THE ARMY REPORT:
PROCUREMENT HOLIDAY
THE ARMY
IS THE HEART AND
SOUL OF AMERICA.

. . . IT IS IN
AMERICA'S INTEREST
TO PROVIDE
AMERICAN SOLDIERS
THE BEST AND MOST
EFFECTIVE EQUIPMENT.
Fifty years ago, Task Force Smith of the 24th Infantry Division—the first American ground forces deployed to defend South Korea—engaged the advancing North Korean Army. The result was a disaster as the North Korean forces cut through the small US force and its South Korean allies, who were still equipped with weapons from World War II. The American anti-tank rocket, bounced right off the armor of the modernized North Korean T-34 tanks. The more potent 3.5-inch bazooka had not yet been deployed to the Army forces in the Far East, nor had sufficient quantities of armor piercing munitions been supplied to the supporting artillery.

Today, The Army—active Army, Army National Guard (ARNG) and Army Reserve (USAR)—is underresourced, underpaid and overcommitted. It has too many missions and not enough soldiers. As the Army has been responding across the globe, moving from one contingency to another while maintaining forward-based forces in potential hot spots such as the Korean Peninsula, the Army has had to rob the procurement accounts to pay for current operations and to sustain short-term readiness. Future readiness has been mortgaged to the hilt. At present rates of procurement and modernization, the Army in the foreseeable future may face another Task Force Smith. The Army’s inventory will have aged to the point of obsolescence, and not enough modernized equipment will be in the force to meet the potential challenges of a prepared and thinking foe. We must guard against a repeat of Task Force Smith.

Today, when the Army is committed, it expresses the will of the American government and the American people. Soldiers on the ground present a clear signal to friend and foe alike. The National Strategy of Engagement means, however, that Army forces are deployed all over the globe doing the nation’s bidding—and it is manpower intensive. That commitment has not come without a price. While defense resources have been dramatically slashed since the end of the Cold War, Army deployments across the globe have been up 300 percent. And we have had to mortgage our future readiness to pay for current requirements by tapping the procurement and modernization accounts. We now must warn the American people that we are on the path to future unpreparedness.
HISTORY OF THE PROCUREMENT HOLIDAY: HOW WE GOT WHERE WE ARE

The magnificent Army that we have today was technologically conceived in the 1970s, built in the 1980s, and fought in the 1990s. The Reagan defense build-up meant the Army was infused with new, high-technology equipment such as the M1 Abrams tank, the Bradley fighting vehicle, and the AH-64 Apache attack helicopter. These weapons were designed to defeat the massed Soviet formations and the foes that threatened South Korea and the Persian Gulf. The first major test of these weapons came in 1990-91, when the Persian Gulf War demonstrated to the American people the superiority of the U.S. Army. Besides being the best trained and best led force in the world, it was the best equipped.

With the end of the Cold War, the dissolution of the Soviet Union and the absence of a superpower threat, our leaders anticipated that a strategic pause had arrived. It meant that the United States could afford to reduce national security spending. Force levels were cut, as was spending on new weapons. While procurement was to be temporarily reduced—to take a “holiday”—during the strategic pause, force cuts were to be more permanent. For the Army that meant a reduction in combat divisions from 28 to 18. It also included substantial cuts in Army National Guard and Army Reserve combat support (CS) and combat service support (CSS) formations. This drawdown allowed older pieces of equipment to be discarded and newer pieces massively cascaded to active and reserve units.

Unfortunately, the assumptions that drove the procurement holiday and the force drawdown proved to be too optimistic. The National Strategy of Engagement and Enlargement meant that the Army had a 300 percent increase in operational deployments while undergoing a 33 percent reduction in force. With a declining budget topline, more and more money from the Army budget had to be diverted to operations and maintenance accounts to fund contingency operations in such places as Iraq, Kuwait, Haiti, Bosnia, Somalia, Rwanda and now Kosovo. The bottom line is that since 1989 the Army has provided over 60 percent of the forces for 32 of 36 major deployments. At the same time its force structure was reduced by 33 percent, its infrastructure by 21 percent, and its obligating budget authority by 37 percent.1

The combination of a shrinking Army budget and funds required for current operations and short-term readiness meant that the “temporary” procurement holiday became a permanent feature of the 1990s Army budgets. Worse, the Army’s procurement accounts not only sank precipitously from a high of $16.4 billion in 1990 to a low of $7.6 billion in 1998, but also became the checkbook balance of first resort for “pop-up” contingencies. Since the end of the Cold War, the Army has had to terminate or restructure over 100 programs because of fiscal constraints. These programs have included such key systems as the M8 Armored Gun System and the Follow-On To TOW missile. More recently, the current Program Objective Memorandum (POM) showed that another round of major modernization program restructuring forced nine programs to be restructured, delayed 12 and reduced the buy in 13.2
By 2010, our stocks of weapons and equipment will have aged beyond their projected lifespans and, because of the miniscule procurement and recapitalization funds available, few or no replacements will be available. The soldier of 2010 will go to war with largely the same weapons as the soldier of 1990, and the soldier of 2020 will do the same according to current plans. Today 70 percent of the equipment for the Army of 2025 is sitting in active Army, Army Reserve and Army National Guard motor pools. This will have a serious impact on the Army’s ability to accomplish its mission in the future and as was stated in a recent congressional testimony, “If parents are uncomfortable sending their sons and daughters to college in 25-year-old cars, what will they think about sending them into war in 25-year-old helicopters?” The Army’s procurement underfunding is so massive that if it is not corrected between Fiscal Year 2000 and FY 2010, the national leadership will face some very hard choices by 2010. The Congressional Budget Office chart above highlights the annual buys needed to sustain the Army’s equipment in just two categories that are crucial to execute the National Military Strategy.

The Army’s current modernization priorities of digitizing the force, retaining combat overmatch, developing science and technology, recapitalizing the legacy systems, and testing and evaluating new systems are underfunded by a combined total of $5 billion per year. That is an enormous sum! The most recent POM shows that digitization is short 18 percent of its required funding. Procurement of new systems to retain combat overmatch and recapitalization of the older systems are short 32 percent and 38 percent respectively. Funds for science and technology and testing and

### Army — Purchases of Selected Weapon Systems (Yearly Averages for Various Periods)

<table>
<thead>
<tr>
<th>Years</th>
<th>Tank, Artillery and Other Armored Vehicles</th>
<th>Scout and Attack Helicopters</th>
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<tbody>
<tr>
<td>1974-1993</td>
<td>1,600</td>
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<td>1994-1999</td>
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<tr>
<td>1994-1999</td>
<td>200</td>
<td>40</td>
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<tr>
<td>2000-2005</td>
<td>0</td>
<td>20</td>
</tr>
</tbody>
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**Source:** Congressional Budget Office based on Data from the Department of Defense
evaluation are short 23 percent combined. Virtually every major acquisition program has suffered delays, rescheduling and reductions in buys. Key follow-on programs have had to be cancelled. Unfunded requirements have been deferred in the POM to FY 2006 and beyond. That will increase costs and probably result in further cancellation of programs in that bow-wave. “The Army is living off of its old technology and falling behind on modernization,” said Bernard Rostker, Under Secretary of the Army. “The problem clearly is resources—we have the programs, but we don’t have the resources to procure new systems.” Congress has noted the pervasiveness of the Army’s modernization underfunding and has declared a number of the components of the modernization plan “incomplete.”

The stark truth is that the current FY 2001–2005 POM will not enable the Army to maintain modernization programs at levels that will ensure mid-term and long-term readiness and combat overmatch. The Army is facing a death spiral. More and more dollars have to go into equipment maintenance to sustain current readiness, thus decreasing the amount of dollars available for future procurement. It is a vicious cycle that both Under Secretary of Defense Jacques Gansler and the former Deputy Chief of Staff for Logistics, General John C. Coburn, have detailed publicly, and it impacts on the entire Army:

The reserve components—the Army National Guard and the Army Reserve—have seen little new modernized equipment since the massive cascading of 1992 and 1993. Moreover, combat support and combat service support equipment has been updated and replaced more slowly than combat systems, and the reserve components have the majority of CS and CSS units.

According to the National Guard and Reserve Equipment Readiness Report, the reserve components are simply not equipped to meet the full requirements of the National Military Strategy. Major General Thomas J. Plewes, the Chief of the Army Reserve, states that shortages of new and modern equipment prevent units from being able to train with and integrate with the units they need to support. Also, “the inability to strengthen ... CSS ... through new procurement or by initiating modernization ... severely affects the capability of the USAR to fulfill its wartime mission.”

Major General Roger C. Schultz, the Director of the Army National Guard, echoes these sentiments:

“Unfortunately, we have a long road to travel before we can achieve the degree of parity in combat, combat support and combat service support systems required to fully support the Army modernization plan, and, by extension, the National Military Strategy.”

In both the ARNG and USAR, priority funding has been given to
early-deploying units. Later-deploying units retain older equipment or rely on substitute or cross-leveled equipment. This results in shortfalls in active component/reserve component (AC/RC) equipment compatibility and sustainment. This is more serious because units considered later-deploying for wartime scenarios are many times the first-deploying for peacetime engagement operations common in today’s contingency environment.

The Army Reserve has identified $2.2 billion in procurement shortfalls alone in the current POM. Half of that sum is needed to purchase 5,894 medium and 3,698 light variants of the new Family of Medium Tactical Vehicles (FMTV) truck and 5,222 High Mobility Multipurpose Wheeled Vehicles (HMMWVs).

The Army National Guard has existing equipment shortfalls that have not been emphasized in the Program Objective Memorandum process and remain unfunded. Wheeled vehicles, test equipment, engineer equipment and communications equipment lead the list. In addition, massive Army National Guard force structure adjustments resulting from the ARNG Division Redesign Study (ADRS) program alone will cost the Army $2.3 billion in new procurement during FY 2001–2005. Additional modernization dollars will be needed to complete the ADRS program by the FY 2009 target.

MEETING THE REQUIREMENTS OF Joint Vision 2010

The Army’s modernization strategy is designed to meet the operational capabilities required in Joint Vision 2010 to execute the National Military Strategy. The cornerstone is leveraging new technology that will allow us to fight and win the wars of the 21st century. According to the Senate Armed Services Committee, “Joint Vision 2010, the Pentagon’s vision for the future in force dominance, depends on swift, decisive victory with minimal casualties by a smaller force. This will require more technological advantage, not less.”

Without the money to buy the new technology to recapitalize and upgrade selected fighting platforms and to replace worn-out equipment, the fate of the Army of 2010 is sealed, and the future Army in 2025—the Army After Next (AAN)—may well be stillborn. The Army cannot become lighter, more mobile, more lethal and smaller without an appropriate level of investment. First, much research and development (R&D) is necessary for new technologies—such as electric power drives, active armor and directed-energy weapons—to be perfected, but R&D funding for the Army has been reduced 22 percent from its 1990 levels. Second, once the new technologies are proven, we need to procure equipment in sufficient quantities for a large percentage of the force, rather than be restricted to a few “silver-bullet” items.

The need to keep our military capabilities linked with the evolving strategy was articulated by then Army Chief of Staff, General Dennis J. Reimer:

“When the link between strategy and our rationale for retaining and modernizing forces remained clear and compelling, the military proved an effective instrument of national policy. When strategy and military capability drifted apart, we put both our national interests and the men and women of the armed forces at risk.”
Modernization and recapitalization funds are needed today to keep today's systems soldiering on until 2010. The Army of 2010, even if AAN progresses, will still be 70 percent legacy systems (e.g., M1, Bradley and Paladin). Only 30 percent, at best, will be based on the new systems that will be the hallmark of the AAN (e.g., Comanche and Crusader). Furthermore, only a portion of that 70 percent will have been refurbished to extend their useful life. That means a three-tiered Army with some "silver bullets," some recapitalized systems and mostly legacy systems still in the inventory-aged past their intended lifespan. By 2025, the M1 tank will be more than 45 years old—20 years past its projected lifespan. The soldiers who will operate that tank in 2025—the driver, gunner, loader and tank commander—have yet to be born, and will not be born for some time.

**WHAT IT ALL MEANS**

As the Army's equipment and weapons age over the coming years, it will result in a number of important consequences in meeting national security challenges and their impact on the Army budget. First, aging equipment demands more money for operation and maintenance. Spares cost more, and more time is needed in both preventive maintenance and repair work. These rising costs will further squeeze the procurement budget, exacerbating, in turn, the aging problem. As General Coburn summarized, "Because of funding challenges, we are forced to either reduce the quantities of systems or stretch our programs or both. These actions raise unit costs and further delay modernization."12

Second, as the aggregate number of weapons and equipment age, the risks associated with the conduct of military operations will increase in terms of both potential lives lost and time for mission accomplishment. Finally, we will risk losing our overmatch capability as astute and prepared potential foes modernize their forces by exploiting asymmetric weapons and technologies.

The Army has done its best to fund modernization and current readiness in today's constrained fiscal environment. It has taken advantage of reforms and efficiencies in the way it does business to gain $10 billion in savings over the current Future-Years Defense Plan (FYDP) to plow back into modernization.13 It has accepted manpower cuts. Recently, the heavy division redesign cut the equivalent of 3.5 combat divisions' worth of combat systems. Unfortunately, that still is not enough. The Army fundamentally is overcommitted, underpaid and underresourced. Future readiness is at stake, and the lack of money is such that another Task Force Smith is looming. The Army's procurement accounts are underfunded by at least $5 billion per year. The procurement holiday must end and so must the leveraging of the procurement accounts to pay for current readiness and "pop-up" contingencies.
WHAT MUST BE DONE

The Army needs a minimum infusion of $5 billion per year for its modernization and recapitalization programs to ensure our soldiers have the right equipment to dominate the battlefields of tomorrow. That is the right thing to do.

The Army must halt the aging process of its equipment. That requires an increase in the topline—and not from further manpower reductions. In an era where too many missions and too few soldiers have made the Army fragile, the Army cannot further reduce force structure and still successfully execute the National Military Strategy.

The increase in the Army’s procurement topline needs to go to investing smartly in the right things to accomplish Chief of Staff General Eric K. Shinseki’s intent. He wants to make the heavy forces lighter and the light forces more lethal, to create the medium-weight Strike Force, and to make the Army strategically responsive in terms of joint operational capabilities. The key will be to match the investment strategy with the critical desired JV 2010 capabilities. Not every piece of equipment requires one-for-one replacement, but many do. And the available procurement and modernization funds need to be targeted. For example:

- Some of the stock is in excellent shape and faces no aging or recapitalization problems out to 2010 or 2025. The 120mm mortars and Javelin antitank missiles now being procured are good examples.

- Some equipment needs to be modernized through product improvement programs or technology insertion to ensure continued operation with new equipment in a joint environment. This type of equipment ranges from radios to helicopters and the M1 battle tank.

- Some equipment simply needs to be replaced with newer versions because of aging. Examples are the 36,000 Commercial Utility Cargo Vehicles (CUCVs) and much of the 2.5-ton and 5-ton truck fleet.

- New, modernized equipment must be procured to allow the Army to operate effectively within the JV 2010 framework. Examples would be the RAH-66 Comanche in the short term, the Future Scout/Cavalry Vehicle in the mid-term, and the Future Combat Vehicle in the long term.

- Selected stocks of war reserve materials, spares and ammunition must be procured and brought up to minimum prudent levels.

In sum, the decade-long procurement holiday must end now. Mortgaging future readiness must be stopped. The Army needs $5 billion per year for procurement alone to avoid another Task Force Smith.

If we act now to adjust the peace dividend and properly fund procurement and modernization, we can ensure that the Army of 2010 is still the best equipped. If we wait until it is too late, the price will be higher in money, in time and in the lives of the men and women who are charged to fight and win the nation’s battles.

The Army is the heart and soul of America. American soldiers—the infantryman walking point, the National Guardsman supervising a homeland defense facility and the Army Reservist handling the logistical support of a strategic maneuver force—personify boots on the ground. As they defend America’s interests, it is in America’s interest to provide them the best and most effective equipment. That is truly providing for the “common defense.”
ENDNOTES


2. U.S. Army Program Objective Memorandum 00-05 Executive Summary, 22 May 1998.


12. Coburn, Ibid.

