



The Honorable Chuck Hagel, Secretary of Defense

1000 Defense Pentagon
Washington, DC 20301-1000

March 5, 2013

Dear Mr. Secretary:

You take responsibility for the nation's defenses at a perilous time. Despite warnings from former Secretary of Defense Leon Panetta and the country's senior military leaders about the disruptions that the mandatory budget reductions would do to the people, programs and operations of the U.S. defense system sequestration has been imposed on the Department of Defense. As you recognize these cuts will be especially severe because the DOD has been spending under a Continuing Budget Resolution so that the mandated fiscal year 2013 (FY13) reduction of \$ 42.7 billion (7.95%) cut must be taken in the remaining seven months of this fiscal year. Your initial comments to the DOD community stressed the importance of the President and Congress working toward a new defense posture that provides predictable and stable financial resource to preserve the military capability the United States needs. We write to suggest an approach to achieving this critical objective.

The Defense Strategic Guidance announced last year by President Obama with release of the FY13 DOD budget projects a constant budget in real terms of about \$550 billion, during the period covered by the Budget Control Act, 2013 to 2021. If the mandated sequestration applies throughout this period, the annual DOD budget will be about 10% less, in real terms, averaging less than \$500 billion in real terms. Up to the present, the DOD has resisted discussing cuts below the President's plan, under the reasonable presumption that budget negotiators in the current strained climate, will "pocket" any offered saving without moving closer to an alternative to sequestration. However, now sure of some period of sequestration, the Pentagon now faces crippling uncertainty about its future financial resources to support force structure, readiness and training operations, and for critical modernization programs.

The Pentagon must engage Congress on possible future defense budget reductions. But, DOD leadership must deliver the message to Congress, and the country, that lower budgets mean a reshaped defense posture.



Twenty years ago Secretary of Defense Les Aspin arrived at the Pentagon from the Chairmanship of the House Armed Services Committee, to confront a situation similar to today: There was no agreement on a post Cold War strategy for DOD and the defense budget was declining precipitously (indeed the decline in the top line from FY92 to FY98 was about 20% in real terms, to a level of about \$385 billion in 2013\$).

Secretary Aspin realized that the only way to reestablish the stability necessary to manage the military establishment and plan for the future was for the Administration and Congress to come together on a new post-Cold War strategy and agree on the resource plan to support the strategy. Accordingly Secretary Aspin directed a “Bottom-Up Review” of the nation’s defense strategy, force structure, modernization program, infrastructure, and the formulation of affordable strategy that addressed the geopolitical threats of the post-Cold War. The Bottom-Up Review sized the defense posture on the need for a military capability for two, almost simultaneous major regional conflicts, (MRCs), (notionally North Korea and Iraq). The Bottom-up Review was adopted by President Clinton and accepted in large measure by Congress, as the basis for the defense program for from 1993 to the defense build-up brought about by 9/11. The Bottom-up Review was certainly not perfect, but it did give much needed stability to the defense effort. Such stability is what is most needed today.

We recommend that you launch a new, comprehensive review of our defense posture and take responsibility for proposing a new defense posture to the President and Congress.

The comprehensive review must assess the threats that the nation faces and propose a new defense posture to protect the country and its interests. The review should specify force end strength, operational tempo, readiness, and training, and the suite of military equipment and systems required to support the defense posture. Finally, the resources needed to pay for the posture must be determined. A range of postures of differing capability and cost should be explored in order to inform the President about the choices he faces. The long-term federal budget outlook indicates the direction of change: force structure reductions, fewer and less lengthy overseas deployments, reduced research and development, and procurement levels, and thus a slower rate of modernization of military equipment and systems. Realistically it is only changes in these three areas (and



personnel costs) that are large enough to yield significant reductions in the defense budget.

In carrying out this new comprehensive review, you should keep these principles in mind:

- *More cannot be done with less.* Reduced expenditures mean accepting narrower national security capability, recognizing the risks this entails and making allowance for the flexibility to respond to events. The new strategy will likely entail a greater geographic focus on Asia and avoidance of significant deployments for peacekeeping.
- *It will take time to realize savings.* Adjusting to changes in doctrine, force structure, and fielded systems can take several years. This is particularly true for forced personnel separation where keeping faith with the military personnel who serve the country, often with multiple overseas deployments, is a core value.
- *The hard choices should be made early.* The federal budget outlook is not projected to improve for several years. So if a program or capability is not affordable now it is unlikely to be affordable going forward. Delaying hard choices means that resources will be spent on systems that will never be built and not be available at the right levels for the highest priority programs and capabilities.
- *The new U.S. strategy should address the key new geopolitical threats and leverage unique U.S. military capabilities.* The key emerging threats include terrorism and cyber attacks. The key U.S. capabilities include joint operations, command, control, and communications, and intelligence, surveillance, and reconnaissance.
- *In the long run U.S. military superiority relies on technology dominance.* While R&D will likely experience further reductions, Pentagon leaders should give special attention to continuing support for technology base programs that offer the possibility of disruptive technologies that could revolutionize military capability and doctrine.
- *The growth in costs of military compensation and benefits (especially health care*



for military personnel and their families) system must be brought under control.

Since 2001 such costs have doubled while the number of full-time military personnel has increased only 8%. Over time, DOD must move to a more equitable and modern system, which offers greater choice and in which costs are shared. The Military Compensation and Retirement Modernization Commission authorized in 2012 offer an excellent start to this process.

- *Cooperation with allies will be even more important in the future.* Fiscal concerns will lead most nations, including NATO members and other treaty allies, to reduce defense outlays. It is a good time to reappraise U.S. policies on transferring technologies and defense products and on sharing the costs of defense R&D.

The Executive branch will need a period of private deliberation, perhaps for as long as six months, to collect data, perform analyses, and explore tradeoffs and then engage with Congress about how best to balance affected interests and constituencies. The legislatively mandated *Quadrennial Defense Review* (QDR) is not an attractive mechanism for a fresh examination of the challenges that the nation faces and subsequent re-balancing of the defense posture. The next QDR is not scheduled for release until 2014. After three cycles, the QDR process has become cumbersome and captured by the interests of the services, defense agencies, and the many joint program offices of the Pentagon.

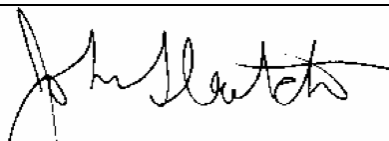

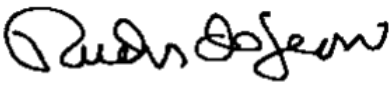
The Secretary of Defense needs a fresh mechanism, such as the Bottom-Up Review, that closely links his office to senior military commanders. The credibility of the new defense posture will gain much if the Pentagon – the Office of the Secretary of Defense, the Joint Chiefs of Staff, the military departments, the combatant force commanders, the defense agencies, and the Intelligence Community – participate in the review and support its recommendations. The lesson of the prior Bottom-Up Review is that working together led to common understanding of the evolving threat and needed capability, resulting in a widely accepted plan that served the nation well during a period of a balanced federal budget.



CC: The Honorable Ashton Carter, Deputy Secretary of Defense

Sincerely yours,

Five former Deputy Secretaries of Defense

John M. Deutch March 11, 1994 – May 10, 1995	
John P. White June 22, 1995 – July 15, 1997	
John J. Hamre July 29, 1997 – March 31, 2000	
Rudy de Leon March 31, 2000 – March 1 2001	
William J. Lynn III February 12, 2009 – October 5, 2011	