

*not  
revised*

REMARKS  
OF

Edward R. Jayne, II  
Associate Director for National Security  
and International Affairs  
Office of Management and Budget  
at the Naval War College  
Newport, Rhode Island

on

28 March 1978

Thank you, Admiral Stockdale.

Secretary Claytor, Secretary Woolsey, Ladies and Gentle-  
men:

It is indeed an honor and privilege for me to be here today at the Naval War College's 1978 Current Strategy Forum and to address such a distinguished group of experts on naval affairs. One simply has to look at the pages of the newspapers these days to know that the Navy and its future is a central issue in Washington. And many of you have played key roles in that debate.

I would like to share with you this morning some of my thoughts about where the Navy is headed and about the many points of view being voiced about that Service's future. As you know, the President has within the last week approved and sent to the Congress a 5-year shipbuilding plan--a plan that will set the character of the Navy in the 1980's and beyond. For some, that plan moves in the right direction. For others, it moves in the right direction, but far too slowly. For

yet others, it seems to point in many directions at once; in fact blurring some of the important choices between certain missions and types of seapower. In any case, that plan represents a benchmark in this continuing debate on the Navy.

I'm sure much will be said before this conference ends as to what the Navy should be doing in the next two to three decades, and I would like to include in my own contribution to that debate thoughts on three kinds of considerations: Budget questions, Strategy questions, and Management questions. I would caution you in advance that my views are molded in great part by two factors.

First, I wear both of the institutional symbols of the Office of Management and Budget--that's a green eyeshade and a large black hat. Second, my main contact, and indeed my only significant contact with the Operational Navy out there--has been with its carrier-based airpower, the forces that I flew with and fought with in Southeast Asia. With that as background, let me move to some of my thoughts about the Navy and the Budget.

First, let me give you two truisms: there's no item in our Budget that's of higher priority than National Defense. We will, and we have in the past, pay the necessary price for our security. Secondly, however, our Defense Budget will always be less than desired by many people charged with defending us. You and I have both been in that situation. Thus the debate--must we have a 600-ship Navy for our security

(or perhaps even as Evans and Novak told us yesterday in The Washington Post) an 800-ship Navy, or is the 400-450 ships implied by the President's 5-year plan sufficient? Well, let's look at the budget and see what there's room for and not room for.

Our FY 79 Defense Budget request is \$126 billion. That level provides 2 to 2-1/2% real growth over 1978--that's growth above and beyond the cost of inflation. Because we do not project manpower costs to grow significantly, the bulk of that real investment increase is available for procurement of new systems. In dollar terms, the services will have, above and beyond their present budget levels and compensation for inflation, an additional \$3-1/2 billion per year, on average in that 5-year period.

Now, does that mean that there is room for a 600-ship Navy, an 18-division Army, and a 30-Tac Fighter Wing Air Force all at once? Most probably not. What it does mean is that, to the extent that the services can maintain or improve their present investment return on their expenditures--measured in forces and capability--they can generate real increases in capability in forces budget dollars.

The 5-year shipbuilding plan which the President approved Thursday has been priced at approximately \$32 billion, and those numbers are in my view, consistent with our projected Defense Budget totals. Is there room for even more ships in that total? Yes and no. As the Navy ranks its own programs in the zero-

based budgeting process, it may opt to substitute more ship- building dollars for some other program, thus taking the increase out of its own hide. In the Defense Department Budget process, the Navy may successfully present its case for that incremental next ship, and dollars will be made available from the Army or Air Force. Finally, the President can himself, make a similar substitution for non-defense dollars if he concludes that the Navy's requirements are more pressing than those in areas such as urban assistance, farm price supports, or energy development.

When we say that the Defense Budget must receive first priority, we are of course, correct, but we mean it in a relative, as opposed to an absolute sense. We would not place every conceivable Defense dollar above all other programs. What we would do is insure that we have sufficient forces and capabilities to accomplish a desired range of national security objectives. Once we are comfortable that we are maintaining those forces, we can consider other Budget demands. I firmly believe that we have provided in the 1979 and projected future Defense Budgets sufficient funds for our forces. It is true that the many years in the early seventies of declining real investment in Defense have left a legacy of force structure problems. Perhaps the Army and Air Force are further along the road of recovery from that period, than is the Navy, but that is to be expected. Those services' weapons are less costly and have shorter lead times and shorter life times than the Navy's ships.

I believe that the Navy too, can continue to modernize and to grow in key areas within these budgets. Certainly, it would be more comfortable to have an additional \$10-20 billion to spend over the next five years on Navy forces, just as equivalent sums could make us more secure in our approach to the problems of the cities or the farms or energy. The Navy, like every other organization in the Government who fights (and I hope you'll pardon the analogy) for its share of the annual budget, will sink or swim based upon two factors-- Strategy and Management.

That brings me my second topic--Naval Strategy. The mere mention of the word "strategy" from someone from OMB may bring a cry of "Foul" from some of you. After all, we Budget types are supposed to stick to counting beans. As I once heard a senior military officer tell a previous OMB Director: "You just tell me how much money I get to spend, and I'll provide the strategy." Well, in this administration, President Carter has asked OMB for far more than mere bottom line budget recommendations. He has sought from us an independent assessment of the strategy and the implementation of that strategy by all departments and agencies, not just DOD, or not just the Navy.

Jim McIntyre, my boss and the OMB Director, has demanded of his institution two functions central to issues of strategy: first, reviews of the dollar implications, both in the short and long term of the strategies being argued; and secondly,

an evaluation of the management of programs designed to implement that strategy. The questions that Jim asks of me and that the President asks of him are things like: "What capabilities does an aircraft carrier buy me?" Not just, "How much does it cost? Do I need these capabilities, and if I do, am I getting what I pay for?"

We have examined in OMB and in the Executive Office the recent Navy Study, "Sea Plan 2000," and we talked to the President about its strategy implications. Those deliberations have served as a reminder that certain key naval strategy issues remain before us and will continue to remain before us for debate.

Perhaps the most fundamental of those issues is the simple question of how much attention the Navy is giving and how much emphasis the Navy is giving to its various missions. In pursuing this point, let me set aside for a moment the SSBN Strategic Forces question, and concentrate on the other elements of Navy Forces.

The two primary wartime missions of Sea Control and Power Projection Ashore continue to be at the center of the debate. How much Sea Control can we afford; is it so expensive as to cause us to take resources away from the traditional Carrier Task Force concept, and channel those dollars into more specialized capabilities such as ASW or Escort? We all know the kinds of specific issues that we saw in this last Budget process directly related to that: Surface Effect

Ships, how many FFGs to buy; how many Attack Submarines to buy?

What do we mean when we talk about prosecuting a war "over the beach" into an aggressor's homeland? If we mean a Korea or Vietnam kind of scenario, that implies one kind of force. If we mean shutting down Murmansk, or Vladivostok, during a major NATO War, we're talking about a much different, and a much more costly Navy.

Can the Navy bring itself to use more land-based air for sea control? Sea Plan 2000 argues, not unpersuasively, that the flexibility of sea-based air dominates the analysis. Should we plan, however, on always being denied the use of relevant overseas bases? Is land-based air really less effective than sea-based air in an anti-ship role? This latter point seems particularly open to question given our own concern and planning regarding the Soviet's land-based Backfire Force.

Where does VSTOL fit in all this? Can the Navy, given foreseeable budgets, continue to acquire the sea-based aircraft capable of the kind of big-league Power Projection I noted a moment ago, Power Projection against Soviet Homeland air defense, and at the same time, provide the necessary front-end investment to create an entirely new generation of aircraft that can operate without catapults and arresting gear?

What does the projected threat, at sea and ashore, tell us about the mix of offensive and defensive capabilities of

the Fleet? I was reminded recently as I watched the impressive Hollywood rendition of the Battle of Midway that today's Carrier Task Force Commander still faces Admiral Nimitz's painful dilemma of just how much aircraft to commit against the enemy. To under-commit may lead to too-little damage inflicted on the opponent, to over-commit could mean that the Task Force did not adequately protect itself. In my view, the answer to this question is fundamentally a matter of how big a task the Navy takes on for itself. The Fleet may be able to attack and defend in a balanced way in the South China Sea or in the Indian Ocean. In the Med or in the Barents, however, it may take the preponderance of our forces merely to stay afloat.

Finally, what kinds and numbers of ships are necessary for the critical Peacetime Presence Mission of the Navy? Is it really mandatory to have a Carrier Task Force sail into a foreign harbor in order to have the desired Foreign Policy impact during a crisis? Could a smaller ship or less-capable Carrier have the same effect? Is it the ships themselves that send the message, or must they carry aircraft capable of flying across the beach?

I've heard enough differing thoughts on these and other questions of strategy from within the Uniformed Navy to make me somewhat uncomfortable with the "strategy" implied by Sea Plan 2000. To the outside observer, the various "Navies" within the Navy--the Air, the Surface, and the

Subsurface elements and their own subgroups--seem determined to perform much of the whole Naval Mission singlehandedly.

Now, let me emphasize, I'm not arguing for one or a few kinds of platforms to accomplish all those missions. I think that approach is even less relevant here than it was in the days of the F-111A and B. And we all remember where that got us. Indeed, I think I'm making the opposite point. Sea Plan 2000 argues the versatility of sea-based air, and like many Navy studies before it, adds Carriers and Escorts to meet each increment of mission requirements for Projection, Sea Control and Presence.

It may well be that on the margin, the thirteenth or the fourteenth, or the nineteenth Carrier gives you the most for your money for all these missions. So far as I can tell, however, no one has proven that case in the studies. I would be far more comfortable if I knew that an equivalent amount of Navy analytic talent had been applied to examining certain of these nontraditional alternatives: land-based air, VSTOL, Missile-carrying Frigates, etc. And I applaud the efforts in DOD to examine some of these options, and I'll continue to challenge my own staff to do likewise.

Although we all may frequently have to read about this debate in The Washington Post or The Armed Forces Journal, I think we'll be better off having had it. One man's options will continue to be another man's discarded or silly ideas, but the stakes are too high for us not to ask the questions.

The mere fact that our adversaries place so much emphasis on such concepts as land-based air and small missile-firing combatants should be enough to gain our undivided attention.

I would<sup>[not]</sup> hazard a view today as to the appropriate mix of various Navy Forces. I will state categorically, however, that there is not room in anyone's Navy Budget, including the House Armed Services Committee's certainly free-spirited one, for all Nuclear-powered Combatants, all F-14's, more Total Surface Ships, more and bigger Submarines, and an all-out push for VSTOL. Some things on that list have got to go! To the extent that we in OMB, or even the Secretary of Defense, make that decision, the Navy itself will have lost some control over its own future. Only if the USN, applying its own goals and its own expertise, sets more realistic priorities, can we hope to see a fully coherent and balanced Navy program in the future.

Let me now turn to some questions of Management. Those same front-page news stories that highlight the Naval Strategy debate, also remind us of our current difficulties in the Shipyards. Those of us close to the shipbuilding program know few if any, other procurement offices in this country--public or private--face challenges as great as those associated with the construction of large combatant ships. Nonetheless, the continuing stream of stories about delays, contract changes, cost overruns, and cost claims cannot help but influence attitudes about the future of the Navy.

Ship construction takes a long time. That time dictates that we estimate our force level and modernization needs further into the future than for most other capabilities, and accept the resulting uncertainty and imprecision as fallout. At the same time, however, there is no need to approve too much, too soon, particularly if it results in overtaxing shipyards, escalating prices and missing deliveries. Large budgets may signal our commitment to a strong Navy, but our adversaries have only to read the newspapers to know that ships are not being delivered as planned. Under such circumstances, budget signals are rather meaningless. Indeed, our planned real increase for the 1980 budget (that's next year's budget, over 79) allocates \$600 million of the approximate \$2 billion real increase in Defense procurement. It allocates \$600 million of that for additional Navy ships. The Navy's critics will remind us that that \$600 million will be less than the projected amount we are likely to have to add to that same budget--on the top--to handle cost-growth--some would call it "Overruns"--for previously funded ship construction.

At times, we all know that it may appear advantageous to expedite ship deliveries and cut costs by shortening research, development and operational testing. History has shown time and again, however, that cutting corners in the critical early stages of a program comes back to haunt us in the form of higher prices, missed deliveries, and reduced

capabilities. A classic example, familiar to most of you, is construction of the new Perry-class FFG Frigate. The original blueprint was touted as lean and efficient, with a price tag brought down by tough planning and design. However, it has already been necessary to go back into that ship design and add an additional electric generator. Early in the design of the FFG, that same generator had been eliminated to cut costs. Here's a case where obviously, the fix proved to be more expensive in the long run. We at OMB believe that each new ship should be developed and designed fully prior to authorization, and that complex, high-technology subsystems should successfully complete a full range of operational, as well as developmental, testing prior to a production go-ahead. The risks associated with fielding a faulty system appear far too high, relative to the potential benefits of early introduction. To a great degree the Navy's current directives provide sensible ground rules to this end. All I'm really asking is for its Procurement Managers to practice what their rules preach.

From where we sit, our greatest interest is to have as efficient a shipbuilding process as possible, so that we get effective ships delivered on time within budget costs. We want to avoid getting hung up on questions of the comparative national security impacts of delivering a ship in 1984 versus 1986; and we want to get on with the business of delivering quality ships within a reasonable period of time. Of course,

we have to protect the taxpayer's investment, but the nation cannot afford to have its key Defense suppliers driven out of business. We can debate how much shipbuilding capacity the nation needs, the premium we should pay to maintain it and in what form it should be paid, but it is fundamentally in the national interest to preserve a strong shipbuilding industry, one which is given a clearly defined job to do and can be measured against that goal in the end.

To some extent, we may benefit in the near term from commercial shipbuilding trends. Some shipbuilders are anxious for new business, as their commercial business dropped rather drastically. With commercial orders on the decline, Navy work should become more attractive. We should be able to negotiate better terms, making our shipbuilding dollars go further than we've been able to do in the recent past when commercial work was at its peak.

These thoughts about improved management are certainly not new, nor are they panaceas. They do represent sincere suggestions on my part to address a severe Navy problem. If you retain nothing else that I say here this morning, please remember this. The present shipbuilding difficulties represent in my view, the single most influential reason why President Carter chose not to accelerate Navy ship purchases in the 1979 Budget. The Multimillion dollar cost growth, the delays of up to two years in delivery dates, and the difficult relations between the Navy and its most important shipbuilders simply cannot continue in their present state.

"Damn the torpedoes, full speed ahead" is not an acceptable response. Let me state clearly that I do not believe that the Navy as an institution has ducked the problem. I believe that Secretary Claytor, Jim Woolsey, and Admiral Holloway have made major efforts, and successful efforts to redress these difficulties. Some in the Navy, however, seem much more comfortable with continuing the rhetoric than with bailing out the bilge. It is my considered judgment that if, at this time next year, we have not made visible progress in managing our shipbuilding program, that the incremental growth requests for Army and Air Force programs will again receive priority in the Budget, not because they're more needed in some absolute sense, but because they hold the promise of a greater return, in terms of security, from the dollar investments made. Certainly, all four services provide absolutely essential elements of our security. Because trade-offs at the margin among services are extremely difficult to make, however, the program with the better track record in its Management will continue to have the edge.

In conclusion, I believe that the Navy's future will be dictated in great part by its own internal approaches to the Strategy and Management questions I have outlined. So far as Strategy is concerned, it seems clear to me that the Navy cannot acquire forces to pursue all of its missions to the degree implied by Sea Plan 2000 without securing a larger share of the overall Defense Budget. Given the President's

priorities, the demands for NATO and Strategic capabilities, the burden of proof will be on the Navy.

To the extent that military experts (often in dark-blue uniforms) argue for new concepts like VSTOL and Cruise Missile Forces, the Navy should thoroughly and seriously evaluate those options, rather than leave such tasks solely to OSD, those of us in the Executive Office, or the Congress.

It is sometimes difficult in this great and rich nation of ours to accept the fact that there is no such thing as a free lunch. There is, however, in President Carter's budget projections, enough room for vigorous Defense modernization.

If the Navy can turn even more of its attention to the process of acquiring and maintaining its forces, it can continue to grow stronger and more capable. If it allows itself to be snared, however, by the rhetoric of those who see the only problem as a lack of money, I will be less optimistic. As I hope I've made clear this morning, I have no brief for any particular Navy system or Mission, nor do I believe that more analysis or more study is the solution. What the Navy needs to do is to understand itself, to know its highest and its lowest priorities, and to be able to tailor its forces accordingly within a budget share reasonably consistent with those of the past.

We at OMB must still wear our black hats. However, we continue to support a vigorous level of Defense modernization. The President's overall 1980-1983 projections provide for substantial real growth. There is a lot of competition for the dollars in that real growth. The challenge is there, and I wish the Navy well.

Thank you.#

End of remarks *mmme*