

DEPARTMENT OF THE AIR FORCE
PRESENTATION TO THE HOUSE ARMED SERVICES
COMMITTEE
THE STRATEGIC CHOICES AND MANAGEMENT REVIEW

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Mr. Chairman, Ranking Member Smith, members of the committee, it is an honor to appear before you. Thank you for the opportunity to discuss the findings of the Strategic Choices and Management Review (SCMR) and what it means to the United States Air Force. Thanks also for your continued support of Airmen and their families as our Nation remains at war.

Our Air Force is the best in the world. We hire the very best people we can find and train them better than any other airmen in the world. As members of a great joint warfighting team, we do five core missions, which haven't fundamentally changed since we became a separate service in 1947. We still do (1) air superiority (we've added space superiority), (2) intelligence, surveillance, and reconnaissance (ISR), (3) rapid global mobility, (4) global strike, and (5) command and control. We do all these missions in and through our three operating domains--air, space, and cyberspace. The result is *Global Vigilance*, *Global Reach*, and *Global Power* for America.

Our Airmen know this, and they are proud of the critical role they play in our Nation's defense. It's our job as leaders and policy makers to ensure that when America calls, our servicemen and women are capable of fighting and winning our Nation's wars. As we plan for various budget scenarios, we seek to remain ready in 2014 for a full range of combat operations, while also building an Air Force that is capable of executing our five core missions against a determined, well-armed and well-trained adversary in 2023 and beyond.

SCMR Process

This past March, Secretary Hagel directed the Deputy Secretary of Defense, the Service secretaries, the Joint Chiefs of Staff, the combatant commanders, and the undersecretaries of defense to conduct a Strategic Choices and Management Review to prepare for a range of budget

scenarios. We analyzed every aspect of the defense establishment including business and acquisition practices, contingency planning, force structure, compensation, readiness, and modernization with the goal of finding savings while preserving the key tenets of the Defense Strategic Guidance (DSG).

To meet this goal, the Air Force relied on four guiding principles that steer our strategy and budget process. (1) We must remain ready for the full spectrum of military operations. (2) When forced to cut capabilities (tooth), we must also cut the associated structure and overhead (tail). (3) We will maximize the contribution of the Total Force. And, (4) we will remain strategy driven, based on the DSG and our ability to execute our five core missions against a full-spectrum, high-end threat.

SCMR Findings

1) In all of the budget scenarios we considered, we need sufficient flexibility to make the Air Force more efficient and effective. We can and have found savings from reducing overhead, administrative costs, and operating expenses. But compensation reform and infrastructure reduction are critical. If they are not addressed, then the cuts must come entirely from training for readiness and investment in recapitalization, modernization, and new technologies. The result is reduced combat power from a smaller, less capable and less ready force, and the resultant increased national security risk. These reforms are difficult, but we must make them. We appreciate the reprogramming assistance Congress has previously provided, and will seek continued congressional support in transferring money between appropriations.

2) The SCMR found that, over time, a combination of efficiencies, compensation reforms, and strategically chosen cuts in force structure, modernization, and readiness, could achieve the level of cuts required under current law, but there is no strategically and

managerially sound approach to close that gap within the next few years. If cuts of that magnitude must be implemented now, draconian measures that will have significant negative effects on people, weapons systems, munitions accounts, readiness, and modernization will be required.

3) The SCMR found that the President's fiscal year 2014 (FY14) budget proposal is the most prudent option of those currently being considered. It allows us to implement the main tenets of the DSG. Force reductions in this scenario will still be necessary, but if accompanied by efficiency and compensation reforms, they can be made in a way that minimizes the additional risk to our national defense.

Sequestration

We are fully aware that the Air Force has a role in helping our Nation get its fiscal house in order. However, the uncertain and arbitrary nature of sequestration makes it a reckless way to fund the world's greatest military. As the Vice Chairman of the Joint Chiefs of Staff said, "We don't know how much money we're going to have. We don't know when we will know how much money we're going to have. And we don't know what the rules are going to be when we know." Furthermore, the blunt, indiscriminate mechanism of sequestration undermines the combat capability of the United States Air Force and the entire joint force, and is unworthy of the men and women who risk their lives in service to our Nation.

The current effects of the FY13 sequestration are well documented. We were forced to ground 33 squadrons, including 13 combat-coded squadrons. An additional seven squadrons were reduced to basic "takeoff and land" training. It will now cost a minimum of 10 percent more flying hours to fully retrain the grounded squadrons than it would have to simply keep them trained all along.

In addition, we were forced to break faith with our civilian Airmen by furloughing 164,000 active duty, Guard, and Reserve civilians for eight hours a week, over a six week period. On top of the financial hardship of losing 20 percent of their pay during this period, we as an Air Force lost 7.8 million man-hours of productivity. Sadly, we also sent a message to our civilian Airmen that we don't sufficiently value their contributions. It will take us years to earn back their trust.

Sequestration has already dealt a significant blow to our Air Force. If the reduced discretionary caps, with the threat of sequestration, remain in place for FY14, we could be forced to cut flying hours by as much as 15 percent. Within three to four months, many of our flying units will be unable to fly at the rates required to maintain mission readiness, we'll cancel or significantly curtail major exercises, and we'll reduce our initial pilot production targets. In addition to these near-term effects, if reductions of this magnitude continue, we will be forced to pursue the following long-term actions in force structure, readiness, and modernization.

Force Structure

We will be forced to get smaller...both in terms of people and aircraft. On the people side, as a Total Force we are already the smallest we have been since our inception. When I entered the Air Force in 1976 we had 725,000 Total Force military Airmen, including 585,000 on active duty. Today we have 506,000 Total Force military Airmen. Our current active duty size, 329,000, is only 25,000 greater than we had in 1947 when we became a separate Service.

There is a limit to how small we can get and still fulfill the DSG because our "supply" of forces is basically equal to the strategic "demand" with almost no margin in capacity. If the reduced discretionary caps continue, over the next five years we may be forced to cut up to 25,000 (approximately four percent) Total Force Airmen and up to 550 (approximately nine

percent) aircraft.

Although we employ fewer people, compensation costs continue to skyrocket. Together we must address the issue of compensation or it will consume our warfighting spending over the next few decades. Our Airmen and retirees deserve every dollar they earn. However, we need to find the right compensation balance going forward and slow the rate of growth in compensation. Specifically, I think we need to look at slowing pay raises, reforming our housing allowances, and restructuring health care to ensure world-class care at a sustainable cost. We also need to find the right Total Force mix and maximize the unique benefits of the Guard and Reserve, who serve as critical force multipliers.

In terms of aircraft, the same story holds true. We are currently smaller and older than ever before. Our aircraft inventory averages 24 years old and the mainstays of our bomber and air refueling fleets are both from the Eisenhower era.

As we seek to find savings in aircraft force structure, we will prioritize global, long-range capabilities and multi-role platforms that are required to operate in a highly contested environment. Moreover, because of the fixed costs associated with maintaining any fleet of aircraft, only by divesting entire fleets will we achieve savings measured in the billions rather than “just” millions of dollars. Therefore, we will have to look hard at divesting entire fleets of aging platforms that have less relevance in highly contested airspace, as well as platforms where we have excess capacity when measured against the DSG.

As we get smaller, our excess infrastructure will continue to grow. We will seek savings by collocating people and aircraft based on most efficient use of people and space. We continue to need congressional approval to begin the base realignment and closure process.

While we know we’ll lose capacity, we’ll work hard to retain the warfighting capability to be ready in 2014 for any required operations, and to ensure we’re able to execute our five core

missions in 2023 against a high-end threat.

Readiness

Under the reduced discretionary caps or if further sequestered, we will protect readiness to the maximum extent of our authority. Our Air Force has performed exceptionally over the past 22 years in a variety of combat and humanitarian operations. However, this high operational tempo has come at a cost in the form of training and readiness. Since 2003, we've honed our skills in counter-insurgency warfare in Iraq and Afghanistan at the expense of full-spectrum training. For this reason, now more than ever, it is vital to ensure readiness across the full-spectrum of operations. If we don't train for all possible scenarios, we are forced to accept unnecessary risk. Risk to the Air Force means we may not get there in time, it may take the joint team longer to win, and more Americans may die.

In addition to full-spectrum training, our Air Force must be prepared to act at a moment's notice. Speed is an inherent advantage of airpower. Airpower offers the ability to rapidly deliver strategic effects anywhere on Earth. With intercontinental ballistic missiles, forward basing, stealth technology, tankers, bombers, strategic airlifters, and highly qualified special forces, we are a global Air Force that can hold any target at risk at any time. However, if our squadrons are grounded, if it takes weeks or months to generate global combat power, then we negate the responsiveness that is one of airpower's natural advantages and deprive our Nation of deterrence, diplomatic influence, and contingency options.

For these reasons, we will prioritize funding for training and readiness. Despite this prioritization, under a full sequestration reduction, we will still see significant damage to our readiness in the near term. Whatever the funding level, we need congressional help to ensure we have the budget flexibility to maintain full-spectrum readiness and avoid a hollow force.

Modernization

As with force structure and readiness, if the reduced caps under current law continue, our modernization forecasts are bleak. This funding level will impact every one of our investment programs. These program disruptions will, over time, cost more taxpayer dollars to rectify contract breaches, raise unit costs, and delay delivery of critical equipment. In terms of investment and modernization, the Nation may not recognize the effects of these reductions initially. The damage will be insidious. But should we face a high-end threat in the future, the impact of not modernizing will be blatant and deadly. While failing to achieve national objectives in the next counter-insurgency fight would be distressing, losing a major, full-spectrum fight would be catastrophic. If America expects its Air Force to dominate the skies in future battlespace, modernization and recapitalization are not optional.

As we are forced to make tough decisions, we will favor recapitalization over modernization. We cannot continue to bandage old airplanes as potential adversaries roll new ones off the assembly line. For example, the backbone of our bomber and tanker fleets, the B-52 and KC-135, are as old as I am, and our fourth generation fighters average 25 years of age. That's why our top three acquisition priorities remain the KC-46, the F-35, and the Long Range Strike Bomber (LRS-B). The KC-46 will begin to replace our aging tanker fleet in 2016, but even when the program is complete in 2028 we will have replaced less than half of the current tanker fleet and will still be flying the KC-135. In fact, the last KC-135 pilot has yet to be born. Similarly, our average bomber is 32 years old...we need the range, speed, and punch that the LRS-B will provide. Tankers are the lifeblood of our joint force's ability to respond to crisis and contingencies, and bombers are essential to keeping our Air Force viable as a global force. We

must recapitalize these fleets.

The F-35 is essential to any future conflict with a high-end foe. The very clear bottom line is that a fourth generation fighter cannot successfully compete with a fifth generation fighter in combat, nor can it survive and operate inside the advanced, integrated air defenses that some countries have today, and many more will have in the future. To defeat those networks, we need the capabilities the F-35 will bring. For the past two years, the program has remained steadily on track; now it needs stability.

Sequestration-level cuts would severely threaten each of our top priority programs as well every single lower priority program. We cannot afford to mortgage the future of our Air Force and the defense of our Nation. Investment and modernization is not optional, and it is required to execute our core missions against a high-end threat in 2023.

Conclusion

The United States Air Force is the best in the world and is a vital piece of the best military in the world. This will not change even if sequester persists. When we are called, we will answer, and we will win. But the likelihood of conflict may increase as potential adversaries sense weakness and vulnerability.

The results of the SCMR were sobering, but they were also enlightening. We understand the national fiscal environment and recognize that continued budget reductions are necessary. But the Nation will be more secure and will achieve more sustainable savings if reductions in defense spending are made in a more reasoned way than the abrupt, arbitrary mechanism of sequestration. Increased budget flexibility, prudent cuts, and an expectation that real savings will occur in the latter years of the FYDP should be a part of any sensible budget deal. The Department of Defense will need the Congress' support for tough decisions to better align our

future force to the needs of the strategy.

Finally, I ask Congress to put political differences aside and pass funding bills that give us some stability – both in the near term and the long term. If not, we'll have these same conversations year after year. Help us be ready in 2014 and still able to win in 2023. Let us focus on combat capability, on our five core missions, and on *Global Vigilance*, *Global Reach*, and *Global Power* for America. Our Airmen deserve it, our joint team needs it, and our Nation expects it.