

THE DEFENSE MONITOR

PROJECT ON GOVERNMENT OVERSIGHT

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If More Money Buys a Smaller Fleet What Will Less Money Buy?

BY WINSLOW WHEELER, DIRECTOR, STRAUS MILITARY REFORM PROJECT

During the third debate of last year's presidential campaign, President Obama hammered Mitt Romney with a clever retort when Romney pointed out—accurately—that the U.S. Navy had become “the smallest since 1917.”

“We also have fewer horses; the nature of our military's changed. We have these things called aircraft carriers.” Romney had no rebuttal, nor even an explanation of what he meant by his numerical comparison of today's Navy with the fleet of 1917.

All over the internet I read comments about how foolish Romney was to not understand that the 2012 Navy could easily sink the one we had in 1917; that today's navy was infinitely more capable: It may have been shrinking in numbers of ships

in recent history, but each one is more effective compared to any 1917 museum pieces, and to what is being replaced now. Or, so they said.

Moreover, no foreign navy can even begin to compare, they said: we have more aircraft carriers and naval aircraft than the rest of the world combined; we can deliver infinitely more precision-guided weapons than the U.S. Navy of Operation Desert Storm in 1991, and our thousands of missile launchers exceed the firepower of the next 20 navies combined.

Like Romney's “smallest since 1917” statistic, the numbers in these statements may be technically accurate, but they also are irrelevant: the threats we face at sea are neither from the Kaiser's High Seas Fleet nor



from anyone seeking to imitate the U.S. force.

The threats our Navy faces, just like the rest of our armed forces, come from known and unknown enemies who study us and are developing—more accurately, already have developed—potential ways to defeat us.

Against those real threats, we are in terrible shape—possibly worse than we were in 1917 relative to the naval threat from the Kaiser. And, if we proceed with business as usual, the threats loom only larger.

Shrinking Numbers

If numbers mean anything—and they do—we are headed in the wrong direction. Even if it has not been President Obama's conscious plan to shrink the Navy from its cur-

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Navy and CBO Estimates of Cost of FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan

Average funding for new-construction ships, in billions of constant FY2012 dollars

	First 10 Years (FY2013-2022)	Next 10 Years (FY2023-2032)	Final 10 Years (FY2033-2042)	Entire 30 Years (FY2013-2042)
Navy Estimate	15.1	19.5	15.9	16.8
CBO Estimate	16.8	22.0	21.2	20.0
% Difference Between Navy and CBO Estimates	11%	13%	33%	19%

Source: Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2013 Shipbuilding Plan*, July 2012. Table 2 (Page 11).

rent 284 “battle force” ships to 250, as Romney and his surrogates disingenuously charged, that shrinkage—perhaps more—is what is very likely to happen.

Keep in mind that since 2001, the Navy’s “base” budget (not including the additional amounts to fight the post-9/11 wars) increased dramatically. However, since 2001 the size of the Navy’s battle fleet shrank.

According to the Congressional Research Service, during the George W. Bush years (2001-2008), the fleet shrank 11% (from 316 ships to 282) as the Navy’s “base” (non-war) budget grew 51% in inflation-adjusted (“constant”) dollars. With continuing budget increases, Obama has managed to increase the fleet since 2008 by just two ships, to 284. These trends are longstanding: for decades, the unit-cost of ships growing at a rate higher than the budget has meant more money buys fewer ships.

Recent analysis from the Congressional Budget Office shows that the prospects for the Navy’s growing in the future are quite dim. CBO esti-

mates that to implement the Navy’s 2012 30-year shipbuilding plan (to increase the fleet from 284 to the projected 310 to 316 warships) will require average annual spending of \$20 billion, not the \$17 billion the Navy estimates.

Congressional Budget Office

It is completely unrealistic to anticipate even the Navy’s low-ball future spending levels: No one is anticipating the kind of Pentagon spending increases these higher shipbuilding figures will require, and for naval shipbuilding even to retain its current level of spending, let alone increase, will require it to “eat” spending elsewhere in the Navy’s budget, or in one of the other military services’ budgets. (For fiscal year 2014, the Navy provided a revised shipbuilding plan with a lower goal of 306 ships, but without making the kinds of changes that would mean the fleet is either properly funded or affordable. CBO has not yet written its analysis of the new plan; it is expected later this year.)

The Navy also seeks increases in other parts of its own budget, specifically for the F-35C fighter-bomber (which will cost more than twice what existing F-18s cost).

As the Pentagon’s and the Navy’s budgets shrink in the foreseeable future, the money for an expanded Navy is simply not there.

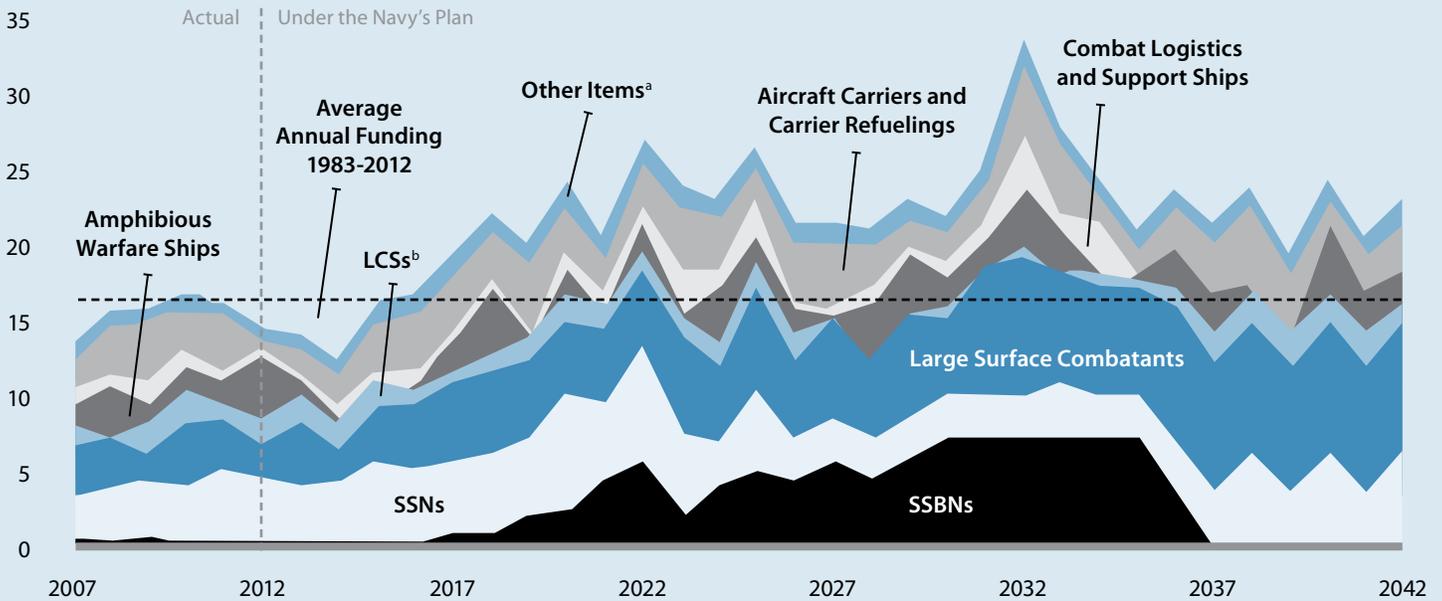
The Effect of Unaffordable Ships and Planning Gimmicks

CBO has testified that a realistic long-term inventory is somewhere between 170 and 270 ships, depending on the type of ships the Navy seeks to buy. Considering the Navy’s strong preference for high-end ships, the potential for further cost growth, and CBO’s substantially higher re-estimates, the number of actual ships is likely to be in the mid-to-lower parts of the 170-270 range.

For example, CBO estimated the new-generation aircraft carrier, CVN-78, to cost \$14.2 billion, not \$13.1 billion as the Navy has projected; CBO projects the “Flight III” DDG-51 to cost \$2.4 billion, not \$2.2 billion, and an unnamed study reported in the press found that CBO estimate may be low by \$1.2 billion. Also, CBO estimates the existing Littoral Combat Ships to cost \$770-\$800 million and the total program average to be \$500 million per ship; meanwhile the Navy projects a \$440 million unit cost (all in constant dollars). The Navy’s habitual under-estimating of its own costs simply means that still more money in the future can buy only fewer ships, and if costs are even higher than CBO’s estimate, which CBO says may happen, it all gets worse.

None of this is helped by the way the Navy bureaucracy games its own shipbuilding plans. For example, although the Navy reduced the number of ships in the fiscal year

CBO's Estimates of Annual Shipbuilding Costs Under the Navy's 2013 Plan (Billions of 2012 Dollars)



Source: Congressional Budget Office based on data from the Department of the Navy.

Note: LCSs = littoral combat ships; SSNs = attack submarines; SSBNs = ballistic missile submarines.

- a. Other items include funds for ship conversions, construction of ships that are not part of the Navy's battle force (such as oceanographic survey ships), training ships, outfitting and postdelivery costs (which include the purchase of many smaller tools and pieces of equipment needed to operate a ship but not necessarily provided by the manufacturing shipyard as part of ship construction), and smaller items.
- b. Costs for the mission packages for littoral combat ships, which are not funded in the Navy's shipbuilding accounts, are not included.

2013 30-year ship building plan, compared to the 2012 plan, the cost of the new—smaller—plan was actually higher: the Navy removed lower-cost ships and added higher-cost ones, while reducing the total number only marginally. The Navy also dropped 24 logistics ships, which it knows will have to be added back in later on, thereby insuring that the funds projected to complete the fleet are even more inadequate, and proving CBO was right to say that its own estimates may be too low.

In addition, the Navy arbitrarily assumed ships, such as destroyers, would have a lifespan of 40 years, rather than the 30 years that such combatants have typically served.

Recently, the Navy has attempted to retire some ships even before 30 years.

Finally, to achieve its increased fleet, the Navy's gimmick-filled plans typically decrease the number of ships to be built in the short-term future: for example in the previous FY 2013 plan the Navy proposed to reduce the number of ships procured to seven in 2014 and eight in 2015 from the nine per year CBO said was required. In as much as it is the near-term budgets that are the ones that actually occur, the short-term plan to reduce shipbuilding should be taken as prologue for the most likely budget future.

Put simply, the Navy's underestimates of its own costs, unrealis-

tic projections of what money will be available, and shipbuilding-plan gimmicks all add up to a fleet that will be declining in numbers, even with increased funding.

The precise size of the future fleet is unknown, but it is unreasonable to expect it to retain its current size. The shrinkage will be exacerbated if the Navy retains its multiple shipbuilding psychoses: the number of battle force ships may tend toward the lesser numbers (approaching 170) that CBO has testified to, especially in the likely event of less money available, not more.

Not even more money will fix the problems described here given the way the Navy misuses its budget. ■

More Than the Navy's Numbers Could be Sinking

The shrinking size of the fleet is just one variable in considering its adequacy: the ability to perform assigned missions, especially after withstanding whatever threats may exist, is a far better measure than mere numbers.

BY WINSLOW WHEELER, DIRECTOR, STRAUS MILITARY REFORM PROJECT

As described by the Congressional Research Service, a core mission is to influence “events ashore by countering both land- and sea-based military forces of potential regional threats, including improved Chinese military forces and non-state terrorist organizations.”

This is similar to the mission described by former defense secretary Robert Gates: “to enhance overall posture and capabilities in the Asia-Pacific region” with “numbers, speed, and agility to operate in shallow waters.”

Whether or not these sentiments are only passing conventional wisdom or profound insight, they represent the current mission. Unfortunately, it is precisely those areas of operation where the mismatch between capabilities and threats is most disconcerting.

The Diesel-Electric Submarine Threat

To put it simply, if naval exercises in the last two decades involving foreign diesel-electric submarines had been actual combat, most if not all, U.S. aircraft carriers would be at the bottom of the ocean: as many as 10 U.S. aircraft carriers have been reported “sunk” in these exercises, out of the current total of 11 carriers.

The analytically conservative Congressional Budget Office was alarmed enough to officially report that “some analysts argue that the Navy is not very good at locating diesel-electric submarines, especially in noisy, shallower waters near coastal areas. Exercises with allied navies that use diesel-electric submarines confirm that problem. [For example,] Israeli diesel-electric submarines, which until recently were relatively old, are said to always ‘sink’ some of the large and powerful warships of the U.S. Sixth Fleet in exercises. Most recently, an Australian *Collins*-class submarine penetrated a U.S. carrier battle group and was in a position to sink an aircraft carrier during exercises off Hawaii in May 2000.”

There have been many such exercise “sinkings” since then, including aircraft carriers *Reagan* and *Lincoln*.

Moreover, the problem stems not just from the latest, 21st-century diesel-electric submarine technology from the West; it also occurs in the form of various earlier technology submarines built in Russia, operated by China, and/or available to various lesser navies, such as Peru’s, and throughout the world. Those navies include North Korea’s and Iran’s. The problem was dramatically demonstrated when a Chinese *Song*-class submarine surfaced—previously undetected—in the middle of a U.S. carrier battle group much too close for comfort to the USS *Kitty Hawk* in 2006.

Nor is this problem new. When the U.S. Navy still possessed diesel-electric submarines (until 1990), aircraft carrier and major surface combatants were routinely “sunk” in exercises—unless carrier advocates had the exercise ruling reversed for the sake of appearances.

The Navy was so neurotic about the repeated success of this bureaucratically disfavored submarine technology that in the 1980s it declared classified an analysis of exercises demonstrating their persistent success written by a congressional staffer in the office of Senator Gary Hart (D-CO) based on open source materials. I came across the memo in a classified-materials safe while working at the General Accounting Office (now the Government Accountability Office) and was informed that the Navy insisted that any public record of the analysis be suppressed via classification.

In the mid-2000s, the Navy was finally rattled enough to start a Diesel-Electric Submarine Initiative (DESI) with allied navies, such as those of Peru, Columbia, Chile, and Brazil, to train in anti-submarine warfare. It even leased for two years—complete with crew—a modern Swedish *Gotland*-class submarine to participate in U.S. Navy exercises.

The Swedish sub and crew promptly demonstrated their proficiency by “sinking” a *Nimitz*-class carrier,



U.S. NAVY PHOTO BY CHIEF MASS COMMUNICATION SPECIALIST MARLOWE F. DIX/RELEASED.

NORFOLK (Sept. 27, 2010) The Norwegian diesel electric submarine HNOMS *UTVAER* (S303) arrives at Naval Station Norfolk. *UTVAER* will play a part in anti-submarine training while operating with the *Enterprise* Carrier Strike Group.

among other ships and submarines. The lease appears not to have been renewed, even though the Navy continued to have extreme difficulty in finding the Swedish sub at sea. The non-solution of the problem would appear to have been described in 2008 by the to-be chief of naval operations, Admiral Jonathan Greenert, who demurely stated “We are not satisfied with [our progress] right now.”

Subsequent to that time, I have found no public reports of the results of exercises with diesel-electric submarines—suggesting that either the exercises have stopped or the results have been suppressed. However, a source as obscure as a Navy caption for an officially released photograph indicates that the exercises continue, as well as the indications of continuing difficulties in locating diesel-electric subs. This serious problem apparently remains very unsolved.

The Mine Threat

Diesel-electric submarines are not the U.S. Navy’s only

undersea problem: in the post-World War II-era, 19 of its ships have been sunk or seriously damaged, 15 of them by sea mines.

In the 1980s “tanker war” in the Persian Gulf, the guided-missile frigate *Samuel B. Roberts* struck a 1908-design Russian mine and was kept afloat only after heroic damage control efforts by the crew. In 1991, during Operation Desert Storm, the *Aegis*-class cruiser *Princeton* and the amphibious warship *Tripoli* were both seriously damaged by mines.

The Navy became sufficiently intimidated by the sea-mine threat laid by Iraq that the Marines cancelled plans for an amphibious assault against Kuwait city. Things have not improved since then: in 2012 the Navy conducted joint anti-mine exercises with 34 allies in the Persian Gulf; over 11 days, 24 ships (including 8 of the U.S. Navy’s paltry fleet of 14 minesweepers) with 3,000 sailors found only half of the 29 simulated mines laid for the exercises.

The Navy asserts that retiring and not replacing the

Just as primitive land mines made an unpleasant surprise from the start of the Iraq war continuing to this very day in Afghanistan, sea mines—even primitive ones—constitute a present and real threat to the U.S. Navy that it has not dealt with effectively.

specialized *Avenger*-class of U.S. mine-hunting ships will result in an increase in anti-mine capabilities with 24 mine-warfare modules added, at times, to Littoral Combat Ships. That the capability may increase is entirely theoretical; the LCS mine countermeasures module has proven problematic, and operational testing of it will not even start until 2014.

It is a real question whether ships not primarily designed for mine hunting with organic crews that have little to no experience in such specialized tasks (but augmented by 38 mine specialists) can outperform the specialized capability—albeit quite limited—being retired with the *Avenger* class.

While the Navy has ignored mine warfare, allowing capability to remain inadequate, others have not: According to various public sources, China reportedly has 80,000 sea mines, Iran has from 2,000 to 3,000, and worldwide 50 nations have an inventory of 250,000.

Just as primitive land mines (euphemistically called Improvised Explosive Devices) made an unpleasant surprise from the start of the Iraq war continuing to this very day in Afghanistan, sea mines—even primitive ones—constitute a present and real threat to the U.S. Navy that it has not dealt with effectively.

However, the Navy is threatened not just from below the sea.

The Air Threat

The first evaluation I was given when I joined the Government Accountability Office in the late 1980s focused on the performance of the *Aegis* air-defense system against anti-ship cruise missiles. We found that in highly unrealistic, that is to say obliging, tests, *Aegis* generally performed at a mediocre level against its own criteria.

Even though the Navy classified all but the vaguest and most mundane parts of our assessment, it is possible to say, unclassified, that against the more stressful targets in terms of speed and altitude, the *Aegis* system performed well below that. Against the most difficult targets—traveling at supersonic speeds at very low, sea-skimming altitudes—the test results were, to put it mildly, depressing.

In tests using surrogates that were both slower and higher than the Mach 2 Soviet SS-N-22 *Sunburn* missile, it was clear that the *Aegis* system could not be relied on for an effective defense of itself or aircraft carriers it was escorting.

Both China and Iran now possess that missile.

Moreover, the *Sunburn* has been supplanted by the significantly faster and even lower-flying SS-N-27 *Sizzler*, also now in the possession of China and Iran.

Worse, Russian arms dealers are now marketing a version of this missile that can be deployed and used from shipping containers on merchant ships or littoral craft.

The Chinese are now developing a different anti-ship technology, an anti-ship ballistic missile, the DF-21D. It is also very problematic to defend against: so problematic that in February 2012, the current Director of Operational Test and Evaluation (DOT&E) in DOD reported “No Navy target exists that adequately represents an anti-ship ballistic missile’s trajectory...[the Navy] has not budgeted for any study, development, acquisition or production” of a DF-21D target. Apparently, we do not even know how good or poor our defenses are against this newer threat; however, previous *Aegis* performance against high-angle, high-speed targets suggests this is a serious problem awaiting solution.

If these very-high and very-low altitude, high-speed missiles work as intended—and that is always a legitimate question—the U.S. Navy has a long way to go to demonstrate that it has the ability to intercept existing threats.

The threats from these missiles, sea mines, and diesel-electric submarines have all been real and existing for decades. They have also been without an effective response from the Navy, which seems more interested in high-profile, high-cost, show-the-flag forces that are best usable against enemies like Afghanistan, Libya, and Iraq—nations that have little, if any, weapons to use against us.

Our contemporary wars have amounted to little more than “clubbing baby seals” at sea. We have been lucky in the past, and escaped with only a few ship casualties.

Can we expect our luck to continue? ■



SAN DIEGO (July 5, 2011) The littoral combat ship USS *Freedom* (LCS 1) undergoing \$1.8 million in maintenance while it was in dry dock at BAE Systems San Diego Ship Repair.

Is the Fleet Steaming Forward ... or Backward?

BY WINSLOW WHEELER, DIRECTOR, STRAUS MILITARY REFORM PROJECT

The prevailing wisdom holds that America's smaller fleet is more capable than the U.S. Navy of yore because of higher capability per individual ship. It is a dangerous assumption.

To its credit, in 2010 the Navy completed a study of the surface fleet's manning, training, and equipment readiness.

The Balisle Report, an 82 page document that was released to Congress and the internet in 2004, was a brutal assessment: ship maintenance went underfunded for years; one-fifth of the fleet cannot pass inspections; aircraft and ships had junk as equipment and/or insufficient spare parts; fewer than one-half of deployed combat aircraft are fully mission-capable at any given time; training throughout the surface fleet has been inadequate; ships are undermanned; and returning ships are cannibalized for parts to keep others running.

The fleet was in substantially

worse shape than it was in 2001. A less-comprehensive report from GAO, titled *Military Readiness: Navy Needs to Assess Risks to Its Strategy to Improve Ship Readiness*, also identified some of these problems and trends.

The prospects of finding the money to address these shortfalls are bleak: the Navy plans to put its budget emphasis on new hardware, not maintenance, and is not even certain that the limited funds it does seek for maintenance will be available.

In 2012 the Navy claimed it had made progress in addressing the deficiencies. But one of its biggest defenders in Congress, Representative Randy Forbes (R-VA), retorted in a statement at a March 2012 hearing in the House Armed Services Com-

mittee that "the readiness trends for full-mission capability rates suggest less-than-satisfactory performance." Vice Admiral William Burke admitted as much, saying, "I am concerned that we will not properly fund maintenance in the future."

The Navy's plans for future ships may exacerbate the negative readiness trends. In the face of too few qualified sailors for required maintenance at sea, the Navy plans to address this kind of problem with "smart ships," such as the Littoral Combat Ship and *Ford*-class carriers, where technology, not people, provide the maintenance.

The idea is to save money by deploying smaller crews, but it may not pan out. Admiral James J. Shannon, commander of the Naval Surface Warfare Center, has told *National Defense* magazine:

We realized we went too far [with "smart ships"]. We need more sailors. We can't handle maintenance, or watch standing....We are going to wrestle with that throughout my lifetime and the next generation.

There is also the survivability problem associated with smaller crews aboard the "smart ships." If one considers the higher manpower needs of ships in combat for damage control, there may be yet another area where capability is going backwards.

The question isn't whether the Navy will catch up with its readiness problems. Rather, it's will they get even worse?

Are New Ships More Capable?

One needs to consider what additional capability individual new ships, even theoretically, bring to the fleet. In some respects, there may be no increase; in others there may be declines.

For example, both Navy and public sources estimate the number of aircraft and helicopters carried by both the older *Nimitz* and the new *Ford* classes of aircraft carriers to range from 60 to 90, depending on what is counted. The new (twice as expensive) *Ford* class brings no dramatic improvement in the major measure of merit for aircraft carriers: combat aircraft on board.

However, the new *Ford* class is said to be able to generate more sorties of aircraft per hour with its new electromagnetic aircraft launch system (EMALS). But it is not entirely clear it will work as designed while at sea, and looms as an issue of concern to the Pentagon's weapons-testing chief. Stealth aircraft are notoriously bad at generating sorties.

The F-117 was unable to fly more than 0.7 sorties per day in Operation Desert Storm, on average. The B-2 was reported to fly only once every five to seven days in the 1999 Kosovo air war, and while it has never seen combat, the F-22 flew less than eight hours per month, on average, in 2011. Even if the "stealthy" F-35C, the Navy's version of the new Joint Strike Fighter, can improve on the F-22 for availability, it is highly unlikely to be

able to fly more than once every other day in any sustained combat.

The ability of *Ford*-class carriers to generate sorties with the "stealthy" F-35 is likely to be less than that today generated by *Nimitz*-class carriers with non-stealthy F-18s. Beyond that, with the F-35's inability to bring any significant improvement in terms of range, payload, and maneuverability, the F-35 is unlikely to produce any increase in per-sortie capability.

Worse appears to be the case for the Littoral Combat Ship. It clearly offers diminished capability compared to some other navies' frigates, corvettes, and even fast-attack boats, and it may be a step backward from the U.S. Navy's own FFG-7 frigates.

Multiple news articles present a depressing picture of what the LCS is, and is not. The Pentagon's own Director of Operational Test and Evaluation repeatedly termed the LCS and its systems "deficient" in his FY2012 Annual Report to Congress. He added: "LCS is not expected to be survivable...in a hostile combat environment."

These and other new ships represent the Navy's vision of its future. It is an apparition that is unaffordable, unlikely to meet real threats at sea, and unable to dominate regional powers as thoroughly as some seem to assume.

Conclusion

As pointed out in Part 1 of this special report, the Navy is engaging in an unacknowledged program to shrink its own fleet, and as argued in Part 2, it is not effectively addressing existing serious threats to its own ships.

There's also scant chance of the required changes coming from the top.

Much has been made in Wash-

ington about a strategic "pivot" to Asia. The thinking is exemplified in an essay in *Foreign Affairs* magazine, "Strategy in a Time of Austerity," by Andrew F. Krepinevich, a retired Army lieutenant colonel who now runs the Center for Strategic and Budgetary Assessments, a Washington think tank.

The article is remarkable for its pervasive expectation of an era of open hostility with China, and a virtual second Cold War becoming the justification for a panoply of high-cost naval and air systems.

A second article, in *Foreign Policy* magazine, "Sea Change: The Navy Pivots to Asia," by Admiral Jonathan Greenert, the chief of naval operations, offers some specifics about the kind of naval systems the "pivot" advocates seek.

Four priorities are listed for "new capabilities focused on Asia-Pacific challenges," but they all amount to business as usual for shipbuilding, complemented by new bases and unmanned drones.

Threats from anti-ship missiles are addressed as if the needed defenses are fully in hand, and diesel-electric submarines, mines, and riverine and coastal combatants are not even mentioned. The "pivot" appears as little more than a fulcrum to leverage more spending for business as usual.

If there is, indeed, to be an era of open hostility with China, the conventional wisdom to address it yields an inadequate—but very expensive—Navy. The Navy is on the wrong heading.

Sadly, the shrinking, inadequate forces at unaffordable prices is also occurring in the Army and Air Force. Our political and military leaders have chosen to ignore these destructive trends; their willful ignorance only makes those trends worse. ■

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The average number of hours per month in 2011 flown by the F-22.

Pentagon Pork

Too Easy to Push Through Congress

BY BEN FREEMAN, PH.D., POGO INVESTIGATOR

It's getting easier to find people inside Washington's Beltway who want to cut the fat from the Pentagon budget.

Scaling back military spending isn't just for the most progressive members of Congress anymore. Even the tea-partying Senator Rand Paul (R-KY) favors defense cuts.

The growing tide of support for reining in profligate Pentagon spending includes liberal think tanks, such as the Center for American Progress, and right-wing organizations, such as Grover Norquist's Americans for Tax Reform. Some of the CEOs of Pentagon contractors and former military leaders—including retired Admiral Mike Mullen, a former chairman of the Joint Chiefs of Staff—are on board.

Yet, none of that prevented then-Secretary of Defense Leon Panetta from beating the “doomsday” drum about the roughly 10 percent in reductions to Pentagon spending that took effect on March 1 as part of across-the-board federal budget cuts. Panetta said the cuts would have a “devastating” effect on U.S. military might.

But guess what? In trying to show how they would cope with these automatic cuts, the three military branches have, perhaps unwittingly, exposed what Senator John McCain (R-AZ) calls a “culture of inefficiency” at the Pentagon.

Detailed “guidance documents” released by the branches call for curtailment of spending on things that aren't

“mission essential.” As it turns out, the list of non-mission essential items in the half-trillion-dollar Pentagon budget is quite extensive. Examples include Blue Angels airshows and flyovers at sporting events—which cost hundreds of thousands of dollars. The Navy's participation in Fleet Weeks, festivals, and conferences, which can each cost millions of dollars, is on the chopping block too.

Those guidance documents also ask managers to conserve energy, cut back on administrative overhead costs, and trim the fat from all contracts.

These are all prudent measures. So prudent, in fact, that you've got to wonder why the Pentagon hasn't been doing this all along. Why have we taxpayers been paying for activities that weren't mission critical?

The simple answer is that Pentagon pork is the easiest type of pork to push through Congress. And all this non-essential spending really adds up. Senator Tom Coburn (R-OK) recently released a report documenting \$68 billion in “Department of Defense spending that has little to do with national security.”

Among other boondoggles, Senator Coburn found that the Pentagon was using taxpayer money to develop a computer app that lets you know when it's time for a coffee break. Gulp.

And taxpayers content with 99-cent Slim Jims might choke on them if they knew that they're footing the \$1.5 million bill for the Pentagon to develop its own brand of beef

jerky.

The problem isn't that the Pentagon doesn't have enough money. Uncle Sam spends more on military operations than almost all the other countries in the world combined. The problem is that the Pentagon wastes more money than most other government agencies have in their entire budget.

The Pentagon is notorious for being the only government agency that can't pass a financial audit. For example, the Defense Contract Audit Agency reviewed roughly a third of all Pentagon contract dollars in 2011 and found that taxpayers were overcharged nearly \$12 billion by military contractors. Given that Pentagon contractors employ hundreds of lobbyists, nearly \$60 million worth last year according to the Center for Responsive Politics, we shouldn't expect a refund any time soon.

As the late Senator Everett Dirksen (R-IL) said, “a billion here, a billion there, and pretty soon you're talking real money.”

The time has come to crack down on waste, inefficiency, and pork-barrel projects at the nation's largest bureaucracy.

As Admiral Mullen has repeatedly warned, the single biggest threat to our national security is the national debt. The Pentagon must confront that threat now. ■

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This article is an update of a piece first published on February 13, 2013, on *Otherwords* blog. The original article can be found at <http://otherwords.org/mission-essential/>.

Penny Wise, Pound Foolish

The Pentagon's Response to Sequestration

BY BEN FREEMAN, PH.D., POGO INVESTIGATOR

There was a \$360 billion gorilla in the sequestration debate. The gorilla, which few policymakers in Washington seemed interested in discussing, is what the Pentagon spends the majority of its budget on—contractors.

Every year for the last five years the Pentagon has spent more than \$360 billion purchasing goods and services from contractors. In other words, the Pentagon has, on average, been spending nearly \$1 billion a day on contractors. Even if we just looked at what the Pentagon spends on service contracts, that alone is more than what it spends on troops or civilian employees—and not because the DOD hires more service contractors than civilian employees or troops. An analysis by the Project On Government Oversight found that a Pentagon contractor employee costs 2.94 times more than an average Pentagon civilian employee performing the same job.

But now that sequestration has reduced the Pentagon's budget by roughly \$42 billion, that's all going to change, right? Think again.

"I don't anticipate that we will cancel many, if any, contracts," Pentagon Comptroller Robert Hale said in a Pentagon briefing on February 20. "And, I would like to say to reassure them [contractors], if you've got a contract with us, we're going to pay you," added Hale.

Instead of taking meaningful action to reduce the Pentagon's over-reliance on contractors, Hale and the DOD leadership will be furloughing civilian personnel, including 15,000 military school teachers, according to the *Air Force Times*. While Hale estimates that the civilian furloughs will

save \$4 to \$5 billion, it may ultimately cost taxpayers far more than it saves.

Civilians are the least expensive part of the Pentagon's labor force, and service contractors are often used in place of civilian employees. This is an immense and unnecessary cost to taxpayers. While Hale and other officials have claimed they'll make efforts to not begin new contracts, the White House's Office of Management and Budget issued a memo on February 27, 2013, that will allow agencies to "enter into new contracts or exercise options when they support high-priority initiatives." Theoretically, then, when civilian employees performing "high-priority initiatives" are furloughed, contractors could be

hired to replace them. So, the decision to furlough DOD civilians and to hire contractors to do their jobs may be penny wise but pound foolish.

Contractors aren't always the most expensive option and, in some instances, it makes sense to hire contractors instead of Pentagon civilian employees. The DOD's civilian employees should not be immune from sequestration cuts—after all the DOD employs nearly 800,000 civilian employees, far more than any other government agency. But neither should contractors be immune.

The key is to compare the costs and benefits of civilians and contractors. Unfortunately, this is rarely done at the Pentagon, and implementing an across the board civilian furlough ensures that it won't be done under sequestration either. ■

PENTAGON WORKFORCE SPENDING

53%

for service contractors

32%

for all uniformed
military personnel

15%

for
civilians

And contractors cost nearly

3 time more per person than →

DOD
civilians

In FY2010, service contractors cost

\$253,800,000,000

MOX

on the Chopping Block

BY LYDIA DENNETT, POGO RESEARCH ASSOCIATE

The beleaguered Mixed Oxide Fuel (MOX) program at the Savannah River Site in South Carolina was originally planned to convert weapons-grade plutonium into mixed oxide fuel for use in commercial nuclear energy reactors. But as construction of the building finally comes to a close, the program is vastly over budget and behind schedule, requires potentially years of additional testing, and lacks even a single customer.

When the facility was conceived in 2004, the cost estimate was \$1.6 billion and it was expected to be operational in three years. But delays and rising costs have plagued the project almost from the start. Plant design changes, higher equipment costs, and difficulty in finding professional staff or feedstock material suppliers affected both the cost and schedule of the plant.

Today the MOX program is over budget by 300 percent and ten years behind schedule. In the 2013 Congressional Budget Request from the National Nuclear Security Administration (NNSA), the estimated cost of the MOX facility jumped to \$4.8 billion with a completion date of 2017, and operating costs rose to \$499 million per year (up from \$156 million per year in 2011). And a recent Government Accountability Office report revealed that NNSA's revised cost estimate is actually \$2 billion higher, making the final price tag a staggering \$6.8 billion. All of this for a facility that lost its only customer and

doesn't have even one other lined up.

In 2008, Shaw AREVA MOX Services—the project contractor—lost its contract with Duke Energy, which had previously been committed to buying the fuel produced at the MOX facility. Since then the Department of Energy (DOE) has been looking to the Tennessee Valley Authority (TVA), a nuclear power company, as a potential customer.

Yet it is unlikely that TVA will use MOX fuel in any of its reactors before they and the DOE complete thorough safety and performance testing, something TVA has not yet committed to doing. Testing of MOX in these reactors would take at least six years, according to the Nuclear Regulatory Commission (NRC). There have also been concerns raised about the use of MOX fuel in the boiling water reactor at Fukushima Daiichi, and the NRC made it clear that they expect test data will be necessary to support an application for commercial use of the fuel, so it is likely to be years before the industry and the public are assured that MOX does not present any unnecessary risks.

In addition to safety issues, the 2012 House Appropriations Committee was concerned that continued funding of the MOX program, which does nothing to address loose fissile material, would take resources away from other non-proliferation programs. Over one-third of the NNSA's Defense Nuclear Nonproliferation budget request for FY2013 was devoted to plutonium disposition, namely MOX. Thus, other critical

programs such as the Global Threat Reduction Initiative, which provides funding for the secure removal and disposition of nuclear material and weapons all over the world, and the Nonproliferation and International Security program, which works to prevent the proliferation of nuclear materials, data, and technology, are under severe budgetary strain. The relentless budgetary pressure caused by MOX is a big problem.

The Project On Government Oversight (POGO) has worked for years to stop the bottomless money pit that is the MOX facility. Back in 2008, POGO recommended halting the program when the NRC issued a Notice of Violation to Shaw AREVA MOX Services for quality assurance problems during the construction of the facility. The MOX Project Quality Assurance Plan describes the maintenance and operations conditions to ensure the health and safety of the workers onsite, the surrounding public, and the environment; a failure to adhere to these conditions results in a violation. More recently, POGO recommended halting construction of the facility in our 2012 Spending Even Less, Spending Even Smarter report.

Now, finally, the Administration is beginning to listen. The Department of Defense, the State Department, and the DOE had tentatively agreed to zero-out the program, but a plan brokered by Deputy Secretary of Energy Daniel Poneman would still cut funding to the MOX facility by 75 percent. Poneman's plan would provide over a billion dollars over the next five years in order to finish construction of the building and to provide funds to explore alternatives for the ongoing problem of plutonium disposition. We hope this funding won't be used to keep the MOX program on life support. ■



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