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DEFENSE LOGISTICS

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

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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 sustain periods exacerbates the wear and tear on equipment. Since fiscal year 2002, Congress has appropriated about \$38 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 equipment 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 \$12 billion to \$13 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 can track and report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose, and (2) whether the Army can be assured that its equipment reset strategies will sustain future equipment readiness for deployed as well as non-deployed units while meeting ongoing requirements.

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

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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

The Army cannot track or report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose. 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 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. However, based on our analysis, the Army's reset tracking system does not provide sufficient detail to provide Congress with the visibility it needs to provide effective oversight.

The Army cannot be assured its reset strategies will sustain equipment availability for deployed as well as non-deployed units while meeting ongoing operational requirements. The Army's primary objective for equipment reset is to equip units preparing for deployment. However, the Army's reset strategy does not specifically target low levels of equipment on hand among units 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 model 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 planning 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 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 billion for reset in a subsequent fiscal year 2007 supplemental appropriation. Army officials estimate the Army will need about \$12 billion to \$13 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 exacerbates 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 can track and report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose, and (2) whether the Army can be assured that its equipment reset strategies will sustain future equipment readiness for deployed as well as non-deployed units while meeting ongoing requirements.

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

The Army cannot track or report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose. 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 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 O&M and Procurement accounts. The Conference Report accompanying the Department of Defense Appropriations Act for 2007² 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. However, based on our analysis, the Army's reset tracking system does not provide 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.

The Army cannot be assured its reset strategies will sustain equipment availability for deployed as well as non-deployed units while meeting ongoing operational requirements. The Army's primary objective for equipment reset is to equip units preparing for deployment. However, the Army's reset strategy does not specifically target low levels of equipment on hand among unit's preparing for deployment. Although deployed Army

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).

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 planning 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 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 deploy⁵. 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 OIF missions. Specifically, the unarmored HMMWVs produced by the recapitalization program are not being deployed to the OIF theater due to inadequate force protection and have

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.

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 FY 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 about 25 percent of total on-hand wheeled and tracked vehicles and about 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 A/C			
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 this 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 which could include: 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 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 components 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 operation & maintenance (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

Reset Category	Army	
	Amount of reset funding (dollars in billions)	Percent of total
Repair (O&M):	\$7.8	46
Field level Maintenance	3.7	
Depot level Maintenance	4.1	
Recapitalization	4.3	25
Replacement (Procurement)	5.0	29
Total fiscal year 2007 funding¹	\$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. 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

List⁸. 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 (ARPL), 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 they 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.

Army Reset Tracking System Cannot Confirm Funds Appropriated for Reset are Expended for that Purpose

The Army cannot track or report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose. 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 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

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

accompanying the Department of Defense Appropriations Act for 2007⁹ 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. However, based on our analysis, the Army's reset tracking system does not provide 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 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.

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).

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).

Army Cannot Be Assured Its Reset Strategies Will Sustain Equipment Availability While Meeting Ongoing Operational Requirements

The Army cannot be assured its reset strategies will sustain equipment availability for deployed as well as non-deployed units while meeting ongoing operational requirements. The Army's primary objective for equipment reset is to equip its deployed forces and units preparing for deployment. However, the Army's reset strategy does 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 Target Low Levels Of Equipment On Hand To 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 forty-five 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 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 low¹². 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 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 those they would use while deployed. 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 levels¹³, 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

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.

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.

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 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 structure¹⁴ 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 billion for Army equipment reset. In addition, the Army estimates that future funding requirements for equipment reset will be about \$12 to \$13 billion per year for the foreseeable future. To ensure that these funds are

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.

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 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.

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