

**RECORD VERSION**

**STATEMENT BY**

**LTG RAYMOND V. MASON  
DEPUTY CHIEF OF STAFF, G-4  
UNITED STATES ARMY**

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SUBCOMMITTEE ON READINESS**

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**ON RESETTING THE FORCE FOR THE FUTURE: RISKS OF SEQUESTRATION**

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HOUSE ARMED SERVICES COMMITTEE**

Chairman Wittman, Ranking Member Bordallo, and members of the Subcommittee, thank you for the opportunity to testify today on Retrograde and Reset alongside my joint partners. America's Army serves and deploys as part of joint and combined forces, serving side by side with Marines, Airmen and Sailors and coalition partners, all working to achieve one goal: to fight and win our nation's wars. After more than a decade of conflict in Iraq and Afghanistan, the nation and our Army are in a period of transition. We are at a turning point characterized by a fiscally constrained environment and a global security environment that is more complex and uncertain than at any time since the end of World War II.

### **Fiscal Uncertainty:**

The Army is faced with difficult challenges due to sequestration reductions in FY 2013, reduced discretionary caps and the continued threat of sequestration. Our goal is to maintain a strong and more resilient expeditionary Army that is smaller, capable, cost effective and agile. We must do this as we balance fiscal realities and responsibly draw down our forces, while remaining the Strength of the Nation. I continue to be concerned that if the reduced caps are not reversed, a hollow Army is inevitable.

### **Retrograde:**

We define successful retrograde as the retrograde of equipment, base closures/transfers and materiel reduction not required for the Enduring Presence by December 2014. We have the policies, authorities, and processes in place to support the retrograde of equipment from Afghanistan and maintain operational flexibility. The operational campaign plan drives the pace of retrograde operations. Up to this point, the Army is successfully retrograding equipment from Afghanistan while concurrently conducting operations and training Afghan forces. Our goal remains to have all non-enduring equipment out of Afghanistan by the end of 2014.

Supporting CENTCOM's drawdown and retrograde goals creates challenges in several Army funding accounts. One cost driver is multi-modal transportation. While over the

past several months multi-modal has been the primary means to move retrograde and redeployment cargo out of Afghanistan, projected volumes of cargo along the Pakistan Ground Lines of Communication (PAKGLOC) are increasing and are currently trending at or near 50%. Surface lines of communication, the Northern Distribution Network (NDN) and PAKGLOC are critical to achieving the retrograde velocity necessary to meet timelines and they are less expensive than multi-modal and direct air transportation. The desired scenario for retrograde assumes all routes are viable/open, full use of the PAKGLOC capacity, with a mix of multi-modal, NDN, and direct air shipments, thereby maximizing throughput at the best value.

The Army, with the support of our Joint and commercial partners, retrograded and redistributed equipment from Iraq to satisfy numerous critical requirements; we are doing the same thing for equipment from Afghanistan. We use retrograded equipment to RESET the broader Army team, Active and Reserve Components. Before we issue that equipment to troops that are next to deploy, place it in Army Prepositioned Stocks, or use it to fill an Active, Reserve or National Guard shortage, we use the Depot Reset program to restore it to the appropriate level of readiness.

To meet future requirements and improve Equipment on Hand Readiness across the Total Army, the Army plans to retrograde approximately \$17 Billion worth of Army equipment currently in Afghanistan. The combination of equipment that we will retain and retrograde, plus depot work and new production will improve Total Army equipment on hand (EOH Readiness) to 92%.

### **Reset:**

Reset funding must continue as long as we have forces deployed and for three years after the last piece of equipment returns from Afghanistan. This funding is necessary to ensure readiness for future missions the Nation asks of the Army.

Equipment Reset is defined as a set of actions to restore equipment to a desired level of combat capability commensurate with a unit's future mission; Reset is an essential

element of readiness and entails restoring balance to the Army for known Combatant Command requirements and potential contingencies. It is part of the cost of war, and it prepares our Soldiers and their equipment for an unpredictable future and evolving threats.

Reset is funded entirely through Overseas Contingency Operations (OCO) appropriations. A fully-funded Reset program ensures that equipment destroyed in theater is replaced and equipment worn by extended use in harsh environments is repaired and returned to a fully ready state. Reset funding is used to repair equipment returning from overseas contingency operations by applying maintenance services, including fault location/troubleshooting, removal/installation, disassembly/assembly and maintenance actions to restore serviceability to an item by correcting specific damage, fault, malfunction, or failure in a part, subassembly, module (component or assembly), end item or system.

Reset funding is also used for Recapitalization, a process taking selected equipment to near zero hours/zero miles.

In the forecast for FY13, the Army expects to Reset (repair) approximately 100,000 items at its industrial facilities, and more than 600,000 pieces of equipment on site where units are stationed. However, FY 13 sequestration impacts caused us to defer the Reset of equipment to future years, immediately impacting equipment readiness.

Equipment Reset is a vital means for maintaining Army equipment readiness in order to sustain a force that can meet our National Military Strategy. Since its inception, the Reset Program has improved the condition and readiness levels of Army ground and air systems. A consistently, fully-funded Reset program enabled the Army to maintain operational readiness of equipment at more than 90% and 75% for ground and aviation, respectively, in theater.

Due to sequestration the Army deferred FY13 Reset work to future years. For example, the Army deferred the repair of Tactical Wheeled Vehicles, communications equipment and weapons.

### **Army Organic Industrial Base:**

A reasonable, predictable funding program is critical to the health and readiness of our Organic Industrial Base. The current fiscal uncertainty threatens the Nation's requirement for an Army Organic Industrial Base that is modern, reliable, cost effective, and highly responsive to meet both wartime and peacetime requirements, while maintaining the ability to surge during rapidly developing contingency operations. During times of war, the Army requires the Organic Industrial Base to repair and manufacture equipment as quickly and efficiently as possible to ensure it is available to train and support next deployers, as well as those deployed. During Operations Iraqi Freedom and Enduring Freedom the Army's Organic Industrial Base Depots and Arsenal's surged to double capacity, and in some case, tripled their pre-war output. As the Army's Organic Industrial Base transitions from wartime production to peacetime requirements, we must ensure it remains effective, efficient, and capable of meeting current and future Army contingency requirements.

To help address these issues, we published our first Army Organic Industrial Base Strategic Plan (AOIBSP) to help make better holistic and optimal decisions. The AOIBSP provides the strategy and management framework needed to ensure that our Organic Industrial Base remains viable, effective, and efficient. The current fiscal uncertainty could drastically impact our strategy and threatens the goal of a continued viable Army Organic Industrial Base.

So far in FY13 we have lost more than 4,000 employees from all Army Working Capital Fund Installations, of which nearly 2,600 civilian and contract personnel were due to sequestration. To compound the challenges, the implemented Hiring/Overtime Restrictions and Furlough have and continue to negatively affect productivity and increase Depot Carryover. For example, Corpus Christi Army Depot, the Army's Center

for Industrial and Technical Excellence for rotary wing aircraft experienced a 40% increase (from historical norms) in workforce resignations, many citing financial hardship. In addition, it is often difficult for Depots to quickly and internally grow new skills.

To mitigate these challenges, we believe that a viable and relevant industrial base requires the Army to identify and maintain core competencies and size the Depot workforce to meet and sustain those competencies. Most importantly we must maintain the capacity needed to meet future war-time surge requirements. Core competencies, expressed in terms of industrial skills, ensure a ready, effective, timely, government-owned/government-operated source of materiel repair.

**Conclusion:**

In conclusion, we continue to support the goal of having all non-enduring equipment out of Afghanistan by the end of 2014. Once that equipment comes home, Reset funding ensures that our equipment will be ready for the next contingency. To protect these logistics capabilities and ensure Army readiness, I encourage you to reverse sequestration and ensure that OCO accounts such as Retrograde and Reset are fully funded for 3 years after the last piece of equipment has been retrograded from Afghanistan.

Chairman Wittman, Ranking Member Bordallo, members of the Subcommittee, I thank you again for your continued support for Soldiers and their Families. I look forward to your questions.

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