

**Remarks of the Honorable Michael B. Donley  
Secretary of the Air Force  
Air Force Association Air Warfare Symposium  
Orlando, Florida  
February 24, 2012  
(As Prepared for Delivery)**

**Introduction**

Chairman Schlitt, thank you for your kind introduction. Good morning, everyone. On behalf of the 690,000 Total Force Airmen I am privileged to represent, thank you for this opportunity to be away from Washington. We are grateful to Sandy, Mike Dunn and the AFA team for again hosting this event and bringing us together in Orlando.

Over the last several weeks, Department of Defense (DoD) and Air Force leadership have been out in full force, talking about the new defense strategic guidance and the recently released President's FY13 budget based upon that guidance. In my case, I was pleased to have the chance in early February to discuss the Air Force's budget priorities at the AFA Breakfast Series in Arlington. General Schwartz and I have also participated in a number of other public and media events, as well as initial budget-related engagements with Congress.

Secretary Panetta and Chairman Dempsey led the way for the Services last week as they testified during multiple congressional budget

hearings, and General Schwartz and I will follow when we go before the House Armed Services Committee for our first Air Force posture hearing of the season next Tuesday. Of course, we are just at the beginning of this process, and as in every budget cycle, there will be more discussion and debate to come.

Today, I'd like to focus on the importance of modernization in our FY13 budget proposal and out-year plans.

We made some hard choices to closely align our FY13 budget submission with the new strategic guidance. Even as budgets decline, we must still provide the essential force structure and capabilities on which the Joint Force depends, and be ready to respond to a challenging and dynamic security environment. Yet, the new strategic guidance also requires continuing modernization, both to recapitalize aging systems and platforms and to address the proliferation of modern technologies and threats. We also need to take care of our Airmen – the living engine that powers our Air Force.

Balancing these competing priorities among force structure, readiness, modernization, and our support for Airmen, we determined that the Air Force's best course of action is to trade size for quality. We will become smaller in order to protect a high-quality and ready force that will

continue to modernize and grow more capable over time. In this decision, we sought the proper balance between today's Air Force, and meeting the immediate needs of combatant commanders, while also laying the groundwork for the Air Force our nation will need ten years from now and beyond.

### **Operations/Investment Balance and Modernization Overview**

In considering how we balance competing demands in our budget, it's useful to compare the distribution of operations spending versus investment spending. While we must always strive to control expenses whenever possible, rising operations costs – driven by factors such as fuel prices, personnel cost growth, and materiel and facility maintenance, for example – can squeeze modernization accounts. The tension between resourcing current operations and investing in future capabilities increases in times of declining budgets.

The FY12 enacted budget allocates about 64 percent of Air Force Blue Total Obligation Authority (TOA) to day-to-day operations and maintenance (O&M) and military personnel, and a little over 34 percent to Research, Development, Test and Evaluation (RDT&E) and procurement investments. Our FY13 budget sees day-to-day O&M and MILPERS costs

rising to almost 67 percent of TOA, and RDT&E and procurement falling to just under 33 percent.

Though the percentage changes seem slight, the shift represents a \$3.5 billion decline in investment TOA – from \$39.3 billion in FY12 to \$35.8 billion programmed for modernization in FY13.

While the FY13 budget proposal slows the pace and scope of modernization, we took measures to protect programs that are critical to future warfighter needs as outlined in the new strategic guidance. These programs include the Long Range Strike Bomber, the KC-46A refueling tanker, key space programs, such as Space-Based Infrared (SBIRS) and Advanced Extremely High Frequency (AEHF) satellites, follow-on Global Positioning System (GPS) work, advanced intelligence, surveillance, and reconnaissance (ISR), and initiatives related to the Air-Sea Battle concept.

Building Fifth Generation fighter capabilities is also critical. But because in our judgment Lockheed-Martin is not ready to ramp up to full rate production on the F-35 Joint Strike Fighter, we reduced the rate of procurement for a few years as we work through the concurrency issues still present in the program. We also plan to proceed with an F-16 service life extension program which will modernize about 350 F-16s in the fleet to accommodate aging airframes and add needed capability improvements.

Changes in the F-35 procurement profile achieve some budget savings this year and in the next few years, but this was not our motivation for adjusting the program. We remain fully committed to the F-35 – this is the future of the fighter force, not only for the Air Force, Navy, and Marine Corps, but for about eleven other air forces as well. The F-35 remains the largest single Air Force program, accounting for nearly 15% of our total investment.

To protect key priorities, we have proposed to terminate or restructure some major programs. Among the programs slated for termination is the Global Hawk RQ-4 Block 30. Several factors played in this decision. Last September, DoD's Joint Requirements Oversight Council reviewed the changes in military strategy and determined that high-altitude ISR force structure could be adjusted; and the Air Force found that the U-2, which remains viable until at least 2040, is sufficient to meet these adjusted requirements. But just as important, we couldn't justify the costs involved with improving the Block 30's sensors to achieve the capability that already exists in the U-2. In light of budget reductions and given the fact that the U-2 is operationally effective at a lower cost, we made the decision to terminate the RQ-4 Block 30. As we have noted, the Block 20 and 40 elements of the program continue, along with Navy and NATO programs based on this airframe.

We also terminated Defense Weather Satellite System, which Congress declined to fund this year. We will eventually come back to the issue of how to address DoD weather and environmental requirements, but this is an example of a program we can afford to terminate because it is early to need.

The C-27J is another prominent program that we have decided to divest, but we think we have a good alternative to this aircraft with the multi-role C-130, which has demonstrated its ability to provide the direct support mission in Iraq and Afghanistan.

In other cases, lack of affordability made it necessary to eliminate programs, such as the Light Mobility Aircraft and the Light Attack and Armed Reconnaissance Aircraft. In today's environment, we had to leave behind some capabilities in favor of higher priorities critical to the future of core Air Force capabilities.

### **Air Force Core Functions and Top Ten Investment Programs**

Among the ways we analyze our Air Force budget is by breaking out funding according to Core Functions – the functions assigned to the Air Force by directive from the Secretary of Defense. The 12 Air Force Core Functions are a useful framework for comparing and balancing investments, to help ensure that we resource an appropriate mix to

maintain Air Force capabilities and support key DoD missions. For our FY13 budget proposal, although there are minor variations in funding percentage share across core functions, there are no major shifts from last year. Here are some highlights that may be of interest:

- Global Precision Attack capabilities include the F-35 program, elements of the Long-Range Strike Family of Systems including the bomber, upgrades to conventional bombers, the F-16 SLEP initiative, and various air-to-ground munitions and other programs. GPA accounts for 23 percent of our investment.
- Space Superiority accounts for nine percent of all Air Force funding, but fully 21 percent of our investment; and it includes four of our largest ten programs: EELV, SIBRs, AEHF, and GPS.
- Rapid Global Mobility accounts for 13 percent of our investment and highlights here include the KC-46A tanker, the C-5M, and C-17 mod programs.
- Our Research & Development programs also account for 13 percent of investment and remain steady at four-to-five percent of total Air Force spending.
- Global Integrated ISR and Air Superiority each account for roughly six percent of investment. Highlights here include a decision to stabilize

production of the MQ-9 Reaper at 24 per year, which for now will sustain efforts to meet our goal of 65 combat air patrols (CAPS); and concerning air superiority, our continuing programs to update and modernize the F-22 and F-15C fleets each to a common configuration.

These core functions account for roughly 80 percent of our investment dollars. Other core functions such as command and control, cyber, SOF, personnel recovery, nuclear deterrence and combat support include other investment programs no less critical to future Air Force capabilities.

Another data point that bears watching is the proportion of investment spending we dedicate to the Air Force's top ten investment programs, which include most of the priorities I just mentioned – the F-35, the KC-46A tanker, the Long-Range Strike Bomber, and so forth. Across the Future Years Defense Plan (FYDP), spending on the ten largest programs remains relatively constant at around 40 percent of total investment.

### **Acquisition Improvement**

One of the keys to successful modernization – and to planning and budgeting, for that matter – has to be an effective acquisition process. Recapturing acquisition excellence has been a top priority for the Air Force,



and in the last few years we have made important progress through our Acquisition Improvement Plan (AIP): revitalizing the acquisition workforce, improving our requirements generation process, instilling budget and financial discipline, improving source selections, and establishing clear lines of authority and accountability within our acquisition organizations.

Many dedicated acquisition professionals have contributed to the successful KC-46A tanker source selection, the challenging F-35 Joint Strike Fighter restructure, moving out on the Long-Range Strike Family of Systems, developing the Evolved Expendable Launch Vehicle new entrant strategy, delivering Project Liberty to the warfighter in record time, strengthening cost analysis and program management in Space Acquisition, and many other acquisition improvements.

However, I want to single out and pay tribute to our Air Force acquisition executive David Van Buren, who has been our Service's top buyer since April 2009 and who recently announced he will step down from his position at the end of March. We have been so fortunate to have Dave on our leadership team. His vision, leadership, and business acumen have been instrumental to the Air Force and DoD team in countless programs. Dave, our Airmen and the American taxpayers thank you for your many contributions during this challenging period of service.

The results of Dave's effort, and that of General Don Hoffman, Lt Gen Janet Wolfenbarger and so many others has set the stage for AIP Phase Two, known as the Acquisition Continuous Process Improvement 2.0 Initiative, or CPI 2.0. The major elements of CPI 2.0, consistent with the Better Buying Power initiatives promoted by the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L), continue the momentum to improve the competency of the acquisition workforce and simplify our processes at all levels. We need to develop tools and techniques to help our workforce negotiate better business deals; and ensure our workforce has the skills, training, education and experience to produce results for the Air Force and for the taxpayers. There is renewed emphasis on linking requirements and acquisition to ensure better understanding of capability, cost, and cycle time in decision making; and a continuing effort to simplify how we do business.

All of these efforts will take time and an ongoing commitment, but will pay dividends if they deliver the products and services our warfighters need, on time and at the right price. I have not changed my view that our acquisition programs take too long to deliver capability and cost too much. There is still room for improvement and we must not be complacent.

## **Cost of Sustainment**

We often think about modernization in terms of buying new hardware and equipment. But when you consider our large investments in major systems, it's clear we have an obligation to sustaining and maintaining what we have already bought and what we intend to keep ready for future contingencies. Unfortunately, the cost of sustainment has not been immune to the higher costs that are plaguing us throughout the defense budget.

Between FY09 and FY 17, overall weapon systems sustainment (WSS) costs are projected to rise by five percent, and the subset of Contractor Logistics Support (CLS) is growing even faster over the same period, with a projected growth of over nine percent. CLS cost increases are associated with the growth of our ISR fleet, such as Global Hawk, MC-12, and Predator/Reapers, as well as increases in maintenance and upgrades for weapon systems such as the F-22, KC-10, CV-22 and U-2.

And as we improve our understanding of how and where increasing CLS requirements are leading to higher costs, we are committed to working together with our industry partners to get costs under control. I have asked our staff to develop strategies for driving savings into CLS contracts. In the process, it's possible that industry may find us to be more intrusive than

in past practice as we work to build more visibility into contracts so we can make more informed resource decisions.

### **Call to Industry Partners**

I just mentioned a couple of areas related to CLS where we think the Air Force and industry would benefit by working as partners. I want to build on that idea, because when government and industry share a common challenge, we also share a joint responsibility to the Nation, to taxpayers, and to our warfighters. Strong relationships will enable us to make the most out of available resources and our combined efforts.

We are counting on industry to let us know when we can be more efficient in our dealings, and we want industry to let us know when we don't hit the mark. Especially given our increasing budget constraints, we need more than ever to find creative ways to get more hardware and better software from our investment dollars and put more capabilities in the hands of our warfighters. We need industry's innovative solutions. By working together in common cause, industry and government will benefit, but it is our Nation that wins.

### **Conclusion**

My friends, what the Air Force is proposing to do is hard. Maintaining momentum in critical modernization programs while budgets are declining

will be difficult. But there is a compelling need to invest in next-generation, high-impact systems so that the Air Force can continue to provide the capabilities on which our Nation relies. Our systems are growing older and new technologies are being fielded in regions of critical interest, by state and non-state actors alike, diminishing our marginal advantages.

Modernization, as challenging as it is in this resource constrained period, will not wait, and remains essential to maintaining U.S. advantages in contested air, space, and cyber domains. A failure to make the proper investments now will undermine the effectiveness of the future force and our ability to execute the new strategic guidance for decades to come.

We are mindful, however, of the current fiscal situation and recognize that we must contribute to government-wide deficit reduction as a national security imperative. Identifying \$487 billion in defense cuts over ten years as required by the Budget Control Act was hard, and the Air Force was not spared in having to propose programs for reduction or termination. As the FY13 budget demonstrates, we are already making the tough decisions to divest, terminate, or delay capabilities that, in a different world, we would prefer to retain.

We do think, however, further cuts will put at risk our ability to execute the new strategy. We made some tough decisions to get the forces

aligned, structured, and balanced in a way that can meet the new strategic guidance. More reductions beyond what DoD is currently facing, such as those contemplated in the sequester provisions of the Budget Control Act, will not only threaten future modernization, but will cause us to revisit the new strategy.

I know General Schwartz and I feel deeply that our leadership team has inherited the finest Air Force in the world. It's one that was built over decades, passed down from one generation to the next. It's our obligation to keep it that way going forward; so that our Joint and our Coalition partners know that they can count on the Air Force to deliver the capabilities that we need together to meet future security challenges, and our future Airman remain, as they are today, confident that they are serving in the world's finest Air Force. So that is our obligation going forward and we remain determined to meet it.

###