



December 7, 2009

Letter from Washington

It has been an interesting week for the administration. After many months of deliberation ("dithering" according to the Republicans), the President made what should have been a forceful announcement concerning the conduct of the war in Afghanistan.

Traveling to the US Military Academy at West Point, Obama continued the tradition of shamelessly using the cadets as a backdrop for a semi-partisan national security address to the nation.

Mr. Obama had been neatly boxed in by his field commanders' open discussion regarding the substance of their recommendation in terms of numbers of additional troops required and the timing of their arrival. If he differed substantially from their recommended numbers and things went badly in Afghanistan, he would have been left clearly holding the bag for the failure...not a position that he could permit.

Instead, the President articulated a forceful defense of the war in Afghanistan and declared that the successful conclusion of that conflict is vital to the United States. In national security strategy vocabulary a 'vital interest' is one that the President is willing to send people to die for, so in that speech Mr. Obama took full personal ownership of the war in Afghanistan and of its outcome. He agreed to General McChrystal's request for a surge of 40,000 fresh troops by agreeing to send 30,000 Americans with the remainder to come from NATO.

Living up to his "no-drama Obama" reputation, he delivered the message without the rhetorical flourishes and the visionary statements that his past speeches have been known for. Except for the addition of one key item, it would have been a remarkable speech by a wartime president. That item was the establishment of a timeline for withdrawal of the 30,000 additional troops, even before they have even been sent.

Obama's point in selling the concept to the American public was that it is not an open-ended commitment, and that the security of the Afghan people would be turned over to the national police and military starting in July of 2011. To his critics, in that statement, he undid the benefit of the forceful declaration of vital national interest by saying in effect " Afghanistan is vital

to our interests for about the next 18 months or so and then we'll bugger off".

Obama's language and actions are very similar to George Bush's in 2007 when he went against the advice of his key advisors (as well as then-Senator Obama) and added five additional combat brigades to the Iraq effort. The key difference is that George Bush always had the support of his political base --- the right wing of the Republican Party. In Obama's case, he too has the support of George Bush's base, just not his own.

In effect the President's Afghanistan surge is a declaration of war of sorts on the left wing of his own party, and they have wasted little time in joining the fight. After eight years in Afghanistan the American public has tired of the war, and a majority oppose the President's plan. While it may be an act of moral courage for Obama to be forcing his strongly held but unpopular belief on his party and the country, the party sees it as a potentially suicidal risk that they will pay the price for individually at the polls in 2010.

In the final analysis, the President is the Commander-in-Chief of the armed forces, and he has the authority to send 30,000 additional troops to Afghanistan. The Congress, however, has to provide the funding to support and maintain the troops in the field, so there will need to be an accommodation between the President and his own party. For now the issue has introduced a highly volatile subject into all of the House and Senate races for 2010.

If the President is going to surge a substantial number of troops into Southwest Asia in 2010, there will likely need to be a defense supplemental to cover the additional costs. The Congress has still not passed a 2010 Defense Appropriation, although the deal is apparently largely in place between the Senate and House Democrats. It is highly likely that the Defense Bill will be brought to the floor as the vehicle for attaching the funding for a number of key Democrat programs that expire at year's end, all wrapped in a mini-omnibus spending bill. All of which also points to the fact that it is too hard to add the additional Afghanistan funding to the 2010 bill, and that a supplemental becomes inevitable.

Finally, a harsh reality has started to set in among the many Americans who voted for "change" in 2008. The Obama presidency was supposed to stop the wars, heal the planet, bring health care to the masses, and resolve the many painful aspects of the financial crisis. He has demonstrated to his base that he is not only not going to end the war in Afghanistan, he is spooling it up considerably, and that he has shown a willingness to compromise on some of the progressive wing's key elements of the health reform plan in order to get a bill passed. It turns out that the President is not the messianic figure that many assumed but a pragmatic politician, willing to cut a deal to get things done. Who knew?

Any politician, much less the President, angers his base at great risk.

With very little fanfare, Secretary Gates scored a major victory within the administration this week. The Office of Management and Budget (OMB), the administration's financial and budget arm, increased the defense top line by nearly US\$60B between FY11-15. This increase will provide for the 2% real growth that Gates had testified is necessary to carry out the Defense department's five-year investment strategy. Those funds, while certainly welcome to the DoD, will be largely absorbed in increasing health and personnel costs.

Meanwhile, the Navy is in the process of informing the Congress that it needs an additional US\$80B if it is to replace the Ohio-class nuclear missile submarines that will come to the end of their service lives in the next 20 years. Focusing its shipbuilding resources on the new SSBNs will result in fairly drastic cutbacks to the Navy's shipbuilding master plan, resulting in a much smaller fleet than currently deemed minimally acceptable for national security, and likely causing some consolidations in the shipbuilding industry. The remaining US shipyards are both politically highly sensitive because of the number of jobs involved, as well as critical elements of the defense industrial base.

The Navy's shipbuilding plan has been in disarray for some time, and this latest problem is one more in a series. There are two fundamental reasons for the disarray: first, the cost of developing new ship types has increased exponentially in the last 10 years; second, the Navy has not been able to articulate a coherent shipbuilding plan and then execute it within budget. As a result the Navy terminated the DDG-1000 Zumwalt Class destroyer program last year after the third ship, and will reportedly cancel the CG(X) program early next year before the first keel is ever laid. The cost of development and uncertainty surrounding the technology led the Navy to walk away from the CG(X) and revert to the DDG-51 hull type. The Arleigh Burke Class ships are a known quantity and can be fielded at a comparatively low price, although in doing so the Navy is forgoing any potential improvements in stealth hull design.

Bottom line is that the Navy of 20-30 years from now will have fewer ships than presently forecast, fewer ships than the various threat scenarios require, and the wrong mix of lighter less-capable Littoral Combat Ships to integrated battle group support platforms.

Meanwhile the Joint Strike Fighter (F-35) program continues to have its troubles. Recall that this past summer the Pentagon's Joint Evaluation Team (JET) delivered a report indicating that the program would likely be over cost and two years late. Two years ago, the JSF program was restructured following a first Joint Evaluation Team (JET) report, and in January 2009, the Government Accountability Office (GAO) stated that the JSF program was

in danger of a Nunn-McCurdy unit cost breach, following the 2005 redesign to fix weight problems.

The JSF office has been working to avoid a breach for some years, trying to control actual and projected costs by reducing test assets and trimming the flight-test program to offset increases in the cost of manufacturing the aircraft.

Predictions from the latest JET report show a unit procurement cost (in 2014 dollars) of US\$80 million for the F-35A, US\$85-87 million for the F-35C and 2 million more for the Short Take-Off and Vertical Landing (STOVL) F-35B. The projection is the average across the planned 2400 aircraft.

Backtracked to today's dollars, it translates into a unit cost of US\$71 million, which is considerably more than the US\$52 million initially used in some estimates; this could put the program on track for a Nunn-McCurdy "significant" breach. The cost would have to climb to at least US\$92.7 million to qualify as a "critical" breach.

The JET report claims that as much as US\$17.2 billion more will be needed through FY-15. An increase of US\$17.2 billion would push the JSF baseline program cost to US\$227.6 billion; the original baseline estimate was US\$177.1 billion.

A Nunn-McCurdy breach, depending on severity, can either cause the program to be restructured and rebaselined, or outright canceled. The Secretary has the ability to waiver cancelation, which he would clearly do, but a significant cost over run would be a black eye that the program can ill afford in these times.