

## Chuck Hagel issues new dire warning on sequestration

By: [Kate Brannen](#)  
August 1, 2013 05:04 AM EDT

The Pentagon is once again trying to pressure Congress to resolve sequestration by threatening two of its most potent constituencies: active-duty troops and the defense industry.

Defense Secretary Chuck Hagel gave his latest draconian warnings on Wednesday about the risks of leaving sequestration in effect — the U.S. can either field a high-tech military that may be too small to handle major conflicts or a larger but less well-equipped force that could put American troops' lives in danger.

“These two approaches illustrate the difficult trade-offs and strategic choices that would face the department in a scenario where sequester-level cuts continue,” Hagel said. “Going forward, in the months ahead, DOD — and ultimately the president — will decide on a strategic course that best preserves our ability to defend our national security interests under this very daunting budget scenario.”

But despite near unanimity in Washington about the dangers of the across-the-board budget restrictions, lawmakers and the White House have been unable to dislodge each other from their positions on the larger disputes over taxes and spending. So sequestration, which took effect in March, now appears likely to take its next \$52 billion bite in the fiscal year, which begins Oct. 1.

That reality is one reason Hagel ordered a wide-ranging strategic review: to force the department to wrap its mind about what it would mean to lose \$500 billion from its long-term budget. In a worst-case scenario, for example, the active-duty Army could be reduced to 380,000 troops from today's planned 490,000 — and down from its wartime peak of 570,000. A more likely option would keep the active-duty Army between 420,000 and 450,000 soldiers.

Either way, it's clear that not all military services would suffer equally under the range of scenarios the Pentagon is considering as it prepares for further budget reductions — as much as \$500 billion over the next 10 years.

“The review concluded we should not take reductions proportionally across the military services,” Hagel said. “In particular, the analysis concluded that we can strategically reduce the size of our ground and tactical air forces — even beyond the current draw-down.”

It looked at three budget scenarios for additional cuts to the defense budget beyond the \$487 billion already mandated by the 2011 Budget Control Act.

The first was based on President Barack Obama's budget for 2014, which for defense included “a carefully calibrated and largely back-loaded \$150 billion reduction in defense

spending over the next 10 years,” Hagel said.

The review also considered what would happen under sequestration: a \$52 billion cut to the Pentagon’s budget in 2014 as part of the overall \$500 billion cut over the next 10 years. The third scenario was the so-called in-between option, with \$250 billion in cuts to the defense budget, largely back-loaded over the next 10 years.

“It generated a menu of options, not a set of decisions,” Hagel said.

Even with aggressive reforms to military compensation and overhead reductions, the Pentagon would still be short \$350 billion to \$400 billion under sequestration, Hagel said. That would force the Pentagon to make difficult cuts to force structure and modernization to meet the \$500 billion sequestration target.

House Armed Services Committee Chairman Rep. Buck McKeon said the review was yet another indictment of the administration’s intransigence on sequestration.

“What it does make clear is what I’ve been cautioning all along: Further cuts will cause catastrophic readiness shortfalls; we will lose our workforce and ability to recruit and retain the all-volunteer force; and our influence around the world will continue to diminish,” he said. “Our enemies will feel emboldened.”

According to the defense secretary, everything was on the table during the months-long review, which was launched in early March.

While the Pentagon is still pushing for Congress to sign off on the budget the president submitted in April, sequestration remains “the law of the land,” Hagel acknowledged.

The review considered two different approaches to reducing force structure and modernization under sequestration.

“In the first approach, we would trade away size for high-end capability,” Hagel said.

That’s the approach under which the active Army would drop to between 380,000 and 450,000 troops. The number of Navy carrier strike groups would be reduced from a target of 11 to eight or nine. The Marine Corps would be reduced from 182,000 troops to between 150,000 and 175,000. And the Pentagon would retire older Air Force bombers.

Meanwhile, the Pentagon would protect investments in the Air Force’s new bomber, submarine cruise missile upgrades, the F-35 Lightning II, cyber capabilities and special operations forces.

The second approach would go the opposite route, trading high-end capability for size. In describing it, Hagel used a loaded phrase designed to remind the defense industry about the trough in spending that followed the end of the Cold War.

“Cuts on this scale would, in effect, be a decade-long modernization holiday,” Hagel said.

In addition to force structure and modernization, the review also targeted the Defense Department’s overhead administrative costs and other institutional expenses. The Pentagon has not always been successful at winning support for these kinds of efficiency efforts, Hagel said — in other words, the Defense Department can only do so much on its own.

“Not every proposal has generated the savings we expected or gained the support of Congress — most notably, our request for a base realignment and closure round.”

The Pentagon is going to try to continue to find more to cut in this area even though the savings could take years to materialize, Hagel said.

And it is going to reduce major headquarters budgets by 20 percent, beginning with the Office of the Secretary of Defense, the Joint Staff, service headquarters and secretariats, combatant commands and defense agencies and field activities. Hagel has asked Deputy Defense Secretary Ash Carter to select someone outside the Pentagon who has a deep understanding of how the building works to direct the cuts to the Office of the Secretary of Defense staff.

The review also looked at ways to scale back compensation and benefits, two other areas in which Congress has shown very little will to cooperate.

“If we were to pursue these options, we would need Congress’s partnership to implement many of them,” Hagel said.

The measures considered included greater reliance on private health insurance when available, asking people to pay a little more of their housing costs, reducing the overseas cost-of-living adjustment and continuing to limit pay raises.

Hagel has tasked Joint Chiefs Chairman Gen. Martin Dempsey with developing a package of compensation proposals that meets a savings target of roughly \$50 billion over the next decade. He will develop these proposals with the military service chiefs and senior enlisted advisers, and they would not be implemented until the 2015 budget.

**Senior Pentagon staff members will lead a similar review of civilian pay and benefits.**

**Under sequestration, the Pentagon would aim to save \$100 billion in this area by eliminating civilian pensions for retired military personnel serving in civilian government service, ending subsidies for defense commissaries and restricting the availability of unemployment benefits.**

The only way to make these cuts strategically is to back-load them over the next 10 years,

Hagel said.

Earlier in the day, Hagel briefed key congressional leaders on the review's finding.

Carter and Vice Chairman of the Joint Chiefs Adm. James Winnefeld also are scheduled to brief the House Armed Services Committee at a hearing on Thursday.