

# **Army alters \$160B modernization program schedule**

## ***Army alters \$160 billion 'Future Combat' program schedule to speed technology to ground forces***

**AP**

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(NEW YORK) The Army will deliver some key technologies to ground forces in war zones three years ahead of schedule as part of its \$160 billion combat modernization program led by Boeing Co. and SAIC Inc.

Senior Army officials on Thursday said changes to the "Future Combat Systems" program will expedite the use of high-tech equipment, including unmanned sensors and robotics, to infantry brigades fighting in Iraq and Afghanistan by 2011.

Portions of FCS were expected to be used by armored units by 2014, but Army officials say the technology being developed is needed for the current war effort.

Lt. Gen. Michael A. Vane, director of the Army Capabilities Integration Center, said accelerating FCS and other complementary programs will help "filling the gaps" created by huge demands on the infantry brigades, while increasing the effectiveness and safety of U.S. soldiers.

Army officials maintain that while costs may rise in the short-term from the new schedule, they will balance out in future years and will not raise the program's overall price tag, which has been criticized by lawmakers.

Lead contractors Boeing and SAIC said the Army's decision to accelerate the FCS technologies shows confidence in the program's progress. FCS includes 14 manned and unmanned systems that are linked through a secure communications network.

On Wednesday, Army Chief of Staff Gen. George Casey briefed Defense Secretary Robert Gates on plans to restructure the program. Gates, who backed the shift, told reporters at a separate briefing Thursday that FCS "deserves support."

Dan Goure, a defense analyst at the Lexington Institute, said it appears that the Army "didn't want to repeat the same mistake" as the Air Force in battling Gates publicly over F-22 jets made by Lockheed Martin Corp. Gates also has previously raised doubts about the FCS program.

"Clearly this show that Gates is in command in a way few secretaries have been of the services," said Goure.

A few lawmakers lauded the Army's choice to deploy the latest technology to soldiers in the field. But House Armed Services Committee Chairman Ike Skelton, D-Mo., and Hawaii Democrat Neil Abercrombie, chairman of the air and land subcommittee, expressed concern that the new plan "may not allow for adequate testing of the equipment due to its very tight schedule."

The FCS program has long been criticized for remaining over budget and behind schedule. Earlier this year, the House Armed Services Committee voted to cut about \$200 million from the Army's request of \$3.6 billion for the FCS program in the fiscal 2009 budget.

"The Army has struggled to justify FCS for years, this is the latest evolution in this saga," said Nick Schwellenbach, an analyst for the Project on Government Oversight. "Yet at least now FCS may now end up helping troops currently deployed overseas."

Shares of Chicago-based Boeing fell \$1.41 to \$68.23 Thursday, while shares of San Diego-based SAIC fell 19 cents to \$20.37.

U.S. Congressman Neil Abercrombie says it's a win-win situation for everybody. "It took the military families out of the nonexistent rental market so that military family and civilian families, especially on Oahu, were not competing with one another," Abercrombie says. Even though the contracts for construction went to bigger international developers, they subcontracted work to local companies. For the military, it no longer needed to appropriate funds from MILCON.

Some of the current big-ticket projects that can bolster local companies include projects headed by Actus Lend Lease, the developer of several Army housing communities on Oahu and two at Hickam Air Force Base. The company is demolishing, building and/or renovating more than 10,000 homes on Oahu. Construction will take place between 2005 and 2015. The homes also need to be managed as part of the 50-year contract. Then there is Forest City Military Communities-Hawaii, which will demolish and rebuild 3,000 Navy and Marine homes, in addition to renovating 1,500 homes. Construction will take place between 2004 and 2012. That's a lot of steady activity to tap into for local businesses. No one expects the military to go out of business any time soon.

## **The \$6.1 Billion Question?**

Although at press time, Federal Reserve Chairman Ben Bernanke refused to say “recession,” most sources believe it is imminent, if not already in progress. So the billion dollar question is will military projects help us through a recession? In a comparison between defense expenditures and visitor expenditures during the 1990s, defense spending remained fairly consistent while visitor expenditures fluctuated more dramatically (See chart left).

“It’s going to be a meaningful impact and it provides that diversity and that structure and foundation for the economy,” says Jim Tollefson. “If they weren’t here, we’d be subject to much greater fluctuation during economic swings.”

In addition, according to Tom Smyth, a former DBEDT division administrator who retired in 2007, a number of different factors will sustain military spending in the future. “The political, diplomatic policy is to shift forces and attention to the Pacific, and we directly benefit from that,” Smyth says. Nationally, troop numbers are expanding, which will affect the number of service personnel on bases here. Military wages go up independent of the national economy, meaning more money will trickle down to Hawaii’s personnel. Military housing is independent of the wider housing market, so it will not be affected by the credit and mortgage fallout.

According to DBEDT, DoD personnel and their dependents totaled 121,000 in 1989. That total has not been reached since then, but numbered 102,000 in 2005.

“It’s a significant amount of money, has been and probably will be, so that base for spending will take place regardless of what happens on the Mainland in regard to recessionary factors,” Abercrombie says. “The military money will come or it won’t. All that depends on the strategic posture of the United States. I don’t think that’s going to change all that much for purposes of military spending in the state. We had that [during] the last recession, so it by no means protects us from it. It may soften the blow, but by no means protects us.”

He points out, however, that military spending is only a fraction of total federal funding. Since the tax base to fund public projects is relatively small due to Hawaii’s population, federal funding is vital, Abercrombie says. In addition to military spending, there are research dollars for UH, observatories, parks, energy production, niche agriculture and

transportation. “If you’re looking at an item to make us recession proof, look to transit,” he says. Since it will be a long term project that could take up to 15 years to complete, along with associated transit oriented development, it could sustain the economy into the future.

In other words, diversification is and will always be key.

“One of the problems that happened when the economy was bad the last time, essentially everything worked in concert to make it bad,” says Boyd of UH West Oahu.

“Construction, real estate, title markets collapsed. Basically, there was no counterbalance ... which could’ve done something about it. If they had light rail on the agenda back then, that would’ve offset the collapse in the real estate market with light rail and we probably could’ve gotten through that OK.”

Back then, following the end of the Cold War and Desert Storm, there was a dropoff in military spending, too.

“And, what people often don’t realize, there was an even steeper drop in military expenditures when the real estate market collapsed because of the peace dividend,” Boyd says.

### **Earmark This**

Many credit the seniority of our congressional delegation for securing defense appropriations for the state. Just look at their committee assignments. Abercrombie, a member of the U.S. Congress since 1991, is a member of the House Armed Forces Committee and chairs its Air and Land Forces Subcommittee. U.S. Sen. Daniel K. Akaka, a member of Congress since 1976, is the chairman of the Senate Veterans’ Affairs Committee and member of the Senate Armed Forces Committee. U.S. Sen. Daniel K. Inouye, a member of Congress since statehood in 1959, is a member of the Senate Committee on Appropriations and chairman of its subcommittee on defense appropriations.

“There’s good news and bad news about seniority,” Abercrombie says. “The good news is that you have it and the bad news is that you have it, because it disappears at some point.”

But Abercrombie stresses the current delegation works together to bring federal dollars to more than just the defense sector. For example, he says, U.S. Congresswoman Mazie Hirono is a member of the House Transportation and Infrastructure Committee, meaning she will play a role in Honolulu's transit project.

"We're trying to look long term and make sure we put into place in an institutional way, with federal dollars and federal support, projects and programs that will be able to sustain themselves and attract funding and support, regardless of who's in the delegation," Abercrombie says.

That said, long term support on the military component in Hawaii could be aided by clear data on the military's positive economic impact on Hawaii. While public sentiment is mixed at best about increased activity here, with cultural and environmental concerns paramount, some economists believe people would think differently about the military if the true benefits of it here were understood.

Problem is, no one really knows for sure because there is no state agency specifically tasked to the industry. "Tourism has the Hawaii Tourism Authority and they have HVCB that provide responsibility of providing oversight. For the defense industry, we're it," says Ota of the Chamber of Commerce. "This has to do with ensuring that the military is provided with whatever they need so they can remain here in Hawaii."

"There is currently no comprehensive data and information on that, and that's everything from economic impact to social impact and environmental impact," says Bill Kaneko, president and CEO of the Hawaii Institute for Public Affairs (HIPA). "You get all these press releases from Inouye and Abercrombie and they've got Department of Defense Appropriations for this and that, but there's not a book or a study that can paint an accurate picture on the second largest sector in the state."

HIPA is working with the Military Affairs Council to do such a study. A proposal is being shopped around to find a source for funding, but Kaneko hopes to get the study started in 2009. Kaneko wants to at least get some baseline information, "But what I think is more important and what's going to be useful of the study is that how does the state align its federal expenditures with state and community goals? Because we really don't know what's coming in, how can we plan for strategically positioning the state?" For reference, HIPA recently released a report on Hawaii's dual-use technology sector,

for which the military provides a good deal of funding. The study found that most people are not aware of the true value of technology in Hawaii and the role it has in diversifying the economy because there are no hard statistics. “From our standpoint, if you don’t measure or you don’t have data and information, you can’t really come to any conclusions,” Kaneko says. “Dual use is important because they’re using federal dollars to help diversify the economy, which is crucial.”

For dual-use technology companies like Oceanit, federal seed money is critical, as startup companies have difficulty attracting investment in the early stages. “Federal funding is great, it’s beautiful. It provides funding to develop new technology,” says Ian Kitajima, marketing manager for Oceanit. With the initial funding, Oceanit was able to get venture capitalists interested in the product and move it to commercialization.

Oceanit currently has another research contract with the DoD on its Sense-Through-The-Wall (STTW) technology. Using a hand-held device, it can detect if someone is in a building or a room by detecting heart rate and breathing. For the military, soldiers can detect enemy presence before entering a room. In the end, firefighters and first responders could benefit the most. Today, firefighters enter burning buildings and can only guess at how many people may be trapped in a room, if there are any at all. With STTW, they’ll know exactly where to go, saving more lives in the process.

STTW and its military backing will also go a long way to making Oceanit much stronger as a company. With continued military spending in Hawaii, quite a few new companies and some old ones will likely be a lot healthier, too.

Not to mention our economy.