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"Preparing for the 105th Congress"

Keynote Address of

The Under Secretary of Defense for Acquisition and Technology

Dr. Paul G. Kaminski

to the

Congressional Quarterly Symposium

Holiday Inn On The Hill, Washington, DC

November 13, 1996

Good morning. It's a pleasure to be with you today. I'd like to thank the Congressional Quarterly for their outstanding effort to bring together everyone—not just those in Washington, but everyone—working on legislative affairs in the Department.

Last week, Americans exercised their constitutional right to be heard. The election of 1996 is over and the people have spoken. Their message: "keep it the way it is." Although there was much speculation before the election that the large number of retiring members of Congress may lead to some dramatic changes, this outcome has not panned out.

My sense is that when Americans chose to return a Democratic President to office and to maintain a Republican majority in Congress, they were not voting for divided government, but instead to preserve a "creative tensions" process that allows new ideas—across the political spectrum—to be brought forward and be acted upon in a reasoned manner. Unfortunately, we did end up with gridlock during the 104th Congress. Our objective is—and must always be—to operate in a bipartisan way on national security issues. DoD has long operated in this way—I hope we will be successful in restoring the bi-partisan approach with the 105th Congress.

I think Woodrow Wilson, the last President from the Democratic Party elected to two terms by a plurality vote, had it just about right when he said: "The highest and best form of efficiency is the spontaneous cooperation of free people." In this environment, my bottom line messages to you

are: one, be fundamentally non-partisan; two, understand the Department's positions; and three, speak with one voice.

This morning, for the remainder of my talk, I will try to help you with understanding some of the Department's positions on seven key issues that we will work with the 105th Congress to resolve.

1. BUDGET PRIORITIES

The first area I'd like to cover is the defense budget. Specifically, we will need to reach an accommodation with the 105th Congress on how we generate an additional \$20 billion per year for modernization of our forces.

As I see it, the pressure on defense spending will continue. We plan to stabilize defense spending at the proposed 1997 level of around \$244 billion--\$254 billion if you include defense-related work in the Department of Energy budget—and then begin to sustain small levels of real growth at about one percent per year. Some would say that this is too optimistic for at least three reasons.

First, we are facing a reduced threat. Think of it – the United States outspends the six next biggest military powers. Combined. And five of those six are our allies.

Second, non-discretionary spending—entitlements and the interest on the national debt—are taking up a growing share of the federal budget. Put more starkly, these mandatory expenditures accounted for only about 30 percent of the federal budget in 1963. In 2003, they will account for 72 percent of the budget. The net interest on national debt is now just over \$240 billion, almost equal to defense spending.

And third, polls indicate that the American people, by a two-to-one margin, want further cuts in defense spending. When asked what items in the budget should, or should not, be cut, 72 percent of Americans responded that Social security should not be cut and 64 percent responded that Medicare should not be cut. At the same time, 64 percent said the defense budget should be cut further.

If you look at the budget authority set by the Congressional Budget Resolution, it contains near term Congressional adds, but provides less funding than the President's Budget—to the tune of nearly \$10 billion less per year—after the year 2000. Although the President will have a line item veto at his disposal beginning in 1997, we need to work with the 105th Congress to pursue a sustainable modernization strategy.

2. TACAIR MODERNIZATION

This brings me to my second major topic—modernization of our tactical aviation forces. The Department is committed to a three pronged approach for modernizing aviation forces—time phased investments, an increase in investment funding, and stability of investment funding.

The tactical aviation modernization plans submitted in the fiscal year 1997 budget request will be reviewed during the Deep Attack Weapons Mix Study, the QDR and annually thereafter. I would expect some of the details will undoubtedly change, but the basic plan is sound because it addresses the long-term core needs of the services.

Tactical aviation forces in general—and the F-22, F/A-18E/F, and JSF in particular—will consume a larger share of the Department's modernization budget in the coming years. It will be affordable because the major investments are time-phased and the Department is resolved to protect the stability of the investment funding for these programs.

Our task with the 105th Congress will be to obtain an equal commitment to protect the stability of these programs. For example, some elements of the Congress made a run last year on knocking the Marine Short Take Off and Vertical Landing—or STOVL—variant of the Joint Strike Fighter out of the program as a cost savings measure. Fortunately, this provision did not pass—it would have a significant impact on the JSF program and would not have been the best solution to making our overall TACAIR modernization program more affordable.

Aside from the fact that the STOVL strike fighter variant provides Naval expeditionary combined arms forces with extraordinary basing flexibility, STOVL needs to be considered more broadly than thinking about it only as a Marine Corps issue. Terminating STOVL would also eliminate participation of the Royal Navy and other potential international partners, whose primary interest is in the STOVL version.

Although not yet quantified, there may be some room for a STOVL variant in the Air Force or Navy inventory. Going to shorter fields doesn't hurt us for some of the Air Force's Air Expeditionary Force operations in the world of the future, and this may also open up opportunities for alternatives to current carrier size. My sense is that the Joint Strike Fighter program has really gelled. I believe the JSF commonality concept is not only viable, but also the most affordable approach to meeting the Services' needs.

3. MISSILE DEFENSE

This brings me to my third topic—missile defense. Over the last year, the Department's missile defense programs have been criticized from two different directions. Some members of Congress have criticized the Department for spending too much money on missile defense; others believe we

are not spending enough. Some have criticized the Department because we are moving the programs too quickly. Some think we are not moving the programs quickly enough.

Our first priority, the Theater Missile Defense program, deals with the threat that exists today. The second priority is National Missile Defense. The TMD program fully supports deployment of early operational capabilities for the high-priority lower-tier systems like PAC-3 and the Navy Area Defense system, and provides the ability to deploy upper-tier systems—THAAD and Navy Theater Wide—in response to the threat and the availability of funding for those systems.

Our NMD program shifts from a technology readiness posture to a deployment readiness posture. The development portion of the program will comply with the Anti-Ballistic Missile Treaty and enable the US to develop within three years, elements of an initial NMD system that could be deployed within three years of a deployment decision. This approach would preserve thereafter a capability to deploy within three years, while allowing the US to continue the advancement of technology, add new elements to the system, and reduce deployment timelines.

We need to establish a more constructive partnership with the Congress on how rapidly we push our ballistic missile defense programs. In particular, we need to keep in mind that four of the systems we are talking about—PAC-3, THAAD, Navy Theater Wide and NMD—are hit-to-kill systems. In contrast, the Standard Missile 2 Block IVA has a focused fragmentation warhead, like our earlier PAC-2 and HAWK systems.

The hit-to-kill approach is very much like attempting to hit a bullet with a bullet—the closing velocity is about twice the muzzle velocity of an M-16 rifle. The principal advantage of a hit-to-kill system is that you have more energy to completely destroy the ballistic missile's submunitions. In this day and age, those submunitions can be chemical or biological munitions. The principal drawback is that if you miss, you've missed. An alternative to hit-to-kill systems is a nuclear warhead—but from a policy standpoint, I don't believe we are ready for that solution.

When I look at how we have done in the past—we've had six successful intercepts out of 19 attempts over the last 12 years—it's my sense that we can occasionally make a bullet hit a bullet under ideal conditions. The next step is to move from hitting the target—not occasionally—but to hit routinely under ideal conditions. Then, we need to take a third step—to hit routinely under stressful operational conditions. We're not there yet, but that's the path we're on.

One of the issues, as I look at this program is how many different, hit to kill programs should we be pursuing at the same time in parallel? Should we be reasonably prudent and look at alternative approaches? Perhaps we should be learning from those alternative approaches before launching too many different hit-to-kill programs in parallel? That's the issue the Department has been wrestling with in looking at the pace of the technology and affordability decisions.

I believe we want to be on the current course—it is a very high

leverage course for us. But we want to work through the technology in

demonstrating that we can hit-to-kill routinely and that we can do this under stressful conditions. In some pieces of our programs, I believe this technology is still limiting us today. In other pieces

of our program where we've demonstrated the capability, the issue is how fast can we field—in the out years, those issues are largely affordability driven—by some estimates the outyear dollar gap is \$ 3 billion.

4. DUAL USE TECHNOLOGY

My fourth topic is the Department's dual use applications program, or DUAP. The DOD interest in commercial technologies, processes and products is driven by the fact that, in the United States, commercial investment in R&D surpassed that of the Defense Department back in 1965—and the disparity has been growing ever since. This R&D investment growth pattern has built a large, dynamic economy and has established the commercial sector as the driving force behind the pace of technological innovation in the US today.

As a result, we are witnessing breathtaking changes—driven by commercial markets—in the industrial base supporting our weapon systems and new military capabilities. No where is this more evident than in the fields of advanced processing, communications and information management. The bottom line for the Department is that we have no choice but to move from separate industrial sectors for defense needs and commercial markets to an integrated national industrial base.

Leveraging the commercial sector, the essence of the dual use strategy, gives us a tremendous opportunity to field advanced weapons both more quickly and affordably. On these points, I find we are in lock-step agreement with the Congress. Unfortunately, there have been disagreements on our approach for implementing a dual use program.

The fiscal year 1997 Defense Appropriations Act contains \$185 million—down from our budget request of \$250 million—to begin the Dual Use Applications Program or DUAP, a joint program conducted by the three military departments and executed for one year by my office, after which it will transfer to the Services.

This program is set up to achieve a two-fold mission. One, it will find ways to reduce operating and support costs by inserting commercial technology upgrades into existing systems. This is the "Upgrades" portion of the initiative and will be funded at the \$100 million level in fiscal 1997. And two, it will continue and reinforce the progress made in dual use science and technology. This is the "S&T" portion of the initiative and it will be funded at the \$85 million level in fiscal 1997.

Building on lessons from our past experience in this area, the DUAP will create an opportunity for service program managers to fund new technology through a dual use approach. R&D projects will be solicited as government/industry partnerships, selected to meet Service needs, and managed by the Services using new authorities and methods. Each project will include, up front, a clear path for the technology to be used in a military system.

5. ARMAMENTS COOPERATION

This brings me to my fifth topic—armaments cooperation. I believe we will have to leverage not only the commercial sector, but also the industrial base of our friends and allies to gain the needed economic base to modernize the equipment of our defense forces.

The United States and its allies are being challenged to do more with fewer resources, and cooperation can provide the needed economic leverage. Of course, the United States seeks cooperation with its friends and allies for political reasons as well—armaments cooperation programs help strengthen the connective tissue between nations—the military and industrial relationships that form our transatlantic relationship.

In addition, the likelihood of committing forces in a unilateral operation is significantly reduced. Coalition operations place a high premium on standardization and interoperability—that is ensuring that US and allied systems are functionally compatible—and to aim for increased levels of commonality to facilitate common logistics support. This trend toward coalition operations, and the trend toward reduced defense budgets, are the principal reasons I believe that there is an greater mandate for armaments cooperation with friends and allies.

Yesterday, some of our NATO partners established a European Armaments Procurement Agency in Strasbourg, France. This agency is empowered to procure defense items for France, Germany, the United Kingdom and Italy. This could be a step in the direction of establishing a "Fortress Europe" that closes the European defense market or simply a more efficient way of meeting European defense needs.

Our actions may play a large role in how this agency evolves. Our present course is one of cooperative engagement. We are looking for best value, wherever it is located in the world. To the extent that we enact "Buy America" preferences, kill funding for international cooperative programs, or otherwise close our defense market to international centers of excellence, we defeat this purpose.

In the past, we've traditionally had problems with protectionist legislation. Last year, we were successful in having the McCain Amendment passed by the 104th Congress and signed into law. It allows the Secretary of Defense to waive onerous "Buy America" provisions in cases where an MOU exists with a country that waives similar provisions. Next year, we will need to guard against attempts to compromise this legislation in the 105th Congress.

Two of our primary mechanisms for promoting transatlantic armaments cooperation have been through the NATO Cooperative R&D Program and the Foreign Comparative Test Program. These programs have planted important seeds for international cooperation, many of which are

thriving today. The NATO Cooperative R&D program provides the US share of funding for initiating international cooperative R&D projects. Typically, US funds are matched by the contributions of allied partners. The Foreign Comparative Test program provides funds for evaluating whether foreign products meet US requirements. Both programs are intended to facilitate international cooperation to reduce cost, increase interoperability, and provide access to the best technology—where ever it is available.

Fostering international armaments cooperation is a complex business. As such, we have taken steps to improve these programs. When they were first initiated, the emphasis was on common development of major defense systems. As the world defense environment has changed, adjustments have been made to both programs. With smaller defense budgets in the US and elsewhere, these programs now emphasize cooperative development or evaluation of common subsystems and technologies across common interfaces for incorporation in US and allied systems. This has proved to be a more practical approach towards armaments cooperation.

Additionally, we need to work with the 105th Congress to support US agreements with friends and allies to pursue cooperative development and production programs. Last year, the 104th Congress attempted to cut funding for the flagship of our transatlantic cooperative efforts—the Medium Extended Air Defense System. The "MEADS" program teams the U.S., Germany, and Italy in a cooperative effort to develop a modern, deployable extended air defense system.

During the FY97 authorization and appropriations process, the funding for the MEADS program was cut and language was adopted that would have limited the US contribution to 50 percent of the program. The Appropriations Conference initially planned a \$26 million markdown in the FY97 program, but agreed to fully fund the program, in response to strong program support from all quarters of the Department of Defense and eventually the administration. I just returned from an extended trip to Europe and I can assure you that these actions demonstrated to our allies that the US is serious about international armaments cooperation.

6. ACTDs

The sixth topic is our program of Advanced Concept Technology Demonstrations. This program provides a mechanism for marrying advanced technology with a suitable employment doctrine. It is pursued in those cases where the technology associated with a new system or piece of equipment is mature and the technical risk is low, but we do not know how to effectively use it and so the operational risk is high. For this reason, the emphasis in an ACTD is on the operational concept, not the technology.

The ACTD process is still fairly young, but already we are beginning to see the fruits of our efforts. Without question, the Predator ACTD has broken the most new ground. It was initiated in December 1993. The first flight occurred in July of 1994. It deployed to the Balkans in July 1995 to support Operation Deliberate Force and again on March 1 of this year to support Operation

Joint Endeavor.

Just a few months ago, on September 3rd, the Air Force's 11th Reconnaissance Squadron assumed operational control of the Predator system currently deployed to Taszar, Hungary. On the acquisition side, we are in the process of transitioning to the formal acquisition program to acquire additional systems. Predator is a prime example of quickly responding to a critical need.

Our major challenge with the 105th Congress is to do a better job in getting our ACTD message across—both our past accomplishments and our future opportunities. Last year, our budget request for ACTDs was \$98.5 million. The authorization conference cut the program by \$20 million. On the appropriations side, the conferees made an eleventh-hour \$40 million cut to the program. Until we do this in a coherent and systematic way, we will continue to have problems in getting our full ACTD program authorized and appropriated each year. I am guardedly optimistic that with your support, we will have more success this year.

7. LOGISTICS RE-ENGINEERING

And my seventh and final topic is the enabling legislation needed to re-engineer our logistics system—to adjust that tooth-to-tail ratio I spoke of earlier. We've cut our forces and our budget by a third since 1985, but our support infrastructure has only come down about 20 percent. It's time to bring our support infrastructure into line.

Our primary efforts will focus on working very closely with the Maintenance Depot Caucus, and other interested members, to forge legislation that will allow the Department to strike the right balance between outsourced and organic weapon system repair capabilities. Specifically, we will be looking for added flexibility in outsourcing selected depot functions where it makes sense.

During the last session of the 104th Congress we sought wholesale relief from all statutory restrictions on Maintenance Depot outsourcing—including the so called "60/40" rule which caps maintenance funds that can be spent on outsourcing at 40 percent of total obligations as well as the statutes governing public-private competition. As most of you are aware, we were unsuccessful in gaining any relief. I believe our lack of success resulted from, among other issues, the host of mixed signals Congress received from this side of the river.

Let me take just a second to strongly emphasize the Department's position on four points of critical concern to the members. The Department needs to speak with a single voice on these four points.

One, we are committed to maintaining a robust organic Maintenance Depot capability downsized to CORE. Period. We envision, and are working toward, state-of-the-art organic depots capable of maintaining many of the systems we have in the inventory today as well as some of the new systems coming on line in the future.

Two, we are committed to the concept that there is some minimum level of organic Maintenance Depot capability. . . CORE, if you will. . . below which we will not go. Furthermore, that minimum level of organic capability is not radically different than where the Services currently plan to be at the end of the century.

Three, we are committed to full and open competition. . . including public-private competition, where it makes sense. Our organic depots will be encouraged to compete for business that is being considered for outsourcing, when it does not detract from their CORE missions.

And four, new weapon system depot maintenance source of repair will be based on a rigorous business case analysis. Decisions on where new weapon system maintenance occurs will be made on an individual basis and include a complete analysis of effectiveness, efficiency, risk and the long term health of our organic depots.

This being said, we must get on with the business of downsizing our somewhat bloated Cold War organic infrastructure and take the opportunity to outsource additional Maintenance Depot workload to our advantage. We see areas where it can be done just as well, at reduced cost and with no added risk to the warfighter.

In the 105th Congress, we will seek limited relief from the statutory restrictions on outsourcing depot maintenance workload. That is, rather than the "carte blanche" legislative relief we sought last year, the Department will work closely with the members to gain the flexibility we need to move forward without diminishing Congress' legitimate depot maintenance oversight role.

John Phillips, my Deputy for Logistics, will lead the effort to pull the Services together on this issue and work with all stakeholders on the "Hill" to ensure a more successful outcome in the forthcoming Congress. He has already held initial meetings with staffers from the Depot Caucus to establish the framework within which meaningful deliberations and decisions can be made. To ensure a coherent and consistent approach, I would ask that you ensure he is cut in, up front, on all issues affecting depot maintenance, especially those involving outsourcing or privatization.

CLOSING

In closing, these seven issues—the budget, TACAIR modernization, missile defense, dual use technology, armaments cooperation, advanced concept technology demonstrations, and logistics re-engineering—are just some of the areas where the Department will need to speak with one voice.

We need to bring a cohesive and clear message to the Congress. Creating that sort of understanding within Congress about what we are doing and why is a major part of my job and your job.

And we must be non-partisan. Our issues are the country's issues—we need to be nothing more than competent, courageous and devoted.

I wish you an enjoyable and productive symposium. And now I have time to take some of your questions.