



## Army Modernization: A Growing Challenge

Despite efforts to increase spending for the Army modernization program, current indications are that procuring modernized equipment and fielding it to the force will remain a major challenge for the next several years. Senior Army leaders are facing this difficult dilemma because strategic and operational demands make it difficult to further reduce force structure, and readiness requirements inhibit efforts to either reduce training accounts or overall end strength. Additionally, defense department commitments to quality of life have required renewed commitments to barracks and family housing accounts. To meet its program and budget constraints, the Army has been forced to make ends meet by reducing developmental and procurement spending.

Such reductions are not unique to the Army. The other services, facing similar pressures, have also been forced to reduce their research, development and acquisition (RDA) accounts. But in the Army, which traditionally has the smallest RDA effort, the reductions have been more pronounced and of longer duration.

In the FY 1998 defense budget recently submitted to Congress, overall RDA (procurement plus research, development, test and evaluation or RDT&E) equals about \$79 billion. Army RDA equals \$11.26 billion, or about 14 percent of total Department of Defense (DoD) RDA spending. Over the past half century, Army RDA has averaged about 17 percent of overall DoD RDA, making the current level markedly lower than the historical average. More significantly, whereas DoD RDA will account for over 31 percent of the DoD budget for FY 1998, it accounts only for about 18.5 percent of total spending within the Army budget.

The RDA accounts represent for all services their internal "discretionary" spending. When budgets become tight, modernization accounts are the first to be affected. Taking reductions in the manpower and operations accounts, especially during a period of increased deployments and high rates of operational and training tempo, is considerably more difficult. Since the issuance of the *Bottom-Up Review* in 1993, the direction in DoD has been to reduce forces but protect readiness and quality of life for servicemembers and families. The procurement of new equipment has been a much lower priority. The inevitable result has been strong downward pressures on procurement across the entire defense establishment.

When preparing their program objective memorandums (POMs) in accordance with guidance received from the Secretary of Defense, services do not receive instructions that portions of the allotted fiscal resources are to be dedicated to particular appropriations. The program balance that results reflects the judgment of service leaders on how best to balance their programs among competing demands while meeting, to the extent possible, external guidance. Spending on RDA is, therefore, dependent on what must be spent for programs more analogous to "fixed costs." Since Army RDA as a percentage of the overall Army budget is so significantly smaller than the DoD average, the resources allocated to the Army in fiscal guidance have not allowed sufficient flexibility to pay fixed costs (manpower and operations) and still provide a more robust modernization program.

In dealing with this stringent fiscal dilemma, the Army has devised a concept for its modernization program that

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builds a balanced capability for the future while allocating risks with the greatest possible degree of prudence. Unlike the approach from past decades, where the Army focused on developing and fielding a specific number of major systems — the so-called “Big 5” approach — current Army modernization strategy is to develop a balanced array of modernized, key capabilities within five modernization “objectives.” The modernization objectives are: Protect the Force, Project and Sustain, Win the Information War, Conduct Precision Strikes, and Dominate Maneuver. All Army modernization programs fall within one of these objective areas.

Balancing investment resources across the five modernization objectives is a demanding challenge. In meeting this task, the Army has established a set of principles to guide resource decisions. These principles include providing priority to the most promising capability enablers; identifying and giving higher priority to a core force; analyzing systems to determine those that should be refitted, replaced or retired (R<sup>3</sup>); controlling the tempo of modernization by establishing R<sup>3</sup> points; cascading still useful equipment to lower priority units; and pursuing initiatives and efficiencies throughout the acquisition process.

But despite all efforts to establish a modernization strategy, identify key capabilities and establish priorities and fielding schedules, the Army still faces a clear modernization shortfall in the coming years. Several analyses have indicated that whereas the Army RDA effort is now allocated slightly over \$10 billion, to develop and provide the capabilities needed for Force XXI — and to a lesser degree the Army After Next (AAN) — requires an investment level that is \$2 to 5 billion higher, depending on the degree of risks the national leadership is willing to accept and assumptions about the challenges and threats posed by the future strategic environment. Although \$2 to 5 billion is not an insignificant amount of money, it represents only 1 to 2 percent of the overall DoD budget, and 3 to 6 percent of DoD’s RDA account. Given the very high demand for Army forces and the capabilities they bring to both the battlefield and peacekeeping and engagement operations, this is a most modest cost.

In the absence of such a reallocation of resources, the Army is planning to focus on systems that provide greater information awareness, distribution and dominance. This

will serve to maximize the capability resident in the current force by enabling soldiers and leaders to be more situationally aware and mentally agile. This will be a major near-term objective. At the same time, through carefully targeted efforts, the Army will attempt to sustain its current overmatch of combat capability. In the more distant future, after modernized information systems are widely available throughout the force and the industrial base has been refocused, the Army will seek to field a new generation of systems providing enhanced physical agility. In short, the near term will be used to build greater mental agility by focusing on systems providing information dominance, and the longer term will be used to build physical agility with new, and perhaps substantially different, combat systems.

The Army modernization program faces significant challenges in the years ahead. But with a well-defined strategy, and hopefully some increased fiscal resources, the Army of the future will be as well and ably equipped as that of today.

### **In Summary**

- ◆ Army modernization spending is the smallest of any service, amounting to just over \$10 billion, almost equally divided between RDT&E and procurement.
- ◆ Army RDA (RDT&E plus procurement/acquisition) is:
  - ◆ 14 percent of the Defense RDA budget;
  - ◆ 17 percent of the Army budget.
- ◆ RDA accounts for 31 percent of the FY 1998 Defense budget; Army RDA accounts for only 17 percent of the Army budget.
- ◆ The Army has established five modernization objectives:
  - ◆ Protect the Force
  - ◆ Sustain the Force
  - ◆ Win the Information War
  - ◆ Conduct Precision Strikes
  - ◆ Dominate Maneuver
- ◆ Army modernization is short between \$2 to 5 billion per year of that amount required to adequately modernize the force.
- ◆ The Army plans to focus in the near term on systems that provide information dominance and mental agility, and in the longer term on systems that provide physical agility.