

**House Report 106-644 - DEPARTMENT OF DEFENSE  
APPROPRIATIONS BILL, 2001**

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## **ADDITIONAL VIEWS**

Often of the job of this Committee is to ask questions and to question assumptions. That is especially true in a world of limited financial resources. Last year the Committee produced a provocative Defense bill which challenged many assumptions underlying defense budget policy, particularly regarding tactical fighter aircraft and in particular whether the F-22 aircraft was ready for production. This year's bill is a disappointing return to a more business-as-usual approach. In the context of the Congressional Republican leadership's budget resolution, which proposes to increase defense but decimate the operation of many other Federal agencies, this bill is not one that I can support in its present form.

## ***UNREASONABLE FUNDING LEVELS***

The President's budget proposed a hefty increase of \$15.8 billion, or 5.9 percent, over the fiscal year 2000 appropriated level for the Department of Defense. This was done to pay for the President's military pay raise and to meet his commitment of achieving a \$60 billion annual procurement level. But his budget balanced this hefty increase with increases for education, national parks, law enforcement, health and safety, environmental protection and other important non-Defense programs. The Congressional leadership abandoned that balance in its Budget Resolution by increasing the President's 5.9 percent increase for defense programs funded in this bill by another \$4 billion, by giving away \$175 billion over five years in tax cuts, and by making it all appear to add up by cutting non-defense discretionary programs by \$125 million below inflation over the next five years. The folly of this approach becomes more clear with the passage of each domestic appropriations bill that conforms to the budget resolution. That is demonstrated vividly in the Legislative Appropriations bill which proposes to dramatically reduce the number of Capitol police--an inappropriate response to the well-documented need or increased security to the public and for protection of the Capitol police force highlighted by the tragic and senseless murder of two American heroes last year. It is also demonstrated by the fact that Presidential initiatives to strengthen education, health care, worker training, and science are being eviscerated.

Adding \$4 billion in the defense bill, beyond the hefty \$15.8 billion increase proposed by the President, appears very much to be a case of political one-upmanship.

The President's budget fully funded the President's military pay raise and met his commitment to an annual procurement level of \$60 billion. It proposes significant growth in the number of F/A-18E/F, F-22, V-22, E-2, and KC-130J aircraft, fully funds the New Attack Submarine and an aircraft carrier, and increases many other smaller procurement and research programs. While Committee increases in other programs will have positive effects within the Department of Defense, many of them will not result in a near-term improvement in combat readiness or enhance the near-term performance of any troops during combat. In the context of the Republican leadership's budget resolution, the Committee needs to take a more disciplined approach.

## ***REFORM***

Last year, the Committee sent a strong message to the Pentagon in a bipartisan and unanimous fashion that it is time to reorient its spending priorities to meet a broader array of military budget requirements in the 21st century. This means: (1) paying attention to so-called `asymmetrical' threats like chemical and biological terrorism, information warfare, smaller scale urban warfare, and cruise missile defense and (2) bolstering conventional military capabilities like airlift, sealift, electronic jamming, intelligence and surveillance, and communications. Although the Committee includes a \$150 million initiative for hacker-defense of DOD computer systems in this bill, it is the lone example of where the Committee made any follow-through on the priorities it set last year.

This Congress continues to dodge significant attempts at reform to cut out wasteful military spending that everyone knows is widely prevalent. The authorizing committees have again ignored the Secretary of Defense's recommendation to conduct additional rounds of base closures that ultimately could save the government over \$20 billion. The Congress has apparently grown comfortable with the status quo--operating military bases that the Defense Department readily admits add little or nothing to our national security.

Each year the General Accounting Office conducts studies which indicate that many other opportunities exist for large military savings through improved management. During the last year, the General Accounting Office has reported that:

Material financial management deficiencies identified at DOD, taken together, represent the single largest obstacle that must be effectively addressed to achieve an unqualified opinion on the U.S. government's consolidated financial statements. DOD's vast operations (an estimated \$1 trillion in assets, nearly \$1 trillion in reported liabilities, and a reported net cost of operations of \$378 billion in fiscal year 1999) have a tremendous impact on the government's consolidated reporting. To date, no major part of DOD has yet been able to pass the test of an independent audit. The lack of key

controls and information not only hampers DOD's ability to produce credible financial statements, but impairs efforts to improve the economy and efficiency of its operations.

For fiscal years 1996-1998, the Navy reported that it had lost \$3 billion of intransit inventory, including some classified and sensitive items such as aircraft guided-missile launchers, military night vision devices, and communications equipment.

In the five years between fiscal years 1994 and 1998, defense contractors returned about \$4.6 billion in overpayments from the Department of Defense.

The Defense Department does not need an additional \$4 billion above the increase the President proposed. It could generate an equivalent amount of buying power if it would simply reform some of its fundamental management systems. Unfortunately, there are no initiatives in the Committee's bill to facilitate that objective, and we continue to throw good money after bad.

## ***TACTICAL AVIATION PROGRAMS***

For too long, the Pentagon has resisted calls to restructure its hyper-expensive tactical aircraft procurement plan to buy three separate types of tactical aircraft costing in excess of \$300 billion, even though the traditional Cold War threats for which they were designed have dissipated and new non-conventional threats are emerging. Last year, the Committee made this issue a priority in its deliberations and recommendations. A key point the Committee raised is whether or not the threat will emerge which justifies this level of investment and in particular whether it warrants production of the F-22 aircraft.

This bill largely returns to business-as-usual by essentially 'rubber-stamping' the Pentagon's tactical aircraft program, and by so-doing it ignores the key strategic policy question concerning the future of defense tactical aircraft. The Committee's bill provides growth in the Navy's F-18 program, allows the F-22 to enter production even though it is not ready, and allows the Joint Strike Fighter to enter a more advanced phase of

development whose cost is estimated to be about \$20 billion despite warnings from the General Accounting Office that this is premature. The combination of these actions results in a contractual quagmire from which the Pentagon and Congress will not be able to extricate themselves. No new information has been found which suggests that the threat to American tactical aviation is more formidable or credible than a year ago.

## **F-22**

This bill approves the budget request of almost \$4 billion for the F-22 program in fiscal year 2001, of which \$1.4 billion is for continued development and testing and \$2.1 billion is for production of 10 aircraft. During the past year the Congress has discovered that: (1) F-22 flight testing has not been conducted to the extent planned or required; (2) static and fatigue testing are more than a year behind schedule; (3) the Office of the Secretary of Defense estimates that F-22 production costs will be approximately \$1 billion more than the Air Force has budgeted *per year*; and (4) the cost of the development program continues to increase rather than stabilize.

The cost of the F-22 development program has doubled since 1985 to \$24 billion, and only 15 percent of the testing program has been accomplished since the engineering manufacturing development program began in 1991. Nevertheless, the Committee has approved the request of \$2.1 billion for F-22 production--without question.

The conference agreement last year on the F-22 aircraft prohibits a production decision until the so-called 'block 3' software is flight tested in an actual F-22 aircraft (rather than in a surrogate test aircraft). That testing is not scheduled to occur until the fall of next year, at the earliest. It should be noted that the Air Force has to only conduct a single flight test of the block 3 software to meet the Congressional requirements and to allow the program to enter low rate initial production. However, many flight test months are actually required to determine with fidelity whether or not the software actually works. The taxpayer should have some reasonable confidence that the aircraft and its software *actually works*, prior to entering into billions of dollars of production contracts; in this regard, the program is no closer to being ready to enter into production than a year ago, and may in fact be worse off. Three caution-flags have been raised on this program that the Committee has chosen to ignore.

(1) The Pentagon's Director of Operational Test and Evaluation testified before Congress this year and provided strong warnings that the program continues to be in trouble. He noted that the F-22 test program is proceeding much more slowly than in previous aircraft development programs, and even these lagging testing schedules continue to slip over time. Over the past three years, the F-22 has lost 49 flight test *months* that could have been available for testing--a reduction of 20 percent in the available flight test months from original plans.

To accommodate the loss of test time and to reduce test costs, the Air Force has reduced flight test hours by 13 percent (580 flight test hours). He testified in March:

Basically, not enough of the test program has been completed to know whether or not significant development problems remain to be corrected.

His testimony also revealed that the current test program does not include *any* operational testing under adverse environmental conditions, especially in rain and cold weather; the flight test aircraft cannot be flown near thunderstorms to identify potential rain-induced problems or to gather data on static discharge impact on the aircraft, a continuing B-2 problem. Effective fire-suppression is mandatory to achieve a survivable aircraft design, yet the Air Force now knows that the aircraft's vulnerable area is 30 percent higher than the specification calls for.

(2) The Committee's own Surveys and Investigations staff reported in March 2000 that the decision to enter production in December 2000 is *premature*. Fatigue-life testing and avionics testing are the two highest risk areas in the program. Delaying the production decision would significantly reduce the impact of those risks on the program while concurrently providing more robust testing of the block 3 software. It recommended to the Committee that the production decision not be made until the third fatigue life test is completed, currently scheduled for December 2001 (fiscal year 2002).

If the Committee had heeded these concerns, it would have eliminated all F-22 production funds from this bill and saved \$2.1 billion, while also holding the Air Force's 'feet to the fire' to ensure that it was building aircraft that work.

(3) The General Accounting Office recently recommended that, in order to meet industrial base concerns, the F-22 low rate production should begin at no more than 6 aircraft per year until development and initial operational test and evaluation are complete. This would allow the program to avoid significantly expanding production capacity until after operational

testing demonstrates the aircraft is suitable for its intended mission. The risks of doing otherwise are: buying systems that will require significant and costly modifications to achieve satisfactory performance; accepting less capable systems than planned; or deploying substandard systems to combat forces.

Had the Committee followed this modest recommendation, it could have eliminated 4 aircraft and saved \$828 million in just this year alone.

It is highly troubling that the Committee would approve \$2.1 billion for production of 10 F-22 aircraft in fiscal year 2001 given the strong and clear warnings from three separate and credible organizations that prove the program is not ready to go into production. This might be understandable if F-22 were an isolated and unique anomaly in the Air Force acquisition system, or if the threat were compelling. We know this is not the case.

The only major weapon system the Air Force has delivered below cost and on time during the last 20 years was its then-highly touted B-1 bomber program. The Air Force rushed into production for political reasons, and got a fleet of aircraft whose performance defects were so severe that the aircraft now have limited utility in combat because they cannot adequately protect themselves.

The Air Force spent \$4 billion on development of the Tri-Service Standoff Attack Missile, which was subsequently terminated due to poor cost, schedule, management, and performance issues.

The C-17 was estimated to cost about \$42 billion for 210 aircraft, but is now estimated to cost about \$45 billion for only 134 aircraft.

The B-2 development contract more than doubled from its initial target value of \$9.4 billion to \$21.1 billion currently.

Given the fact that the F-22 is clearly not ready to enter into production, in the context of the Air Force's very poor track record of developing its major weapon systems at the times or costs promised, it is disturbing that the Committee would put \$2.1 billion at risk by allowing F-22 production to go forward at this time. The nation would be better served by investing this \$2.1 billion in education, law enforcement, the environment, or other efforts to meet our international responsibilities and allowing the F-22 technology to mature before we spend really big money on it.

## ***JOINT STRIKE FIGHTER***

The Joint Strike Fighter, if carried to fruition as currently envisioned by the Department of Defense, will be the largest program in the Pentagon's weapons-purchasing plan for the next 20 years and perhaps in history. The cost of developing and building almost 3,000 aircraft could be over \$200 billion.

In the early 1990s the Air Force testified that the cost goal for the F-22 in constant dollars of that era was \$35 million each. We now know that the current estimated unit cost for the F-22 in real taxpayer dollars is \$113 million, which still is based on very optimistic assumptions. This is almost double what today's F-15 aircraft cost.

The Joint Strike Fighter is in the same position as the F-22 was a decade ago, and the Department of Defense is selling the program to Congress on the assumption that unit costs will be around between \$28 to \$38 million in constant dollars. The F-22 experience makes it hard to believe such preliminary Joint Strike Fighter unit cost estimates. If the unit costs are off, then the program could cost much more than \$200 billion!

The fiscal year 2001 budget for the Joint Strike Fighter was premised on ending the on-going \$3 billion concept demonstration phase of the program later this year and initiating the next phase of development known as engineering manufacturing development on March 1, 2001 at a currently estimated cost of about \$20 billion. The Committee recommends a three month delay (to June 1), but also allows engineering manufacturing development to commence once certain reporting requirements have been met.

The General Accounting Office issued a report on the Joint Strike Fighter in May 200 which states:

Once the development phase begins, a large, fixed investment in the form of human capital, facilities, and materials is sunk into the program and any significant changes will have a large, rippling effect on cost and schedule. Beginning the engineering manufacturing development phase when critical technologies are at a low level of maturity serves to significantly increase program risk and the likelihood of schedule delays, which in turn result in increased program costs . . . . When the competing contractors experienced design problems and cost overruns, DOD restructured the program in a manner that will provide less information than originally planned prior to selecting between the two competing contractors. Specifically, the program restructure moves away from best commercial practices that were evident in the original strategy, where technology was being developed ahead of product. Instead, DOD's approach moves toward the traditional practice of concurrently developing technologies and products, which often raised cost-benefit issues as a result of cost increases and schedule

delays as problems are encountered in technology development . . . . We make a recommendation that the Joint Strike Fighter program office adjust its currently planned engineering and manufacturing decision date of March 2001 to allow adequate time to mature critical technologies to acceptable maturity levels before awarding the engineering and manufacturing development contract.

The Committee is to be congratulated for a thoughtful recommendation in this bill to delay engineering manufacturing development of the Joint Strike Fighter by three months. However, the fiscally prudent course would be to eliminate the remaining \$295 million in the bill for fiscal year 2001 Joint Strike Fighter engineering manufacturing development, and to demand that the Department of Defense demonstrate that it has a good understanding of the results of the \$3 billion concept demonstration program that is about to conclude, ensure that the best acquisition strategy is in place to ensure future competition within the aircraft industrial base, and respond to the common-sense concerns of the General Accounting Office. Here again, the Committee has missed an opportunity to save \$295 million and apply these funds to more urgent requirements at home and abroad.

## ***NATIONAL MISSILE DEFENSE***

The Committee's bill recommends \$1.8 billion for national missile defense. During the past few years the Congress had a very narrow focus on only the technology issue: 'Does it work and how soon can we deploy it?' The Administration, in its upcoming negotiations with Russia, is addressing national missile defense and the Anti-Ballistic Missile treaty in a broader arms-control context aimed potentially at further reductions to nuclear weapons.

In 1985, the Soviet Union had about 11,500 nuclear warheads--each of which was estimated to have 20 to 30 times the power of the bomb dropped on Hiroshima. Today, Russia has about 5,000 such warheads. The Congress should be encouraging further reductions in global nuclear weapons, and also examining the need for and timing of national missile defense within a global arms-control context.

It is disappointing that the Congress in general, and this Committee in particular, has given the Administration \$1.8 billion for national missile defense--without question. And there are plenty of questions:

Do we have better national security through deploying a limited national defense system or by globally reducing nuclear weapons?  
If we deploy a limited national missile defense system, are we simply causing China to build more nuclear missiles aimed at our country?  
If we deploy a national missile defense system, do we undermine our ability to keep our allies like Britain, France, or Canada behind us on other key security issues down the line?  
Do our proposed national missile defense interceptors have inherent anti-satellite capability, and in 'fixing' the missile defense problem are we inadvertently creating a global arms race for anti-satellite weapons?

The Committee should be commended for paying attention to and providing leadership on tactical aviation issues. But I am wondering why we have done nothing but 'rubber stamp' the budget request for national missile defense? The arms-control issues related to national missile defense must be adequately addressed eventually. It is my hope that in the future the Committee and the Congress will focus on them in a thoughtful way, and that we have a good understanding of the exact consequences of what we are doing should the nation make the decision to introduce a new class of weapons--national missile defense interceptors--into the global inventory of weapons.



## ***SUMMARY***

There are many good things in the bill that I support, such as the pay raise for the troops and improved health care benefits for both active duty and retired personnel. The 7.4 percent increase to defense spending proposed in this bill is excessive. If the Republican majority were not insisting on slashing the President's future domestic requests for strengthening education, health care, and science in order to provide huge multiyear tax promises, an additional \$4 billion would be more defensible. But in this context, that is extremely difficult. Unlike last year, the bill shows little evidence of making major choices as we did last year with the F-22.

It is politically and economically irresponsible to the people whom we represent to lead them to believe that our non-defense programs can sustain huge reductions without threatening public health and safety, and the economic prosperity on which the future of American families depends. Our population will continue to grow, our economy and social structures will continue to evolve and become more complex, and our responsibilities as the world's economic superpower will be great. That will require a more balanced effort to address our domestic and international responsibilities than the Congress has provided in the Appropriations bills it has produced so far. That should be the priority for additional funding.

*DAVE OBEY.*