

DefenseNews

www.defensenews.com

A GANNETT COMPANY

FRANCE, U.S. AGREE ON NATO UAV CONTRIBUTION

7



January 30, 2012

EUROPE



Pep Talk on JSF

Lockheed Martin's F-35 chief tells nervous Italians that the fighter offers "small investment with huge return." *Page 6*

7 **Sweden:** Upgrades for aging Gripens?

13 **Nordic region:** Share costs, save money.

14 **Turkey:** Ambitious satellite plan unveiled.

18 **Italy:** How Finmeccanica is changing.

THE AMERICAS

Watching for Sea Threats

Canada revives homeland defense radar project. *Page 12*

4 **U.S.:** CACs vulnerable to attack.

6 **U.S.:** F-22 pilots get back up to speed.

8 **U.S.:** Marines buy Osprey belly guns.

8 **U.S.:** USMC Hueys grounded.

9 **U.S.:** Push for floating mobile base.

16 **U.S.:** Medics get their own MOUTs.

MIDDLE EAST

Pressing for 'Shadow War'

Former Israeli Defense Force chief pushes for covert actions against Iran. *Page 14*

INTERVIEW

U.S. Rep. Adam Smith

Ranking member of the House Armed Services' Committee will play a part in shepherding the president's defense agenda through Congress. *Page 22*



Pentagon Punts on Major Program Cuts

Platforms Face New Threats After Elections

By **MARCUS WEISGERBER**
and **ZACHARY FRYER-BIGGS**

The U.S. Defense Department's fiscal 2013 budget plan to cut \$259 billion from spending over the next five years is unlikely to damage America's defense industrial base largely because it sidesteps major program cuts in a presidential election year, according to analysts.

Part of the justification for leaving the larger programs in place, analysts said, is the potential to use them as bargaining chips during upcoming negotiations over sequestration, the \$500 billion in automatic budget cuts that would take effect in January 2013 absent agreement to a broader debt deal between Congress and the Obama administration.

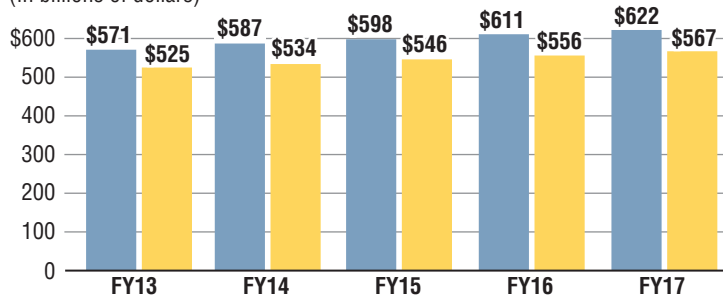
PROJECTED BUDGET VS. NEW BUDGET

The U.S. Defense Department's fiscal 2013 baseline budget proposal unveiled Jan. 26 reduces planned spending over the next five years when compared to last year's projections. The totals do not include funds for overseas contingency operations.

■ Projected spending contained in FY12 budget

■ Planned spending based on FY13 budget

(In billions of dollars)



TOTAL (FY13-FY17)



SOURCE: U.S. DEFENSE DEPARTMENT

MARCIA STAIMER/STAFF

In a Jan. 26 preview of the DoD spending request to be submitted to Congress on Feb. 13, only a handful

of programs were canceled or deferred, moves that were far less dramatic. *See BUDGET, Page 10*

Systems Plans Shifted Across U.S. Services

By **CHRISTOPHER P. CAVAS**

As with other services, the budget-cutting scythe barely side-swiped the U.S. Navy in the Pentagon preview presented Jan. 26. While a number of ships are moved around in the upcoming fiscal 2013 budget plan, to be sent to Congress and publicly revealed on Feb. 13, only one relatively small ship program appears to suffer any meaningful cuts.

The fleet keeps its 11 aircraft carriers, as well as its 10 air wings. About a third of the fleet's 22 cruisers — seven ships — will be decommissioned early, along with two older amphibious dock landing ships. There was no mention of reductions in any U.S. Navy aviation program. *See SERVICES, Page 10*

IAI, Boeing Ready Arrow For Export – to S. Korea?

By **BARBARA OPALL-ROME**

TEL AVIV — Armed with marketing approval by their respective governments, a U.S.-Israeli industrial team plans to offer the Arrow weapon system to South Korea as a first, potential export of the joint ballistic-missile defense system.

Executives from Boeing and state-owned Israel Aerospace Industries (IAI), partners in production of the Israeli-designed Arrow-2 and planned Arrow-3 interceptors, said Boeing would lead marketing

and negotiating in South Korea.

The potential deal, estimated to exceed \$1 billion, would ultimately be concluded between the U.S. and South Korean governments and managed as a Pentagon Foreign Military Sale, defense and industry sources here said.

"There's still a long way to go, but we and our Israeli partners are working very persistently to be able to provide this phenomenal capability to South Korea, an important U.S. ally," Roger Krone, president of Boeing Network & Space Systems,

said during a recent visit here.

Last week, Boeing and IAI announced an agreement to expand their 10-year partnership beyond joint development and production of Arrow-2 and Arrow-3 interceptors for Israel's defense needs.

The Jan. 23 announcement did not name countries to be targeted by the new strategic agreement. It noted that the agreement "aims to explore and develop new opportunities in the missile defense arena."

IAI President Itzhak Nissan heralded the agreement as "the next logical step in our relationship with Boeing, and a strong opportunity for both companies to play a bigger role in the missile defense market."

"The Arrow program demonstrates Boeing's commitment to develop international missile de-

fense partnerships around the globe," Krone said in the joint announcement.

Similarly, Greg Hyslop, vice president and general manager of Boeing Strategic Missile and Defense Systems, said the Boeing-IAI partnership "has produced an innovative, versatile and affordable advanced missile defense capability."

During a visit here last month, Krone declined to speculate when the South Korean Defense Ministry would request proposals or which competitors might respond.

He also wouldn't say whether Boeing-IAI would bid the operational Arrow-2 or the smaller, less expensive, exo-atmospheric Arrow-3, now in development and scheduled for its first fly-out test. *See ARROW EXPORT, Page 4*

PERIODICALS-NEWSPAPER HANDLING

(1)

Vol. 27, No. 4 \$4.50 (\$7.50 Non-U.S.)

SAFETY BEGINS WITH A CLEAR LINE OF COMMUNICATION



TruLink[®]

Wireless Full-Duplex
Intercommunications





BUDGET

From Page 1

matic than widely anticipated.

A big problem, analysts expect, is that Pentagon cuts could go deeper than envisioned by the administration, which means that many of the programs that dodged a bullet this time around likely will be targeted in a post-election future, like cutting an aircraft carrier, one of three systems that can deliver nuclear weapons; or trimming the most expensive program in history, the multinational F-35 Joint Strike Fighter.

"There are lots of big cuts out there," said Clark Murdock, an analyst with the Center for Strategic and International Studies, at a Jan. 27 event. "They could have taken off the 11th carrier, they could have done deeper cuts in ground forces."

Instead, by slipping purchase decisions for a number of programs, DoD created short-term cost savings that will inevitably increase the need for more dramatic cuts in coming years, according to analysts.

Republican House Armed Services Committee Chairman "Buck McKeon can fume all he wants, but \$525 billion [in annual defense spending] is not exactly a significant cut to what was spent last year," said Jim Hasik of Hasik Analytic. "Right now, you're still borrowing a trillion bucks or more a year, and it has to come out of somewhere in the long term if you don't want to wind up like Greece."

The Pentagon received a \$531 billion appropriation in 2012.

Indeed, Defense Secretary Leon Panetta and his team maintain — as did their predecessors — that debt remains among the nation's leading security threats.

The ability to cede large, visible programs will be part of the administration's strategy, Murdock said.

"Those are all standing right there, but they're for the negotiation over what's going to replace sequester."

And in an election year, the political cost of eliminating major programs would be steep.

"They don't want to be seen as the guys that killed the 11th carrier," Hasik said. "There was

some timidity here; they're punting in some extent to the next administration."

Pentagon officials insist the cuts detailed last week were developed apolitically.

"Make no mistake, the savings that we are proposing will impact on all 50 states and many ... congressional districts, across America," Panetta said Jan. 26.

Panetta's budget highlights last week were the first tranche of \$487 billion in cuts to planned defense spending over the next decade as mandated by the Budget Control Act that lawmakers passed in August to cut U.S. debt by \$2.1 trillion as a condition to raise the nation's borrowing limit. As part of the deal, lawmakers are to identify \$1.2 trillion to be applied to debt reduction, otherwise automatic cuts would be triggered in a process referred to as sequestration. For the Pentagon, that would mean another \$500 billion would have to be cut from its budget over the next decade.

Analysts are divided over whether these automatic cuts can be avoided.

The line-by-line breakdown of DoD's \$525 billion fiscal 2013 budget proposal is expected to be released Feb. 13.

Although the detailed budget numbers have not been disclosed, cuts were not divided equally among the services.

"We made a very conscious decision ... in August that we were not going to do what the department traditionally has done in a time when we were drawing down, and that is just hand out proportional cuts to the services," Adm. James Winnefeld, vice chairman of the Joint Chiefs of Staff, said in a Jan. 26 interview.

DoD officials levied specific cuts based on the results of a comprehensive strategy review, which puts more emphasis on military operations in the Pacific region and fighting on a contested battlefield. This document is intended to shape DoD spending over the next decade.

The strategy favors Air Force and Navy systems, thus those two service budgets are expected to grow. The plan calls for shrinking the Army by 57,000 soldiers, leading to a slimmer budget, which has swelled after a decade of ground combat in Afghanistan and Iraq.

"I believe intuitively that you'll find the Air Force and the Navy probably did a little bit bet-

ter proportionally and financially," Winnefeld said, adding deviating from the strategy could render it useless and send DoD back to the drawing board.

"If we get another budget hit, we're going to have to probably go back and redo the strategy," Winnefeld said.

This could mean further modifying the Pentagon's ability to fight in multiple regions simultaneously and change the pace of personnel cuts, the admiral noted.

Like other top defense leaders, Winnefeld warned of the devastating effect automatic cuts would have on the U.S. military.

"If we see sequestration, we're going to turn this very healthy process we just went through right on its head, where instead of building a strategy and doing budget decisions that flow from that strategy, we're going to take and cut with a chainsaw and then we're going to have to build a new strategy," Winnefeld said. "I guarantee you, it will have to be a new strategy that would be built out of the ashes of sequestration."

To avoid sequestration-level spending cuts, DoD would have to make further budget concessions, Murdock said.

"They know at a minimum that there is a second round to avoid a sequester cut," he said.

Even cybersecurity funding, one of the few areas where investment will increase, will be focused on fixing vulnerabilities rather than advancing capabilities.

"There will be an approach to review a lot of our cyber capabilities," Chris Coleman, a cybersecurity executive at Cisco, said. "We're realizing that [U.S.] weapons systems may be exploitable through the cyber mechanism."

Industrial Implications

For months, the defense industry had been bracing for dramatic, doomsday-level program cuts. But the 2013 budget preview showed weapon-buying cuts far below those fears.

While cuts will be problematic for some companies, they likely spare major defense firms.

"When they're slipping programs, they're actually trying to take care of the industrial base, and they're sending a signal we're willing to pay some more for that," Hasik said.

A number of analysts expressed concern that

the Navy's five-year shipbuilding plan, particularly a decision to buy fewer high-speed transport ships, could pose financial problems for Austal.

The Australia-based company, which makes Navy ships in Alabama, builds one version of the Littoral Combat Ship and is on contract for 10 Joint High Speed Vessel transports, but lost at least eight future ships.

The Pentagon said last week it will carefully monitor the industrial base as a whole and will address shortfalls in the shipbuilding sector.

Analysts say the Pentagon's decision to make deep cuts in personnel spared deeper cuts to procurement accounts.

"[T]he plan to reduce personnel saves a lot of money to spend on acquisition," Peter Singer, an analyst with the Brookings Institution think tank, said.

Steve Grundman, an independent analyst and former DoD industrial policy chief, found the ability to make personnel cuts surprising.

"They're not the kinds of choices that I would have thought the Pentagon could so quickly come to grips with in this restructuring cycle," he said. "That they have, and at the same time, are willing to take on the ballooning costs of military compensation and benefits, is the primary reason yesterday's announcement is no bloodbath for defense contractors."

The budget proposal is forward-looking and could benefit smaller companies, Singer said. "It's a budget that, while it has cuts in it, is very forward-looking. It's looking at new domains of warfare and new acquisition programs," he said. "That's good for smart, active companies. For companies looking to protect outdated programs of record, it's not a good budget."

It is yet to be seen if companies would dig in for what would likely be an uphill battle to avoid program cuts.

Northrop Grumman, in a statement, expressed disappointment that the Air Force chose to end production of one specific version of the Global Hawk surveillance drone.

"Northrop Grumman is disappointed with the Pentagon's decision, and plans to work with the Pentagon to assess alternatives to program termination," the company said. □

Email: mweisgerber@defensenews.com,

SERVICES

From Page 1

tion program.

But plans to build at least 18 Joint High Speed Vessels (JHSV) have been shelved, and the program is being capped at 10 ships.

The briefing document released Jan. 26 reports that two Littoral Combat Ships (LCSs) and eight JHSVs will be "reduced" from the five-year plan. There is no mention of cutting the ships from the overall buy, but a Navy spokesman said the Navy "remains committed to the 55-ship LCS fleet."

The JHSV program, however, is being reduced to 10 ships, a blow for shipbuilder Austal USA, which produces the aluminum catamaran ships at its shipyard in Mobile, Ala., along with the Independence-class variant of the LCS.

But a service spokeswoman

declined Jan. 26 to restate the Navy's commitment to the existing 10-ship JHSV program. "Those details will be released on Feb. 13 with the president's budget," said Lt. Courtney Hillson.

Austal itself, however, confirmed the reductions. In a statement, Austal USA President and Chief Operating Officer Joe Rella noted that the move does not affect the 10 ships already in various stages of production or contract negotiation.

"While the new plan provides a strong commitment for the LCS program, it does not contemplate future new build JHSVs beyond the first 10," Rella wrote. "Austal is confident that once the first JHSV delivers this spring, the Navy will realize the utility of these vessels, and over time, revise their acquisition strategy to include additional ships."

Rella also held out hope to sell the ships overseas.

"Austal continues to partner with

the U.S. Navy to pursue Foreign Military Sales as a diversifying measure in our customer base for both programs and other ship variants," he added.

The seven Ticonderoga-class Aegis cruisers to be decommissioned include six ships not yet upgraded with ballistic-missile defense (BMD) capabilities and one ship with BMD but "in need of costly hull repairs." The Navy has not yet identified the individual ships.

The new budget will also ask for funds to support design of a "conventional prompt-strike option from submarines."

Earlier proposals by the George W. Bush administration to develop conventional warheads for submarine-launched Trident nuclear ballistic-missiles were rebuffed by critics who questioned how other nations could tell the difference between a nuclear or conventional weapon launch.

But developments in new technologies and the missile's trajectory are behind the new request, said the Pentagon's top officer. The conventional weapon "has a lower trajectory" that will help avoid confusion about mistaking it for a nuclear weapon, said Army Gen. Martin Dempsey, Joint Chiefs of Staff chairman.

"There are issues beyond that," he admitted, "but technology is behind it."

The senior Pentagon officials made no mention of the Navy's longstanding goal of a 313-ship Navy, nor for prospects of reaching that goal.

Global Hawk Takes a Hit

The U.S. Air Force will propose terminating the Block 30 Northrop Grumman RQ-4 Global Hawk surveillance drone and C-27 transport, but will defend major programs like the KC-46 tanker, F-35 Joint Strike Fighter and its new stealth

bomber, the service's top officer said Jan. 27.

Air Force Chief of Staff Gen. Norton Schwartz spoke a day after Defense Secretary Leon Panetta announced the broad outlines of the Pentagon's plans on Jan. 26.

"We are slowing modernization in some areas, but at the same time, we will protect the key programs that are critical to future Air Force capabilities," Schwartz said.

The service will lose about 10,000 people — the details of which will be finalized and presented by March 6, Schwartz said. The Air Force is cutting five squadrons of A-10 Warthog ground attack aircraft, one F-16 Fighting Falcon squadron, and an F-15 Eagle training squadron, but the will remain the most powerful air service on the planet, Schwartz said.

The mechanics of the aircraft reductions will ultimately determine where troops will be reduced, an Air

See *SERVICES*, Page 11