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Thank you Mac Carey for your strong leadership, as well as your colleagues at the Lexington Institute for your continuing positive contributions in reforming the government, particularly the Department of Defense. Dan Goure and Loren Thompson have both penned recent columns with compelling support for reform, as have a number of other experts you will hear from today. When Mac asked me to participate several months ago, I indicated that I have a family event in New York tonight so I will have to leave right after my presentation and very much regret I can't be here for all the other presenters.

This is an extremely timely event as the Senate and House defense bills incorporate provisions that would result in landmark changes both from a policy and organizational standpoint. To the staffs that might be here, I want to express my appreciation and admiration for the truly superb work that I know went into these bills. As the Staff Director of the Senate Armed Services Committee when we passed Goldwater-Nichols, acquisition reforms, the special operations provisions and much more in the late 1980s, I understand first-hand the challenges to achieve the desired results given the general governmental preference for the status quo.

At the outset, it's important to understand the current balance of power in the Pentagon on both the operational chain of command as well as the management chain of command. I am referring to the relationship among the military services and departments, the joint staff and JCS, the office of the secretary of defense and the combatant commands. This is where the tensions and fights have been since the creation of the Department of Defense after WWII. The pulls and tugs of power and the attempts to achieve the proper balance among these four key power centers have been ongoing for almost 70 years.

In 1949 Congress, along with President Truman, passed the fundamental changes following WWII that established the Department of Defense by combining the separate cabinet level War Department (the Army and Army Air Corps) and Navy Department (the Navy and Marine Corps), created the United States Air Force and Department of the Air Force, put in place the unified command structure in the field (the forerunner of today's combatant commands), set up the National Security Council, and created the Central Intelligence Agency. The House and Senate Armed Services Committees were also created.

Coming out of WWII, power was logically concentrated in the military services, not the civilian leaders or the joint arena. The '49 changes did little to alter this. In 1958, Eisenhower wanted to move the needle and made defense reorganization and greater unity between the services a priority during his presidency, resulting in the Defense Reorganization Act that strengthened the Secretary of Defense's authority over the military departments and shifted the balance slightly towards the civilian and joint sphere. Thirty years later in 1986, Goldwater-Nichols, on the operational side, and the Packard Commission, on the acquisition side, shifted significant power to the joint and OSD arena. Today another 30 years has passed and we need to recognize that the system is again unbalanced. Today's

massive acquisition structure and processes do not reflect the key principles of the Packard Commission of a streamlined and rapid decision-making approach. GNA created some unintended consequences such as the very rigid joint service requirements. Its approach to strategy formulation and the role of the Chairman do not match today's transnational threats. And the service chiefs need to have their voice restored on both operational and acquisition matters.

The House Armed Services Committee report captured the problem set very well:

The committee recognizes that security challenges have become more transregional, multi-domain, and multi-functional; that US superiority in key warfighting areas is at risk with other nations' technological advances; and that the Department of Defense lacks the agility and adaptability necessary to support timely decisionmaking and the rapid fielding of new capabilities... The proposals contained in this subtitle are focused on increasing accountability and oversight, enhancing global synchronization and joint operations, and strengthening strategic thinking and planning, while preserving civilian control of the military and the role of the Chairman of the Joint Chiefs of Staff as the principal, independent military advisor to the President and the Secretary of Defense.

Sec. Carter, in his speech on April 5, 2016, outlined his compelling views as follows:

This year, as Goldwater-Nichols turns 30, we can see that the world has changed since then – instead of the Cold War and one clear threat, we face a security environment that's dramatically different from the last quarter-century. It's time that we consider practical updates to this critical organizational framework, while still preserving its spirit and intent. For example, we can see in some areas how the pendulum between service equities and jointness may have swung too far, as in not involving the service chiefs enough in acquisition decision-making and accountability; or where subsequent world events suggest nudging the pendulum further, as in taking more steps to strengthen the capability of the Chairman of the Joint Chiefs to support force management, planning, and execution across the combatant command areas of responsibility, as many increasingly do.

Chairman McCain conducted over a dozen hearings and built a comprehensive record for the proposals in the SASC markup. In remarks he made at the Brookings Institution on May 19, 2016, he stated:

Goldwater-Nichols responded to the challenge of its time. Our goal was to determine what changes need to be made to prepare the Department of Defense to meet a new set of strategic challenges... Put simply, Goldwater-Nichols was about operational effectiveness, improving the ability of the military services to plan and operate together as one joint force. The problem today is strategic integration, how the Department of Defense integrates its activities and resources across different regions, functions and domains while balancing and sustaining those efforts over time.

We also need reform because we are not getting the bang for the buck for the dollars we spend. In constant dollars, we are spending more today than we spent at the peak of the Reagan buildup—up by 30 percent, but the war fighting forces are 40 to 50 percent smaller. Adding OCO, Obama has spent \$1 trillion more on defense than Reagan during his two terms. And in the last ten years alone, the personnel costs have doubled for a slightly smaller force that is less ready. This is not a report card on any one administration or leader, military or civilian, but adverse trends that have been building for decades. I always make the point that the civilians, military and contractors who work in the Pentagon come to work every day to do the best they can for our national security. But as former Secretary of Defense Bill Perry once told me, bad processes will beat good people every day. We have a proliferation of bad processes in the Pentagon.

What has increased is DOD's overhead, the number of people and costs of the non-war fighting side, the 30 plus layers of management in DOD, and the suffocating paperwork and processes surrounding every decision, big and small. The tendency has been to add and not subtract. The overall system is more risk averse at a time when we need to allow the assumption of more risk.

I provided extensive testimony to the Senate Armed Services Committee last winter, and the HASC even earlier, outlining in detail the problems and suggesting numerous solutions. I brought a few copies with me today, but you can access it online on my business web site ThePunaroGroup.com or the SASC website.

We all know we need to repeal the sequester and raise the Defense budget, but we also need fundamental reform or the output won't change significantly enough to increase the size, readiness, and response time of our war fighting forces while developing 21st century command and control of those forces. We must reverse the trends of what I have called "the ever shrinking fighting force." In my testimony I suggested several dozen changes that would accomplish that goal.

Let me focus on some of the provisions in the House and Senate NDAA. I am a strong proponent of ensuring the independence of the Chairman of the Joint Chiefs of Staff by going back to a 4-year term for both the Chairman and Vice Chairman, albeit on staggered terms. Both bills properly rejected some testimony to move to a general staff and place the Chairman in the chain of command.

I believe the Chairman needs the delegated authority in the SASC bill to deal rapidly with allocation of resources and capabilities among the combatant commanders and its consistency with Secretary Carter's comments. I welcome the formalization of Combatant Commanders Council which is done today in practice in the Pentagon. A pilot program to determine if Joint Task Forces could replace, in some areas, the massive component commands is also a good idea.

The HASC has properly gotten rid of the Quadrennial Defense Review that had turned into a "tree killing" exercise with little or no relation to the ends, the ways, and the means. The changes in both bills on how the national military strategy is developed are long overdue as well and I know that General Dunford and Secretary Carter have made public comments

about needed changes in this area. There are adjustments to the joint duty requirements which, again, Secretary Carter has noted in his Force of the Future initiative.

In summary, on the operational chain of command, both bills have very positive changes, consistent with the original intent of the Goldwater-Nichols Act but updated to today's realities.

On the organizational and management chain of command, I am sure the medical bureaucrats in the military department are saying "Martha, it's the big one." The SASC provision to collapse the three separate medical systems into one is also long overdue. There are over 10,000 duplicative spaces between the three services' bureaucracies and a divisions' worth of administrators. There are military hospitals that are operating at less than 50 percent capacity. The medical costs in the Pentagon are over \$50 billion a year, up from \$20 billion, and so this is another adverse trend that needs correcting. When I chaired the Defense Reform Task Force for Secretary of Defense Bill Cohen in 1997, we recommended something similar.

I welcome the caps on the number of people that can be in the headquarters. These would not be necessary if DOD could ever say with precision how many people were in the HQ, track them accurately, and place internal controls on the headcounts as has been continually recommended, but never accomplished. This should be done internally, not legislatively. But the "spirit of Doc Cooke" is alive and well, as we don't have any agreement on the definition of what's overhead, we don't have a credible baseline, and there is still too much shifting any cuts to other organizations.

I also strongly favor caps on the size of the National Security Council and would like to see it scaled back to the size, and more importantly to the approach used by Brent Scowcroft. The NSC restriction in both bills will be strongly opposed by the White House, so I see little chance they will survive in current form.

Refocusing the USD AT&L on cutting edge research and restoring the Director of Research and Engineering back to the top position it enjoyed when Bill Perry, Harold Brown, and Johnny Foster occupied these posts is also well thought out. It is hard to take the Department's initial opposition seriously when the top civilian leaders continuously say "We are losing our technological edge!" and the Secretary of Defense has to take his "innovation" element, DIUX, out from under AT&L because of the suffocating bureaucracy.

Again, this is absolutely not a report card on Secretary Kendall who has been one of the best we've had in this job, which has evolved into "mission impossible" for any one person. Frank Kendall and Ash Carter made many very important positive improvements in the acquisition area, as did their predecessor I see in the audience, Jacques Gansler. But in this area, it's not how far we've come but how far we have to go to change the outcome from "spend more, take longer, and get less." Again, Bill Perry's "bad processes beat good people every day" comes to mind, and we have far too many bad processes in the acquisition area.

The reestablishment of an Assistant Secretary of Defense for Command, Control and Communication and a strengthened CIO is a recognition of the need to attack cyber and IT

in a more effective way. I would not have that ASD report to the policy shop but as an independent report to the Deputy. And the proposed Undersecretary for Management and Support replacing the Under for Business Management and Information provides a needed focus for the Secretary and the Deputy on management of DOD's huge business enterprises. This will strengthen the Deputy's "Chief Operation Officer" role.

The reforms set forth by the HASC and SASC are momentous and consequential. There are a number of reporting requirements that would set the stage for even further reforms in the years ahead. As a long-time proponent of reform, I would strongly recommend that there be a two-year delay before implementation. There will soon be a new Administration and a new Congress in charge. We need to allow enough time for the dust to settle. The new leadership of the Department will take at least 6 months to get in place and take charge to do the additional analysis, and a delay would allow time for any needed adjustments to be put into place.

This two-year delay would be similar to the approach taken in 2014 by the SASC in creating the Under for Business Management and Information which was not to take effect until January, 2017. In the pending NDAA, they have now changed this provision to an Under for Management and Support, which is substantially different. Given the scope of the change in the two bills, it would be wise to provide for a longer implementation period.

In conclusion, there are many important steps taken in the HASC and SASC bills to address the problems the Pentagon faces today. And unlike 1986, the leadership of the department in Secretary Carter, Deputy Secretary Work, Acting Under Secretary Peter Levine, Acting DCMO Tillison, CJCS Dunford, and the military department leadership are pro-reform. This is a stark contrast when in 1986 all the senior civilians and military leaders were opposed to change. And with the fiscal pressures we face, with the strategic challenges erupting all around us, with the operational demands accumulating on the force, we can no longer afford the luxury of a growing imbalance between what we must field operationally and what we field managerially. We need to generate more units—more combat power—from our military end-strength and the fiscal resources associated with it, not less. And today we are fielding less.

Thank you very much for offering me the opportunity to share my views with you.