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HEARING

ON

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2008

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

READINESS SUBCOMMITTEE

MEETING JOINTLY WITH

AIR AND LAND FORCES SUBCOMMITTEE

ON

BUDGET REQUEST ON ARMY EQUIPMENT RESET

HEARING HELD
JANUARY 31, 2007

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LYNN WILLIAMS, *Professional Staff Member*
BEN KOHR, *Staff Assistant*

CONTENTS

CHRONOLOGICAL LIST OF HEARINGS

2007

Page

HEARING:

Wednesday, January 31, 2007, Fiscal Year 2008 National Defense Authorization Act—Budget Request on Army Equipment Reset 1

APPENDIX:

Wednesday, January 31, 2007 45

WEDNESDAY, JANUARY 31, 2007

FISCAL YEAR 2008 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON ARMY EQUIPMENT RESET

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

Abercrombie, Hon. Neil, a Representative from Hawaii, Chairman, Air and Land Forces Subcommittee 2

Ortiz, Hon. Solomon P., a Representative from Texas, Chairman, Readiness Subcommittee 1

Rogers, Hon. Mike, a Representative from Alabama, Readiness Subcommittee 3

WITNESSES

Boles, Maj. Gen. Vincent E., USA, Assistant Deputy Chief of Staff, G–4, U.S. Army; Brig. Gen. Charles A. Anderson, USA, Director, Force Development, Office of the Deputy Chief of Staff, G–8, U.S. Army; Brig. Gen. Robert M. Radin, USA, Deputy Chief of Staff for Logistics and Operations, U.S. Army Materiel Command, U.S. Army; Thomas E. Mullins, Deputy Assistant Secretary of the Army for Plans, Programs, and Resources, U.S. Army; and William M. Solis, Director, Defense Capabilities and Management Team, Government Accountability Office beginning on page 4

APPENDIX

PREPARED STATEMENTS:

Boles, Maj. Gen. Vincent E., joint with Brig. Gen. Charles A. Anderson, Brig. Gen. Robert M. Radin, and Thomas E. Mullins 49

Solis, William M. 57

DOCUMENTS SUBMITTED FOR THE RECORD:

[There were no Documents submitted.]

QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD:

Mr. Abercrombie 77

Ms. Castor 81

Ms. Giffords 80

Mr. Rogers 79

Mr. Sestak 80

Mr. Taylor 79

FISCAL YEAR 2008 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON ARMY EQUIPMENT RESET

HOUSE OF REPRESENTATIVES, COMMITTEE ON ARMED SERVICES, READINESS SUBCOMMITTEE, MEETING JOINTLY WITH AIR AND LAND FORCES SUBCOMMITTEE, *Washington, DC, Wednesday, January 31, 2007.*

The subcommittees met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. Solomon Ortiz (chairman of the Readiness subcommittee) presiding.

OPENING STATEMENT OF HON. SOLOMON P. ORTIZ, A REPRESENTATIVE FROM TEXAS, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. ORTIZ. This hearing will come to order.

This is a joint subcommittee hearing with the Readiness and Tactical Air and Land Forces Subcommittee on the Army's reset program.

I thank our distinguished witnesses for appearing before this subcommittee today, and we are happy that you are with us this morning.

We appreciate all the Army is doing to try to keep our soldiers equipped for combat. Reset means, for the civilians among us, what it will take to fix and resupply the Army so they are ready to fight.

Since November 2001, the operations in Afghanistan, then in Iraq, have taken a significant toll on the Army's equipment. A significant portion of the Army's armored vehicles, trucks and aircraft deployed to combat are operating at a high operational tempo under very difficult environmental conditions.

These factors, along with battle losses, are reducing the overall equipment readiness of the Army. To fix this, the Army has implemented the reset strategy, or repair, recapitalize and replace damaged and destroyed equipment.

The Army must accomplish this program sufficiently in order to quickly restore the full equipment readiness of the Army. This committee understands the need for a successful reset. To that end, we authorized the full $17.1 billion requested by the Army to fund reset in fiscal year 2007 and also to catch up from previous years' shortfalls.

Last week, General Schoomaker testified that the Army has obligated $10 billion of those funds. While I am pleased to hear that $10 billion has been obligated, my concern remains. Obligating money will pay for the work to be done, but it will not immediately fix the equipment.

It is vital that the Army move as quickly as possible not just to obligate money or the funds for reset, but to also quickly re-equip units with new and repaired equipment for combat.

In yesterday's Washington Post, General Speakes voiced concerns about the challenges the Army faces equipping units needed to support the five-brigade surge proposed by the president.

We recognize that it will be difficult to fully outfit surging units, and we are also very concerned about the effect this additional equipment will have on reset and ultimately the Army's readiness.

It is obvious that increasing from 15 brigades to 20 brigades of combat equipment will put more equipment into the repair pipeline and reduce equipment in nondeployed units and prepositioning stocks.

I hope our witnesses will discuss how the troop escalation in Iraq will affect the reset in both dollars and time, and what measures are being taken to mitigate these effects.

We all understand how quickly you execute reset, actual repair and replacement, not how just quickly you pay for it, will determine how quickly the Army will be whole again and fully prepared for any challenges.

Now I look forward to hearing your testimony. But before we hear our witnesses' testimony, I would like to ask my good friend from Hawaii for his opening statement and remark that he might have.

Chairman Abercrombie.

STATEMENT OF HON. NEIL ABERCROMBIE, A REPRESENTATIVE FROM HAWAII, CHAIRMAN, AIR AND LAND FORCES SUBCOMMITTEE

Mr. ABERCROMBIE. Thank you very much, Mr. Chairman.

Thank you all for being here today.

As everyone is aware, the majority has changed in the United States House of Representatives. I can assure you, all of you, that when you hear the opening statements of Chairman Ortiz and myself that they are not pro forma.

I hope everybody pays close attention to what is being said, because what is being said is what is going to be done, I can assure you. The days of rubber-stamping anything are over, especially when it comes to the expenditure of funds.

I can assure you, as far as this chairman is concerned, that you never had any clear idea of what the phrase "fiscal conservative" means until you have seen what is going to take place here.

The Army has been confronted for four years with the difficult task of providing and supporting the full range of equipment, helicopters, tanks, trucks, Humvees, unmanned aerial systems, counter-improvised-explosive-device (counter-IED) equipment and other equipment to its forces in Iraq and Afghanistan.

Now we are told by the administration that it must quickly equip and support at least 17,500 personnel in addition. Meanwhile, equipment will continue to be destroyed and worn out as troops are sent to theater.

This is in addition to equipping, supporting, manning and training those Army forces not deployed, rebuilding prepositioned equip-

ment stocks to meet other contingency requirements, and funding and executing its modernization programs.

We want to be assured, first, that our men and women will not be deployed into Iraq without having all the necessary equipment for them to, as safely as possible, accomplish their assigned missions.

Second, we want to hear that the fiscal year 2008 request will include all known equipment requirements for fiscal year 2008 that I have mentioned, including the $13.6 billion projected for reset in fiscal year 2008, as mentioned by Chairman Ortiz.

No more supplementary budgets. No more phony budgets. Everything that you need to have that you know you need to have has to be in this budget. No more phony supplementary budgets from the Pentagon or the administration. Everything that you know you need to spend has to be given to us now.

Thank you, Mr. Chairman.

Mr. ORTIZ. The chair recognizes the gentleman from Alabama, Mr. Rogers, who is sitting for the ranking member, Mrs. Davis, of the Readiness Subcommittee.

If you have a statement, go right ahead.

STATEMENT OF HON. MIKE ROGERS, A REPRESENTATIVE FROM ALABAMA, READINESS SUBCOMMITTEE

Mr. ROGERS. Thank you, Mr. Chairman.

I would also like to thank Chairman Abercrombie and all the members of the Air and Land Subcommittee for joining us today, as we get an update from the Army on equipment reset plans.

As we all know, the readiness of our troops, their training and equipment are critical to our national security and our success in the war on terror. It is imperative that our subcommittee work together to ensure that those needs are known, addressed, through a comprehensive and well-thought-out plan.

According to the Government Accountability Office (GAO), we have provided $38 billion to the Army to repair, replace and modernize its equipment since 2002. We have been told that it will require as much as $13 billion per year to meet the Army's continued need for reset. We have also been told that the need will likely persist for years after our forces return home.

Although funding is needed to reset the force, money is only part of the equation. Resetting the force is an enormous challenge. It is not clear to me that a comprehensive strategy has been developed to address a number of factors, such as depot capacity, workforce availability, industrial base support, building of equipment to the Iraqis and thoughtful management of prepositioned stocks.

This issue is of particular interest to me not only for its importance to our national defense but also because one of our critical maintenance facilities, the Anniston Army Depot, is in my congressional district. I know firsthand its tremendous support that all the men and women that work there do for the military.

To the witnesses, gentlemen, we appreciate your taking the time to come talk with us today, and I am very interested in hearing about the work of the reset task force.

To Mr. Solis, thank you for being here today and for all the work you have done to support this committee. I look forward to hearing your observations and recommendations on this complex issue.

Thank you, Mr. Chairman.

Mr. ORTIZ. Your ranking member I don't think is here with us today, Mr. Saxton, but we will allow for his statement or the statement from Mrs. Davis to be submitted for the record.

No objections, so ordered.

Today we have a panel of distinguished witnesses representing the Army and the Government Accountability Office who will address the Army's reset program.

And our witnesses with us today is Major General Vincent E. Boles, assistant deputy of staff, G–4; Brigadier General—who soon is going to be promoted—Charles A. Anderson, director, force development, from the Office of Deputy Chief of Staff, G–8; Brigadier General Robert M. Radin, deputy chief of staff for logistics and operation of the United States Army Materiel Command; Mr. Thomas E. Mullins, deputy assistant secretary of the Army for plans, programs and resources; and Mr. William Solis, director of defense capabilities and management team, from the Government Accountability Office.

We are very happy to have you with us today.

And, without any objection, all witnesses' prepared testimony will be accepted for the record.

And, General Boles, welcome, and please proceed with your opening remarks. General Boles.

STATEMENTS OF MAJ. GEN. VINCENT E. BOLES, USA, ASSISTANT DEPUTY CHIEF OF STAFF, G–4, U.S. ARMY; BRIG. GEN. CHARLES A. ANDERSON, USA, DIRECTOR, FORCE DEVELOPMENT, OFFICE OF THE DEPUTY CHIEF OF STAFF, G–8, U.S. ARMY; BRIG. GEN. ROBERT M. RADIN, USA, DEPUTY CHIEF OF STAFF FOR LOGISTICS AND OPERATIONS, U.S. ARMY MATERIEL COMMAND, U.S. ARMY; THOMAS E. MULLINS, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR PLANS, PROGRAMS, AND RESOURCES, U.S. ARMY; AND WILLIAM M. SOLIS, DIRECTOR, DEFENSE CAPABILITIES AND MANAGEMENT TEAM, GOVERNMENT ACCOUNTABILITY OFFICE

STATEMENT OF MAJ. GEN. VINCENT E. BOLES

General BOLES. Thank you, Mr. Chairman and the members of the committee. It is an honor to be here.

Sir, on the Army staff, as the deputy G–4, we have a role in reset. The lead for reset in the United States Army is the G–8 and the force development. And at this time, General Anderson will read our opening statement, which we have all contributed to, because the G–8 does have the lead for reset, and we are all supporting that.

And, sir, without an objection, I would have General Anderson proceed with the statement.

[The joint prepared statement of General Boles, General Anderson, General Radin, and Mr. Mullins can be found in the Appendix on page 49.]

Mr. ORTIZ. Go right ahead, General.

STATEMENT OF BRIG. GEN. CHARLES A. ANDERSON

General ANDERSON. Good morning, sir. Chairman Ortiz, Chairman Abercrombie, Mr. Rogers, distinguished members of the committee, on behalf of the soldiers of the United States Army and the Army reset task force, we thank you for this opportunity to appear before you today to discuss resetting America's Army.

Before I begin the remarks, I would like to thank the committee for their hard work in providing the $17.1 billion the Army chief of staff requested last summer for reset.

My remarks today will be brief. I will cover three points. First, I would like to quickly define reset; second, I would like to update you on our progress in executing this $17.1 billion; and last, and most importantly, to describe what this funding means to your Army.

What is reset? Reset is a series of actions to restore a unit to a desired level of combat capability commensurate with future missions. There are three components to reset: repair, replace and recapitalization.

Repair is a process that starts with an inspection followed by maintenance to the original technical specifications.

Replacement is to buy new. It is to replace battle loss, washout vehicles and, in this case, Reserve component equipment that was left in the theater as part of theater-provided equipment (TPE).

And last, recapitalization. Recapitalization improves performance capabilities or brings equipment back to zero miles, zero hours, to the original performance capabilities.

Our execution of the $17.1 billion provided by this Congress is on schedule. The Army has already obligated $11.2 billion. With regard to procurement, we have obligated $6.5 billion, or 76 percent. And by the end of the month March, we will be above 95 percent. We are ahead of schedule with operation and maintenance and have obligated $4.7 billion, or 55 percent.

Why is this funding important to the Army? Tanks today are running at five times the program's rate; trucks, five to six times their program usage, and they are running, as you well know, with heavy armor; helicopters, five to six times their program usage.

Reset, in simplest terms, will reverse the effects of stress on all our equipment. Your funding will reset 24 brigade combat teams—each brigade combat team has 4,000 soldiers and roughly 40,000 pieces of equipment—and the numerous supporting units that are returning from Iraq and Afghanistan.

On-time funding that you have provided us has allowed us to synchronize resources and to increase the velocity and the effectiveness of reset. For instance, timely funding has allowed the depots to order repair parts in advance of equipment arrival.

The 125 Stryker Brigade Combat Team, their equipment arrived from Iraq last week in Alaska. Their reset plan has them accomplishing their mission in 120 days. That is a two-month acceleration. Just think, that commander on the ground has two more months that he can devote to training.

On-time funding equals on-time equipment in the hands of soldiers so they may train and prepare for the next contingency or unexpected operation.

As a point of comparison, our effort to reset equipment from the beginning of combat operations to the end of fiscal year 2006 has been roughly over 200,000 pieces of equipment.

In fiscal year 2007, we will reset 117,000 pieces of equipment. That is over 550 aircraft, 1,700 track vehicles, 39,000 weapons, and hundreds of thousands of pieces that we will be conducting maintenance at the field level.

The Army is replacing and upgrading more than 50,000 pieces of equipment. We have dedicated $2.5 billion for Reserve component equipment that was left in the theater.

Last, the total effect of reset takes time. It does not fix all the Army equipment shortfalls. Equipment that has been programmed for depot maintenance in fiscal year 2007 is not necessarily completed in fiscal year 2007. It depends on the equipment received, the lead time for parts and the extent of the damage. And it also depends on the type of equipment it is, for some equipment needs longer to reset than others.

Reset costs for future years will depend upon several factors, such as the level of force commitment, the activity level of those forces, the amount of battle loss and excessively worn-out equipment.

The Army expects the requirement beyond fiscal year 2007 to be above $13.5 billion annually. However, changes in factors such as the current plans to increase force levels in Iraq, will impact these requirements.

In addition, due to the unprecedented stress placed on our equipment, reset funding is required for two years to three years beyond the cessation of the current conflict.

Finally, as we look to the future, we sincerely appreciate your support, for we know that the reset of America's Army will place combat capability in the hands of forward commanders. It will allow our prepositioned stocks to be maintained at the highest level of readiness.

And we have a long-term investment strategy in maintaining our equipment and extending its life beyond its current life span.

To close, Mr. Chairman, on behalf of our soldiers, we greatly appreciate the tremendous support of the Congress in supporting requests for funding for reset and engaging in a continuing dialogue with us in this critically important area.

The Army remains committed to applying resources aggressively, to maintain the best-trained, the best-equipped, fully manned, and the best-led ground force in the world.

Equipping the Army on time with modern equipment builds solder confidence. And with soldier confidence comes their unyielding commitment that we so deeply admire and respect.

Thank you for this opportunity to appear before you today. The other members of the panel will now introduce themselves. And we all look forward to answering your questions.

[The joint prepared statement of General Anderson, General Boles, General Radin, and Mr. Mullins can be found in the Appendix on page 49.]

Mr. ORTIZ. Thank you, General.

Mr. Solis, welcome back to——

Mr. SOLIS. Thank you.

Mr. ORTIZ [continuing]. The committee. You may now proceed with your statement.

STATEMENT OF WILLIAM M. SOLIS

Mr. SOLIS. Chairmen Ortiz and Abercrombie, Ranking Members Rogers and Saxton and members of the subcommittee, thank you for the opportunity to appear before you today to discuss the Army's equipping planning strategies for repair, replacement and modernization of equipment, collectively known as "equipment reset."

This is a complex, fluid and expensive undertaking by the Army. Today I will draw upon GAO's past and ongoing work related to equipment reset.

My statement today highlights two issues: first, the ability to account for the reset appropriations, and the extent to which the Army's reset funding strategies target equipment-on-hand requirements for units preparing for deployment.

With regard to my first point, until fiscal year 2007, the Army had not tracked or reported reset expenditures, including execution dollars, in a way that confirms that funds appropriated for reset were expended for that purpose.

With the enactment of the fiscal year 2007 appropriations act, Congress directed DOD to provide detailed accounting of obligations and expenditures by program and subactivity group.

The Army has established a subactivity group for reset. And according to Army officials, beginning in fiscal year 2007 the Army has begun to track reset obligations and expenditures by subactivity group.

While we believe this is a positive first step in the right direction, based on our preliminary analysis it remains to be seen whether the Army's reset tracking system will include sufficient detail to provide Congress with the visibility it needs to provide effective oversight.

Regarding my second point, while the Army's equipment reset process is intended to reset equipment to meet the needs of units preparing for deployment, its reset funding strategies do not specifically target equipment-on-hand requirements among units preparing for deployment.

According to the Army's fiscal year 2007 framework for reset, the goal of reset is to prepare units for deployment and improve next-to-deploy units' equipment-on-hand levels.

However, since the Army's current reset process is based on resetting equipment that it expects to be returning to the U.S. in a given fiscal year and not based on aggregate equipment requirements to improve the equipment on hand levels of deploying units, the Army cannot be assured that its reset programs will sufficiently provide the equipment to train and equip deploying units for ongoing and future requirements for the global war on terror.

Mr. ABERCROMBIE. Excuse me, that is a long sentence. It kind of just rolled out there. Can you repeat that or say it again? I am not quite sure what you said.

Mr. SOLIS. Okay. Since the Army's current reset process is based on resetting equipment that it expects to be returning to the U.S. in a given fiscal year and not based on an aggregate equipment re-

quirement to improve equipment on hand levels for deploying units, the Army cannot be assured that its reset programs will provide sufficient equipment to train and equip deploying units for ongoing and future requirements for the global war on terror.

In conclusion, we believe three things need to occur.

First, the Army needs to complete its efforts to develop the appropriate accounting structure to track reset dollars.

Second, at the micro-level, in examining funding requests for reset from the Army, the Congress, working with the Army, needs to determine what outcomes are expected, such as improved equipment on hand for deploying units or overall equipping requirements for modularity, and develop performance measures to track these outcomes.

Third, and at the macro-level, the Army, working with the Congress, needs to determine what outcomes are expected with overall equipment funding, especially as it relates to the Army dealing with Army-wide equipment shortages and readiness shortfalls, and develop performance measures to track these outcomes.

This concludes my oral statement. I will be happy to answer any questions.

[The prepared statement of Mr. Solis can be found in the Appendix on page 57.]

Mr. ORTIZ. Thank you so much for your testimony.

Now, I would like to ask General Anderson, the Army has received $35 billion for resetting the force, but readiness rates continue to decline.

I am concerned that there is some disconnect between the priorities for reset and what is required for troops in combat. I know that in some cases equipment being reset is also upgraded to meet modularity requirements, but I would like some assurances that reset is not being used to advance modularity at the expense of unit readiness.

Will you please talk about how you link reset with the needs of troops in combat and training for combat?

General ANDERSON. Yes, sir. Sir, modularity in the Army has doctrinal implications, training implications, materiel implications. Also, it even has facility implications.

But from an equipping perspective, modularity is transforming units to a standard design. The beauty of that is that you could go to the 30th Brigade in North Carolina National Guard and that heavy brigade combat team will look just like a heavy brigade combat team down in Fort Hood, Texas.

So there is a lot of goodness behind that, because a unit could fight together. They have the same battle command architecture, the same type of equipment. So modularity is a fact of life in the Army today, and we have been moving out on that for several years now.

Reset, though, is only one aspect of our entire equipping strategy. The reset dollars that Congress has provided us are targeting those units that come back. And it targets those units that come back in three areas.

It replaces their battle losses. It replaces equipment that has been washed out. It will recapitalize items like tanks and Bradleys—increase a level of modernization for that outfit.

It will also repair. They will repair equipment at the field site or repair it at the depots. But that $17.1 billion is dedicated to resetting that outfit. And the way we monitor that, we monitor it by the effect on the unit. And we have a reset scorecard for each brigade, and we battle-track to see what items of equipment they have inducted and when they get completed.

Mr. ORTIZ. Mr. Solis, do you have any thoughts on how combat requirements are translating into reset priorities?

Mr. SOLIS. Well, there is not a direct connection. I mean, as the general said, it is one of the many pools of resources of equipment that the Army uses to equip deploying units. But there is not a direct connection between reset and necessarily deploying units going out the door.

One of the examples I think I had in my statement is the fact that there is $2.3 billion being spent for the upgrade of Abrams and Bradley vehicles which will occur over the next couple or 2 years or 3 years.

But I want to go back to what I was saying before in terms of outcomes. Modularity, filling back prepo sets, filling up, you know, equipment needs for deploying units are all important things.

I think it is incumbent, though, to figure out what are the outcomes, where do you want to be, because there are a lot of demands that the Army has to fill, and they are short, probably, of money. They probably need some things in terms of future needs.

But it is what are those outcomes that you want to achieve; are those outcomes in terms of deploying units, modularity, or whatever it may be.

Mr. ORTIZ. I don't want to take all the time. I want to allow members to ask questions.

And now I want to yield to my good friend, Mr. Rogers, if he has any questions.

Mr. ROGERS. I thank the chairman.

First, General, you used the phrase "washed out" just a minute ago, as opposed to being repaired. What is that phrase supposed to represent?

General RADIN. Congressman, I will take that one. A good example of what we are talking about here is the up-armored Humvees that are being both refurbed in Kuwait and sent back to Red River Army Depot for work.

About 60 percent of the up-armored Humvees that come out of the theater right now that go back to the depot are beyond the ability to repair. We do inspections in Kuwait.

If there is a certain level of work that we can do to get them back into battle, we repair them in Kuwait and return them immediately to the battle. And it is normally done by how many hours it is going to take. Four hundred hours' worth of work or less we will do in theater.

Anything beyond that we will retrograde it to the depot. They will go, in this case, to Red River Army Depot. Now, as they start tearing the vehicle apart—because we do inspections in Kuwait before they are sent. As they start tearing the vehicle apart, they may find cracks in the frames or things like that and say we can just not repair this piece of equipment. And therefore, it becomes what we call a washout.

For the up-armored Humvees, the ones that we retrograde back, about 60 percent of them are beyond our ability to repair. So over the past year we have washed out about 300 up-armored Humvees back at Red River Army Depot.

Mr. ROGERS. So about 60 percent of the up-armored Humvees that you bring back wind up being washed out?

General RADIN. That has been our last year's experience. Those are the facts.

Mr. ROGERS. How much does this cost to bring those back to make that determination per unit? Do you have any idea?

General RADIN. We would have to take that for the record, Congressman. And off the top of my head, I just can't give you the transportation cost.

But again, those vehicles are inspected in Kuwait before they go. Every vehicle is inspected. But it is an inspection of the vehicle together. As it goes through the assembly line and you start tearing it apart, you will find things.

Another example, and Chairman Ortiz probably understands this and is familiar with this one. In our Special Technical Inspection and Repair (STIR) program for our aircraft, as we are doing our aircraft and taking them apart in our STIR program, 25 percent of them we identify that need depot-level work that we did not know when we first started the program.

And it is, again, as you disassemble the piece of equipment, you find things that isn't available for you to see as the equipment is put together.

[The information referred to can be found in the Appendix beginning on page 79.]

Mr. ROGERS. Okay. And in a statement earlier, you made the point that there were 1,700 track vehicles programmed for reset in this fiscal budget that you are proposing. What is that up from? What is the trend, say, from three years, four years, five years ago, I mean, were you resetting a year?

General RADIN. I do, if you would give me a second, please. I would tell you, and I have got facts that can go back to 2005, 2006 and 2007.

In a category that we call move and shoot, which is small arms, Bradleys, tanks, artillery pieces and wheeled vehicles, in 2005 we did about 20,000 pieces of equipment—19,252, but 20,000 for our purposes. In 2006, we did 33,000 pieces of equipment. In 2007, we are scheduled to do 47,000 pieces of equipment. So we have seen a steady build over the years.

Mr. ROGERS. Well, what I am getting at is I am trying to determine—I know that we have really ratcheted up dramatically our efforts to refurbish these vehicles that are being chewed up in the desert.

I am trying to determine how much more capacity we have with our current depot infrastructure. Do you think there is 20 percent more capacity, 10 percent? Are we at the max? What is your opinion?

General RADIN. Congressman, that is a very complex question, and it is one that we have discussed, we, the Army, has discussed a lot.

And I think the easiest way to talk about depot capacity is the fact that it is the ability to work all the work centers—why don't you define it all the work centers—6 days a week, 20 hours a day.

But what we are doing in our depot capacity is that we have the capacity that we need to do our required work, our scheduled program, right now. In our depots, we are hiring this year an additional 1,300 employees across the depots.

And I could tell you what we are doing at Anniston. I know that that is of interest to you. But those 1,300, that equates to about an 8 percent increase of the workforce. That eight percent increase is spread between permanent employees, temporary term employees and also contractors.

Where we see that work being long term, we are doing permanent employees. Where we see a potential to it, we will either do a temp or a term or a contract. That is good financial business on our part.

There are some shifts, like at Anniston, where the M–1 transmissions are two 11-hour shifts, 6 days a week. The turret shop at Anniston: two shifts, 11 hours a day, 6 days a week. Small arms, same thing.

At Corpus Christi Army Depot, the blade operation are three 8-hour shifts, 7 days a week, so that blade shop for Chairman Ortiz is working 24 hours a day meeting those requirements.

The avionics shop is the same thing, 24 hours a day, and the machine shop. And we can go through that for each one of our depots.

Mr. ROGERS. Well, you make the point that we are meeting our needs now. Is that just what you have to do immediately? Do you think that we have got the infrastructure to meet our needs going forward?

Because we know this equipment, and by your own opening statement, is being taxed at a much higher rate than it was programmed. It seems to me there is going to be a huge wave of work coming, and I am concerned that we don't have the depot infrastructure in place to meet the demands going into the future.

Also, as we look at what Secretary Gates referenced a couple of weeks ago before this committee, that we are about to dramatically increase our end strength, that is going to require a commensurate amount of equipment to go online.

So I just ask, when you look off in the horizon, do you think we have got the infrastructure that we need to meet our future demands in reset?

And I will end with that, Mr. Chairman.

General RADIN. Congressman, as we plan out the 2007 program—and we have a finite level of detail that shows the program for this year—we see the peak in the March–April time frame for the reset activities.

And yes, we have the capability to meet the peak for this year, which is the March–April time frame. And a lot of that is tied to when units are redeploying, frankly.

But also, for additional capacity, we have the public-private partnerships that I am sure you are familiar with. At Anniston, we do a public-private partnership with General Dynamics for our tanks. At Red River, we do a public-private partnership with BAE that we do for Bradley fighting vehicles.

We leveraged those partnerships and we have developed them over the years to give us additional capacity, and there is also contractual capability. So we will leverage both in-house work, public-private partnerships where we are doing—shared between us and a contractor, and a contractor to meet the future beyond 2007.

But as we see up through 2007, we have the capacity that we need to meet the requirement. And again, from what we have planned out, it appears to peak in the March–April time frame this year.

Mr. ORTIZ. Chairman Abercrombie.

Mr. ABERCROMBIE. Mr. Solis, the information we have is that the Army will require at least two years or three years after forces completely withdraw from Iraq and Afghanistan, if you can imagine that, that it will have funding requirements to try and meet this recapitalization, repair and replacement years after the withdrawal.

So that implies to me that we have got very serious expenditure problems right now, because this withdrawal is not even remotely contemplated at the moment, complete withdrawal.

These costs are estimated right now by the Army at about $13 billion a year for what they say has to be expended for their reset activities.

Now, the excuse being given is that because they are war related that a majority of these costs have to be put into supplemental budgets, as if we had no capacity whatsoever to understand what the replacement costs might be, that we have got no track record to take a look at, that we don't have any idea about what the lifetime of a piece of equipment in the desert or in the mountains in Afghanistan might be.

And if they had to put the funding for all this equipment replacement or recapitalization, et cetera, into a big budget that the budget would have to increase proportionately, the budget that we have to deal with, the budget that actually goes when we try to explain to the American people what our indebtedness is, how much the war actually costs.

In that context, there are several reporting requirements that have been put into various budgets, the regular budget, the so-called supplemental budget. There is the Defense Authorization Act for 2007. It requires the Army to prioritize equipment reset as a top-tier funding requirement.

There is section 323 of the John Warner Defense Authorization Act. It requires the secretary of defense to prioritize in each year all military services equipment reset as a top-tier funding priority.

The Supplemental Appropriations Bridge Fund in the John Warner defense authorization includes $23 billion for the Army and the Marine Corps reset.

We have all of these requirements about prioritization and priority setting, and I can't figure out where it is. Can you help me?

Mr. SOLIS. In the baseline, there is a baseline account for equipment. That exists today. There are also, in the supplementals, accounts which list, you know, money being requested for reset.

Those are the two that I am aware of. I am not aware of any other sources of funding other than what is in the regular budget and the supplementals.

Mr. ABERCROMBIE. But how is it being accounted for? Let me give you a for instance. If you have theater-provided equipment, okay? Theater-provided equipment. Let's talk about like wheeled vehicles. The armor was already mentioned here. You have Humvees, up-armored Humvees, et cetera. Okay?

Right now, at least in some of the committee experiences I have had recently, there is a process known as cross leveling. Are you familiar with that?

Mr. SOLIS. Yes.

Mr. ABERCROMBIE. Okay. For those who aren't, you transfer equipment from one unit to another. I can't figure out, and I don't have accurate understanding, if you increase the theater-provided equipment, which I presume, at a minimum, is going to occur if there is this so-called surge in Iraq, let alone what is now being proposed for Afghanistan, doesn't that have a major impact on the Army's reset strategy both in execution and its fiscal requirements?

And if it does, how is that reflected in this budget request?

Mr. SOLIS. Well, eventually, it could. I can't tell you in terms of the budget request specifically how the surge is in there. But I can tell you that eventually it may have some financial impact.

Mr. ABERCROMBIE. Okay.

General Anderson, can you enlighten me?

General ANDERSON. Yes, sir. When a unit deploys, there are multiple sources of equipment for that unit when it deploys. It brings its organic equipment with it. It falls in on theater-provided equipment. There is an option for prepositioned stocks as well.

But that theater-provided equipment sometimes is going to have to come back. You know, with cessation of conflict, we are going to want this equipment back.

In fact, theater-provided equipment is not additive. It is calculated as part of our on-hand balances, and we desperately would like to have that equipment back.

Mr. ABERCROMBIE. That is in the context of what is called reset and payback, then, right?

General ANDERSON. In the context of payback, we have $2.5 billion for the Reserve component for their equipment that they have in theater because we don't know how long that TPE is going to be there.

We don't know how long it is going to be there, and we want to get that equipment back into the hands of the governors and the The Adjutant Generals (TAGs) so they can do homeland defense, homeland security.

And we also are calculating that if TPE, about 15 percent of that equipment will probably be washed out, is going to have to be replaced. The other 85 percent, hopefully we want to retrograde that back at the cessation of the conflict.

Mr. ABERCROMBIE. I have heard the word "hopefully", and I have heard the way the verbs are coming.

General ANDERSON. Yes, sir. Well, sir, we are counting on that equipment, and we are counting on getting that equipment back.

Mr. ABERCROMBIE. What is your record so far?

General ANDERSON. Sir, even in the face of the surge, we continue to retrograde equipment. I would like to pass it over to General Radin, who works the retrograde, but just an example of how

well we have done on retrograde this year, the 101st Airborne Division——

Mr. ABERCROMBIE. You know, General, because of the time, I will take your word for it.

General ANDERSON. All right, sir.

Mr. ABERCROMBIE. You can submit it as an example, if you would, to the chair.

General ANDERSON. All right, sir.

[The information referred to can be found in the Appendix beginning on page 77.]

Mr. ABERCROMBIE. My principal point here is whether you are talking about modularity, whether you are talking about reset as an overall goal, and within the context of having to do all of the repairs, et cetera, it is not clear to me how these priorities you are setting in terms of the budget—does this 2008 budget take all that into account, or will there have to be another supplemental approach?

General ANDERSON. Sir, we follow OSD's guidance, and the requirements that we have identified I believe will come forth as part of the president's budget.

Mr. ABERCROMBIE. Nice try. Thank you very much.

Mr. ORTIZ. Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman.

And thank you, gentlemen, for being here today. Let me try to express our perspective. When we decided in 2006 that we wanted to provide every nickel that the Army asked for, and which we did for reset, we were under the impression, and still are today, that the depot system had the capacity to carry out the reset activities.

As a matter of fact, I still remember sitting here in this room and seeing five little thermometers, which you probably all saw, on a piece of paper which demonstrated to us that we were using about 50 percent of capacity across the board in the depots.

So I think what the questions have been about today—and forgive me for being so simple—is, is that capacity today being utilized to the extent that we get to the goal that all of us want to get to vis-a-vis the billions of dollars that we have made available to the Army?

General RADIN. Congressman, the depot programs are loaded to meet the reset requirement in the time lines of the redeploying forces for this year. Out of the forces that we have deployed, about one-third of them have redeployed for this year, and their equipment is in the depots and being reset.

As we look at the plan for the program, we have the capacity to meet the equipment that needs to be reset. And again, I see a peak in the March–April time frame, as we have scheduled out this work.

I have been in my current job for 16 months now. I got to see how we did it last year. I got to see how we do it this year.

I would tell you the significant difference between last year and this year is the early funding that you all provided us that has allowed the depot commanders, the ones that really have to execute this program, and the depot workforce, to see their program for the entire year and be able to plan for, order the parts and execute those programs.

Our repair cycle times for equipment is dropping. We are able to them faster than what we have done. Perhaps you read some of the articles, one of them was in Time magazine, of our depot programs winning the Shingo Award, fourth Shingo Award, and we have the DOD Depot of the Year this year in Red River Army Depot.

So, Congressman, I can assure you that the workload that we see for this year we have the capacity and the capability to execute what we have got scheduled and what you all have funded us for.

Mr. SAXTON. General, you have been there, you said, for 16 months? Tell us a little bit about the process as you saw it when you first got this job and the process as it exists today as you see it.

In other words, there were activities that I would generally describe as ramping up the process that I would think you would have had to have gone through during that period of time. Is that the case?

And in fact, do you see an appreciable difference in capability and capacity to do the job today as opposed to the lower capacity that may have existed when you first took this job?

General RADIN. Congressman, I think the biggest difference that I see between last year and this year is if you think of the depot commanders who are executing these programs, last year we started with a bridge supplemental. We went through almost three-quarters of the year where we had the main supplemental.

So the depot commander really didn't get full insight into what his program was going to be until the late spring time frame.

It is very difficult as a depot commander—you know, he commands it but he also manages the programs there—to be able to schedule his work and figure out what he needs to do with his workforce in order to meet that requirement, because, you know, you are halfway, three-quarters of the way through the year before you get insight into what your full program is.

With the loading of the $17.1 billion at 1 October this year, the depot commanders are, I would say, 6 months ahead on their program of understanding how it is going to execute this year.

I have seen the individual shops increase in workload and capacity, yes, I have. I talked about the hiring program that we are going to do this year to meet those requirements.

The first thing that a depot commander does, and which has allowed them to do this year, is to reshift his workforce to meet what he can with the workforce that he has.

If you have got a mechanic that works on track vehicles and he was doing recovery vehicles, and you don't see the program developing this year that needs recovery vehicle work, the first thing you do is see if he can work on tank work, and then you shift him over to that one.

That is the significant difference between last year and this year, and in my personal estimate I think we are about six months ahead of where we were last year in our program and being able to see it, execute, order the repair parts, get the repair parts so that they are on hand as the equipment comes in.

And in Army materiel command, we are focused on looking four months out and being able to effect the end item and the repair parts to have them on hand to do the work.

Mr. SAXTON. Thank you.

One final question, Mr. Chairman.

Based on lessons learned from the process that we have been through, looking ahead, what do we need to do different, both in terms of the process here on Capitol Hill and in terms of the process on the depot level?

Are there things that we have learned that we need to try to do differently in order to make it possible for you all to do your job more effectively?

General RADIN. Congressman, the first one that I would tell you is, again, thank you for this year's program, the early funding. It is critical.

And I think the one thing from the Hill is to do the same thing from Congress, and that is the early funding of the programs. You know, if we can get it at the beginning of the fiscal year, we are much more efficient. That is the first one.

From Army Materiel Command's perspective, we have learned a lot of managing these programs this year that we will be able to leverage into the future. We have put in place repair parts program management working with Defense Logistics Agency, which is one of our sources of supplies.

Our item managers that we do within Army Materiel Command and with our contractors and our public-private partnerships—again, this year we are executing programs and we are effecting them four months before the work actually gets done. I cannot say we were doing that last year.

Mr. SAXTON. Thank you.

Thank you, Mr. Chairman.

Mr. ORTIZ. Ms. Castor.

Mr. Cole.

Mr. COLE. Thank you very much, Mr. Chairman.

Just a couple of questions, because I agree very much with my friend from Hawaii about the need, whenever possible, to avoid supplementals and to work through the regular budget process. I think we all think that is more efficient. We do a better job.

But we also recognize war is a pretty uncertain business, and certainly when we began the one that we are involved in now, I don't think anybody envisioned it would go on this long or we would have this force level that we currently have, certainly in Iraq, or that we would go through equipment at the speed that we are.

So without asking you to make a forever judgment, General Anderson, or wherever you would prefer the question be answered, I mean, how possible is it in the state that we are involved in now for us to get to the point where you wouldn't need a supplemental, where you could foresee your needs well enough to anticipate something like a surge, well enough to obviously anticipate a longer stay at a greater level than we ever intended?

General ANDERSON. Yes, sir. Sir, that is a very good question. The reset and the dollars that are required for reset have so many variables. It depends on the type of units that we deploy, whether they are heavy or they are light units.

It depends on the duration that unit is in the theater. It depends on deployment schedules, redeployment schedules. It depends on

battle loss, washouts. There is so many variables. We enjoy the predictability that a base budget provides you. It provides you predictability.

But we will continue to identify requirements. This task force here will continue to project requirements based upon reset and follow the OSD's guidance on those, if that answers your question, sir.

Mr. COLE. It does. It gets at the key problem. I have certainly got Fort Sill in my district. We don't have any procurements or depot-type operations, but I do have Tinker Air Force Base. It is a different service, but a similar problem, in that they have to anticipate surges and aircraft being used in ways they never anticipated it being used. Just a tough thing to do.

I don't know if you can ever fully get to where you could, you know, particularly in a time of conflict, get through it without the ability to adjust someplace along the way. Is that a fair statement?

General ANDERSON. Yes, sir. It is a running estimate and, you know, this surge will have an impact.

Mr. COLE. By the same token, I want to ask Mr. Solis a question, if I may.

You pointed out in your testimony or mentioned in your testimony—you probably need to educate me on this—that until 2007 the Army did not have a system whereby you could adequately track reset dollars and really know where they were going.

What was the problem before then and what have we done since then to address that?

Mr. SOLIS. Well, there wasn't a requirement to do it, first off. In 2007 there was a more specific requirement, as I mentioned in my testimony. I don't know that there was anything technically that prevented the Army from doing it, but there was no requirement to do it.

Mr. COLE. And Congress hadn't asked the Army to do it, had they?

Mr. SOLIS. No, that is correct.

Mr. COLE. As much our failing as the Army's, probably, because we have an oversight—I won't ask you to comment on our failings, but you would be here a lot longer than you need to be.

One last question. Again, I want to go back to a question that was raised earlier: the surge. Because I have read some of the articles, too, that raise questions about whether or not we have the ability to fully equip the units that we are sending in. And, you know, we are certainly doing a certain amount of robbing Peter to pay Paul here that I think makes all of us uncomfortable.

But are you confident that we have the ability to give those units, those young men and women, frankly, everything they need for the mission that we are asking them to do, and do so in a timely fashion?

General ANDERSON. Sir, I will tell you, the number-one priority is to ensure our soldiers that goes into harm's way is equipped with our Nation's best equipment.

We have looked at that equipment. We have identified what equipment they will have. These units will have the up-armored Humvees. That is the gold standard that comes off the assembly line. They will have the situation awareness devices, the counter-IED devices, crew-served weapons.

Every soldier will have body armor just like the soldiers before them. They will get the RFI, that rapid fielding initiative. That is those 50 items, average of 50 items, that each soldier receives. So they are going to be properly equipped, and we are going to meet the requirements.

But we do have one challenge. We have one challenge and we have to get some add-on armor for some medium and heavy tactical wheeled vehicles for them. I am not talking about the Humvees. I am talking about the big cargo-carrying supplies type trucks, and we are working that.

Mr. COLE. I saw that on site. Oshkosh trucks were actually doing that on site for Marines. It was very impressive to see.

General ANDERSON. Yes, sir. And, sir, in our plan right now for the medium tactical fleet is to get the add-on armor kits and put them right there on the assembly line. So by June, we will start delivering new trucks with the add-on armor kits.

So what do they have to do in the interim? In the interim right now, there is about 7,000 heavy and medium tactical wheeled vehicles, the larger trucks, with add-on armor kits in the theater.

Sir, they are going to have to cost level. And you have heard that. They are going to have to cross level to mitigate any shortages they have. But by June, we will start this delivery of these trucks.

Mr. COLE. Just one last question, if I may, Mr. Chairman.

Would we have your assurance, General, and your colleagues', obviously, if for some reason something happened and we were not getting those units what they needed, I would expect, know that from you immediately.

General ANDERSON. Yes, sir.

Mr. COLE. You would come back and tell us that.

General ANDERSON. Yes, sir.

Mr. COLE. Thank you. And I just want to thank you for your service to our country. Thank you very, very much for your wonderful job. Thanks.

Thank you, Mr. Chairman.

Mr. ORTIZ. Ms. Castor.

Ms. CASTOR. Thank you, Mr. Chairman.

And thank you, gentlemen. I am going to ask a couple of questions wrapped into one.

Mr. Solis, in your GAO report, you state, in part, that the Army continues to be faced with increasing levels of operational risk due to low levels of equipment on hand among units preparing for deployment.

I would like you all, the panel, to comment on the particular pressures. Talk equipment, on equipment readiness and types of equipment for our brave men and women around the world that the escalation in Iraq that the president has announced—talk about the pressures on all equipment for our men and women around the world that this escalation is going to aggravate.

Particularly, what is going to be the impact on our forces that are part of the NATO force in Afghanistan and troops under special operations missions?

General ANDERSON. Ma'am, again, our number-one priority is making sure that soldiers deployed have all the equipment they

need. And you are right, you know, units that are preparing to deploy—and after we do the surge, the units that are remaining back are going to have to cross level. We have been cross leveling for several years now.

But with you all's funding, the funding that you all provided us, that Congress has provided us, we have improved our equipping position.

Units that are in Afghanistan, units that are in Iraq, that are in harm's way have all had the equipment they need, the force protection equipment they need. They had the night vision capability, the body armor, the up-armored Humvees, all that equipment they need.

The units that are surging, we have been equipping those units for some time now. They will deploy with the equipment like units before them did. We will ensure that they have all the equipment they need. And if they don't, we will report back to this Congress the shortage that they have.

But right now, we are going to meet their requirements. And again, as I was mentioning with the heavy and medium fleets, those add-on armor kits, that is the only challenge we are having right now, and we are rectifying that.

Ms. CASTOR. Well, with all due respect, General, please be more specific. I mean, I hear what you are saying, that the troops in the field are going to have everything they need, but we have also heard from folks like General Schoomaker who say, you know, this is a strategic risk, by surging in Iraq and escalating in Iraq, it puts pressures on the troops around the world, and readiness and troops in Afghanistan.

And talk to me about, specifically, what will be lacking, how will our readiness suffer. What other equipment will other troops be going without because of the escalation?

General ANDERSON. Troops going to war, ma'am, will have all the equipment that they need. It is the units that are back here in the training base, the units that are training, they are the ones that will have the holes. And the way we mitigate those holes is through several methods.

One is new production. The items are coming off the assembly line.

The second part is equipment maneuver. And for example, a unit deploys to either Iraq or Afghanistan, will draw up-armored Humvees. They will leave equipment in their motor pool or back at their home station that they are not going to take with them, especially those light-skinned vehicles. Those vehicles, those soft-skinned vehicles, we will maneuver that equipment around to fill the holes of other units.

Ms. CASTOR. And is that it, the vehicles? Can you be more specific?

General ANDERSON. Well, the vehicles, ma'am, is the primary shortages that we have. That is the shortage that we wrestle with back here.

Ms. CASTOR. And you have mentioned training of troops that are not deployed. What are the particular pressures there? What type of equipment?

General ANDERSON. The shortage that we normally have are the tactical wheeled vehicles. There are some shortages that we will have with night vision capability and some thermal weapons sights. Those are night vision capability that we send forward to the war fight.

Ms. CASTOR. Do the other panelists have a comment?

Mr. SOLIS. One thing I would offer is that, when you look at the readiness reporting, certainly the nondeployed units are reporting very low levels of readiness for on-hand equipment.

The deploying units, it gets a little bit more trickier, because they also have what they are measured against in terms of their direct admission. That appears to be all at very high levels of readiness, but that is a subjective rating, so we don't have a clear understanding of how necessarily that rating is achieved.

Going beyond that gets into the classified arena, and I would prefer not to discuss that at this time.

Mr. ORTIZ. Mr. Sestak.

Mr. SESTAK. Thank you for the time.

General, you had mentioned earlier that your number-one concern is making sure that our men and women going into harm's way are well-prepared, and I am sure that your concern is equally those that are having to be prepared to go somewhere, much like we had to for this war, or Afghanistan.

Could you tell me, if you take all the existing brigade combat teams we have, and if you were to equip and man them equally, what percentage would they be manned at and equipped at?

General ANDERSON. Well, sir, I am going to have to take that for the record or bring it back to you in a classified setting.

Mr. SESTAK. Would you be able to answer the question here, if you were able to equip and fully man all equipment and all brigade combat teams at 100 percent, how many brigade combat teams would be prepared at 100 percent out of the ones you have today?

General ANDERSON. Well, that is equipped at 100 percent all the brigade combat units?

Mr. SESTAK. Yes, sir. If you were to take all your brigade combat teams and say I am going to go one by one by one and equip and man them all at 100 percent and man at 100 percent, how many of those would you be able to do that to?

General ANDERSON. Sir, I would have to take that for the record.

[The information referred to can be found in the Appendix beginning on page 80.]

Mr. SESTAK. In your testimony, you mentioned the APS and that you have used APS, Army prepositioning stocks, as you know better than I do, you used all five of them for Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF).

But you also say that you have now reset them for modular design and that you have also now begun to reuse them again in order to have that equipment available for rapidly deploying troops.

What is the impact on our overall readiness because of the APS squadrons from Korea across to Kuwait, APS–5, –3? What is the impact on our overall readiness and to be able to rapidly respond to a contingency?

Because in your testimony you say that is why we have these APS squadrons, to rapidly respond to future contingencies.

General ANDERSON. Yes, sir. Sir, we are very proud of our APS strategy.

Mr. SESTAK. You should be. But what is the readiness impact?

General ANDERSON. Yes, sir. It is maintained at a high level of readiness. As you just mentioned, we have transformed those to a modular design that, really, has given us the capability to use them effectively——

Mr. SESTAK. Well, I understand that. What is the impact upon our readiness of the equipment now being used for our troops in Iraq?

General ANDERSON. Sir, that discussion would have to be conducted in a closed session.

Mr. SESTAK. Is it an impact?

General ANDERSON. Well, again, that would have to be discussed in a closed session.

Mr. SESTAK. One last question. Is it true to say that there is a new bill that still hasn't been brought forward by the Army, in the sense that we actually have had an impact shortening the useful service life of our equipment, even those that we reset?

You know, an airframe only has so long to fly in its life. And you may reset that airframe, but is that a new pending bill that has yet to be brought forward or even figured out, particularly as you wait for FCS and other systems to come online 20-some years from now?

General ANDERSON. Sir, I don't anticipate a new bill for the extended service life of equipment.

Mr. SESTAK. You have extended the useful service lives of this equipment?

General ANDERSON. Well, recapitalization——

Mr. SESTAK. Does that.

General ANDERSON. Yes, sir.

Mr. SESTAK. In all three categories: repair, replace——

General ANDERSON. Recapitalization, sir.

Mr. SESTAK. So you have brought back an airframe and kind of zeroed it back so that, for every unit that goes to recapitalization, your useful service life is being zeroed.

So if the Chinook was produced by Boeing and it had 25 years, and you brought it back and reset it, every piece, its useful service life is reset to zero. That is quite a feat.

General RADIN. Congressman, I think——

Mr. SESTAK. Do you know what I am asking?

General RADIN. I think I do. And I think in some respects we are tripping over terms here.

On the ones that we are doing the recapitalization, recapitalization programs—and the two that I can think off the top of my head, around three—M–1 set tanks, M–1 aim tanks, Bradley A3 versions for the recapped Humvees, those ones—those are being brought back to zero miles, zero hours. So the answer is, yes, we are bringing them back to like new condition.

For the aviation STIR program that you are talking about, the Special Technical Inspection and Repair program, we are not bring-

ing those airframes back to zero miles, zero hours, or, you know, zero blade hours. We are not.

Mr. SESTAK. So that is another bill that still has to be figured out in order to have the gap between their useful service life being more rapidly used, because you are flying them, as you said, much more rapidly, and the gap between bringing on your new future systems. I mean, it just makes sense.

General RADIN. I am sorry, I can't answer that one from the aspect of the procurement or the replacement of the equipment. I can tell it from the maintenance level that we are doing on that one.

I don't know, Tom, if you——

Mr. SESTAK. All right.

If you didn't mind, Mr. Chairman, if I could, if it was possible to get a classified brief, if that is what takes, for my first two questions, I would appreciate it.

And if I could, I was just curious about this bill because, you know, as we do the $10 billion per year for the 92,000 more troops, you know, $13 billion from the Army alone plus $5 billion from the Marines every year for reset, plus $6 billion for military construction, plus soon to be $14 billion per month for the war in Iraq as we get the new $100 billion from OMB in a week or two, and reset being done at $13 billion a year, I just wanted to know if this tragic misadventure in Iraq was going to cost us any other bills as useful service life was being taken care of.

And the question that I think she asked, the real question, is it is not just Iraq. What is the real impact upon our overall strategic readiness for an Army that for so many years prided itself on being able to rapidly respond with APS and other units to new types of developing contingencies? That is the real tragedy of Iraq on our readiness.

Thank you.

Mr. ORTIZ. Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

And first, I am going to offer an apology. As I was standing over there reading something else, I heard one of you gentlemen describe the up-armored Humvee as the gold standard. I would have to disagree with you.

I appreciate that the up-armored Humvee is a substantially safer vehicle than a Humvee with canvas sides. But a disproportionately high number of American casualties are taking place in Humvees. And worse yet, the enemy has discovered the vulnerability of a Humvee to a land mine.

And just as they discovered the vulnerability of a canvas-side Humvee, I am sure that our enemies all around the world now via Internet know that the way to kill young Americans is to have a charge underneath that vehicle, the bottom of that vehicle—and this is coming straight from Lieutenant General Blum—actually acts to shape the charge to direct all of the energy into the cab, which is why drivers are killed, why gunners are thrown 20 yards, 30 yards. Sometimes they are lucky enough to live.

With that in mind, what are you gentlemen doing to work toward a new generation of vehicles with something like a V-shaped bottom? I have had a briefing from the Marine Corps—because again,

I don't say this happily, but I saw the Pentagon dragging its feet to get to up-armor.

We know we have a vulnerability. Our enemies know we have a vulnerability. So what are you gentlemen doing to get us into a new generation of vehicles that are less vulnerable to passing over a land mind or an IED that is placed under the road as opposed to on the side of the vehicle?

General ANDERSON. Yes, sir. Sir, my apology. The gold standard was just to differentiate between the——

Mr. TAYLOR. I understand.

General ANDERSON [continuing]. Humvee coming off the assembly line and the level two, the add-on armor. We know we have stretched that Humvee to its limits.

Simultaneously, we have been working with the Marine Corps. We are walking side by side with the Marine Corps on the MRAP, the mine-resistant ambush protection. You know, the Marine Corps is going to be purchasing up to about—the Navy is buying up to about 4,000 vehicles. We have got an option to buy up to about 2,500 of these vehicles.

And testing is going on in the next month to pick that best——

Mr. TAYLOR. Okay. General, if I could——

General ANDERSON. Yes, sir.

Mr. TAYLOR [continuing]. Off the top of my head, there will be 20,000 Humvees in Iraq.

General ANDERSON. Yes, sir.

Mr. TAYLOR. Even if you bought the 2,500 by the 1st of next year, that still leaves nine-tenths of them vulnerable. And we went through this with up-armor.

It took entirely too long. I don't know how many funerals all of us went to that could have been prevented——

General ANDERSON. Yes, sir.

Mr. TAYLOR [continuing]. Had we addressed that threat sooner. Now, I don't know if it had something to do with the previous secretary of defense being in denial about what was happening in Iraq, but I hope the rest of us aren't in denial that this is where the majority of American kids are getting killed.

So I was pleased to hear that the Marines have hopefully a crash program to have about 4,000 vehicles in inventory by the 1st of next year.

General ANDERSON. Yes, sir.

Mr. TAYLOR. What is the Army doing?

General ANDERSON. Sir, we are having—in the near term is to have up to 2,500. We are starting to deliver by this summer.

Simultaneously, you know the JLTV, the joint light tactical vehicle, it is projected to be out to 2012. We think that is unacceptable. We are working with the Marine Corps to bring that technology back.

As we are producing MRAPs and we are sending MRAPs to the theater to augment the current Humvee fleet, we want to accelerate JLTV to the rear, accelerate that technology. And if we see one of the vehicles we like, we want to fill that. We want to get it to our soldiers.

We join you in those concerns with the up-armored Humvee and the attacks they are taking, and we want to get the best equipment to our soldiers.

Mr. TAYLOR. General, in the past couple weeks, I have had the Navy come to me with screw-ups on the Littoral Combat Ship (LCS), the Coast Guard come to me with screw-ups on the stretching of the 110 and the national cutter.

Do you not have the tools to hold industry accountable? Is there something that Congress needs to be doing differently on the contractual side, on the legislative side, that would give folks like you that we delegate this responsibility to and give the dollars to—but you have actually got to make the purchase. Do you need some additional tools to hold them accountable?

Because what is going on is unacceptable, and it seems to be across the board, in more programs than not. And I am asking this and offering that we want to help. And if it takes a legislative fix, I would like to know what you need to make this happen.

General ANDERSON. Yes, sir.

Mr. MULLINS. Sir, I think I need to answer that for us. And the answer is, of course, we continuously evaluate the tools we have to enforce the contingencies in the requirements in the contracts we have with industry and the industrial base.

We believe we have the right tools today to enforce the contracts, to get the development that we need in the process right now today. We think we are exercising that in the Army programs that we are developing, and we believe that on the whole we do well.

When we find a problem, we attempt to correct it immediately.

Mr. TAYLOR. Thank you.

General, going back to the MRAP——

General ANDERSON. Yes, sir.

Mr. TAYLOR [continuing]. When you said 2,500, that is obviously one out of 10. So my question to you is are you deciding to replace one out of 10 because of a lack of funding, because of a lack of industrial base? Why have you set a goal of only 10 percent of the force over there?

General ANDERSON. Well, sir, that is just the initial buy. When we see a——

Mr. TAYLOR. Okay. Again, but why did you pick that number? Do you need more money from Congress? Is it something that is within the Pentagon? Why did you pick 10 percent?

General ANDERSON. Sir, that was part of a joint operational needs statement that came from the theater identifying what they would need, and the number 2,500 was what they sent forward.

Mr. TAYLOR [continuing]. That happen?

General ANDERSON. Sir, we had to reprogram $70 million. We reprogrammed $70 million and we can execute.

Mr. TAYLOR. You can purchase 2,500 for $70 million.

General ANDERSON. No, sir, we had to reprogram to get started.

Mr. TAYLOR. Are you anticipating funds being in the next supplemental for this purpose?

General ANDERSON. Yes, sir.

Mr. TAYLOR. You have made that request?

General ANDERSON. Yes, sir.

Mr. TAYLOR. And the dollar amount was?

Mr. MULLINS. It is approximately $500 million for the first installment, and then, of course, we expect to have to program funds in the future to continue to buy that system or some other system.

The initial requirement is to get an initial—we assess whether we want to buy this vehicle we are buying under rapid conditions, or do we want to buy something else in a more timely manner as we move forward in that development of the next system and purchase of the next system that we have.

And, of course, there is a continual request for funds to do that until we reach our goal.

Mr. TAYLOR. Okay. Mr. Mullins, I am making a request of you for the dollar amount that it would cost to replace every Humvee in theater with an MRAP-type vehicle.

Mr. MULLINS. I will provide that for the record, sir.

[The information referred to can be found in the Appendix beginning on page 79.]

Mr. TAYLOR. And I would like that within the next 10 days. Is that fair?

Mr. MULLINS. That is fair, sir.

Mr. TAYLOR. Okay.

Thank you, Mr. Chairman.

Mr. ORTIZ. Ms. Shea-Porter.

Ms. SHEA-PORTER. Thank you, Mr. Chairman.

I have several questions, please. The first one is that I heard yesterday that the National Guard is receiving training before they are deployed, but they are also having to wait until they are actually in theater for additional training.

And I just wanted to ask Mr. Solis, is that your understanding, and are we putting National Guard troops at risk by not having them completely trained on new equipment before they are deployed?

Mr. SOLIS. I am not familiar with that, so I can't answer that specifically. But my understanding is that there are equipment shortages that the Guard is still experiencing.

And from some of the other experiences I have, if you are not familiar or don't have the equipment to train on here—for example, up-armored Humvees—back at home station, and you start driving those in the desert, I mean, they just have completely different handling characteristics, so it does create problems.

Ms. SHEA-PORTER. All right. Thank you.

I am also curious about who is deciding, General Anderson or anybody on the panel, actually, who is deciding if equipment cannot be repaired? Is that decision being made by the industry? Is it being made by contract employees? Or is it being made by military personnel at the depots?

General ANDERSON. General Radin will answer that, ma'am.

General RADIN. Ma'am, there are qualified inspectors. In many cases, they are depot employees that are forward. Army Materiel Command has people in Iraq and Kuwait.

But as that equipment is retrograded, every one of them is first inspected by the unit. The unit maintenance personnel make a condition coding on it. That is then verified by a qualified inspector, a depot-level employee, and they say yes or it doesn't, off of a check sheet.

And then it is retrograded from the theater if it can be repaired. If it can't be repaired, it is disposed of in theater. There are some exceptions, like tanks that we don't dispose of in theater regardless of them. We retrograde them back and dispose of them back here in the United States.

The goal is to dispose of as much in theater as we possibly can. It makes no sense to bring it back here if we can dispose of it in theater. But there are certain ones that we will retrograde back because of information that you can get from the equipment.

Ma'am, does that answer your question?

Ms. SHEA-PORTER. Well, almost. What I am trying to ask you is, is industry actually there making a decision with the military at the depot?

General RADIN. No, ma'am. That is an inherent governmental function that we do.

Ms. SHEA-PORTER. Okay.

General RADIN. So, no. There is equipment, though, that we repair through contractors, and a good example of this is all our engineer equipment. The vast majority of that is repaired by the OEM, the original equipment manufacturer.

So if it is a bulldozer that is going to be reset, it is handed to Caterpillar. Caterpillar will reset it. If Caterpillar says that it is uneconomical to repair it or they can't repair it, they come back to us and say. Then it becomes a washout. So in those respects, yes, industry is involved in it also.

Ms. SHEA-PORTER. I guess what I am asking, more specifically, is, is there a chance that some equipment is being disposed of that could be refitted and fixed? And is there any way that we can account for that? Is there an oversight to make sure that we are getting the biggest bang for the buck and we are not trashing equipment?

General RADIN. Ma'am, I will give you a good example of partnerships that we do. We just learned recently of a capability that Caterpillar is doing on being able to recover engines that are damaged that we would have washed out.

And we are partnering with Caterpillar to develop an ability to recover those engine blocks and reuse them beyond what we would have done in the Army.

So we are constantly out looking at what industry—and my commander, General Griffin, has a very active program going out and meeting with industry, seeing what they are doing and seeing what we can bring in-house into the depot systems.

Ms. SHEA-PORTER. Okay, thank you.

Also, there is equipment being left right now in Iraq. I realize it is being disposed of. And I wanted to ask you what the process was, and is there any chance any of this equipment is being taken by the enemy and being repaired? Or what is the method of disposal in theater?

General RADIN. Ma'am, a good example, let me tell you something as simple as tires, unserviceable tires. Unserviceable tires are turned into the Defense Marketing and Reutilization Service, which is run by Defense Logistics Agency.

Defense Logistics Agency will then sell the equipment to approved vendors to buy them. I know in my time in Kuwait, the

year that I was there, we had 400,000 tires that had built up, and we had sold them to contractors, and contractors would take them and turn them into asphalt, to physically repair the tires, and they were using them all over the world.

But the equipment is transferred from the Army account to Defense Logistics Agency account under the Defense Marketing and Reutilization Service, and then they do their rules to dispose of the actual equipment.

Ms. SHEA-PORTER. Okay. So it could be getting sold to contractors.

General RADIN. It could be being sold to contractors, yes, ma'am. If it is military equipment, frequently there is a demilitarization standard that has to be applied to it before it can be sold.

So in terms of some of the military vehicles, they literally get cut up with torches into chunks, and it is just sold as scrap metal. And I have seen them take trucks in my year that I was over there and just cut them up into pieces this big and, you know, five-ton trucks into pieces of scrap metal this big and sold as scrap.

Ms. SHEA-PORTER. So you have had absolutely no evidence that anything that we have brought over has ultimately been used against our troops. Is that—

General RADIN. Ma'am, I have no evidence of that. That has never come to my attention. I was in theater all of 2004, 2003 and 2004 in Kuwait. I was not aware of anything. We are very cognizant of that fact, and that is why we were so adamant and why some of this equipment came back to the United States to be disposed of, like the tanks and things like that.

Ms. SHEA-PORTER. And my last question—and thank you for your answer—is, I am wondering if industry is aware of what our needs as a nation are going to be and how far out—and the slow response for revamping and providing the equipment that we need.

And I just want you to address that for a moment. I know during World War II all of industry was ramped up and seemed very productive very quickly and were able to put new technology into place.

And it seems like there is a real drag in time between the time that you assess what the needs are and the time that we finally get some kind of vehicle or whatever we require in the field.

So how much time are you giving industry? Are you looking at what our needs are going to be—for example, we talked about, first, they didn't have the Humvees that were upgraded, and now we are talking about Humvees actually being very vulnerable and waiting for the next technological advance.

How much time are we giving defense? And what kinds of ways are we holding them to that schedule?

Mr. MULLINS. I don't know—the answer is we have a very good relationship with industry in that manner, and in some cases industry actually leads us.

We take a look at the commercial products, and those products are available, and we apply them almost immediately. It is a matter of a few months from when we identify a requirement for something to where we are putting it into people's hands. Those typically are smaller things that are easy to manufacture or they are things that don't have critical periods of time.

There are other things that simply take time to manufacture and develop. But we are having a good result. A good example is the thing we discussed earlier with the Humvees.

I don't want to go beat that one to death, but with the MRAP program, we have a rapid program with the Marine Corps where we are looking at trying to get an immediate response for something we can put out in a few months.

Then we have also behind that a more deliberate program looking at meeting fully our long-term requirement inside that, and then trying to coincide those two programs so that we provide the best available thing for the money that is available to our soldiers over time.

So that is the process that we try to use. The smaller things we have, many of the things, if you look at some of the things like the little robots that we use to go into places and look for IEDs in the places, those things, from the time we became aware of a requirement or an ability to use them to do that until we put them into service were literally a matter of months before we were able to begin equipping the soldiers and be able to equip the theater in those things, and many of it in less than a year—to other things where they take time to manufacture and process, and then some of those have taken years.

Ms. SHEA-PORTER. Well, I guess I share Congressman Taylor's anguish about the process and how long it has been taking. But thank you.

Mr. SOLIS. I would only add, if I may, we have done some work in the past where we have looked at when requirements come in and the funding that is laid against it as well as the industrial base and the distribution of that, and at least early on there were some issues in terms of when that requirement would come and when the funding would be laid against it to when the industrial base could gear up to that, and then the distribution.

So there are a lot of different pieces of that pie in terms of looking at what is holding things up in terms of getting things out to the field.

Mr. ORTIZ. Ms. Boyda.

Mrs. BOYDA. Nancy Boyda from the 2nd District of Kansas. And I have the privilege and honor of representing Fort Leavenworth and Fort Riley, so this is a big deal.

During the campaign, I got an unexpected amount of support, especially out of Leavenworth County—where it is a great place, by the way, to retire. Beautiful scenery, you know, a wonderful fort there, and a great tradition.

So unexpectedly, all this support comes out of the woodwork. I never asked what anybody's party was, and it wasn't a group. It was all individuals saying, "What can I do to help you?" And I finally said what is going on here.

And the message was that—these are generals, colonels—that we have spent our entire lives building this military, and we treasure it, and we love it, and we are worried about it.

And so, with that in mind, that is a lot of the reason that I actually got here, from people who are deeply concerned that we are getting ourselves to a point where we are not going to be able to respond strategically.

This committee approved $17 billion for the reset. And it is my understanding that about half of that has already been allocated and used. Is that going to be enough? Are we going to be able to get our equipment back with that amount of money, the $17.1 billion? Where do we stand with that?

General ANDERSON. Yes, ma'am. The $17.1 billion that the Congress provided for us for reset, we will execute that this year. And we are not coming back this year asking for more money for reset.

What comes out of that force is equipment serviceability improves and slight improvement in equipment on hand. But the focus of the $17.1 billion is going to increase our equipment serviceability.

I am going to pass this to General Boles to talk about equipment serviceability.

General BOLES. Ma'am, the biggest thing it does, when we reset, we are resetting equipment we have. A small amount of the money goes, as General Anderson talked about, for acquisition and procurement.

But the large majority of it is targeted on either recapping or repairing equipment that is redeploying back from our forces and giving us that capability. And that really is where our key focus is, on doing that.

Mrs. BOYDA. Is the $17 billion going to be adequate? Do you anticipate coming back next year and putting another reset amount in there? Do you have any idea what you expect that to be perhaps?

General BOLES. Yes, ma'am. General Schoomaker, in his testimony for reset, stated that he viewed the bill as $17.1 billion in 2007 and $13 billion, I think $13.1 billion, in the years after that, every year after that, to include 2 years to 3 years after hostilities are over, as Mr. Abercrombie said before.

Mrs. BOYDA. Do you have the information, again, from Kansas, do you know what percentage of our equipment is in Iraq right now? And generally, when can we expect that back, or should we expect it back? What do I tell my people back home? That is a question I get quite frequently, as you can imagine.

General ANDERSON. Ma'am, I can't answer specifically in Kansas. But let me try to answer that from the Guard perspective. As you well know, before the conflict started, the Army National Guard on the average had 60 percent of their equipment on hand.

The equipment they had on hand, a lot of it was older, cascaded equipment. That was the conditions that we lived in. The budgets were less, so when we had older equipment, we would pass it to the Guard because the Guard was a strategic reserve at that time.

But today, they are an operational reserve. They go to war. They rotate in cycles with the active component. But from an equipping perspective, the Guard is being equipped at an unprecedented rate right now. And that is because of the funding that Congress has provided.

Just three areas I would like to share with you. Night vision goggles I was talking about just a couple minutes ago. In 2006, the Guard received over 8,600 night vision goggles. In 2007 they are going to receive 12,000. In 2006, they received 20,000 radios. In this year, we are going to almost double it with 38,000.

If this was 2009, 2008, the older radios, the older night vision goggles would have been cascaded to the Guard. But the Guard is getting state-of-the-art, modernized equipment.

Just recently, we had an Army equipping reuse conference, and we put the distribution plans in for $10 billion of equipment for the Guard. And what that bought the Guard was 180 tanks, 505 Bradleys—these are modernized tanks and Bradleys—38,000 night vision goggles, 34,000 M4s, and 17,000 trucks. And this is significant.

Mr. SOLIS. Congresswoman, if I could offer another perspective, as was mentioned, the $17 billion will cover what is coming back from Iraq in terms of resetting that equipment.

There is a larger bill out there in terms of looking at what is—in terms of equipment readiness and equipment on hand that is a systemic problem throughout the Army today. And those dollars don't necessarily cover that.

And I go back to what I was saying before. It has to look at what is the outcome you want to achieve with not only these dollars but the dollars that are in the baseline budget. What is that going to do to overall equipping? What is that going to do to overall serviceability? How is that going to improve readiness over time?

And I think that is the metric, or something close to that, because otherwise I think we are going to have these hearings where you are wondering why your money is going out and we still have shortages.

And so I think over time there needs to be some understanding of what those metrics are and what the measures are so there is not a disconnect between your discussions with the Army on where you are at.

Mrs. BOYDA. Thank you. What would you expect that additional amount to be, then?

Mr. SOLIS. I can't give you an exact figure. I have heard varying numbers. When the Army went into the war, you know, they were short $56 billion in the equipment accounts. But that is an anecdotal number. I don't know if that is the right number or not. But it was a rather large number.

And as I mentioned, too, you have APS stocks that are going to have to be refilled. The theater-provided equipment which doesn't come out of Iraq—once the hostilities are over, I mean, you are going to have to look at that equipment and whether or not that is going to be usable.

So there is a lot of potential bills out there. But again, I think the key question ought to be is where do you want to be in terms of that investment and what is that going to buy in terms of readiness.

Mrs. BOYDA. Let me just say two things real quickly, if I may. May I?

With Fort Riley, we are sending our guys over without the equipment to train them on. And that is something that I hear over and over again. We have got to make sure that we have got the equipment there at the fort and get that done.

The second thing is, too, as we go into the broader argument of are we going to escalate this war or not, people really want to know what are we going to be left with. How are we going to respond to a strategic—any kind of a strategic need?

And so looking at the entire picture, the nice thing is at this point that the military—and this is good for Kansas. The military is held in such high regard. I just want to make sure that that stays that way and that there is a real clean understanding of what we are getting ourselves into, and the military keeps its, as my mother would say, keeps its nose clean in that regard.

So let us know what it is that the whole story is, and we will work with you on that. Thank you.

Mr. ORTIZ. We are going to have a series of votes in the next 5 minutes, but you mentioned that the $17.1 billion would be sufficient for this year, that there might not be a need for you to come back.

But I think that this figure, the $17.1 billion, was before the surge. Am I correct?

General ANDERSON. Yes, sir.

Mr. ORTIZ. Now we are going to have 21,500 troops going into Iraq, plus somebody estimated that maybe 400 Humvees for every brigade that would be going to Iraq. So do you think we can still hold the line for the $17.1 billion even though we are having this surge?

General ANDERSON. Sir, when we started doing our assessment, the reset task force looked at that, and we believe that it will have a slight impact on $17.1, but we are not going to come back and ask for more money.

We think the impact will be in 2008, because you will have units that are extending. You could have some equipment that would go into 2008. So the requirement in 2008—we are anticipating that might go up.

Mr. ORTIZ. Will there be a carryover of work? And if so, how much carryover will there be?

General RADIN. Yes, sir. Right now we are looking at carryover. Right now we think it is going to be below the threshold that has been established for carryover. The leadership of Army Materiel Command is constantly working on pulling programs to the left.

My deputy commanding general, Lieutenant General Mortensen, is out today with a team visiting depots, and the effort is going to be pulling the work to the left. But our initial assessment on carryover is that we are not going to see the threshold on it right now, Chairman.

Mr. ORTIZ. Thank you. We are going to have a series of votes. Mr. Chairman.

Mr. ABERCROMBIE. We are going to come back. I regret this, that we have to go and vote on resolutions of absolutely no consequence whatsoever. Unfortunately, the change in the majority hasn't meant that we don't do the same stupid things.

I don't want to surprise you. Are you familiar, General Anderson, and are you familiar, Mr. Solis, with the Department of Defense Office of Inspector General report of the 25th?

General ANDERSON. Yes, sir.

Mr. ABERCROMBIE. Have you had a chance to look through it?

General ANDERSON. Sir, I looked at the executive summary.

Mr. ABERCROMBIE. Okay. Do you have it with you?

General ANDERSON. No, sir.

Mr. ABERCROMBIE. We can get you a copy, because I don't want to throw any surprises. I want to cite it in the context of some questions and observations to you——

General ANDERSON. Yes, sir.

Mr. ABERCROMBIE [continuing]. When we get back, okay?

General ANDERSON. Yes, sir.

Mr. ABERCROMBIE. I have a copy of the executive summary here——

General ANDERSON. Yes, sir.

Mr. ABERCROMBIE [continuing]. And I will have it provided for you, all right? Is that okay?

General ANDERSON. Yes, sir.

Mr. ABERCROMBIE. Thank you.

Mr. ORTIZ. The committee is going to recess until we finish voting, which will take about 20 minutes, 25 minutes, and then we will come back, and several of the members have other questions to ask.

So just bear with us for a few moments. Thank you so much.

[Recess.]

Mr. ORTIZ. This hearing will come to order.

There was a page, page 5 of the statement, which says that to overcome the equipment challenges facing the Army, we have moved rapidly to restore better losses and repair equipment through an aggressive reset program, despite entering the war with at least $56 billion equipment shortfall.

I was just wondering how did somebody come up to that figure of $56 billion shortfall.

General ANDERSON. Mr. Chairman, the $56 billion shortfall were the holes that we had before the conflict started. These holes range from radios, trucks, weapons.

And then we looked at the equipment that we needed for Iraq, what were the shortfalls that we had before fighting this war. And those were things like up-armored Humvees, our route clearance equipment, our counter-IED devices.

So those were the holes that we had before we started this conflict.

Mr. ORTIZ. You know, this is very, very serious when we talk about equipment and the things that the Army troops need, because we want to be sure that when they go into harm's way that they have, you know, what they need, not only armored equipment but vehicles and tanks and stuff where they need to move around.

But, Mr. Solis, do you have any thoughts on the questions that I asked about the $56 billion?

Mr. SOLIS. As I said before, it is a number that has been tossed around. I don't have any basis to say whether that is a good number or a bad number. But the Army has consistently mentioned that number throughout in terms of its shortage of dollars for equipment.

Mr. ORTIZ. Thank you, sir. It looks like we are going to be disrupted most of the day today. We seem to have another vote. But we have another 5 minutes to 10 minutes.

And, Chairman Abercrombie, do you have a question?

Mr. ABERCROMBIE. What is the vote?

Thank you for your patience. We are grateful. Have you had a chance to take a look at the executive summary? Everybody? Good.

In the context of the recommendations—and when you look at the results, talking about mission essential equipment list and so on, a tracking system there, does the inspector general, in referring to the tracking system, is that a tracking system just in terms of the logistics? Or does it mean a tracking system in terms of following the money, or does it mean both? Because it then refers to four steps within the process.

General ANDERSON. Sir, thank you again for letting us look at the executive summary. We looked at it——

Mr. ABERCROMBIE. Understand, I am not trying to trick you or any of those kinds of things.

General ANDERSON. Oh, I understand.

Mr. ABERCROMBIE. That doesn't do us all any good.

General ANDERSON. Yes, sir.

Mr. ABERCROMBIE. That is not what this is about.

General ANDERSON. Sir, I really don't know. Not having the rest of the report to see what tracking system they are talking about, it would be very difficult.

Mr. ABERCROMBIE. Okay. Well, then let me rephrase it for myself and say what I would like to see it mean, tracking system.

And perhaps, Mr. Solis and Mr. Mullins, you can think about commenting.

There are two elements here, as far as I am concerned, in trying to figure out what the right thing to do vis-a-vis this next budget proposal authorization and dealing with the supplemental proposal that is going to be before us in a way that advances the interests of the Army.

First, we have to be able to follow it in terms of an accurate financial system. You know, tracking that way, tracking the finances, tracking the expenditures from all of these various budgets which come at different times.

Parenthetically, one of the difficulties of having this supplemental budget process is that it tends to come way after—in fact, your testimony speaks to this, in effect—is that it is one thing to propose a supplemental budget to the regular budget cycle process, but it gets proposed at some time down the line.

It gets dealt with some time down the line. And it gets implemented some time down the line. So it tends to distort, then, manufacturing times, delivery times, et cetera. Would you agree?

General ANDERSON. Yes, sir.

Mr. ABERCROMBIE. So the tracking, then, that I am talking about is by definition a difficult process or a multilayered process. So that is the one thing. We have to track it financially.

Then the other thing is tracking the actual implementation of the budget and the actual delivery. For example, you mentioned, General, that you are looking at, if I have this right, 1,500 units with the 2.5-ton to 5-ton trucks for a June completion date.

Now, I assume that they are not going to just do 1,500 at once and they appear in June. There is some kind of a monthly delivery system. But is it to be completed by June, for example? Or is that when it is to—or it is in the middle of it? Then when does it get delivered?

This was in the context of trying to answer a question started by Mr. Cole and followed up by others about how many vehicles of this kind and others were going to be needed in theater in conjunction with this surge.

So it is not too difficult for me to see the difficulties you would be facing, the challenge you would be facing, in trying to make good in all of this fiscally as well as logistically.

General ANDERSON. Yes, sir. In the tracking system I believe you are referring to—is when an organization needs equipment, there is a—let's say an organization gets a change of mission or they get to theater, they do their reconnaissance before they go, and they come back and they say we are going to need an adjustment to our equipment.

That is called an operational needs statement. And in fact, we have an automated tracking system that we implemented in October of 2006 that tracks those requests in an expeditious manner so they are——

Mr. ABERCROMBIE. That is good, so you should be able to give it to us, then, for this 2008 cycle in the context of this surge and continuing operations.

General ANDERSON. Well, these are for specific items of equipment——

Mr. ABERCROMBIE. Okay.

General ANDERSON [continuing]. That unit commanders need above and beyond the mission essential equipment list that is required for their mission. There is not a budget——

Mr. ABERCROMBIE. Do you know whether the inspector general is taking that system, October 2006 system, into account?

General ANDERSON. See, I am not sure, sir. When I look at the executive summary, I am not sure of the timing. I don't know if it was before the automated system or after. I would assume it is probably before.

Mr. ABERCROMBIE. Excuse me. I am sorry, I have got two things going on here.

I am going to continue on, then.

Mr. ORTIZ. We are going to remain, and I think our constituents understand that what we are going through is very, very important—not that this vote is not, but I think we are going to stay here and go through the testimony.

Mr. ABERCROMBIE. Okay, go ahead.

General ANDERSON. And, sir, when I look at the executive summary, I really can't give you the analysis on what tracking system they are talking about until I read the full report.

Mr. ABERCROMBIE. Okay. Well, then, as I say, let's use what I am talking about, then, that that is what I mean by tracking. And I am guessing that it is somewhere along those lines.

How do we do it, the fiscal, because we have got to make a recommendation. We are trying to work with the appropriators to try and do the right thing here. And we want to do it in such a manner as to minimize the requirements to come to us later and say, Jesus, you know, this is what we need to have now, and we couldn't anticipate it, and we need more funds.

Mr. MULLINS. Well, let me try to address I think what you are referring to—two things here. One is we do have a system that

tracks funds as they are appropriated to ensure that they get executed as appropriated.

Mr. ABERCROMBIE. That is right.

Mr. MULLINS. But I don't think that is the question you are asking.

Mr. ABERCROMBIE. Encumbering the money is not my question.

Mr. MULLINS. As I say, I don't think that is the question you are asking, did we get funds appropriated, did we spend them for what they were appropriated.

Mr. ABERCROMBIE. Did we get, then, delivery——

Mr. MULLINS. Right.

Mr. ABERCROMBIE [continuing]. In a meaningful way for the mission that is being required of the troops?

Mr. MULLINS. Right. And we have a way, we think, that does that, particularly—and as Congress has shown greater interest, we have shown greater interest in it, of course.

Now, on the other hand, I think the other question you are asking is how do I forecast the requirements for that. We have a process where we attempt to take a look at the forces we are going to use, the forces that are going to affect—for the equipment.

General Anderson and I co-chair the group that tries to look at—given the missions that we are told the Army is going to execute and what equipment will they need, and it is new equipment to fulfill that mission over time, and then given the budget that we have, how can we procure those systems.

And we use pretty much the same system as we look at the normal course of action business and the base budget and as we have looked at what has traditionally been put in the supplementals. As long as we can forecast the actions, then I think that we do a pretty good job of determining what the Army's requirements are going to be.

It is when we have to deal with an unforecasted action or we have to react that we begin to have those other problems.

Mr. ABERCROMBIE. Well, let me ask you, then, Mr. Mullins, has the administration—look, I am opposed to this surge, but that is a political question. Believe me, the last thing I want is the Army involved in making political statements or commenting on political activity.

But has the administration, then, taken into account what it is proposing? Because we haven't finished the budget yet, so we can do that. This surge is not going to be put into a supplemental budget, I hope.

Mr. MULLINS. To the extent that we have had knowledge of this, lead time, we have provided for that in the request the Army has prepared in the fiscal year—the Army has set forward for fiscal year 2008.

Mr. ABERCROMBIE. So there has been a readjustment to the budget proposal to us? I mean, has there been a readjustment in the budget that will come to us, what, in five days, four days?

Mr. MULLINS. That is a question I really can't answer, because it is beyond our ability——

Mr. ABERCROMBIE. Can you find out——

Mr. MULLINS. We will find out——

Mr. ABERCROMBIE [continuing]. And let us know?

Mr. MULLINS [continuing]. And let you know.

[The information referred to can be found in the Appendix beginning on page 77.]

Mr. ABERCROMBIE. Because, believe me, we are not going to have a situation, at least as far as this chairman is concerned—and I believe it is the position of the majority, certainly it is the position of Chairman Skelton, that we want to put out our authorization bill and our budget on time.

We want to work with the appropriators on time so that you can have every confidence of being able to begin your expenditures on October 1st and that you will know how much funds you are going to have between now and October 1st. That is the least we can do if we are expecting people to go out and put themselves, as is always said, in harm's way.

What is going to harm them more than anything else is to have a cluttered, ambiguous, disjoined and dysfunctional budget process that you folks, General Anderson and others, are going to have to constantly scramble to try and decipher.

Is that a——

Mr. MULLINS. Sir, that is a fact.

Mr. ABERCROMBIE [continuing]. Fair summary?

Mr. MULLINS. If you ask me for the one thing Congress can do for me as the guy responsible for the production aspect, it is tell me on October the—so I know on October the 1st what I am going to have to execute for that entire year's budget.

Mr. ABERCROMBIE. Okay. Then you have to help us. That is my whole point. That is the whole——

Mr. MULLINS. Yes, sir.

Mr. ABERCROMBIE [continuing]. The whole reason for these inquiries here, as I say, is not to point fingers or get into—I mean, I don't want to get into political arguments. I don't want to get into a political argument with you, Mr. Mullins.

The best way that I can proceed on my section of this with Mr. Ortiz is to be able to state with certainty to members of the House, regardless of party, that we have a clear idea of what is required for you in terms of budget expenditures—equipment, personnel, training, et cetera—and that this is the result of sober and serious consideration as to what that is.

Then we can deal with the politics of it. So that is why we need this information.

Mr. MULLINS. Yes, sir.

Mr. ABERCROMBIE. Right now I don't have it clearly in my mind as to what the final numbers are. For example, again, looking at what the summary says and what is in the testimony, like equipment left in theater for the Iraqi forces or to deal with it.

We are equipping them. You know, if we intend to make this surge work—and I am speaking now in a context of having been a probation officer at one time in my life, working at a police station, starting my working day at booking desks.

Now, we are taking soldiers and we are putting them into neighborhoods and having them work out of police stations. Now, again, you don't have to comment on this.

I don't think that is what soldiers do, and that is essentially police work there, and it at least implies that there is a civic struc-

ture in place of arrest, prosecution, et cetera, where the community can be protected, where security there is at the community police level.

But that said, if that is what is required of them, then that means you are going to have to be working with either the Iraqi national police, the local police, or Iraqi forces—the equivalent of the National Guard or however it is developing there.

And that means they are going to have to be equipped. That means they are going to have to be trained. And it means they are going to have to be able to communicate with one another. Now, presumably, we are providing that.

But the information that I am getting here is that American military equipment is incompatible with a lot of Iraqi military equipment, some of which comes as far back as old Warsaw Pact materiel, and that the logistics and the maintenance systems and the capacity for them to reset themselves is not there.

Now, how are we going to handle that in the budget proposal that we are supposed to put forward? Are they doing cross leveling? Are you doing cross leveling with the Iraqi forces?

General Radin, you understand why I am asking the question, because it has very serious implications for your soldiers, right, and very serious implications for what we say those soldiers are doing in terms of their mission in order to accomplish stability in Baghdad, at least, let alone in Iraq generally.

So if something as fundamental as the logistics of equipment sharing or resetting for the Iraqis is not well-understood, and the fiscal implications are not well-understood, the rest of it is going to be in serious danger of distortion.

General RADIN. Chairman, let me tell you what we are doing toward some of the end of what you speak there. Army Materiel Command has been working in theater to help plan and develop a national logistics system for the Iraqis.

We have had depot planners in theater for about the past nine months that have worked up a detailed plan to stand up the Taji national depot system or reinvigorate it from just empty buildings, to give them the fundamental abilities to repair and sustain their forces.

We are working in partnership with Defense Logistics Agency, who is working on the repair parts and a distribution system. And again, that team has a detailed plan. We are doing the same thing for the Afghanis.

Mr. ABERCROMBIE. Is that accounted for in the budget that will be proposed?

General RADIN. It is in the——

Mr. ABERCROMBIE. Mr. Solis maybe can help you.

General RADIN. Well, that piece of it is in the Iraqi military budget, and they are the ones that are going to be funding that, Chairman, on that piece of it, because I know that we did the planning process.

And frankly, I am not in theater, but I know that they had to get the approval of the Iraqi ministers associated with that for the expenditures of funds for standing up those depots.

So the best that I can—our piece of it is the planning of it. We are doing that. It is not a large team. It has been four specific individuals that have been in there building——

Mr. ABERCROMBIE. Do you have confidence that they will be able to deliver on their commitment?

General RADIN. What we have been working with Manstiki is for them to do a contract to have an execution of these plans, so I think we have got a very good plan. And it is the execution of it that is going to be important.

And we have been working with the team and multi-national force-Iraq and Manstiki on them having a contractor execute that, preferably a contractor in theater, an Arab contractor, because it is an Iraqi capability, not a U.S. one.

Mr. ABERCROMBIE. I understand, and I appreciate that. And please understand the context that I am speaking to you. And when I did a paper for myself before we went into the initial invasion, in a frontispiece—I took Mr. Keegan's book, the First World War, which I am sure you are familiar with, and the frontispiece of his book is, in capital letters, "Armies Make Plans."

And underneath it, I wrote something that has always kind of guided me in politics, is that, "Everybody has a plan till they get hit," which was said by Rocky Marciano, the undefeated heavyweight champion.

And so I don't dispute for a moment—in fact, my respect for the thoroughness and the capacity of the Army to make plans—believe me, I hold you in the highest regard in that.

What I am asking, though, is do you have confidence as to whether or not those plans which have been put forward are going to be able to be implemented in the context that we are speaking of today. Do you have confidence in that?

General RADIN. Chairman, I would tell you that I have got confidence——

Mr. ABERCROMBIE. Your military opinion. I am not asking you about the politics.

General RADIN. I have got confidence in the commitment of the individuals that we are handing this plan over to for execution.

Mr. ABERCROMBIE. Okay. That answers my question.

General RADIN. And, Chairman, that is the best I can——

Mr. ABERCROMBIE. I appreciate that.

General RADIN [continuing]. I can do for you.

Mr. ABERCROMBIE. You deserve your ranking. Really. That is a good answer.

Mr. Mullins, do you want to comment on that? I can beat you up on politics.

Mr. MULLINS. Well, unfortunately, we are professionals, not an appointed position.

Mr. ABERCROMBIE. No, no, I understand.

Mr. MULLINS. But no, I agree with General Radin. We have a good group of people, and we think the people we are dealing with there are dedicated, and I am speaking now for that portion that works directly over there in support of actually the AMC activity.

Mr. SOLIS. I would only offer we have done some work in looking at the setup of the Iraqi support forces over there in terms of logis-

tics, command and control and intel. We have done work up at Taji.

One of the things that is out there is a national maintenance contract that I believe is due to run out at the end of March, I believe. And then it wasn't clear as to where that might be going after, whether the contract was going to be extended or whether it was going to be turned over to Iraqi Security Forces (ISF) forces.

But I think there are a number of challenges in terms of developing those capabilities that still exist in terms of training the forces.

Mr. ABERCROMBIE. But will they be using our equipment?

Mr. SOLIS. I can only tell you——

Mr. ABERCROMBIE. Let's suppose for argument's sake or conversation's sake that they work this through and that the ministry of interior and the ministry of defense there are able to get capable people there who can put it forward.

Now, my question is that in the context of all these hurdles that at least you have outlined today of trying to get just the basic equipment there for replacement, let alone for adding in addition, how is that going to work? Because it would seem to me you are starting off from way behind the figure you would like to be at.

Mr. SOLIS. I can only tell you my understanding is that the training that the Iraqis are doing is to repair their equipment. It is not to repair U.S. equipment.

Mr. ABERCROMBIE. No, but I am talking about if we deliver equipment to them, American equipment, in addition, isn't that part of the surge situation? It is not just to deal with repaired equipment. Aren't we supplying them?

I am speaking about the Baghdad surge now. My understanding is that that part of the 1,500 vehicles that General Anderson was talking about, and so on, is to be part and parcel of this surge, five-brigade addition. I am using it as a case in point.

General RADIN. Chairman, there is a command in Army Materiel Command, United States Security Assistance Command, that is responsible for executing foreign military sales and foreign military support.

They are working a number of cases associated with supporting the Iraqi forces. I am personally not aware of a new requirement or a new case. I talked to General Anderson, who commands that, yesterday. I told him I was coming up here. I asked him to give me a brief update on it.

I am not aware of specifically a new case pending out there for sale of additional vehicles. I do know that we have various types of Humvees that we have sold them, various types of Humvees up there that they have.

I do know that there has been training associated with sustaining those Humvees. I know when I was in Iraq or in Kuwait a while back, there was a number of 2.5-ton trucks that were sold to the Iraqi government along with repair parts to sustain them.

So I know from that aspect of it of what we are executing. But I can't give you an informed discussion right now or answer of where we are for the long-term sustainment of that, other than the fact that I know that there are plans in place to sustain and give repair parts and manuals and things for that equipment.

Mr. ABERCROMBIE. Yes, for the equipment. We are not going to be selling them Humvees. I mean, we are not going to be giving them vehicles that could be—I will ask you that. We are not going to be doing that.

General RADIN. I am not aware of a pending foreign military sales case right now, Chairman.

Mr. ABERCROMBIE. Well, okay. Then what are we doing with this surge? What the hell is the object of it? What is the transition plan for this surge to having the Iraqi forces be able to sustain security in the neighborhoods in the Baghdad area that we are preparing the budget for now?

Surely that is a fair question, General Anderson.

General ANDERSON. Chairman, we will get into the operations, and right now, you know, we are probably going to have to come back and provide that on the record, because that is in the operations realm, more in the theater operations, as opposed to reset, so——

Mr. ABERCROMBIE. Okay, that is fair. I will accept that. But that is what has to come in this budget that is going to be presented to us next week. That is what I am driving at. I am not trying to make your life difficult. Quite the opposite. I am trying to figure out what are we expecting of the soldiers that we are sending there, and what is the plan, if they execute this operation in the neighborhoods, I simply want to know what is the object of it.

I am told it is to provide security. Well, I understand that, and I understand it very, very well. I understand what security is all about. I mean, I chaired the committee that handled the police department, for example.

I mean, I have got a long and checkered career on the political side of administering police forces and involving myself with community policing, et cetera.

I simply want to know, for budgetary purposes, for you, what do I have to put in the budget recommendation in order to sustain the Army in its mission and plans for this next year so that you don't have to have somebody come up short and that they are going to be printing stories in the paper that you lack equipment and all the rest of it. I assure you, that is my goal.

So maybe you have got to take back, you know, today to them to make sure when that budget comes to us that they take into account not just what the surge is going to be and what we need to do for reset, but resetting in a context in which we know there is going to be an expenditure of funds and equipment and utilization of equipment in this surge, presumably with some kind of transition plan to the Iraqis being able to sustain security.

General ANDERSON. Yes, sir, we will take that.

Mr. ABERCROMBIE. Okay.

I have taken a long time for this Mr. Chairman, and I appreciate it. But you understand why I have had to go through this. That is what these hearings are for, to try and elicit what we need to know in order to make decisions that will benefit the fighting men and women in our armed forces.

Mr. ORTIZ. The chairman has asked very, very good questions, you know, that we need to find out. Now, this is the time, between

now and when the budget comes, this is when we need to work together. I mean, this is our sons and daughters who are there.

And I agree with him. We need to see what input we can give so that we can have a budget that is fair, reasonable, that our soldiers will have the equipment that they need. This is one of the reasons why I asked before that the $17.1 billion was before the surge.

So of course, we haven't seen the budget proposal from the president yet. When we see it, I am pretty sure that most of us—we want to work with you. We want to give you—it is not, you know—some people say that we have huge expenses, which we do, in this war. But I am more concerned with protecting our soldiers who are in harm's way, that they get the equipment that they need.

Because at one point I heard somebody say that there is a good possibility that they will have to share vehicles. Can you enlighten me? Is that a fact, that because we won't be able to get all the vehicles at one time—of course, we won't be getting all the brigades there at the same time, but do you think that this might be a problem that they are going to have to share equipment?

I know that when they come back they leave their armor behind. Am I correct when I say that?

General ANDERSON. Sir, for the up-armored Humvees, the gun trucks, the trucks that they use when they go out on combat operations off the forward operating bases, every brigade, to include the units that are involved in the surge, have their complement of up-armored Humvees and all the accouterments that go with those up-armored Humvees, whether it be situational awareness, counter-IED devices, crew-served weapons, night vision capability.

All that capability, sir, is going to be there. And as I mentioned earlier, there is a challenge. There is a challenge that we have got to work the add-on armor for those heavy and medium tactical wheeled vehicles. These are more the supply logistics types of vehicles that—we have got to get add-on armor for these trucks and get them to theater.

That is what I was referring to about getting these vehicles starting in June. In the interim, there is about 7,000 of these vehicles in theater right now. I mean, there is a lot of equipment over in theater as part of theater-provided equipment.

These 7,000 vehicles have the add-on armor. These are the large trucks used for supply. They are going to have to cross level just to mitigate this shortfall that we have right now.

Mr. ORTIZ. Are you providing any input as the budget is being prepared from the DOD or the secretary of defense to come to you and ask you, you know, what do you think about this budget, what do you think that needs to be included? Have you had that kind of input?

Mr. MULLINS. Yes, I believe that, you know, we have been contacted. We have begun to do that. Of course, some of this was relatively short notice with this decision. And we have been taking the actions to react to that.

Now, one of the critical things, probably, that you can do to help us on that—and I am taking you at your word—is, you know, we are preparing a reprogramming to deal with some of the necessary

minor adjustments that we are going to have to make to get things there a little quicker.

And that should be on its way to you now. And that includes such things as the earlier-mentioned mine-resistant vehicle and some other adjustments that allow us to accelerate some of the things that have been planned for procurement with funds that were to come in the fiscal year 2007 supplemental that was planned that—we need to move that forward so that we can execute it now.

So that reprogramming is on the way. That is what we need to do to be able to address the things in the short term that we can do so that we can have the things that we are saying about every soldier gets what he needs. I hope that kind of answers the question.

Mr. ORTIZ. Thank you, sir. It looks like we have some more votes coming up. I will probably submit some questions for the record. Chairmen like to do that, because it is going to be like this for most of the day. Thank you so much.

Would you like to add something?

Mr. ABERCROMBIE. Yes. Just at the conclusion, you understand where I am going, where we are going, and I can assure you I am not the only one that wants to get this done this way. What we are requesting of you—and then we will handle the politics of it afterwards—is that we have notice from you, an accurate financial system to track the reset cost.

That is what we want. We want to know what it is you are doing in that regard so that we can adjust our budget accordingly and be able to get ongoing information.

And we want to know the relationship of what has been done in the past, what this continuing resolution we are going to pass has to do with—and how it will affect the budget, and we want this so-called surge implemented in budget terms in the budget that is presented next week.

We do not want to have a situation like happened last year.

And I will conclude with this, Mr. Chairman.

Some of you may have been here. I don't know whether I mentioned it already. I made a motion to actually pay for the war, an astounding proposition, apparently, to say that, you know, if we are going to have a war, why don't we actually tell people what it costs, not just in human lives but in treasure.

And it was rejected on the grounds that we would take it up in the supplemental budget. Now, I am not aware of my constitutional duty when I thought—you read it out on the little plaque in our room out here about the duty of the Congress to fund the Army and the Navy, in the original Constitution—that we were supposed to have two budgets.

I thought when we funded the Army and the Navy, the armed forces of the United States, that is what we were supposed to do.

I didn't know that we almost did it, and then we come up with something called an emergency supplemental budget that doesn't count against the deficit and gets involved in all kinds of budgetary tricks and accounting tricks to, in my judgment, deceive the Nation as to what the true costs are.

But worse than that, it deceives you. It is kind of an enabling device for us to deceive ourselves as to what we are really doing with the funding of the armed services.

And so the object here and the reason we are agonizing over this and shaking this tree, this budget tree, so much with you today is to try to indicate that we are serious about trying to understand what the true costs are in order to be able to accurately reflect in the budget document we put forward what you need to have in order to do your duty, because you are doing it for us, and we want to enable you to do that in a way that will do honor to the sacrifice of the people to whom you give orders. Fair enough?

General ANDERSON. Yes, sir.

Mr. SOLIS. If I could offer one thing, again, there has been a lot of talk about the dollars. Again, I would only offer that as you look at those dollars, what is the impact of those dollars? Is it going to improve overall readiness? Is it going to improve requirements on hand? What is it going to do?

Because my sense is that the frustration is that the dollars you all are appropriating—doesn't appear that it is having an impact. So I think that disconnect needs to be, you know, put away in terms of that disconnect.

Mr. ABERCROMBIE. You are quite right about that, but there is also another element in it. What I hope I have made clear is that, believe me, it hurts you when there is all these accusations and sometimes convictions about fraud; in other words, that there is money out there, but that that money is being wasted and does not reflect the mission of the soldiers that it is supposed to be supporting.

So we want to make sure that it doesn't go into waste and corruption as well. That is what I am talking about when I saw we need adequate financial systems tracking to make sure that that is minimized or hopefully eliminated entirely.

Thank you.

Mr. ORTIZ. Thank you so much for your testimony today.

Now this hearing stands adjourned.

[Whereupon, at 1:04 p.m., the subcommittees were adjourned.]

A P P E N D I X

JANUARY 31, 2007

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JANUARY 31, 2007

VERSION – 29 Jan 07 0830

STATEMENT BY

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BEFORE THE

COMMITTEE ON ARMED SERVICES
SUBCOMMITTEES ON
READINESS AND AIR AND LAND FORCES
UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION, 110TH CONGRESS

ON ARMY EQUIPMENT RESET

JANUARY 31, 2007

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE COMMITTEE ON ARMED SERVICES

Chairman Abercrombie, Chairman Ortiz, Ranking Member Saxton, Ranking Member Davis and distinguished members of the committee: on behalf of the Army, thank you for the opportunity for myself, Generals Boles and Radin, and Mr. Mullins to appear before you today and to talk about America's Army. The Army would first like to thank you for the support this Committee and the Congress have demonstrated by resourcing $17.1 billion for reset in Fiscal Year (FY) 2007. Together, we will reset America's Army as we are engaged in this long war and build strategic depth for global operations.

Reset restores the readiness of the Army's equipment and sets the conditions for rapid, decisive, reaction capabilities for unexpected worldwide contingencies. Reset does not, however, 'fix' all equipment shortfalls or equipment still committed in support of Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF). In our testimony today, we will focus specifically on the "equipping" aspects of reset including the scope of the equipment challenges facing the Army, as well as the strategy for resetting equipment as a result of the Global War on Terrorism. We will also provide an update on the progress of obligating and executing the $17.1 billion as authorized and appropriated in FY 2007 and the Army's future equipment reset requirements for FY 2008. The requirement to reset our equipment and return our units to full readiness upon their return from operational employment is fundamental to the Army's ability to meet future threats. Again, thank you for your continued support in maintaining America's Army; your support of reset remains vital to our readiness.

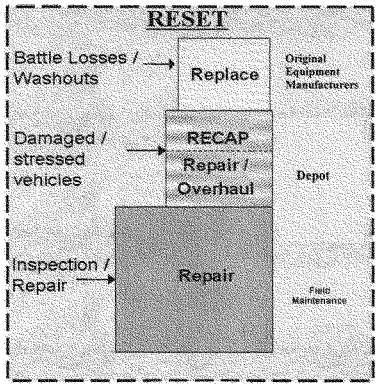


Figure 1

We would like to begin by expanding on the definition of reset. Reset is a series of actions to restore units to a desired level of combat capability commensurate with future mission requirements (figure 1). These actions include the repair of equipment, the replacement of equipment lost during operations, and the recapitalization of equipment where feasible and necessary.

The reset program ensures: forward commanders have reliable and capable equipment; Army Prepositioned Stocks (APS) equipment is at a high state of readiness; and the Army has a long-term program to sustain the operational readiness of all critical systems over their life span.

Re**pair** is the rebuilding of equipment to meet Army maintenance standards. The repair is preceded by an inspection to determine the faults that must be corrected. This definition includes a special technical inspection and repair (STIR) of aircraft. Equipment repair is classified into two levels: field and sustainment level (depot).

Field level repairs are performed by Soldier-mechanics, augmented by contractor labor and installation level maintenance activities when required, on or near the installation where the equipment is stationed. In the reset of National Guard equipment, the Army has further streamlined our processes. Field level reset of Army National Guard equipment is now conducted at National Guard facilities, while Army Reserve equipment continues to be reset at the Reserve Component demobilization site. This change, as shown in Figure 2, allows the Army National Guard to prioritize reset requirements and return equipment to National Guard units sooner and under the control of state Governors and state Adjutant Generals to increase their capability to respond to Homeland Defense and Homeland Security requirements.

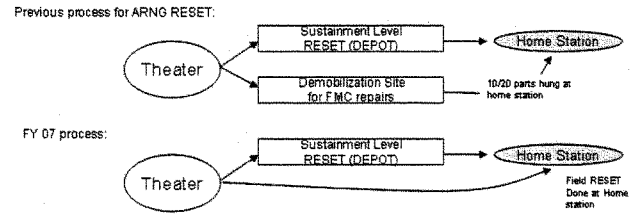


Figure 2

For all components, repairs that exceed field level capability are performed at the depot level by material maintenance contractors ent, as determined by the Army Materiel Command through lessons learned are automatically returned for depot level maintenance and do not require inspection. As the $17.1B for reset was available at the beginning of the fiscal year, the Army was able to synchronize its resources, people and materiel to align with the flow of equipment from returning units into the reset process. For instance, timely funding has allowed the depots to order parts in advance of equipment arrival, thus speeding the reset process. Since the onset of OIF and

OEF, the Army's organic depots have also steadily increased their capability while simultaneously increasing efficiencies. For example, at Red River Army Depot, we are seeing work increase from 400 items a month in October 2006 to 700 a month in September 2007. Similarly, Anniston Army Depot is increasing from 1,000 items a month to 3,000 per month.

Replacement is the procurement of new equipment to replace battle losses, wash outs, and critical equipment deployed and left in theater, but needed for Homeland Defense and Homeland Security and other critical missions.

The Army is replacing and upgrading more than 50,000 pieces of equipment in FY 2007. The type of replaced equipment ranges from Apache, Black Hawk, and Chinook helicopters to ground combat vehicles (such as Abrams tanks and Bradley fighting vehicles) to wheeled vehicles, such as the Stryker, Armored Security Vehicles, High Mobility Multipurpose Wheeled Vehicles (HMMWV), radios and generators. As the Army replaces battle losses, it buys modern equipment compatible with our modular force. The FY 2007 requirement for procurement or investment of major items of equipment is $8.5 billion. This figure includes the replacement for the Reserve Component of approximately $2.5 billion worth of equipment left in theater as Theater Provided Equipment (TPE) in support of OIF and OEF.

Recapitalization is the Army's long-term investment strategy to sustain the readiness of the Army. Recapitalization rebuilds or repairs equipment to a level that improves the performance capabilities of the equipment or returns the equipment to a "zero mile/zero hour" level with original performance specifications.

The Army has a plan to recapitalize major combat systems as part of our reset strategy. A portion of that plan includes the reset of equipment forward to ensure the required capabilities are available to units and Soldiers for the next fight. Major systems being recapitalized as part of our reset efforts include: M1 Abrams tank, the M2 Bradley Fighting Vehicle, HMMWVs, Patriot, and the UH-60 Apache helicopter. The objectives of the recapitalization process include extending service life, reducing operating and support costs, enhancing capability, and improving system reliability, maintainability, safety and efficiency. HMMWVs, for example, originally deployed to Iraq and Afghanistan without additional armor were at an average age of 13 years. These vehicles have been deployed

now for up to four years with armor added and are significantly degraded. As the Army has increased production of better armored HMMWVs, portions of the original deployed fleet, mainly M998 series trucks, are being returned for reset. These reset vehicles will be recapitalized to a newer model, the M1097R1, and will improve performance and increase payload. Up-Armored HMMWVs receive necessary safety upgrades such as intercoms, gun mounts, and improved seat belts.

To overcome the equipment challenges facing the Army, we have moved rapidly to restore battle losses and repair equipment through an aggressive reset program, despite entering the war with at least a $56 billion equipment shortfall. Additionally, the Army is working to quickly equip the Reserve Component that has transitioned from a strategic reserve to an operational force to meet our nation's warfighting requirements.

Global demand has dictated that at any one time, the Army has had as many as 23 Brigade Combat Teams deployed on a rotational basis. This tempo places tremendous stress on the Army's deployed equipment in harsh environments, such as Iraq and Afghanistan. In OIF, Army helicopters are experiencing usage rates roughly two to three times the planned peacetime rates. Tank crews are driving tanks over 4,000 miles, a rate that is five times the expected annual usage of 800 miles per year. The Army's truck fleet is experiencing an operational tempo that is five to six times the peacetime rate causing excessive wear that is further exacerbated by the addition of heavy armor kits required to enhance force protection. This increased operational tempo shortens the useful life of our equipment and demands a much earlier and larger investment in depot maintenance than programmed for peacetime operations. We have steadily expanded the capacity and productivity at the Army Materiel Command's depots, and reached out to industry wherever possible to meet our increased maintenance needs in a timely manner.

Our cumulative effort on reset from the beginning of combat operations through the end of FY06 has been over 200,000 pieces of equipment, including 1,798 aircraft, 2,263 tracked vehicles, 11,312 HMMWVs (includes reset and recap), 3,899 trucks, 2,193 trailers, 128,531 small arms, and 8,284 generators as just a snapshot of this enormous effort performed by our depots and defense contractors. This year, FY 2007, the Army will reset approximately 117,000 major items of equipment including 557 aircraft, 1,700 tracked vehicles, 8,115 HMMWVs (includes reset and recap), more than 1,800 trucks, 1,200

trailers, 39,000 small arms, 7,400 generators, and hundreds of thousands more pieces of equipment in the field.

With the support of this committee and Congress, the FY 2007 funds provided reset resources totaling $17.1 billion with $8.5 billion in procurement and $8.6 billion in Operations and Maintenance, Army (OMA). The Army's reset program is on schedule. As of January 9, 2007, the Army has already obligated $11.2 billion or 65 percent of the $17.1 billion, including $6.5 billion or 76 percent of the $8.5 billion in procurement funding and $4.7 billion or 55 percent of the $8.6 billion for OMA and our reset program is on schedule. The actual obligation of the funds occurs throughout the year based on the return of units and the induction of their equipment into field and depot reset sites. For FY 2007, most redeploying units go through the reset process from January through August. The Army is able to obligate the majority of procurement funding earlier in the year as procurement contracts are developed. The Army has a plan and is executing the fiscal expenditures in accordance with its FY 2007 reset plan.

The $17.1 billion received by the Army for fiscal year FY 2007 reset is distributed as shown in figure 3. In accordance with Office of Management and Budget and DoD policy and intent, we rely on supplemental funds to pay for our reset program because reset addresses damage and wear resulting directly from contingency operations. The Army calculates reset funding requirements each year based on the projected amount of equipment returning during the following fiscal year that can be repaired in that fiscal year, and on the documented losses which have occurred. During FY 2007, 24 brigade combat teams and numerous supporting units will conduct reset operations after redeployment from combat operations in Iraq and Afghanistan.

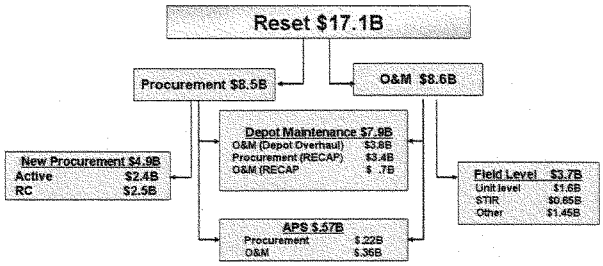


Figure 3

In addition to the requirement to reset redeploying units there are also pending

requirements that will need to be addressed in future years. Theater Provided Equipment (TPE) is equipment that was originally deployed with units and was left in theater for follow-on forces or was purchased and remains in theater for issue to units as they enter the theater. Much of this equipment consists of critical items for the protection of our Soldiers, such as anti-Improvised Explosive Device equipment and up-armored vehicles. The Army is currently balancing the need to increase selected TPE items to support theater requirements and the goal to rapidly retrograde equipment no longer required for the warfight to the Continental United States for reset. Upon completion of reset, we will issue the equipment to units to fill shortages and improve their capability to conduct training or to fulfill Homeland Defense and Homeland Security requirements. For example, the Army has already retrograded over 3,600 of the 7,500 TPE HMMWVs planned for the 2007 reset requirements. We continue to estimate that 15 percent of the items remaining in theater will require replacement, and the remainder will require depot-level repair.

Army Prepositioned Stocks (APS) is equipment that the Army has maintained for the sole purpose of rapidly responding to contingency operations around the World. We used equipment and stocks from all five of our prepositioned sets to support OIF and OEF. The Army is resetting and reconfiguring the prepositioned stocks to match the Army modular force design. This investment is already paying off because we are currently using the prepositioned stocks to enable us to rapidly deploy units to Iraq as we increase the number of brigade combat teams in theater.

To manage the FY 2007 reset process, the Army has established a Reset Task Force comprised of staff elements throughout the Army Staff, Army Materiel Command, Forces Command, U.S. Army Europe, U.S. Army Pacific and the Reserve Components. The Reset Task Force operates under close oversight of the Army senior leadership and provides regular updates on the status of financial expenditures and reset execution. The Army leadership remains intensely involved throughout the reset process to ensure our units reestablish operational readiness as soon as possible.

Reset costs for future years will depend on several factors such as the level of force commitment, the activity level of those forces, and the amount of destroyed, damaged, or excessively worn equipment. The Army expects the requirement beyond FY 2007 to be approximately $13.5 billion annually; however, changes in factors such as current plans to

increase force levels in Iraq and increase the size of the Army will impact the financial requirements. Due to the unprecedented stress placed on our equipment, reset funding is required for a period of two to three years beyond the cessation of the current conflict. Any reset requirement that goes unfunded in one year will roll over and increase the following year's requirement.

As we look to the future, we respectfully request the Congress fully resource the equipment needs of the Army as we modernize the force and transform to meet the challenges of the future. We need your continued help in the provision of predictable, sufficient, and stable funding. Stable and predictable budgets that are enacted early with distribution of both base and bridge supplemental funding within 30 days of the start of the fiscal year allow us to better manage our resources, maintain a stable work force and generate efficiencies when working with industry. As the Army Chief of Staff has said, we will also need your help to access 2007 main supplemental funding by April or sooner to properly sustain the Army.

To close, Mr. Chairmen, and members of the committee, on behalf of our Soldiers, we greatly appreciate the tremendous support of the Congress in supporting requests for funding Reset and by engaging in a continual dialogue with us in this critically important area. The Army remains committed to applying resources aggressively to maintain the best trained, best equipped, fully manned and best led ground force in the world. Equipping the Army on-time with modern equipment builds Soldiers' confidence, and with confidence comes their unyielding commitment that we so deeply admire and respect. Thank you for this opportunity to appear before you today; the other members of the panel will now introduce themselves and we all look forward to answering your questions.

United States Government Accountability Office

GAO

Testimony

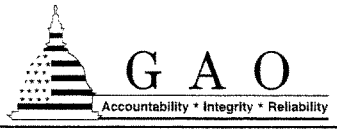
Before the Subcommittees on Readiness and Air and Land Forces, Committee on Armed Services, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EST
Wednesday, January 31, 2007

DEFENSE LOGISTICS

Preliminary Observations on the Army's Implementation of Its Equipment Reset Strategies

Statement of William M. Solis
Director, Defense Capabilities and Management



GAO-07-439T

GAO
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Highlights

Highlights of GAO-07-439T, testimony before the Subcommittee on Readiness and the Subcommittee on Air and Land Forces, Committee on Armed Services, House of Representatives

Why GAO Did This Study

Continuing military operations in Iraq and Afghanistan are taking a heavy toll on the condition and readiness of the Army's equipment. Harsh combat and environmental conditions in theater over sustained periods exacerbates the wear and tear on equipment. Since fiscal year 2002, Congress has appropriated about $38.6 billion to the Army for the reset (repair, replacement, and modernization) of equipment that has been damaged or lost as a result of combat operations. As operations continue in Iraq and Afghanistan and the Army's reset requirements increase, the potential for reset costs to significantly increase in future Department of Defense annual budgets also increases. For example, the Army estimates that it will need about $13 billion to $14 billion per year for equipment reset until operations cease, and up to two years thereafter.

Today's testimony addresses (1) the extent to which the Army has taken steps to track and report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose, and (2) the extent to which the Army's reset funding strategies target low levels of equipment on hand among units preparing for deployment.

GAO's preliminary observations are based on work performed from November 2005 through December 2006.

www.gao.gov/cgi-bin/getrpt?GAO-07-439T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

January 31, 2007

DEFENSE LOGISTICS

Preliminary Observations on the Army's Implementation of Its Equipment Reset Strategies

What GAO Found

Until fiscal year 2007, the Army had not taken steps to track or report equipment reset expenditures in a way that confirms that funds appropriated for reset were expended for that purpose. Beginning in fiscal year 2007, the Army established a task force to begin developing initiatives to track reset expenditures. However, these initiatives have not yet been implemented. In order to provide effective oversight of the Army's implementation of its equipment reset strategies and to plan for future reset initiatives, the Congress needs to be assured that the funds appropriated for reset are used as intended. The Army, however, is unable to confirm that the $38.6 billion that Congress has appropriated to the Army since fiscal year 2002 for equipment reset has been obligated and expended for reset. Because equipment reset had not been identified as a separate program within the budget, it was grouped together with other equipment-related line items in the O&M and Procurement appropriations. With the enactment of the Fiscal Year 2007 Appropriations Act, Congress directed DOD to provide a detailed accounting of obligations and expenditures by program and subactivity group. The Army has established a subactivity group for reset, and, according to Army officials, beginning in fiscal year 2007, the Army has begun to track reset obligations and expenditures by subactivity group. While we believe this is a step in the right direction, based on our preliminary analysis, it remains to be seen whether the Army's reset tracking system will include sufficient detail to provide Congress with the visibility it needs to provide effective oversight.

While the Army's equipment reset process is intended to reset equipment to meet the needs of units preparing for deployment, its reset funding strategies do not specifically target low levels of equipment on hand among units preparing for deployment. According to the Army's fiscal year 2007 framework for reset, the goal of reset is to prepare units for deployment and to improve next-to-deploy unit's equipment on hand levels. However, since the Army's current reset process is based on resetting equipment that it expects will be returning to the United States in a given fiscal year, and not based on an aggregate equipment requirement to improve the equipment on hand levels of deploying units, the Army cannot be assured that its reset programs will provide sufficient equipment to train and equip deploying units for ongoing and future requirements for the Global War on Terrorism. The Army has recently begun to track the equipment readiness of returning units and units approaching deployment in an effort to assess the effectiveness of their reset efforts. However, these readiness indicators are of limited value in assessing the effectiveness of reset because they do not measure the equipment on hand levels against the equipment that the units actually require to accomplish their directed missions in Iraq and Afghanistan.

Mr. Chairmen and Members of the Subcommittees:

Thank you for the opportunity to appear before you today to discuss the Army's equipment planning strategies for the repair, replacement, and modernization of equipment, collectively known as equipment reset. Our service members are working with great courage and diligence to perform the roles the President has asked of them. Notwithstanding their noble efforts, equipment shortages and equipment readiness shortfalls among U.S. Army units are of increasing concern. As operations continue in Iraq and Afghanistan and the Army's equipment reset requirements grow, the potential for reset costs to significantly increase in future Department of Defense (DOD) annual budgets also grows. In addition to the billions of dollars provided to DOD for military equipment in its yearly baseline budgets, Congress has provided the Army with more than $38.6 billion in supplemental appropriations since fiscal year 2002 for the repair, replacement, and modernization of equipment. In fiscal year 2007 alone, the Army has received $17.1 billion for equipment reset, almost double the $8.6 billion in equipment reset funding the Army received in fiscal year 2006. In addition, DOD is expected to request an additional $26.7 billion for reset in a subsequent fiscal year 2007 supplemental appropriation. Army officials estimate the Army will need about $13 billion to $14 billion per year for reset until operations cease in Iraq and Afghanistan and up to two years thereafter.

Continuing military operations in Iraq and Afghanistan are taking a toll on the condition and readiness of military equipment. Harsh combat and environmental conditions in theater over sustained periods of time exacerbate equipment repair, replacement, and modernization problems that existed before the onset of combat operations in Iraq and Afghanistan. Upon returning from operations, equipment is reset in preparation for future operations. Although the Army continues to meet mission requirements and reports high readiness rates for deployed units, the lack of equipment availability for units preparing for deployment and other non-deployed units increases the risk to future overall readiness.

As we testified in March 2006 before the Subcommittees on Readiness and Tactical Air and Land Forces of the House Committee on Armed Services,[1] the Army will face a number of ongoing and long-term challenges that will

[1] GAO, *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps*, GAO-06-604T (Washington, D.C.: Mar. 30, 2006).

affect the timing and cost of equipment reset, such as Army modularity initiatives; equipment requirements for prepositioned equipment sets; future equipment replacement needs for active, guard, and reserve forces; depot capacity issues; the potential transfer of U.S. military equipment to the Iraqi Security Forces; and the possibility of continuing logistical support for Iraqi Security Forces. We also observed that while the precise dollar estimate for the reset of Army equipment will not be known until operations in Iraq and Afghanistan cease, it will likely cost billions of dollars to repair and replace equipment. While the Army is working to refine overall requirements, the total requirements and costs are unclear and raise a number of questions as to how the Army will afford them. We concluded that until the Army is able to firm up these requirements and cost estimates, neither the Secretary of Defense nor the Congress will be in a sound position to weigh the trade offs between competing requirements and risks associated with degraded equipment readiness.

My statement today reflects our preliminary observations drawn from our ongoing work on equipment reset issues, which we are performing under the Comptroller General's authority to conduct evaluations on his own initiative. As requested, my testimony today will focus on the Army's equipment reset strategies for ground equipment and rotary aircraft in both the active and reserve components. Specifically, it addresses (1) the extent to which the Army has taken steps to track and report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose, and (2) the extent to which the Army's reset funding strategies target low levels of equipment on hand among units preparing for deployment.

The preliminary observations we will discuss today regarding Army equipment reset strategies are based on audit work performed from November 2005 through December 2006. We conducted our work in accordance with generally accepted government auditing standards.

Summary

Until fiscal year 2007, the Army had not taken steps to track or report equipment reset expenditures in a way that confirms that funds appropriated for reset were expended for that purpose. Beginning in fiscal year 2007, the Army established a task force to begin developing initiatives to track reset expenditures. However, these initiatives have not yet been implemented. In order to provide effective oversight of the Army's implementation of its equipment reset strategies and to plan for future reset initiatives, the Congress needs to be assured that the funds appropriated for reset are used as intended. The Army, however, is unable

to confirm that the $38.6 billion that Congress has appropriated to the Army since fiscal year 2002 for equipment reset has been obligated and expended for reset. Because equipment reset was not identified as a separate program within the budget, it was grouped together with other equipment-related line items in the Operation and Maintenance (O&M) and Procurement accounts. The Conference Report accompanying the Department of Defense Appropriations Act for 2007[2] directed the Secretary of Defense to provide periodic reports to congressional defense committees which include a detailed accounting of obligations and expenditures of appropriations provided in Title IX of the act by program and subactivity group. According to the Conference Report, the conferees have provided $17.1 billion in additional reset funding for the Army in Title IX. The Army has established a subactivity group for reset, and, according to Army officials, beginning in fiscal year 2007, the Army has begun to track reset obligations and expenditures by subactivity group. While we believe this is a step in the right direction, based on our preliminary analysis, it remains to be seen whether the Army's reset tracking system will include sufficient detail to provide Congress with the visibility it needs to provide effective oversight. In addition, because the Army has not historically tracked the execution of its reset appropriations, it does not have historical execution data. As we have previously reported, historical execution data would provide a basis for estimating future funding needs.[3] The Congressional Budget Office has also recently testified that better estimates of future reset costs could be provided to Congress if more information was available on expenditures incurred to date.[4] Without historical execution data, the Army must rely on assumptions and models based on its own interpretations of the definition of reset, and may be unable to submit accurate budget requests to obtain future reset funding.

While the Army's equipment reset process is intended to reset equipment to meet the needs of units preparing for deployment, its reset funding strategies do not specifically target low levels of equipment on hand

[2] H.R. Conf. Rep. No. 109-676, at 359 (2006), which accompanied the Department of Defense Appropriations Act, 2007, Pub. L. No. 109-289 (2006).

[3] GAO, *Global War on Terrorism: Fiscal Year 2006 Obligation Rates Are Within Funding Levels and Significant Multiyear Procurement Funds Will Likely Remain Available for Use in Fiscal Year 2007*, GAO-07-76 (Washington, D.C.: Nov. 13, 2006); and GAO, *Defense Management: Processes to Estimate and Track Equipment Reconstitution Costs Can Be Improved*, GAO-05-293 (Washington, D.C.: May 5, 2005).

[4] Congressional Budget Office, *Issues in Budgeting for Operations in Iraq and the War on Terrorism* (Washington, D.C.: Jan. 18, 2007).

among unit's preparing for deployment. Although deployed Army units generally report high readiness rates, the Army continues to be faced with increasing levels of operational risk due to low levels of equipment on hand among units preparing for deployment. According to the Army's fiscal year 2007 framework for reset and the Army's Force Generation (ARFORGEN) implementation strategy, the goal of reset is to prepare units for deployment and to improve next-to-deploy unit's equipment on hand levels. However, since the Army's current reset process is based on resetting equipment that it expects will be returning to the United States in a given fiscal year, and not based on an aggregate equipment requirement to improve the equipment on hand levels of deploying units, the Army cannot be assured that its reset programs will provide sufficient equipment to train and equip deploying units for ongoing and future Global War on Terrorism (GWOT) requirements. According to November 2006 Army readiness reports, deployed units and units preparing for deployment reported low levels of equipment on hand, as well as specific equipment item shortfalls that affect their abilities to carry out their missions. As of fiscal year 2007, Army officials stated they have begun to track the equipment readiness of returning units and units approaching deployment in an effort to assess the effectiveness of their reset efforts. To do this, Army leaders plan to examine the equipment serviceability of units that recently returned from deployment that are resetting and the equipment on hand for units preparing to deploy.[5] However, these readiness indicators such as equipment on hand and equipment serviceability are of limited value in assessing the effectiveness of reset. Specifically, equipment on hand measures required levels of equipment against the primary mission for which the unit was designed, which may be much different than the unit's directed GWOT mission, and equipment serviceability ratings may be high, even if equipment on hand levels are very low. For example, the Army plans to recapitalize more than 7,500 High Mobility, Multi-Purpose Wheeled Vehicles (HMMWV) in fiscal year 2007 at a cost of $455 million. While the Army's HMMWV recapitalization activities may raise overall HMMWV equipment on hand levels of non-deployed units in the United States, Army officials have stated that this recapitalization program will not directly provide HMMWVs to train or equip units deploying for their Operation Iraqi Freedom (OIF) missions. Specifically, the unarmored HMMWVs produced by the recapitalization

[5] Equipment on hand is a readiness measurement based on the quantity and type of required equipment that is available to a unit for the execution of the unit's primary mission. Equipment serviceability is based on the condition of equipment the unit has on hand.

program are not being deployed to the OIF theater due to inadequate force protection and have limited training value to deploying units primarily because the unarmored HMMWVs have different handling characteristics and configurations than the armored HMMWVs used in Iraq. Furthermore, the Army's reset strategies do not ensure that the repairing, replacing, and modernizing of equipment needed to support units that are preparing for deployment are being given priority over other longer-term equipment needs, such as equipment modernization in support of the Army's modularity initiative. For example, the Army's fiscal year 2007 reset strategy includes plans to accelerate modernization of Abrams tanks and Bradley Fighting Vehicles to accelerate achieving long-term strategic goals under the Army's modularity initiative.

Background

As a result of operations related to OIF, the Army continues to face an enormous challenge to reset its equipment. This is due to the increased usage of equipment, pace of operations, and the amount of equipment to be reset. At the onset of operations in March 2003, the Army deployed with equipment that in some cases was already more than 20 years old. As of January 2007, the Army has 24 percent of total on-hand wheeled and tracked vehicles and 19 percent of rotary wing aircraft deployed to the OIF/Operation Enduring Freedom (OEF) theater as shown in table 1.

Table 1. Comparison of Army Ground Equipment and Rotary Aircraft Deployed to OIF/OEF Theater and the Total Equipment On Hand as of January 2007

	Total In OIF/OEF Theater	Total On Hand	Percent Equipment Deployed
Wheeled Vehicles			
HEMTT	3282	12836	26
HET	912	2394	38
HMMWV	23818	95970	24
Tracked Vehicles			
Bradley	679	3021	22
Abram	366	3406	11
M88	192	1832	10
Total Wheeled & Tracked Vehicles	**29249**	**119459**	**24**
Rotary Wing Aircraft			
AH-64A/D	120	689	17

	Total In OIF/OEF Theater	Total On Hand	Percent Equipment Deployed
CH-47D	63	392	16
OH-58D	60	354	17
UH-60A/L	293	1362	21
Total Rotary Wing Aircraft	**536**	**2797**	**19**

Source Army G-8

As we stated in our March 2006 testimony, the Army is operating its equipment at a pace well in excess of peacetime operations. The harsh operating environments in Iraq and environmental factors such as heat, sand, and dust have taken a toll on sensitive components. Troop levels and the duration of operations are also factors that affect equipment reset requirements.

The Army defines reset as the repair, recapitalization, and replacement of equipment. Repairs can be made at the field level or national (depot) level. Army field level maintenance is intended to bring equipment back to the 10/20 series Technical Manual standard, is done by soldiers augmented by contractors as required, and is usually performed at installations where the equipment is stationed.[6] National level maintenance is work performed on equipment that exceeds field level reset capabilities. National level maintenance may be done at Army depots, by contractors, by installation maintenance activities, or a combination of the three, and is coordinated by the Army Material Command. The Army Chief of Staff testified in June 2006 that, as of that point in time, the Army had reset over 1,920 aircraft, 14,160 tracked vehicles, and 110,800 wheeled vehicles, as well as thousands of other items. He further stated that the Army expected to have placed about 290,000 major items in reset by the end of fiscal year 2006.[7]

[6] Army reset does not include contractor logistics support for equipment readiness, field level maintenance required to keep equipment operational, or the replacement of ammunition.

[7] Gen. Peter J. Schoomaker, Chief of Staff of the Army, *Army's Reset Strategy and Plan for Funding Reset Requirements*, Statement before Committee on Armed Services, U.S. House of Representatives (June 27, 2006).

Recapitalization includes rebuilding of equipment to a like-new condition. This process includes extending service life, reducing operating and support costs, enhancing capability, and improving system reliability. The Army recapitalizes equipment either at Army Materiel Command depots or arsenals, the original equipment manufacturer, or through a partnership of the two. Replacement includes buying new equipment to replace confirmed battle losses, washouts, obsolete equipment, and critical equipment deployed and left in theater but needed by reserve component units for homeland defense/homeland security missions.

Army reset funding includes ground and aviation equipment, combat losses, and prepositioned equipment. The Army funds field level and some depot level maintenance from the O&M appropriations, while procurement appropriations fund most recapitalization and all procurement of new equipment as part of reset. The Army's fiscal year 2007 reset execution plan includes about 46 percent O&M funding and 54 percent procurement funding. Table 2 provides a breakdown of Army equipment reset execution plans for fiscal year 2007.

Table 2: Army Fiscal Year 2007 Reset Execution Plans

	Army	
Reset Category	**Amount of reset funding (dollars in billions)**	**Percent of total**
Repair (O&M):	$7.8	46
Field level maintenance	3.7	
National (depot) level maintenance	4.1	
Recapitalization	4.3	25
Replacement (Procurement)	5.0	29
Total fiscal year 2007 funding	**$17.1**	**100**

Source: Army G-8

Under the Army's framework for training and equipping units for deployments, known as the Army Force Generation Model (ARFORGEN), reset begins when units return from their deployments and concludes prior to a unit's being made available for subsequent missions. According to Army officials, reset is one element of the Army's overall equipping strategy and is a source of supply to remedy equipment shortfalls among currently deploying units. The Army's overall equipment strategy includes other means to improve the levels of equipment on hand for deployed and non-deployed units. Reset is intended to be a demand-based process, focused on operational requirements of the combatant commander, to

rapidly return Army materiel to units preparing for subsequent operations in order to meet current and future combatant commander demands. Next-to-deploy units are identified and intended to receive first priority for distribution of equipment emerging from reset programs per the Army's Resource Priority List.[8] The Army's fiscal year 2007 reset policy states that the primary driver in equipment reset operations is the rapid return of Army materiel to units preparing for subsequent operations as specified by the Army Resource Priority List, a process that should lead to improved equipment readiness over time.

To develop its fiscal year 2007 reset execution plan, the Army examined the types and quantities of equipment held by deployed units overseas and estimated what equipment it expected to return from overseas theaters to unit home stations or Army depots for reset. Depending on the required work, and whether upgrades and modernizations are planned, item-by-item determinations were made on what level of maintenance the equipment would receive as part of its reset. Due to the complexity and quantity of the maintenance required, some equipment items are automatically sent to one of the Army's depots. For example, returning Abrams tanks and Bradley Fighting Vehicles are automatically inducted into depot level reset programs due to the quantity and complexity of their reset maintenance. For each equipment item expected to return from overseas theaters for reset in a given fiscal year, the Army estimates a per unit cost of the planned reset activity, and multiplies that cost by the number of items expected to returned and be available for reset. The total Army reset funding requirement for a given fiscal year is determined by aggregating all of these costs to include all equipment expected to return from overseas theaters.

[8] The Army Resource Priority List specifies the order in which Army units have precedence for distribution of resources. Generally, units closer to deployment dates have the highest priority.

Army Has Not Confirmed That Funds Appropriated for Reset are Expended for that Purpose

Until fiscal year 2007, the Army had not taken steps to track or report equipment reset expenditures in a way that confirms that funds appropriated for reset were expended for that purpose. Beginning in fiscal year 2007, the Army established a task force to begin developing initiatives to track reset expenditures. However, these initiatives have not yet been implemented. In order to provide effective oversight of the Army's implementation of its equipment reset strategies and to plan for future reset initiatives, the Congress needs to be assured that the funds appropriated for reset are used as intended. The Army, however, is unable to confirm that the $38.6 billion that Congress has appropriated to the Army since fiscal year 2002 for equipment reset has been obligated and expended for reset. Because equipment reset was not a separate program within the budget, it was grouped together with other equipment-related line items in the O&M and Procurement accounts. The Conference Report accompanying the Department of Defense Appropriations Act for 2007[9] directed the Secretary of Defense to provide quarterly reports to congressional defense committees which include a detailed accounting of obligations and expenditures of appropriations provided in Title IX of the act by program and subactivity group. According to the Conference Report, the conferees have provided $17.1 billion in additional reset funding for the Army in Title IX. The Army has established a subactivity group for reset, and, according to Army officials, beginning in fiscal year 2007, the Army has begun to track reset obligations and expenditures by subactivity group. While we believe this is a step in the right direction, based on our preliminary analysis, it remains to be seen whether the Army's reset tracking system will include sufficient detail to provide Congress with the visibility it needs to provide effective oversight. For example, the Army's tracking system compares what they have executed by month to their obligation plan at a macro level. Unlike the annual baseline budget requests which include details within each subactivity group, the Army's O&M monthly reset report does not provide details of the types of equipment repaired. Likewise, the Procurement report does not itemize the types of equipment replaced or recapitalized. As a result, the Army is not in a position to tell Congress how they have expended the funds they have received to repair, replace, and recapitalize substantial amounts of damaged equipment. Because funds for reset are generally recorded in the same appropriation accounts as other funds that are included in the baseline budget, it is difficult to determine what is spent on

[9] H.R. Conf. Rep. No. 109-676, at 359 (2006), which accompanied the Department of Defense Appropriations Act, 2007, Pub. L. No. 109-289 (2006).

reset and what is spent on routine equipment maintenance. In addition, because the Army has not historically tracked the execution of its reset appropriations, it does not have historical execution data. As we have previously reported, historical execution data would provide a basis for estimating future funding needs.[10] The Congressional Budget Office has also recently testified that better estimates of future reset costs could be provided to Congress if more information was available on expenditures incurred to date.[11] Without historical execution data, the Army must rely on assumptions and models based on its own interpretations of the definition of reset, and may be unable to submit accurate budget requests to obtain reset funding in the future.

Army Reset Funding Strategies Do Not Target Low Levels of Equipment On Hand Among Units Preparing For Deployment

While the Army's equipment reset process is intended to reset equipment to meet the needs of units preparing for deployment, its reset funding strategies do not specifically target low levels of equipment on hand among units preparing for deployment. Furthermore, the Army's reset strategies do not ensure that the repairing, replacing, and modernizing of equipment needed to support units that are preparing for deployment are giving priority over other longer-term equipment needs, such as equipment modernization in support of the Army's modularity initiative.

Army Reset Strategies Do Not Mitigate Operational Risk

The Army's reset strategies do not specifically target low levels of equipment on hand among units preparing for deployment in order to mitigate operational risk. The Army continues to be faced with increasing levels of operational risk due to low levels of equipment on hand among units preparing for deployment. According to the Army's fiscal year 2007 framework for reset and the Army's ARFORGEN implementation strategy, the primary goal of reset is to prepare units for deployment and to improve next-to-deploy units' equipment on hand levels. Units preparing for deployment are intended to attain a prescribed level of equipment on hand within 45 days prior to their mission readiness exercise, which is intended to validate the unit's preparedness for its next deployment. However, since the Army's reset planning process is based on resetting the equipment that will be returning to the United States in a given fiscal year, and not based

[10] GAO-07-76; GAO-05-293.

[11] Congressional Budget Office, *Issues in Budgeting for Operations in Iraq and the War on Terrorism* (Washington, D.C.: Jan. 18, 2007).

on an aggregate equipment requirement to improve the equipment on hand levels of deploying units, the Army cannot be assured that its reset programs will provide sufficient equipment to train and equip deploying units for ongoing and future GWOT requirements, which may lead to increasing levels of operational risk.

Army Has Begun To Track Equipment Readiness But Readiness Indicators Are of Limited Value

As of fiscal year 2007, Army officials stated they have begun to track the equipment readiness of returning units and units approaching deployment dates in an effort to assess the effectiveness of their reset efforts. To do this, Army leaders plan to examine the equipment serviceability of units that recently returned from deployed that are resetting and the equipment on hand for units preparing to deploy. However, these readiness indicators such as equipment on hand and equipment serviceability are of limited value in assessing the effectiveness of reset. For example, equipment on hand measures required levels of equipment against the unit's primary mission which may be much different than the unit's directed GWOT mission. In addition, a unit's equipment serviceability ratings may be reported as acceptable, even if equipment on hand levels are very low.[12] For example, the Army plans to induct 7,500 High Mobility, Multi-Purpose Wheeled Vehicles (HMMWV) into depot level recapitalization programs in 2007 at a cost of $455 million. The Army intends to use these HMMWVs to fill gaps in the Army's force structure to allow units to train and perform homeland security missions. However, according to Army officials, the HMMWVs that emerge from this recapitalization program will not be suitable for use in the OIF theater because they will not be armored and, thus, will not provide protection from sniper fire and mine blasts. The unarmored M1097R1 HMMWVs produced by the recapitalization program will not offer the same level of force protection as the M1114 Uparmored HMMWV, and do not have the M1114's rooftop weapons station. According to Army officials, only fully armored HMMWVs are being deployed to the OIF theater. While the Army's HMMWV recapitalization activities may raise overall HMMWV equipment on hand levels of non-deployed units in the United States, they will not directly provide HMMWVs to equip units deploying for OIF missions, or allow them to train on vehicles similar to

[12] Units report their readiness using overall C-level ratings, which are based on assessments of their equipment on hand, equipment serviceability, training, and personnel levels. These assessments are made against the unit's Table of Organization and Equipment, which prescribes the wartime mission, capabilities, organizational structure, and equipment requirements for which the unit was designed, which may be different than its directed mission supporting operations in Iraq or Afghanistan.

those they would use while deployed. Specifically, the M1097R1 unarmored HMMWVs produced by the recapitalization program are not being deployed to the OIF theater due to inadequate force protection and have limited training value to deploying units primarily because the unarmored HMMWVs have different handling characteristics and configurations than the armored HMMWVs used in Iraq. According to November 2006 Army readiness data, deployed units, and units preparing for deployment report low levels of equipment on hand, as well as specific equipment item shortfalls that affect their ability to carry out their missions. Army unit commanders preparing for deployments may subjectively upgrade their unit's overall readiness levels,[13] which may result in masking the magnitude of equipment shortfalls. Since 2003, deploying units have continued to subjectively upgrade their overall readiness as they approach their deployment dates, despite decreasing overall readiness levels among those same units. This trend is one indicator of the increasing need for Army leaders to carefully balance short-term investments as part of reset to ensure overall readiness levels remain acceptable to sustain current global requirements. Until this is done, the Army cannot be assured that their plans will achieve the stated purpose of their reset strategy for 2007, or in future years, to restore the capability of the Army to meet current and future operational demands.

Army Reset Strategies Do Not Give Priority To Unit Equipment Needs Over Longer-Term Equipment Needs

The Army's reset strategies do not ensure that the repairing, replacing, and modernizing of equipment needed to support units that are preparing for deployment are given priority over other longer-term equipment needs, such as equipment modernization in support of the Army's modularity initiative. Army reset strategies are primarily intended to be based on plans for repairing, recapitalizing, or replacing equipment returning from overseas theaters in a given fiscal year. However, in addition to meeting these short term requirements, the Army's reset strategy has included funding requests for certain items to accelerate achieving longer-term strategic goals under the Army's modularity initiative. For example, in addition to the planned fiscal year 2007 national level reset of almost 500 tanks and more than 300 Bradleys expected to return from the OIF theater, the Army also intends to spend approximately $2.4 billion in fiscal year 2007 reset funds to take more than 400 Abrams tanks and more than 500

[13] Army units assigned directed missions can subjectively report their readiness for upcoming deployment using "percent effective" ratings. These reflect the unit commander's subjective assessment of the unit's ability to perform its mission.

Bradley Fighting Vehicles from long-term storage or from units that have already received modernized Bradleys for depot level upgrades. These recapitalizations will allow the Army to accelerate their progress in achieving a modular force structure[14] by providing modernized Abrams and Bradley vehicles to several major combat units 1 or 2 years ahead of schedule. The Army believes achieving these modularity milestones for Abrams tanks and Bradley Fighting Vehicles will achieve greater commonality in platforms that will enable force generation efforts and reduce overall logistical and financial requirements by reducing the number of variants that must be supported.

Concluding Observations

Since fiscal year 2002, Congress has appropriated approximately $38.6 billion for Army equipment reset. In addition, the Army estimates that future funding requirements for equipment reset will be about $13 billion to $14 billion per year for the foreseeable future. To ensure that these funds are appropriately used for the purposes intended and to provide the Congress with the necessary information it needs to provide effective oversight, the Army will need to be able to track and report the obligation and expenditure of these funds at a more detailed level than they have in the past. We do not believe that the reporting format the Army developed for tracking and reporting this data for fiscal year 2007 is sufficiently detailed to provide Congress with the visibility it needs to provide effective oversight.

Also, the Army's reset strategies need to ensure that priority is given to repairing, replacing, and modernizing the equipment that is needed to equip units preparing for deployment. The current low levels of equipment on hand for units that are preparing for deployment could potentially decrease overall force readiness if equipment availability shortages are not filled prior to these units' deployments.

Lastly, as the Army moves forward with equipment reset, it will need to establish more transparent linkages among the objectives of its reset

[14] The Army Modular Heavy Brigade Combat Team (HBCT) force structure calls for 31 HBCTs equipped with combinations to two different types of Abrams tanks and Bradley Fighting Vehicles. Seventeen HBCTs would be equipped with the digitized Abrams M1A2 System Enhancement Program (SEP) tanks and digitized M2A3 Bradley Fighting Vehicles. The remaining fourteen HBCTs would be equipped with the Abrams M1A1 Abrams Integrated Management (AIM) and Bradley Operation Desert Storm (ODS) upgraded vehicles.

strategies, the funds requested for reset, the obligation and expenditure of appropriated reset funds, and equipment requirements and related reset priorities.

Mr. Chairmen, this concludes my statement. I would be happy to answer any questions.

GAO Contacts and Acknowledgments

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QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

JANUARY 31, 2007

QUESTIONS SUBMITTED BY MR. ABERCROMBIE

Mr. ABERCROMBIE. What is the record so far on retrograde of equipment?

General ANDERSON. Since the beginning of Fiscal Year 2007 there have been over 6,100 items retrograded to repair facilities within the continental United States. These items include more than 200 track vehicles, 1,300 wheeled vehicles and more than 4,600 HMMWVs. All retrograded equipment is evaluated and inducted as needed into field and national level Reset. Disposition of the equipment is dependant upon the condition of each item upon arrival at the various repair facilities.

Mr. ABERCROMBIE. Has there been a readjustment in the budget that will come to us to account for the surge?

Mr. MULLINS. There is a limited amount of surge funding that is requested in the Fiscal Year 2007 Main Supplemental request. The majority of the items in the supplemental are for force protection items and logistic systems. This provides the same level of protection and logistical support as the units that are currently in theater.

	System	Surge Requirement	
SURGE	UAH Frag Kits	65.8	
	Gunner Protection	11.1	
	MTV Add-on Armor	99.0	
	HTV Add-on Armor	18.2	
	CS/CSS Armor	85.0	**279.1
	Bradley Belly Armor KITS, BUSK & ACS	39.6	
	1 HBCT ADD ON ARMOR KITS	6.2	
	1 HBCT BELLY ARMOR KIT & THERMAL WEAPON SIGHTS	8.6	
	Line Haul (M915A3P1)	139.4	
	Flat-bed Trailer (M967)	18.0	
	Water Tralier (M872)	23.3	
	Add-on Armor (Line Haul)	37.0	
	Mine Resistance Ambush Protection (MRAP)	2,249.0	
	OEF Surge Requirements	681.0	**3,202.2
SURGE Total		3,481.3	

**NOTES:

$279.1M already included in FY07 Main Supp Request

$3,202.2M additional request sent to OSD on 26 Feb 07

Mr. ABERCROMBIE. What is equipment reset supposed to accomplish? Is reset funding going only toward battle losses and cost of war? What other priorities is funding going toward?

Mr. SOLIS. Equipment reset is intended to be a demand-based process, focused on operational requirements of the combatant commanders, to rapidly return Army materiel to units preparing for subsequent operations in order to meet current and future combatant commanders' demands. Under the Army's framework for training and equipping units for deployments, known as the Army Force Generation Model (ARFORGEN), reset begins when units return from their deployments and concludes prior to a unit's being made available for subsequent missions. According to the Army's fiscal year 2007 reset framework and the ARFORGEN implementation strategy, the primary goal of reset is to prepare units for deployment and improve their equipment-on-hand levels. These reset strategies prescribe a level of equipment on hand for units preparing for deployment 45 days prior to their mission readiness exercise which is intended to validate the units preparedness for its next deployment.

Reset funding includes more than battle losses and the cost of war. As a demand-based process, funding requirements are based on plans for resetting equipment returning from overseas theaters in a given fiscal year. In addition to meeting these

short-term requirements, the Army's reset strategy has included funding requests for certain items to accelerate long-term strategic goals under the Army's modularity initiative. For example, in addition to the Army's planned fiscal year 2007 national level reset of almost 500 tanks and more than 300 Bradley Fighting Vehicles expected to return from the Operation Iraqi Freedom theater, the Army intends to spend approximately $2.4 billion in fiscal year 2007 reset funds to take more than 400 Abrams tanks and more than 500 Bradley Fighting Vehicles from long-term storage or from units that have already received modernized Bradleys for depot level upgrade. These recapitalizations will allow the Army to accelerate their progress in achieving a modular force structure by providing modernized Abrams and Bradleys to several major combat units 1 or 2 years ahead of schedule. The Army believes achieving these modularity milestones for Abrams and Bradleys will achieve greater commonality among platforms that will enable force generation efforts and reduce overall logistical and financial requirements by reducing the number of variants that must be supported.

Mr. ABERCROMBIE. In its tracking and reporting of obligations and expenditures, how does the Army differentiate between reset and modularity? Is there any overlap between reset and modularity?

Mr. SOLIS. The potential for overlap between reset and modularity exists. The Army began receiving procurement funds for modularity in fiscal year 2005. According to Army officials, while the Army manually tracks the execution of modularity funds similar to the way that reset procurement funds are tracked, the tracking of reset funds is not part of the Army's financial accounting system. Consequently, the accounting system captures and reports the data along with all other procurement data by commodity, e.g., vehicle, weapons system. The Army's financial accounting system does not distinguish between reset and modularity funds or other equipment-related sources of funding such as force protection. A recent Army report to Congress recognized that "the ability to differentiate between funds earmarked to fill a pre-existing equipment shortfall—a modular force requirement—and a force protection action addressed in the development of the Army's budget is decreasing."[1] The Army further states "since modularity requirements mirror the equipment requirements the Army already procures for its units, the ability to precisely track modularity funds is lost."

Mr. ABERCROMBIE. Does the Army have accurate financial systems in place to track reset costs?

Mr. SOLIS. Prior to fiscal year 2007, the Army did not track or report obligations and expenditures for reset as a separate program within its budget. Because equipment reset was not a separate program within the budget, reset obligations and expenditures were grouped together with other equipment-related line items in the Operation and Maintenance and Procurement accounts. The conference report accompanying the Department of Defense Appropriations Act for 2007 directed the Secretary of Defense to provide periodic reports to congressional defense committees which include a detailed accounting of obligations and expenditures for appropriations provided in Title IX of the act by program and subactivity group. The Army has established a subactivity group for reset, and, according to Army officials, beginning in fiscal year 2007, the Army has mechanisms in place within their financial systems to accurately track reset costs. The Army has developed functional cost accounting (FCA) codes to track the execution of reset funds within the Operation and Maintenance account and a separate manual process through funding authorization documents (FAD) to track the execution of reset funds within the Procurement account.

To track reset funding execution within the Operation and Maintenance account, the Army has designated separate FCA codes for five specific programs related to reset to capture cost data within the Army's financial accounting system. These programs are Army Prepositioned Stocks, Depot Maintenance, Recapitalization, Aviation STIR, and Field Maintenance. Each of the Army's commands utilizes these established FCA codes to record the execution of Operation and Maintenance reset funds. The Defense Finance and Accounting Service (DFAS) collects this cost data. The Army uses the DFAS data to create various reports on the status of reset spending.

The Army system for tracking reset funding execution within its Procurement account differs from tracking within the Operation and Maintenance account. The Procurement account is organized by commodity. The Army has not established separate codes specific to reset within the financial accounting system as they have done for the Operation and Maintenance account. DFAS does not collect cost data for the Procurement account. Consequently, the Army collects this data outside of the exist-

[1] Annual Report on Army Progress to House Committee on Armed Services, Feb. 14, 2007.

ing accounting system. The process for tracking the execution of reset funding within the Army's Procurement account involves communications with the individual program executive offices and managers responsible for the purchase of equipment. Reset appropriation funding is designated as such in funding authorization documents that are sent to the program executive offices and managers. Once the program managers receive these funds, they execute the funding according to the specifications outlined in the FAD. The program managers update and report back to Army headquarters on the numbers of pieces of equipment procured as well as the dollar amounts associated for reset on a monthly basis.

We have not validated the accuracy of the Army's financial accounting systems for tracking reset costs.

Mr. ABERCROMBIE. What are the most significant challenges in accomplishing reset?

Mr. SOLIS. The Army faces a number of ongoing and long-term challenges that will affect the timing and cost of equipment reset. These challenges include transformation initiatives; reset of prepositioned equipment; efforts to replace equipment left overseas from active, National Guard, and Reserve units; as well as the potential transfer of U.S. military equipment and the potential for continued logistical support to the Iraqi Security Forces. The total requirements and costs of equipment reset are unclear, and raise a number of questions as to how the Army will afford them. The Army will have to make difficult choices and trade-offs when it comes to their many competing equipment programs.

Additionally, the Army continues to be faced with increasing levels of operational risk due to low levels of equipment on hand among units preparing for deployment. The Army's reset strategies, however, do not specifically target low levels of equipment on hand among units preparing for deployment in order to mitigate operational risk.[2] We believe that the Army's reset strategies should ensure that priority is given to repairing, replacing, and modernizing equipment that is needed to equip units preparing for deployment. Although deployed Army units generally report high readiness rates, current low levels of equipment on hand for units that are preparing for deployment could potentially decrease overall force readiness if equipment availability shortages are not filled prior to unit's deployments.

Last, as the Army moves forward with equipment reset, it will need to establish more transparent linkages among the objectives of its reset strategies, the funds required for reset, the obligation and expenditure of reset funds, and equipment requirements and related reset priorities.

QUESTIONS SUBMITTED BY MR. ROGERS

Mr. ROGERS. How much does it cost per unit to bring back up-armored Humvees that are then determined to be washouts?

General RADIN. The Army estimates the costs of shipping 300 up-armored High Mobility Multi-purpose Wheeled Vehicles (estimated number declared washouts) from theater to Red River Army Depot at approximately $2.2 million or approximately $7,400 each.

QUESTIONS SUBMITTED BY MR. TAYLOR

Mr. TAYLOR. What would it cost to replace every Humvee in theater with an MRAP-type vehicle?

Mr. MULLINS. The theater requirement is 18,869 High-Mobility Multipurpose Wheeled Vehicle (HMMWV's). It should be noted that there is no plan to replace all of the HMMWVs with Mine Resistant Ambush Protected (MRAP) vehicles; but to do so would require approximately 4,294 Category I MRAPs (short wheel base; capacity for six personnel), and 14,375 Category II MRAPs (long wheel base, capacity for twelve personnel). Note that within each of the above category weight classes; there are several mission role variants of the MRAP Vehicle.

1. The Mine Resistant Ambush Protected (MRAP) program is currently in source selection, therefore at this time, we can only provide an estimate of the total costs (in millions of dollars) to replace HMMWV's with MRAP vehicles:

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[2] Equipment on hand is a readiness measurement based on the quantity and type of required equipment that is available to a unit for the execution of the unit's primary mission. Equipment on hand measures required levels of equipment against the primary mission for which the unit was designed, which may be much different than the unit's directed GWOT mission.

	CAT I	CAT II	Totals
Quantity	4,294	14,375	18,669
Total Cost (Low)	$4063	$9,208	$13,271
Total Cost (High)	$7,760	$21,853	$29,523

2. The estimates provided in paragraph two are based on the Independent Government Cost Estimate for the Army requirement for the MRAP Program.

QUESTIONS SUBMITTED BY MR. SESTAK

Mr. SESTAK. If you take all the existing brigade combat teams we have, and if you were to equip and man them equally, at what percentage would they be manned and equipped? If you were able to equip and fully man all equipment and all brigade combat teams at 100 percent, how many brigade combat teams would be prepared at 100 percent out of the ones you have today?

General ANDERSON. [The information referred to is classified.]

QUESTIONS SUBMITTED BY MS. GIFFORDS

Ms. GIFFORDS. The development of small, tactical UAVs for Army battlefield use has provided important new tools for soldiers. Is the Army satisfied that it has currently met its requirement for these platforms? If not, can procurement be accelerated given the industrial base and the evolving technology? How are combat losses of UAVs being integrated into the procurement requirements?

General ANDERSON. The Small Unmanned Aircraft System, RQ-11 Raven B, is meeting its operational requirements and proceeding on a full-rate production schedule. The Army has been fielding at the rate of 15 systems per Brigade Combat Team (BCT) each month and has 755 systems planned for procurement ending in Fiscal Year 2011 (FY11). The Raven is completely sustained via a Performance-Based Logistics Contractor Logistics Support contract and combat-loss Air Vehicles are replaced with Operations & Maintenance-Army funding.

The Tactical Unmanned Aircraft Vehicle, RQ-7B Shadow, is also meeting all operational requirements. Since FY03 the Army has fielded over 50 systems, with the intent to field to all Brigade Combat Teams (BCTs), including Special Operation Command and the Army National Guard. An FY07 Main Supplemental request of nearly $200 million has been requested with the intent to procure and field to BCTs at an accelerated rate. A supplemental request for FY08, along with existing funding in FY09–11, will allow the Army to meet its Acquisition Procurement Objective of 85 systems, and combat losses are currently planned with Other Procurement-Army funding.

Ms. GIFFORDS. In calculating the equipment requirements for Reserve Component units in the United States, do you differentiate between Reserve and National Guard units? How do you allocate the reset funding between these two groups?

General ANDERSON. Reset funding provided to National Guard and Reserve units is a direct result of the unit equipment that rotated to Theater and subsequently requires Reset repair, recapitalization or replacement. The FY07 Appropriations Act provides $3.5 billion to the Reserve Component to Reset theft equipment.

The Army National Guard is receiving $161 million for field Reset repairs, $187 million for equipment battle losses, $359 million for equipment recapitalization and $1.755 billion for the payback of equipment left in Theater for follow-on units.

The Army Reserve is receiving $34.1 million for field Reset repairs, $4 million for equipment battle losses, $229 million for equipment recapitalization and $745 million for equipment payback for equipment left in Theater for follow-on units.

Ms. GIFFORDS. Given that the National Guard has ongoing homeland security missions and may also be deploying more often wider new personnel management policies, is the Army going to give Guard units priority for reset equipment upgrades that have dual-use for homeland security missions, such as FLIR systems on aircraft?

General ANDERSON. The Army is committed to equipping its next deploying units and follows a rigorous equipping process to ensure that each deploying unit has the required equipment needed to deploy and train for their deployment. Although the Army does not resource equipment specifically for Homeland Defense and Defense Support to Civil Authorities missions, it does recognize the priority for National

Guard units' critical "dual use" equipment. The Army Staff and Army National Guard have worked collaboratively to identify and prioritize approximately 342 critical "dual use" items, and the Army works to field this equipment first.

QUESTIONS SUBMITTED BY MS. CASTOR

Ms. CASTOR. Please expand on the particular pressure on equipment readiness, specifically, as you alluded in your testimony to "increasing levels of operational risk due to low levels of equipment on hand among units preparing for deployment." What does this mean in terms of the President's proposed troop surge in Iraq?

Mr. SOLIS. The Army continues to be faced with increasing levels of operational risk due to low levels of equipment on hand among units preparing for deployment. However, the Army's reset strategies do not specifically target low levels of equipment on hand among units preparing for deployment in order to mitigate operational risk.[3] According to the Army's fiscal year 2007 framework for reset and the Army Force Generation Model implementation strategy, the primary goal of reset is prepare units for deployment and improve their equipment on hand levels. These reset strategies prescribe a level of equipment on hand for units preparing for deployment within 45 days of their mission readiness exercise which validates the units readiness for deployment. However, since the Army's reset planning process is based on resetting the equipment that will be returning to the United States in a given fiscal year, and not based on an aggregate equipment requirement to improve the equipment-on-hand levels of deploying units, the Army cannot be assured that its reset programs will provide sufficient equipment to train and equip deploying units for ongoing and future GWOT requirements, which may lead to increasing levels of operational risk.

Furthermore, Army unit commanders preparing for deployment may subjectively upgrade their unit's overall readiness levels, which may result in masking the magnitude of equipment shortfalls. Since 2003, deploying units have continued to subjectively upgrade their overall readiness as they approach their deployment dates,[4] despite decreasing overall readiness levels among those same units. This trend is one indicator of the increasing need for Army leaders to carefully balance short-term investments as part of reset to ensure overall readiness levels remain acceptable to sustain current global requirements.

We believe that the Army's reset strategies should ensure that priority is given to repairing, replacing, and modernizing equipment that is needed to equip units preparing for deployment. Although deployed Army units generally report high readiness rates, current low levels of equipment on hand for units that are preparing for deployment could potentially decrease overall force readiness if equipment availability shortages are not filled prior to unit deployments. Any future troop surge could further exacerbate already low levels of equipment on hand and decrease overall force readiness.

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[3] Equipment on hand is a readiness measurement based on the quantity and type of required equipment that is available to a unit for the execution of the unit's primary mission. Equipment on hand measures required levels of equipment against the primary mission for which the unit was designed, which may be much different than the unit's directed GWOT mission.

[4] Army units assigned directed missions can subjectively report their readiness for upcoming deployment using "percent effective" ratings. These reflect the unit commander's subjective assessment of the unit's ability to perform its mission.