

MEMORANDUM

TO: COLLINS & COMPANY CUSTOMERS

**FROM: RICHARD COLLINS
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ERIC NEWSOM**

SUBJECT: C&C DEFENSE APPROPRIATIONS UPDATE

DATE: JANUARY 18, 2005

**“I THINK THE AMERICAN PEOPLE RECOGNIZE THAT WE CAN DO MUCH BETTER WITH LESS,
AND THAT'S THE APPROACH THAT THE PRESIDENT HAS TAKEN.”**

- *White House Press Secretary Scott McClellan in a briefing on January 12, 2005*

Deputy Defense Secretary Paul Wolfowitz signed Program Budget Decision #753 on December 23, 2004. This document, subsequently leaked, shows that the Pentagon plans to cut nearly \$30 billion from its budget over Fiscal Years 2006 to 2011. These cuts are echoed in speculations about non-defense spending in the President's FY 2006 budget that is to be sent to Congress on February 7th.

A number of programs in the Department of Defense (DoD) are slated for termination in PBD #753 including the C-130J cargo aircraft procurement, the Joint Common Missile Program and the Joint Warfare Simulation Program. The Air Force's F/A-22 Raptor program will be cut by almost \$11 billion as the number of planes will be cut from 277 to 170. According to many reports, the Air Force plans to fight the cut of the F/A-22 as much as possible. Even the President's ballistic missile defense shield is slated for \$5 billion in cuts over the next six years.

The Navy will also feel deep cuts if PMD #753 is followed. The DD(X) program will lose two ships from its original procurement, the procurement of Virginia-class submarines will fall to one per year and the USS John F. Kennedy will be decommissioned in 2006.

In addition, the congressionally mandated Quadrennial Defense Review (QDR) of 2005 has been dubbed a "rolling QDR." In the past, changes resulting from QDRs have not been implemented for almost a year after a QDR's completion. This time, the Pentagon plans to implement recommendations as they emerge. The QDR will closely follow PBD #753 in its review of military strategy and force composition. In fact, PBD #753 contains instructions for the QDR including a statement that "direct(s) the Quadrennial Defense Review to review ground forces capability to include Army, Marine Corps, and Special Operations Forces rotating base, active/reserve mix, force structure and modernization." The QDR is also likely to alter DoDs policies on "irregular, catastrophic or disruptive threats." The U.S. military is widely recognized

as the conventional military power, but is vulnerable in these other areas. A number of sources have said that this PBD is the first step in a significant shift in the role of the U.S. Armed Forces in the world.

We will keep you updated on the budget as more information is available.