

**HOLD UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE**

STATEMENT OF

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BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON AIR AND LAND FORCES

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Army Acquisition, Reset, and Modernization Programs
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Good morning Mr. Chairman, Congressman Bartlett, and Members of the Committee. Thank you for the opportunity to appear before you today to discuss the Fiscal Year 2010 President's Budget request as it affects Army acquisition programs.

On April 6, 2009, Secretary Gates announced key decisions he recommended to the President with regard to the Fiscal Year 2010 defense budget. In his statement, the Secretary said his recommendations were the product of a holistic assessment of capabilities, requirements, risks and needs for the purpose of shifting the Department in a different strategic direction. Further, he made clear that virtually all of his decisions and recommendations were made regardless of the Department's top line budget number.

Secretary Gates' decisions and recommendations were structured to attain three principal objectives:

- First, to reaffirm our commitment to take care of the all-volunteer force, America's greatest strategic asset;
- Second, to rebalance the Department's programs in order to institutionalize and enhance our capabilities to fight the wars we are in today and the scenarios we are most likely to face in the years ahead, while at the same time providing a hedge against other risks and contingencies;

- Third, to reform how and what the Department buys, meaning a fundamental overhaul of our approach to procurement, acquisition, and contracting.

The sections that follow address the specific topic areas in your invitation letter. As you will see, the Department of Defense budget for Fiscal Year 2010 as it pertains to Army acquisition programs generally, and the specific programs you asked us to address, is focused on that second objective. Specific programs may have been increased or decreased; restructured, accelerated, or cancelled. But the budget, taken holistically, rebalances programs to enhance our capabilities today and the scenarios we are likely to face in the future, consistent with the Secretary's objective.

Future Combat Systems (FCS)

An update on the status of the Future Combat Systems program changes directed by the Secretary of Defense, including termination of FCS Manned Ground Vehicles, potential changes to the FCS contract fee structure, and the status of the congressionally mandated FCS review for 2009.

The Fiscal Year 2010 budget capitalizes on the Department's FCS investment to-date in sensors, networks, unmanned aircraft systems, and manned and unmanned ground vehicles to accelerate the delivery of militarily useful capability to the warfighter. The FCS investment is being refocused from delivering an FCS Brigade Combat Team to

delivering militarily useful capability developed in FCS to all of the Army's infantry, Stryker, and heavy combat brigades.

The Fiscal Year 2010 FCS budget is based on an evaluation of the overall priorities for Army modernization. Changes to the FCS acquisition are based on a combination of the currency of requirements given ongoing operations, the maturity of the development efforts within the FCS acquisition program, and the affordability of the modernization priorities.

The program changes directed by the Secretary of Defense include termination of the FCS Brigade Combat Team acquisition program, cancellation of Manned Ground Vehicle development, and restructuring of the FCS investment into four elements: ground combat vehicle modernization, spin-out of FCS capability to current forces, incremental network improvements to the ground forces, and development and synchronization of system elements for Brigade Combat Team modernization.

We plan to rapidly move forward with delivering increments of capabilities such as Small Unmanned Ground Vehicles, unattended sensors, and Class 1 unmanned aircraft systems to enhance the effectiveness of our current force.

Additionally in Fiscal Year 2010 we plan to continue development of the tactical ground network with an emphasis on incremental delivery of improved networking capability for the ground force.

Cancellation of Manned Ground Vehicles: As Secretary Gates indicated in his April 6 statement, we will halt development of the FCS manned ground vehicles, including the

Non-Line of Sight – Cannon Special Interest acquisition program, while the Department expedites a strategic re-evaluation of the capability requirements and approach for ground combat vehicles. The concept that FCS manned ground vehicles, with lower weight, higher fuel efficiency, and greater informational awareness, could compensate for less armor, does not adequately reflect lessons learned from counterinsurgency and close quarters combat in Iraq and Afghanistan. A ground combat vehicle modernization program designed to meet the needs of the full spectrum of conflict is essential. We must ensure the ground combat vehicle requirements adequately reflect our lessons learned. Because of its size and importance, we must get the ground combat vehicle acquisition right. We will re-launch a ground combat vehicle modernization program, including a competitive contracting process, once we have reviewed the requirements, technologies, and acquisition approach. The lessons learned from ongoing operations and known threats will be paramount in informing the review of ground combat vehicle requirements. We are targeting a Materiel Development Decision in Fiscal Year 2010.

Furthermore, the Department will leverage the results of the FCS System of Systems Preliminary Design Review (PDR), conducted this month, and capture the design and development efforts (PDR report, PDR baselines, models, specifications, etc.) to-date in the Manned Ground Vehicle development for potential application to the ground combat vehicle modernization program.

Changes to Contract Fee Structure: There will be changes to the FCS contract fee structure as a result of the decisions summarized above. As part of those changes, we

will address concerns we have regarding the fee structure that gives the government little leverage to promote cost efficiency. We are very interested in making changes to the contract structure to more closely tie the company's profit to performance. The details on the plan to modify the contract to reflect the revised strategy will be developed over the next few months as the acquisition details of the decisions reflected in the Fiscal Year 2010 budget are matured.

FCS 2009 Review: The John Warner National Defense Authorization Act for Fiscal Year 2007 (PL 109-364 Section 214) required the Secretary of Defense to carry out an FCS milestone review to determine the correct program structure. The Secretary's decisions regarding the FCS program structure, as discussed above, are reflected in the Department's budget for Fiscal Year 2010. We will review the Army's progress in implementing those decisions later in 2009 and submit a report to the congressional defense committees which will contain the results of the Preliminary Design Review.

Specifics on implementation plans: We plan to continue efforts to further develop, produce, and field FCS developed capabilities in the form of early spin-outs to seven Infantry Brigade Combat Teams. This effort will be treated as a separate Major Defense Acquisition Program (MDAP) and will start as scheduled with a Milestone C decision in the first quarter of Fiscal Year 2010 following a Limited User Test in 2009. Input for this decision will be in accordance with DoD 5000.02, to include an approved Acquisition

Strategy, a Capability Production Document, a Technology Readiness Assessment, an Independent Cost Estimate, and other documents as appropriate.

Additional acquisition program(s) will follow to expand delivery of these capabilities to the remaining Army combat brigades by 2025. The Army will develop an acquisition plan to support acquiring these capabilities and present that plan for USD(AT&L) review in the Fall of 2009.

The contracting approach to acquiring the spin-out systems will include competition, fixed price contracts, and transition away from a lead system integrator as early as practical.

Aerial Common Sensor and Navy EP-X

An explanation of USD(AT&L) support for the acquisition of both the Army Aerial Common Sensor (ACS) and the Navy's EP-X aircraft.

Both the EP-X and ACS capabilities are critical efforts to maintain current warfighting capability and improve multi-intelligence (Multi-INT) based Intelligence, Surveillance, Reconnaissance and Targeting (ISR&T) solutions to the battlespace so as to increase combat survivability for, and mission effectiveness of, the joint force.

The EP-X ISR&T capability supports the Joint Force Commander's requirement to gain and sustain access to the battlespace within a maritime environment. It improves on the current capability of the Navy's aging fleet of EP-3E ARIES II aircraft, currently their only land-based signals intelligence (SIGINT) reconnaissance aircraft. EP-3E

service life issues drive the need to replace this capability to prevent ISR&T capability gaps in the future.

Similarly, the Aerial Common Sensor (ACS) program will provide the Army an improved capability to support the Brigade Combat Teams (BCTs) with multi-sensor data collection, as well as two-way interactive command and control. It will field advanced Reconnaissance, Surveillance, Targeting, and Acquisition/Intelligence, Surveillance and Reconnaissance (RSTA/ISR) capabilities, which will support Expeditionary Maneuver Forces' ability to detect, identify, locate and track targets in near real-time. ACS is intended to replace the Army's aging Guardrail Common Sensor system and incorporate the capabilities of the Airborne Reconnaissance – Low (ARL) systems. Guardrail RC-12 aircraft have been flying for more than 25 years and require significant cost to sustain.

In the near-term, the Department is focusing attention on the most pressing Combatant Commanders' needs through a combination of Military Service and OSD directed Quick Reaction Capabilities. These include increasing tactical capability with improvements to the Army's Task Force ODIN (Observe, Detect, Identify, and Neutralize) , including both manned and unmanned aircraft, and improvements to ground processing, exploitation and architecture improvements. These rapid improvements provide a foundation to build upon to meet broader Army requirements balanced against the most likely risks the Department will face.

At this time, the Department is reviewing Military Service plans for Milestone A, and the associated analysis in the form of Analysis of Alternatives to provide affordable solutions. We believe the significant investment in recent theater operations can be

leveraged to exploit modifications to existing and emerging manned or unmanned ISR platforms, supplemented by new development efforts, as necessary. Our ultimate goal in the pursuit of both capabilities is to identify affordable program solutions that field multi-INT ISR&T capability to meet mission needs, leveraging heavily from existing infrastructure, and building upon both successful technology development and systems integration efforts. We anticipate bringing those program solutions to Materiel Development Decision (MDD) reviews by the end of the calendar year for decisions on entry into the acquisition process.

We will assess the ACS and EP-X capability needs as part of the Quadrennial Defense Review to ensure consistency with the Secretary's objective to rebalance the Department's programs in order to institutionalize and enhance our capabilities to fight the wars we are in today and the scenarios we are most likely to face in the years ahead.

Comanche and Armed Reconnaissance Helicopters Lessons Learned

Lessons learned from the failed Comanche and Armed Reconnaissance Helicopter acquisition programs applicable to future programs.

Important lessons can be learned from both the Armed Reconnaissance Helicopter and Comanche programs.

The Armed Reconnaissance Helicopter program was terminated after cost increases breached Nunn-McCurdy thresholds and the Defense Acquisition Executive determined that the requisite certifications could not be made.

The decision to terminate the Comanche program was based on the Army's need to address more expansive Army aviation shortfalls by reallocating available resources. In fact, the Army's re-focused effort to upgrade, recapitalize, or modernize over 70% of the Army rotary wing aircraft fleet is providing significant improvements in operations today. The deliberate termination of Comanche was a consequence of the need to address those aviation shortfalls.

Those Army aviation shortfalls led to a new program, the Armed Reconnaissance Helicopter, to address a critical inventory shortfall, the importance of which became increasingly evident during recent combat operations in Iraq and Afghanistan.

Both the ARH and Comanche programs shared a common objective -- to replace aging armed reconnaissance aircraft inventories. As such, manned, armed reconnaissance helicopters remain a persistent requirement.

The technical goals of the two programs were nearly opposites. Comanche incorporated cutting edge technology and advanced mission equipment packages that permitted significant performance improvement compared to fielded assets. The ARH objectives were to field new aircraft that matched Kiowa capabilities without any significant new technology. Improved performance was acceptable as a by-product of installing modern systems, but was not a program goal. The lesson from Comanche relates to assuring technology maturity prior to, rather than during the system development phase that leads to production. The lesson learned from ARH was the difficulty associated with adapting a commercial system for military use.

Both programs struggled with meeting program schedules. For the ARH program, schedule to field replacement aircraft was an inherent critical goal. The acquisition

strategy was tailored to meeting that goal; however, the plan to use a non-developmental aircraft with a simplified flight certification and installation of an existing mission equipment package could not be executed. In the case of Comanche, technology integration and aggressive schedule required restructuring the program five times. The lessons learned are consistent with recent initiatives incorporated into DoD Instruction 5000.02 to ensure better program definition and the selection of mature technologies before embarking on a full acquisition program.

Army Tactical Wheeled Vehicles

An explanation of USD AT&L involvement in developing an acquisition strategy for Army tactical wheeled vehicles.

The Department continues to modernize the Combat and Tactical Wheeled Vehicle (TWV) fleets by replacing older vehicles and combat losses with new procurement or upgrading existing vehicles through recapitalization. Plans include capability improvements by inserting advanced technologies into the current vehicles as quickly as possible.

During the last several years, ground-based conflicts such as Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) have increased the demand for ground vehicles. The TWV fleet consists of over 300,000 vehicles and supports the joint forces with critical command and control, maneuver support and maneuver sustainment platforms. The sheer magnitude of the TWV fleet dictates that modernization will have

to be approached incrementally, incorporating decision points along the way. These decision points are based on numerous underlying factors: the availability of new technologies, fiscal realities, resource availabilities, questions of how many vehicles will return and when, as well as their condition when they return. USD(AT&L) provides guidance on individual acquisition strategies, budgets, technology availability and maturity, contracting, testing, and sustainment support. For example, in the Joint Light Tactical Vehicle (JLTV) acquisition, OSD directed the Army and Marine Corps to a Milestone A decision that resulted in competitive prototyping and multiple contractor awards. Consequently, the JLTV program is currently in a Technology Development phase where three teams are building multiple prototypes for testing. In addition, we will be gathering Cost and Software Data Reporting (CSDR) and Earned Value data in order to verify and predict actual vehicle costs.

We are striving to achieve a proper balance between support to current operational needs and that of transforming TWVs to attain future fleet capabilities. We're currently on our way to achieving this balance on the heavy and medium side by continuing to buy existing vehicles. We define our medium TWVs as intra-theater transportable (C-130) with 10,000 - 15,000 lbs payload and our heavy TWVs as inter-theater transportable with greater than 15,000 lbs payload. For light vehicles, we are moving to the Joint Light Tactical Vehicle (JLTV) because the HMMWV fleet is approaching the end of its useful service life. Our light TWVs are rotary wing transportable and have less than 5000 lbs payloads. We have optimized HMMWV survivability improvements to the extent that we can, but we have sacrificed mobility and payload in the process. The JLTV will buy

back those lost capabilities, as well as give us increases in reliability, maintainability, performance, and commonality.

In the interim, we have fielded the Mine Resistant Ambush Protected (MRAP) vehicle. The MRAP is a heavily armored vehicle capable of mitigating the effects of underbody mines and small arms fire threats. It provides survivable, safe, and sustainable vehicles for troops in theater. MRAPs do have limitations, particularly in the area of off-road mobility and transportability. MRAPs are outstanding vehicles for specific missions, and we are working with the services to ensure that this capability remains part of the current and future force architecture.

In short, in line with the Secretary's direction to rebalance programs, we are re-shaping our strategy for acquiring tactical wheeled vehicles to meet the needs of today's forces, while also anticipating and preparing for new risks and contingencies we are likely to face in the years ahead.

Body Armor Programs

An explanation of USD AT&L involvement in weight reduction and improved commonality efforts for body armor programs.

The physical protection of our troops in the current fight remains a high priority in the Department. Both the Marine Corps and the Army are executing aggressive programs to continuously enhance the protection of soldiers and marines. Since the start of the war in March 2003, the Marine Corps and Army have worked hard to ensure that all soldiers and marines going into harm's-way are equipped with the body armor they needed. This

commitment has continued through subsequent rotations, including improvements to small arms protective inserts, extremity body armor, new helmets, ballistic goggles, and more.

It is DoD policy that the procurement, management, and supply of clothing and textiles materiel shall be coordinated and performed on a DoD-wide basis by the Director, Defense Logistics Agency (DLA). Clothing and textiles materiel includes body armor. The DLA Director reports to the USD(AT&L) through the Deputy Under Secretary of Defense for Logistics, Maintenance, and Readiness. The Director, DLA will chair the Joint Clothing and Textiles Governance Board, which was mandated by DoD Instruction 4140.63, dated August 2008, and which includes representation from the Military Services and other DoD Components as appropriate. While the Secretaries of the Military Departments maintain responsibility for new clothing and textiles equipment acquisition, acquisition funding, and fielding, the Director as Chairman of the governance board will work closely with the Military Services to plan for, procure, store, and supply clothing and textiles at authorized levels to support the full spectrum of military operations. This arrangement will ensure collaboration and DoD-wide integration of clothing and textiles activities.

The Defense Logistics Agency (DLA) is in the process of formalizing this Board, to include drafting a charter, identifying membership, creating a governing structure, identifying joint integrated process teams, and implementing the directive as appropriate to orchestrate the end-to-end clothing and textile supply chain. DLA envisions establishing a specialized team to sustain body armor after the DoD Components, in

conjunction with DLA, assess item readiness for procurement transition at a time mutually agreeable to the respective parties. The requiring Components will continue to coordinate acquisition and fielding of new body armor solutions. This coordination ensures that as much of the needs of all DoD Components are met with each new body armor solution. When a Component determines that a design is stable, this team will transition mature body armor designs to sustainment.

The USD(AT&L) continues to support and oversee Science and Technology efforts conducted by the Army, Navy, and Marine Corps that are aimed at reducing the weight of body armor. These efforts include work on high performance ballistic fiber technology, ceramics and composites technologies, advanced materials research, modular body armor designs, biomechanics, as well as longer-term enabling technologies such as carbon nanotube fibers and layer-by-layer nanocomposites.

Small Arms Joint Assessment Team Findings

The findings and recommendations of the USD AT&L's Small Arms Joint Assessment Team regarding Army small arms acquisition strategies.

The USD(AT&L) established a Joint Assessment Team (JAT) in order to conduct an objective assessment of the Department's approach to satisfying small arms and ammunition capability requirements. The team includes participation from all DoD small arms stakeholders. The JAT is nearing the completion of its activities and will be ready to report its findings, conclusions, and recommendations to the USD(AT&L) in the

coming weeks. The JAT's preliminary findings include insights into the importance of training; the challenges in defining measurable, effects-based requirements; and the availability of commercial products that could meet the Department's needs. We will be pleased to share the JAT results with the committee after the JAT completes its activities and the report is provided to the USD(AT&L) for his approval.

Persistent Threat Detection System (PTDS)

The status of funding for the Persistent Threat Detection System.

The Persistent Threat Detection Systems (PTDS) are tethered aerostats equipped with multi-mission sensors to provide continuous surveillance, detection and communications in support of coalition forces.

There are eight PTDS Quick Reaction Capability systems currently deployed, all of which have been funded through supplemental appropriations. The current requirement is for 18 systems. We are awaiting the approval of a Fiscal Year 2009 supplemental funding of \$140 million. This procurement funding will pay for the high dollar spares, reconstitution of the PTDS Systems Integration Lab (SIL) that is being deployed to support Operation Enduring Freedom, and procurement of up to seven additional PTDS systems toward Theater requirements. There is also \$80 million in the Fiscal Year 2009 supplemental for operations and maintenance.

The PTDS program is a capability procured and supported specifically for the Theater of Operations. It is not a Major Defense Acquisition Program (MDAP).

Accordingly, it falls under the Army's purview for oversight. If this capability should become an enduring requirement, the USD(AT&L) will ensure that it is adequately addressed in accordance with the DoD Instruction 5000.02 and enters the Defense Acquisition System in the appropriate acquisition phase.

Conclusion

The Secretary of Defense said that this a reform budget, reflecting lessons learned in Iraq and Afghanistan yet also addressing the range of other potential threats around the world, now and in the future. It reflects the tough choices the Department has made about specific systems and defense priorities based solely on the national interest. Certainly you can see the implications of that reform and those tough choices in the budget request for Army acquisition programs.

We are grateful for the continued support of Congress which has been critical to ensuring our soldiers are the best trained and best equipped Army in the world. Thank you for this opportunity to testify on the Department's plans to continue to equip them for today's wars and tomorrow's challenges. I look forward to answering any questions you may have.