

## **Six areas of focus for the Department of Defense as delivered by Secretary of Defense Chuck Hagel at CSIS Global Security Forum, November 5, 2013**

Since becoming Secretary of Defense, my top institutional priority has been to help lead the Department of Defense in not only responding to these fiscal and strategic challenges, but shaping our strategic policy options to our advantage and – to the extent we can – controlling our own destiny.

During my first weeks in office, I directed a Strategic Choices and Management Review, which over the course of several months identified options for reshaping our force and our institutions in the face of difficult budget scenarios.

That review pointed to the stark choices and tradeoffs in military capabilities that will be required if sequester-level cuts persist. But it also identified opportunities to make changes and reforms.

Above all, it underscored the reality that DoD still possesses resources and options. We will need to more efficiently match our resources to our most important national security requirements. We can do things better. We must do things better – and we will.

To that end, in the months since the strategic review was completed, leaders across DoD and the military services have been working on our longer-term budget and strategy – particularly through the Department’s Quadrennial Defense Review (QDR). A much-needed realignment of missions and resources is being undertaken across the Department.

This will require significant change across every aspect of our defense enterprise. I have identified six areas of focus for our budget and strategic planning efforts going forward. Working closely with the Service Secretaries, Service Chiefs, Combatant Commanders, and DoD leaders, these six priorities will help determine the shape of our defense institutions for years to come.

First, we will continue to focus on institutional reform. Coming out of more than a decade of war and budget growth, there is a clear opportunity and need to reform and reshape our entire defense enterprise – including paring back the world’s largest back-office. A first step we took this summer was to announce a 20 percent reduction in headquarters budgets across the Department, beginning with the Office of the Secretary of Defense. Our goal is not only to direct more of our resources to real military capabilities and readiness, but to make organizations flatter and more responsive to the needs of our men and women in uniform.

Second, we will re-evaluate our military’s force planning construct – the assumptions and scenarios that guide how the military should organize, train, and equip our forces. I’ve asked our military leaders to take a very close look at these assumptions, question these past assumptions, which will also be re-evaluated across the services as part of the QDR. The goal is to ensure they better reflect our goals in the shifting strategic environment, the evolving capacity of our

allies and partners, real-world threats, and the new military capabilities that reside in our force and in the hands of our potential adversaries. We must make sure that contingency scenarios drive force structure decisions, and not the other way around.

A third priority will be preparing for a prolonged military readiness challenge. In managing readiness under sequestration, the Services have rightly protected the training and equipping of deploying forces, to ensure that no one goes into harm's way unprepared. That is our highest responsibility to our forces. Already, we have seen the readiness of non-deploying units suffer as training has been curtailed, flying hours reduced, ships not steaming, and exercises being canceled. The Strategic Choices and Management Review showed that the persistence of sequester-level cuts could lead to a readiness crisis, and unless something changes we have to think urgently and creatively about how to avoid that outcome – because we are consuming our future readiness now. We may have to accept the reality that not every unit will be at maximum readiness, and some kind of a tiered readiness system is, perhaps, inevitable. This carries the risk that the President would have fewer options to fulfill our national security objectives.

A fourth priority will be protecting investments in emerging military capabilities – especially space, cyber, special operations forces, and intelligence, surveillance and reconnaissance. As our potential adversaries invest in more sophisticated capabilities and seek to frustrate our military's traditional advantages – including our freedom of action and access – it will be important to maintain our decisive technological edge. That has always been a hallmark of our armed forces, even as war has remained – and will remain – a fundamentally human endeavor. War is a fundamentally human endeavor.

Our fifth priority is balance. Across the services, we will need to carefully reconsider the mix between capacity and capability, between active and reserve forces, between forward-stationed and home-based forces, and between conventional and unconventional warfighting capabilities. In some cases we will make a shift, for example, by prioritizing a smaller, modern, and capable military over a larger force with older equipment. We will also favor a globally active and engaged force over a garrison force. We will look to better leverage the reserve component, tempered by the knowledge and experience that part-time units, in ground forces especially, cannot expect to perform at the same levels as full-time units, at least in a conflict's early stages.

In other cases, we will seek to preserve existing balance, for example, by trying to control areas of runaway cost growth.

And our sixth priority is personnel and compensation policy. This may be the most difficult. Without serious attempts to achieve significant savings in this area – which consumes roughly half of the DoD budget and is increasing every year – we risk becoming an unbalanced force. One that is well-compensated, but poorly trained and equipped, with limited readiness and capability. Going forward, we will have to make hard choices in this area in order to ensure that our defense enterprise is sustainable for the 21<sup>st</sup> century. Congress must permit meaningful reforms as they slash the overall budget. We will need Congress as a willing partner in making tough choices to bend the cost curve on personnel, while meeting all of our responsibilities to all of our people.

