

Commentary

EDITORIAL

ITALIAN MILITARY SPENDING

Welcome Transparency

Given that so much about the world's defense spending is shrouded in secrecy, any move toward transparency deserves applause.

This month, the government of Italian President Silvio Berlusconi cleared up a long-running mystery: how much of defense spending comes from the Ministry of Economic Development. Defense Minister Ignazio La Russa himself has suggested that spending was split up to portray the country's defense spending as smaller than it actually was.

According to Defense Undersecretary Guido Crosetto, the answer is that a whopping 40 percent, or about 2 billion euros (\$2.6 billion) from the ministry is used to cover defense-related procurement and research-and-development needs. That's on top of 3 billion euros spent on procurement by the Defense Ministry.

News that Italy's procurement budget is far larger than originally thought comes as Italian military leaders complain of defense spending cuts.

Many countries have convoluted ways of funding their defense needs.

For nearly a decade, Britain, the United States and other countries have distorted defense spending levels by using supplemental spending to cover so-called urgent war needs — procurement, operations — in addition to baseline military budgets.

In Washington, the Obama administration has pledged to more honestly budget for defense and contingency needs, while France has grown more open about defense spending details.

In Italy, the annual defense budget release detailed funding that consistently fell short of what the country was actually buying.

All countries fence off some funding for research or procurement to promote national industries. The approach has helped Italian aircraft builders, auto makers and more.

The question some are asking is whether the Economic Development Ministry funds are being properly used. The ministry's core mission is to help cover research-and-development costs for Italian firms to yield competitive products.

But some of the funding has gone to buy products, like M-346 trainer jets, that got a major marketing boost when purchased by the Italian Air Force. Service leaders had always wanted the plane but didn't have money for a new trainer, and were pleased, to say the least, when the Economic Development Ministry agreed to fund the purchase.

Although Italy's leading defense industrialist, Pierfrancesco Guarguaglini, recently complained to a parliamentary defense commission about the arduous 37-step process needed to get the money to supply M-346s to the Air Force, the results were worth it. Selling the plane in its home market, sources have said, helped convince the United Arab Emirates to buy the jet.

Supporters say without the help, the competitiveness of Italy's new trainer jets would have been undermined.

The question is, how much longer can governments so openly support their national suppliers. Since its founding, the EU has allowed government sovereignty over defense matters, but that's changing as Brussels edges toward a common defense and foreign policy that includes creating a single, competitive market.

Doing that will mean funding defense needs from defense budgets without resorting to trickery or sleight of hand.

LETTER

Missed Opportunity

In reading the Government Accountability Office (GAO) decision that sustained the Boeing protest of the U.S. Air Force contract award for aerial refueling tankers to Northrop Grumman, I noticed that decision also allowed an award to Boeing. GAO found Northrop's proposal to be nonresponsive to a solicitation mandatory requirement and consequently ineligible as a basis for award. Boeing, with the only acceptable proposal remaining, could have directly finalized a contract within the source selection framework. The GAO in its role would not direct an award but simply sustained the protest.

Boeing first learned of this through the GAO protest/decision process. Award to Boeing was then possible until the government canceled the solicitation. Even then, Boeing could have protested any cancellation and would likely have prevailed. I don't know what action Boeing considered but expect it didn't want public confrontation. My essential point: The Air Force could have gotten the tankers, and didn't.

Instead, America's taxpayers got a large claim for recovery of proposal costs by both Northrop and Boeing while the war fighter got a news story, only useful for paper airplanes. Workers were denied or delayed access to jobs, and because the military tanker is based on a commercial airframe, the industrial base got even weaker. We all lost, not just Northrop, Boeing and the Air Force.

Were the Congress, Defense Secretary [Robert] Gates or the Air Force secretary made aware of the possibility for award by their staffs? If not, their staffs failed them, the Air Force and the nation. I'd expect leadership to take corrective action as, to his honor and ours, Secretary Gates has done before with significant

effect and frequency. If there are rascals to be thrown out, new rascals shouldn't replace them (the latter's careers were nurtured by the former).

Is Congress more concerned about the politics of job sharing or the reality of war fighting? President Barack Obama is correctly focusing on fixing acquisition — his transformational leadership is needed. Having read decades of studies which had no effect, and expecting that the right people know what to do and why it hasn't been done, I suggest we simply do it instead of restudying it.

Acquisition is a Gordian knot yet to meet its Alexander. Leadership is required, not new clauses or 49-state contract teams. American strategic vision abounded in the past (Washington's crossing the Delaware, MacArthur's Inchon, Reagan's Strategic Defense Initiative), and it will again. Our technological and industrial base capabilities drove victory in every war since the Civil War, including the cold one. Note, however, accountability shortfalls are found not only on Wall Street.

This program could be an Alexander's first cut. Why dual source now when, as the GAO reports, Northrop refused to satisfy the government before? Can the prior Boeing proposal, submitted competitively, be dusted off and put to work; as necessarily justified on either an "unusual and compelling" or a "national emergency or to achieve industrial mobilization" basis? Isn't doing so a smart way to spend federal economic stimulus funds?

Intelligent strategic thinking must be applied to military acquisition, and American leadership must permit doing that.

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A Gannett Newspaper

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