

THE DEFENSE MONITOR

PROJECT ON GOVERNMENT OVERSIGHT



Fundamentals for an Austere Pentagon Are Escaping Washington's Gaze

BY WINSLOW WHEELER, DIRECTOR, STRAUS MILITARY REFORM PROJECT

Amidst the many uncertainties in the negotiations in Washington on the “fiscal cliff,” a few things are beginning to emerge as certain. Among them: the defense budget will be going down. Another is that none of the parties to the negotiations is seeking the kind of change that the Pentagon must undergo to survive effectively—even prosper—under significantly reduced budgets.

The new, post-election reality of a declining Department of Defense (DOD) budget was signaled by a conglomeration of mainstream pundits put together by the Center for Stra-

tegic and Budgetary Assessments (CSBA): They opined on not whether the defense budget was about to decline significantly, but on how to do it. (Some of them had some pretty horrible ideas.) The new reality of less money for DOD was also made clear in a provocative essay at *Foreign Policy* by Gordon Adams, who predicted that the defense budget would go down—gradually—by about \$500 billion. I have been skeptical, but let’s assume for the moment that he’s right.

To meet the clamor for plans for this eventuality, multiple think tanks

have been putting out their cut lists, and many of them are also specifying goodies to protect: Anything with the words “cyber security” or “unmanned” top those lists. The authors mostly seem to assume that it is reasonable to prepare for an austere Pentagon by simply eliminating and/or paring back a selection of programs, and to dial back, perhaps a little, on national strategy. They are laying the groundwork for the same Pentagon as the one we have now, just at somewhat lower spending levels with slightly fewer programs—and more of the remaining ones

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funded at unrealistically low levels than usual.

All through the George W. Bush and first Obama terms we witnessed dramatic growth in the Pentagon's "base" budget, adding about \$1 trillion to planned DOD spending for non-war basics—not including the additional monies spent on the wars in Iraq and Afghanistan. With 44 percent more money, the Navy's fleet shrank by 10 percent; with a budget 43 percent larger, the Air Force's air combat fleet shrank 51 percent. And, in both cases, their equipment inventories became older, not modernized.

The needed changes involve coming to 1) understand what the Pentagon does with its money, 2) put the health of the combat forces, people, and equipment, above all other considerations, and 3) have DOD leadership that effectively insists on the first two things.

The Army grew by a grand total of two brigade combat teams as its base budget grew 53 percent in real terms.

How on earth is a Pentagon that permits most of its forces to shrink and age with increased budgets going to be a healthy asset for national defense with smaller budgets? All the negative trends will accelerate: the shrinking, the aging, the underfunding for training and readiness, and much more, at increased cost—unless three simple but fundamental things change in the Pentagon.

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Today, the Pentagon does not know how it spends its money; neither does anyone else. As the Government

Accountability Office, DOD's Inspector General, and even Congress have reported for decades, the Pentagon cannot pass an audit. Today, the Pentagon does not reliably know if it has paid contractors once, twice, or not at all: we rely on those friendly contractors to tell us if there is a problem. We don't have a provable record of where all the ships, tanks, aircraft, and all other equipment are and which items need what repair parts—a real problem, for example, in Afghanistan. We never get audits of any of the Pentagon's 83 Major Defense Acquisition Programs, which according the

last tabulation in December 2011 cost \$1.618 trillion—itself an unverifiable estimate.

Twenty-two years ago in the Chief Financial Officers Act of 1990, Congress required the Pentagon to clean up its financial management act; it has yet to comply. There is a plan to fix some, but not all, of this: by 2014 the Pentagon says it will have an auditable record of its incoming budget resources, and in 2017 it promises to have an accurate count of all its physical assets. It should not surprise you that DOD has slipped its previous deadlines for these, which constitute watered down goals, and that the DOD Inspector General has real doubt the 2014 deadline will be met.

How can you responsibly save money if you don't know where it came from, where it went, or what it did when it got there? How can you effect the unending proposals to reduce overhead, bloat, waste, fraud,

and abuse if you don't know where it is, how much of it is there, or even what it is? In Washington, none of that accountability is wanted: It's much more important to be a player with a plan.

It's not just that we don't know what programs and policies in the Pentagon actually cost; we don't seem to care how well the weapons work or whether the battle-readiness of our forces is going forwards or backwards.

Accept or reject, as you please, the arguments I and others make about what we regard as ineffective weapons at unaffordable prices; that is not the point. What is indisputable is that the Pentagon's leadership commits to their purchase and buys prolific numbers of them before any battlefield-realistic testing has even begun, let alone finished. The F-35 Joint Strike Fighter is a compelling example: over 350 will be purchased before the operational testing starts in 2017; it will be over 500 when that testing, the empirical basis for a competent, ethical production decision, will finish its initial stages. Don't be distracted by all the failures already uncovered by the F-35 flight testing to date; that's just the "developmental," or laboratory, testing; the rigorous part—and plenty more horror stories—are yet to come. Think the Navy is any different? It and Congress are rushing ahead to buy 20 of the 55 planned Littoral Combat Ships while the program still has a long way to go to finish its preliminary, developmental testing.

They call this acquisition behavior "concurrency," and my favorite "spiral development," but it is really what one DOD manager called "acquisition malpractice"; better to call it gross incompetence—if you don't want to address the broken ethics of it all.

Similar perverse thoughtlessness pervades the readiness of our forces to fight and otherwise perform their missions. In 2010 the Navy, to its credit, completed a blistering review of the readiness of its surface fleet. The Balisle Report found ship maintenance went underfunded and has been declining for years; fewer than one half of deployed combat aircraft are fully mission capable at any given time; training throughout the surface fleet has been inadequate; and ships are routinely undermanned and cannibalized for parts to keep others running. The fleet was in substantially worse shape than it was in 2001. And yet, that new CSBA report, mentioned above, came to the remarkable conclusion that readiness is so high throughout the military services that money can be shifted from those spending accounts “with little risk” to free up cash to buy hardware. Nonetheless, the CSBA report is sure to be taken most seriously in Washington; it gives decision-makers an easy out for keeping hardware programs—and their multiple constituencies in the Pentagon, industry, Congress, the press and think tanks—fat and happy.

Acute awareness of these matters should be the acid test for who should replace Secretary of Defense Leon Panetta. As this is being written, four names are reported to be in play; all four fail this criterion badly.

Two of the names are Senators: John Kerry (D-MA), the current Democratic Chairman of the Senate Foreign Relations Committee, and Chuck Hagel (R-NE, ret.), who was also a member of the Foreign Relations Committee. Both are veterans of the Vietnam War, but as Senators neither evidenced serious interest in DOD issues and certainly not at the nuts-and-bolts level where knowl-

edge and toughness are so clearly needed. Indeed, as politicians, both are the kind of individual that the Pentagon bureaucracy loves to have at the very top: having lived professional political lives, they are all too frequently satisfied to subsist at an extremely superficial level of knowledge on the kinds of questions that cost billions of dollars in the Pentagon. The bureaucracy has a term for these people when they come to DOD: “mushrooms,” and as they say, “we keep them in the dark and feed them bulls—t.” As long-term denizens of the Senate Foreign Relations Committee, either Kerry or Hagel can be presumed to have the knowledge base to operate as Secretary of State, but in the Pentagon, they will be little more than potted plants as the bureaucracy runs circles around them.

Another widely reported candidate for SecDef is Michelle Flournoy, the founder of the Center for a New American Security (CNAS) and a recently retired Under Secretary of Defense for Policy. Showing herself to be intelligent and articulate on policy issues in, for example, congressional hearings, where she handles superficially informed and politically driven questions quite easily, she too is more than out of her element as the master of the Pentagon bureaucracy on the kinds of issues addressed here. She made that all too clear as the driving force behind DOD’s 2010 Quadrennial Defense Review (QDR), which was supposed to be a top-to-bottom review of Pentagon strategy, programs, and policy. Chuck Spinney, a Pentagon veteran, wrote a devastating critique in *The Pentagon Labyrinth* of that same 2010 QDR, which evidenced its authors to be quite oblivious to the core issues raised here. “These documents [QDR

and FY 2011 Budget Overview] fail to touch on any of the pressing strategy and resource problems,” Spinney wrote, “...much less present plans for correcting any of them....The omission of critical thinking, the failure to engage DOD’s most crucial problems in the QDR is no accident—it represents a defense of business-as-usual.”

Lastly, Ashton Carter, the sitting Deputy Secretary of Defense and someone who has worked in the Pentagon for years, is also reported as a candidate. Finally, you might say, a master of the Pentagon bureaucracy. Unfortunately, that very clearly is not the case. As the man in charge of the acquisition bureaucracy, Carter has been the one who has laid before Congress and the public the various plans that retain the fundamentally concurrent nature of F-35 and Littoral Combat Ship acquisition plans, the inadequate, overdue financial management plans, and all the rest that have added up to a shrinking, aging, less ready to fight force—at increasing cost. Moreover, he is not one who on the inside fought the negative trends.

The cuts in the defense budget are coming; they will mean an acceleration of decades-long, negative trends. Expect stunning amounts of shrinking, aging, and declining readiness throughout the force. It should not have to be this way, but it is going to be. The people who are likely to be the ones making the decisions do not operate at a level of knowledge to outsmart the mushroom farmers. ■

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The Fight over the Peace Dividend

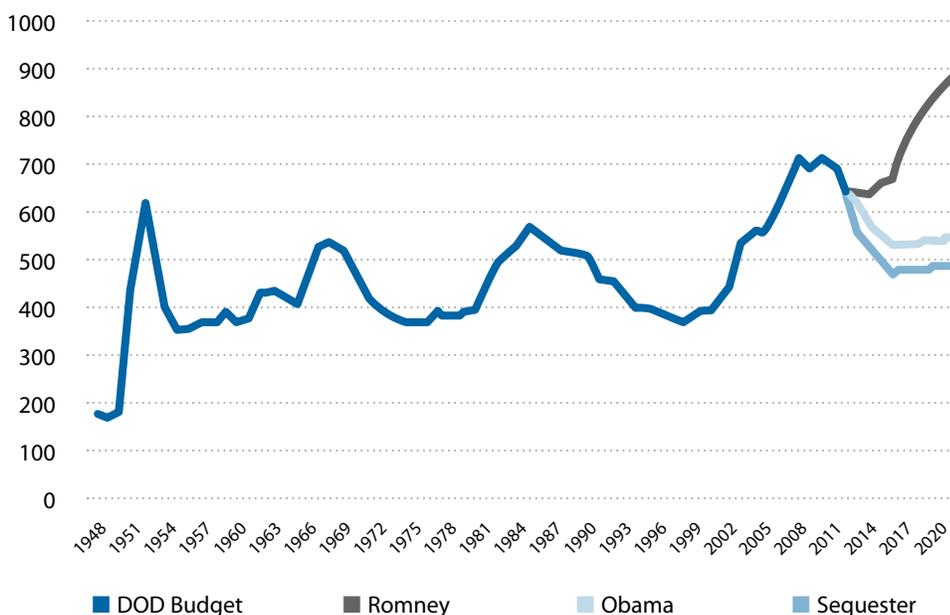
BY WINSLOW WHEELER, DIRECTOR, STRAUS MILITARY REFORM PROJECT

The defense budget has become such a pampered darling of the American political system that the most stringent defense budget scenario contemplated by Republicans and Democrats—the so-called “Doomsday” scenario—is so stuffed with money as to be historically unprecedented.

As Pentagon spending begins to approach the modestly reduced levels it currently faces, we can anticipate a titanic effort by the defense industry and many across the U.S. political spectrum to pump additional tens, even hundreds, of billions of dollars into the Pentagon’s already bloated coffers. Conventional wisdom on questions of defense spending is so poorly informed that many politicians from both parties make stupendously daft statements about the defense budget, only to be greeted by unquestioning nods of agreement by many in the press and think tanks.

Consider the data in the graph to the right. It shows spending for the Department of Defense (DOD) since the end of World War II to 2022. The data up to the year 2012 are actual spending, expressed in inflation-adjusted dollars equivalent to the year 2012, according to DOD’s records. The data for the years 2012-2022 show what many of the doctrinaire element of the right wing urge and that former Republican candidate Mitt Romney advocated; President Obama’s 2013 budget plan; and the spending to be imposed by “sequestration” this January 2, 2013—the latter a result of Congress’s failure to come to a broad budget deal under the provisions of the Budget Control Act of 2011.

Post World War II Pentagon Spending & Extant Plans (Constant 2012 Dollars, in Billions)



Sources: DOD, Congressional Budget Office, and Center for New American Security

All the data in the graph above have been adjusted for inflation, and each plan has money added to accommodate a rapid drawdown from the wars in Afghanistan and elsewhere. In other words, the spending levels shown are about as low as the available data permit; however, by using nominal calculations for the drawdown from the wars, for inflation and the extreme element of the right wing’s plan, the data lines are also approximate, hardly exact.

Note how modest the “peace

dividend” is. In the hard right plan from organizations such as the Heritage Foundation, there is virtually no dividend before the defense budget ramps sharply back up. The Obama plan does indeed veer downward, but it too resumes modest growth, as do the effects of sequestration. Both the Obama plan and sequestration are remarkable when put into historic context: compare their low points to the aftermaths of the Korean and Vietnam Wars and the Reagan “spend up” in the 1980s: the

lowest point of the lowest contemporary spending “plan” (the Domsday or sequester scenario) is about \$100 billion above any of the previous three low points.

Recall also, that two of those three previous low points were during the Cold War, when the U.S. faced hundreds of hostile divisions in Europe, when the U.S. Navy faced a Soviet navy that at one point numerically outnumbered it in both surface combatants and attack submarines, and when America was engaged in an international competition with the Soviet Union while simultaneously dealing with a dogmatically communist and fundamentally inimical Peoples’ Republic of China. We had all throughout that period a far more existential and challenging threat to deal with than we do from al Qaeda and all its running dogs, who on their worst day can only do to us what the Soviet Union might consider a nuisance attack. To the extent that there is a foreseeable threat that may require us to use conventional forces—if someone wants to test the patience of the American people for yet another misadventure in Syria, Iran, or North Korea—those prospective enemies possess, altogether, defense budgets less than one-thirtieth that of the lowest point of what Leon Panetta has indelibly called a “Domsday” budget.

There is no good reason not to expect the post-Afghanistan peace dividend to equate to those after the Korean and Vietnam wars; in fact, there is good reason to expect the dividend to exceed those of the Cold War periods.

Clearly, up to now, no one has been planning any real peace dividend when the war in Afghanistan joins the war in Iraq as an unpleasant memory. For the first time in a

long time, however, the architects of huge and pointless defense spending are meeting some opposition. Some Democrats and a very few Republicans in Congress, such as Oklahoma’s Senator Tom Coburn, are offering some real opposition to business as usual (i.e. high spending) in the defense budget. As of the date of this writing, unfortunately, the White House has been silent.

Meanwhile, the self-declared defenders of the defense budget in Congress, such as Senators John McCain (R-AZ) and Lindsey Graham

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(R-SC), have been pushing hard for a “compromise” of delaying the January 2 sequester, effectively taking it off the table as a bargaining chip to trade against tax cuts, or not, for the rich. They want the broader budget negotiations to move on to address not just those tax rates (de-linked from defense), but entitlements and the rest of the federal budget.

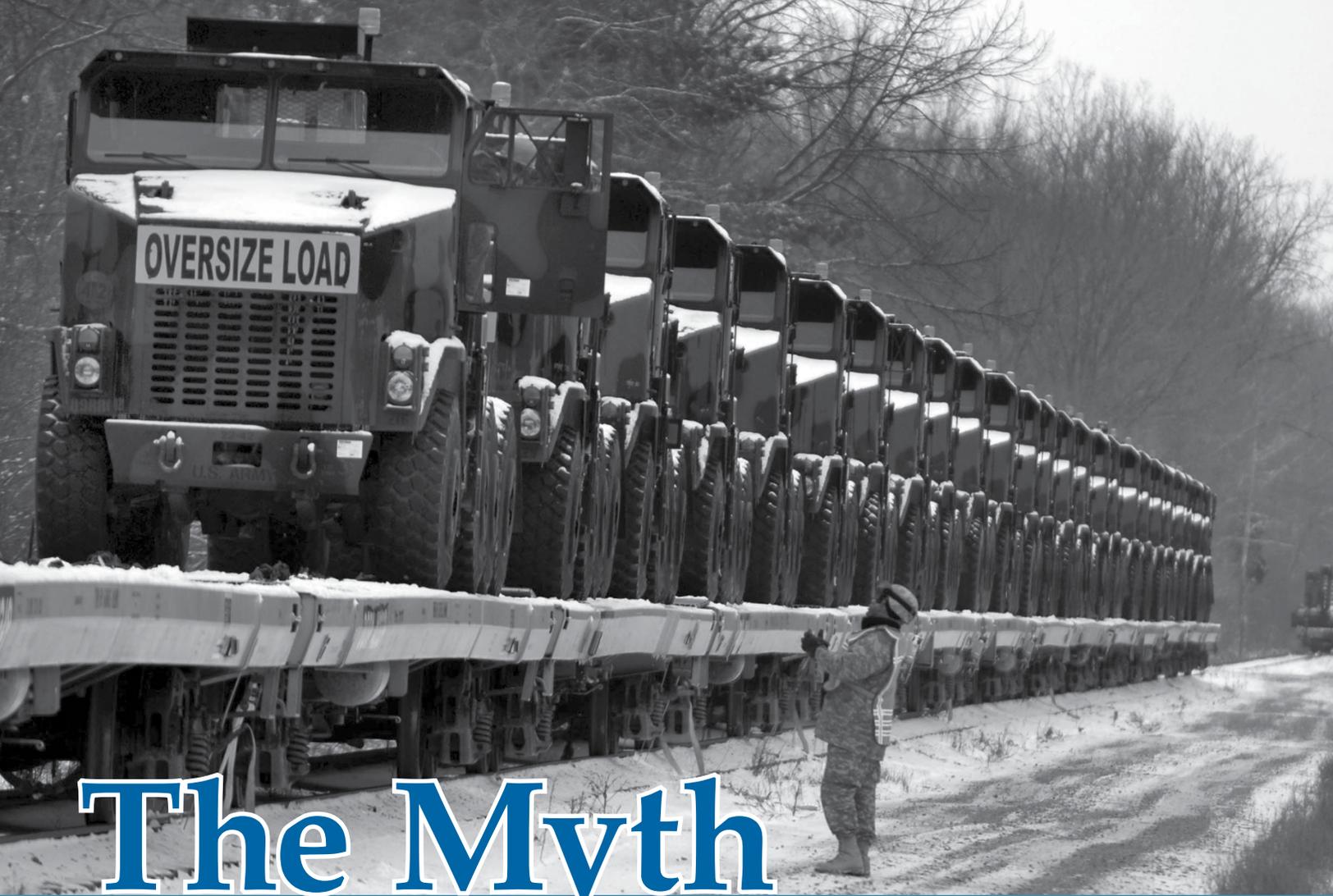
If the sequester-delaying “compromise” is accepted, the idea of any meaningful peace dividend as the Afghanistan war draws down can be forgotten. The sequester, let alone any future defense spending levels below it, will be off the negotiating table as Republicans and Democrats

make whatever deal they are able to with defense as essentially a sideline issue, rather than linked directly to other core issues such as tax rates.

These budget negotiations are a good test of the U.S. political system. During a period of a historic opportunity for a peace dividend in the absence of an ongoing war or any credible overwhelming threat, it horrifies big defense-spending advocates that the over-pampered object of their political affectations is paired with taxes as issues to be resolved. They fear it for the simple reason that many of their major political allies value the tax issue at the same level, or higher, as defense spending. The big defense spenders want to break that linkage, precisely what their seemingly innocuous proposal to delay the defense sequester would do.

The future course of the defense budget is at stake. The size of the peace dividend will vary from virtually nothing to an historically appropriate level, which can mean a difference of many hundreds of billions of dollars in coming years. To bring the defense budget to historically appropriate levels will require some real and bipartisan leadership from both the White House and those Democrats and Republicans in Congress who have the political spine to act on the data, not dogmatic beliefs or political ambitions. ■

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The Myth of American Superiority

BY WINSLOW WHEELER, DIRECTOR, STRAUS MILITARY REFORM PROJECT

You see it routinely in commentary on defense issues: the American armed forces are “the best in the world.” It has become such a platitude that the comment is usually prologue to some other point the speaker wants to make.

Many believe that because we spend multiples of any conceivable opponent or even combinations of them, have the largest navy and air force, and can operate all over the world, there are no enemy or enemies that can take us on successfully. The history of warfare is full of this kind

of arrogance before the fall, such as from the British in America in 1775, and America facing Vietnam in 1964.

When I have suggested America’s military might not be “the best,” the inevitable question is, “Against whom? Name an opponent who can beat us.” The expectation is that all enemies are known, and they will be as inferior as we imagine. In today’s vapid culture, the confident prediction of supremacy is articulated in the absence of anything beyond a superficial bean count of forces and hardware—sometimes not even that.

There are far more subtle and powerful forces at play in deciding who wins in warfare than the stuff that occupies the hollow defense debates in the American political spectrum. As a nation, we mostly ignore those deciding elements. As the American strategist John Boyd explained, material elements come in a poor third in deciding who wins in conflict—after moral and mental factors.

Two main props sustain the “we are the best” advocates. The first is America’s performance on the battlefield when, even after the post-Cold

War budget reductions of the George H.W. Bush and Clinton administrations, U.S. armed forces “used Saddam Hussein as a speed bump”—as defense analyst Gordon Adams has put it—in 2003. The second, they say, is America’s vastly superior military technology, which, while expensive, gives us the essential winning edge that no one can match.

The example of America’s victory over Saddam Hussein is particularly inapt. Iraq’s armed forces *were* a speed bump: Their leadership was hopelessly politicized and grossly incompetent, and their uniformed combat personnel were demoralized and unwilling to fight even before the first bombs were dropped. They were assessed as, literally, the worst in the world by the prestigious Center for Strategic International Studies. In addition, as some, such as retired Army Colonel Douglas MacGregor, have noted, the performance of the U.S. military leadership—even at the field command level—in that war was nothing to boast about.

In Iraq and Afghanistan, our forces often showed real guts and skill at the tactical level, but the heroism of soldiers and Marines notwithstanding, it should be remembered that they have fought enemies with no air force or navy and not much infantry equipment beyond home-built road mines called improvised explosive devices (IEDs), AK-47 rifles, and rocket-propelled grenades.

We also heard a lot of bombast after the first war with Iraq, Operation Desert Storm in 1991; then, the technologists declared a “revolution in military affairs.” The Government Accountability Office (GAO) spent two years looking at that “revolution” (I led that study): the air campaign should more accurately be characterized as bombing a tethered

goat led by a military jackass, as one analyst put it. And, even then, the air campaign did not live up to the hype. The high-cost “silver bullet” of the war, the F-117 stealth bomber, badly underperformed its puffery: according to GAO, in contrast to DOD claims that “alone and unafraid” it destroyed Saddam Hussein’s air defense system in the first hours of the first night, the F-117s actually had help from 167 other non-stealthy aircraft and were confirmed by the Defense Intelligence Agency’s bomb damage assessments to have effectively destroyed only two of the fifteen air defense targets assigned to them that first night. Overall, GAO found that effectiveness did not correlate with cost and that on many dimensions the ultra-low-cost A-10 close combat attack aircraft was the top performer.

Nothing has changed. Typical examples of overhyped weapons systems are unmanned drones, such as the MQ-9 Reaper, and the Air Force’s F-22 fighter.

The real-world performance of the Reaper is actually rather pathetic. With a tiny payload of an extremely limited selection of weapons and very poor ability to find targets it is not precisely shepherded to, the Reaper is incapable of defending itself, and it is several times more expensive than manned aircraft that are more effective. Also, it crashes so routinely that the Air Force appears not to even report all “mishaps.” Yet despite this performance by one of the most ballyhooed drones—the Reaper—they are slavishly characterized as a revolution in warfare, and technologists are talking proudly about future nuclear bombers that are “optionally manned.”

The F-22 fighter is described by the Air Force as an “exponential leap

in warfighting capabilities.” A review of the data shows the F-22 to be more expensive and less impressive than the hype would have you believe. For one thing, the cost for each F-22 is not the \$143 million the Air Force asserts but rather a whopping \$412 million, according to GAO. For another, the radar-evading “stealth” capability is significantly limited, as we know

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from two F-117 “stealth” casualties in the Kosovo Air War of 1999, and the F-22’s ability to detect, identify, and engage enemy aircraft at very long range relies on a technology that has repeatedly failed in combat. Finally, the F-22 compares roughly in close-in air combat to early versions of the F-15 and F-16. Last June, that unexceptional agility was on display when German pilots flew Eurofighter Typhoons successfully against F-22s in mock dogfights.

Because the F-22 is so expensive to fly and maintain according to the Air Force’s own data, its pilots get too few hours in the air to train—half of what fighter pilots got in previous decades. Worse, a controversy has raged over how safe the F-22 is to its own pilots. Powerful toxins populate the areas where the F-22 derives its oxygen for the pilot, and despite an Air Force explanation that “contamination” has nothing to do with the physiological problems pilots have experienced, some observers are deeply skeptical that the Air Force is taking the proper care to protect F-22 pilots. Already two pilots have been

killed in accidents where those toxins are very possibly at play. These are not the signs of a first-rate military organization.

That it is people, not hardware, that provide the winning edge in warfare was clearly expressed at the end of the first Iraq war when the American commander, General Norman Schwarzkopf, stated that had the two sides switched equipment, the United States still would have won its lopsided victory. There are many veterans of other wars who agree. Indeed, Napoleon said it succinctly 200 years ago: “The moral is to the physical as three to one.”

Just as those F-22 pilots had difficulties against some highly skilled Typhoon aircrew, we can expect to encounter smart, skillful enemies in the future. We have been surprised by opponents we assumed were inferior—for example in Vietnam—and by crude but highly effective tech-

nology we failed to anticipate, such as the IEDs in Iraq and Afghanistan. The “we are the best in the world” foolishness is prologue to our wars of choice making us pay dearly, just as we discovered immediately after the arrogantly predicted “cakewalk” against Iraq.

Both sides of the American political spectrum persistently cheapen this debate.

A classic example from the right came from candidate Romney during the recent presidential elections: he wanted to put the very disappointing F-22 back into production. This would not solve the problem, it would make it worse: at many times the price of the F-15 it replaces, the F-22 can only be bought in such small numbers—at greatly increased total cost—that the overall inventory shrinks and ages as the Pentagon is forced to retire as few ancient F-15s as possible.

Many on the left do not exactly dis-

tinguish themselves in this debate. The shrinkage and aging in our forces is okay because the newer—even if preposterously expensive—equipment is “more capable.” This ignores as much evidence as the right does when it asserts that the amount of money spent measures the health of our overall forces.

The empty rhetoric that U.S. armed forces are “the best in the world” masks serious problems that have been festering for decades. All of it will continue until leaders emerge who understand that more money has meant more decay, and less money can mean the start of reform. ■

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Reeling in Excessive Contractor Compensation

BY SCOTT AMEY, POGO GENERAL COUNSEL

On April 23, 2012, the Office of Federal Procurement Policy (OFPP) raised its annual benchmark compensation limitation for certain contractor executives and employees to \$763,029. That amount is the maximum allowable compensation that will be recognized under federal government contracts for pricing and/or reimbursement purposes.

Simply stated, contractors can bill the government for the share of an employee’s salary up to \$763,029. The cap, however, greatly exceeds what the government pays its own senior executives—including the President, who earns \$400,000 a year.

The benchmark is an example of the outrageous influence government contractors wield over the federal government. Contractor warn-

ings that the ever-expanding cap is necessary to lure talented workers cause the government to think twice about lowering the cap.

Fortunately for taxpayers, the Senate took up the issue in the National Defense Authorization Act of 2013 (S. 3254, Sec. 842). After expanding the cap’s scope of coverage from the top five executives to all defense contractor employees (with occupational

exceptions for scientists and engineers) last year, the Senate has proposed to lower the cap from \$763,029 to \$230,700—the salary of the U.S. Vice President. Unfortunately, some in the House have opposed consideration of such a provision, which could create a battle during reconciliation of the bills (which had just begun at time of print).

Additionally, Section 747 of the Senate’s version of the Fiscal Year 2013 Financial Services Appropriations Bill (S. 3301), proposes to lower the cap on maximum allowable compensation paid by government funds to all non-Department of Defense (DoD) contractor employees from \$763,029 to \$400,000.

These efforts follow the bi-partisan stand-alone bills calling for a reduction of the cap by Senators Barbara Boxer (D-CA) and Charles Grassley (R-IA), and by Representative Paul Tonko (D-NY).

Since 1998, the compensation cap on government contracts has more than doubled. The increase authorized by OFPP in April 2012 alone represented a 10 percent increase in allowable compensation for contractors from the FY 2010 cap. The primary problem is that the benchmark is determined annually by OFPP and represents the median amount of compensation paid to senior executives of publicly owned U.S. corporations that have annual sales in excess of \$50 million for the fiscal year—a sector that has seen salaries skyrocket in recent years. With budget cuts and the fiscal cliff looming, and

Federal Government Salaries (U.S. Dollars, in Thousands)



Source: Dear Colleague letter from Representatives Paul Tonko and Jackie Speier, July 2012

federal employee salaries frozen, it is fiscally irresponsible to allow private contractors to charge taxpayers an escalating rate of compensation.

More disturbing is the fact that many inside the government operate under the myth that the private sector is more cost-efficient, and therefore contractors should replace civil servants. POGO debunked that myth in the 2011 report *Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors*, showing that contractors, on average, cost nearly two times as much as government employees performing comparable work. The ever-increasing cap would further drive up contractor costs.

Of course, private firms are free to pay their executives and employees whatever they want, but the pricing and/or reimbursement provisions

of government contracts should not force the American people foot the bill of such exorbitant salaries. POGO believes that such compensation is more appropriately paid from corporate earnings or equity rather than as a base contract cost passed on to taxpayers.

Groups such as the Project On Government Oversight, OMB Watch, the National Employment Law Project, the Center for Economic and Policy Research, and labor unions have supported the Senate’s effort to reduce the contractor compensation cap. Furthermore, POGO will urge the new Congress to establish one contractor compensation cap amount. It is time to rein in the growing cost of the entire government workforce—military, civilian, and contractor. ■

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Inspector General Report Warning: Budget Overruns in Nuke Refurbishment

The effort to extend the shelf-life of W76 nuclear warheads is on track for “large cost overruns,” according to a September 26 report by the Department of Energy Inspector General.

BY MIA STEINLE, POGO INVESTIGATOR

While government officials overseeing the refurbishment of the Cold War-era warheads say they can keep the work on budget, they “could not provide plans detailing actions necessary to achieve the needed cost reductions,” the report concluded.

The work is the responsibility of the National Nuclear Security Administration (NNSA), a semi-autonomous agency within the Department of Energy. Based on estimates from its fiscal year 2012 budget, NNSA will receive about \$1.5 billion to complete upgrades to the W76 warheads by 2016. The project is now estimated to cost almost \$1.8 billion, according to the report. This means the project is over budget by \$221 million, the Inspector General’s report said. The report faulted NNSA’s handling of the project, saying the agency has not made full use of available management tools and could not measure actual costs against planned costs.

However, a senior official at NNSA “expressed confidence” to the IG that the agency could complete the upgrades without going over budget.

The planned upgrades would extend the life of the W76 warhead by 30 years, as part of the NNSA’s “life extension program.” The program is meant to ensure that the warheads—which date to the 1970s and 1980s—can “safely and reliably remain in the stockpile,” according to the NNSA website. That means replacing deteri-

orating parts that could affect a warhead’s ability to detonate correctly if it’s launched.

The report said the upgrades have been delayed by years due to technical issues and mismanagement, meaning that the agency may be unable to finish this and future warhead upgrades by the deadlines it promised the Department of Defense (DoD).

The first round of W76 upgrades was initially set to be completed in 2007, according to a May 2006 Inspector General report. The agency’s current deadline for the entire project is 2018, at which point it plans to start upgrades on another type of warhead, the B61 gravity bomb, according to the new report.

The report said not completing the work on time could have “national security implications,” though it does not explicitly say what those are. Delays could prevent the government from beginning similar work on the B61 in time to meet commitments to NATO, the report said.

In a written response to the Inspector General, NNSA said it would adjust its plans for the warhead. “While NNSA acknowledges that additional adjustments to plans will be required to maintain the program within budget constraints, we believe that the appropriate management tools and management focus are in place to ensure successful execution of the W76 refurbishment,” NNSA wrote.

Spending money to refurbish nuclear weapons has been a point of controversy in Congress this year during budget debates. The B61 refurbishment came under fire from nuclear policy specialists and activists after Senator Dianne Feinstein (D-CA) said in a Senate hearing in July that the estimated cost of the warhead upgrades had increased from \$4 billion to \$10 billion. And Hans Kristensen of the Federation of American Scientists has questioned the value of refurbishing the B61. But he said the submarine-launched W76 is a different story.

Unlike the B61, the W76 “is important for U.S. national security,” Kristensen said. “Clearly, the administration needs to prioritize life extension of a sufficient number of W76-1 warheads.”

Still, it’s possible for the NNSA to save money on the W76.

“The administration could probably reduce the [refurbishment] production by half and still retain enough W76-1 warheads on the submarines for a credible retaliatory capability,” Kristensen said.

The new Inspector General report is the latest in a series of government reports critical of NNSA’s management of its life extension program. The report echoed language from the May 2006 Inspector General audit of the W76. The 2006 report expressed concerns that the W76 upgrades would not be completed on time and on budget. ■

Star Creeps

Petraeus and the Price of the Top-Heavy Pentagon

BY BEN FREEMAN, PH.D., POGO INVESTIGATOR

In addition to an extramarital affair and “flirtatious e-mails,” the General Petraeus sex scandal highlighted another of the Pentagon’s dirty little secrets—generals live like billionaires, and taxpayers are footing the bill.

As *The Washington Post* reported, these perks “befitting a billionaire,” include “palatial homes, drivers, security guards and aides to carry their bags, press their uniforms and track their schedules in 10-minute increments. Their food is prepared by gourmet chefs. If they want music with their dinner parties, their staff can summon a string quartet or a choir.”

Taxpayers are paying for this largesse, and they keep paying long after the generals retire—even if the officers are receiving other salaries and benefits.

General Petraeus, for example, will reportedly receive a \$220,000 annual pension for the rest of his life. Petraeus is reaping the benefits of a 2007 provision that dramatically increased the pensions of top generals and admirals, but not the lower ranking soldiers they command. The Pentagon’s press office told POGO, for the average three-star general or admiral that retires from the military, “the annual difference in retired pay between the old and new criteria is about \$39,900” per year.

While they’re receiving these pensions, many generals and admirals are also cashing in by working for defense contractors. In fact, a new report from the Center for Responsibility and Ethics in Washington (CREW) found “70 percent of the 108 three-and-four star generals and admirals who retired between 2009 and 2011 took jobs with defense contractors or consultants.”

Additionally, Pentagon contractors can also force taxpayers to pay for the work these former commanders are doing. Contractors can bill the government for up to \$763,029 of an employee’s salary. POGO has long advocated for lowering this amount.

On top of all this, these generals can become “senior mentors,” hired by the Pentagon to advise their former colleagues. A *USA Today* investigation in 2010 revealed that senior mentors were being “paid from about \$200 to \$340 an hour, plus expenses,” in addition to their pensions and private sector pay.



ALEX CAMPBELL / MEDILL NEWS SERVICE

All told, retired admirals and generals such as Petraeus could cost taxpayers more than \$1 million per year.

All these costs are compounded by the fact that today’s military is more top-heavy than it has ever been.

While testifying before the Senate Armed Services Committee last year, I informed the Senators that “The top officer ranks—general and flag officers—have grown faster than lower officer ranks, and three- and four-star positions have increased faster than all other components of the DoD’s force structure—a phenomenon we call star creep.”

How much could taxpayers save by reducing the number of generals and admirals to, say, Cold War levels? At least \$800 million over ten years, according to a new report by Senator Tom Coburn (R-OK).

Coburn’s plan would place excess brass in the reserves and eliminate these generals’ sizeable entourages. “A conservative estimate could mean a reduction in 800 support personnel costing \$100,000 per year,” according to the report.

POGO wholeheartedly supports this recommendation and believes the savings would be significantly greater once all the perks like drivers, chefs, and choirs are accounted for.

Reducing the DoD’s bloated general and admiral ranks should be part of any plan to reduce the deficit and cut wasteful Pentagon spending. In this fiscal climate the least Congress can do is spare us from paying for any more string quartets. ■



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