

**Remarks of the Honorable Michael B. Donley
Secretary of the Air Force
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Remarks As Prepared for Delivery**

Introduction

Mr. McAleese, thank you for that kind introduction and warm welcome. On behalf of the 690,000 Total Force Airmen I am privileged to represent, thank you for inviting me to join you today.

As the Nation's youngest and most innovative service, the Air Force continues to embrace the technologies that revolutionize our capabilities in air, space, and cyberspace. You – our partners in industry and in the investor community – have been and continue to be an essential part of our team, enabling our Nation to build and maintain its military edge. We are enormously grateful for your support which allows our Airmen – the living engine of our Air Force – to focus all of their know-how, determination, and commitment to pursuing adaptive and innovative solutions for our Nation's security.

Yesterday and earlier today, you heard from two of DoD's top leaders, Under Secretary of Defense for AT&L Frank Kendall and Under Secretary of Defense/Comptroller and CFO Bob Hale. So I appreciate the

opportunity this afternoon to follow their presentations with an update on Air Force modernization needs that persist despite our budget challenges.

Modernizing the Air Force

Among the most difficult challenges facing the Air Force is the need to modernize our aging aircraft inventory as the defense budget declines. In the sine waves of ups and downs of defense spending since World War II, most resources during defense buildups have supported wartime operations in Korea, Vietnam, and more recently Iraq and Afghanistan. The Reagan build-up was the only one to focus on modernization without the burden of large combat operations, and to a significant degree we have been living off the investments from that era, or even earlier.

The need for modernization is pervasive across the Air Force. While service life extension programs and periodic modifications have largely kept our fleets up to date, the cost of maintenance and sustainment is rising as budgets are flattening, and new threats and technologies require new investments.

The average age of the fighter force is now 23 years, rescue helicopters 22 years, training aircraft 25 years, the bomber force 36 years, and tankers nearly 50 years. Satellites for missile warning, navigation, secure communications, and other needs are also aging and replacements

must be built and launched on a schedule consistent with the life expectancy of current constellations.

Given the proliferation of ballistic missile technology, integrated air and missile defense is a compelling operational need. Cyber defense and secure and resilient command and control networks are increasingly important as well. From nearly every aspect, the defense enterprise struggles to keep up with the demand for modern information technologies in its weapons and business systems.

The Air Force spends about 30 percent of its budget on research, development, procurement, and construction – investments in future capability. Annual investment has been as high as 59 percent during the Reagan years, but is often a first casualty of shrinking defense budgets as leaders focus on operating and maintaining the current force. Within the \$54 billion in reductions aligned to the Air Force over the next five years under DoD's implementation of the Budget Control Act, over 70 percent came from lower priority, delayed, or poorly performing investment programs.

The Air Force has a clear picture of its investment spending and priorities. Today I'll provide an overview of our modernization challenge, referring to the percentage of total investment aligned with broad groups of

Air Force capability. You will notice that I won't speak to specific dollar figures, and the percentages offered will not total to 100 percent.

Nonetheless, this should give you a sense for our current thinking, much of which will not be new to the experts in this room.

Over the next five years, modernization of fighters and bombers accounts for just over 30 percent of Air Force investment.

--Fighter modernization is dominated by the F-35 program, which alone accounts for 15 percent of total Air Force investment, followed by continuing upgrades to the F-22 fleet, F-15 and F-16 improvements.

--The new Long-Range Strike bomber is one of the Air Force's top priorities, and encompasses approximately 2 percent of Air Force investment, though this grows later. An additional 3 percent over the next five year goes to sustain and modernize the B-52, B-1 and B-2 bomber fleets to ensure these aging platforms remain viable. Equally important are the modern weapons these fighters and bombers carry.

Space programs account for another 20 percent of investment, and our ten largest programs include four space systems that are critical programs on which the entire joint force depends for access to space, secure communications, missile warning, and navigation and timing. In

this area, the pace of modernization is less a matter of choice and more dependent on the life expectancy of capabilities on orbit. Building and launching satellites is an inherently expensive business and we are looking for ways to reduce costs, increase competition, and improve resiliency without introducing unacceptable risk.

Intelligence, surveillance, and reconnaissance; command and control; and cyber capabilities account for about 12 percent of total investment. Nuclear forces, special operations, and personnel recovery – another 10 percent. There are many important programs in these categories which I won't discuss today.

For mobility forces, replacing the 50 year-old KC-135s aerial refueling tanker with the new KC-46A is the most urgent priority. The KC-46 program of record is 179 aircraft, and calls for 18 aircraft by 2017 with final delivery in the late 2020s. The C-17 procurement is now complete at 223 aircraft but we are continuing modifications to maximize its ability to carry cargo and fly farther. The C-5M program is modifying C-5B aircraft with new engines and avionics to make it more reliable, and facilitate retirement of the C-5As. Overall, mobility modernization accounts for 13 percent of investment.

A tanker story from our past can be used as a microcosm to describe the overhanging challenge of Air Force modernization, and why this is so hard. In the seven year period between 1958 and 1964, the Air Force built roughly 1,400 tankers -- half the older KC-96s, and half the new 707-based KC-135. We did this during a time when the United States spent on average 8 percent of its annual GDP on defense, and the Air Force alone accounted for 40 percent of the defense budget. In the KC-46 program, we plan to buy a fraction of that number of aircraft and will take longer to do it. We could build them faster, but today spending 4 percent of GDP on defense, with 20 percent of the defense budget, the Air Force cannot afford to go faster. When the KC-46 program is complete in 2027, we will have recapitalized less than half of the current tanker fleet.

The same pattern is repeating in other areas. Modernization of the C-130 tactical airlift fleet began in 1999 but at the current rate only 42 percent of the fleet will have been replaced with the new J-model by 2019 – 20 years later.

Underpinning the Air Force's ability to leverage and field these crucial technologies is America's aerospace research and development infrastructure — a national asset that must be protected to ensure future U.S. advantages in technology, as well as commercial aviation and space.

Accordingly, DoD including the Air Force is protecting science and technology funding as a share of our total resources.

To continue funding these high priority investments, we made the hard choices to terminate or restructure programs with unaffordable cost growth or technical challenges, eliminate expensive programs when more affordable alternatives existed, and discontinue or defer programs that are simply beyond our reach in the current fiscal environment. Modernization of the Nation's nuclear deterrent lies ahead. Other important programs, like a replacement for the JSTARS surveillance aircraft and a new trainer, are not yet funded.

America's Air Force remains the most capable in the world but modernization can't wait for the next up-tick in defense spending. The current force is already too old; and we don't know when that up-tick would come. We have important production lines under way and development programs now maturing that are, or will soon be, ready for production. Cancelling those programs to wait for a future generation of technology would be very wasteful and, in some cases, would risk the loss of critical engineering talent. The new threats and investment needs, like cyber and missile defense, are not theoretical possibilities for the future. They are here, now.

The plans and resources available for modernization are not optimal, but we are making tough choices to keep them workable with the right priorities for the future. Further reductions in defense would make these choices even harder.

DoD is in the business of difficult choices. In the Chief's and my world there are few options for reducing the size of our forces and still being able to execute strategic guidance; and where we might be able to do so, our experience shows there can be opposition.

In our world, we see readiness -- in personnel, training, and materiel dimensions -- already frayed. This is a very complex area, with few outside advocates, where we continue to focus leadership attention. Attempting to stay ahead of rising operations and maintenance costs, we have made important efficiencies; and we are programmed for more. We do not favor taking additional risk here.

In our world, the need for modernization is growing at the same time overall resources are diminishing. Here, there are many advocates -- in our own service, on the hill, and among our industry partners -- for much needed modernization programs; but we are already in the business of reducing some programs to fund higher priorities. So we will need to be careful, if not skeptical, about adding more programs than we can afford.

We'll need the partnership of all concerned –Air Force and DoD leaders, Congress, and industry partners -- to keep Air Force modernization moving forward. All of our efforts to be more responsible and effective stewards of taxpayer resources, to balance effectiveness and efficiency, to contain program requirements and costs, to make our acquisition system more responsive – all the elements of DoD's Better Buying Power initiatives, and more, are necessary to make this work. To use a golfer's analogy, we'll need every club in the bag.

Conclusion

Again, I want to thank you for your professional interest and your commitment to the aerospace and defense issues that will impact America's security for years to come. Thank you all for helping us build an Air Force that future Airmen will be proud to lead and serve, an Air Force ready to fly, fight, and win in air, space, and cyberspace, whenever the Nation calls.

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