

Statement of

Josh S. Weston

Honorary Chairman, Automatic Data Processing, Inc.,

Vice Chairman, Business Executives for National Security

and

Co-Chairman,

Business Executives for National Security Tail-to-Tooth Commission

before the

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Thank you for giving me this opportunity to share some timely and important views with you on next year's DoD budget and its underlying processes. I am the former, long-time CEO of Automatic Data Processing, a very large computer services company. Frank Lautenberg was my predecessor until he was elected to the Senate in 1982.

I'm here today in a dual capacity.

First, I am a vice chair of Business Executives for National Security (BENS). BENS is 20 years old. We are some 300 business executives. We are non-partisan, with a primary mission of using our relevant experience to help the Pentagon improve its business and management practices, which today govern over half of our military expenditures.

BENS is not for more or fewer defense dollars. We want to spend them better. We take no positions on strategy or weapons decisions. We are for effective planning and efficient implementation to provide appropriate national security. We must spend whatever it takes to defend our nation, but no likely amount will be adequate if we cannot spend our military dollars efficiently.

BENS has been well-received by senior Pentagon civilian and military leaders of the last four administrations, although we haven't always agreed on every issue. We have also had many useful exchanges with relevant congressional committees and their leaders.

In addition, BENS has been deeply involved in promoting public-private partnerships to enhance homeland security since well before 9/11, but that is not part of today's agenda.

My second relevant hat today is as co-chair, together with Warren Rudman, of the BENS Tail-to-Tooth Commission. The Commission's members, in various capacities, included Sam Nunn, Bill Perry, Frank Carlucci, and many other well-known civilians and retired military. Tail in the military means overhead and Tooth means fighting forces. Almost 70% of DoD dollars are spent on overhead and support functions. Any large organization needs logistics support and infrastructure, but no well-run organization should be allocating up to 70% of its resources to overhead support. No community would tolerate 7 out of every 10 police officers having desk jobs or logistics jobs.

- DoD is saddled with 20 to 25 percent excess capacity on our military bases – buildings that must be maintained and facilities that must be guarded by soldiers and sailors, airmen and Marines who could be fighting the war on terrorism.
- 950,000 military and civilian workers perform activities that are commercial in nature or not inherently governmental – activities for which efficient providers can usually be easily found in the yellow pages.
- The DoD logistics system spends over \$80 billion per year, employs over one million people, and still only achieves an average response time to fill a repair part requisition of about 18 days, vs. 1-3 days in the private sector.
- And, finally, DoD will have to try to keep track of about \$4 trillion in spending over the next 10 years with a broken finance and accounting system that can't begin to produce an auditable financial statement.

In early 2001, Warren Rudman and I delivered and discussed our Tail-Tooth Call to Action with each of the incoming new service secretaries and their deputies. Starting with Donald Rumsfeld and Pete Aldridge, each of them enthusiastically endorsed our blueprints for action. Secretary Rumsfeld indicated so as recently as last September 10th. We need sharper teeth, and the tail has consumed grossly excessive resources, to the detriment of sharp teeth.

Our recommendations were not called reports, because there have been 18 prior DoD commission or task force reports on this subject, since the well-known Packard Commission in 1986. Their cumulative prior findings support our eleven blueprints for action. The nation does not need more reports.

BENS has made available to your staff copies of the Tail-to-Tooth Commission action blueprints. I will not recite their details here.

Prior to the September 11th tragedy, Secretary Rumsfeld and his senior colleagues were on an aggressive course to use many of those BENS blueprints to redirect unnecessary and wasteful overhead resources into our fighting forces, where the teeth had many cavities.

Moving tail into tooth is culturally challenging as it intersects with entrenched bureaucracies, parochialism, politics, and vested interests. BENS believes that the determination and skills of the senior Pentagon leadership, plus the prior discipline of a balanced Federal budget would have produced very salutary outcomes in strengthening our fighting forces. September 11th changed the military and political climate. An easy money approach and a sense of patriotism have very much distracted and loosened financial and management discipline in national security, in both branches of government. We rightfully shifted our primary focus to winning a war.

The war in Afghanistan recently proved that we can gain and maintain a huge new competitive advantage by radically transforming our fighting forces with new technology, mobility, adaptability and rapid, long-distance support. This requires big investments in new equipment and processes. This requires a much more agile logistics and support structure.

In the private sector, efficiencies, effectiveness, and organization improvements are continually mandated in a very compelling way by competition and direct shareholder economic interests, neither of which operate in government.

There is a good way for Congress to restore and invigorate an appropriate continuing high-level pressure at the Pentagon to reduce overhead and redundancies. We recommend that Congress determine and authorize appropriate increases in expenditures for the teeth of our fighting forces. The nation needs and can afford the necessary expenditures to sharpen our teeth and fighting capacities.

At the same time, we recommend to Congress that, in the upcoming budgeting process, you mandate a significant reduction in the DoD's huge tail next year. The originally submitted budget leaves the bloated tail virtually intact and requests a relatively modest amount for good, new teeth. BENS thinks we probably will need even more allocation for tomorrow's competitive advantage in technology and agility.

We urge you to use your budgeting clout to force the Pentagon to shed some tail and even some obsolete teeth. You might authorize our very capable Secretary of Defense to implement changes in our bloated overhead in whichever ways he deems most effective, and report back to you in that regard in the near future. If 70% of the DoD budget is in "tail," a mere 5% reduction in that tail could quickly save over \$10 billion per year for better purposes. The future annual savings could be much greater – the Defense Science Board said \$15 to \$30 billion in savings were possible.

These cuts are possible even while we wage a war against terrorism. In that regard, to use a cliché, the Pentagon leadership, can walk and chew gum at the same time.

I shift now to financial management. The Pentagon will spend on the order of \$4 trillion in the next ten years in thousands of programs for which there is no really effective financial oversight and control. There were 670 poorly connected major data systems that were required to produce the 2003 budget. The current financial system does not permit effective decision-making, tracking, or outcomes accountability. It makes good sense for Congress to mandate a 21st century activity-based accounting system under qualified civilian leadership, with funding to achieve this objective. Even if it takes several billion dollars up-front to install a good financial system, the payback in financial management of the next \$4 trillion would be huge. Today, we are often flying blind in this area.

Although your committee does not set the what's and the how's of the Pentagon's much needed reformation in business and management practices, you can set the right tone with your budget mandate and the message that you can attach to your budget.

A democracy is not designed to primarily be an efficient engine. There is a certain unavoidable degree of managerial sloppiness in any democracy. But our terrific nation, with its many proven leaders, needn't permit the spirit and skills of our fighting forces to be continually diluted and distracted by a most clumsy tail.

I conclude by observing that no matter how much money is spent on our defense, **our nation will not have the agile, innovative fighting forces it needs to prevent and/or win future wars without major changes in the way the Pentagon does business.** Your budget message can be an important stimulus in that direction.

I thank you again for this opportunity to comment. I would be pleased to answer your questions and/or to give examples of why BENS and many four-star officers agree that there's huge waste to be saved in the Pentagon's tail.