
LEGISLATION AND POLICY

DEFENSE VIEWPOINT

By

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There is an old military maxim that "amateurs think about tactics. but professionals think about logistics." Throughout his career, Walt Cross has been the consummate professional. He was out in front, whether in the cockpit of an F-4 fighter over Vietnam, as commander of one of our most critical airlift wings or organizing the remarkable logistics support which was the backbone of Desert Storm. Walt capped his distinguished career with his service as the Commander-in-Chief of U.S. Transportation Command.

I went out to see Walt, along with Fred Smith and John Clancey, last June. And I was tremendously impressed with the great working relationship he had established with the transportation industry leadership. And as soon as he retired, I snagged him to head a panel on defense reform, which is currently underway. Walt—thank you so much for your service to America, which continues today.

I knew I was going to discuss transportation issues today, so I arranged for a short briefing this morning by a payload specialist. His name is Senator John Glenn, and as you know, he is about to become the oldest space traveler ever when he shoots into orbit aboard the space shuttle Discovery on Thursday. Senator Glenn and the crew of Discovery are a great example of an outstanding military-civilian partnership—not unlike those of you here today.

Eighty-five percent of our DoD transportation support, in peace and in war, comes from our commercial partners. Our military cannot serve America without your support and transport service. Let me give you an example from very recent history.

Last summer, we suffered the terrorist bombings of our embassies in Africa. In response, our forces—and some of your businesses—were at work even before the dust settled from those disasters. Within hours, planes loaded with military doctors and medicine left runways from Maryland, Europe, and Saudi Arabia. Our transportation forces flew 31 missions bringing in over 1,000 civilian and military rescue workers and investigators and 300 tons of rescue equipment—everything from syringes to earth-moving equipment.

We always point with pride to the scale of logistics in Desert Storm when praising our logistics and transportation capabilities. But we also realize that at times such as after the African embassy bombings, speed can be as important as scale.

Those bombings were a powerful reminder that significant areas of the world remain unstable places: where American values, interests and lives are not secure. Where once the long shadow of a Soviet nuclear threat determined our defense strategy, we now face dangers that are harder to define and just as hard to defend against. This includes terrorism, regional aggression, ethnic conflict, the specter of chemical and biological weapons, and missile-capable states.

To protect American lives and interests in this complex, new world, we have developed a strategy that is summed up in three words: "Shape, Respond, Prepare."

First, we must remain engaged around the globe to shape world affairs. Our wisest and most cost-effective actions are those that create an environment which encourages peace and discourages instability and violence. By remaining forward deployed in Asia and Europe, for example, we influence events, rather than being forced to react to the flare-up of regional rivalries or the actions of freelance opportunists. Our military and diplomatic activity shapes the actions and attitudes of friend and foe alike and telegraphs our resolve to defend American national interests around the world.

Second, we must be fully prepared to respond to crises as necessary. Whether it be evacuating Americans from the Congo, enforcing a peace agreement in Bosnia or striking back against terrorist bases in the mountains of Afghanistan, our ability to respond effectively must never be called into question.

During World War II, the Chief of Naval Operations, Admiral King, said: "I don't know what the hell this 'logistics' is, but I want some of it." Today, we all know what "this logistics" is, and we know that the cargo ships, railroad cars, air carriers and trucks that you provide are the force behind the force—the backbone of America's ability to shape and respond to world events.

At the same time, we must also prepare ourselves for the threats of tomorrow. We must invest in the next generation of weapons, technology, and personnel if we are to meet the new challenges of the new century. Technology that was developed over two decades ago answered those who attacked our African embassies. Our investment many years ago gave us the tools we needed to respond decisively today. A lesson emerges—we must invest now to ensure we have the tools and technologies to protect us in the decades of tomorrow.

In the logistics community, we are exploiting new technologies to create a quick and versatile logistics conduit from the supply line to the front line. We are creating a "focused" network that enables us to track data for all of our information systems—not unlike the technology used by FedEx or UPS. In Europe, we are already testing this, and we are determined to build a logistics system that delivers the right supplies to the right place at the right time in the right amount.

We are giving our warfighters what we call Total Asset Visibility—the power to track personnel, supplies and equipment no matter where they are or where they are going. I know that in the near future many of you will see firsthand the fruits of these advances as you deal with DoD.

The plain fact, however, is that harnessing such technology has been made more difficult by a defense budget that has been cut by 40% since 1985—and a procurement budget that has been cut by nearly 70%.

While we worked with Congress to produce—and the President has signed—a budget that provides some additional funding for readiness in the fiscal year, the 13 years of decline in defense spending have diminished our ability to invest in the future.

When I was a Senator, DoD officials would come up to Capitol Hill and explain, "We must reverse the decline in procurement, and next year we will—but this year we had to cut procurement again to pay for readiness." Then the following year they would say the same thing, and again the next year.

When I became Secretary of Defense, I promised the Congress and the troops that this would reverse, and in my first budget it did—we increased procurement by over 15%. But I am not a magician any more than my predecessors—and I face increased requirements for today's readiness even as I try to invest in the future.

Mark Twain once remarked that, "Nothing so needs reforming as other people's habits." At the Pentagon we are turning that around and reforming our own habits—through a long-term effort called the Defense Reform Initiative, or DRI. We have no choice. We need the money. So we are doing what any successful business would do. We are reducing staff, facilities, functions and paperwork, and we are adopting the best business practices we learned from the private sector.

The oversight management structure in the Pentagon used to be 3,000 people. As part of our Defense Reform Initiative, we have cut that by a thousand. And each of the Military Services and supporting agencies are cutting their headquarters staff also, at least ten percent apiece—with most going beyond that.

With regards to buildings and bases, our force is one-third smaller than it was in the 1980s, but we have cut only 21% of our infrastructure that supports the force. You have heard me ask Congress for two more rounds of base closures. I know that is a hard thing to ask Congress to do—I have been there, and I know it is tough—but it is absolutely necessary. And I need you to help me help Congress understand that there is indeed "life after base closure." We can no more afford the drag of underused facilities than any company can. But my board of directors consists of 535 elected officials, and until Congress heeds our calls, we are left with taking action in areas that are in our control, actions like knocking down 8,000 unused buildings that we are required to heat and maintain so long as they stand.

Next, we are shedding non-core functions by competing more jobs with the private sector. Our goal over the next four years is to put up 243,000 jobs—some of them in our transportation and logistics operations—and see who can do them best and cheapest. Experience tells us that in many cases those of you in the private sector can perform certain functions more efficiently. And even when the government wins the competition, the process makes our organizations work better and cheaper.

In San Diego, a private firm won the job of operating Navy family service centers by doing it for 35% less than when the Navy did it themselves.

When the communications maintenance workers at Patrick Air Force Base in Florida heard their jobs were being put up for competition, they felt as if they had been handed their pink slips. But after their initial shock, they regrouped, and developed a dramatic and creative plan to cut their own work force by 40%—mainly by cross-training workers to perform several different functions—and they beat the outside contractors. The result has been annual savings of \$2.5 billion.

We are reforming our transportation payment timelines as well. Many of you know all too well how long it can take for payments to reach the private firms with which we do business. It currently takes us 77 days on average for payments to reach a sealift carrier. For other bills, it

used to take us between 30 and 180 days to make our payments, whether government or commercial. We are trying to bring that down to 3 to 5 days. It costs us \$35 to process a government bill—but only \$3 to process a commercial bill. That is why I have directed that we fundamentally reengineer our payment process, and that we do this in cooperation with the transportation industry. We are going to build a system that delivers payments as efficiently and effectively as your companies deliver our products.

The fourth element of our reform initiative is a dramatic cut in costly paperwork, an area where you—commercial, government, and military—will see noticeable improvements. For instance, soldiers trying to fix Apache helicopters were weighted down with 107 bound volumes of paper that they had to refer to just to order spare parts. We have now reduced those 107 volumes to one CD-ROM. Samuel Goldwyn's secretary once asked him if she could throw out all the files that were over ten years old. Goldwyn said, "Sure—"But keep the copies." We are trying to get away from that attitude by doing more business on the Internet. Those of you in uniform may have already used our new on-line purchasing catalogue—the "E-Mall." With a few clicks of a mouse, you can purchase anything from dehydrated green peppers to antibiotics to combat boots—over two and half million different items. Business on the E-Mall has already hit \$2.8 million a month.

We are also empowering our people to make minor purchases—anything under \$2,500—using a special credit card rather than wasting time and money writing a contract.

That makes it easier for our employees to quickly get what they need to do their jobs—and we save the 90 to 330 dollars it costs to write and process a contract.

With the combination of that credit card and the E-Mall, any sergeant with a laptop and a Visa can get what he needs—no paperwork, no middleman, no time wasted, and no loss of accountability.

Finally, we are adopting "best business" practices in everything we do. As those of you who have ever worked for DoD know, our system for reimbursing our employees for business travel used to be a bewildering labyrinth of process and paperwork. An employee would have to keep detailed records, fill out forms making seven copies, and travel from office to office—a journey seemingly as long as the business trip itself—and then sit for weeks, at best, before being reimbursed. We have now entirely re-engineered that process. We cut 220 pages of regulations down to just 17. We give our traveling employees a credit card for most expenses, they fill out a one-page form when they return and the money is wired directly to their bank account—sometimes the same day.

As many of you know, we are also improving the way we move our servicemen and women and ship their household goods. We ask the people in our military and their families to move frequently—we need to provide the best service possible for them. That means adopting the best commercial business practices to significantly improve the quality of service to our members.

Our military personnel have made great strides since the early 1980's in becoming even more flexible and efficient warfighters. We owe it to those who make up the fighting tooth to give them a support tail that is every bit as flexible, every bit as efficient. The military's partnership with the private sector is a key to that success.

Just last week I visited the hurricane-ravaged coast of Mississippi. I saw the devastation, but I also saw how thousands of soldiers, sailors, airmen and Marines had worked with communities and private companies to move 1.2 million sandbags—enough to build a wall six

feet high from Pascagoula to the Louisiana border. They also hauled 100,000 gallons of water, and over two million pounds of ice. They restored confidence at the same time they were restoring electrical power. It was a powerful illustration of the transportation partnership you make possible and what it means to America.

Winston Churchill said something that I think captures the meaning of the work you do, as well. "Victory is the beautiful bright-colored flower," he said. "Transport is the stem without which it could never have blossomed."