

**'PATH TO FAILURE IN PREPAREDNESS'**



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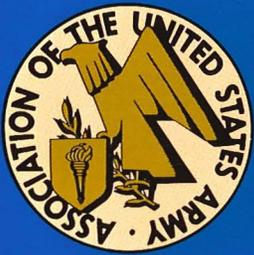
AUSA  
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# NATIONAL SECURITY REPORT:

# PROCUREMENT HOLIDAY

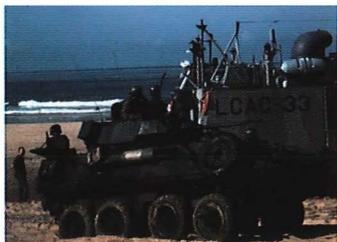
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**"THE FACT IS THAT WE DON'T  
HAVE A NATIONAL MISSILE  
DEFENSE SYSTEM, THAT OUR  
CURRENT MILITARY SYSTEMS  
ARE AGING VERY RAPIDLY  
AND THAT IF WE DON'T  
WATCH OUT, OUR SONS AND  
DAUGHTERS ARE GOING TO  
BE GOING TO WAR IN  
EQUIPMENT THAT THEIR  
GRANDFATHERS BUILT." <sup>10</sup>**

**Senator Ted Stevens (R-Alaska)**




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**THE PROCUREMENT  
HOLIDAY –  
PATH TO  
FAILURE IN  
PREPAREDNESS**



The lack of funding for procurement and modernization across the Department of Defense (DoD) is setting up a crisis in readiness. The need to fully fund ongoing operations and current readiness, combined with continued pressure on the defense budget because of political and fiscal constraints, is keeping the procurement accounts from being raised to the levels sufficient to assure the nation's future defense.

Mortgaging future readiness to pay for current readiness, continuing to extract a peace dividend from defense by keeping procurement low, and ignoring the warning signs of the procurement holiday is a trend that cannot be allowed to continue. The DoD budget and the peace dividend of three-quarters of a trillion dollars exacted from it over the past ten years need to be reevaluated so that the soldiers, sailors, airmen and marines of tomorrow have the tools they need. We must not—as we did 50 years ago in Korea with Task Force Smith—show up for a war with our forces undermanned and armed with antiquated and obsolescent equipment. The procurement holiday must end.

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**PROCUREMENT,  
ENGAGEMENT AND  
THE POLITICS OF  
NATIONAL SECURITY**

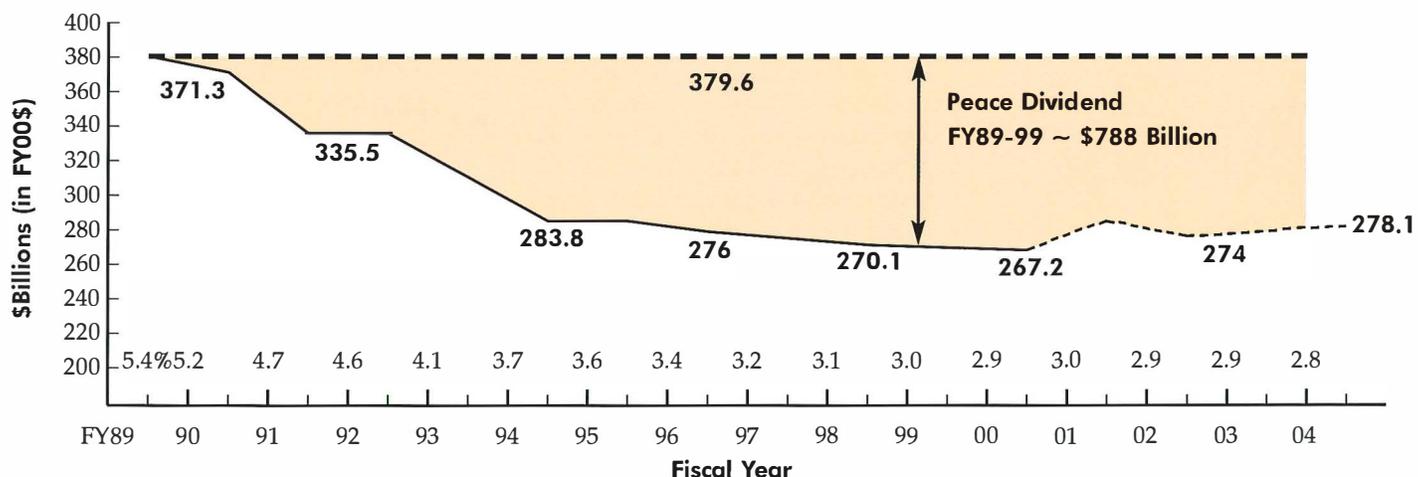
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When the Cold War ended, the United States had the best equipped armed forces in the world. This was demonstrated in 1990 and 1991 when the allied coalition led by the United States defeated Iraq in a high-tech, high-tempo war. Stealth aircraft used precision-guided bombs, ships and submarines fired cruise missiles from hundreds of miles away, and tanks rolled into battle able to see and shoot farther, faster and more accurately than their foes.

The end of the East-West standoff and the ensuing strategic pause created an opportunity to spend less on defense and to dramatically reduce active and reserve force levels. The Army cut 10 (eight active/two National Guard) of 28 combat divisions, the Navy's number of carrier battlegroups was reduced from 15 to 12, and the Air Force had its number of fighter wing equivalents cut almost in half. The weapons and equipment in the services, which had been designed and procured during the Reagan build-up of the early 1980s, could outmatch anything in existence.



## DEPARTMENT OF DEFENSE BUDGET/BUDGET AUTHORITY



DoD Budget Authority as a % of GDP (current year \$)

— Actual DoD Budget    - - - - - Projected DoD Budget Authority    - - - - - FY89 Budget Benchmark

Source: Congressional Research Service, Defense Budget for FY2000: Data Summary

Given the dramatic overall defense cutbacks, the peace dividend has now grown to \$788 billion and is continuing to grow at a rate of about \$100 billion per year. About \$350 billion of that peace dividend comes from cuts in procurement.

With the force reductions, older equipment could be discarded and only the newest pieces kept in the inventory. New equipment was cascaded down to reserve units, replacing some of their older stocks. The slashing of the procurement accounts—the procurement “holiday”—was to be temporary. It was envisioned that

during the pause DoD and the services would be able to experiment with emerging technologies. And by the time the post-Cold War threats became defined, business and acquisition reform within the Defense Department would free funds to buy new systems.

The “temporary” ten-year procurement holiday threatens to plunge the United States military into a crisis. We did not have a pause. Instead, the military has been used for peacemaking and peacekeeping, for humanitarian assistance and nation-building, and for training, exercises, military-to-military contacts and confidence-building all over the world. This resulted in a 300-400 percent increase in operational deployments. Our soldiers, sailors, airmen and marines have been

busier than ever in support of the National Military Strategy—shaping, preparing and responding to events.

The result has been ships deployed with limited downtime for repair and maintenance, a fleet of F-16 fighters so stretched that it requires a time-out, and troops deployed so often that we are wearing them and their equipment out. And, as shown in the recent operations in the Balkans, the new American way of war means rising use of airframe flight hours and rapid expenditure of precious stocks of precision-guided munitions.



Demands for money to fund the forces' operating tempo (OPTEMPO) and current readiness have risen, and the procurement and research and development (R&D) accounts have been squeezed. The touted DoD revolution in business affairs (RBA), Base Realignment and Closure (BRAC) and other business reforms in the Pentagon have yet to show significant savings to shore up the procurement accounts. The combination of using existing equipment more intensively and spending less money for procurement has led to accelerated aging of our equipment, and subsequently more money diverted to repairs. This cycle has been described by the Under Secretary of Defense for Acquisition and Technology, Jacques Gansler, as a death spiral:

 **We must face the reality that, for the foreseeable future, the vast majority of the systems we will use are those that are already deployed. Yet, because we stopped modernizing over the last decade, when our procurement account dropped by more than 70 percent, we are now spending billions, for example, to maintain our aging fleet of aircraft—75 percent of which will have an average age of more than 20 years by next year. Flying-hour costs for that aging fleet have risen almost 70 percent during the past four years, and maintenance costs are skyrocketing. Worse still, the age and deteriorating state of these systems is having an effect on readiness. They**

**demand more and more dollars to keep them going. We are trapped in a Death Spiral. The requirement to maintain our aging equipment is costing us much more each year in repair costs, down time and maintenance tempo. But we must keep this equipment in repair to maintain readiness. It drains our resources—resources we should be applying to modernization of the traditional systems and development and deployment of the new systems. So we stretch out our replacement schedules to ridiculous lengths and reduce the quantities of the new equipment we purchase—raising their costs and still further delaying modernization.<sup>1</sup>**

Dr. Gansler's assessment sums up the problem. Procurement spending has been slashed from \$127 billion in 1985 to 1997's \$45 billion (in constant Fiscal Year 2000 dollars). The average procurement budget for the Cold War was \$90 billion in FY 2000 dollars. Procurement was cut by 64 percent while the total National Defense budget was cut by only 37 percent.<sup>2</sup> And the administration's planned purchases for FY 2000 and the Future-Years Defense Plan (FYDP) are not sufficient to halt the continued aging of the inventory, refurbish selected platforms, nor provide for new systems in sufficient quantities to reverse the death spiral.

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## WHEN THE DEATH SPIRAL HITS BOTTOM

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The death spiral in defense procurement will affect the national security of the United States by 2010. By that time, the equipment now in use will have aged beyond its projected lifespan and into obsolescence. At the same time, not enough funds will have been made available to purchase the necessary follow-on systems. If funds are belatedly made available in 2010 to solve the now-serious crisis, the problem becomes one of time. There will be a time lag between when the older equipment becomes obsolete and when the new systems can be designed, developed, purchased and deployed in quantity.

To sustain the current force structure with modernized, or refurbished equipment takes annual buys far beyond what is projected in the budgets. The Congressional Budget Office (CBO) has underscored this very point.<sup>3</sup>



SYSTEM	ANNUAL BUYS NEEDED	PROJECTED ANNUAL BUYS (FYDP)
Ground Combat Systems	623–872	28
Scout/Attack Helos	90–152	4
Surface Ships/Subs	8–10	8
USN/USMC Fighters	70–93	46
USAF Fighters	104–139	26
Tanker Aircraft	10–12	None
Strategic Bombers	3–4	None

**Source:** Congressional Budget Office

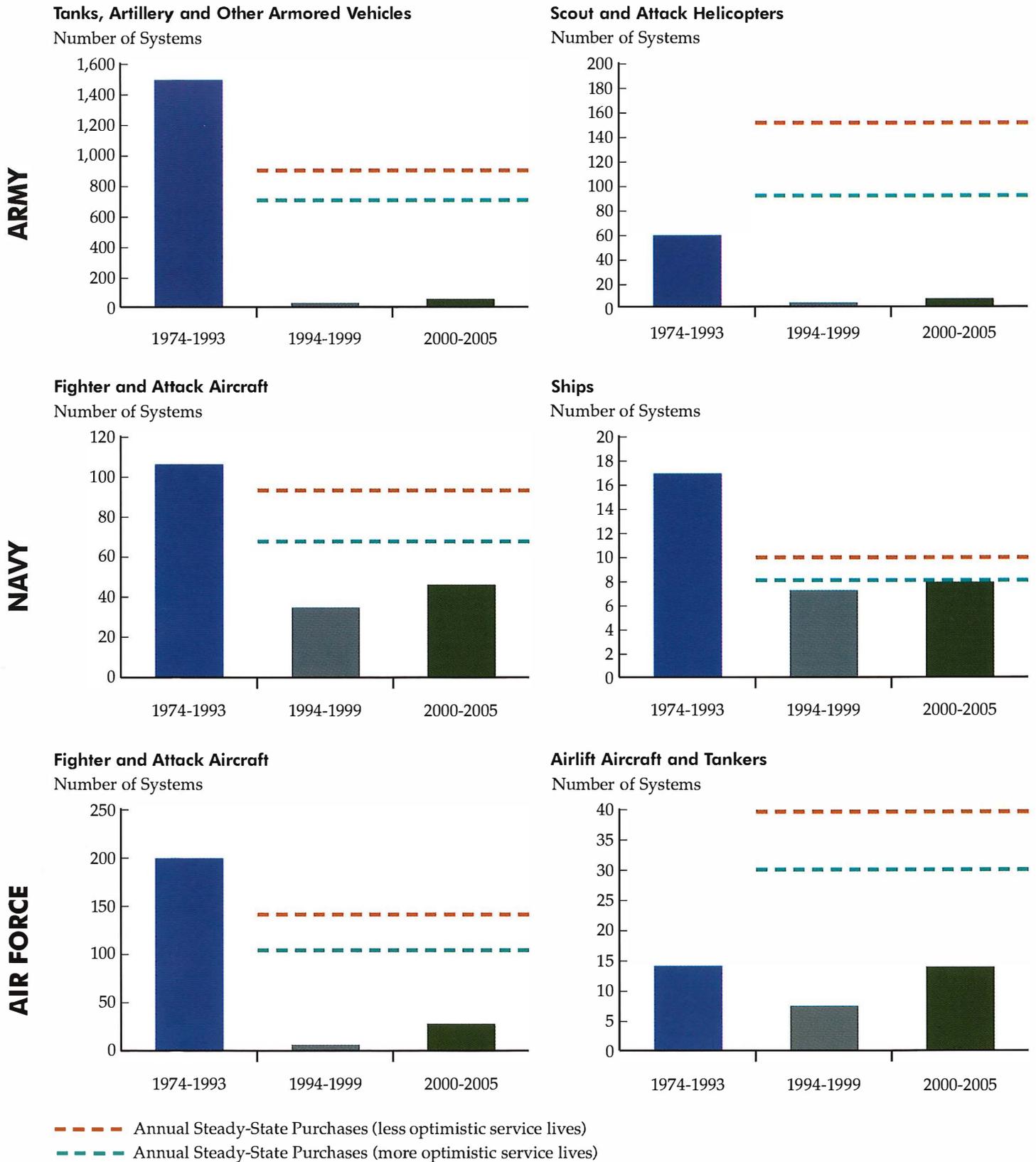
precision-guided munitions far faster than anticipated, and U.S. war reserves have been depleted. The operation also reminded the nation that for a number of systems, production has ended and the factory lines have been dismantled. The average age of fighters and ground attack aircraft is surpassing 20 years, with Air Guard and Air Force Reserve operating the older aircraft. Forty percent of the active component air fleet is over 25 years old. The B-52, the backbone of both the bomber fleet and the airborne nuclear deterrent, will be 75 years old when it retires. Some aircraft are so far beyond their projected service lives that maintenance schedules are unknown, metal fatigue is anticipated, and the planes are repaired whenever cracks become visible. The principal Army scout/light attack helicopters, the OH-58 Kiowas, are older than the pilots who fly them. Their replacement, the RAH-66 Comanche, is still at least seven years away. The stated requirement for the need to replace the OH-58 with the RAH-66 is exactly 20 years old. The U.S. Marine Corps has been particularly hard hit by the aging helicopter crisis. The CH-46 Sea Knight helicopters are more than 30 years old. They have had to be limited in range and payload, affecting the Corps' ability to execute its missions. The larger CH-53 requires 38 hours of maintenance downtime for every hour of flight time.<sup>6</sup>

In order to arrest the spiral and the aging of the equipment in the hands of our soldiers, sailors, airmen and marines, DoD must spend enough on procurement and modernization to equal the amount of depreciation on the forces' equipment. Were the nation to take that approach—already in use in the nation's businesses—the procurement accounts would need to be funded at an annual level of \$90 billion (in FY 2000 dollars). The FY 2000 defense budget has only \$53 billion. This is \$37 billion short—and therefore continues to age the equipment in the year 2000 and for the following five years in the Future-Years Defense Plan. DoD has set a minimum procurement target of \$60 billion. It plans to exceed that whenever savings are realized from BRAC and other

Defense Reform Initiatives (DRIs). But, as the General Accounting Office (GAO) has pointed out, those funds are slow in coming and the savings that are intended to go into the procurement accounts may never be fully realized.<sup>4</sup> Worse, DoD's projected critical modernization requirements call for an investment of over \$70 billion, and were one to fully exploit the technologies advocated by the Revolution in Military Affairs, it has been estimated by a thoughtful MIT Security Studies Program article that an additional \$15 billion should be added.<sup>5</sup> Moreover, we will find that in the years ahead, funding requirements to deal with asymmetric threats are woefully underestimated. Thus, a \$90 billion procurement target is realistic.

Both DoD and Congress now recognize the problems associated with the procurement holiday and equipment aging. The congressional hearings on this topic were revealing. Moreover, the recently completed Operation Allied Force over Kosovo and Serbia consumed

**PURCHASES OF SELECTED WEAPON SYSTEMS** (Yearly Averages for Various Periods)



Source: Congressional Budget Office based on Data from the Department of Defense

The chart above highlights purchases of selected weapon systems for the timeframe 1974–2005. It illustrates the extent that procurement for the Quadrennial Defense Review (QDR) force is insufficient even under optimistic equipment service-life assumptions.



Some of our most valuable systems—those low-density, high-demand assets needed in any contingency—are aging and have no replacements even in development. The ubiquitous 1960s-era EA-6B electronic warfare plane is the only such aircraft in service, and there are no plans for replacement. The KC-135 and KC-10 tankers do not have descendants on the design tables. The Navy's P-3 and S-3 patrol aircraft and their EP-3 and ES-3 reconnaissance counterparts are aging, and the replacement programs have been cancelled. Yet, global commitments mean that high-demand, low-density assets such as Airborne Early Warning and Control (AWACs) aircraft, Joint Surveillance Target Attack Radar System (JSTARS) aircraft, tankers, strategic-lift transports, and now unmanned aerial vehicles (UAVs) are constantly deployed.

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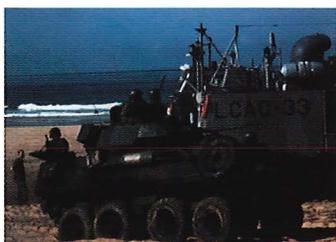
## *Joint Vision 2010* **AND FUTURE READINESS**

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The nation's future warfighting capabilities are linked to the concept of future warfare by the Chairman of the Joint Chiefs of Staff in *Joint Vision 2010*. The key systems needed by the services to make *JV2010* a reality will not be procured in time, if at all. The Army XXI program to digitize first a division, then a corps, is facing enormous cost pressures. The Army After Next (AAN) research, experimentation programs and technologies are underfunded to the point that realizing Army Chief of Staff General Eric K. Shinseki's intent—to lighten the heavy forces, increase the lethality of light forces and build a Strike Force—will be difficult. While the Air Force is organizing to be more deployable with their air expeditionary forces, the airframes continue to age. The F-22 buy has been delayed, may be further

delayed by the Congress, and purchases have been reduced below the 1997 Quadrennial Defense Review levels; the Joint Strike Fighter is still an artist's impression. Worse, the strategic air mobility assets have been used so extensively in the past few years that repair and refurbishment costs are mounting. The Navy cancelled the Arsenal Ship, is fighting to keep its DD-21 and *Virginia*-class submarine programs alive, and faces cost and scheduling challenges with the F/A-18E/F.

Most of the big procurement increases are scheduled for the outyears beyond the FYDP. This will create a bow-wave problem for the next administration at the end of the first decade of the 21<sup>st</sup> century. That administration also will be confronting the mounting budget pressures by an increasing Social Security and Medicare population.



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## THE CONSEQUENCES OF THE PROCUREMENT CRISIS

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The fundamental problem is that our military has been surviving by living off of depreciating inventories while diverting money, what little there is, meant to buy the future inventories. This is robbing Peter to pay Paul. Kosovo sounded an alarm. Future readiness is a serious concern. We cannot afford a "train wreck." If we do not modernize, recapitalize and replace in a timely manner, the wars of the next decades will be made profoundly riskier by our failure in preparedness. We posit that the first major theater war (MTW) in 2015 would be fought by small numbers of modernized "silver-bullet" systems backed up by large numbers of legacy systems in the hands of both active and reserve components. Of those legacy systems, only a

few would have been recapitalized. This would increase the risks and complicate planning, coordination and supply. If a second MTW broke out, we would have few if any of the modernized systems available and our armed forces would fight with 30-year-old weapons that we procured in the 1980s. That second MTW would be the 21<sup>st</sup> century Task Force Smith. Twice the Chairman of the Joint Chiefs has testified before Congress that the risk associated with the military executing two major theater wars is now moderate to high. The second MTW is deemed "high risk."<sup>8</sup> That means that the risks of winning with minimum casualties in any second MTW in 2015 would be even higher. It would be a failure in preparedness.





## WHAT MUST BE DONE

To be prepared for the security challenges of the future, the defense procurement budget must be able to accomplish three things. First, it must begin to modernize certain systems and bring new weapons online to meet future missions as laid out in *JV 2010*. Second, older equipment must be recapitalized and new technologies inserted so that the older stocks may continue to operate across active and reserve component forces, as well as jointly. Last, those stocks of equipment that have already aged beyond the projected lifespans must be replaced. Newer fighter planes may be more effective than the older planes, allowing a two-for-one replacement, but new trucks are not revolutionarily different from older trucks. Trucks, radios, rifles and all the other minutia of a modern army must be replaced one for one.

- *We simply cannot afford to have the nation's global commitments sustained by mortgaging tomorrow's readiness. The three-quarter-trillion-dollar defense peace dividend must be adjusted.*
- *We must respond to world realities—not as we wish them to be, but as they really are—by spending more than 3 percent of our gross domestic product on defense—3 percent is simply not enough.*
- *Procurement funding must be brought to a minimum of \$90 billion per year to innovatively recapitalize our Total Force—air, space, land and sea forces. We must also have sufficient funds to pay for countering diverse threats. These include funds for national and theater ballistic missile defense, information warfare, homeland defense, and space security operations.*
- *R&D funding must be enhanced to ensure development of leap-ahead technologies and stepped-up innovation, and to assure the technological superiority of the armed forces.*
- *Budget increases must come from real dollars added and not overly optimistic savings assumptions. Efficiency initiatives will not cut it by themselves. The United States cannot save its way into needed modernization increases. The nation must end the procurement holiday now by adding dollars.*

The post-Cold War world has brought challenges that we did not envision when the procurement holiday began. The strategic pause never materialized. The nation's security was purchased in the 1980s. The United States can no longer afford to continue to bank on that. The notion that the United States cannot afford to spend more on defense is largely a political and not an economic judgment.<sup>9</sup>

**The time to act is now. The nation must use part of the budget surplus to preserve its future national security. The nation must dedicate \$90 billion to buying the equipment that tomorrow's armed forces will need to insure "no more Task Force Smiths."**



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## ENDNOTES

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1. The Honorable Jacques Gansler, Under Secretary of Defense (Acquisition and Technology), Speech in Washington, D.C. 13 August 1998; emphasis added.
2. Steven Kosiak, *Analysis of the Fiscal Year 2000 Defense Budget Request*, Center for Strategic and Budgetary Assessments, February 1999.
3. Lane Pierrot, Congressional Budget Office, Testimony to the Military Procurement Subcommittee of the House Armed Services Committee, 24 February 1999.
4. General Accounting Office. *Defense Reform Initiative*, NSIAD-99-87
5. Cindy Williams and Jennifer Lind, "Can We Afford a Revolution in Military Affairs?" *Breakthroughs*, MIT Security Studies Program, Spring 1999.
6. Aircraft aging data from Dr. Loren Thompson, Lexington Institute, Testimony before Military Procurement Subcommittee of the House Armed Services Committee, 24 February 1999.
7. Dan Goure and Jeffrey Ranney, *At the Dawn of the New Millennium: Averting the Coming DoD Train Wreck*, Center for Strategic & International Studies, April 1999 Briefing.
8. Senate Armed Services Committee, *National Defense Authorization Act for Fiscal Year 2000*, 17 May 1999.
9. Gary Schmitt, "American Primacy and the Defense Spending Crisis," *Joint Forces Quarterly*, Spring 1998, p. 56.
10. Senator Ted Stevens (R-Alaska), as quoted in the Associated Press, 1 July 1999.

**AUGUST 1999**

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