrence we seek through these vast programs is to prevail.

The table of force levels gives a good rundown of the measure of defense forces we will get for our budget dollar compared to previous years.

Table II. Force Levels

	Actual 30 June, 1964	Actual 30 June, 1975	Estimated	
			30 June, 1976	30 Sept, 1977
Strategic forces				
Intercontinental ballistic missiles				
Minuteman	600	1,000	1,000	1,000
Titan II	108	54	54	54
Polaris-Poseidon missiles	336	656	656	656
Strategic bomber squadrons	78	27	26	25
Manned fighter interceptor squadrons	40	7	6	6
Army air defense firing batteries	107	0	0	0
General purpose forces				
Land forces				
Army divisions	16 $\frac{1}{3}$	14	16	16
Marine Corps divisions	3	3	3	3
Tactical air forces				
Air force wings	21	26	26	26
Navy attack wings	15	14	13	13
Marine Corps wings	3	3	3	3
Naval forces				
Attack and antisubmarine carriers	24	15	13	13
Nuclear attack submarines	19	64	65	70
Other warships	370	186	180	188
Amphibious assault ships	133	64	62	64
Airlift and sealift forces				
Strategic airlift squadrons				
C-5A	0	4	4	4
C-141	0	13	13	13
Troopships, cargo ships and tankers	100	51	48	47

HISTORICAL FACTORS (1965-1975) (END OF FISCAL YEAR)



There can be little encouragement from the box scores represented in the charts above.

Neither the SALT I nor Vladivostok agreements offer any real hope of major cutbacks in the continuing efforts we must put forth in support of our strategic forces. At best, for the near term, those negotiations can stem the pace of escalating strategic arsenals.

For example, in 1975 the Soviets have:

- Started the deployment of a new generation of ICBM's with improved multiple targeted reentry vehicles.
- Continued their emphasis on ballistic missile submarine construction with new, more effective missiles.
- Added the long range Backfire bomber to their forces.

Our FY 77 DOD budget contains money to continue research and development on and to initiate production of the B-1 bomber. There is production money for the new Trident missile as well as the continuing program to add Trident submarines to the fleet. The purchase of Minuteman III intercontinental ballistic missiles has been concluded but the budget does contain money for research on a new ICBM - the MX - as well as a new submarine-launched Trident missile. Funding is provided for continuing research and development

of Advanced Ballistic Reentry systems. The importance of these research efforts cannot be overemphasized - for in the murky climate of arms control negotiations we must at least maintain technological parity with the Soviets even if we seem to be letting arms superiority slip from our grasp.

In addition to the B-1 bomber, and the Trident program, the budget contains a request for the funding of six airborne warning and control system (AWACS) aircraft. All of these are urgently needed additions to our strategic arsenal and should be fully supported. Because these represent big dollar items many Congressmen, abetted by liberal think tanks, quake at the prospect of anteing up the money to get on with the job - and each ensuing delay only increases the cost. The arguments heretofore have swirled not around the need but mainly around the cost. The need has been established and as every indicator shows it is imperative that we move now to back these programs fully.

General Purpose Forces

Naval Forces

The FY 77 Defense Budget has originally projected the U.S. Navy to drop 11 ships from the active fleet, including 1 carrier, 2 submarine rescue ships, 4 fleet tugs, 1 stores ship and 3 destroyers. This would have put the Navy at 491 ships against a projected requirement for 600. Subsequent actions since the original submission of the budget may expand shipbuilding plans.

The Chairman of the Joint Chiefs expressed the view that the U.S. Navy continues to be superior to the Soviet Navy at this time. He feels that we are superior in our capability to project sea based power, and the quality of our attack submarine force is superior to that of the Soviet Union. Our current capability to keep the sea lanes open versus that of the Soviet Navy to deny their use is at least open to conjecture. Certainly, we must get on promptly with our shipbuilding programs and with some sense of real urgency. If we do not, the fragile margins of superiority which we may now hold will disappear.

Tactical Air

The Defense budget contains money for modernizing our tactical air forces and at the same time stemming the steady decrease in numbers. Hopefully, while we will not be able to equal the Soviet Air Force in numbers, we can, given budget support, maintain a parallel course with them at the rate of

about 1,000 fewer aircraft.

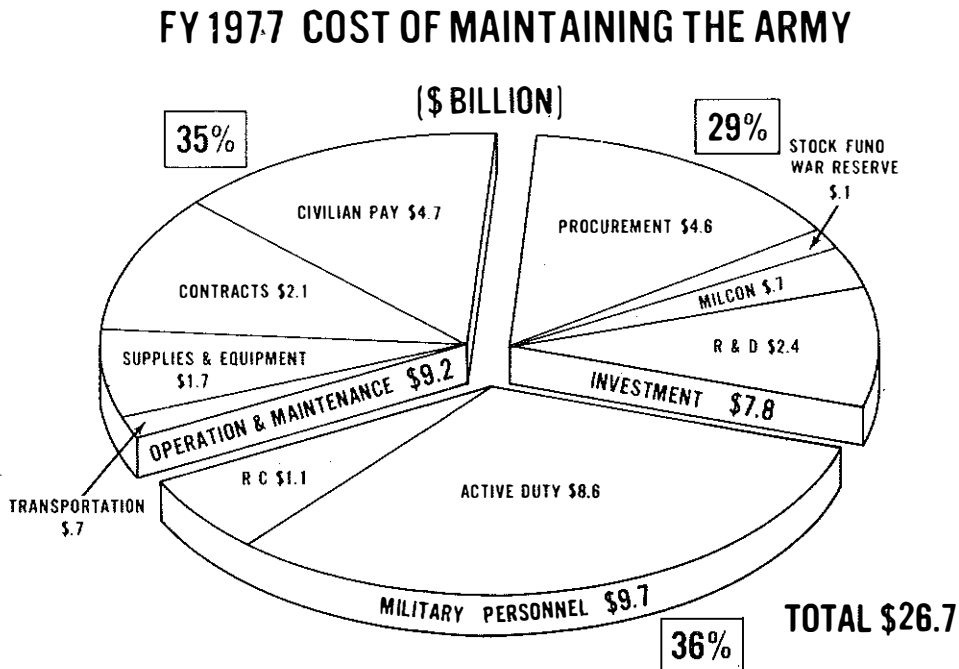
In November of 1975, the first A-10's started phasing into the active inventory. This aircraft is of special interest to ground forces since it will be the principal close-support aircraft for the next decade or so. Its short take-off and landing characteristics, together with its long loiter time, good armor protection and heavy firepower make it particularly useful in support of land forces.

The Air Force and the Navy are both bringing into their inventories new aircraft in a "hi-low" mix - meaning that a portion of the tactical aircraft purchased (the F-16, for example), are more austere with limited avionics and other systems and hence less expensive. While others (i.e., the F-15) are the best that money and technology can provide, it is the only economically feasible approach to providing us with the types and quantities of tactical air support that are required.

The Ground Forces

For the ground forces, the FY 77 Budget provides for stability in numbers and a very modest real growth in money for weapons and equipment which will start to make up for the serious deficiencies that exist. The total force of the Army has but 51% of the basic weapons and equipment it is supposed to have.

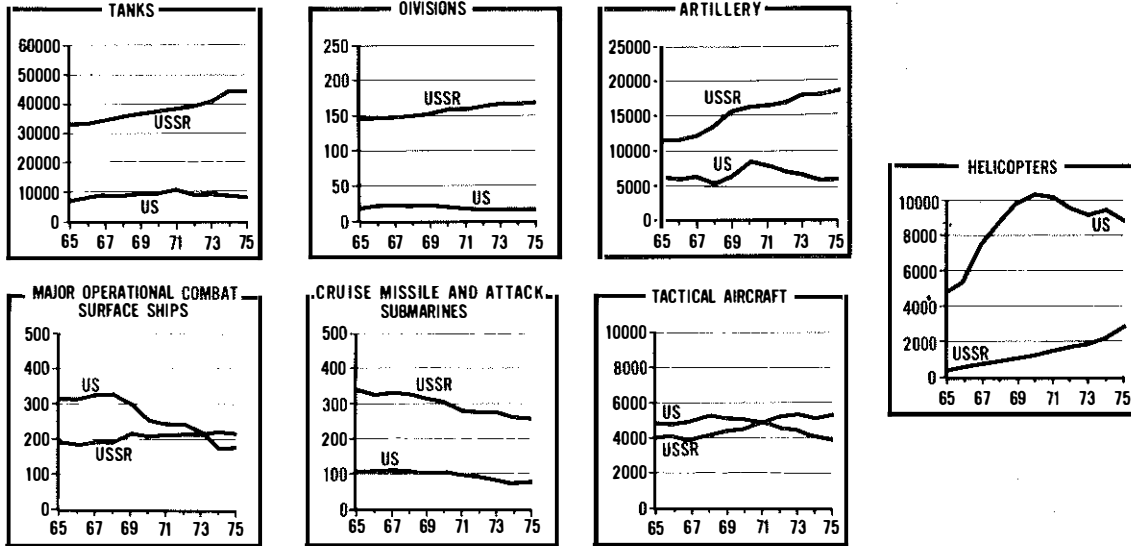
The Budget anticipates no change in the number of active divisions in the land forces (16 Army - 3 Marine). It does look toward the beginning of adding more armor to some of the Army's light divisions.



This is what the Army's budget really is and how the pie is cut.

GENERAL PURPOSE FORCE TRENDS (1965-1975)

(END OF FISCAL YEAR)



Again, the factual trend charts indicate clearly that in every category of military hardware except in helicopters, the Soviets are outproducing the United States. In the category of ground forces equipment they are doing so at ratios as high as six to one. It is not possible, in the limited constraints of this

**ARMY BUDGET...TOA
COMPARISON OF BUYING POWER
CONSTANT FY 77 DOLLARS**

(IN BILLIONS)

APPROPRIATION	FY 64	FY 75	FY 76	FY 77	DIFFERENCE FY 76 - FY 77
MILITARY PERSONNEL	11.9	10.0	9.8	9.7	-0.1
OPERATION & MAINTENANCE	7.8	8.4	8.8	9.2	+0.4
PROCUREMENT	5.2	3.0	3.6	4.6	+1.0
RESEARCH & DEVELOPMENT	2.8	2.0	2.1	2.4	+0.3
MILITARY CONSTRUCTION	0.6	0.8	1.0	0.7	-0.3
STOCK FUND WAR RESERVE	-	-	-	0.1	+0.1
TOTAL	28.3	24.2	25.3	26.7	+1.4^{1/}
CURRENT DOLLARS	12.3	21.7	24.1	26.7	+2.6

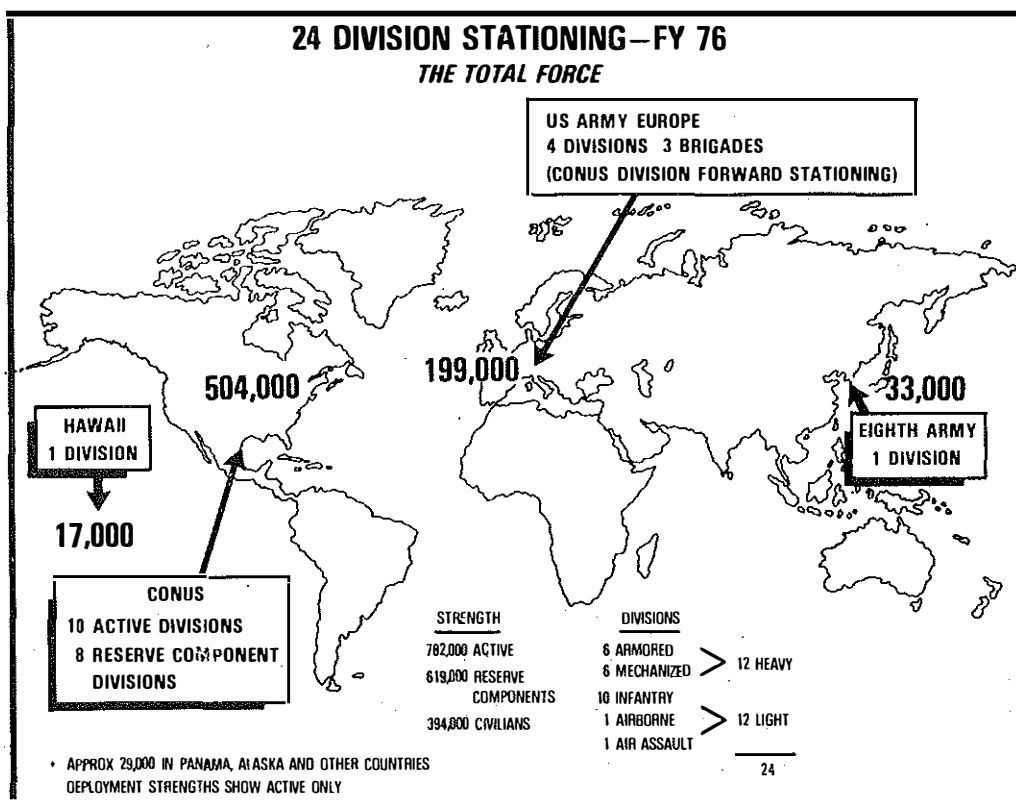
1/ MAJOR PROGRAM CHANGES

- PROCUREMENT; AIRCRAFT, MISSILE, TANK, AMMUNITION (MODERNIZATION).
- RDT&E; BIG FIVE, ROLAND, AERIAL SCOUT..
- OMA; DEPOT AND REAL PROPERTY MAINTENANCE.
- MPA; RETURN TO NORMAL TOUR LENGTH.
- PROCUREMENT; DRAGON/TOW MISSILE, M48 TANK (MOD).
- CONSTRUCTION; BARRACKS, DINING, MEDICAL FACILITY.
- MPA; ENLISTMENT BONUS.

budget, to make any serious gains in these deficiencies. So that this may be a more complete record, here are the figures on the Army's FY 77 Budget request as submitted by the Department of Defense as compared to the FY 76 Budget.

Airlift and Sealift

The Army's Chief of Staff, General Fred C. Weyand, presented to the Congress his views of how the Army, with its sister Services, must respond to the challenges presented to us by the Soviets and others around the world. He said that we do this basically by presenting a military posture which will deter war. He went on to say: "at the same time, our dispositions and preparations are designed to insure that we can fight, and hopefully win, if war should break out. Beyond this, we must protect against a challenge to U.S. interests by coercion and retain our freedom of action." This strategy implies a total force that is ready. In today's world a fair amount of our force must be deployed forward as the stationing map indicates we are.



Secondly, we must maintain our forces in the continental United States in a high state of readiness and be prepared to move them and their equipment rapidly to any place where our interests are seriously threatened. And thirdly, we must selectively strengthen our partnership with other allies.

We, in AUSA, have commented frequently about our inability to move our resources rapidly to any scene of battle. We do not now have nor, if this budget is fully funded, will we have sufficient strategic airlift to meet our needs.

Acquisition Costs of Major Mobility Forces Modernization and Improvement Programs

(Dollars in Millions)

	FY 1975 Actual <u>Funding</u>	FY 1976 Planned <u>Funding</u>	Trans Period Planned <u>Funding</u>	FY 1977 Prop'd <u>Funding</u>	FY 1978 Prop'd for <u>Authorization</u>
<u>Strategic Airlift</u>					
Procurement of Additional Replenishment Spares for C-5 and C-141 Aircraft	-	-	-	45	-
"Stretch" Modification to C-141 Aircraft to Increase Capacity	25	17	-	-	96
Modification of Civilian Wide-Bodied Passenger Aircraft to a Convertible (Cargo-Passenger) Configuration	-	-	-	29	96
Planning and Initial Engineering of C-5 Wing Modification	8	22	10	23	83
Development and Procurement of a new Advanced Tanker/Cargo Aircraft (ATCA)	2	5	1	45	354

Hear again the Army's Chief of Staff: "The Army is the biggest customer for strategic lift provided by our sister Services. Over four-fifths of any major deployment will be Army soldiers, equipment, and supplies. The Army needs a balanced strategic airlift and sealift capability; airlift for instant response, and sealift for sustainability. Therefore, we support the Air Force

and Navy programs to improve our country's strategic lift capabilities. We endorse efforts in airlift enhancement, designed to double our current strategic airlift capability. Without this increased capability, Army deployments would very likely be 'too little, too late,' which is an unacceptable alternative. Likewise, we support initiatives to insure the early availability of fast cargo shipping which will increase our capability to deploy rapidly and to sustain an Army force."

This budget proposes, as was done last year unsuccessfully, measures to improve matters if not alleviate dramatically the problem. The table indicates the proposed actions in the budget, even though inadequate, which must be supported strongly.

Our sealift problems are equally acute - and constitute along with our restricted airlift one of the most serious deficiencies in our defense shield. The budget provides no definitive improvement in sealift.

Recognizing the shortage of both air and sea transport and the need for fast reaction, particularly in Europe, we have had for some years a program to enhance our ability to reinforce NATO rapidly by prepositioning equipment for at least 2 divisions in Europe so that the troops could be flown over - even on commercial transport, married up with their equipment, and be ready to fight. This table shows the status of our shortfalls in "Prepositioning of Material Configured in Unit Sets" (POMCUS).

Shortfalls of Prepositioned Sets of Unit Equipment
(As of September 1975)

	<u>European POMCUS</u>		
	<u>Required</u>	<u>On-Hand</u>	<u>Percent</u>
Medium Tanks	591	189	32
Armored Personnel Carriers	1,028	420	41
Artillery	294	147	50
Radios	6,576	4,194	64

Unfortunately, there are not funds in the FY 77 National Defense Budget to correct these serious deficiencies.

Long War or Short War

It has been encouraging to the potential of obtaining an adequate national defense budget to see a turn away from the view that since any future war would

be of such short duration - probably nuclear and with such high casualties - that we really didn't need reserves either in manpower or weapons and equipment. The concept of short war has long been the Lorelei of many military philosophers - and until recently embraced by political leaders as well. But the realities of the modern world are displacing this panacea even at the diplomatic levels. In response to a direct question from AUSA, Secretary of State Kissinger said at a recent White House Conference: "...I do not exclude that it could be a much longer war than we now think because it may well turn out that the reluctance to go to strategic war on both sides is greater than is estimated. --- At any rate, we shouldn't be in a position where our aggressor can calculate that the U.S. has only limited staying power because they can wear us down in that manner."

Secretary Rumsfeld points out in his Annual Report to the Congress, "there is now considerable evidence that the Soviets are taking much more seriously than was the case under Khrushchev the prospect of a relatively prolonged conventional campaign, and they are improving their logistical support structure accordingly. This may also explain in part why they have been adding men, artillery tubes, and tanks to their divisions in Eastern Europe." This is a point AUSA has been pressing for several years - the credibility of our deterrence depends in great measure on our staying power and the means to meet the longer threat.

Inflation

The special impact of inflation on many of the Services' operating and maintenance accounts is not generally understood. In these areas the OMB budgeting procedures do not permit the Services to budget adequately for inflation. When this FY 77 budget was made up, for example, 1 July 1975 prices were used - the mid point of the execution of these programs would be April 1977. The Services would lose all the purchasing power eroded by inflation of these 21 months.

ANNUAL INFLATION RATES

	<u>CONSUMER PRICE INDEX</u>	<u>WHOLESALE PRICE INDEX</u>	<u>GNP DEFLATOR</u>	<u>INFLATION ON DEFENSE BUDGET: OUTLAYS TOA</u>	
<i>FY 1973 to FY 1974</i>	8.9%	16.1%	8.1%	9.4%	10.3%
<i>FY 1974 to FY 1975</i>	11.1%	16.9%	10.8%	12.5%	10.1%
<i>FY 1975 to FY 1976</i>	7.3%	6.2%	6.2%	7.0%	6.9%
<i>FY 1976 to FY 1977</i>	7.5%	8.7%	7.6%	7.7%	7.2%
<hr/>					
<i>COMPOUND ANNUAL AVERAGE, FY 1973-77</i>	8.2%	11.1%	7.7%	8.6%	8.0%

Similarly, costs in other areas have increased as well. The Chief of Staff of the Army cited several examples in his report to the Congress: "If we bought the same basic field artillery weapon, the self-propelled 155 mm. howitzer, that we did in 1967, the cost would be up 239 percent, from just over \$100,000 to \$350,000 each. -- The price of the M60A1 tank has more than doubled in the last decade, and one of the transmissions for a CH-47 Medium Cargo Helicopter has gone up 153 percent to \$93,500 since 1968."

When the FY 77 budget request of \$26.7 billion of the Army is compared to the previous year, \$1.2 billion of the difference is a direct result of inflation and \$1.4 billion is real growth in spending power.

Operations and Maintenance

The operation and maintenance portion of the budget supports individual and unit training and readiness for the Active Forces. The Reserve Components similarly have an O&M Account in their section of the budget. O&M also supports civilian hire and provides for the purchase of such recurring supplies as fuel, lubricants, and repair parts needed to sustain on-going operations and training. Inflation deals particularly heavily with the O&M part of the budget because the pricing method used falls behind reality so quickly. The O&M request for

the Army for FY 77 is up some 10%. Some highlights of that increase include:

- o \$355 million inflation for past price increases.
- o \$117 million for annualization of civilian pay raises.
- o \$87 million for replenishment of stockage levels.
- o \$252 million additional for depot maintenance of equipment.
- o \$105 million for increased maintenance and repair of facilities.
- o \$51 million for expanded training initiatives.
- o \$37.9 million for chemical defense equipment.

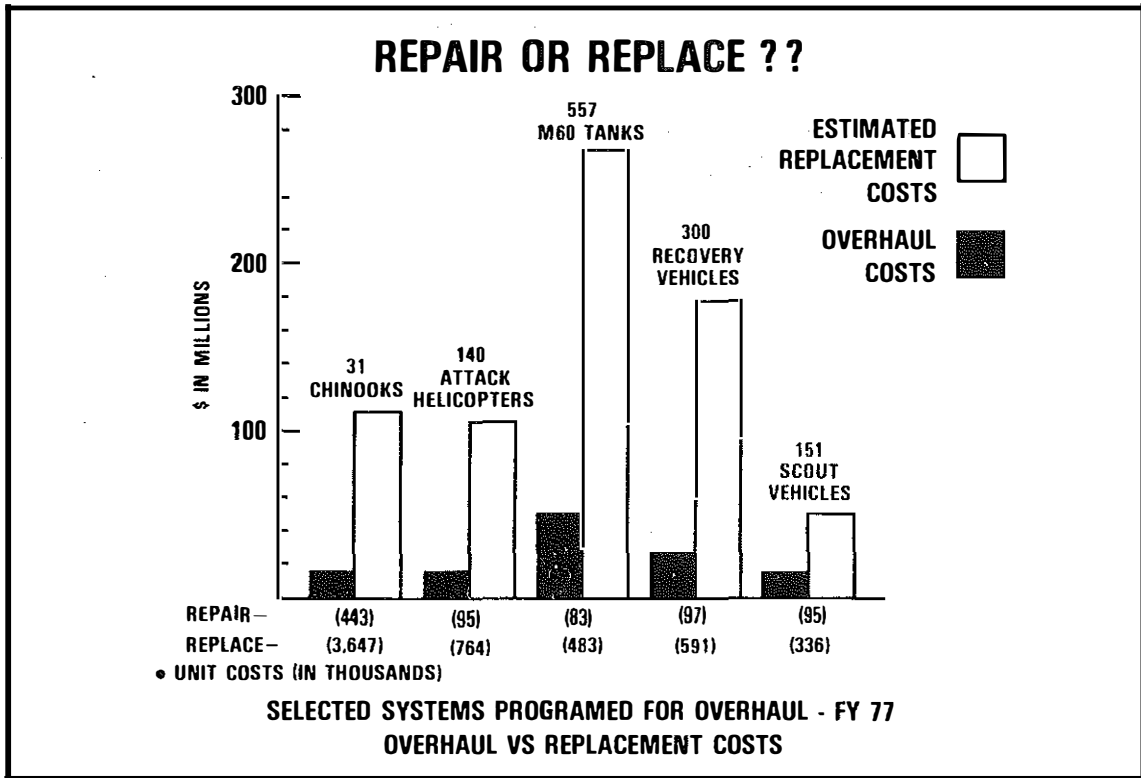
NOTE: The above figures do not add to the total increase over the revised FY 1976 estimate because of offsetting reductions.

Some excerpts from the Report to the Congress by the Secretary of the Army, Martin R. Hoffmann, delineate two other areas of special interest in operations and maintenance:

"The depot maintenance program is one of the largest single programs in OMA. This year, the budget request includes a \$252 million increase over the revised FY 1976 estimate. While pay raises and price changes account for part of this increase, \$165 million will allow reduction of the backlog of equipment awaiting overhaul.

"Requested funds will provide for the overhaul of 557 M60 series tanks, a number that could outfit more than ten front line armor battalions. The Reserve Components are scheduled to receive over 300 of these reworked tanks, and some will go towards reconstituting prepositioned stocks in Germany. The balance is required for Active units. The enhancement of readiness is obvious. In addition, \$35 million will support conversion of 648 M48A1's to the far more effective M48A5 configuration. The kits for these conversions have been procured with previously appropriated funds. Besides high visibility items like tanks, this program also provides overhaul for other critical items such as communications equipment, helicopters, artillery weapons, and other vehicles.

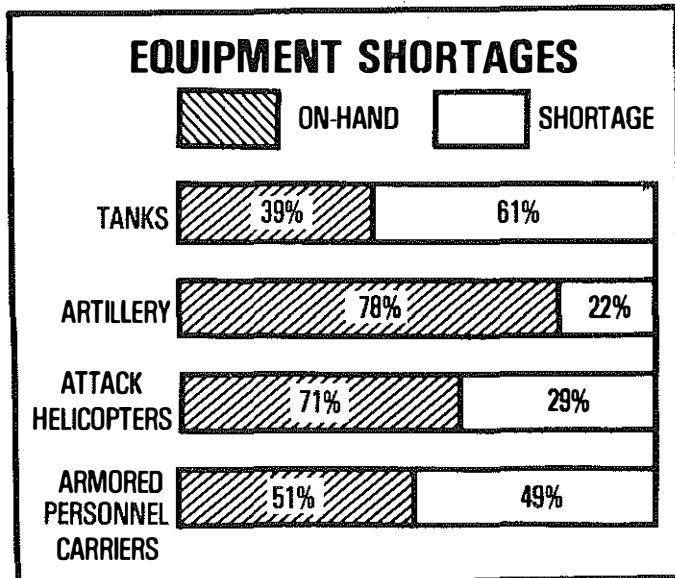
"This essential overhaul and conversion effort is a high-leverage Army program that equips and modernizes the force. The Army's requirement for major items of equipment represents a considerable monetary investment. The depot maintenance effort is minimal compared to the price that would be paid if these items were replaced rather than repaired as the chart depicts.



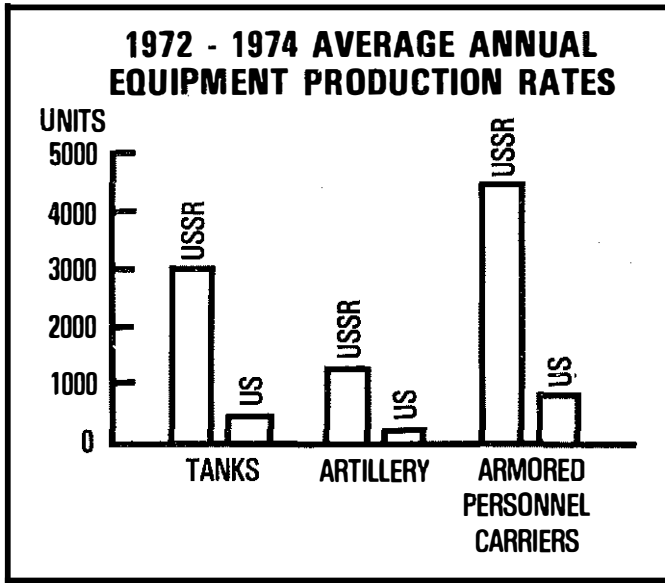
"Maintenance of the Army's real property inventory affects such facilities as troop centers, depots, arsenals, proving grounds, and training areas. The replacement value of this inventory is in excess of \$88 billion. This year, the Army is requesting \$532.4 million, seven percent of the OMA appropriation, for maintenance of these assets. Altogether, the Army has over a billion square feet of buildings and over 500 million square yards of surfaced area. Land holdings of 12.7 million acres are equivalent to the combined area of Massachusetts, New Hampshire, and Delaware. Not all of these facilities are ideally located, and about 55 percent of Army facilities are over 30 years old. Maintenance becomes more difficult and expensive each year.

Procurement

The Army faces three basic problems in the area of procurement. First, shortages are acute. As we pointed out earlier, only 51% of the weapons and equipment (in dollar value) needed to equip the total Army is on hand.



Although the divisions scheduled to go into combat first are reasonably well-equipped. The problem is particularly acute in the Reserve Components.



Secondly, the Soviets have geared their production rate for ground force equipment sufficiently high that it will be difficult if not impossible to ever close the gap. Only in helicopters are we out in front.

Thirdly, the problem is confounded by the growing lethality of the modern battlefield. As exemplified from this data from the 1973 Arab-Israeli conflict.

APPROXIMATE BATTLEFIELD LOSSES		
October 1973		
	<u>ARABS</u>	<u>ISRAELIS</u>
Tanks	60%	19%
Artillery	17%	2%
APCs	29%	43%

In the words of the Secretary of the Army: "This has been brought about principally by the advent of precision guided weapons. What can be seen can be hit -- what can be hit can be destroyed. The effects of these weapons were observed during the 18 days of the 1973 War in the Mideast when all

combatants lost substantial portions of their stores of equipment."

Will all of these problems in mind, the largest single increase in this year's Army budget request is in the procurement area.

PROCUREMENT HIGHLIGHTS - QUANTITY

	FY 1976	FY 1977
AH-1S HELICOPTER(COBRA TOW)	38	82
AIRPLANE CARGO, C-12A	20	20
UTTAS	0	15
IMPROVED HAWK	520	526
TOW	23,813	5,720
DRAGON	19,300	9,496
STINGER	0	445
LANCE	0	360
M60A-1/A-3 TANK	662	886
ARMORED PERSONNEL CARRIER, M113A1	845	1,200
HOWITZER, 105mm, XM204	19	54
HOWITZER, 155mm, XM198	19	72

Research and Development

The most visible portions of the Army's R&D effort continue to be centered on the so-called Big 5 - all of which are reasonably on course and proceeding without undue difficulties.

MAJOR RDTE PROGRAMS/SYSTEMS (\$ in Millions)

<u>Program</u>	Revised <u>FY 76</u> Estimate	<u>FY 77</u> Request
Advanced Attack Helicopter (AAH)	55	112
Utility Tactical Transport Air- craft System (UTTAS)	92	75
XM-1 Tank	52	105
Mechanized Infantry Combat Vehicle (MICV)	17	30
SAM-D Air Defense System	<u>130</u>	<u>180</u>
TOTAL	346	502

Additional on-going Army research and development programs of special interest include: The cannon launched guided projectile; the immunization of current missile systems to counter measures and the efforts to put together an integrated air defense system built around the SAM-D, the Roland short range air defense system, the improved Hawk, the hand-held Stinger and various anti-aircraft gun concepts.

Selective Service

Although not a part of the Defense Budget, we are deeply concerned about the Administration's proposal to eliminate the Selective Service System as a viable force. The FY 77 budget proposes that funds for Selective Service be reduced from an already dangerously low \$37.4 million to \$6.8 million. If adopted, this will effectively disband the system as we know it and reduce it to a record-keeping operation. We have commented on this in great detail in recent position papers, a Fact Sheet and testimony before the Congress. It is our belief that given the erosion of Congressional support for recruiting programs, an improved economy and the serious depletion of the Standby Reserve and the Individual Ready Reserve, we are taking unwarranted risks in our ability to obtain needed manpower quickly in an emergency.

The Secretary of the Army expressed a similar view in his FY 77 Defense Posture statement: "The success to date of Army recruiting efforts and the growing maturity of the All-Volunteer Force concept are reassuring, but the utility of the draft laws and their practicality in times of emergency have not by any means disappeared. Conscript machinery, like industrial capacity, operates as a deterrent on the mind of a potential aggressor. Although the volunteer force should be able to maintain adequate forces in peacetime, the capability to conscript, in the event of an emergency, must be maintained."

The People Budget

That portion of the Defense Budget dealing with people is so important and so complicated that we intend to examine it in more detail in a separate position paper that will be issued shortly. There are, however, several points that need to be made if this is to be a balanced assessment of the Defense Budget requests.

Essentially, the total figures for the active forces remain the same. A 13,000 man cut in the Active Air Force is offset by a 12,000 man increase in the Active Navy. DOD civilian strength will be cut by 26,000 with the

Army losing 12,000, the Navy 3,000, the Air Force 7,000 and other DOD agencies 4,000. We have already alluded to the unfortunate proposal to reduce the Navy Reserve by some 40,000.

The growing cost of manpower has had a very major impact on the Defense Budget. Secretary of Defense Donald Rumsfeld pointed this up to the Congress: "Since the pre-Vietnam war year of 1964, Defense annual payroll costs have increased from \$22 billion to \$50 billion, while manpower levels have declined from 3.86 million to 3.14 million. As a percentage of annual Defense outlays payroll costs have grown from 44 percent to 55 percent. --- That represents a shift of \$10 billion from Research and Development, procurement, maintenance and operations to manpower, in spite of the fact that there are 19% (716,000) fewer military and civilian personnel on the payroll."

We cannot cut military strength and still meet defense needs. Military strength is now 600,000 below 1964 levels, while opposing military capabilities have grown both qualitatively and quantitatively.

Obviously, it is imperative that programs as costly and important as these be carefully evaluated to insure the best possible management and cost effective return for the large dollar investment. There are on-going now two major study efforts aimed at these very problems. One, the Defense Manpower Commission, established by the Congress, is scheduled to present its final report next month. The Quadrennial Review of Military Compensation is a DOD group - of all services - that is preparing pursuant to law a detailed examination of all phases of military compensation for the Executive branch to present to the Congress.

ARMED FORCES PERSONNEL

	MILLIONS		
	[JAN 1976]		
	US	USSR	PRC
ACTIVE	2.1	4.4	4.3
RESERVE	1.8	6.8	1
ARMED MILITIA + OTHER AUXILIARY UNITS	-	-	8.0
TOTAL	3.9	11.2	12.4

INCLUDES ARMY NATIONAL GUARD AND AIR NATIONAL GUARD. BUT EXCLUDES RETIRED RESERVES

AUSA continues to urge strongly that no further piecemeal actions be taken to try and adjust military compensation until the views of these two major undertakings can be considered.

We have already commented in detail on the pay caps and on proposals to phase out commissary subsidies. Other proposals aimed at reducing payroll costs include reductions in proficiency pay, reenlistment bonuses, terminal leave payments, paid graduate education, CHAMPUS coverage (already seriously impaired), parachute pay and flight pay.

The 1% add on to the cost of living increases given to retired personnel would be eliminated on the basis that the CPI increases have come more often than contemplated and have overcompensated the assumed inequity for which the addition was instituted.

Savings in future retired pay payments would be effected to the tune of about \$1 billion annually beginning in 1979. Firm actions are already underway to allocate in a different manner pay raises approved by the Congress. Instead of applying the full raise to basic pay as heretofore, the raises are applied equally between base pay, and quarters and subsistence allowances. Since retirement pay is computed only on base pay, the potential for savings is obvious. In this same area, those living in government provided quarters would be charged a fair-market value rental for those quarters.

There are other proposals as well that touch on the total compensation picture that also must be considered. It is imperative that this not be done on a piecemeal basis but rather considered as a whole. There is a substantial psychological problem to be dealt with here as well as an economic one, that is bound to affect seriously the morale of military personnel and their willingness to serve in a volunteer force.

Reserve Components

RESERVE COMPONENT APPROPRIATIONS

	(\$ IN MILLIONS)		
APPROPRIATION	FY 75	FY 76	FY 77
ARMY RESERVE	\$810	\$851	\$860
RPA	(483)	(481)	(438)
O&MAR	(283)	(320)	(375)
MCAAR	(44)	(50)	(47)
NATIONAL GUARD	\$1321	\$1451	\$1437
NGPA	(658)	(717)	(671)
O&MARNG	(604)	(671)	(719)
MCARNG	(59)	(63)	(47)
TOTAL	\$2,131	\$2,302	\$2,297

The growing reliance on our Army reserve components as a truly integrated part of our first line of defense is reflected again in the FY 77 Defense Budget by increases in total funding as well as paid drill and strength.

RESERVE COMPONENT MANPOWER HIGHLIGHTS

PAID DRILL END STRENGTH:	FY 1976	FY 1977
(000's)		
NATIONAL GUARD	380	400
ARMY RESERVE	212	219
TECHNICIAN END STRENGTH:		
NATIONAL GUARD	28,892	29,221
ARMY RESERVE	8,550	9,124

We have described earlier funding requested to begin to alleviate severe shortages of weapons and equipment that still plague many of these units.

In other AUSA publications we have described in detail the growing success of the Affiliation Program. This program involves both Reserve and National Guard combat, combat support, and logistical support battalions. Some 92 such battalions are "affiliated" with Active Army units today and the number will be increased to 97 in the near future. Under the program, the Active Army units involved more or less adopt the affiliated Reserve Component units and make every effort to improve their readiness so that, if necessary, they can deploy on short notice as part of the Active Army unit. The active unit assists in and supervises training of the affiliated units and, where possible, the reserve unit actually trains with its active counterpart.

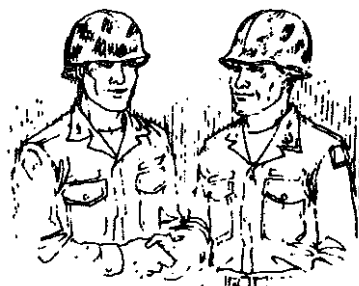
The program is so effective that four brigades and 11 separate battalions are already earmarked to "round out" Active Army divisions in FY 77. In other

words, these units definitely would go to war as part of the divisions.

AFFILIATION

OBJECTIVES:

- IMPROVE READINESS
- EARLY PARTICIPATION
- INCREASE COMBAT POWER



COMBAT BATTALIONS

ARMOR	10
ARMORED CAVALRY	1
INFANTRY	27
FIELD ARTILLERY	26
SPECIAL FORCES	2
ENG (COMBAT)	10
ENG (COMBAT HEAVY)	9
TOTAL	<u>85</u>

COMBAT SUPPORT BATTALIONS

SIGNAL BNs	5
SUPPORT BNs	7
TOTAL	<u>12</u>

There are some harassments proposed in the FY 77 Budget which will surely detract from the unusually good progress in readiness which has been recorded of late.

We have already referred to the proposal to eliminate military leave for Federal employees while taking active duty for training with the Guard and Reserve. This proposal is based on the approach that such leave constitutes dual compensation. Should this proposal pass, we believe it will be unduly disruptive to many units and further that it is totally inconsistent with the efforts we have strongly supported to foster more civilian employer support for the Guard and Reserve. It will also seriously affect the retention of many good people in the reserve components - a dangerous situation under an all-volunteer concept.

We are equally unimpressed with the proposal which would eliminate administrative pay (a maximum of \$240 per year) paid to unit commanders who must handle much of their unit administrative work outside of normal training hours.

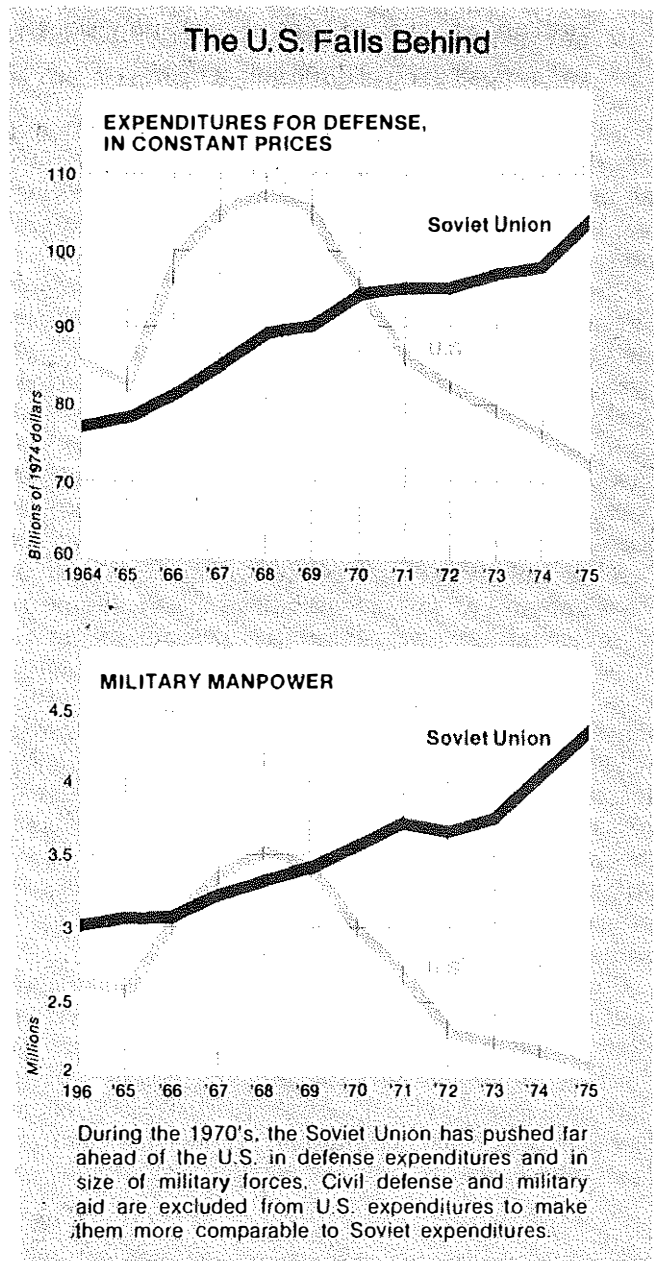
We are concerned, too, about proposals which would permit the Service Secretaries to reduce the number of training assemblies for some Guard and Reserve units by the artifice of assigning them to a different training category. A reduction from 48 to 24 drills could only be counterproductive.

Much real progress has been made in improving the readiness of our Reserve Components. Surely, this is one of the most cost effective methods of improving our defense posture. We want to be sure that further progress is not arrested by proposed slide rule savings that end up devaluing our investment.

Conclusion

In this brief analysis of a very lengthy and complex document, the National Defense Budget, it is not possible to do more than highlight some of the principal areas of interest.

But hopefully our analysis does convey the magnitude of the responsibility that our country faces. In the words of James R. Schlesinger, former Secretary of Defense: "The United States remains the indispensable counterweight to Soviet military preponderance in the Eastern Hemisphere. Without the strength and support of the United States, no combination of nations can provide the requisite military power to withstand Soviet political and military pressures. Even the nations of Western Europe are but a collection of small and medium sized states that



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require the help of American power to serve as both the backbone and adhesive of the alliance. By themselves they cannot counter the full weight of the Soviet superpower."

We have entitled this paper "Diminishing Deterrence" because, as we have tried to bring out, this budget is inadequate to address properly the growing deterioration in our defense posture vis-a-vis the Soviet Union. Unless we narrow this gap more substantially than provided in this budget, our credibility goes down further and deterrence diminishes. As Dr. Schlesinger has so succinctly pointed out, "the continued deterioration of the military balance would ultimately leave the Western World in a position in which its only serious foreign policy course would be retreat or appeasement." Even in a presidential election year, our nation deserves a more viable alternative.