

# Riding Out





# *the* STORM

Better Buying Power initiatives play crucial role as Army deals with funding uncertainties, sequestration cuts

*by Ms. Margaret C. Roth*

## **MAKING RESET A PRIORITY**

Despite severe fiscal constraints, the Army must continue to reset and upgrade its equipment. Aging platforms such as the Bradley fighting vehicles, M113 family of vehicles and M109 self-propelled howitzer are due for modernization and replacement. Here, a Soldier with the 2nd Armored Brigade Combat Team, 1st Infantry Division keeps watch from a Bradley Feb. 24 during an exercise at the National Training Center, Fort Irwin, CA. (DOD photo by E.J. Hersom, Joint Hometown News Service)

As if the challenges of declining budgets and an upcoming drawdown weren't enough to keep the Army on fiscal alert, the effects of sequestration and stopgap funding have amplified intensely the need for better buying power (BBP).

Throughout the Army and DOD, a "perfect storm"—also described as a tri-fecta—of operating under a continuing resolution (CR), the harsh cuts resulting from sequestration, and the decline of funding in the overseas contingency operations (OCO) and Operation and Maintenance, Army (OMA) accounts makes BBP initiatives all the more important, even as it tests the limits of BBP.

"Sequestration and the continuing resolution work against everything we are trying to accomplish," said Frank Kendall, undersecretary of defense for acquisition, technology and logistics (USD (AT&L)), in response to questions from Army AL&T Magazine. (See Q&A on Page 20.) "Unpredictable, unstable funding directly impairs the department's ability to maximize its buying power.

"Nevertheless, BBP is about creating efficiencies, in large part through an emphasis on implementing basic acquisition practices and policies in a smart and professional manner. Its implementation makes sense in any fiscal environment, but especially now," he said. "We must meet our warfighters' needs while remaining vigilant stewards of the taxpayers' dollars. Better Buying Power directly helps us to achieve this goal, and our warfighters need our best efforts now more than ever."

Heidi Shyu, the assistant secretary of the Army for acquisition, logistics and technology (ASA(ALT)), sounded a similar note during a Feb. 20 panel discussion, titled "Better Buying Power and



### INCENTIVIZING INDUSTRY

To be successful, Army leadership emphasized that BBP must proceed as a team approach with private industry to make certain that the Soldiers get what they need when they need it. Here, John Hammond, a field support representative and software engineer with General Dynamics Corp., checks on a Simple Network Management Protocol at Fort Bliss, TX, Sept. 19, 2012, in preparation for Network Integration Evaluation 13.1. (Photo by SGT Richard Gilbert, 2nd Brigade Combat Team, 1st Armored Division)

Affordability," at the Association of the United States Army's (AUSA's) Institute of Land Warfare Winter Symposium and Exposition in Fort Lauderdale, FL. Shyu, who chaired the discussion remotely because she was working on BBP policy, called sequestration "the very antithesis of management and planning investment that we have stressed in the last couple of years."

The significant changes imposed by the existing fiscal situation, the fiscal turmoil of sequestration, which took effect March 1, and stopgap funding under the CR together "threaten to undermine our current effort to implement cost-effective strategies in acquisition programs," she said. Congress mandated that military programs be cut by 9 percent on average, with an exception for military pay.

Subsequently, on March 22, Congress averted a government shutdown by

passing a CR that provides spending for the rest of FY13, which ends Sept. 30. The measure relieves the uncertainty caused by having to operate at stopgap funding levels similar to last year's and allows the Army to address the shortfall in the OMA account. The new CR does not, however, cancel the automatic cuts that took effect March 1 with sequestration; it just gives DOD more money to work with.

The BBP initiatives promise to help in this regard. Experience to date with the BBP initiatives championed by Kendall and his predecessor, Dr. Ashton Carter, shows that "dedicated emphasis on affordability and sound management results in tangible progress," Shyu said. (See related article on Page 4.) "But we have much work that remains. ... The reality is that the Army's acquisition community must continue to prioritize several key missions regardless of the current and projected fiscal outlook."

### SPENDING PRIORITIES

First and foremost in mission priorities, Shyu said, is support for ongoing combat operations and Soldiers' needs in Afghanistan. "The need for safety of our troops remains our top priority and focus," she said.

Another ongoing priority is the planned retrograde of equipment supporting Operation Enduring Freedom (OEF), scheduled for completion by the end of 2014. "The retrograde will present significant logistical challenges for the Army as we undertake the accountability and transfer of large volumes of weapon systems and equipment [built up] over the course of 12 years of war," Shyu said.

In conjunction with the drawdown, the Army will be resetting and modernizing

its inventory of equipment because much of the equipment used in war needs repair, and some modernization was deferred to focus on the war effort. Aging platforms such as the Bradley fighting vehicles, M113 family of vehicles and M109 self-propelled howitzer are due for modernization and replacement to ensure the Army's readiness to meet future security needs in a networked combat environment.

"All of this work must be done, so we have worked diligently to ensure that we make the best use of increasingly scarce public resources, which we regard as a public trust," Shyu said.

### PROGRAMMATIC IMPACTS

In a presentation Feb. 22 at the AUSA Winter Symposium, LTG James O. Barclay III, deputy chief of staff (DCS) of

the Army, G-8, noted that sequestration could continue for years to come.

"I'll be honest with you, we're facing some tough times in FY13. But I think what is really not being captured ... is the fact that sequestration is not just FY13. We have nine more years of sequestration facing us unless the law is changed. ... [F]or the next nine years, we're going to have cuts that are going to have direct impacts on what we do with our Army, force structure-wise, readiness-wise and modernization-wise," he said.

Continued sequestration would mandate a total dollar amount for spending reductions, and "the Army can then decide where to put those cuts," subject to Pentagon, White House and congressional approval, Barclay said. "That's why it's important to understand where we want to be in the future with our force, because you'll make those decisions looking through the lens of cost and risk and deciding, do you stretch entire programs, do you terminate programs? Now I look at things through about three different lenses," Barclay said:

- Cost-effectiveness, keeping in mind a force that is trained, manned and equipped to meet the missions the Army is given.
- Timing, weighing those decisions the Army can or must make now versus those that it can put off for one to three years. "As you take a five-year programmatic look, you've got to also look at the extended program, looking out 10 or 15 years," Barclay said.
- Risk, not only the monetary implications but also what they will mean for the force and the leadership as the Army moves forward.

The Army's force structure is always a vital consideration, Barclay said, along



### THE FURLOUGH FACTOR

Another issue to consider while implementing BBP is that the civilian workforce is now subject to a furlough, with about 250,000 Army civilians currently required to take 20 days without pay during the rest of FY13. Here, employees of the U.S. Army Installation Management Command attend a town hall briefing about the furlough at Fort Sam Houston, TX, Feb. 22. (Photo by Robert Dozier, Family and Morale, Welfare and Recreation Command)

with modernization and readiness. “You have to ensure that you have a balance ... or you are at risk of creating hollowness in one of those areas or across the entire Army,” he said.

Sequestration has a number of significant specific impacts, Barclay said. “All along, we’ve said that when we finish in Afghanistan, we would probably have somewhere between two and three years of reset to get our Army back to where it needed to be,” Barclay said. With sequestration, “we won’t be able to reset in two to three years after we bring the last forces home.”

In the area of modernization, “We’re going to extend the timelines of our

modernization programs,” he said—for example, the CH-47 Chinook, AH-64 Apache and UH-60 Black Hawk helicopters. “We’re just pushing the final year of when we would complete them out into the future.”

Over the longer term, each program affected by cuts is likely to see delays, higher costs and greater program risks, Shyu said. “Current-year activities and procurement buys will be late or reduced to meet sequestration targets, with no assurance that funding will be restored in the future years. These changes will extend program schedules, increase our unit costs and add to our programs’ overall risk next year and beyond,” she said.

For the workforce, sequestration threatens to reduce professional military education classes “to only those that are promotion-tied requirements,” Barclay said. And, of course, the civilian workforce is now subject to a furlough, with about 250,000 Army civilians required to take as many as 14 days without pay before the end of FY13.

The furloughs come at a time when the AL&T workload is expected to increase, Shyu said, particularly in the area of contracting, because sequestration triggers widespread efforts to terminate or modify a large number of existing or pending Army contracts. “The burden of the contracting workforce, charged with helping the Army achieve the best value executing contracts in a timely manner, will be significant,” Shyu said.

Overall, “The potential loss of critical expertise through indiscriminate budget cuts jeopardizes unique skills sets that are critical to our Army’s future,” she said.

MG Thomas W. Spoehr, director of program analysis and evaluation in the Office of the DCS, G-8, noted in a presentation Feb. 20 at the AUSA Winter Symposium that the Army’s total obligation authority over time is not growing at a rate commensurate with inflation, which was 2 percent as of February. “That alone is going to put pressure within the Army. And so Army buying power goes down precipitously with sequestration, but even without sequestration, the Army is losing buying power,” Spoehr said.

In sum, the challenges of improving buying power in the Army and DOD could hardly be greater, given the current fiscal conditions.

### **BBP ACCOMPLISHMENTS**

While the fiscal picture is not pretty, the



### **VIRTUAL TRAINING**

The Army is looking at ways to conduct training at lower cost by maximizing the use of live, virtual, constructive approaches. Here, Soldiers with the 167th Theater Sustainment Command (TSC), Alabama Army National Guard practice rifle marksmanship March 2 at a simulated firing range on Fort McClellan, AL, using the Fire Arms Training System. (U.S. Army photo by PFC Jeremiah Raines, 167th TSC)

Army is looking at it in an increasingly disciplined way through a number of lenses, including “will-cost/should-cost” analysis, capability portfolio review, strategic modernization planning, and greater sharing of resources among the military services. “We have built a very, very effective Army, but it isn’t terribly efficient today,” Spoehr said. “And so we’re going to have to change that paradigm.”

From the G-8’s perspective, this calls for:

- Greater reliance on Joint and Coalition programs and partners, “to ensure that we take a hard look at every opportunity we can to integrate wherever we can to meet a capability or to cover a capability gap,” Barclay said.
- Scalable equipment, “not only in capabilities but [also] size, that can be applied to tailorable formations,” Barclay said, to enable Soldiers to conduct a variety of missions.
- Staggered modernization, meaning incremental system changes and different variants as well as extended timelines.
- Smaller procurement objectives, depending on the Army’s final end strength. “We don’t know that yet. Is 490,000 the bottom? The size of that force will drive what those procurement objectives are,” Barclay said.
- Greater reliance on commercial-off-the-shelf and government-off-the-shelf products, “trying to align the threshold requirements that we’re developing within the available technology that exists and not asking for more than what we know is available or out there,” Barclay said.
- Weapon systems composed of upgradable components and subsystems, “so as you do get improved technology, you can plug and play those components and subsystems into those base programs [or] base vehicles to continue

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to modernize them as you move forward,” Barclay explained. “We’re also going to have to divest our old systems where they’re not cost-effective anymore, based on the life-cycle cost and where we’re going in the future with our dollars.”

- Incentivizing the industrial base to reduce cost. “This is going to have to be a team approach,” Barclay said. “It’s not just about the services; it’s about our industry partners and how we get after and meet these challenges to ensure that we both give the Soldier what he needs at the time he needs it.”
- Lowering the O&M costs of sustainment, using approaches such as condition-based maintenance.
- Optimizing training. “We’ve got to be able to leverage those dollars and ensure that the live, virtual, constructive construct is maximized to give you better training that is more affordable,” Barclay said. For example, he said, five years ago about 18 percent of the flight training at Fort Rucker, AL, was done in simulators; now the proportion is just under 40 percent and the training costs 37 percent less. “We’ve been working at this for several years, but we’ve got to get the entire Army behind it,” he said.

Central to the Army’s efforts to set a prudent, workable course for modernization is its new Army Equipment Modernization Strategy (AEMS), online at <http://www.defenseinnovationmarketplace.mil/resources/ArmyEquipmentModernizationStrategy.pdf>, Barclay and Shyu said. It is not program-specific, but rather is written in broader terms to give guidance to the force and inform industry about the Army’s future direction.

This strategic planning effort aligns with a key initiative of BBP 2.0, which calls for instituting a system of investment planning to drive affordability targets for acquisition programs, Shyu noted. “We needed a process to prioritize and balance pressing modernization needs for Soldier equipment and development of new capabilities” to solve capability gaps in light of emerging threats, she said.

The AEMS, approved March 4 by Chief of Staff of the Army GEN Raymond T. Odierno and Secretary of the Army John McHugh, identifies critical technologies that will yield the next generation of capabilities. The strategy incorporates input from program executive officers (PEOs) and program managers (PMs) on their equipment life-cycle projections and sustainment costs, including the extent to which equipment use and sustainment costs call for greater capability.

“In this fiscally constrained environment, we must place emphasis into S&T [science and technology] areas that tackle truly the Army’s unique challenges, and collaborate across services, national labs, academia and partner nations to solve our common challenges,” Shyu said. The AEMS provides a road map that the Army can share with industry “so that we can leverage their IR&D [independent research and development] investments,” she said.

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This drive toward a more strategic assessment of Army modernization needs in the near-, mid- and long term has challenged standard DOD planning and budgeting processes, noted Mary Miller, deputy assistant secretary of the Army for research and technology. “We are used to, even comfortable with, developing a plan that lasts five years,” she said. “This is culture change.” Among other benefits, the long-term assessment has identified conflicts and redundancies in Army acquisition programs, such as planned technology upgrades to systems that have already transitioned to sustainment, Miller said.

“It forces a new look at what else might need to happen,” bringing together the PEOs, the S&T community, the requirements community and the Army G-8, she said. “The world of 2030 to 2035 is clearly not going to look like the world of today. Threats and capabilities to address those threats, may, in fact, look very different than what we have fielded. This exercise forces us to look at those eventualities.”

In the area of information technology, for example, strategic modernization planning identifies what technology is needed and where it can be inserted as part of an upgrade. It also shows when the Army needs to start investing for replacement platforms.

#### **GETTING MORE FROM BBP**

Of the many separate BBP initiatives, applying “should-cost” analysis across

programs has had particularly notable results, said MG Harold J. Greene, deputy for acquisition and systems management in the Office of the ASA(ALT), during the BBP discussion at the AUSA Winter Symposium.

“Our savings in FY12 was approximately \$370 million that we could point to, where we had concrete savings and we expect more in future years. Our projection right now is \$2.5 billion in [FY]13 to 17.”

The Army is also seeking efficiencies by leveraging the quick reaction capabilities (QRCs) fielded to the theaters of war in Iraq and Afghanistan, Greene said. “Right now the department’s going through a very deliberate process, looking at all of those quick reaction capabilities, and we’re categorizing them. We’re going portfolio by portfolio.”

In the process, the Army is identifying items that add value in the current fight but are not necessarily useful over the long term; those will be maintained until the end of the fight with OCO funds and then retired. Items in capability areas where the Army plans to invest will be maintained using OCO funds and then replaced with something the Army develops through its research, development, test and evaluation and procurement programs. Some items the Army will simply divest.

At the AUSA Winter Symposium, ASA(ALT) leaders discussed a number of

lessons learned in their experiences with the BBP initiatives introduced in 2010.

- **Affordability alone is insufficient**— “You can have the most affordable programs coming forward, but if they’re not executed and they’re not set up for success in delivering fully to Soldiers and to our Army on the timeline that you required, then affordability isn’t going to cut it,” said LTG William N. Phillips, principal military deputy to the ASA(ALT). “They’ve got to be executable as well.” This entails asking certain fundamental questions, he said:

“What’s the maturity of the system today, and what do [PMs] anticipate maturity might be? What are the risks associated with developing the technology? What is the right balance of risk that both industry and the government should accept? What are the best incentives to provide to industry that will help both of us going forward? And how long will it take to get into production?” (See related article on Page 124.) “And if we look at a development cycle, how long will that development cycle be? If you look at each program, each one is going to be unique in some kind of way. ... And once we’ve done that deep-dive analysis, then we can begin to gather the acquisition strategy and the timelines.”

Increased collaboration among PMs, the S&T community and the U.S. Army Training and Doctrine

Command on writing requirements is helping to make them more affordable and achievable, Miller said. “The technology demonstrations that we’ve been doing on the S&T side help to inform what requirements can and should be, because we’ve proven it can be done.”

- **No “cookie-cutter” solutions**—“When you look at should-costs, each PM that’s managing that program has to look at it holistically,” including but not limited to aspects such as technical risk, requirements and test strategies, Phillips said. “There is not one cookie-cutter solution. “You have to dig for the details ... find out if there is gold plating within the requirements. It’s got to be smart people looking at the excruciating details inside that program to bring it forward.”

There might be a way to introduce an initial capability and then later insert capabilities that were not sufficiently mature at the outset; this incremental approach helped the Army reduce the per-unit cost for the Ground Combat Vehicle from more than \$20 million to about \$10.5 million, Phillips noted.

- **Efficiencies are everywhere**—Looking holistically at acquisition programs will turn up efficiencies in related areas, said Kevin M. Fahey, the PEO for combat support and combat service support (CS&CSS). For example, he said, “We’ve done a lot of work on the analysis of a base camp, looking at that capability as a portfolio. And we’re doing a lot of operational energy things because we have to. I think you’ll see bases shutting down lights during weekends. In some instances, we need to do a better job of monitoring when things are used or not used.” The same wide lens will apply as PEO CS&CSS undertakes the retrograde

of equipment from Afghanistan, Fahey said. “Retrograde, reset, recap, acquisition programs, everything we do needs to go through that process.” He warned, however, that the intense emphasis on BBP could actually create more bureaucracy. “When we get down to having no money, we try to be more efficient. But what I would tell you, from where I sit, [is that] in a lot of instances the bureaucracy gets worse, because people want to make sure that you’re doing the right things when you have no money.”

- **Expeditionary contracting capability is essential**—“The number one thing we learned out of Operation Iraqi Freedom initially, and then later in OEF, is that we have to have an expeditionary contracting capability inside the Army,” Phillips said. “Previously we had relied primarily upon the Air Force, who were subject-matter experts in this field and have been for many years.” U.S. Army Materiel Command “has done extraordinary work to build contingency contracting capability,” Phillips said. “It ties back directly into better buying power.”

Greene added, “We’ve learned that we need to embed contracting as part of our routine operations. So now you see that we’ve tied contracting brigades to ASCCs [Army service component commands] so they’re available, they can be part of exercises. ... I think the other thing you would notice is that we’ve made a concerted effort to build that contracting workforce.”

## THE ROLE OF INDUSTRY

As the Army experiences fiscal pressures from every direction, it is more important than ever to draw on industry’s expertise and experience to achieve BBP, its leaders agreed.

“We look to industry for creative proposals to deliver affordable capabilities that meet Army requirements, as well as other ideas to improve efficiency and sound management of our investments,” Shyu said. “We’re interested in learning more about how we can use management tools and metrics from the private sector to optimize performance of our organic industrial base.

“The Army must retain the organic industrial base that has capably met the needs of a nation at war over the past decade. As we adapt to a postwar period, we will look at creative ways to preserve critical skills and institutional capabilities,” she said.

As Miller put it, “We don’t corner the market of good ideas. We will need to leverage [industry] investments more than ever to ensure that the Army remains dominant.” Industry, academia, foreign partners and the other services have much to contribute, she said.

“The current situation is that such exchanges are fragmentary at best, especially given these hard fiscal times. ... We are looking into improving this situation,” Miller said, pointing to the Defense Innovation Marketplace at <http://www.defenseinnovationmarketplace.mil/> as a good start. The Office of the Secretary of Defense established this website to facilitate exchanging information relating to government programs.

Industry’s help is also critical in the area of developmental testing (DT), Phillips said. “We’re looking very closely at the cost of testing. ... It doesn’t make sense that we would go forward and duplicate, within government, testing that industry has already done. The PMs and the industry partners have to work together, in my view.”



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Finally, “There really has to be a dialogue between the government and the contractor,” Greene said. “We have to understand what’s driving the cost of the program, things like where are the price points, so that we can make smart investment decisions.” A better dialogue also calls for the government to provide industry with draft requests for proposal (RFPs) and to make better use of requests for information to determine “the art of the possible,” he said. “And we’d ask for your honest feedback on that so that we can shape the programs to do smart things, because certainly you have a lot of knowledge that we’d like to get at.”

Getting key information out to industry as soon as possible could go a long way to shortening the timeline for executing contracts, Phillips said. “We’ve been somewhat hesitant to get the draft RFP out because we want to get it better, and get it better, and get it better, and then we want to make sure that all our bosses all the way up the chain of command are in concurrence with our releasing a draft RFP.

“I think we need to take some risk in that area, and we probably will in the future, in terms of getting the requirements out and the drafts out earlier to industry, so that they can review it, comment on it, and we can get real comments back and ... execute the process a little bit better, define it quicker and get to the award much sooner.”

## CONCLUSION

Since BBP was introduced in 2010, much has changed for the Army and DOD. BBP 2.0, released in draft in November 2012 and being finalized as this issue went to press, provides an

expanded set of tools with which to weather the fiscal storm. Many of the underlying principles of affordability and cost-effectiveness have been in play for much longer than the BBP initiatives. “But I will tell you that all of those terms have a different meaning today than they had 12 years ago, before we went into this current conflict that we’re in,” Barclay noted. “Are the times tough? Yes. But ... we’ve been in tough times before. The glass, in my mind, is not half-empty, it’s half-full. We just have to figure out the ways to get at after it, because we have a great Army.”

“As with BBP 1.0, the key to success will be in the implementation and in the follow-up,” Kendall said. “We have a lot of work ahead of us, and the whole budget climate is making it much tougher for everyone to focus on our work, but it’s also even more important to do so in these circumstances.”

“The Army and the department are making real progress in managing our public resources in a manner that’s consistent with the best tradition of good stewardship and dedication to our Soldiers,” Shyu said. “I hope that the Army and industry ... stay the course.”

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