Annual Report to the President and the Congress

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Secretary of Defense

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2003 Secretary of Defense Annual Report to the President and the Congress

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Introduction

"The "lessons learned" process for Operation Iraqi Freedom is well underway. It will likely impact budgets and procedures, training and doctrine, and the security of our country for some years to come. But even now, while that process is still in its early stages, we can already see that the experience in Iraq has validated a number of the strategic decisions that were made in our defense reviews over the past two years—decisions that drove the development of this 2004 budget."

Secretary Rumsfeld
May 14, 2003

To win the global war on terror, our forces need to be flexible, light and agile, and able to respond quickly to sudden changes. Accordingly, our budget for FY 2004, in combination with the reforms outlined in *The Defense Transformation Act for the 21st Century*, will give the Department some of the needed flexibility to more rapidly move resources, shift people and bring new weapons systems on line so we can adapt to changing events.

However, these are just first steps. Our goal is to create a culture of innovation that will keep the United States several steps ahead of potential adversaries. Accordingly, the FY 2004 defense budget balances a number of risks, using the framework developed during the 2001 *Quadrennial Defense Review* (www.defenselink.mil /pubs/qdr2001.pdf).

This report describes how the planning principles of our defense strategy define military missions, the forces and capabilities needed to ensure success, and the goals and measures we are using to monitor our performance.

A DEFENSE STRATEGY FOR THE 21ST CENTURY

Two years ago, this Administration replaced the decade-old two Major Theater War approach to sizing our forces with a new defense strategy more appropriate for the 21st century.

This new perspective brings very significant changes to how we define, structure, and support major defense missions. For example, we have adopted a new Unified Command Plan, which includes a new Northern Command to help us better plan for and manage the defense of the homeland, gives the Joint Forces commander authority to lead the Department's innovations and transformation in how we train and fight, and creates a new Strategic Command responsible for early warning of, and defense against, missile attack and for conducting long-range attacks. We also made an historic change in the charter of the Special Operations Command, so it now not only supports missions directed by the regional combatant commanders, but also plans and executes its own missions in the global war on terrorism.

Our long-standing alliances have also transformed—we have worked with European allies to develop a new, more relevant NATO command structure and have begun the development of a NATO Response Force that must be able to deploy in days and weeks, instead of months.

We have adapted to new missions, establishing an Under Secretary of Defense for Intelligence and an Assistant Secretary of Defense for Homeland Defense to integrate and strengthen policies, programs, and investment for intelligence and homeland defense across the Department, and to streamline coordination with external agencies.

What has driven these changes—and many more presented with the budget for 2004—is our deliberate shift from "threat-based" to "capabilities-based" defense planning. Today, we plan to defend not only against those we know might threaten us—but also on *how* we might be threatened, and what portfolio of *capabilities* we will need to prevail.

FITTING THE FORCE TO THE MISSION

The leading military missions given to U.S. military forces under our transformed defense strategy are:

- Defend the United States;
- Assure friends and allies;
- Deter aggression and coercion forward in critical regions;
- Swiftly defeat aggression in two overlapping major conflicts while preserving for the President the option to pursue a decisive victory in one of those conflicts including the possibility of regime change or occupation; and
- Conduct a limited number of smaller-scale contingency operations

The force structure outlined in table 1-1 represents the forces we will have in place by the end of FY 2004.

These forces are considered to represent moderate operational risk for the near term. However, certain combinations of warfighting, crisis response, and smaller-scale contingency scenarios could present higher risk.

The make-up of this force structure was determined by examining the warfighting capabilities we need to defeat aggression or coercion in a variety of potential scenarios, and thus meet our operational demands over time.

Tables 1-2 through 1-6 describe the capability attributes of each elements of the force structure outlined in table 1-1.

Table 1-1. Conventional Force Structure

ARMY	
Divisions (Active/National Guard)	10/8
Heavy Armored Cavalry/Light Cavalry Regiments	1/1
Enhanced Separate Brigades (National Guard)	15

NAVY	
Surface Combatants (Active/Reserve)	98/9
Maritime Patrol & Reconnaissance Air Wings (Active/Reserve)	4/1
Helicopter Anti-submarine Light Wings	2
Aircraft Carriers	12
Carrier Air Wings (Active/Reserve)	10/1
Amphibious Ready Groups	12
Attack Submarines	54

MARINE CORPS	
Divisions (Active/Reserve)	3/1
Air Wings (Active/Reserve)	3/1
Force Service Support Groups (Active/Reserve)	3/1

AIR FORCE	
Air and Space Expeditionary Forces*	10

** The Department of the Air Force is refining its implementation of the Air and Space Expeditionary Force concept and expanding its applicability across the service. Fuller description of these measures will be provided as they are executed.*

Table 1-2. Land Forces

Army (Active, National Guard, and Reserve)
LIGHT FORCES: airborne, air assault, and light infantry divisions tailored for forcible-entry operations and for operations on restricted terrain, such as jungles, mountains, and urban areas; can operate independently or in combination with heavy forces. HEAVY FORCES: trained and equipped for operations against armies employing modern tanks and armored fighting vehicles; can operate independently or in combination with light forces. COMBAT, COMBAT SUPPORT, AND COMBAT SERVICE SUPPORT FORCES: provide capabilities critical to the mobilization, deployment, and sustainment of Army and joint forces. STRYKER BRIGADE COMBAT TEAM: supports joint-force battalion- and company-level operations; optimized for combat in complex and urban terrain; provide reconnaissance, surveillance, and target acquisition via the use of unmanned aerial vehicles and organic human intelligence. CIVIL SUPPORT TEAM: identifies chemical, biological, radiological, nuclear, and explosive agents and substances; assesses current and projected consequences; advises incident commanders and civil authorities on response measures.

Marine Corps (Active and Reserve)
MARINE AIR-GROUND TASK FORCES: provide expeditionary and forcible-entry capability; deployable by sea or air; employed in a variety of configurations, from smaller, amphibious Marine Expeditionary Units to large Marine Expeditionary Forces; forward deployed on amphibious ships; can remain on station for extended periods. 4th Marine Expeditionary Brigade/Anti-Terrorism: consolidates selected Marine Corps capabilities that are critical to combating terrorism at home and abroad, including rapid initial response to chemical/biological incidents.

Table 1-3. Naval Forces
Navy and Marine Corps (Active and Reserve)
CARRIER BATTLE GROUPS/CARRIER STRIKE GROUPS: provide a wide range of options from simply showing the flag to attacks on airborne, afloat and ashore targets; operate in international waters, so carrier-based aircraft do not need to secure landing rights on foreign soil; can engage in sustained operations in support of other forces. EXPEDITIONARY STRIKE GROUPS: amphibious ready groups augmented with surface combatant ships, an attack submarine, and maritime patrol aircraft to provide an independent strike group capability; can deploy a landing force of up to 2,500 Marines supported by dedicated aircraft, to include tactical fixed-wing, attack helicopters, and heavy- and medium-lift helicopters; can be configured and deployed to operate at various levels of conflict and in multiple theaters simultaneously to support joint and combined operations. SUBMARINES: pursue or attack enemy submarines and surface ships using torpedoes, or carry cruise missiles with conventional high-explosive warheads to attack enemy shore facilities; can also conduct intelligence, surveillance and reconnaissance missions, mine laying and support special operations. Fleet ballistic missile submarines carry long-range nuclear warhead missiles and can survive a nuclear attack against the United States, providing an effective deterrent to nuclear missile attacks on the United States. SURFACE COMBATANTS: configured for multiple missions, including long-range strike (using Tomahawk missiles), anti-air warfare, anti-surface warfare, intelligence and command and control; generally deployed as part of a Carrier Strike Group or Expeditionary Strike Group. MARITIME PATROL AND RECONNAISSANCE AIRCRAFT: provide intelligence, surveillance and reconnaissance (ISR) and command, control and communications (C3) missions in support of blue water, littoral, land, and amphibious operations.

Table 1-4. Aviation Forces
Army, Navy, Air Force, and Marine Corps (Active, Reserve, and National Guard)
AIR AND SPACE EXPEDITIONARY TASK FORCE (AETF): scalable, quick-reacting, capabilities-based, task-organized Air Force units that deploy as numbered expeditionary air forces, expeditionary wings, and expeditionary groups that are tailored to meet combatant commanders requirements during a crisis or contingency. FIGHTER/ATTACK AIRCRAFT: employed against air, ground or naval targets; can operate from land bases as part of an AETF and from sea bases as part of Carrier Battle/Strike Groups or Expeditionary Strike Groups. CONVENTIONAL BOMBERS: provide the capability to strike targets over long ranges with large payloads of precision, standoff weapons; can operate as part of an AETF or from bases in the continental United States; can employ stealth capabilities to strike heavily defended targets. SPECIALIZED AIRCRAFT: support air, land, and sea operations functions such as surveillance, airborne warning and control, air battle management, suppression of enemy air defenses, reconnaissance, antisubmarine operations, aerial refueling, special operations, and combat search and rescue.

Table 1-5. Special Operations Forces
Army, Navy, and Air Force (Active and Reserve)
Special Operations Forces (SOF)—both Active and Reserve—comprise land, air, and maritime elements with specialized tactics, equipment, and training; foreign language skills; and flexible unit deployment options that are tailored to a wide range of tasks. SOF can coordinate humanitarian assistance operations, conduct psychological operations (such as leaflet drops and radio broadcasts), perform combat search and rescue missions, and help find targets for coalition aircraft. Given their linguistic, cultural, and political training, SOF are well suited for coordinating command, control, and intelligence information with allied headquarters and coalition forces.

Table 1-6. Mobility Forces
Army, Navy, Marine Corps, Air Force (Active, National Guard, and Reserve)
AIRLIFT: rapidly moves military personnel and equipment needed in the critical early days of a crisis or conflict to operating locations; sometimes employed in conjunction with prepositioned equipment; able to land at austere or unimproved airfields, air drop cargo and personnel, unload cargo rapidly, and carry outsize loads like Patriot missile systems, tanks, or helicopters. SEALIFT: carries the full range of equipment and supplies needed for operations abroad; includes roll-on/roll-off (RO/RO) vessels, breakbulk ships, and tankers for carrying fuel; Large Medium-Speed RO/ROs (LMSRs) carry prepositioning equipment and provides surge capability. PREPOSITIONED MATERIEL AND EQUIPMENT STOCKS: shore-based stocks include equipment for Army brigades, Air Force units, and Marine Expeditionary Forces in Europe, as well as for Air Force and Army forces in Korea and Southwest Asia; sea-based stocks, including Army combat and support materiel, Marine Corps equipment and supplies, and Air Force munitions. COMMERCIAL TRANSPORT: avoids the cost of maintaining military systems that duplicate capability readily available in the civil-sector. The Voluntary Intermodal Sealift Agreement maintained by the Departments of Defense and Transportation provides access not only to U.S. flagged commercial carriers, but to rail, truck, and pier facilities. In addition, many aviation carriers participate in the Civil Reserve Air Fleet, which makes civilian aircraft available for military missions during times of crisis or war.

INVESTING IN TRANSFORMATION

Transformation is not an event – it is a process. There is no point at which the Defense Department will move from being "untransformed" to "transformed." Our goal is to set in motion a process and a culture that will keep the United States several steps ahead of potential adversaries.

Secretary Rumsfeld
May 14, 2003

Operations in Afghanistan and Iraq have brought home an important lesson—*speed* matters. Coalition forces moved so quickly the enemy was unable to mount a coherent defense. We also advanced the use of *intelligence*—and the ability to act on that intelligence rapidly. And significantly, we found that *precision* allowed us to redefine the battlefield. The "thermobaric" Hellfire missile, used for the first time in Iraq and which went from development to deployment in less than a year, could destroy the first floor of a building without damaging the floors above, reach around corners, into niches and behind walls to strike enemy forces hiding in caves, bunkers, and hardened multi-room complexes. Coalition military planners also used a sophisticated computer model to determine the precise direction, angle of attack and type of weapon needed to destroy a desired target, while sparing nearby civilian facilities.

This allowed us to fight this war with unprecedented care—protecting innocent lives while delivering devastating damage to the Iraqi regime. We believe these experiences confirm the soundness of our decision, taken two years ago, to increase funding for research, development, testing and evaluation, and for procurement, as well as use of "spiral development" to allow us to bring new weapons to the field in months or years instead of decades.

Operations in Iraq also confirmed the value of planning and fighting as a joint team, and the budget for 2004 continues our strong investment to maintain joint training and in joint warfighting capabilities. It also underscore a lesson proven brilliantly in Afghanistan—that special operators can help seize the initiative on the battlefield, securing airfields, attacking terrorist facilities and regime targets, and taking out the regime's capability to launch attacks against neighboring countries.

Operation Iraqi Freedom confirmed the decisions made in the defense review. The six transformational operational goals of the defense strategy are intended to focus our modernization investments. As table 1-7 shows, the total investment to support these six goals is $24.3 billion, and $239 billion over the Future Years Defense Program (FYDP):

Table 1-7
Transformational Operational Goals

Goal	FY 2004 Budget Request
Defend the U.S. homeland and bases of operation overseas	$7.9 billion in the 2004 budget, and $55 billion over the Future Years Defense Program (FYDP). In addition, the missile defense research, development, and testing program has been revitalized and we are on track for limited land/sea deployment in 2004-5.
Project and sustain forces in distant theaters	$8 billion in 2004, and $96 billion over the FYDP for programs such as the new unmanned underwater vehicle program and the Future Combat System. By FY 2007, we plan to build the CVN-21 aircraft carrier in 2007 (accelerating from 2011 the introduction of many new capabilities), and will begin building new maritime prepositioning ships (to provide a maneuverable and secure base from which to project combat power ashore).
Deny enemies sanctuary	$5.2 billion in 2004 and $49 billion over the FYDP for programs, such as unmanned combat aerial vehicles (UCAV) and converting 4 TRIDENT-class ballistic missile submarines (SSBNs) to nuclear-powered guided-missile submarines (SSGNs). This budget sets up competition among a number of programs that should produce UCAVs able to conduct a broad range of missions, in addition to the ongoing X-45 UCAV program.
Improve our space capabilities and maintain unhindered access to space	$300 million in 2004 and $5 billion over the FYDP for programs to enhance U.S. space capabilities, such as Space Control Systems. For example, Space Based Radar, which will help provide near-persistent 24/7/365 coverage of the globe, is scheduled for first launch in 2012.
Harness our substantial advantages in information technology to link up different kinds of U.S. forces, so they can fight jointly	$2.7 billion in 2004 and $28 billion over the FYDP for programs such as laser satellite communications, Joint Tactical Radio, and the Deployable Joint Command and Control System.
Protect U.S. information networks from attack—and to disable the information networks of our adversaries	$200 million in 2004 and $6 billion over the FYDP for programs such as the Air and Space Operations Center.

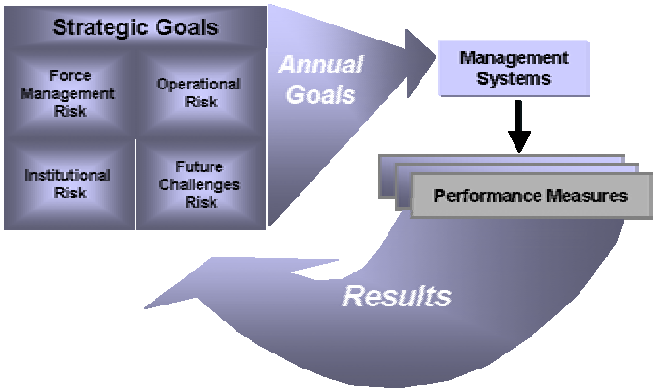
BALANCING RISK

Even as we accept some increased near-term risk so we can prepare for the future, this budget also recognizes that new and unexpected dangers will likely be waiting just over the horizon—and that we must be flexible to face them.

Our challenge is to do three difficult things at once:

- Win the global war on terrorism,
- Prepare for the threats we will face later this decade, and
- Continue transforming for the threats we will face in 2010 and beyond.

Any one of these challenges is difficult—and expensive. Taking on all three, as we must, required us to make tough choices between competing demands. We feel a deep obligation to not waste the taxpayers' dollars. We need to show the taxpayers that we are willing to stop doing things that we don't need to be doing, and take that money and put it into investments we do need.

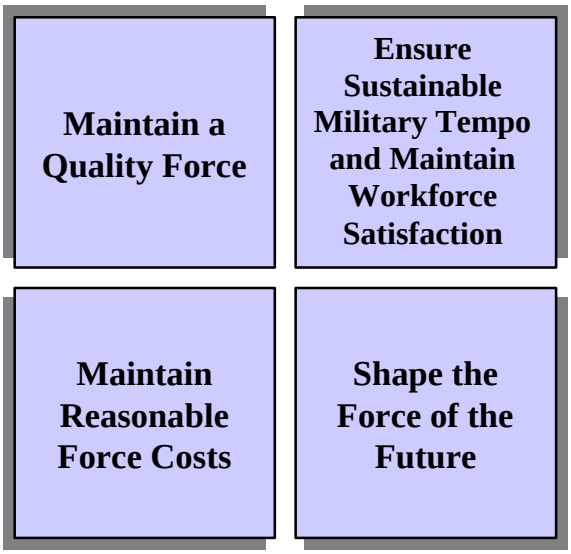


To guide the Secretary and his senior military and civilian advisors in making these strategic trades, we have adopted a risk management framework to guide our decision-making in how we allocate resources. This framework creates a continual feedback loop from the operators in the field to the managers making policy and resource decisions, improving the transparency of our decision-making process.

Force Management Risk

Providing a trained and ready force is the leading *business* of the Department of Defense. We must employ the tools of modern commerce to better manage our military and civilian workforce—more flexible compensation packages, contemporary recruiting techniques, improved training.

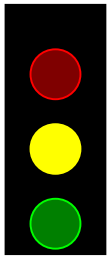
We must guarantee the working and living conditions that will enable our people to perform at their best. We must take care of the future—seek out or create the skilled workforce demanded of a 21st century military force. And finally,



> *We must forge a new compact with war-fighters and those who support them, one that honors their service, understands their needs, and encourages them to make national defense a life-long career.*
>
> *Secretary Rumsfeld, September 10, 2001*

The Secretary's performance priority for overall force management risk in FY 2004 is *Manning the Force* to meet the needs of the global war on terrorism.

MAINTAIN A QUALITY WORKFORCE



It is hard to imagine a more challenging set of circumstances for a human capital manager than that experienced by military personnel specialists in the Department of Defense since September 11, 2001. Nearly 300,000 Reserve Component members have been mobilized over the past two years for on-going contingency operations. Another 40,000 Reserve Component members volunteered to be activated to support ongoing operations.

Throughout the year, the military departments carefully analyzed data on recruiting and retention, overall force levels, and inventories

of certain critical skills. To support current and pending contingencies, most found it necessary to impose some level of moratorium on retirements or separations. This maintained high levels of readiness in heavily employed units with special skills, such as special operations, pilots, and intelligence analysts.

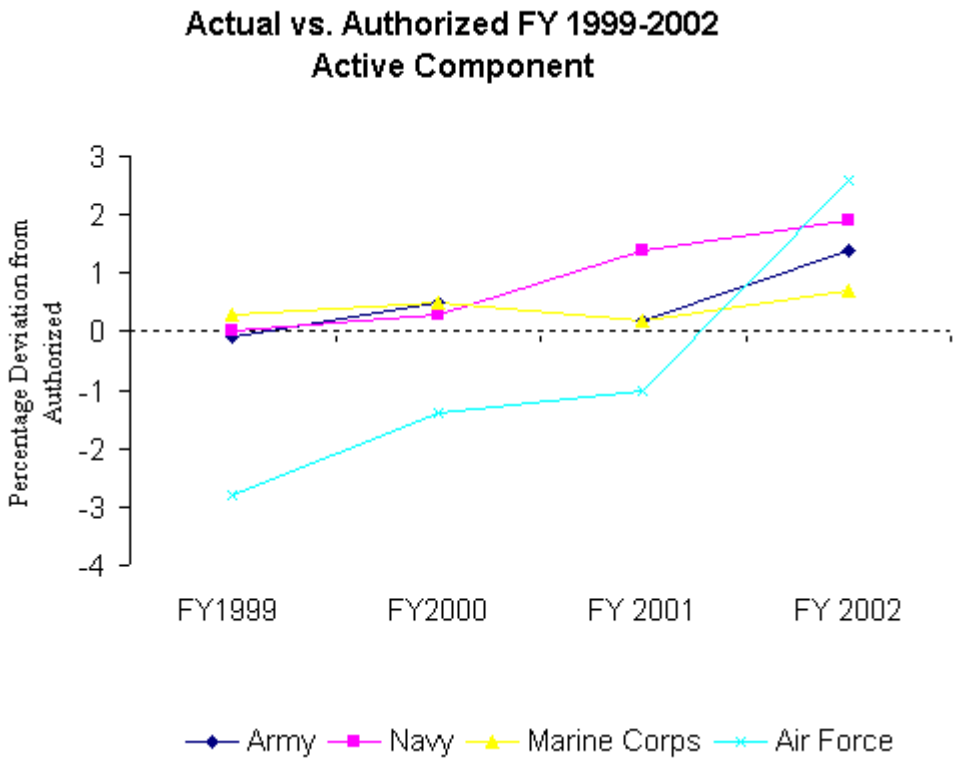
At the same time, the tempo of international crises struck a chord with our nation's young people—recruiting programs performed strongly and large numbers of already serving military personnel elected to extend their periods of service. Even though the President waived limits on aggregate force levels due to our national emergency, the military departments worked hard to meet mission requirements within budgeted ceilings, trying to keep force costs at reasonable levels.

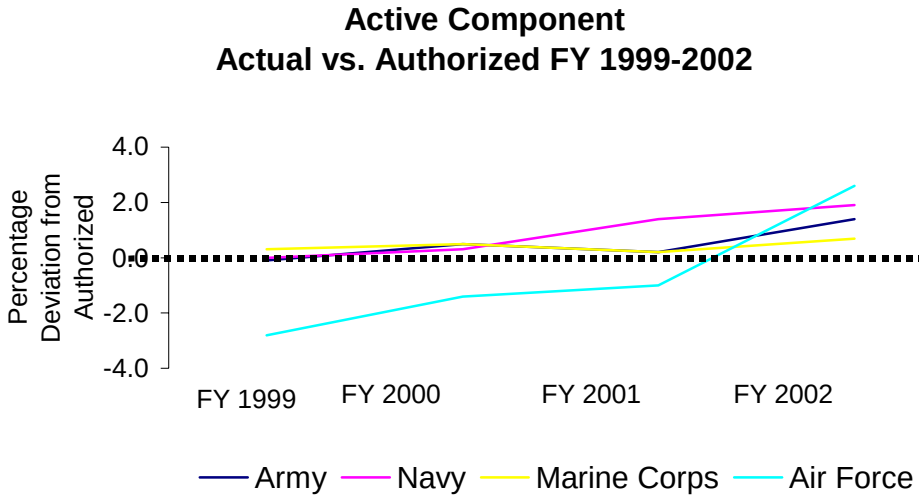
The lessons of this past year reinforced the fact that the demands on our military forces can change dramatically from month to month, day to day. Good measures of force quality and size are indispensable to our ability to guarantee we always have the right number of skilled people in place *throughout the year*, ready to handle each crisis as it comes.

Further, as the nation continues to face the new and varied defense challenges of the 21st Century, military personnel skills must evolve to match these challenges. Our performance metrics include efforts to define and capture both critical skill levels and the levels of experience needed to keep the force performing at top standards.

Maintain Manning Levels of Military Forces

Each year, Congress authorizes funds that the military departments must use only to maintain specific numbers of skilled service members, called "end strength." Services are compelled to budget and recruit, retain, or release members to match those authorized end strength numbers by the end of the fiscal year. However, if he determines it to be in the national interest, the Secretary of Defense has the authority to increase the Active and Reserve Component end strength by 2 percent. For a large service like the Army, this means as many as 14,400 more Active Component and 11,100 more Reserve Component soldiers than provided for in the budget.





In the past, the military departments reported on whether they met their authorized end strength only once a year, on September 30. Therefore, it was possible that at other times during the year, force levels were higher or lower than authorized. A higher end strength

means funds intended for other activities, like training, must be used instead for personnel expenses. Too few people could mean that some military units may not have enough skilled personnel for their missions, or must draw personnel from other sources, negatively affecting other unit's missions.

Beginning this year, we will audit personnel levels quarterly, so small variances can be identified and addressed quickly. This should better rationalize force costs and lessen the risk that some units are not fully ready to respond in a crisis. Quarterly audits will also help us build more detailed trend information, allowing us to do more insightful, predictive analysis of the relationships among funding, force levels, and unit readiness.

Meet Military Recruiting Goals

QUALITY BENCHMARKS

It is not enough to bring the required number of people into the force: every service member must be able to perform his or her duties expertly. Over the years, we have found that educational achievement and general aptitude are reliable predictors of whether persons who apply to join the military will be able to perform to expected standards.

Recruits with a high school diploma are more likely to complete their initial term of service than either non-graduates or recruits with alternative high school credentials. Aptitude is a separate indicator of quality, and we measure it using the Armed Forces Qualification Test (AFQT), a subset of the Armed Services Vocational Aptitude Battery (ASVAB), which reflects math and verbal ability.

Individuals who score at or above average (a score of 50 or higher) on the AFQT are easier to train and have superior job performance relative to recruits with lower AFQT scores.

Individuals are classified into categories according to AFQT scores so that those scoring 50 or above are in AFQT Score Categories I, II, and IIIA (Cat I-IIIA).

Quality benchmarks for recruiting were established in 1992 based on a study conducted by the Department of Defense with oversight by

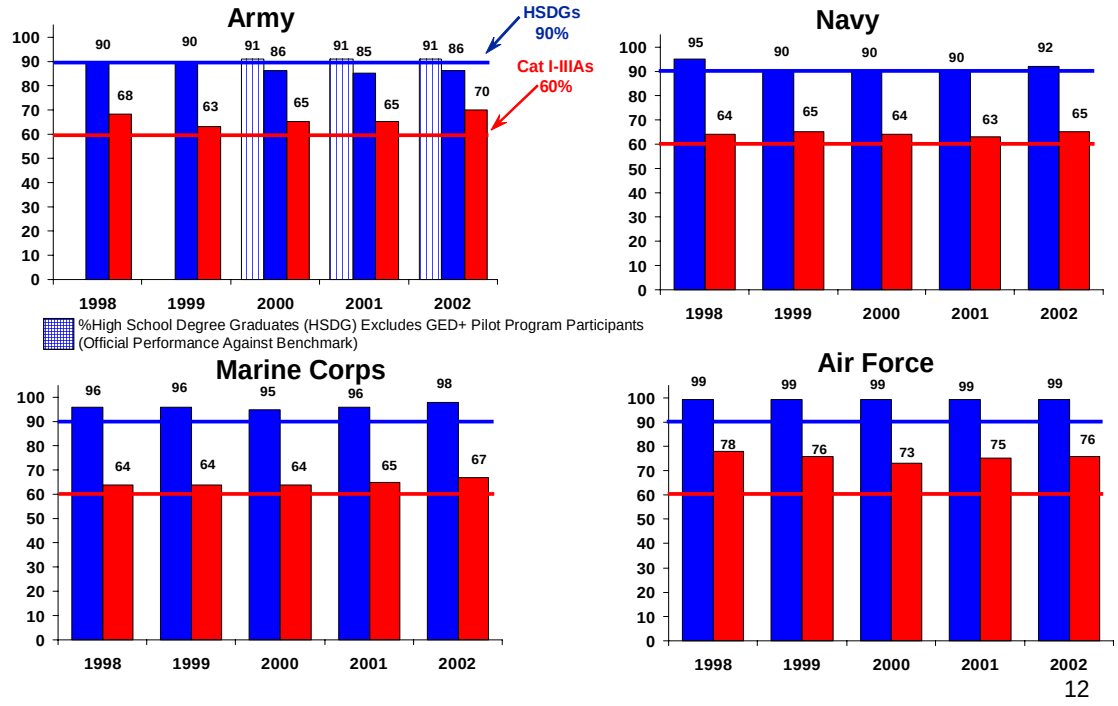
the National Academy of Sciences.[1] That study found it is cost effective to set quality benchmarks for recruiting that ensure at least 90 percent of non-prior service recruits are high school graduates (HSDG) and at least 60 percent have AFQT scores at or above 50 (Cat I-IIIA), with no more than 4 percent scoring between 10 and 30 on the AFQT.

Armed Forces Qualification Test (AFQT) Categories and Corresponding Percentile Score Ranges

AFQT Category	Percentile Score Range
I	93–99
II	65–92
IIIA	50–64
IIIB	31–49
IV	10–30
V	1–9

[1] These benchmarks were set by examining the relationship between costs associated with recruiting, training, attrition, and retention. They used as a standard the performance level obtained by the reference cohort of 1990 (the cohort that served in Operations Desert Shield and Desert Storm). Thus, they reflect the recruit quality levels necessary to minimize personnel and training costs while maintaining the performance standards met by the Desert Shield/Desert Storm cohort.

Quality Recruit Trends: 1998-2002



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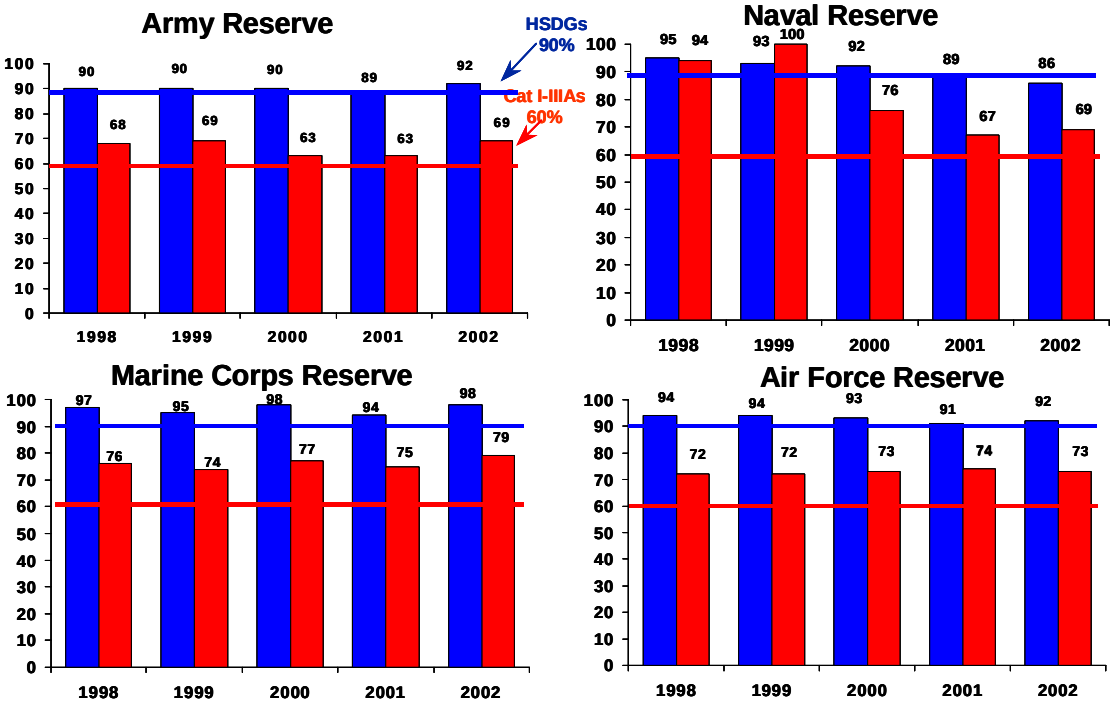
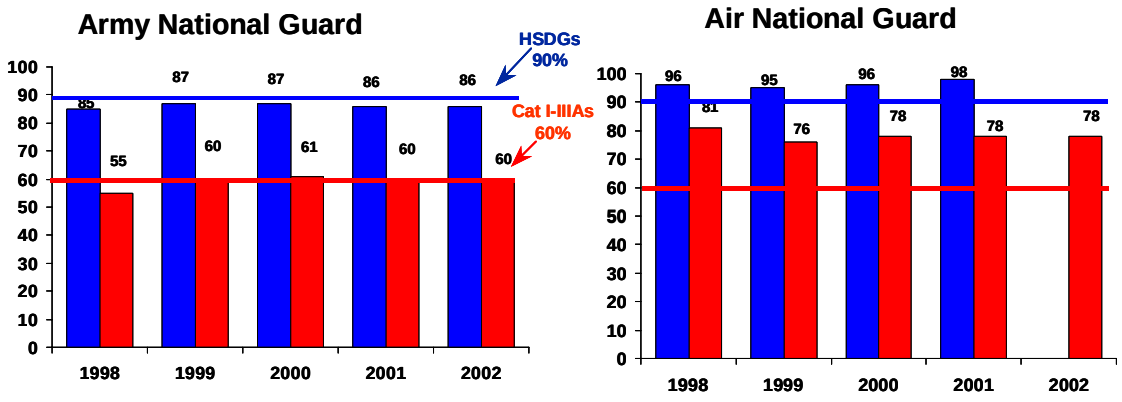




Notes: HSDGs are high school diploma graduates, our measure of educational achievement. Cat I-IIIAs are those scoring at or above 50 on the AFQT, our measure of aptitude. Cat IV percentages are not shown as the Services historically have no difficulty meeting the 4% limitation. FY 2002 Air National Guard data are not yet available.

CRITICAL SKILLS

Although the Department has met overall numeric and quality recruiting goals in the past few years, complete success requires a third variable: maintaining a sufficient and balanced level of critical skills when placing new recruits into military specialties. Each Service uses its own definition of "priority ratings" or "critical skills" to denote military specialties requiring particular emphasis by the recruiting command. In determining which military specialties become recruiting priorities, Services use factors such as degree of mission essentiality, career field manning level, number of entry-level vacancies, and recruiting difficulty (e.g., stringency of standards, unappealing nature of specialty).

However, the Department as a whole must identify critical skills based on military capabilities we need now and or will need in the future. That means that a shortage of a particular military skill area is not necessarily "critical." For example, if we are short military administrative or personnel specialists, we may work more slowly or less efficiently, but we will get the job done. But if we are short linguists or communications specialists, we may be unable to deliver the intelligence analysis vital to maintain situational awareness on the battlefield, thus degrading a vital military capability.

The Department is developing a common definition for "critical skills." With a common defense definition for recruiting "critical

skills," we will be able to measure how well our recruiting and incentive programs work toward meeting critical skills needed for military capabilities and use this information to modify Department-wide recruitment strategies.

Meet Military Retention Goals

To successfully manage the overall force, we must balance the accession of new members with the retention of already trained and skilled personnel. For many skill categories, retention provides the best return on our investment in training and experience.

NUMERIC GOALS

The conventional way to measure successful retention (attrition for the Reserve Component) is to track progress toward a numeric goal—actually, one of two goals. The first goal is the overall number of service members retained in active or reserve duty in each military department. The second is the number of service members who elect to extend their commitments as a percentage of those eligible to re-enlist. Each service uses slightly different analysis methods, but in general retention targets are established by comparing how many new recruits are being brought on board with how many service members elect to remain in service.

Recruiting and retention goals are set annually, but are reviewed and reset (if necessary) throughout the year. This periodic feedback on the progress of our recruiting and retention efforts informs a range of decisions on force management strategies and resource allocations, such as retention bonuses.

CRITICAL SKILLS

Today, we identify critical skills for retention based on capabilities we need now and/or will need in the future. Each Service, to meet their own personnel requirements, defines what is a critical skill, usually shaped by historically chronic shortages in some specialties. The Department is working to develop a common definition of critical skills for retention to encourage, with bonuses and other incentives, individuals with scarce or highly technical skills to remain in the armed forces. We will then be able to measure how well our re-

tention and incentive programs work, and use that information to implement Department-wide strategies, while at the same time supporting our overall human resources strategy.

RETAIN BALANCED MIX OF SKILLS: EXPERIENCE AND GRADE

In light of the extraordinary challenges of the war on terrorism, we need to better understand how skill shortages or skill-level imbalances affect mission accomplishment. Our retention performance measures are moving beyond simple numeric goals. We want to guarantee we are keeping the right numbers of non-commissioned officers at the right grades and experience levels to fully meet mission needs. By the end of 2003, the common definition for critical skills will be established and each of the Services will be asked to establish a promotion-timing benchmark for the 10 most critical enlisted occupational specialties. This benchmark may be based on

Enlisted Recruiting Quantity Goals/Actual FY 1999-2004

Category	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target/Actual	FY 2003 Target	FY 2004 Target
Number of enlisted Active Component accessions	186,600	202,917	196,355	195,472/196,472	193,751	195,877
Number of enlisted Reserve Component accessions	140,070	152,702	141,023	139,846/147,129	141,450	144,728

Active Enlisted Retention Goals/Actual FY 1999-2004

Service	FY 1999 Actual	FY 2000 Actual	FY 2001[a] Actual	FY 2002 Goal/Actual	FY 2003 Goal	FY 2004 Projection
Army						
Initial	20,843	21,402	20,000	19,100/19,433	18,600	19,100
Mid-career	24,174	24,118	23,727	22,700/23,074	21,200	22,700
Career	26,130	25,791	21,255	15,000/15,700	17,200	15,000
Navy						
Initial	28.2%	29.6%	56.9%	57%/58.7%	56%	56%
Mid-career	43.8%	46.5%	68.2%	70%/74.5%	73%	73%
Career	53.3%	56.6%	85.0%	90%/87.4%	86%	86%
Marine Corps						
First term	23.8%	26.6%	6,144[b]	5,900/6,050	6,022	5,962
Subsequent	56.5%[c]	63.4%[c]	5,900[b]	5,784/7,258	6,172	5,628
Air Force						
First Term	48.7%	53.1%	56.1%	55%/72.1%	55%	55%
Mid-career	69.0%	69.7%	68.9%	75%/78.3%	75%	75%
Career	90.9%	90.8%	90.2%	95%/94.6%	95%	95%

[a] In FY 2001, the Navy changed the way it calculated retention to exclude personnel who are ineligible to reenlist, so the percentage goal better reflected the number of people who chose to stay at a given reenlistment point.
[b] In FY 2001, the Marines established numeric goals for retention and term goals for the first time.
[c] FY 1999 and FY 2000 rates are from a previous program, and show achievements for 2nd-term personnel.
Definitions:
Army: Mid-career: 7 to 10 years of service (YOS); career: 10 to 20 YOS.
Navy: Mid-career: 6+ to 10 YOS; career: 10+ to 14 YOS.
Air Force: Mid-career: 6 to 10 YOS; career: 10 to 14 YOS.

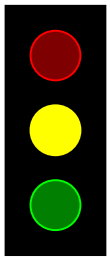
Selected Reserve Enlisted Attrition Ceilings/Actual FY 1999-2004

Selected Reserve Component	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Ceiling/Actual	FY 2003 Ceiling	FY 2004 Projected
Army National Guard	18.5	18.0	20.0	18.0/20.6	18.0	18.0
Army Reserve	27.2	29.4	27.4	28.6/24.6	28.6	28.6
Naval Reserve	29.8	27.1	27.6	36.0/26.5	36.0	36.0
Marine Corps Reserve	30.5	28.4	26.4	30.0/26.0	30.0	30.0
Air National Guard	11.7	11.0	9.6	12.0/7.3	12.0	12.0
Air Force Reserve	14.2	13.9	13.4	18.0/8.7	18.0	18.0

Note: All numbers are percentages and represent total losses divided by average strength.

time-in-service, promotion points, or other factors. Once established, service benchmarks will allow us to better manage retention and promotions, avoid promotion bottlenecks, and allocate the right mix of experienced senior enlisted across the force.

ENSURE SUSTAINABLE MILITARY TEMPO AND MAINTAIN WORKFORCE SATISFACTION



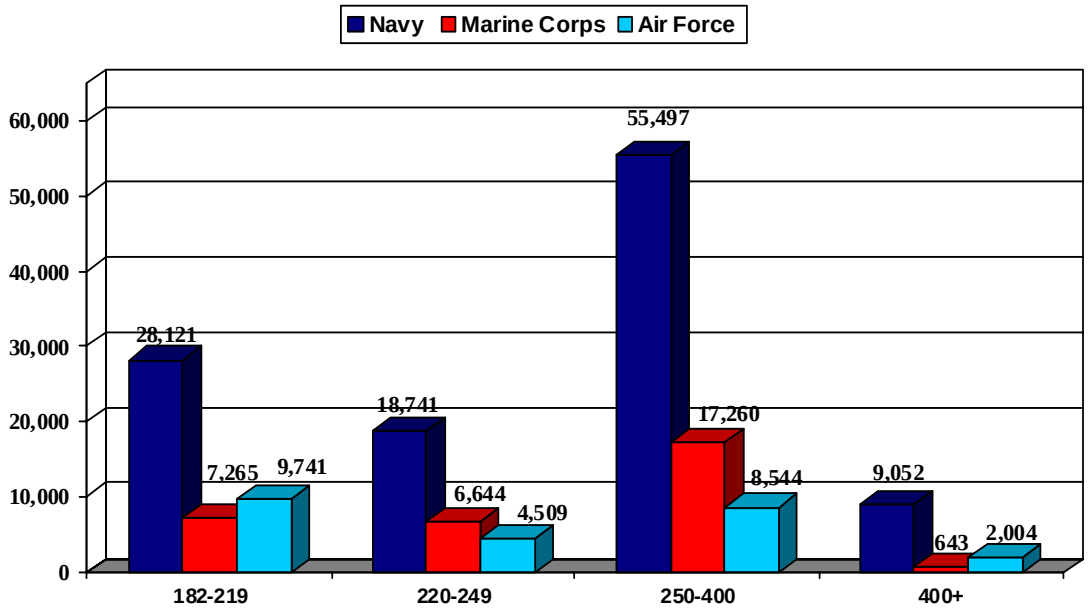
The military lifestyle presents special challenges to family life. Overseas tours away from support networks, frequent moves that disrupt a spouse's career or a child's school routine, and long separations from family members test the strength of our military families every day. The Secretary is committed to providing a high quality of life for those who serve and for their families. The Department's Social Compact (http://mfrc.calib.com/socialcompact) confirms our commitment to the highest standards for health care, housing, and support during family separations, as well as to meet the changing expectations of a new generation of military service members, such as increased spouse employment and career opportunity.

Of particular concern is how the time a service member must spend away from home station affects his or her family. Accordingly, we monitor where, why, and how frequently our military units deploy. This information is helping us build force management tools to more evenly distribute workload among those occupational skill groups called upon most often in times of crisis.

Ensure Sustainable Military TEMPO

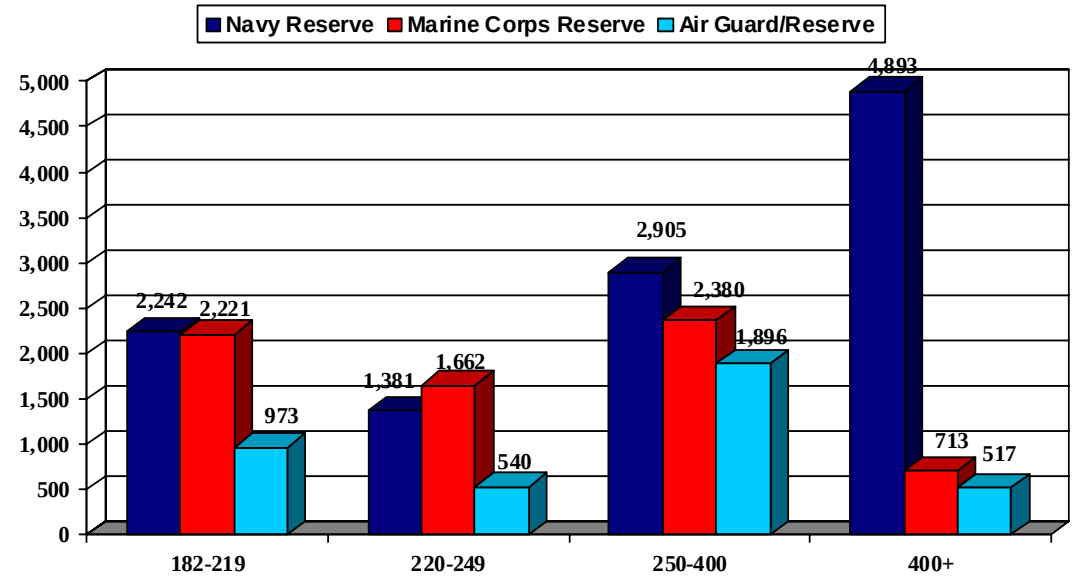
Operational tempo is the number of days a military unit or individual service member operates away from home station. Traditionally, each military service measured tempo rates for training, professional military education, peacekeeping missions, humanitarian relief efforts, planned force rotations, and other military missions differently. For example, some services did not count time spent in school as deployment; others tracked only the movement of entire units, not individuals. However it is clear—whatever the reason for the absence—time away from home station affects families (who must endure separations) and unit members left behind (who must pick up the slack).

Active Component—Members Deployed More Than 182 Days
(as of 2nd Quarter, 2003)



Note: Army data will be available in October 2003.

Reserve Component—Members Deployed More Than 182 Days
(as of 2nd Quarter, 2003)



Note: Army FY 2003 data will be available in October 2003.

In October 2001, lawmakers clearly stated their view—*a day away is a day away*. Accordingly, we track and report the number of days an

individual service member spends away from home station against a congressionally mandated ceiling of no more than 400 days away from home station over 24 consecutive months. At the 400-day/24-month mark, each deployed service member is paid a "high-deployment" per diem.

Although payment of the high-deployment per diem has been suspended during the current national emergency, each military service is still collecting data on individual deployment. The Army has fielded a web-based application to make it easier for units to post data to a central database; the Navy also intends to field a web-based solution sometime in the future. The task of creating a complete and accurate data system across all services is a difficult and expensive process, and we expect validation and verification to continue throughout 2003.

Also in 2003, the Chairman of the Joint Chiefs of Staff, working with combatant commanders and the military departments, will establish a Global Joint Forces Rotation Policy. This policy will set steady-state levels of air, land and naval presence in critical regions throughout the world, allowing us to synchronize deployments of forces worldwide and thus better manage tempo levels.

Monitor Commitment to Military Lifestyle

Perhaps the best predictor of whether service members will chose to continue their military career is their commitment—and that of their spouses—to the military lifestyle. To better understand this phenomenon, we have begun work on a measurable index modeled after research routinely used by the private sector to monitor employee commitment. These factors may differ by spouse or family member, but include pay raises, moves, deployments or family separations, influence on a spouse's career, effect on a child's education, time with family, or promotion opportunity.

Last summer, we conducted focus groups at four military installations to ask service members and spouses what they thought were the main reasons they wanted to stay or leave military life. We are now analyzing that data and constructing a standard tool we will use to survey our military population. By FY 2005, we hope to validate an index that will provide insight into factors influencing the

commitment to military service over time. Because the commitment of both member and spouse are important to maintaining an all-volunteer force, we also will develop a complementary index of spousal commitment to the military.

Quality of Life Social Compact Improvement Index

In keeping with the American standard of living, the new generation of military recruits has aspirations and expectations for quality of life services and access to health care, education, and living conditions that are very different from the conscript force of the past. Like their civilian counterparts, today's military families rely on two incomes to maintain their desired standard of living; some 60 percent of the force has some family responsibility.

Accordingly, the Department of Defense Social Compact lays out a 20-year strategic plan for ensuring our performance goals for quality of life keep pace with the changing expectations of the American workforce. This plan will address the needs of the two-thirds of military families living off the installation, as well as the needs of the Reserve Components.

Last year, we asked teams of experts to review each area covered by the compact and update functional performance goals. This year we will establish achievable performance targets for each area, and identify measures we can use to evaluate progress toward achievement. Once established, these metrics will be reported annually. In combination with the commitment index and relevant cost factors, this Social Compact Improvement Index will provide a comprehensive perspective from which the Department can make informed interventions and adjustments to the programs considered necessary to sustain a dedicated and satisfied military workforce.

Department of Defense Social Compact

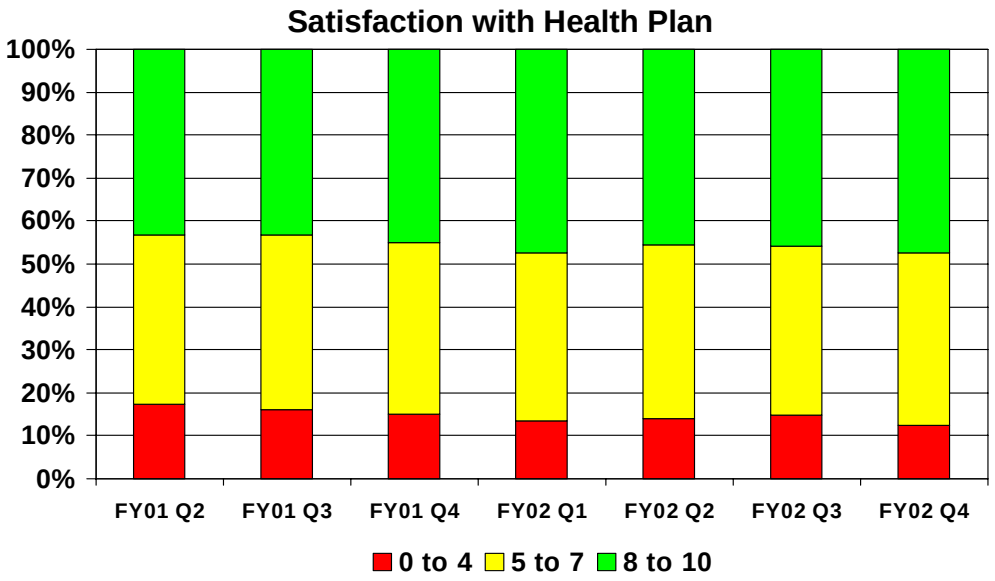
Where We Started		Where We Are Headed
High-school graduate force	→	Expanded post-secondary education opportunities for a more educated force
On-base "company town" mentality	→	Development of less base-centric programs for the two-thirds of the population that live off base
Family separation with little support	→	24/7 toll-free Family Assistance Support
Few dual-career families and more stay-at-home spouses	→	Increased attention to the dual income norm
Less frequent Reserve Component mobilization	→	Enhanced family programs to accommodate increased Reserve deployments
Internet access not readily available	→	Increased service delivery through technology
Less complex financial world	→	Initiate financial readiness training
Disparate service cultures	→	Parity of QoL service delivery and more joint (multi-service) installations Policies reflect all-volunteer force with family responsibilities

Satisfaction with Military Health Care

Each year, we ask a sample of our 8 million eligible beneficiaries to rate their experiences with the Military Health Care system by answering the following question:

> *Use any number from 0 to 10 where zero is the worst health plan possible, and 10 is the best health plan possible. How would you rate your health plan now?*

We consider beneficiaries who rate our health plan as 8, 9, or 10 to be "satisfied." In FY 2002, 46 percent of those surveyed indicated they were satisfied with their care, exceeding our performance target for FY 2002. This year, we have established a "stretch" performance target of about 56 percent satisfaction—or as adjusted to match the civilian benchmark, based on the most recent National Consumer Assessment of Health Plans Survey Database.



Source: Health Care Survey of DoD Beneficiaries

We also measure satisfaction with access to appointments and with service provided during appointments, based on a monthly Customer Satisfaction Survey of beneficiaries who had an outpatient

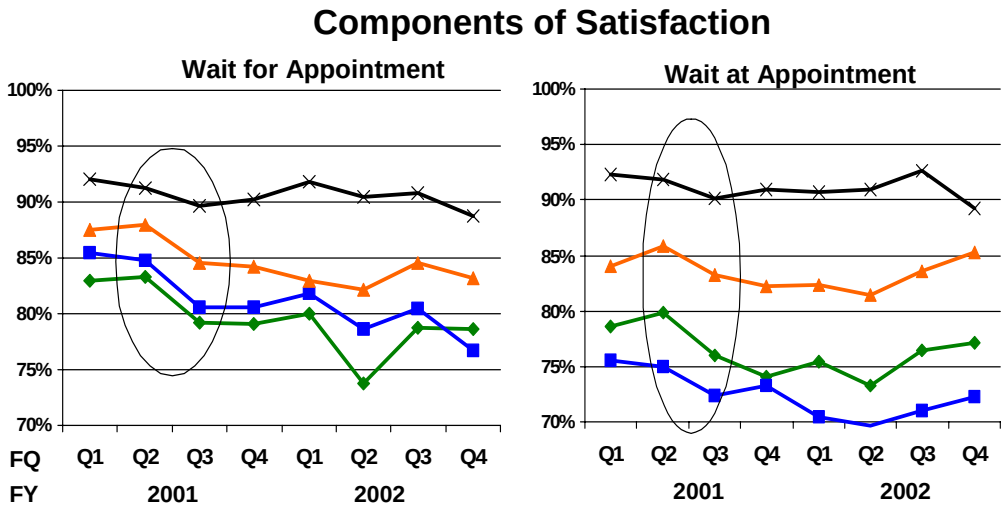
medical visit at a military hospital or clinic during the previous month.

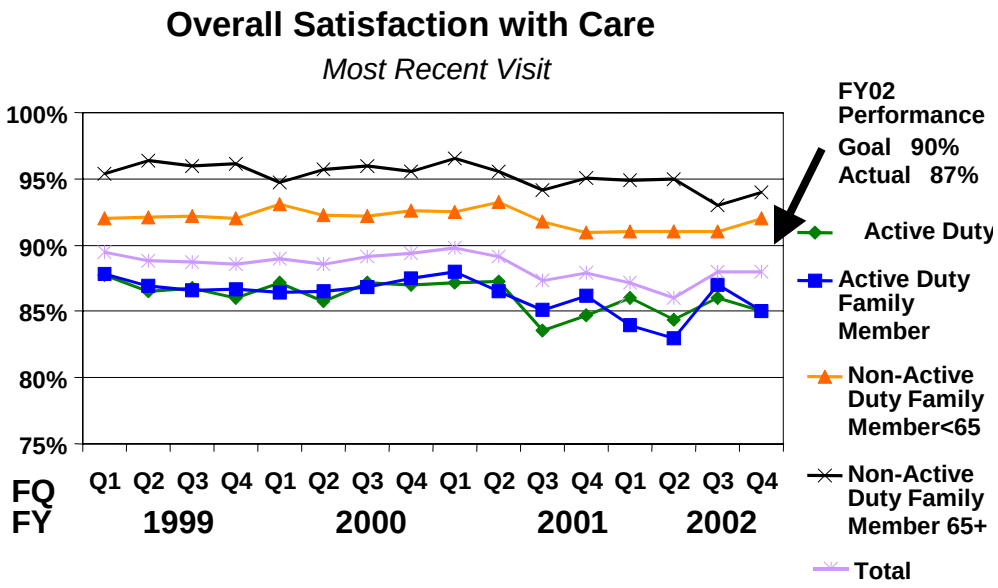
Results obtained during FY 2002 indicated that overall satisfaction was shaped mainly by how easy it was to make an appointment, and how long the beneficiary had to wait for an appointment.

Accordingly, we have initiated two improvement programs:

- *TRICARE Online* allows prime enrollees to schedule a visit with their primary care manager via the Internet, instead of having to call for an appointment.

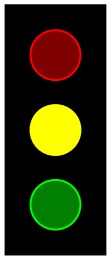
- *Open Access* allows prime enrollees to call military treatment facilities directly for same-day appointments.





Source: Customer Satisfaction Survey (as of Jan. 2003).

MAINTAIN REASONABLE FORCE COSTS



The term "force cost" typically refers to military pay and allowances. However, a much broader pricing strategy is needed to fully capture all the force-related activities that combine to drive overall labor costs in the Department of Defense.

Over the past year, we have devised several new metrics to capture the *per capita* costs of quality of life programs and health care per enrollee, as well as costs of recruiting and retaining civilian personnel. A pilot project being led by the Business Initiatives Council is exploring ways to quantify the cost of contracted personnel within the Army, with the goal of developing a methodology that can be applied across all the military services.

Over the long term, we plan to build a suite of metrics that will fully describe military compensation by comparing the education and experience of the defense workforce to the private sector. This will provide insights into how compensation affects retention, allowing a more fully developed picture of what it will cost to ensure the nation has the quality personnel it needs—now and in the future.

COST PER ENLISTED SERVICE MEMBER THROUGH BASIC TRAINING

Each year, we enlist about 340,000 new recruits (195,000 for the Active Component and 145,000 for the Reserve Component). Most of these young men and women are destined to fill entry-level billets: enlisted soldiers, sailors, airmen, and Marines who will serve in those jobs for a few years, then return to civilian life or advance to positions in the military that require more skill and experience. This cycle of recruit, train, and replace is a major cost driver for force management.

Two factors combine to provide a rudimentary indicator of the price of replenishing the total force over time: (1) the average annual cost to recruit one new service member and (2) the cost to complete basic training per service member.

Recruiting expenses include pay and other personnel compensation for the recruiting staff, enlistment bonuses offered to new members, college fund programs, advertising, and general support. Training covers the costs of the supporting infrastructure (manpower, equipment, facilities) needed to indoctrinate recruits into military culture, raise their standards of physical conditioning, and instruct them in basic military skills.

Historically, we have found that the cost-per-recruit has increased annually, while the cost of basic training has remained relatively stable. Unlike training costs, recruiting costs vary with economic conditions, national or local unemployment rates, or the level of interest among young people in serving their country.

Military Personnel Costs

In FY 2003, we made three major improvements to the cost-basis of military compensation.

- We added $1.9 billion over the FY 2002-enacted level for a 4.1 percent across-the-board pay increase.
- We added $0.3 billion to narrow the pay comparability with the civilian sector.

- We reduced the average service member's out-of-pocket housing expenses from 11.3 to 7.5 percent for FY 2003, on a glide path to cut of out-of-pocket expenses to zero by FY 2005.

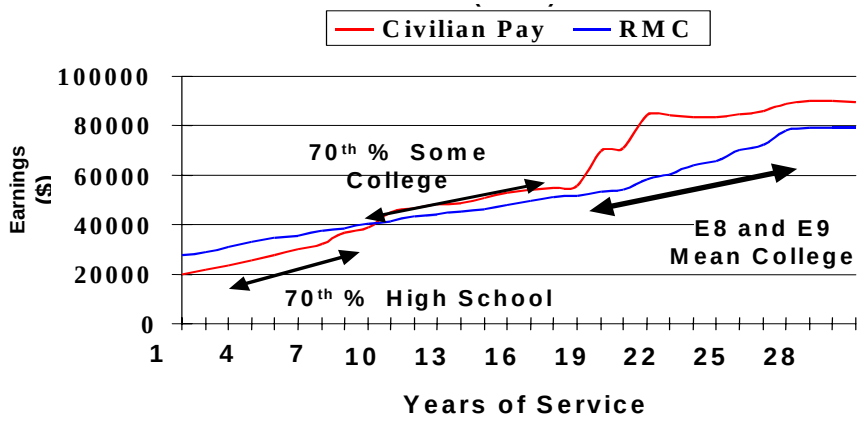
Improved pay and benefits signal our commitment to our defense workforce. However, we still do not know exactly what compensation thresholds or benefits have the most influence on a service member's decision to join or remain in the armed services. Therefore, we are researching new metrics to help us better understand the complex relationships between military compensation and other force management factors.

RATIO OF MILITARY TO CIVILIAN COMPENSATION BY YEARS OF SERVICE.

For years we have debated how to compare military compensation with the civilian sector. Though a seemingly straightforward task, such comparisons are complicated and can be misleading.

After extended study, the 9th Quadrennial Review of Military Compensation recommended that the pay of enlisted service members in their first 10 years of military service be compared with 70th percentile of earnings of all high school graduates. When enlisted compensation fell below the 70th percentile, recruiting and retention problems appeared. (It is generally very costly, both in terms of dollars and experience mix, to correct recruiting and retention shortfalls after the fact.) After 10 years of service, the compensation of senior enlisted members is compared to civilians with some college education.

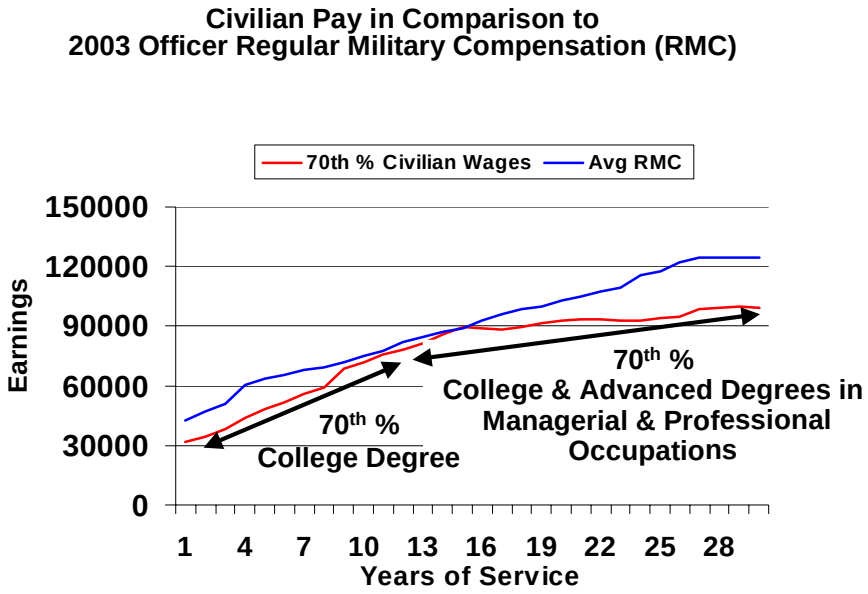
Civilian Pay in Comparison to 2003 Enlisted Regular Military Compensation (RMC)



Note: Regular military compensation (RMC) is the total of basic pay, the housing and subsistence allowances, and the resulting tax advantages (allowances are not subject to Federal income tax).

For officers in their first 12 years of service, the commission recommended that military pay be compared to civilians with college degrees. After 12 years of service, officer compensation is compared to the pay of civilians with college and advanced degrees in managerial and professional occupations.

Although somewhat complicated, these metrics provide meaningful insights into the relationship between military and civilian sector compensation, and help us structure a military compensation system that allows us to compete in the open marketplace for high quality talent.



Civilian Personnel Compensation

Civilian compensation is the combined total of basic pay, premium pay (overtime, locality, special skill), employee benefits (retirement, health), and leave earned and used. We routinely collect detailed data on civilian compensation. Although a useful indicator of overall compensation trends for civilians, this metric cannot be used to evaluate how funds spent for recruitment or other employment incentives contribute to the overall quality of the civilian workforce.

Civilian force costs (Current Year $000)	FY 1999 Actual[a]	FY 2000 Actual[a]	FY 2001 Actual[b]	FY 2002 Projected[c]	FY 2003 Projected[c]	FY 2004 Projected Output[c]
Total	40,107,638	40,464,205	42,258,733	44,867,063	46,167,420	46,851,293
Basic pay	30,637,396	31,029,482	31,887,999	33,376,576	34,409,122	34,853,540
Premium pay	1,816,501	1,733,466	1,985,502	2,347,501	2,144,505	2,148,222
Benefit pay	7,344,625	7,507,789	8,066,742	8,822,937	9,245,600	9,515,435
Separation pay	309,116	193,468	318,490	320,049	368,193	334,096

[a] FY 1999 to FY 2000 from OPM data sources.

[b] FY 2001 from DoD Component summary of PB FY 2003 .

[c] FY 2001 through FY 2004 from DoD Component Summary of PB FY 2004-2005.

Unpaid Compensation: Community Quality of Life (QoL) Per Capita Cost Metric

Other performance measures tell us that QoL factors—the "unpaid" compensation we provide our military members and their families—is a strong contributor to overall workforce satisfaction. Consequently, we are researching new metrics that will help us isolate and evaluate investments in QoL services. By FY 2005, we hope to be able to begin tracking average QoL investments per active duty member, and the relationship between budget levels and progress being made by individual military departments toward our overall performance goals for QoL standards. It will also help us explore the relationship between QoL programs, their impact upon commitment to the military lifestyle, and costs.

The Military Health Care System Meets Key Performance Goals

Military medical care is the primary method of providing the health care benefit to our active duty members, retirees, and their families. We will spend more than $26.4 billion in FY 2004 to provide health support for a full range of military operations and sustaining the well-being of all of those entrusted to our care.

Over the past two years, we have made fundamental changes in how we think about managing medical benefits and readiness. The revamping of the military health system begins with the new Managed Care Support Contracts, which will establish incentives for bringing patients back into our Military Treatment Facilities (MTFs).

The goal is to increase the productivity at the MTFs and redirect more individuals from purchased care to the MTF.

We also are refining how we think about and measure medical readiness by researching new metrics to monitor medical readiness at both the unit-level and for individual service members. The Defense Health Program will implement these new measures by setting rigorous goals in its annual performance contracts.

We already have some indicators—including the first two metrics described below—that offer insights into the complex relationships between *providing* and *managing* quality health care. In addition, we are developing an indicator to track medical costs per enrollee.

OUTPATIENT MARKET SHARE

Outpatient visits represent the majority of contacts between the military health system and its more than 8 million beneficiaries. Accordingly, our outpatient market-share metric looks at how much of the care is delivered in Military Treatment Facilities (MTFs) vice being purchased in the private sector. Since providing medical services during wartime carries a large fixed cost, our goal is to use our organic resources in the most efficient and effective manner during peacetime. Over the next couple of years, we intend to stabilize and recover market share around the MTFs by increasing the productivity of the staff.

PRIMARY CARE PROVIDER PRODUCTIVITY

The performance of a Health Maintenance Organization (HMO) correlates directly to the quality of the primary care it delivers. Not only is the HMO primary caregiver often the first medical professional the beneficiary sees, he or she is responsible for delivering most of the preventive care that keeps beneficiaries healthy and away from more costly specialty care.

To capture the complexity of care for the medical encounter and the resources consumed, we use a performance indicator called a "Relative Value Unit (RVU)." The RVU concept was developed by the Centers for Medicare and Medicaid Services, and approximates physician resources expended during a medical encounter. For example: a patient returning to a doctor's office with a simple problem

may score only 0.17 RVUs, while an arthroscopy surgery of the knee is rated at 16.00RVUs.

The average RVU per primary care provider in the Department of Defense during FY 2002 was 13.6 per day. For FY 2003 and FY 2004, we have set "stretch" goals of greater than or equal to 14.5 and 15.5, respectively. While there is no direct comparison available to the private sector, the American Medical Group Association found that family medicine practices averaged 3,808 RVU's per provider per year. This equates to approximately 18.5 RVU's per provider per day, which will be our goal in 2007, as we increase by 1 RVU per provider per day until 18.5 is achieved.

MEDICAL COST PER ENROLLEE

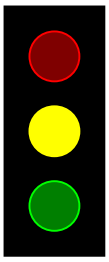
Several years ago, we consolidated our health care delivery under our TRICARE management activity, and began reforming how we purchased care from the private sector.

To gauge the progress of those initiatives, we are developing an indicator that will track how well the Military Health System manages care for those individuals who have chosen to enroll in a HMO-type of benefit. The medical cost per enrollee will capture three major management issues:

- How efficiently care is provided.
- How effectively enrollee demand is managed.
- How well the Military Treatment Facility determines which care should be directly provided by the MTF facility versus being purchased from a Managed Care Support Contractor.

Using the information from this measure (plus intermediate products), we will be able to assess at the overall efficiency of the Military Health System.

SHAPE THE FORCE OF THE FUTURE



The global war on terrorism has demonstrated that we need a force that is trained and prepared to meet future asymmetric threats and international challenges. Clearly, *status quo* personnel management will not suffice. Yet our personnel management policies, procedures, and practices are still based on Cold War models derived from the experiences of World War II mass mobilization.

Today we need to critically evaluate how we can shape the force of the future. We need modern personnel systems, a way to better use the Reserve Component, and a return of our warfighters to warfighting roles. We need to identify and fill critical skills needed to optimize new technology and new ways of doing business. We need to rapidly transform how we train the force.

This is dramatic, unprecedented change, and a tremendous challenge. Initially, our major focus will be to maintain the momentum of the research, pilot tests, studies of corporate systems, and experimental activities meant to discover "best practices" that are adaptable to the Department of Defense. At the same time, we must look hard at our internal processes and make tough decisions. For example, we must delineate core and non-core functions within the Department and decide the appropriate fate of non-core functions.

Define and Meet Core Divestiture Requirements

Once we decide what activities are "core" to the defense mission, we need to make sure the right people are doing those jobs. We need a well-grounded plan to reallocate personnel resources—military and civilian—to improve our warfighting capability. We also need to update policies and processes within the Reserve Component to bind it more strongly to the Active Component, by applying lessons-learned from our comprehensive review of *Reserve Component Contributions to National Defense*, and measure our progress. (See www.defenselink.mil/ra/documents/annualreports/rcompfinal.pdf.)

Meet Civilian Workforce Management Objectives

"The current system is not agile enough…The civil service system has the right values, but its processes are outdated…We need to have a compensation system that is responsive to the market and to performance…
…We cannot succeed with today's system."
Dr. David Chu
Under Secretary of Defense for Personnel and Readiness

The Department of Defense civilian workforce comprises approximately 50 percent of the total government workforce. The skill and dedication of this workforce are key to the effectiveness of our military force. Yet our civilian workforce has gotten older, and many individuals are reaching retirement age. Advancing science and technology have resulted in a skill imbalance in some cases.

Our Human Resource Strategic Plan (www.dod.mil/prhome) lays out the way ahead for recruiting and managing an excellent modern workforce. We will monitor our progress, with a special focus on two key objectives: (1) reducing the time required to fill civilian vacancies and (2) identifying and filling positions defined as critical skills. We have to attract bright young people to join us, while at the same time creating the challenge and rewards that will encourage our best talent to stay with government service.

The Department must change the way it *manages* civilian personnel. The "one-size-fits-all" Government-wide civilian personnel system no longer responds well to the Department's national security mission. Accordingly, we are working to establish a National Security Personnel System (NSPS). Much like the new personnel policies in place at the Department of Homeland Security, NSPS would give us the flexibility to modernize our personnel management system while continuing to preserve merit principles, respect Veterans' Preference, and maintain union involvement.

The design of the NSPS is based on over 20 years of experience in operating personnel demonstration projects and alternative personnel systems. Key features include:

- Shifting civilian employees from the general schedule pay system to a pay-band system.
- Replacing automatic annual pay increases with a pay-for-performance system.
- Streamlined hiring authority.
- Special pay authorities to bring specialists and retirees on board for special projects.

Meet Military Personnel Requirements of a Transformed Force

As we have done for the civilian workforce, we have also created a Military Human Resource Strategic Plan, which sets achievable goals for near-, mid-, and long-term implementation. Inherently flexible, this strategy is designed to rapidly adjust to changing requirements. Some 42 research efforts have been or are being undertaken to support this plan. The most promising study recommendations would provide the President and Secretary of Defense greater flexibility in managing job tenure and career length for general and flag officers. Over the long term, we intend to use the data collected from these many research efforts to design and implement optimal career patterns and service obligations for the force as a whole. Future critical skills, such as information operations, language and foreign area expertise, and space operations will be defined, and progress toward meeting the resulting need will be monitored.

Reserve Component personnel management is being modernized as well. The Reserve Components provide a link between the military and the civilian sector of American society. To take full advantage of that link requires a personnel management system that offers greater flexibility in accessing and managing individuals throughout a military career, that may span both active and reserve service—or across a "continuum of service." This means simplifying the rules for employing Reserve Component members, creating conditions that enhance volunteerism, allowing for varying levels of Reserve participation and facilitating seamless flow of personnel from active to reserve and reserve to active over the course of a military career.

Additionally, Reserve Component members bring diverse civilian skills and experience to the military beyond what is available in the regular component. Managing within a continuum of service can help to attain and retain skills that are hard to acquire and maintain in the military to include those in innovative technologies. It will provide opportunities to establish new and innovative affiliation programs and defense partnerships with industry for individuals willing to support military forces.

Management Initiatives

IMPROVE FLEXIBILITY THROUGH A NEW APPROACH TO MANAGING PERSONNEL
• Structure management to provide varying levels of participation – a "Continuum of Service."
• Modify force management and compensation policies to support the "Continuum of Service" concept.
• Streamline the manner in which members are placed on military duty by reducing the number of duty statuses.
• Implement innovative management techniques to include new management programs and auxiliaries for special skill sets, and design and test new affiliation programs.
• Reduce dependence on involuntary mobilization of Reserve Component members needed early in an operation through expanded use of volunteerism.
ENHANCE CAPABILITY BY REBALANCING THE TOTAL FORCE
• Move early-deploying Reserve Component forces later in the deployment plans and later-deploying Active Component forces with the same capabilities forward in the deployment plans.
• Increase "high-demand" capability in the active structure, the reserve structure, or both.
• Expand the use of reach-back to reduce footprint in theater through virtual connectivity.
• Expand Reserve Component augmentation of certain Active Component capabilities to increase platform performance.
• Rebalance capabilities by building more active structure when all other possibilities have been exhausted.

Adopting a new availability and service paradigm as the basis for managing Active and Reserve forces would allow individuals to change levels of participation with greater ease and better leverage the Department's investment in training and education to meet operational requirements. Greater reliance on Reserve volunteers can reduce burdens of involuntary mobilization, active personnel opera-

tions tempo and repetitive activations and deployments among traditional reservists.

Operational Risk

"Most agree that to win the global war on terror, our Armed Forces need to be flexible, light and agile—so they can respond quickly to sudden changes."

Secretary Rumsfeld
February 5, 2003

What is operational risk?

In simplest terms, it is about whether we can overcome today's threats—about our ability to create plans that can be adapted quickly as events unfold, train for the next real-time mission, and supply the warfighters with what they need *now*. It is about achieving near-term objectives, not long-term outcomes—thus, it is an important dimension of the defense strategy, but not the entire strategy.

We assess the degree of operational risk from three perspectives:

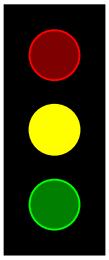
- *Likelihood of failure* (of a military action or other operational activity to accomplish its stated objective)
- *Consequences of failure* (on the Department's ability to achieve its overall strategic goals)
- *Time* (as it relates to how conditions defining the likelihood of failure and its consequences may change over several years).

The Department's approach to risk is a fundamental departure from the past, when operational risk was measured almost exclusively in terms of our ability to wage two major theater wars nearly simultaneously in Northeast and Southwest Asia—with every other contingency assumed a lesser-included case. Today our strategic menu is much broader, extending from how we design and train units to fight as a joint team, deter threats in critical regions worldwide, employ forces to respond swiftly and decisively in both big wars and smaller contingencies—to

how we will conquer the danger that terrorism brings to the United States and the world.

The Secretary's performance priorities for operational risk in FY 2004 are *Win the War on Terrorism*, *Counter the Proliferation of Weapons of Mass Destruction*, and *Homeland Security*.

DO WE HAVE THE RIGHT FORCES AVAILABLE?



DoD must develop the ability to integrate combat organizations with forces capable of responding rapidly to events that occur with little or no warning. These joint forces must be scalable and task-organized into modular units to allow the combatant commanders to draw on the appropriate forces to deter or defeat an adversary. The forces must be highly networked with joint command and control, and they must be better able to integrate into combined operations than the forces of today.

Report of the Quadrennial Defense Review
September 2001.

A pivotal tenet of the new defense strategy is the ability to respond quickly, and thus set the initial conditions for either deterrence or the swift defeat of an aggressor. We no longer plan to slowly build up overwhelming forces over time—a "go-slow" approach that can limit strategic flexibility and increase vulnerabilities. Today we increasingly rely on forces that are capable of both symmetric and asymmetric responses to current and potential threats, and that can deploy much faster and under a wider range of configurations than assumed by the old two-war planning construct. Such swift, lethal campaigns mean a smaller combat service support footprint initially in theater, and clearly place a premium on having the right forces in the right place at the right time, whether stationed at forward bases or rotating through a potential theater of operations. We must also be able to act preemptively to prevent terrorists from doing harm to our people and our country and to prevent our enemies from threatening us, our allies, and our friends with weapons of mass destruction.

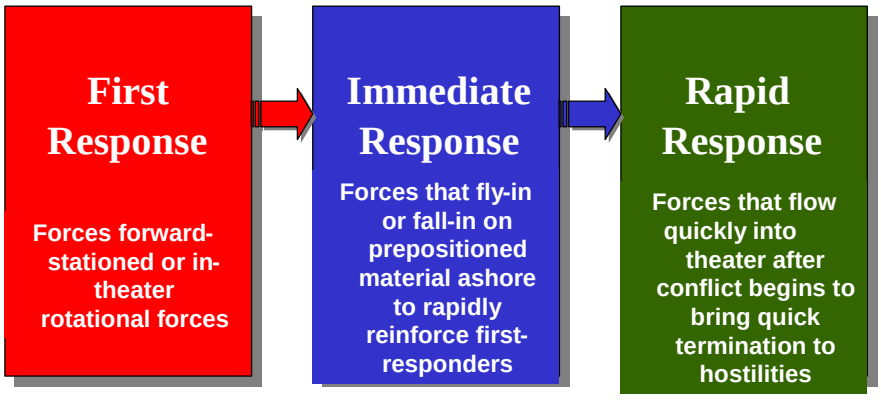
To complement our capability to rapidly build decisive combat power, military forces must also be able to rapidly transition to post-hostilities operations. "Winning the peace" subsequent to a successful military campaign is also critical to ensuring our national secu-

rity. These diverse requirements will demand that we integrate and leverage other elements of national power, such as strengthened international alliances and partnerships.

We must also identify and deter threats to the United States, by reducing the vulnerability of our critical defense infrastructure, and being ready to assist civil authorities in mitigating the consequences of a terrorist attack or other catastrophic event.

This results-oriented perspective is an elemental change to how the Department has traditionally sized and shaped its military forces. Accordingly, we are now working to define what active and reserve component forces must be "operationally available" to support these ambitious strategic goals. We are also assessing options to mitigate shortfalls in critical low density/high demand capabilities.

We are developing a building-block approach to align and package forces consistent with how they will be employed to achieve our strategic goals. For example, we are examining how forces permanently stationed at forward bases or rotating through a theater must be structured and sustained to maintain credible and responsive combat power, instead of just "showing the flag." We will define alternative ways to configure the forces needed to rapidly reinforce those first responders, as well as what capabilities are needed to swiftly defeat an aggressor and bring a decisive halt to hostilities.

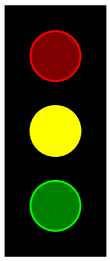


Sample Operational Availability Building Blocks

Over time, we will use this building-block approach to operational availability assessments to investigate how an alternative mix of ac-

tive and reserve forces and capabilities can be aligned to a range of missions, including homeland defense. In the next year, we will broaden this analysis to address additional mid- to long-term scenarios and emerging warfighting concepts in a Transformation Forces Assessment.

ARE OUR FORCES POSTURED TO SUCCEED?



Before we deploy forces to deter or fight an adversary, we must first decide whether we have the right capabilities in the right place to achieve the desired effect—and understand how deploying forces from one region to another may impede or enhance our ability to accomplish our strategic goals in another region, or at home. Several initiatives undertaken over the past year are designed to ensure we are postured to respond consistent with the strategy. These efforts will highlight (and propose fixes to) critical shortfalls in forces, infrastructure, and capability that could limit the strategic and operational flexibility of combatant commanders responding to a real-time crisis.

Global Presence and Basing Study

As part of our analyses, we are examining how to reshape the "global footprint" of forces stationed permanently or on rotation overseas, as well as their associated base infrastructure. We are reviewing how our prepositioned material is configured and positioned, and are looking at creative options for bringing first and rapid-responders quickly to the fight, employing intelligence and space assets to shape the battlefield, and leveraging the contributions of our security partners.

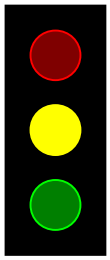
Operational Lessons-Learned

We have established a formal feedback loop to ongoing operations by creating an integrated, Department-wide protocol for collecting and assessing lessons-learned from recent or current operations, so we may quickly adjust how we allocate, equip, employ, and sustain capabilities in the field.

Security Cooperation

Finally, we are refining theater security cooperation plans with our friends and allies in each region to focus on building the right partnerships in the future. We are also establishing a disciplined assessment process to evaluate how the activities of our combined forces over time help us achieve specific security outcomes.

ARE OUR FORCES CURRENTLY READY?



"DoD will undertake a comprehensive re-engineering of its current readiness reporting system. The new system will allow measurement of the adequacy of the force to accomplish all its assigned missions, not just major combat operations."

Report of the Quadrennial Defense Review
September 2001

Like other aspects of operational risk, deciding how well prepared the U.S. military force is to perform its missions is part art, part science.

Defense Readiness Reporting System

For many years, we have relied primarily on the classified Status of Resources and Training System (SORTS) reports maintained by all the military services to track actual personnel levels, equipment stocks, and training performance against standard benchmarks. The Joint Chiefs of Staff and senior civilian leaders then assess these data against a range of operational scenarios during the Joint Quarterly Readiness Review and Senior Readiness Oversight Council meetings. The resulting evaluations are summarized along with key readiness trends in the Department's classified Quarterly Readiness Report to Congress.

The SORTS system, however, does not capture performance information for joint missions or for the full range of missions beyond a major regional contingency, such as those required to prosecute a successful war on terrorism. Accordingly, we have undertaken a fundamental overhaul of our readiness reporting process. DoD Directive 7730.65, *Department of Defense Readiness Reporting System*, orders three fundamental changes to how we evaluate force readiness:

- Unit readiness will be measured against missions assigned to combatant commanders, rather than against doctrinal tasks unique to a military service.
- Real-time status reporting and scenario modeling will be used for assessments, not only during peacetime, but as a crisis unfolds and while operations are ongoing.
- Tighter linkages will be established between readiness planning and budgets.

The Defense Readiness Reporting System successfully completed a proof-of-concept demonstration in the fall of 2002. With the awarding of the prime development contract, we are working toward an initial operating capability in FY 2004 with full fielding planned during FY 2007.

Current Force Assessment

The annual Current Force Assessment, conducted by the Chairman of the Joint Chiefs of Staff, compares risk across a range of contingencies and geographic areas. It uses collaborative analysis and war-gaming to pinpoint risks and constraints in potential near-term scenarios that could change our international posture of engagement or explode into a small-scale contingency. This assessment process, which is entering its fourth year, has proved exceptionally effective at highlighting problems and quickly developing alternatives. It has allowed us to act quickly to shift forces among combatant commanders to better deter an emerging crisis. Perhaps most significant, it provides a mechanism to intensively manage low density/high demand assets to optimize effectiveness while reducing the adverse effects of high operational tempos.

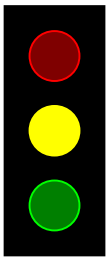
Adaptive Planning

"We can identify threats, but cannot know when or where America or its friends will be attacked. We should try mightily to avoid surprise, but we must also learn to expect it…Adapting to surprise - adapting quickly and decisively - must therefore be a condition of planning"

Report of the Quadrennial Defense Review
September 2001

We are most ready when we can adapt our plans to emerging conditions. To institutionalize the precept of flexible execution, we have accelerated the periodic reviews of major contingency plans from once every two years to annually. Our plans must now encompass the full range of missions—from homeland defense and the war on terrorism to major conflicts. More important, plans must become modular, allowing both planners and operational commanders to mix-and-match capabilities to respond to surprise and or to take advantage of opportunities. Finally, our plans must focus on bringing the right forces to the right mission, and carefully marshalling those forces that are most in demand so they are not overused—or become malpositioned and thus not available in a crisis.

ARE OUR FORCES EMPLOYED CONSISTENT WITH OUR STRATEGIC PRIORITIES?



It is not enough to plan effectively—we must manage how forces are allocated and employed so we act in a manner consistent with the overarching objectives of the defense strategy.

In practice, this can be hard to do, as the press of day-to-day business favors a singular focus on immediate events. However, if we are ever to effectively "buy down" operational risk for the Department, we must learn to analytically evaluate each individual, near-term task in the wider context of our strategic priorities over the long term.

Thus, we are developing analytic tools that will help our senior leaders weigh the balance among the actual deployment and employment of forces against the needs of non-combat activities, such as training, exercises and contingencies supporting a full range of

enduring security missions. The measures will help the Secretary and his senior advisors decide "how much is enough," help them balance the need to win quickly in a conflict with the need to maintain strong deterrence against other threats.

We must also build a strong, effective interagency process that allows the Department to leverage the talent and capabilities of other elements of national power.

This analytic tool set includes developing:

- Alternative courses of action and joint operational concepts for our operational and contingency plans.
- Common, comparable operational risk metrics for strategic priorities, individual events, and operations and contingency plans.
- Models and simulations to help refine near-term options, supported by a data process that keeps information on U.S. and aggressor capabilities up-to-date and in a form readily available for analysis.

Institutional Risk

We have the ability – and, therefore, the responsibility – to reduce waste and improve operational efficiency on our own.

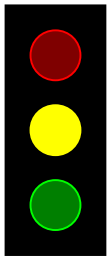
Secretary Rumsfeld
September 10, 2001

Just as we must transform America's military capability to meet changing threats, we must transform the way the Department works and what it works on. A new idea ignored may be the next threat overlooked. Every dollar squandered on waste is one denied to the warfighter.

Right now, we are taking clear, specific action to streamline our decision process—our leaders cannot act wisely unless they can get the information they need, at the right time. We must drive a better understanding of how overhead and indirect costs relate to military capability—we must build a base of facilities that are ready and able to meet the highest standards for quality and readiness. And as we transform our military force, we must re-align our support structure to embrace new ways of working, and pursue creative technology solutions.

The Secretary's performance priorities for institutional risk in FY 2003 are *Streamline DoD Processes, Optimize Intelligence Capabilities, and Enhance Interagency Process, Focus and Integration.*

STREAMLINE THE DECISION PROCESS, IMPROVE FINANCIAL MANAGEMENT, DRIVE ACQUISITION EXCELLENCE



Waste drains resources from training and tanks, from infrastructure and intelligence, from helicopters and housing. Outdated systems crush ideas that could save a life. Redundant processes prevent us from adapting to evolving threats with the speed and agility that today's world demands.

Secretary Rumsfeld, September 10, 2001

The technology revolution that drove the metamorphosis of the private sector from manufacturing to a service economy has not yet fully taken hold in the defense economy.

Our financial systems are decades old and incompatible with one another, making it hard for managers to get meaningful information. The 1998 *Report of the Department of Defense on Base Realignment and Closure* concluded we are bigger than we need to be, with almost 25 percent more installation and facilities capacity than needed, unnecessarily spending some $3 billion to $4 billion of tax dollars annually. New ideas choke beneath a tangle of rules, regulations, and bureaucratic process. We seem afraid to take chances, and so miss opportunities to truly innovate.

So how are we changing?

First, everyone is involved, from Secretaries of the Military Departments meeting weekly as the Senior Executive Council to drive change from the top, to line managers charged with divesting non-core missions and re-aligning their workforce. We have undertaken a careful and thorough analysis of our bases and infrastructure, so unneeded facilities can be precisely and prudently eliminated.

Second, we are setting measurable goals and tracking our progress toward success.

Third, we have launched an agency-wide transformation program dedicated to standardizing and integrating our business processes and financial management systems. The development of the initial version of our Business Enterprise Architecture has taken us a long

way down the road to being able to provide the Department's managers with the accurate, reliable, and timely information they need to make better decisions.

The President's Management Agenda (PMA)

The President's Management Agenda highlights five government-wide initiatives to improve management and service to our citizens. We have set ambitious targets for the Department of Defense in each area, consistent with our commitment to improving accuracy and ensuring that sound management principles are in place across the organization (for more information, see www.results.gov.):

- *Human Capital*. The DoD Human Resource Strategy and Workforce Restructuring Plan describes how we intend to meet workforce needs and redirect resources from Headquarter elements to direct service.

- *Improved Financial Performance*. The Department of Defense is committed to profound and far-reaching financial management reform that will guarantee defense decision makers access to reliable, relevant, and timely financial data with which to carefully and efficiently manage and account for taxpayer funds.

- To do this, we are replacing our antiquated and standalone financial management automated systems with a robust financial management infrastructure that will revolutionize our business processes. Our newly established Business Financial Management Modernization Program Office is managing the enterprise architecture to link systems and business processes in a comprehensive and integrated fashion. We also are developing a financial management performance indicator program, targeting areas such as our financial statement material weaknesses for immediate improvement. These metrics will align our near-term efforts to reduce long-standing problems with the development of improved automated systems that will provide permanent solutions. The metrics will also track which activities in the Department should be accountable and will influence decisions about what corrective actions to take.

- *Competitive Sourcing*. We have completed competitions for 15% of our overall goal of 226,000 positions.

- *Electronic-Government (e-Gov)*. We are making progress on meeting the high standards set by the PMA for the submission of information technology business cases, project management, and security. We are actively involved in 18 of the 24 cross-cutting eGov initiatives and have committed $18.5 million this fiscal year to help accomplish these goals.

- *Budget and Performance Integration*. While the Department has always used tools and techniques to assess the performance outcomes of its budget plans, we are now formally documenting these performance indicators, an important step toward realizing our longstanding commitment to producing performance-based budgets. These financial performance indicators are being used throughout the Department's Planning, Programming, Budgeting, and Execution (PPBE) process as tools to assess performance against expected outcomes.

Acquisition Excellence Goals

We no longer talk about "reforming" the defense acquisition process, but about ensuring "excellence" in how we do business.

We are working toward achieving three primary outcomes:

- Leveling the playing field for all contractors, giving DoD greater exposure to new ideas.

- Invigorating the fiscal well being of the defense industry by rewarding good performance.

- Encouraging the strong competition vital to maintaining a healthy industrial base.

Our leading excellence goals are listed in the table below, along with a short description of past and planned accomplishments.

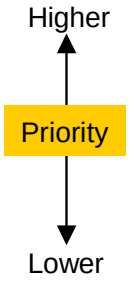
Acquisition Excellence Goals: Activity Indicators

Excellence Goal	Accomplishments		Target Performance
	FY 2002	FY 2003	FY 2004
Achieve credibility and effectiveness	Adopted a "full program funding" policy, which required all budgets to accurately represent expected costs for the life of the program. Took decisive action to address problems with programs demonstrating poor cost and schedule performance, restructuring some (e.g., SBIRS-LOW) and canceling others, such as the Navy Area Theater Ballistic Missile Defense Program.	Revised the complex and long-standing DoDD 5000.1 (The Defense Acquisition System) and DoDI 5000.2 (Operation of the Defense Acquisition System). Both were approved for immediate implementation on May 12, 2003. Funded budgets to the estimates provided by the Department's Cost Analysis Improvement Group (CAIG).	Continue to enforce funding at CAIG estimates, rewarding good program performance and holding manager accountable for poor results.
Re-vitalize the Acquisition Workforce	Continued the Congressionally mandated DoD Civilian Acquisition Workforce Personnel Demonstration (ACQDEMO) Project. ACQDEMO is designed to give employees a flexible, responsive personnel system that rewards contributions and provides line managers with greater authority over personnel actions. Key features of the demonstration project include streamline hiring, broad banding, a simplified classification system, and a personnel system that links compensation to employees' contributions to the mission through annual performance appraisals. The Department will be transitioning from the ACQDEMO Project to the Best Practices Demonstration Project during FY 2004. The history and status of ACQDEMO initiatives are available at www.acq.osd.mil/acqdemo		
Improve the Industrial Base	Established a new policy for "price-based" acquisition", in which the government pays a fair market price whenever possible to encourage smaller companies to compete for defense work.	During FY 2003, we will continue to increase competition, by stressing that the government no longer expects contractors to invest their own funds for defense research and development to cover shortfalls in government funding. This past practice hurt the ability of defense contractors to make reasonable profits, and discouraged smaller companies for bidding for defense work.	
Rationalize the Weapon Systems Infrastructure With the Defense Strategy	Submitted a legislative proposal to conduct another Base Realignment and Closure (BRAC) round to rationalize our infrastructure and eliminate excess capacity.	Analyze excess capacity, to include the effect of actions that increase the joint use of facilities and consolidation of functions, such as the integration of Navy and Marine Corps tactical aircraft squadrons.	Conduct detailed analyses to develop the Department's BRAC recommendations. Issue final recommendations in May 2005
Initiate High-Leverage Technologies	Accelerate the fielding of weapon systems using an evolutionary acquisition development process. Initiate 15 Advanced Concept Technology Demonstration (ACTD) projects, such as the GBU-118B Thermobaric weapon, and the Dragon Eye chemical and biological detector.	Initiate 14 ACTD projects, such as: Joint Blue Force Situational Awareness, Adaptive Joint C4ISR Node, High Altitude Airship, GRID LOCK, Tactical Interferometric Synthetic Aperture Radar (IFSAR) Mapping, Foliage Penetration/Synthetic Aperture Radar (SAR), Deployable Cargo Screening, Tunnel Target Defeat, Urban Recon, Midnight Stand, Theater Support Vehicle, Night Vision Cave, and Urban Assault and Overwatch.	Initiate **13** ACTD projects.

Increase the Visibility of Trade Space

Section 113 of Title 10, U.S. Code, requires the Secretary of Defense to give military departments and defense agencies written policy guidance on how to prepare their programs and budgets. This guidance must *"… list national security objectives and policies; the priorities of military missions; and the resource levels projected to be available for the period of time for which such recommendations and proposals are to be effective."*

Too often in the past, the program priorities highlighted in the Secretary's guidance were unaffordable when taken together. Two years ago, Secretary Rumsfeld directed his senior aides to completely rethink how defense guidance was drafted. He asked them to use the document to define "trade space" that would help him balance investment—and risk—across the entire defense program.



- **Readiness and Sustainability**
- **Modernization**
- **Force Structure**
- **Infrastructure**

Last year's guidance dramatically improved the Secretary's ability to influence the investment choices made by the military departments and defense agencies by assigning specific program priorities that had to be achieved within fiscal constraints and identifying areas for divesture, as required to stay within those constraints. It also directed some 30 studies be undertaken over the next few months to gain insight into how programs must be structured to achieve synergy in joint operations. Specific, clear standards for future program performance can then be incorporated into the next update of the Secretary's guidance.

Improve the Transparency of Component Submissions

Accurate information is the keystone of good decisions. Accordingly, we are committed to making the program and budget documents prepared by the military services and defense agencies more "transparent"—that is, to clearly align manpower and dollar allocations to a specific set of related activities (called "programs"), so sen-

ior level decision makers can see how they directly support the defense strategy.

By converting to a completely paperless data collection process, we have cut the time lag between when services and agencies submit resource plans to our central clearinghouse and when it is verified and published. These data are then loaded to our Defense Program database-Data Warehouse on a website available to resource managers across the Department, along with historical data and a variety of analytical to assist in cross-functional analyses.

In the future, we will continue to standardize and reduce reporting requirements, improve data quality, and reduce workload by directly linking service and agency computers to our central database. We are also working to merging our long-term resource planning and budget databases.

We are now building a series of performance indicators that will measure improvements in data accuracy, completeness, consistency, timeliness, and reporting workload. By FY 2004, all program and budget resource and force data should flow through a single collection point.

Provide Explicit Fiscal Guidance for Program Development

Section 113 of Title 10, U.S. Code, requires the Secretary of Defense to give the heads of the components the resource levels projected to be available for the period of time for which national security objectives and policies and military missions established as priorities under the defense strategy are to be effective. In the past, the assumptions used to set these resource controls were not shared with component organizations. As a result, there was often a "strategy-resource" mismatch, requiring the Military Departments and Defense Agencies to make assumptions regarding the Secretary's priorities in order to balance their internal books.

In the future, we will improve how resources link to the Secretary's policy goals by building feedback control mechanisms. These tools will help set explicit funding targets for high-interest programs, while at the same time identifying programs where some resource risk is allowable. The long-term goal is to give service and agency

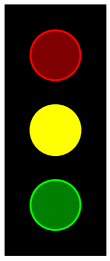
managers the information they need to make rationale resource decisions that are directly aligned with the performance goals of the defense strategy.

Provide Explicit Budget Review Guidance

One of five government-wide management initiatives, the Budget and Performance Integration Initiative builds on the Government Performance and Results Act of 1993 and earlier efforts to identify program goals and performances measures, and link them to the budget process. Accordingly, beginning in February 2003, we began reviewing how well military departments and defense agencies:

- Display the linkage of plans-outputs-resources in budget justification materials.
- Expand the treatment of metrics in the FY 2004 congressional justification materials.
- Report on progress made towards the performance goals.

MANAGE OVERHEAD AND DIRECT COSTS



Fully half of our resources go to infrastructure and overhead, and in addition to draining resources from warfighting, these costly and outdated systems, procedures and programs stifle innovation as well.

Secretary Rumsfeld, September 10, 2001.

Headquarters across the Department have shrunk by 11.1 percent from 1999 levels, and more changes are coming. We are well on our way to eliminating almost half of 72 acquisition-related advisory boards. Tasks not vital to our "core" military missions are being turned over to more appropriate organizations or eliminated, and military personnel returned to operational units. For example, this year we agreed to transfer 1,800 agents from the Defense Security Service to the Office of Personnel Management (OPM), and will begin purchasing services from OPM in FY 2004. By combining the information technology and management systems of both organizations into a single structure, we will cut down on duplicative costs associated with the more than 1 million security checks requested by defense organizations each year—and take a long step

toward shrinking the months-long backlog of pending cases. Similarly, major initiatives are underway to see if private firms can manage military housing and utility systems for less cost while delivering higher customer satisfaction and performance (white-house.gov/omb/budget). We are monitoring these projects carefully, to ensure they not only save money, but also substantially improve the quality of life conditions for our service members.

Linking the Defense Resources to Key Performance Goals

The share of the defense budget devoted to forces and infrastructure is one of many ways DoD monitors how funding is distributed across almost 4,000 separate mission areas. However, as we modernize and consolidate activities, the traditional lines between tooth (deployable operational units) and tail (non-deploying units and central support) merge and blur. As the following example illustrates, we are building various ways to map our programming data structure to make it easier to crosswalk performance results to resource investments.

FORCE MANAGEMENT

- ***Defense health program*** : Medical infrastructure & systems.
- ***Central personnel administration*** : Acquire & administer the workforce.
- ***Central personnel benefit programs*** : Family housing programs, commissaries & military exchanges, etc.
- ***Central training*** : Non-unit training from officer training to flight training to military professional & skill training.

OPERATIONAL

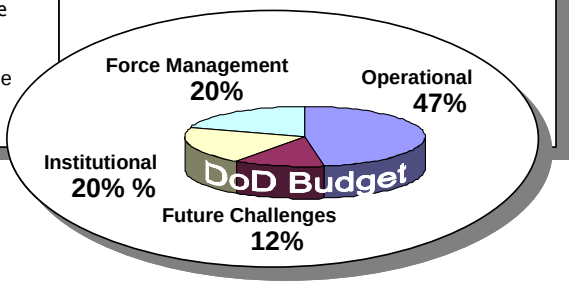
- ***Expeditionary forces:*** Non-nuclear combat units (& organic support) such as divisions, tactical aircraft squadrons, & carriers.
- ***Homeland defense:*** Operating forces to deter or defeat direct attacks on the United States.
- ***Communications & information infrastructure:*** Secure information distribution, processing, storage, & display
- ***Other infrastructure:*** Management & program support for special -use activities, ranging from navigation to war -gaming to joint exercises.

INSTITUTIONAL

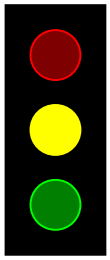
- ***Acquisition:*** Infrastructure to develop, test, evaluate, and manage equipment & systems.
- ***Central logistics*** : Supplies, depot -level maintenance, transportation, etc.
- ***Force installations*** : Sustain, restore, & modernize facilities at which combat units are based & protect the environment.
- ***Departmental management*** : Defense -wide support activities.

FUTURE CHALLENGES

- ***Other forces*** : Intelligence, space, & combat – related command, control, & communications programs.
- ***Science & technology program*** : Fundamental science relevant to military needs.



IMPROVE THE READINESS AND QUALITY OF KEY FACILITIES



For too long, we neglected our facilities, postponing all but the most urgent repairs and upgrades until the long-term health of our entire support infrastructure was in jeopardy. Therefore, over the past two years, we've invested substantial sums in sustaining, restoring, and modernizing—cutting the previous recapitalization rate of 192 years by almost a third and improving our sustainment rate.

Fund to a 67-Year Recapitalization Rate by 2007

The Facilities Recapitalization Metric (FRM) measures the rate at which an inventory of facilities is being "recapitalized"—that is, modernized or restored. Recapitalization may mean a facility has been totally replaced—or recapitalization can occur in increments over time, until the facility is upgraded sufficiently to meet acceptable standards.

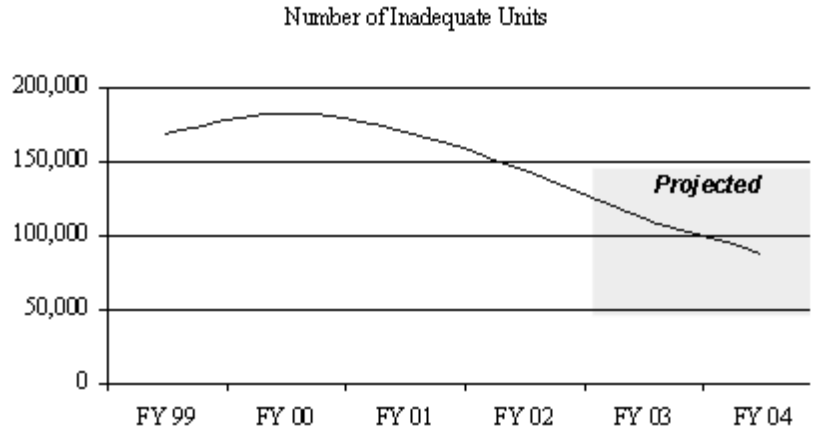
Our recapitalization performance goal equals the average expected service life (ESL) of the overall facilities inventory, estimated to be 67 years. ESL in turn is a function of how well a facility is sustained, including routine repairs. A "normal" ESL assumes full sustainment that is benchmarked to a commercial per unit cost. (For example, it costs $1.94 per square foot annually to properly sustain a typical aircraft maintenance hanger for a 50-year life cycle.) If a facility is not funded to levels needed to keep it repaired and maintained, its ESL is reduced. Thus, the metrics for sustainment and recapitalization are linked.

We are on a sharp downward slope from our 200+ year average in 1999. This year's budget proposal brings the rate down to 136 years, on a glide path to achieve our goal of 67 years by 2007. Despite this improvement, many facilities still report deficiencies serious enough to affect mission performance.

Eliminate Inadequate Family Housing by 2007

During FY 2002, more than 26,000 family housing units were revitalized, demolished, or placed in the hand of private-sector firms for refurbishment and management. Still more than half of all family housing units lived in by service members during this year rate as "inadequate" because they needed a major repair, a key component (like a furnace or kitchen) replaced, or were so rundown they needed complete renovation. As part of our social compact with our service members, the Army, Navy, and Marine Corps are committed to eliminating inadequate family housing by the end of FY 2007; the Air Force will reach that goal within the continental United States in 2008 and overseas by 2009.

Each military department has developed a Family Housing Master Plan that outlines, by year, what needs to happen to achieve the FY 2007 goal within the Department's $4 billion annual budget for military housing.



Restore Readiness of Key Facilities by 2010

Rundown facilities are not just uncomfortable places to work, they generate real military risk if their deficiencies prevent the delivery of important operational services, such as unit training, logistics support, or medical care. The Secretary had directed that all key facilities across the Department be restored to a high state of military readiness before the end of FY 2010. Yet, how do we measure facility readiness?

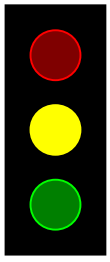
In the past, we've used the Installation Readiness Report (IRR) as an indicator of general conditions. But the current IRR cannot be crosswalked to real property inventories, thus it cannot be used to target investments needed to sustain improvements over the long term.

We need a better set of measures for facility readiness, and have chartered a Department-wide effort under the auspices of the Installations Policy Board to standardize individual facility records in real property inventories, and improve the quality of data underpinning IRR summaries. The first round of improved IRR data is scheduled for receipt in October 2004.

Base Realignment and Closure (BRAC) in FY 2005

The Secretary's mandate to transform America's defense for the 21st Century will be impossible unless we quickly shed unneeded infrastructure now on our books, and streamline operations at the remaining facilities. Therefore, on 15 November 2002, Secretary Rumsfeld signed a memorandum officially establishing the process for recommending base closures and realignments in 2005. This year we are developing rules for the many investigative tasks necessary to make informed BRAC decisions. We will also begin to conduct the detailed analyses to reshape the Department's infrastructure to better match its future force structure requirements. Our goal is to present transformational closure and realignment recommendations to Congress by May 2005.

REALIGN SUPPORT TO THE WARFIGHTER



Transformation of our military forces hinges on being able to reduce redundancy, focus organizations on executive goals, flatten hierarchies, and cut cycle times in the decision process. If we can find ways to make real progress in these areas, small changes will yield huge gains in technology transfer, which in turn will help drive more effective operational performance.

Major Defense Acquisition Program (MDAP) Cycle Time

Acquisition cycle time is the elapsed time, in months, from program initiation until the system attains initial operational capability—that

is, when the product works as designed and is fielded to operational units. A number of years ago, we began measuring the average cycle time across all major defense acquisition programs, or MDAPs (new equipment or material systems that cost more than $365 million in FY 2000 constant dollars to research and develop, and more than $2 billion to procure and field). Since more than a third of the annual defense budget goes to buying and operating major weapons systems, we wanted to understand how quickly new technologies were moving from the drawing board to the field. This performance measure is a leading indicator of technology transfer—typically, the faster a program moves toward fielding, the quicker associated operational improvements can be introduced to the force, and the easier it is to control overall program costs.

During the 1960s, a typical acquisition took 7 years (84 months) from initiating research and development activities to achieving initial operating capability. By 1996 a similar acquisition required 11 years (132 months) from program start to initial operating capability. To reverse this trend, we have set a goal for reducing the average acquisition cycle time for major defense acquisition programs started since 1992 by 25 percent—to less than 99 months or about 8 years. Over the long term, we want to cut average cycle time to less than 5-1/2 years (66 months) for all MDAPs started after FY 2001. To achieve that objective, the Department is introducing improvements to development and production schedules similar to those it initiated for managing system performance and cost.

MDAP Acquisition Cost Growth

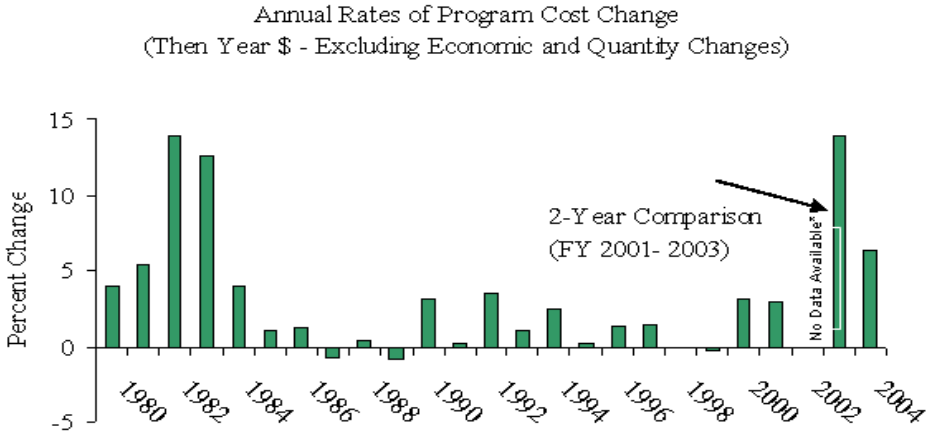
Like cycle times, the pace at which acquisition cost increases over time is an indicator of program performance. Acquisition cost growth measures the difference, in percentage, between total acquisition costs estimated in the current-year President's Budget and those actually incurred during the execution of the past-year's budget. The population of programs included in this comparison is all MDAPs common to both budgets—common programs are dollar-weighted.

Although costs can grow for various reasons, including technical changes, schedule slips, programmatic changes, or overly optimistic cost estimates, a steady or downward trend line is a solid indicator

of how efficiently acquisition activities are being managed across the Department. Our near-term objective is to be on a downward trend by the end of FY 2003, toward an ultimate goal of no acquisition cost growth.

MDAP Operating and Support (O&S) Cost Growth

We are developing a similar measure to monitor O&S cost growth. This new measure will monitor the growth in O&S costs—that is, the costs of people and material required to operate and maintain systems. It will compare the difference, in percentage, between estimates of O&S costs associated with the current-year President's Budget and those estimates done for the past-year's budget. This measure will be an indicator of how effective our efforts are at designing systems that cost less to support and operate. This indicator, when combined with the performance indicator for acquisition cost growth, will represent the entire life-cycle cost of a typical new defense acquisition, like a new tactical jet fighter.



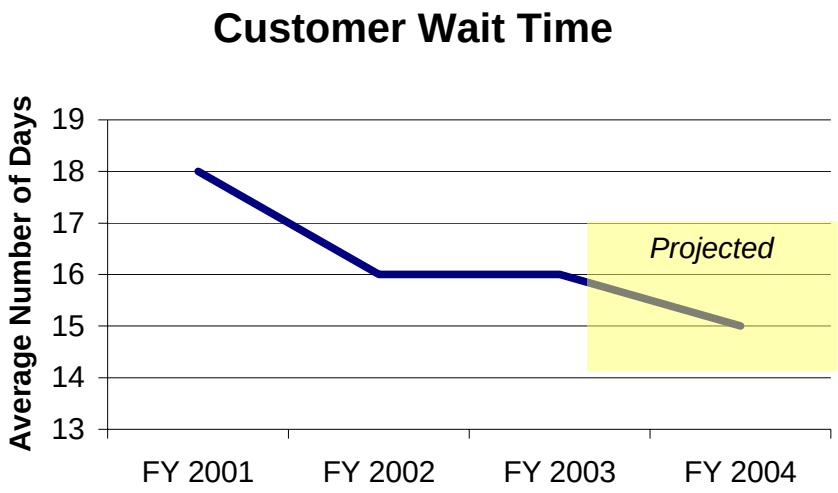
* The FY 2002 President's Budget did not include total program funding; therefore, the Department was unable to calculate cost growth for that year.

Our goal is to be on a downward trend for O&S cost growth by the end of FY 2003, toward an ultimate goal of no cost growth. This is a developmental performance measure—the first data will be ready for analysis soon.

Customer Wait Time (CWT)

Response time is a commonly used business measure for evaluating whether an organization's logistics operations are organized to deliver effective, efficient performance. DoD adapted this best-practice to military logistics in FY 2001, when we began measuring the elapsed time from a customer's order to receipt. The metric-Customer Wait Time, or CWT, tracks orders filled from assets on hand at the customer's military installation or naval vessel or through the DoD wholesale logistics system.

Last year, the average DoD-wide CWT was 16 days—the goal for FY 2004 is to reduce wait time to 15 days on average. CWT is a transformational approach to evaluating performance. In the past, good logistics meant holding large inventories—today, all the military services have agreed on a common set of business rules for monitoring the performance of the entire logistics enterprise.



Implement Realignment Recommendations Approved by the Senior Executive Council

Secretary Rumsfeld has created a Senior Executive Council to serve as the Department's senior business council. Members include the Secretary, the Deputy Secretary, the three secretaries of the military departments, and the Under Secretary of Defense for Acquisition,

Technology and Logistics. The idea was to bring senior civilian resource managers to work together on the integrated economy of defense—to build a common agenda and drive change.

Over the past 12 months, this Senior Executive Council has provided a roadmap to improving how we manage resources, systems, and people.

FY 2003 Actions to Drive Excellence in Core Processes

• **Institutionalize performance management** by aligning management activities with the President's Management Agenda and the DoD balanced scorecard for risk management; associate performance metrics with at least 20 percent of the resources requested each year.
• **Improve business practices** by pooling unused cell phone minutes, recovery auditing, web-based invoicing, and improving financial practices and management of the Defense Working Capital Fund.
• **Implement net-centric business transformation and e-government** by transitioning from a primary stovepiped, platform-based information technology (IT) environment to a more customer-focused, web-enabled, net-centric environment. (The FY 2004 budget invests $3 million in IT education and training; $10 million in initiatives to accelerate implementation of net centricity.)
• **Pursue commercial activities and competitive sourcing programs** via the continued review non-core functions for competitive sourcing. The FY 2004 budget supports studying 10,000 full-time equivalents (FTEs). The Department will study 226,000 FTEs over the FY 2004-2009 timeframe.
• **Reengineer the personnel security program** by seeking statutory authority to transfer the personnel security investigation function currently performed by the Defense Security Service to the Office of Personnel Management, thus streamlining activities and eliminate redundancy. Projected savings are approximately $160 million over the FY 2004-FY 2009 timeframe.
• **Divest document automation and production service** in the Defense Logistics Agency beginning in FY 2004, allowing the private sector to compete these services. Projected savings are approximately $80 million over the FY 2004-2009 timeframe.

Future Challenges Risk

"Revolution in the technology of war increasingly is defined not by mass or size but by mobility and swiftness. Influence is measured in information, safety is gained in stealth, and force is projected on the long arc of precision-guided weapons. This revolution perfectly matches the strength of our country, the skill of our people, and the superiority of our technology. The best way to keep the peace is to redefine war on our terms."

President George W. Bush
September 1999

By definition, transformation is the enduring process of change. It is not about change for its own sake, nor is it about canceling the pursuit of one technology for another. Accordingly, static measures of success can mislead or misinform—today's "right" solution may as easily be a barrier as a gateway to tomorrow's innovation.

How then do we know if we are, in fact, "transforming" to meet the future?

The most reliable barometer of transformation in the defense community is to observe how the culture is changing. How and why are things done differently than in the past? How are those changes redefining what we believe we need to accomplish next?

We are working to promote a culture that rewards unconventional thinking – a climate where people have freedom and flexibility to take risks and try new things…one that does not wait for threats to emerge and be "validated," but rather anticipates them before they emerge – and develops and deploys new capabilities quickly, to dissuade and deter those threats.

Secretary Rumsfeld
February 5, 2003

Appendix:
Department of Defense FY2002 Performance Report and FY2004 Performance Plan

Performance Metric: Active Component end strength within 2% of the fiscal year authorization (at the end of each quarter)

Active Component	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Auth/Actual	FY2003 Auth	FY2004 Projected
Army	479,426 (-0.1%)	482,170 (+0.5%)	480,801 (+0.2%)	480,000/486,542 (+1.4%)	480,000	480,000
Navy	373,046 (+0.0%)	373,193 (+0.3%)	377,810 (+1.4%)	376,000/383,108 (+1.9%)	375,700	373,800
Marine Corps	172,641 (+0.3%)	173,321 (+0.5%)	172,934 (+0.2%)	172,600/173,733 (+0.7%)	175,000	175,000
Air Force	360,590 ***(-2.8%)***	355,654 (-1.4%)	353,571 (-1.0%)	358,800/368,251 ***(+2.6%)***	359,000	359,300
Note: Previous GPRA data reported authorized end strength, not actual end strength.						

FY2003 Quarterly Metric

1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)

FY2004 Quarterly Metric

1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)

Metric Description. Service end-strength authorizations are set forth in the National Defense Authorization Act for the fiscal year. Services are required to budget and execute to that end strength by the end of the fiscal year. The Services' actual end strength for each quarter will be evaluated against the authorized strength for that fiscal year. By law, the Secretary of Defense may authorize the Services be up to 2% above their authorized end strength for that fiscal year, if determined to be in the national interest. FY2003 is the first year that quarterly comparisons will be made.

Verification &Validation Method. The Directorate for Information Operations and Reports of the Washington Headquarters Service publishes the official end strength for the Services monthly. Preliminary numbers are available 3 weeks after the end of the month, and final numbers are available 5 weeks after the end of the month. The final numbers will be compared to the authorized end strengths for each of the active Components; the difference of the actual from the authorized end strengths will be calculated, as will the percentage delta from the authorized end strength. The resultant percentage will then be checked against the metric. This review is

conducted at the directorate level. The results are provided to the leadership when a Component's actual end strength is not within 2% of the authorized end strength.

Performance Results for FY2002. In his Declaration of National Emergency by Reason of Certain Terrorist Threats, the President, among other things, waived the end-strength requirement during a national emergency. Most services, however, are still held to the 2% criterion. As evidenced in the September 2002 data, the Air Force exceeded that standard. Service budget submissions for FY2003 indicate the Services will meet their authorized strengths.

Performance Metric: Reserve Component Selected Reserve end strength within 2% of the fiscal year authorization (at the end of each quarter)

Reserve Component	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Auth/Actual	FY2003 Auth	FY2004 Projected
Army National Guard	357,469 (+0.1%)	353,045 (+0.9%)	351, 829 (+0.4%)	350,000/351,078 (+0.3%)	350,000	350,000
Army Reserve	206,836 (-0.6%)	206,892 (+0.9%)	205,628 (+0.2%)	205,000/206,682 (+0.8%)	205,000	205,000
Naval Reserve	89,172 (-1.8%)	86,933 (-3.7%)	87,913 (-1.1%)	87,000/87,958 (+1.1%)	87,800	85,900
Marine Corps Reserve	39,953 (-0.2%)	39,667 (+0.1%)	39,810 (+0.6%)	39,558/39,905 (+0.9%)	39,558	39,600
Air National Guard	105,715 (-1.2%)	106,365 (-0.3%)	108,485 (+0.4%)	108,400/112,075 ***(+3.4%)***	106,600	107,000
Air Force Reserve	71,772 (-3.3%)	72,340 (-1.9%)	74,869 (+0.7%)	74,700/76,632 ***(+2.6%)***	75,600	75,800
Coast Guard Reserve	8,110 (+1.4%)	7,965 (-0.4%)	7,976 (-0.3%)	8,000/7,816 ***(-2.3%)***	9,000	10,000
Note: Previous GPRA data reported authorized end strength, not actual end strength.						

FY2003 Quarterly Metric

1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)

FY2004 Quarterly Metric

1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)	(+/- 2% of Auth)

Metric Description. Component end strength authorizations are set forth in the National Defense Authorization Act for the fiscal year. Components are compelled to budget and execute to that end strength by the end of the fiscal year. The Component actual end strength for each quarter will be evaluated against the authorized end strengths for that fiscal year. By law, the Secretary of Defense may authorize the Components to vary, by no more than 2%, their authorized end strength for that fiscal year, if determined to be in the national interest.

V&V Method. The Defense Manpower Data Center publishes the official end strength for the Components monthly from data in the Reserve Component Common Personnel Data System (RCCPDS). The data are developed from the input provided by the Components in their feeder systems to RCCPDS. Preliminary numbers are available 4 weeks after the end of the month, and final numbers are available 5 weeks after the end of the month. These numbers are compared to the authorized end strengths. Component manual data may be accepted under extreme circumstances.

Performance Results for FY2002. In his Declaration of National Emergency by Reason of Certain Terrorist Threats, the President, among other things, waived the end-strength requirement during the time of national emergency. Components, however, have been directed to attempt to meet the 2% criterion, though exceptions are authorized based on the operational situation. Three Components (Air National Guard, Air Force Reserve, and Coast Guard Reserve) exceeded the 2% variance goal in FY2002.

Performance Metric: Enlisted recruiting quality

Category	FY1999 Active/ Reserve Actual	FY2000 Active/ Reserve Actual	FY2001 Active/ Reserve Actual	FY2002 Active/ Reserve Actual[a]	FY2003 Target[a]	FY2004 Target
Percentage of recruits holding high school diplomas (Education Tier 1)	93/90	93/90	93/89	92/89	≥90	≥90
Percentage of recruits in AFQT categories I–IIIA	66/68	66/65	66/64	70/66	≥60	≥60
Percentage of recruits in AFQT category IV	0.9/1	0.9/1	1/1	0.7/1.1	≤4	≤4

NOTE: AFQT = Armed Forces Qualification Test. The AFQT is a subset of the standard aptitude test administered to all applicants for enlistment. It measures math and verbal aptitude and has proven to correlate closely with trainability and on the job performance.

[a] Targets are the same for the Active and Reserve Components. FY2002 target is the same as the FY2003 and FY2004 targets.

Metric Description. Quality benchmarks for recruiting were established in 1992 based on a study conducted jointly by DoD and the National Academy of Sciences. The study produced a model linking recruit quality and recruiting resources to the job performance of enlistees. As its minimum acceptable quality thresholds, the Department has adopted the following recruiting quality targets derived from the model: 90% in education tier 1 (primarily, high school graduates), 60% in AFQT categories I–IIIA (top 50 percentiles), and not more than 4% in AFQT category IV. Adhering to these benchmarks reduces personnel and training costs, while ensuring the force meets high performance standards.

V&V Method. Data collected as part of the enlistment process are routed, reviewed, and managed using the same mechanisms employed for the performance metric concerning recruiting quantity. The data systems and verification methods are discussed in the table below.

Data Flows for Enlisted Recruiting				
Service	Input	Cross-Check	Aggregate	V&V
Army	REQUEST (Recruiter Quota System) database	Against manually assembled reports that the Army Recruiting Command provides to Army headquarters	HQDA Decision Support System	Army headquarters compared automated data and manually compiled reports monthly
Navy	PRIDE (Personalized Recruiting for Immediate and Delayed Enlistment) database	Recruit Training Center databases	PRIDE database	Office of Navy Personnel reviews input monthly

Data Flows for Enlisted Recruiting				
Service	Input	Cross-Check	Aggregate	V&V
Air Force	AFRISS (Air Force Recruiting Information Support System) databases	MILPDS (Military Personnel Data System)	MILPDS and AFRISS	Commanders of recruiting stations review inputs daily; Air Force Recruiting Service reviews data monthly and conducts periodic audits
Marine Corps	MCRISS-RS (Marine Corps Recruiting Information Support System-Recruiting Station)	Recruiting districts download information from MCRISS-RS	MCRISS-RS	District and regional staff review data monthly; Marine Corps Recruiting Command corrects any discrepancies in Monthly Enlisted Quota Attainment Brief (MATBRF).

Performance Results for FY2002. The Department largely met its goals for enlisted recruit quality in FY2002 as it did in FY2001. Performance surpassed objectives in all but one area—high school diploma graduate accessions in the Reserve Component. Shortfalls were within 1 percentage point and occurred in only two Components (Army National Guard and Navy Reserve). In addition, the Air National Guard switched data systems, resulting in data quality problems. We expect the same recruiting quality performance in FY2003.

Enlisted Recruiting: FY2002 Performance	
Army, Active	Met quantity and quality goals
Army, Reserve	Met quantity and quality goals
Army, National Guard	Met quantity goal but fell short of high school diploma graduate goal
Navy, Active	Met quantity and quality goals
Navy, Reserve	Met quantity goal but fell short of high school diploma graduate goal
Air Force, Active	Met quantity and quality goals
Air Force, Reserve	Met quantity and quality goals
Air Force, National Guard	Met quantity and quality goals
Marine Corps, Active	Met quantity and quality goals
Marine Corps, Reserve	Met quantity and quality goals

Performance Metric: Enlisted recruiting quantity

Category	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Target
Number of enlisted Active Component accessions	186,600	202,917	196,355	195,472/196,472	193,751	195,877
Number of enlisted Reserve Component accessions	140,070	152,702	141,023	139,846/147,129	141,450	144,728

Metric Description. Department-wide targets for enlisted recruiting represents the projected number of new Service members needed each year to maintain statutory military end strengths and appropriate distributions by rank, allowing for discharges, promotions, and anticipated retirements. As personnel trends change during the year, Active and Reserve Component recruiting objectives may be adjusted.

V&V Method. Each Service maintains data on new enlistments in a dedicated computer system. Automated reports, produced monthly, are used to track progress toward meeting recruiting targets and to set new monthly targets. The data systems and verification methods are discussed in the table below.

Data Flows for Enlisted Recruiting				
Service	Input	Cross-Check	Aggregate	V&V
Army	REQUEST (Recruiter Quota System) database	Against manually assembled reports that the Army Recruiting Command provides to Army headquarters	HQDA Decision Support System	Army headquarters compared automated data and manually compiled reports monthly
Navy	PRIDE (Personalized Recruiting for Immediate and Delayed Enlistment) database	Recruit Training Center databases	PRIDE database	Office of Navy Personnel reviews input monthly
Air Force	AFRISS (Air Force Recruiting Information Support System) databases	MILPDS (Military Personnel Data System)	MILPDS and AFRISS	Commanders of recruiting stations review inputs daily; Air Force Recruiting Service reviews data monthly and conducts periodic audits
Marine Corps	MCRISS-RS (Marine Corps Recruiting Information Support System-Recruiting Station)	Recruiting districts download information from MCRISS-RS	MCRISS-RS	District and regional staff review data monthly; Marine Corps Recruiting Command corrects any discrepancies in Monthly Enlisted Quota Attainment Brief (MATBRF).

Performance Results for FY2002. All Active and Reserve Components met or exceeded their recruiting quantity goal for FY2002. In FY2003, the recruiting environment has become more difficult, challenging each Service and Component to meet its recruiting goal.

Enlisted Recruiting: FY2002 Performance	
Army, Active	Met quantity and quality goals
Army, Reserve	Met quantity and quality goals
Army, National Guard	Met quantity goal but fell short of high school diploma graduate goal
Navy, Active	Met quantity and quality goals
Navy, Reserve	Met quantity goal but fell short of high school diploma graduate goal
Air Force, Active	Met quantity and quality goals
Air Force, Reserve	Met quantity and quality goals
Air Force, National Guard	Met quantity and quality goals
Marine Corps, Active	Met quantity and quality goals
Marine Corps, Reserve	Met quantity and quality goals

Performance Metric: Active enlisted retention goal

Service	FY1999 Actual	FY2000 Actual	FY2001[a] Actual	FY2002 Goal/Actual	FY2003 Goal	FY2004 Projection
Army						
Initial	20,843	21,402	20,000	19,100/19,433	18,600	19,100
Mid-career	24,174	24,118	23,727	22,700/23,074	21,200	22,700
Career	26,130	25,791	21,255	15,000/15,700	17,200	15,000
Navy						
Initial	28.2%	29.6%	56.9%	57%/58.7%	56%	56%
Mid-career	43.8%	46.5%	68.2%	70%/74.5%	73%	73%
Career	53.3%	56.6%	85.0%	90%/87.4%	86%	86%
Marine Corps						
First term	23.8%	26.6%	6,144[b]	5,900/6,050	6,022	5,962
Subsequent	56.5%[c]	63.4%[c]	5,900[b]	5,784/7,258	6,172	5,628
Air Force						
First Term	48.7%	53.1%	56.1%	55%/72.1%	55%	55%
Mid-career	69.0%	69.7%	68.9%	75%/78.3%	75%	75%
Career	90.9%	90.8%	90.2%	95%/94.6%	95%	95%

[a] Starting in FY2001, Navy changed the way it calculates retention. The Navy no longer includes personnel who are ineligible to reenlist in retention calculations, so the percentage better reflects the number of people who choose to stay at a given reenlistment point.

[b] In FY2001, the Marines established numeric goals for retention and established subsequent term goals for the first time.

[c] FY1999 and FY2000 rates are from a previous program showing achievements for 2nd term personnel.

Definitions:

Army: Mid-career: 7 to 10 YOS; career: 10 to 20 YOS
Navy: Mid-career: 6+ to 10 YOS; career 10+ to 14 YOS
Air Force: Mid-career: 6 to 10 YOS; career 10 to 14 YOS
YOS = Years of service

Metric Description. The Services determine, within the zone of eligibility, their annual retention goals. Each Service is given latitude in how they establish their categories, establish goals, and track attainment of those goals. For that reason, two metrics are used: number of people retained (used by the Army and Marine Corps) and the percentage of eligible people retained (used by the Air Force and Navy). The annual goals relative to either metric are dynamic and can change during the year of execution.

V&V Method. Each month, the Services' enlisted retention offices will be queried for their goal and retention statistics for that month. Data are normally available 2 weeks after the end of the month. The Office of the Under Secretary of Defense for Personnel and Readiness reviews retention data obtained from the systems (identified in the following table) monthly. The information is evaluated within the context of recruiting performance, attrition trends, and retention of both officer and enlisted personnel in the Active and Reserve Components. The results of these assessments guide decisions on resource allocations and associated force management initiatives. The following table displays the data systems and data flow.

Data Flow for Active Retention			
Service	Input System	Aggregate System	V&V Method
Army	Reenlistment, Reclassification, and Reserve Component Assignment System (RETAIN) Standard Installation/Division Personnel System (SIDPERS)	Active Army Military Management Program (AAMMP)	Personnel commands report data weekly to the Deputy Chief of Staff, G-1. Major commands process data via RETAIN and report it to ODCS, G-1, quarterly. RETAIN data and SIDPERS updates are used to verifyAAMMP assumptions and revise policies as necessary.
Navy	Navy Enlisted System (NES) Officer Personnel Information System (OPINS)	NES/OPINS	Data for enlisted personnel are reported monthly. Data for officers are gathered quarterly. Functional managers, analysts, and policymakers review the data to verifyaccuracy and monitor trends.
Air Force	Personnel Data System (PDS)—maintained by Headquarters, Air Force Personnel Center (HQ AFPC/DPS)	PDS	Air Force staff reviews retention programming codes and data aggregation methods annually.
Marine Corps	Total Force Retention System (TFRS)—used by commanders to request permission to reenlist individual Marines Marine Corps Total Force System (MCTFS)—transmits headquarters decisions on TFRS requests to the respective commands and, for those requests that are approved, relays reenlistment data back to headquarters	MCTFS	TFRS cross-checks MCTFS. Written guidance for TFRS is provided to field units. Use of data elements in MCTFS is standardized throughout the Marine Corps.

Performance Results for FY2002. Because of the Presidential proclamation for the Declaration of National Emergency by Reason of Certain Terrorist Threats, the Services implemented "stop loss" programs in varying degrees: the Air Force stopped the separation of all of its personnel, while the other Services focused on certain skills or skill/grade mix. This, coupled with Service members performing duties in support of the war on terrorism, bolstered enlisted retention across all Services. For FY2002, the Army, Navy, Marine Corps, and Air Force met or exceeded almost all of their goals; the Air Force barely missed its career goal; the Navy missed its career goal by less than 3%, but exceeded its goal in the aggregate. FY2003 goals are comparable to FY2002. Although retention success or failure is driven by many factors (economy, current operations, national resolve) throughout the year of execution, all Services anticipate that their retention goals are attainable and will be met in FY2003.

Performance Metric: Selected Reserve enlisted attrition ceiling

Selected Reserve Component	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Goal/Actual	FY2003 Goal	FY2004 Projected
Army National Guard	18.5	18.0	20.0	18.0/20.6	18.0	18.0
Army Reserve	27.2	29.4	27.4	28.6/24.6	28.6	28.6
Naval Reserve	29.8	27.1	27.6	36.0/26.5	36.0	36.0
Marine Corps Reserve	30.5	28.4	26.4	30.0/26.0	30.0	30.0
Air National Guard	11.7	11.0	9.6	12.0/7.3	12.0	12.0
Air Force Reserve	14.2	13.9	13.4	18.0/8.7	18.0	18.0
Note: All numbers are percentages representing total losses divided by average strength.						

Metric Description. In assessing retention trends in the Reserve Components, DoD uses attrition rates rather than retention rates. Attrition is computed by dividing total losses from the Selected Reserve Component for a fiscal year by average personnel strength of the Selected Reserve for that year. This metric is preferable to retention rates because only a small portion of the Reserve population is eligible for reenlistment during any given year. In addition to monitoring attrition, the Department has established annual attrition targets for reserve personnel. These targets, which took effect in FY2000, represent the maximum number of losses deemed acceptable in a given fiscal year—that is, they establish a ceiling for personnel departures. The attrition goal is actually a ceiling, which is not to be exceeded.

V&V Method. Monthly updates of databases maintained by the individual Reserve Components feed the Reserve Component Common Personnel Data System, operated by the Defense Manpower Data Center (DMDC). DMDC is responsible for monitoring data quality. Quarterly workshops, conducted by the Office of the Assistant Secretary of Defense for Reserve Affairs, provide a forum for reviewing the data and recommending ways to improve attrition and meet annual projections.

Performance Results for FY2002. The Presidential proclamation for the Declaration of National Emergency by Reason of Certain Terrorist Threats and accompanying Executive Order, gave the Military Departments the authority to implement "stop loss" programs in varying degrees: the Air Force stopped the separation of all of its personnel, while the other Services focused on certain skills or skill/grade mix. This, coupled with Service members performing duties in support of the war on terrorism, keeps the enlisted attrition rates under the ceiling across all Selected Reserve Components except the Army National Guard, which exceeded its annual ceiling.

Performance Metric: Cost per enlisted Service member through basic training

Performance Measure – Cost per Enlisted Service Member Through Basic Training						
Cost Indicator (Constant FY03 $)	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Actual	FY2003 Budgeted	FY2004 Budget Estimate
Cost-per-Recruit – Active (attach 1)	$9,849	$10,650	$12,236	$13,243	$13,294	$14,052
Cost-per-Recruit – Reserve (attach 1)	$5,437	$5,467	$5,940	$6,429	$6,926	$7,115
Cost of Basic Training (attach 2)	$7,299	$7,606	$7,137	$7,967	$7,857	$9,512
Cost per Enlisted Servicemember through Basic Training (active)[a]	$17,148	$18,256	$19,373	$21,210	$21,151	$23,564
Cost per Enlisted Servicemember through Basic Training (reserve)[b]	$12,736	$13,073	$13,077	$14,396	$14,783	$16,627
[a] Equals sum of row 1 plus row 3 [b] Equals sum of row 2 plus row 3						

Cost Indicator Description. The Cost per Enlisted Servicemember through Basic Training is not a targeted metric, but an indicator to analyze costs and trends over time. The Department annually enlists and trains about 200,000 new recruits for the Active components and 160,000 for the Reserve components. These new servicemembers provide the Services with the entry level manning necessary to meet manning/readiness needs. The cost for providing this manpower consists of the cost of recruiting and the cost of basic recruit training. The cost of recruiting is calculated by dividing a Service's total number of accessions (Non Prior Service (NPS) + Prior Service (PS)) into the total Active expenditures for enlisted recruiting. These resources are made up of recruiting personnel compensation, enlistment bonuses, college funds, advertising, communications, recruiting support (vehicles, equipment, computers, supplies and applicant's transportation, food and lodging, etc.), and other appropriations resources within the recruiting command/service (i.e., other procurement and RDT&E.). Recruit Training is the basic introductory and indoctrination training provided to enlisted entrants. Costs, which vary by Service, are projected by fiscal year via Program Element 804711, which includes manpower, support equipment, facilities and associated costs to conduct recruit training.

V&V Methodology. The Military Personnel Procurement Resources Report, as reported to Office of the Assistant Secretary of Defense, Force Management Policy, Military Personnel Policy, or OASD(MPP), in accordance with Department of Defense Instruction 1304.8, Military Personnel Procurement Resources Report Services, collects the total cost of recruiting, separating those costs into enlisted, officer, and medical recruiting efforts. This is known as the DD 804 report and is completed after the President's Budget (PB) submission. The Military departments provide this report to OUSD(MPP)AP within 30 days of budget submission. OUSD(MPP)AP compiles the DD 804 data into master data files, and calculates the cost-per-recruit with resource data from DD 804 series and accession data from service input/budget justification material.

Funding requirements for Recruit Training (RT) are projected by fiscal year via Program Element 804711; RT cost data for this cost indicator is based on these FYDP projections. Recruit Training inputs (non-prior service accessions) are reported annually by the Services and compiled by Defense Manpower Data Center (West) for Office of the Under Secretary of Defense for Personnel and Readiness.

Performance Results for FY2002 and/or FY2003. As stated earlier, the Cost per Enlisted Servicemember through Basic Training is not a targeted metric. It is a macro level indicator that is used in the analysis of Service programs. Cost-per-recruit has increased annually as shown in the table above, while the cost of basic training has remained relatively stable. Unlike training costs, recruiting costs are driven by a host of external variables, such as economy, unemployment, youth propensity to serve, Delayed Entry Program (DEP) posture, etc. and have risen steadily over the past years, but appears to be leveling in the current budget. Overall trends for Recruit Training costs captured in Program Element 804711 indicate relatively constant expenditures to train non-prior service enlisted entrants required to satisfyservice end-strengths.

Performance Metric: Cost per recruit (Attachment 1 to cost per enlisted Servicemember through basic training)

Cost Indicator (Constant FY03 $)	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Actual	FY2003 Budgeted	FY2004 Budget Estimate
Cost-per-Recruit – Active	$9,849	$10,650	$12,236	$13,243	$13,294	$14,052
Cost-per-Recruit – Reserve Component	$5,437	$5,467	$5,940	$6,429	$6,926	$7,115

Cost Indicator Description. The Cost per Recruit is not a targeted metric, but an indicator to analyze costs and trends over time. The Department annually enlists about 200,000 new recruits for the Active components and 160,000 for the Reserve components. These new servicemembers provide the Services with the entry level personnel necessary to meet manning/readiness needs. The cost of recruiting is calculated by dividing a Service's total number of accessions (Non Prior Service (NPS) + Prior Service (PS)) into the total active expenditures for enlisted recruiting. These resources are made up of recruiting personnel compensation, enlistment bonuses, college funds, advertising, communications, recruiting support (vehicles, equipment, computers, supplies and applicant's transportation, food and lodging, etc.), and other appropriations resources within the recruiting command/service (i.e., other procurement and RDT&E.)

V&V Methodology. The Military Personnel Procurement Resources Report, as reported to Office of the Assistant Secretary of Defense, Force Management Policy, Military Personnel Policy, or OUSD(MPP), in accordance with Department of Defense Instruction 1304.8, Military Personnel Procurement Resources Report Services, collects the total cost of recruiting, separating those costs into enlisted, officer, and medical recruiting efforts. The Services provide this report to OUSD(MPP)AP within 30 days of budget submission. OUSD(MPP)AP compiles the DD 804 data into master data files, and calculates the cost-per-recruit with resource data from DD 804 series and accession data from service input/budget justification material.

Performance Results for FY2002 and/or FY2003. As stated earlier, the Cost per Enlisted Servicemember through Basic Training is not a targeted metric. It is a macro level indicator that is used in the analysis of Service programs. Cost-per-recruit has increased annually as shown in the table above, while the cost of basic training has remained relatively stable. Unlike training costs, recruiting costs are driven by a host of external variables, such as economy, unemployment, youth propensity to serve, Delayed Entry Program (DEP) posture, etc. and have risen steadily over the past years, but appears to be leveling in the current budget.

Performance Metric: Cost per enlisted Service member—recruit training (Attachment 2 to cost per enlisted Service member through basic training)

Enlisted Accession Cost[a]	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Actual (Estimate)	FY2003 Budgeted	FY2004 Budget Estimate
Recruit training costs (Constant FY03 $)	$1,472.3	$1,665.4	$1,556.6	$1,752.8	$1,709.6	$2,025.3
Army	$ 433.1	$ 362.3	$ 464.0	$ 528.3	$ 465.4	$ 768.0
Navy	$ 335.0	$ 577.1	$ 429.8	$ 473.0	$ 515.2	$ 513.8
Marine Corps	$ 524.2	$ 512.3	$ 456.0	$ 437.5	$ 463.7	$ 470.5
Air Force	$ 180.0	$ 213.6	$ 206.8	$ 313.9	$ 265.2	$ 273.0
Total	$ 1,472.3	$ 1,665.4	$ 1,556.8	$ 1,752.8	$ 1,709.6	$ 2,025.3
Recruit training input (non-prior enlistees)	201,710	218,963	218,084	219,998	217,571	212,927
Army	73,750	84,756	86,866	87,405	84,444	79,367
Navy	52,346	54,869	53,976	46,547	49,827	50,475
Marine Corps	39,445	39,791	36,600	39,999	38,914	38,699
Air Force	36,169	39,547	40,642	46,047	44,386	44,386
Total	201,710	218,963	218,084	219,998	217,571	212,927
Average cost per recruit trainee (Constant FY03 $)	$7,299.0	$7,605.8	$7,137.5	$7,967.2	$7,857.5	$9,511.9
Army	$5,872.0	$4,275.2	$5,342.1	$6,043.9	$5,511.7	$9,676.2
Navy	$6,399.4	$10,518.0	$7,962.6	$10,162.6	$10,340.0	$10,180.2
Marine Corps	$13,289.3	$12,874.5	$12,458.3	$10,938.6	$11,917.2	$12,158.6
Air Force	$4,977.5	$5,402.2	$5,087.5	$6,817.7	$5,974.4	$6,150.7
Total	$7,299.0	$7,605.8	$7,137.5	$7,967.2	$7,857.5	$9,511.9

[a] Data systems and reports currently undergoing verification.

Metric Description. Enlisted accession costs from the Office of the Assistant Secretary of Defense, Force Policy, Military Personnel Policy, or OUSD(MPP), are to be added with recruit training cost from Office of the Under Secretary of Defense for Readiness (Training, Policy & Programs), or ODUSD(R)/RTPP. Recruit training is the basic introductory and indoctrination training provided to enlisted entrants. Cost of recruit training is a management cost indicator; performance/production targets are accession-driven and vary by Service and year. Funding requirements for recruit training are projected by fiscal year via Program Element 804711, which includes manpower, support equipment, facilities, and associated costs to train recruits.

V&V Method. Funding requirements for recruit training are projected by fiscal year via Program Element 804711; recruit training cost data for this cost indicator are based on these Future Years Defense Program projections. Recruit training inputs (non-prior service accessions) are reported annually by the Services and compiled by the Defense Manpower Data Center (West) for the Office of the Under Secretary of Defense for Personnel and Readiness.

Performance Results for FY2002. Overall trends for recruit training costs captured in Program Element 804711 indicate relatively constant expenditures to train non-prior service enlisted entrants required to satisfyService end strengths.

Performance Metric: Civilian force costs

Civilian force costs (Current Year $000)	FY1999 Actual [a]	FY2000 Actual [a]	FY2001 Actual [b]	FY2002 Projected [c]	FY2003 Projected [c]	FY2004 Projected Output [c]
Total	40,107,638	40,464,205	42,258,733	44,867,063	46,167,420	46,851,293
Basic pay	30,637,396	31,029,482	31,887,999	33,376,576	34,409,122	34,853,540
Premium pay	1,816,501	1,733,466	1,985,502	2,347,501	2,144,505	2,148,222
Benefit pay	7,344,625	7,507,789	8,066,742	8,822,937	9,245,600	9,515,435
Separation pay	309,116	193,468	318,490	320,049	368,193	334,096

[a] FY1999 to FY2000 from OPM data sources.
[b] FY2001 from DoD Component summary of PB FY2003 .
[c] FY2001 through FY2004 from DoD Component Summary of PB FY2004–2005.
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Metric Description. Civilian force costs are currently being reported annually to the Office of Personnel Management (OPM) in a Work Years and Personnel Costs Report (WYPC). Reports are required on three forms: Basic and Premium Work Years and Pay; Cost of Employees' Benefits; and Leave Earned and Used. Work years and cost data identifythe various components of basic pay, premium pay, benefits, separation incentive pay, and severance pay for federal civilian employment. (These elements are defined below.) This metric can be used to provide a broad overview of civilian compensation costs. It is not an effective measure of the success of any individual personnel program or benefit. For example, additional benefit costs do not indicate successful use of recruitment or retention incentives. Even increased recruitment bonus or retention allowance payment amounts would only measure usage rates, not the change in recruitment or retention based on payment of the incentive.

The following definitions are provided for the reader:

Basic Pay (identified by Office of Management and Budget (OMB) Object Classes 11.1 and 11.3) represents the aggregate personnel compensation for full-time permanent, full-time temporary, and part-time/intermittent appointments.

Premium Pay (identified by Office of Management and Budget (OMB) Object Class 11.5) represents personnel compensation for the following premium pay categories: Overtime, Holiday, Sunday, Night Differential, Hazardous Duty, Post Differential, Staffing Differential, Supervisory Differential, Physicians Comparability Allowance, Remote Work Site Allowance, Cash Awards, and Other.

Benefit Pay (identified by Office of Management and Budget (OMB) Object Class 12.1) represents personnel compensation for the following benefit pay categories: Health Insurance, Life Insurance, Retirement, Social Security, Workers' Compensation, Uniform Allowances, Overseas Allowances, Non-Foreign COLA, Retention Allowance, Recruitment Bonus, Relocation Bonus, and Other.

Separation Pay (identified by Office of Management and Budget (OMB) Object Class 13.0) represents personnel compensation to involuntarily separated employees and payments made through the $25,000 Voluntary Separation Incentive (VSI) Program (i.e., Buyout Bonuses, etc.).

V&V Method. OPM indicates that "Agencies should establish appropriate internal coordination procedures to ensure that the data is reconciled." Data on payments are compiled by component and object class from the Defense Finance and Accounting Service payroll records. Data input into the system are subject to stringent time and accounting rules and procedures.

Performance Results for FY2002. The OPM report will be published in December 2003.

Performance Metric: Outpatient market share (lagged indicator)

Metric	FY1998 Actual[a]	FY1999 Actual	FY2000 Actual	FY2001 Target/Actual[b]	FY2002 Target[c]	FY2003 Target
Outpatient market share (lagged indicator)	NA	80%	79%	NA/77%	NA	≥74%

[a] Data were not mapped according to clinic market areas in FY1998, so actual number are not available.
[b] While data are available for FY2001 results, no target was ever established.
[c] The metric calculation was changed only in FY2002, so the FY2002 target is not comparable.

Metric Description. Outpatient visits represent the majority of contacts between the Military Health System (MHS) and its beneficiaries, and accordingly, the market share metric looks at how much of the care is delivered in the direct system rather than being purchased. Since there is a large fixed cost of manpower related to the medical readiness mission, it is vital for proper program management to utilize these resources efficiently and effectively during peacetime operations. The goal is to initially stabilize market share around the Military Treatment Facilities (MTFs) and eventually recover market share losses that have occurred over the last couple of years related to changes in clinic capabilities.

Although medical care can be purchased at numerous locations throughout the United States and world, the focus of this measure is on locations around MTFs in the United States. The locations are around both bedded hospitals and outpatient care clinics. Due to the extensive medical capabilities of the hospitals compared with ambulatory clinics, the market share percentage will vary by MTF and Military Service. Hospitals are judged on 40-mile radius areas, and clinics are judged on 20-mile radius areas.

Over the past couple of years, the downsizing of small hospitals into ambulatory care clinics has affected the clinical capabilities of these facilities, and market share has decreased. This reduction is expected to continue for the next couple of years until the direct care system stabilizes.

Market share percentages for the Services are shown based on direct care visits compared to total purchased care plus direct care visits within the Service's hospital and clinic areas.

Due to claims processing times, purchased care workload is projected to completion 6 months after the fiscal year ends; final results will not be available for approximately 3 years. Purchased care workload does not place care delivered overseas into hospital or clinic areas, so overseas workload is excluded. To ensure consistency across the program years, purchased care excludes all resource sharing, supplemental care, continued health care benefit plan, and senior (age 65+) purchased care workload. Since data will not be available until 6 months after fiscal year end, this will be a lagging indicator.

As the MHS migrates to improved clinical comparability, this metric will be migrated to a measure based on relative value unit (RVU)[1] to more accurately compare the relative complexity of care instead of just a visit count. When this change occurs, the metric will have to be recalibrated, and new goals will have to be established.

V&V Method. As part of an agreement with the General Accounting Office, the Defense Health Program has established a Data Quality Management Control Program, which requires MTF commanders to certifymonthly that systems and processes are working properly. This is the source of data on direct care visits.

Purchased care claims go through extensive automated clinical coding reviews prior to processing for payment. Once processing is completed, zip codes are mapped to the data to define hospital and clinic areas. Due to claims processing and adjudication lag times, the workload data are projected to completion; and final numbers will not be available for approximately 3 years.

Performance Results for FY2002. Due to claims processing, results will lag actual performance by 6 months and will still be a projection until 3 years after the end of the fiscal year. This lag is related to the individual's submission of the claim and multiple adjudication issues once the claim has been submitted.

[1] The RVUs approximate the physician resources used during the visit. For example, a returning visit by a patient with a simple problem might be 0.17 RVUs, whereas arthroscopic surgery of the knee might be 16.00 RVUs.

Performance Metric: Primary care provider productivity

Metric	FY1999 Actual[a]	FY2000 Actual[a]	FY2001 Actual	FY2002 Target[b]/Actual[c]	FY2003 Target	FY2004 Projected Performance
RVUs per primary care provider per day	NA	NA	13.3	NA/13.6	≥14.5	≥15.5

[a] FY1999/FY2000 clinical data are incomplete and not comparable to FY2001 and later.

[b] The FY2002 target included overseas medical facilities and did not discount nurse practitioners and physician assistants. Accordingly, it is not comparable to FY2003 and later targets.

[c] FY2002 data were incomplete for Darnall Army Community Hospital-Ft. Hood. Accordingly, estimates were used for the last 2 months of the fiscal year for this facility.

Metric Description. To run a premier Health Maintenance Organization (HMO), the critical focus area is primary care. The primary care provider frequently represents the first medical interaction between the beneficiary and the HMO. In this role, the primary care provider is responsible for the majority of the preventive care to keep beneficiaries healthy and away from more costly specialty care. While the HMO has a goal to reduce the overall number of encounters per beneficiary, an additional goal is to ensure that the dollars spent on medical care are used efficiently.

The targets for this metric represent stretch goals that were instituted to move the organization forward, but likely will not be achieved in FY2003 or FY2004. This metric looks at the complexity of care and the number of patients seen by the primary care providers each day, with a goal of increasing the complexity, number, or both, of patients seen each day by the provider.

To measure the complexity of care, and not just the count of visits, the relative value unit (RVU) is used. Developed by the Centers for Medicare & Medicaid Services, the RVUs approximate the physician resources used during the visit. (For example, a returning visit by a patient with a simple problem might be 0.17 RVUs, whereas arthroscopic surgery of the knee might be 16.00 RVUs.)

Due to the nature of this data reporting, the metric results will lag the actual performance by one quarter.

V&V Method. As part of an agreement with the General Accounting Office, the Defense Health Program has established a Data Quality Management Control Program that requires Military Treatment Facility (MTF) commanders to certifymonthly that systems and processes are working properly. Two of the sections of the program are relevant to this metric. The first deals with a records review to ensure that records are coded properly, and the second is related to proper and timely reporting of manpower data.

Performance Results for FY2002. Improving productivity of primary care providers is a key performance objective for the Defense Health Program, and although the goal for FY2002 was not achieved, a better understanding of the objective and how to measure overall performance was achieved. For FY2003, the calculation of the metric was changed to focus on MTFs within

the United States, and adjustments were made to account for capabilities of nurse practitioners and physician assistants.

Throughout FY2002, the results of the performance measure were discussed extensively during each of the Military Health System Executive Reviews. The Surgeons General of the three Services undertook extensive reviews of the MTFs to determine how to improve their operations. Since the final meeting of FY2002, the Services have taken appropriate actions to improve provider productivity performance for FY2003.

In addition, issues continue with proper coding of encounters by providers. Inappropriate coding of encounters by non-privileged providers has been discontinued at a number of MTFs, thus driving down the total number of RVUs being reported for primary care clinics. Under the Data Quality Management Control Program, proper coding of ambulatory encounters is being increasingly emphasized, which initially may decrease the RVUs reported, but in the long run, should improve overall reliability of the measure. As these types of issues are identified, appropriate corrections will be made to the workload reporting or the metric calculation to improve the overall operations of the Defense Health Program.

Performance Metric: Satisfaction with military health plan

Metric	FY1999 Actual[a]	FY2000 Actual[b]	FY2001 Actual[c]	FY2002 Target/Actual[d]	FY2003 Target[e]	FY2004 Projected Performance[e]
Percentage satisfied with military health plan	NA	39.6	44.6	45/46.5	≥ Civ. Avg.	≥ Civ. Avg.

[a] The survey instrument was changed to add the Consumer Assessment of Health Plans Survey questions with the November 1999 instrument, so there are no results for FY1999.

[b] Survey fielded in November 1999.

[c] Surveys fielded in January, April, and July 2001.

[d] Surveys fielded in October 2001 and January, April, and July 2002.

[e] The civilian average is based on a representative population from the national Consumer Assessment of Health Plans Survey Database (CAHPSD) for the same time period and this will be the target for the Military Health System. (Example: A July 2003 survey would be compared to July 2003 data from the CAHPSD.) Due to the nature of the program, only a DoD-level goal is tracked.

Metric Description. A person's satisfaction with his or her health plan is a key indicator of the performance of the Military Health System (MHS) in meeting its mission to provide health care to the 8 million eligible beneficiaries. For this metric, the following survey item is used:

> We want to know your rating of all your experience with your health plan. Use any number from 0 to 10 where 0 is the worst health plan possible, and 10 is the best health plan possible. How would you rate your health plan now?

Satisfaction is measured as the percentage of respondents (weighted by appropriate sampling weights) who answer 8, 9, or 10.

The survey, fielded quarterly, asks respondents questions about the plan during the prior year. Currently, the results for the year are based on the surveys fielded during the fiscal year, which means the results are actually based on the respondent's interactions with the health system during the prior fiscal year.

The goals established for this metric in FY2003 and FY2004 are considered stretch goals that will drive the organization forward, but will likely not be achieved during those years. These goals are established based on a civilian survey.

V&V Method. A contractor prepares the data for analysis; data preparation includes editing, cleaning, implementing the coding scheme, weighting the data, and constructing the analytic variables. The contractor provides appropriate data cleaning and checking procedures to ensure a high level of quality control each quarter. The contractor edits the data consistent with the skip patterns in the questionnaire and includes the specifications of such recoding in the survey documentation. The contractor removes problem records from the database. Problem records include blank records, multiple records from the same respondent (the contractor keeps the record with the greatest amount of information), and records from ineligible respondents.

Performance Results for FY2002. The goal was achieved in FY2002, but achievement of the stretch goals established for FY2003 and FY2004 will require dramatic changes. When the target was established for FY2003, the quarterly survey result for the MHS was 43 percent, with a population adjusted civilian average of 56 percent.

Performance Metric: Satisfaction with access

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Projected Performance
Satisfaction with access	82.7%	82.2%	81.8%	≥84%/80.8%	≥84%	≥84%

Metric Description. Access to medical care has always been a significant factor in the overall satisfaction with medical care, and an area for focused improvement. The focus of the metric is on improving satisfaction with access to appointments for those individuals who have chosen to enroll in TRICARE PRIME (similar to a Health Maintenance Organization plan) within the Military Health System (MHS). This metric is based on a monthly customer satisfaction survey for those individuals who had an outpatient medical visit at a Military Treatment Facility (MTF)—hospital or clinic—during the previous month.[2] Although there are a number of measures related to access, ease of making an appointment by phone has been considered a key measure for access and has been tracked over the last couple of years. The metric is based on Question 10a of the customer satisfaction survey:

> How would you rate the (Clinic Name) on Ease of Making this Appointment by Phone?

The percentage of respondents (weighted by appropriate sampling weights) that answer "Good," "Very Good," or "Excellent" on a scale from "Poor" to "Excellent" is computed. The survey is fielded monthly. Because of the fielding period, data collection period, and analysis period, there is a 55-day lag between the appointment date and the posting of data on the web-based reporting site. Reports are produced quarterly. Although information is available by the Military Service branch that is financially responsible for the MTF, only an aggregate MHS score is shown.

V&V Method. The contractor performs all edit checks and validations to ensure the accuracy of the resulting data sets and reports. To ensure privacy of beneficiaries, all surveys are given a unique number for survey processing and tracking. Through the use of a unique code, the survey can be tracked for changes in address (or as undeliverable) and for response receipt. Once survey responses are received at the contractor, they are scanned into a system (including those surveys returned as undeliverable). Survey responses are imported into an automated system using bar codes, with manual entry for those the system cannot read. A template is established to read the surveys, and if the system is not 99% certain of the response, it is sent to a data editing workstation for review. Depending on the complexity of the survey, 5% to 10% of all data editing is verified by a second editor. Final checks are then run to make sure all survey responses are entered into the database.

Performance Results for FY2002. During the review of the customer satisfaction survey results, it was noted that overall satisfaction with the appointment was being affected primarily by two major factors: access to appointments and time waiting at appointment. In addition, the

[2] The same survey is used for a metric that tracks overall satisfaction with appointments. However, that metric looks at responses to different survey questions and uses scores from all beneficiaries who visited an MTF rather than only TRICARE PRIME enrollees.

results were not across all beneficiary groups. Active duty members and their families showed the largest decreases in satisfaction for the year.

To improve operations of the MTFs and to improve customer satisfaction, two programs are being implemented within the MHS: TRICARE Online and Open Access. TRICARE Online enables a PRIME enrollee to make an appointment with his or her primary care manager via the web, instead of having to call for an appointment. Open Access allows a PRIME enrollee to call the MTF and obtain an appointment for that day.

Performance Metric: Overall satisfaction with appointment

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Projected Performance
Overall satisfaction with appointment	88.8%	89.2%	88.5%	≥90%/87.1%	≥90%	≥90%

Metric Description. This metric looks at beneficiaries' overall satisfaction with their outpatient medical appointments at a Military Treatment Facility (MTF)—hospital or clinic—during the month. Overall satisfaction with the appointment is affected by numerous factors during the visit, including the experience in getting an appointment, the wait time at the appointment, the interaction with the provider, and interactions with the pharmacy or ancillary services. This metric is based on a monthly customer satisfaction survey for those individuals who had an outpatient medical visit at an MTF during the previous month.[3] The metric is based on Question 12 of the customer satisfaction survey:[4]

> All things considered, how satisfied were you with the (name of clinic) during this visit?

The percentage of respondents (weighted by appropriate sampling weights) that answer "Good," "Very Good," or "Excellent," on a scale from "Poor" to "Excellent," is computed. The survey is fielded monthly. Because of the fielding period, data collection period, and analysis period, there is a 55-day lag between the appointment date and the posting of data on the web-based reporting site. Results are based on the summation of results for all surveys completed by patients during the year. Although information is available by the Military Service branch that is financially responsible for the MTF, only an aggregate Military Health System (MHS) score is shown.

V&V Method. The contractor performs all edit checks and validations to ensure the accuracy of the resulting data sets and reports. To ensure privacy of beneficiaries, all surveys are given a unique number for survey processing and tracking. Through the use of a unique code, the survey can be tracked for changes in address (or as undeliverable) and for response receipt. Once survey responses are received at the contractor, they are scanned into a system (including those surveys returned as undeliverable). Survey responses are imported into an automated system using bar codes, with manual entry for those the system cannot read. A template is established to read the surveys, and if the system is not 99% certain of the response, it is sent to a data editing workstation for review. Depending on complexity of the survey, 5% to 10% of all data editing is verified by a second editor. Final checks are then run to make sure all survey responses are entered into the database.

Performance Results for FY2002. During the review of the customer satisfaction survey results, it was noted that overall satisfaction with the appointment was being affected primarily

[3] The same survey is used for a metric that tracks satisfaction with access. However, that metric looks at responses to different survey questions and uses scores from only TRICARE PRIME enrollees rather than from all beneficiaries who visited an MTF.

[4] Other questions in the survey are used to identiFYspecific areas for improvement.

by two major factors: access to appointments and time waiting at the appointment. In addition, the results were not across all beneficiary groups. Active duty members and their families showed the largest decreases in satisfaction for the year.

To improve operations of the MTFs and to improve customer satisfaction, two programs are being implemented within the MHS: TRICARE Online and Open Access. TRICARE Online enables a PRIME enrollee to make an appointment with his or her primary care manager via the web, instead of having to call for an appointment. Open Access allows a PRIME enrollee to just call the MTF to make an appointment for that day.

Performance Metric: The President's Management Agenda (PMA)

Initiative	FY2002 Status 4th Qtr	FY2002 Progress 4th Qtr	FY2003 Status 1st Qtr	FY2003 Progress 1st Qtr	FY2003 Status 2nd Qtr	FY2003 Progress 2nd Qtr	FY2003 Status 3rd Qtr	FY2003 Progress 3rd Qtr
Strategic management of human capital	Y	G	Y	G	Y	G	Y	G
Competitive sourcing	R	Y	R	Y	R	Y	Y	Y
Financial management	R	G	R	G	R	G	R	G
E-government	R	G	R	G	R	G	R	G
Budget and performance integration	R	G	Y	G	Y	G	Y	G
Note: R=red; Y=yellow; G=green.								

Metric Description. The President's Management Agenda (PMA) was introduced in summer 2001. It identified five initiatives (shown on the table above) designed to improve management and service to our citizens. The President initiated this process in an effort to address deficiencies and expand performance. This is not just a requirement for DoD, but all federal departments and agencies. The President has charged the Office of Management and Budget (OMB) with monitoring progress and reporting to him quarterly. More information may be obtained through two websites: FirstGov.gov or Results.gov.

The status (initial or current state) and progress (efforts toward achieving the goal) of departments and agencies in implementing the PMA (in each of the five initiatives) are measured using a "stoplight" metric. "Green" indicates that the organization meets all core criteria; "yellow" indicates that it meets some but not all core criteria, with no "red" conditions; and "red" indicates that it meets any one "red" condition. The Executive Branch Scorecard depicts how well a department or agency is executing the management initiatives and where it scores at a given point in time against the overall standards for success.

V&V Method. Principal offices in the Office of the Secretary of Defense maintain responsibility and control of their respective initiative and metric. They review progress within their area and recommend scoring to the Under Secretary of Defense for Personnel and Readiness—USD(P&R). USD(P&R) forwards consolidated input to OMB, which assigns the final scores.

Performance Results for FY2002. By embracing transformation as our primary organizational mission, the Department is making every effort to implement policies and procedures that accentuate efficiency and sound management principles DoD-wide. We are confident this will be reflected positively as we progress through each fiscal year.

Following is a brief description of each initiative and efforts we have undertaken thus far toward successful implementation of the PMA:

- Human Capital. The Department has developed a Human Resource Strategy that has been briefed to the Senior Executive Council, the Director of the Office of Personnel Management, and representatives of OMB. The Department has also forwarded a Workforce Restructuring Plan to OMB, describing our organizational plans to meet workforce needs and redirect resources from Headquarters to direct service. For its tremendous efforts on this initiative, as of Q4 FY2002, the Department received a score of "yellow" on status and "green" on progress.

- Competitive Sourcing. DoD has a competition goal of 226,000 positions. The Department has met the OMB immediate goal of competing 15% of these positions by FY2003. The remaining positions will be reviewed with a focus on the core competencies of the Department. The Business Initiatives Council is overseeing this process.. As of the fourth quarter FY2002, this initiative was rated red for status and yellow for progress; currently, it stands at "yellow" for both status and progress

- Financial Management. The Office of the Secretary of Defense established a Business Management Modernization Program Office (BMMP) to oversee development of a DoD-wide financial enterprise architecture. The plan for the modernization effort has been briefed to OMB and received a "green" progress rating.

- E-Government. Of the 25 initiatives identified by the President's Management Council, 17 involve DoD activities. The Department is exploring the possibility of taking an active leadership role in 9 of those initiatives. In conjunction with OMB, the Department will improve management processes relating to the creation and description of business cases for information technology (IT) initiatives. The Assistant Secretary of Defense (Networks and Information Integration) is also working closely with OMB on other scorecard elements such as the enterprise architecture, business cases (Form 300 reports) for IT investments and IT security. The Department received a "green" score on its E-Government progress.

- Budget and Performance Integration. The Under Secretary of Defense (Comptroller) is overseeing a Department-wide effort to identifymeaningful performance metrics for use in managing and justifying program resources. This effort will begin with the identification of additional metrics for use in developing the FY2005 President's budget. Additional efforts are underway to integrate performance metrics into all phases of the Department's Planning, Programming, Budgeting and Execution (PBBE) System. The Department has participated in the evaluation of programs using the Program Assessment Rating Tool. As of forth quarter 2002, the Department's score was red for status and green for progress; the Department's score currently stands at yellow for status and green for progress.

Further information is available at Results.gov.

Performance Metric: Civilian Human Resources Strategic Plan (activity)

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Target
Percentage of Civilian HR Strategic Plan tasks accomplished	NA[a]	NA[a]	NA[a]	90 (26 of 29)	90	90

[a.] Since the DoD Civilian Human Resources Strategic Plan was first published in April 2002, there are no measures of accomplishment prior to FY2002.

Metric Description. The starting point from which the Strategic Plan was built came from the Quadrennial Defense Review (QDR) and the strategic direction provided by the Under Secretary of Defense for Personnel and Readiness. The plan contains seven major goals with associated tasks, performance indictors, measures, and success time frames. The number of Civilian Human Resources (HR) Strategic Plan tasks completed compared to the number of tasks (currently 117) scheduled for completion by fiscal year equals the percentage of tasks accomplished. This will remain activity based until the tasks are completed and task-dependent outcome measures are developed. Outcome measures will replace the count of tasks in phases. The target is to complete at least 90 percent of tasks scheduled for a given fiscal year. Since the task set is dynamic, a percentage of tasks, not an absolute number, has been established as the target.

In FY2002, 26 of 29 tasks were accomplished, meeting the 90 percent goal. One additional FY2002 task was completed in the first quarter of FY2003. The FY2002 tasks completed included publishing a recruitment/relocation bonus and retention allowance policy to cover Federal Wage System employees, benchmarking HR processes and practices against industry best practices, identifying workforce flexibilities that advance ability to meet mission requirements, developing policy to institutionalize the most advantageous programs, expressing support for flexible work arrangements, identifying need and alternatives to expand access to childcare, implementing student loan repayments, and identifying options for elder care.

Through June 2003, approximately 78 percent (32/41) of the FY2003 tasks have been completed. They include the following: draft and submit proposed legislative language for Unified Legislation & Budgeting (ULB) FY04: evaluate demonstration projects and policies; identifydesirable aspects of demonstration projects; develop 'close out' procedures for existing demonstration projects as appropriate; report on the assessment of the existing Civilian Personnel Demonstration Authorities; identifynew automated systems capabilities and associated costs; develop "Civilian Personnel Management Guide for Management Officials During Contingencies and Emergencies"; establish requirement for marketing DoD as a first choice employer program; conduct a comprehensive review of DoD Police Officer staffing levels for special pay rates evaluation; extend the Federal Employee Health Benefits Program eligibility for civilian employees called to active duty; identifypolicies that are cumbersome or add little or no value to the product; incorporate targeted recruiting for persons with disabilities in our recruitment on campus effort; extend DoD authority to make lump-sum severance payments; analyze DoD data from the Office of Personnel Management workforce survey; develop the Department of Defense HR Training Consortium plan; review telework policies as a

transformational tool; and establish eligibility of DoD Nonappropriated Fund employees for long-term care insurance.

None of the scheduled 35 FY2004 tasks, 7 FY2005 tasks, or 4 FY2006 tasks have been completed, and no tasks have yet been scheduled for FY 2007 tasks and FY2008.

V&V Methodology. Data on the completion of scheduled HR Strategic Plan measures are provided by the Civilian Personnel Management Service, Systems Innovation Division (CPMS-SID) in the form of a quarterly report on HR Strategic Plan Performance Measures. This report provides detailed information on the scheduled completion date and accomplishment of individual measures associated with each strategic objective. Documentation on accomplishment of each measure is compiled and maintained by CPMS-SID.

Performance Results for FY2002. The FY2002 goal of 90 percent completion of FY2002 measures was met when 26 of the 29 measures were completed. FY2002 tasks not completed remain FY2002 tasks. Action will be reported separately and will not appear as FY2003 tasks. Through June 2003, 2 additional FY2002 tasks and 32 of the 41 FY2003 tasks have been completed.

Performance Metric: Transforming DoD training (completed)

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Target
Training tasks completed	NA [a]	NA [a]	NA [a]	NA/NA [a]	3 tasks[b]	4 tasks[c]

[a] This is a new initiative and no historical data are available.

[b] 2003 tasks:

Develop training transformation (T2) implementation plan by April 2003.

Complete near-term tasks in the T2 strategic plan by October 2003.

Obtain joint certification and accreditation of National Training Center (NTC) by October 2003.

[c] 2004 tasks:

Establish a Joint National Training Capability (JNTC) Joint Management Office by April 2004.

JNTC reaches IOC by October 2004.

Initial capability to train U.S. forces prior to deployment to theater.

Initial capability to train U.S. forces while deployed in theater.

Metric Description. The Department's vision for training transformation (T2) is to provide dynamic, capabilities-based training for DoD in support of national security requirements across the full spectrum of Service, joint, interagency, intergovernmental, and multinational operations. The Defense Program Guidance tasked the Under Secretary of Defense for Personnel and Readiness—USD(P&R)—with coordinating requirements, developing plans, and overseeing T2. For this metric, several critical tasks and milestone events are identified to track near-term progress in achieving T2 goals. These metrics are contained in the Deputy Secretary of Defense approved Training Transformation Implementation Plan (10 June 2003).Those tasks and proposed timelines for implementation will be tracked after their development.

V&V Method. The USD(P&R) has responsibility for overseeing and reporting the status of the T2 effort and has established several forums to assist in reviewing, coordinating, and approving plans, programs, and resource decision documents. The joint Integrated Process Team (action officer level), chaired by the Readiness and Training Office, will regularly review the status of T2 tasks and provide input to the Deputy Under Secretary of Defense for Readiness.

Performance Results for FY2002. The Department is actively engaged in executing the requirements and resources approved by the Secretary of Defense in the Training Transformation Implementation Plan and its associated Resource Program Plan. During FY2003, the Congress approved an Omnibus Reprogramming Action to provide the additional resources considered critical to implement T2 tasks and support the initial establishment of the Joint National Training Capability. The FY2004 President's Budget request reflects $179.7 million in FY2004 for the Department to continue to implement the approved goals and milestones for this important initiative.

The resources that have been reprogrammed in FY2003 and budgeted for in FY2004 for transforming DoD trainng have given the program an excellent start. Steps to achieve Initial Operating Capability (IOC) for the Joint National Training Capability in October 2004 are well underway.

Performance Metric: Military Human Resource Strategic (HRS) Plan tasks completed

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Projected Performance
HRS tasks completed	NA [a]	NA [a]	NA [a]	2/1	25	32
[a] Plan was not developed until FY2002; therefore, no historical data are available.						

Metric Description. The Military HRS Plan includes contains 40 tasks and establishes the legislative and policy priorities for the next several years. Of the 40 tasks, 16 are to be completed using in-house resources and 24 by contractor support. Examples of tasks are as follows:

- Access enlisted personnel in the right skill, with the right education and aptitude, and meet accession targets
- Ensure the force is manned with the right number of officers with appropriate skills, and meet accession targetsPublish and inform members of non-monetary incentives; review lateral entry for applicability to Military ServicesStudy sabbatical programs for Service members
- Conduct a demonstration study on an "up-and-stay" personnel program.

This metric will track the number of tasks completed compared to the 40 tasks in the overall plan. Following the completion of all of the tasks, measures of effectiveness will be developed, and new metrics will be developed and be task dependent.

V&V Method. Task completion is tracked monthly during progress updates with the Deputy Assistant Secretary of Defense for Military Personnel Policy. As the number of task completions is reported, the overall task matrix will be documented and will serve as verification and as an official record for completed tasks.

Performance Results for FY2002. Targets established for FY2002 were limited because the plan was developed late in the year. As a result, funding for research and studies was inadequate to begin most of the projects or projects were funded near the end of the fiscal year. Only one in-house task was completed in FY2002. The other task expected to be completed was extended by the contractor and is expected to be completed in early FY2003. Most of the 16 in-house tasks are programmed to be completed in FY2003. Although some of the remaining contractor studies may be completed in FY2004 , most will not be completed until FY2005.

Performance Metric: Improving Joint Quarterly Readiness Review (JQRR)

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Actual	FY2003 Target	FY2004 Target
Improve JQRR	NA [a]	NA [a]	NA [a]	On track [b]	On track [c]	On track [d]

[a] New indicator; no historical information available.
[b] Objective of releasing new CJCS instructions was met.
[c] "On track" defined as *all* Combatant Commanders reporting against joint mission essential tasks (JMETs) and all combatant commanders and combat support agencies (CSAs) reporting impact of aggregated deficiencies by April 2003.
[d] "On track" is defined as *all* CSAs reporting against JMETs by the end of FY2004.

Metric Description. The Joint Quarterly Readiness Review (JQRR) provides a current, macro-level assessment of the military's readiness to execute the national defense strategy as determined by the combatant commands, Services, and combat support agencies (CSAs). The JQRR process includes an assessment of near-term operational risk that provides insights into broader risk.

The process identifies specific deficiencies that impact the ability of the combatant commander, Service, or CSA to execute or support current operations or specific operational or contingency plans. The deficiencies are based on approved strategic documents or requirements. Currently, there are no known models to assess operational risk. JQRR uses staff analysis to assess the impact of deficiencies on operational risk.

V&V Method. FY2003 goals are to improve readiness and risk assessments by implementing the following procedures:

- Transition combatant commanders to report the impact of readiness deficiencies against their joint mission essential tasks (JMETs). Achievement of this goal provides mission significance to identified deficiencies. This allows determination of the strategic context of the deficiencies (deficiency has national, theater, or operational impact).
    - A minimally effective program is defined as a targeted number of functional and geographic combatant commanders (three or four) reporting against JMETs in a specific assessment.
    - Success is defined as *all* combatant commanders reporting against JMETs by the end of the fiscal year.
- Incorporate regional and functional risk assessments for current operations and projected operations over the next 12 months against a selected potential conflict in one of the four critical regions as specified in the national defense strategy. Attainment of this goal will provide greater understanding of broader risk.
    - A minimally effective program is defined as targeted functional and geographic combatant commanders (three or four) reporting the impact of aggregated deficiencies on achieving their strategic end states by April 2003. CSAs (one to

four) whose support has significant readiness implications in a specific scenario would report the impact of aggregated deficiencies on strategic end states.

- Success is defined as *all* combatant commanders and all CSAs reporting the impact of aggregated deficiencies on achieving their strategic end states by April 2003.

FY2004 goals include improving readiness and risk assessments by transitioning the CSAs to report against JMETs.

- ♦ CSAs are currently tasked to develop JMETs that describe their ability to support operating forces in the event of war or threat to national security in FY2003.

- ♦ When CSA JMETs are finalized, CSAs will transition to assessing the impact of deficiencies on their JMETs in the JQRR.

  - A minimally effective program is defined as a targeted number of CSAs (three or four) reporting against JMETs in a specific assessment.
  - Success is defined as all CSAs reporting against JMETs by the end of the fiscal year.

Performance Results for FY2002. FY2002 goals included revamping the process to place readiness concerns in strategic context and to include, in risk assessments, the perspectives of combatant commanders and CSAs. FY2002 goals were achieved with the October 16, 2002 release of a new chairman's instruction that implements the desired changes.

Performance Measure: Experiment with new warfare concepts						
Metric	FY1999[a] Actual	FY2000[a] Actual	FY2001[a] Actual	FY2002[b] Actual	FY2003[c] Target	FY2004[d] Projection
Execution of Joint Experimentation Campaign Plan	NA	NA	NA	On track	On track	On track

[a] New indicator—no historical information available.

[b] Objective of releasing CJCS guidance to USJFCOM concerning Joint Experimentation was met (November 2002).

[c] On track, defined as USJFCOM providing JROC decision brief by 1 March 2003 and promulgation of Joint Experimentation guidance in June 2003.

[d] On track, defined as final draft of Joint Experimentation Campaign plan submission by 1 October 2003

Metric Description. The Chairman, Joint Chiefs of Staff (CJCS) provided his guidance to U.S. Joint Forces Command (USJFCOM) for Joint Experimentation on 26 November 2002. Within the guidance, the Chairman requested the development of the FY2003–FY2009 Joint Experimentation Campaign Plan (JE CPLAN) with an integrated and comprehensive draft to be provided by January 2003 for his review. In addition, the following guidance was provided to JFCOM:

- Develop a JE CPLAN that looks inside and outside DoD for concepts and capabilities for refinement and recommendation to the Joint Requirements Oversight Council (JROC).

- Articulate resources, timelines, deliverables, and measurements of effectiveness that fully describe concepts' expected contributions to the capabilities of the Joint Force.

- Incorporate a decentralized process to explore and advance emerging joint operational concepts, proposed operational architectures, experimentation, and exercise activities currently being conducted.

- Identify opportunities for conducting smaller scale experiments that support transformation strategies and include concept development and experimentation activities that incorporate interagency and multinational participation.

- Develop the standing joint force headquarters prototype, which remains the highest priority. The JROC has been tasked to provide USJFCOM with an approved operational concept for joint force command and control.

- Include for approval the concepts and capabilities for improvements in joint operations and command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) in urban terrain and jungle environments, and consider joint operations in mountainous or heavily forested environments. Apply special emphasis to the concepts in limited objective experiments and other events in FY2004 and FY2005.

- ♦ Include concepts to provide warfighters at all levels improved real-time battle space awareness, correlation and dissemination of mission-specific information, and more closely integrated ISR efforts and products.

- ♦ Capitalize on service concepts and capabilities that enable forward- and CONUS-based joint forces to deploy, employ, sustain, and redeploy in austere regions and anti-access and area-denial environments.

- ♦ Incorporate the advanced conventional strategic weapons and defenses of the New Triad into warfighting concepts and procedures.

- ♦ Promote and develop regional component commander-sponsored joint and multinational experimentation and capability-based modeling and simulation partnerships.

- ♦ Ensure continued development of the concepts and ideas demonstrated during and emerging from Millennium Challenge ’02.

- ♦ Provide to the JROC by 1 March 2003 decision briefings that include details of Service participation, resources, deliverables, Millennium Challenge ’02 (MC 02) data and measurements of effectiveness that fully describe the expected contributions of the following concepts, insights, and ideas demonstrated during MC 02:

    - Effects-based operations
    - Operational net assessment
    - Collaborative information environment
    - Rapid decisive operations
    - Joint interagency coordination group
    - Information sharing (coalition)
    - Force projection
    - Joint fires initiative
    - Joint tactical actions
    - Information operations
    - Joint urban operations

In addition, the Chairman recommended a change for the conversion of the development of the JE CPLAN to a biennial requirement:

- ♦ Chairman’s biennial JE guidance will begin to be promulgated in June 2003 and not later than June every odd-numbered year thereafter.

- ♦ The JE CPLAN will transition to a biennial requirement wherein the next plan will be prepared for FY2004–FY2011, with the final draft submitted for approval not later than 1 October 2003. Subsequent draft documents will be forwarded by 1 October every odd-numbered year thereafter.

- To ensure continuity, a fully coordinated biennial update will be provided to the JROC not later than October 2004 and October of every even-numbered year thereafter.

V&V Methodology. The following milestones will be used to evaluate progress:

- By 1 March 2003, provide the JROC with decision briefings that include details of service participation, resources, deliverables, MC 02 data, and measurements of effectiveness that fully describe the expected contributions of the concepts, insights, and ideas demonstrated during MC 02.

- Begin promulgating the Chairman's biennial JE guidance in June 2003 and not later than June every odd-numbered year thereafter.

- Transition the JE CPLAN to a biennial requirement wherein the next plan will be prepared for FY2004–FY2011, with the final draft submitted for approval not later than 1 October 2003. Subsequent draft documents will be forwarded by 1 October every odd-numbered year thereafter.

Performance Results for FY2002 and/or FY2003. The initial milestone was met, with the CJCS providing his guidance to USJFCOM for Joint Experimentation on 26 November 2002.

Performance Metric: Classified readiness measures

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target/Actual	FY2004 Projected Performance
Classified readiness levels (personnel, equipment fill, equipment supply, and training level)	Classified	Classified	Classified	Classified	Classified	Classified
Results for these metrics can be found in the Quarterly Readiness Report to Congress.						

Metric Description. The readiness of forces to successfully execute the national defense strategy is measured through a number of sources and methods. Primarily, the Department uses the Status of Resources and Training (SORTS) reports, Joint Quarterly Readiness Review, and the Senior Readiness Oversight Council (SROC). These forums provide the foundation for the Quarterly Readiness Report to Congress (QRRC). In response to the 1998 National Defense Authorization Act, the QRRC includes a number of expanded indicators requested by Congress to monitor force readiness. All of these measures are classified but help to form a qualitative assessment of readiness by decision makers.

In attempting to provide objective data to support QRRC information requirements, the SORTS areas of personnel, equipment fill, equipment readiness, and training are used. The personnel readiness levels are adjusted in order to arrive at a metric that is somewhat more objective, reproducible, and auditable. These indicators of readiness are classified as well.

As shown in the congressionally mandated Independent Review of DoD's Readiness Reporting System (done by the Institute for Defense Analyses) and several audits, there is much dissatisfaction with current metrics. Accordingly, the Department's initiative to develop the Defense Readiness Reporting System is intended to provide more timely and relevant readiness metrics and operational risk analysis than is available in the current system.

V&V Method. As information is reported monthly in SORTS, military analysts in OSD review readiness levels reported and work with the Services to ensure no anomalies affect the quality of data. Independent audits by the General Accounting Office have shown that the data do not provide a fuller view of readiness and do not provide an objective operational risk assessment to decision makers.

Performance Results for FY2002. A general description of results is available in the February 2003 QRRC.

Performance Metric: Establish a standing joint force headquarters

Metric	FY1999[a] Actual	FY2000[a] Actual	FY2001[a] Actual	FY2002[b] Actual	FY2003[c] Target	FY2004[d] Target
Establish a standing joint force headquarters (SJFHQ)	NA	NA	NA	On track	On track	On track

[a] New indicator—no historical information available.
[b] Objective of releasing CJCS concept to USJFCOM concerning SJFHQ development was met (January 2003).
[c] On track, defined by USJFCOM conducting experimentation and finalization of DOTMLPF recommendations for the implementation of SJFHQs. (i.e., Pinnacle Impact 03).
[d] On track, defined as USJFCOM validating and verifying DOTMLPF recommendations for the common architectures, Joint TTPs, and SOPs for the SJFHQs.

Metric Description. Defense Plans have directed Regional Combatant Commands to establish Standing Joint Force Headquarters (SJFHQ) by FY2005, reflecting standards established by U.S. Joint Forces Command (USJFCOM) and incorporating lessons learned from Millennium Challenge '02. The Chairman, Joint Chiefs of Staff (CJCS) stated that he would provide USJFCOM guidance on the development of SJFHQ in the form of a Joint Requirements Oversight Council (JROC) approved operational concept.

The SJFHQ Functional Capabilities Board (FCB) is responsible for developing, resolving, and coordinating the details for Standing Joint Force Headquarters implementation and fielding. The Director, SJFHQ serves as the board's chairman, with combatant command and Service representatives as core members. Efforts have been focused on two key areas:

- Developing the concept to guide USJFCOM efforts in developing the SJFHQ. This effort is complete and is discussed below.

- Facilitating the USJFCOM SJFHQ organizational study. This study focused on developing viable manpower options for the SJFHQ. The C2 FSB has supported this effort though workshops and frequent meetings. Also, J-6 has provided USJFCOM with contractor assistance.

V&V Methodology. In a memorandum dated 2 November 2001, the CJCS provided guidance to USJFCOM concerning SJFHQ development. USJFCOM is currently implementing this guidance through activities listed below. It is envisioned that J6 representatives will be active participants in many of these events. The following are the major milestones for evaluating progress with respect to this measure:

- During FY2002, conduct Millennium Challenge '02 and establish the baseline for the SJFHQ prototype.
- During FY2003, conduct experimentation and finalize DOTMLPF recommendations for the implementation of SJFHQs (i.e., Pinnacle Impact 03).

- During FY2004, develop an SJFHQ model and validate and veriFYDOTMLPF recommendations for the common architectures, Joint TTPs, and SOPs for the SJFHQs.

- During FY2005, support each Regional Combatant Commander in the implementation of an SJFHQ within their region—i.e., Terminal Fury 04 (USPACOM) and Internal Look 05 (USCENTCOM).

Performance Results for FY2000. The first area of concern was the development of the concept to guide USJFCOM efforts in developing the SJFHQ. This effort is complete. On 23 January 2003, the JROC approved the "Joint Force Command and Control Concept to Guide Standing Joint Force Headquarters Development by 2005," which fulfills the Chairman's stated guidance. The concept was developed and staffed throughout most of 2002 with participation from the combatant commands, services and some defense agencies. One recommendation from the above concept is the establishment of a Functional Capability Board (FCB), chaired by USJFCOM, to facilitate SJFHQ implementation. The FCB roles and responsibilities will be delineated in the Chairman, Joint Chiefs of Staff Instruction (CJCSI) 3170.01C, "Joint Capabilities Integration and Development System." USJFCOM is drafting the FCB charter in coordination with this instruction. The Joint Staff, Services, and combatant commands will continue to be involved in SJFHQ development through active participation on this board.

Performance Metric: Monitor the status of defense technology objectives (DTOs)

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Actual	FY2004 Projected Performance
Percentage of DTOs evaluated as progressing satisfactorily toward goals[a]	94	98	96	≥70/98	96	≥70
DTO evaluated in biannual review[b]	159	168	180	163	163	NA
Total number of DTOs[b]	347	327	397	374	404	NA

[a] "Progressing satisfactorily" includes DTO rated as "green" or "yellow."

[b] The number of DTOs evaluated and the total number of DTOs are provided for information only and no targets are established.

Metric Description. Technological superiority has been, and continues to be, a cornerstone of our national military strategy. Technologies such as radar, jet engines, nuclear weapons, night vision, smart weapons, stealth, the Global Positioning System, and vastly more capable information management systems have changed warfare dramatically. Today's technological edge allows us to prevail across the broad spectrum of conflict decisively and with relatively few casualties. Maintaining this technological edge has become even more important as the size of U.S. forces decreases and high-technology weapons are now readily available on the world market. Future warfighting capabilities will be substantially determined by today's investment in science and technology (S&T).

Our S&T investments are focused and guided through a series of defense technology objectives (DTOs) developed by the senior planners working for the Secretary of Defense and the Chairman of the Joint Chiefs of Staff. Each of these objectives highlights a specific technological advancement that will be developed or demonstrated, the anticipated date the technology will be available, the specific benefits that should result from the technological advance, and the funding required (and funding sources) to achieve the new capability. This list of objectives also distinguishes specific milestones to be reached and approaches to be used, quantitative metrics that will indicate progress, and the customers who will benefit when the new technology is eventually fielded. This metric measures the percentage of DTOs that are progressing satisfactorily toward the goals established for them.

V&V Method. Technology Area Review and Assessment (TARA) teams—independent peer review panels composed of approximately six experts in relevant technical fields from U.S. government agencies, private industry, and academia—assess the DTOs for each program every 2 years. The reviews are conducted openly; observation by stakeholders (typically, senior S&T officials, members of the joint staff, and technology customers) is welcomed.

The TARA teams assess the objectives in terms of three factors—budget, schedule, and technical performance—and rate the programs as follows:

- Green—progressing satisfactorily toward goals.
- Yellow—generally progressing satisfactorily, but some aspects of the program are proceeding more slowly than expected.
- Red—doubtful that any of the goals will be attained.

The benefits of these ratings are many. Not only do they reflect the opinions of independent experts, but also they are accepted and endorsed by stakeholders. These reviews result, and will continue to result, in near real-time adjustments being made to program plans and budgets based on the ratings awarded.

Performance Results for FY2002. The Department met both its FY2002 and FY2003 performance targets for DTOs. No shortfall is projected for FY2004. Although actual performance continues well above target, the target will be maintained at 70% due to the inherent high risk of failure in technology development.

Performance Metric: Develop metrics to support acquisition excellence goals

Goals	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Actual	FY2003 Target/Actual	FY2004 Projected Performance
Achieve credibility and effectiveness	NA	NA	NA	All MDAPS funded at CAIG estimate	All MDAPs funded at CAIG estimate; develop new DoD 5000 guidance	All MDAPs funded at CAIG estimate
Revitalize AT&L workforce	NA	NA	NA	More flexibility in hiring for managers; continue Acquisition Workforce Demonstration	More flexibility in hiring for managers; continue Acquisition Workforce Demonstration	More flexibility in hiring for managers; continue Transition from Acquisition Workforce Demonstration to Best Practices Demonstration Project
Improve industrial base	NA	NA	NA	Price-based acquisition policy implemented	Continue efforts to improve competition, strengthen industrial base	Continue efforts to improve competition, strengthen industrial base
Rationalize weapon systems	NA	NA	NA	Submitted BRAC legislative proposal	Continue BRAC planning	BRAC 2005 selection criteria
Initiate high leverage technologies	NA	NA	NA	Initiated 15 ACTDs	Plan to initiate 16 ACTDs	New starts TBD

Metric Description. The focus of the Department in the area of acquisition, technology and logistics has changed from one of "reform" to "excellence." "Excellence" stresses making the current system function better and then institutionalizing the improved process. AT&L faces many challenges in identifying, retailoring, and institutionalizing the system's strengths to perform better. For the future, AT&L has five goals:

1. Achieve credibility and effectiveness in the acquisition and logistics support process.
2. Revitalize the quality and morale of the DoD AT&L workforce.
3. Improve the health of the defense industrial base.
4. Rationalize the weapon systems and infrastructure with defense strategy.
5. Initiate high-leverage technologies to create the warfighting capabilities, systems, and strategies of the future.

V&V Method. Reviews and reporting occur periodically (monthly, annually, or as appropriate) to describe efforts on the five AT&L goals. The goals serve to focus daily efforts of the Office of the Secretary of Defense and Component acquisition, technology, and logistics staffs.

Performance Results for FY2002. The following are examples of accomplishments over the past year:

- Goal 1:
    - The Department adopted a "full program funding" policy. The Department is committed to properly pricing programs up front.
    - The Department discontinued the Navy Area Wide program, which sent the message that it is no longer business as usual. From now on, programs must perform to survive. An important result was the improvement in resource allocation in the missile defense program.
- Goal 2:
    - The Department created greater flexibility in hiring for our managers.
- Goal 3:
    - The Department embraced the principle of "price-based acquisition," in which the government pays a fair market price for products, whenever possible. By doing so, smaller companies will be encouraged to compete for defense work.
    - The Department no longer expects contractors to invest their own funds in defense research and development contracts to cover shortfalls in government funding. This past practice was harmful to the bottom lines of defense contractors, and discouraged small companies from competing for contracts.
- Goal 4:
    - The Department developed legislation (for another Base Realignment and Closure round) and submitted it to Congress to rationalize DoD infrastructure.
- Goal 5:
    - The Department developed and pursued program and budget issues to boost S&T funding.

The accomplishments over the past year have three common threads: they are designed to level the playing field for all contractors; they are designed to improve the fiscal health of the defense industry by allowing them the chance to improve their return for good performance; and they are designed to enhance competition, which is paramount in the Department's goal of a healthy industrial base.

Performance Metric: Reduce percentage of DoD budget spent on infrastructure (lagged indicator)

Metric	FY1998 Actual	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Projection	FY2003 Projection
Percentage of DoD budget spent on infrastructure	46	45	47	46	44	42
Note: This is a lagged indicator. Projections are based on the FY2004 President's budget Future Years Defense Program.						

Metric Description. The share of the defense budget devoted to infrastructure is one of the principal measures the Department uses to gauge progress toward achieving its infrastructure reduction goals. A downward trend in this metric indicates that the balance is shifting toward less infrastructure and more mission programs. In tracking annual resource allocations, we use mission and infrastructure definitions that support macro-level comparisons of DoD resources. The definitions are based on the 2001 Quadrennial Defense Review (QDR), the Future Years Defense Program (FYDP), and a soon-to-be-published Institute for Defense Analyses report (*DoD Force and Infrastructure Categories: A FYDP-Based Conceptual Model of Department of Defense Programs and Resources*) prepared for the Office of the Secretary of Defense. The definitions are consistent with the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (P.L. 99-433). This act requires that combat units, and their organic support, be routinely assigned to the combatant commanders and that the Military Departments retain the activities that create and sustain those forces. This feature of U.S. law provides the demarcation line between forces (military units assigned to combatant commanders) and infrastructure (activities retained by the Military Departments). In addition to more precisely distinguishing forces from infrastructure, the force subcategories have been updated to reflect current operational concepts. The infrastructure subcategories, likewise, have been updated and streamlined.

V&V Method. The Department updates the percentage of the budget spent on infrastructure each time the President's budget FYDP database is revised. The Institute for Defense Analyses reviews and normalizes the data to adjust for the effect of definitional changes in the database that mask true content changes. Prior-year data are normalized to permit accurate comparisons with current-year data. Because of these adjustments, there may be slight shifts upward or downward in the targets established for past-year infrastructure expenditures.

Performance Results for FY2002. The Department estimates that we will have allocated about 44% of total obligational authority to infrastructure activities in FY2002, down from about 46% in the preceding year. The efficiencies achieved result from initiatives in the QDR and Defense Reform Initiatives, including savings from previous base realignment and closure rounds, strategic and competitive sourcing initiatives, and privatization and reengineering efforts. The Department expects to continue making progress toward reducing its expenditures on infrastructure as a share of the defense budget in FY2003.

Mission and Infrastructure Categories Used for Tracking the Portion of the DoD Budget Spent on Infrastructure
Mission Categories
Expeditionary forces. Operating forces designed primarily for non-nuclear operations outside the United States. Includes combat units (and their organic support) such as divisions, tactical aircraft squadrons, and aircraft carriers.
Deterrence and Protection Forces. Operating forces designed primarily to deter or defeat direct attacks on the United States and its territories. Also includes agencies engaged in U.S. international policy activities under the direct supervision of the Office of the Secretary of Defense.
Other forces. Includes most intelligence, space, and combat-related command, control, and communications programs, such as cryptologic activities, satellite communications, and airborne command posts.
Infrastructure Categories
Force installations. Installations at which combat units are based. Includes the Services and organizations at these installations necessary to house and sustain the units and support their daily operations. Also includes programs to sustain, restore, and modernize buildings at the installations and protect the environment.
Communications and information infrastructure. Programs that provide secure information distribution, processing, storage, and display. Major elements include long-haul communication systems, base computing systems, Defense Enterprise Computing Centers and detachments, and information assurance programs.
Science and technology program. The program of scientific research and experimentation within the Department of Defense that seeks to advance fundamental science relevant to military needs and determine if the results can successfully be applied to military use.
Acquisition. Activities that develop, test, evaluate, and manage the acquisition of military equipment and supporting systems. These activities also provide technical oversight throughout a system's useful life.
Central logistics. Programs that provide supplies, depot-level maintenance of military equipment and supporting systems, transportation of material, and other products and services to customers throughout DoD.
Defense health program. Medical infrastructure and systems, managed by the Assistant Secretary of Defense for Health Affairs, that provide health care to military personnel, dependents, and retirees.
Central personnel administration. Programs that acquire and administer the DoD workforce. Includes acquisition of new DoD personnel, station assignments, provisions of the appropriate number of skilled people for each career field, and miscellaneous personnel management support functions, such as personnel transient and holding accounts.
Central personnel benefit programs. Programs that provide benefits to Service members. Includes family housing programs; commissaries and military exchanges; dependent schools in the United States and abroad; community, youth, and family centers; child development activities; off-duty and voluntary education programs; and a variety of ceremonial and morale-boosting activities.
Central training. Programs that provide formal training to personnel at central locations away from their duty stations (non-unit training). Includes training of new personnel, officer training and Service academies, aviation and flight training, and military professional and skill training. Also includes miscellaneous other training-related support functions.
Departmental management. Headquarters whose primary mission is to manage the overall programs and operations of DoD and its Components. Includes administrative, force, and international management headquarters, and defense-wide support activities that are centrally managed. Excludes headquarters elements exercising operational command (which are assigned to the "other forces" category) and management headquarters associated with other infrastructure categories.
Other infrastructure. Programs that do not fit well into other categories. They include programs that (1) provide management, basing, and operating support for DoD intelligence activities; (2) conduct navigation, meteorological, and oceanographic activities; (3) manage and upgrade DoD-operated air traffic control activities; (4) support warfighting, war-gaming, battle centers, and major modeling and simulation programs; (5) conduct medical contingency preparedness activities not part of the defense health program; and (6) fund joint exercises sponsored by the Commanders in Chief (CINCs) or JCS directed. Also included in this category are centralized resource adjustments that are not allocated among the programs affected (e.g., foreign currency fluctuations, commissary resale stocks, and force structure deviations).

DoD Total Obligational Authority by Mission and Infrastructure Category (FY2003 $ Billion)				
Category	FY1998	FY1999	FY2000	FY2001
Mission				
Expeditionary forces	124	127	129	135
Homeland defense	7	8	8	9
Other forces	29	30	29	31
Subtotal	160	166	166	175
Infrastructure				
Force installations	20	21	23	23
Communications and information infrastructure	4	4	4	5
Science and technology program	9	8	9	9
Acquisition	8	8	9	9
Central logistics	17	17	20	18
Defense health program	19	18	19	22
Central personnel administration	10	9	10	10
Central personnel benefits programs	8	8	8	8
Central training	24	24	25	25
Departmental management	15	16	15	15
Other infrastructure	3	3	4	4
Subtotal	136	138	145	148
Total	295	304	311	323
Infrastructure as a percentage of total obligational authority	46%	45%	47%	46%

Performance Metric: Fund to a 67-year recapitalization rate by 2007

Metrics	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target/ Projected Performance	FY2004 Target/ Projected Performance
Facilities recapitalization metric–FRM (years)	(~200)	(~200)	192	67/101	67/136 [a]	67/136[a]
Facilities sustainment model–FSM (percent)	(~80)	78[b]	70[b]	NA/89	100/94	100/94[a]

[a] Three defense agencies included in FY2004 but excluded in previous years.

[b] FSM did not exist in FY2000 and FY2001; these are estimates. Source: DoD Financial Statement, Required Supplemental Information.

Metric Description. The facilities recapitalization metric (FRM) is a performance indicator that measures the rate at which an inventory of facilities is being recapitalized. The term "recapitalization" means to restore or modernize facilities. Recapitalization may (or may not) involve total replacement of individual facilities; recapitalization often occurs incrementally over time without a complete replacement.

The performance goal for FRM equals the average expected service life (ESL) of the facilities inventory (estimated to be 67 years, based on benchmarks developed by a panel of Defense engineers in 1997). The ESL, in turn, is a function of facilities sustainment. "Sustainment" means routine maintenance and repair necessary to achieve the ESL. To compute a normal ESL, full sustainment levels must be assumed. A reduced ESL results from less than full sustainment. For this reason, the metrics for facilities recapitalization and facilities sustainment are unavoidably linked and should be considered together.

Sustainment levels required to achieve a normal ESL are benchmarked to commercial per unit costs; for example, $1.94 per square foot annually is needed to properly sustain the aircraft maintenance hangar inventory for a 50-year life cycle. The facilities sustainment model (FSM) adjusts these costs to local areas and assigns the costs to DoD Components and funding sources.

The recapitalization rate—measured by FRM in years—is compared to service life benchmarks for various types of facilities. For example, the ESL of a pier is 75 years, and the ESL of a dental clinic is 50 years (provided the facilities are fully sustained during that time). The average of all the ESL benchmarks, weighted by the value of the facilities represented by each benchmark, is 67 years. Weighting is required to normalize the ESL. For example, without weighting, 50 years is the ESL of a hypothetical inventory consisting of administrative buildings (75-year ESL) and fences (25-year ESL). But fences are insignificant compared to administrative buildings—DoD has $22 billion worth of administrative buildings, but only $3 billion worth of fences and related structures—and should not have equal weight. The ESL of this hypothetical inventory when weighted by plant replacement value is 68 years, not 50 years.

For evaluating planned performance, both metrics (FSM and FRM) are converted to dollars (annual funding requirements) and compared to funded programs in the DoD Future Years Defense Program (FYDP). Both metrics can also be used to measure executed performance.

V&V Method. Recapitalization rates are computed according to set procedures for transmitting program and budget data to the Office of the Secretary of Defense (maintained by the Program, Analysis and Evaluation Directorate of the Office of the Secretary of Defense) and set rules as described in the August 2002 document, *Facilities Recapitalization Front End Assessment*. Data collection procedures are quite complex and are derived from multiple sources to include several hundred FYDP program elements, multiple funding appropriations and resources from outside DoD, and hundreds of thousands of real property records. The various data elements are summarized and merged in the Defense Programming Database (DPD) Warehouse, where the recapitalization rate is computed from the data. All the data submitted to the DPD Warehouse are audited for accuracy by multiple DoD offices. The benchmark for the DoD average recapitalization rate goal (67 years) is based on service life benchmarks developed by DoD in 1997.

Sustainment rates are computed in a similar manner. Approximately 400 benchmarks for sustainment are contained in the DoD Facilities Cost Factor Handbook and are each documented for source and estimated quality. These individual cost factors are combined with real property inventory databases by the DoD FSM, which is maintained under contract by R&K Engineering of Roanoke, VA. FSM outputs are merged with programming and budget data contained in the DoD FYDP; merging is done in the DPD Warehouse, where sustainment rates are computed.

Performance Results for FY2002. Shortfalls in facilities recapitalization (and associated sustainment) were considered in development of the amended FY2002 and FY2003 budgets. Although performance as measured by the budgeted recapitalization and sustainment rates improved from FY2001 levels, the targets (67-year recapitalization rate and full sustainment) were not achieved in either budget. As a result of not achieving full sustainment levels, the theoretical service life of the inventories (67 years) suffered another incremental reduction. As a result of not achieving a 67-year recapitalization rate, obsolescence in the facilities inventories increased incrementally. The cumulative and compounding effect of these shortfalls is measured by the number of C-3 and C-4 facilities reported in the Department's readiness reports (68% of facility classes are reported as having serious deficiencies that adversely impact mission performance).

Because of the way these metrics are constructed, the underperforming results of FY2002 and FY2003 do not directly affect the sustainment and recapitalization performance targets for FY2004. The goal for sustainment remains full sustainment; a 7% shortfall in programmed sustainment in FY2003 cannot be offset with 7% overage in FY2004. The interim goal for recapitalization remains 67 years, even though past performance has already reduced the service life of the facilities inventory. The direct effect of undersustainment and underrecapitalization is captured in the *accelerated recapitalization rate* that is required to restore readiness to at least C-2 status by 2010.

Performance Metric: Eliminate inadequate family housing by 2007

Metric	FY1999 Actual[a]	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Projected Performance	FY2004 Projected Performance
Number of inadequate family housing units	169,071	182,246	170,314	NA[c]/143,608	111,584[c]	87,825[c]
Percentage of total family housing units	68.2%	60.9%	58.5%	NA[c]/53.4%	[b]	[b]

[a] Navy did not collect this data for FY1999 and prior years; therefore this figure represents only the Army, Marine Corps, and Air Force data.

[b] Targets or Projected Performance are not established for the Percentage of total family housing units.

[c] Interim targets have not been established because housing privatization negotiations often change the scope of projects, making targets impractical.

Metric Description. The Secretary of Defense has established a goal to eliminate all inadequate family housing by the end of FY2007. Each Military Service has developed a Family Housing Master Plan that outlines the approach it will follow to achieve this long-term goal. These plans identiFYthe program requirements, by year, to eliminate inadequate family housing by FY2007.

Inadequate housing, in general, is any unit that requires a major repair, component upgrade, component replacement, or total upgrade. Each Service has evaluated its housing and identified inadequate units. Each Service has then developed a plan to eliminate this inadequate housing through a combination of traditional military construction, operations and maintenance support, and privatization.

V&V Method. Information was gathered directly from the Military Departments and supported in their Family Housing Master Plans, which are submitted annually to the Deputy Under Secretary of Defense (Installations and Environment). These master plans provide detailed information, by installation, on the Service's ability to achieve the 2007 family housing goal.

Performance Results for FY2002. The Department reduced inadequate family housing by 27,000 units through revitalization, demolition, and privatization. Interim targets have not been established because housing privatization negotiations often change the scope of projects, making targets impractical. Further, the housing privatization process takes over a year to complete, and during this time, varying economic conditions and financial arrangements between prospective contractors and their financial lenders can change. This would cancel a project and return inadequate inventory to the fiscal year, thereby skewing targets.

Performance Metric: Reduce Major Defense Acquisition Program (MDAP) acquisition cycle time (months)

Acquisition Cycle Time	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Projected Performance
Acquisition cycle time (for new starts from FY1992 through FY2001) (months)	94	N/A[a]	102	<99/103	<99	<99
Acquisition cycle time (for new starts after FY2001) (months)	N/A	N/A	N/A	N/A	<66	<66

Note: All previous metric submissions were based on September Selected Acquisition Reports (SAR). This metric now uses the December SAR.

[a] The December SAR, which reflects the President's budget, is used for calculating acquisition cycle time. Because the current administration did not include a Future Years Defense Program in the submission of the President's budget for FY2002, there were no December SARS.

Metric Description. Acquisition cycle time is the elapsed time, in months, from program initiation—when the Department makes a commitment to develop and produce a weapon system—until the system attains initial operational capability (IOC). This metric measures the average cycle time across all Major Defense Acquisition Programs (MDAPs). During the 1960s, a typical acquisition took 7 years (84 months) to complete. By 1996, a similar acquisition required 11 years (132 months) from program start to IOC. To reverse this trend, DoD established an objective to reduce the average acquisition cycle time for MDAPs started since 1992 to less than 99 months, a reduction of 25 %. We achieved that initial objective. We did so through rapid acquisition with demonstrated technology, time-phased requirements and evolutionary development, and integrated test and evaluation. To continue that improvement, the Department will seek to reduce the average cycle time to less than 66 months for all MDAPs started after FY2001. To achieve that objective, the Department is introducing improvements to development and production schedules similar to those it initiated for managing system performance and cost. Rapid development and fielding of weapon systems—leveraging new technologies faster—will enable U.S. forces to stay ahead of potential adversaries.

V&V Method. The key measure for this objective is the average elapsed time from program start to IOC, measured in months. Average acquisition cycle time is computed using schedule estimates from Selected Acquisition Reports (SARs). The Department also monitors MDAPs through the Defense Acquisition Executive Summary reporting system and the Defense Acquisition Board review process. In FY1998, the Department began to evaluate cycle times of new MDAPs (as well as schedule changes for ongoing programs) during its annual program and budgeting process. There are 42 MDAPs in the post-FY1992 calculation of the FY2001 actual.

Performance Results for FY2002. The Department saw a minor increase in average acquisition cycle time for FY2002. Several programs were examined and then restructured with improved cost and schedule estimates. Although only a few programs have been restructured, the extensions have affected the average acquisition cycle time. The averaging nature of this measure means that dramatic improvements would be required in individual programs during FY2003 to reduce the average.

Performance Metric: Reduce Major Defense Acquisition Program (MDAP) annual rate of acquisition cost growth (percentage)

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Projected Performance
Reduce annual rate of acquisition cost growth	+2.9	N/A[a]	+14.9[a]	Downward trend toward 0%/+7.4	Downward trend toward 0%	0%

[a] The December Selected Acquisition Report (SAR), which reflects the President's budget, is used for calculating acquisition cost growth. Because the current administration did not include a FYDP in the submission of the President's Budget for FY2002, there were no December SARs. Thus, the FY2001 actual reflects acquisition cost growth for a two-year period (FY2000 and FY2001).

Metric Description. Acquisition cost growth measures the difference between the acquisition costs in the current-year's President's budget and the previous-year's budget, divided by the acquisition costs for the previous-year's budget, expressed as a percentage. The population is all Major Defense Acquisition Programs (MDAPs) common to both current-year and previous-year budgets. A dollar-weighted average is calculated for the common MDAPs and adjusted for changes in quantity or inflation. Acquisition cost growth can occur for various reasons, including technical risk, schedule slips, programmatic changes, or overly optimistic cost estimates. Our reform initiatives seek to reduce cost growth from all sources, providing an output target for procurement managers of individual systems, as well as for the aggregate procurement programs of the individual Services. The objective is to be on a downward trend by the end of FY2003 toward an ultimate goal of no acquisition cost growth. Managerial responses are expected to include both specific cost-control initiatives and process changes.

V&V Method. Data on acquisition cost growth for MDAPs are collected from Selected Acquisition Reports (SARs), which are published by the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. SARs and the underlying data, which are maintained in the Consolidated Acquisition Reporting System (CARS), are used to veriFYand validate the measured values. There are no known SAR data deficiencies. The December SAR, which reflects the next President's budget, is used for calculating cost growth for the previous fiscal year. If annual acquisition cost growth does not decrease, the SARs provide data useful in isolating specific causes. The DoD interim guidance on the defense acquisition system requires SARs to be submitted for MDAPs.

Performance Results for FY2002. The FY2002 actual of 7.4% (based on preliminary FY2004 budget data) meets the FY2002 target of a downward trend toward no cost growth. The actual performance results for FY2003 will not be available until release of the December 2003 SAR in April 2004.

Performance Metric: Reduce Customer wait time (days)

Metric	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Target/Actual	FY2003 Target	FY2004 Projected Performance
Customer Wait time (days)	NA[a]	NA[a]	18	17/16	16	15
[a] Reporting of CWT did not begin until FY2001.						

Metric Description. Customer Wait Time (CWT) measures the elapsed time from order to receipt when a customer orders an item of material. The customer's order may be filled from assets on hand at the customer's military installation or naval vessel, or through the DoD wholesale logistics system. For purposes of this Enterprise Level Metric, CWT includes orders for spare and repair parts ordered by organizational maintenance activities. CWT captured for orders considered below enterprise level are maintained by each of the Military Services and the Defense Logistics Agency.

V&V Method. Data on transaction volume and order-receipt times are collected monthly from various Military Service systems. The Military Services roll the inputs from their respective systems into a single Service report in spreadsheet format that they submit to the Defense Automatic Addressing System (DAAS). DAAS then calculates a weighted average (based on the relative volume of transactions) for the entire DoD, which is the figure reported above. All Military Service inputs are based on an agreed-upon set of business rules. This methodology helps to ensure consistent treatment of data and valid comparisons across DoD Components.

Performance Results for FY2002. Reporting of CWT began in FY2001. The DoD set a reduction target of one day per year for FY2002, FY2003, and FY2004 from the baseline of FY2001 actual data. FY2002 actual of 16 days exceeded the target of 17 days.

Performance Metric: Provide explicit guidance for budget and performance integration

Metric Description. Consistent with the President's Management Agenda (PMA) initiative to integrate budget and performance, the Department is adopting a DoD-wide approach to establishing performance outputs and tracking performance results. The Deputy Secretary of Defense, in Management Initiative Decision (MID) 910, "Budget and Performance Integration Initiative," December 20, 2002, informs the DoD Components that beginning in February 2003, each Component will be graded on its status and progress in:

- displaying the linkage of plans, outputs, and resources in budget justification materials;
- expanding the treatment of metrics in the FY2004 congressional justification materials; and
- establishing a quarterly system of reporting on progress made toward achieving goals.

MID 910 directs the Components to associate performance metrics with at least 20% of the resources requested in their FY2004 congressional justification. This requirement increases to 60% for the FY2005 budget, 80% for the FY2006 budget, and 100% for the FY2007 and beyond budgets. The Department will reiterate the guidance in the annual Budget Justification Book Material data call in the outyears.

V&V Method. The following outlines the development and publication of the guidance that has lead to the accomplishment of this outcome:

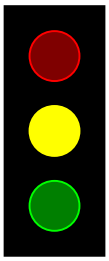
- Develop MID 910—October 2002
- Complete formal coordination of MID—November 2002
- Obtain signoff of final MID by the Deputy Secretary of Defense—December 20, 2002
- Develop guidance for inclusion in the FY2004/2005 Budget Justification Book Material data call—December 2002
- Publish Budget Justification Book Material data call—July 2003
- Reiterate guidance for outyear data calls—annually

Performance Results for FY2003. The objective to provide explicit guidance for budget and performance integration to the DoD Components was accomplished in December 2002 with the promulgation of MID 910. Guidance also has been provided in the annual Budget Justification Book Material data call. No further reporting of this metric is necessary. The Office of Management and Budget upgraded the PMA status (budget/performance integration) rating to yellow based on the improved linking of performance and budget information.

Thus, the Department's progress toward transformation is best measured by observing the number and character of activities that are leading the defense community to fundamentally new relationships, and thus to "transformed" capabilities.

The Secretary's performance priority for future challenges risk in FY 2004 are *Enhance Joint Warfighting, Transform the Joint Force,* and *Global Engagement.*

DRIVE INNOVATIVE JOINT OPERATIONS



Fashioning joint operating concepts to guide the conduct of joint operations is our leading priority for transformation. Over the past year, the military departments have each proposed their individual models of how they would prefer to fight. We are now seeking to integrate these perspectives into an overarching concept for the employment of the joint force.

Although these new concepts are not yet complete, the budget proposals for each of the military services anticipate the need to be ready to act on new joint warfare concepts as they are adopted.

For example, since 2002, the Army has terminated 24 systems, reduced or restructured another 24, and shifted almost $14 billion into the development of its Future Combat System.

Over the same time, the Navy will have retired 26 ships that could have otherwise been modernized or had their service lives extended, and instead invested in a new littoral combat ship, a new cruiser, a new destroyer, a new helicopter-deck ship, and a new prepositioning ship—and began designing a next-generation aircraft carrier.

The Air Force will retire 114 fighter and 115 mobility and tanker aircraft, and consolidate operations among its squadrons. Additionally, the Air Force will enhance weapon systems in the inventory and field new systems, such as unmanned aerial vehicles.

Looking towards the future, the Marine Corps is considering hypersonic suborbital assault transport capabilities for projection of strategic capabilities anywhere on the globe within two hours. Capabilities may span the spectrum from material payloads to

Marines on the ground. This Joint concept envisions a family of capabilities of utility not just to Marines, but also to Special Operations Forces and Air Force's National Security Space Missions.

Maintained Balanced and Focused Science and Technology

Science and technology funds are those defense dollars spent on basic research, applied research, and advanced technology development. Often called the "seed corn" of military technology, basic research is the systematic study of fundamental aspects of science without any specific application, such as a weapon system, in mind. Applied research translates promising basic research into solutions for broadly defined military needs by exploring ways to design, develop, or improve prototype devices, materials, or systems. Advanced technology is the last step in the process, demonstrating how a new idea can increase military capabilities—or reduce costs—when applied to different types of military equipment or techniques.

Over the next six years, we intend to increase spending for research and development by 65 percent above the 2002 baseline budget—a total investment of around $150 billion annually and a 10 percent increase as a percentage of the overall investment budget.

Experiment With New Warfare Concepts

In November 2002, the Chairman of the Joint Chiefs of Staff issued his goals for developing and testing new joint warfare concepts. This January, the Commander of the Joint Forces Command in Norfolk, VA completed the first draft of his 6-year plan to accomplish those goals.

The Joint Experimentation Campaign Plan describes how research into new concepts and operational architectures will be developed and tested, and how training exercises and experiments will be used to evaluate the usefulness of new concepts in each of the following areas:

• Effects Based Operations • Rapid Decisive Operations • Force Projection • Information Operations	• Operational Net Assessment • Joint Interagency Coordination Group • Joint Fires Initiative	• Collaborative Information Environment • Information Sharing (Coalition) • Joint Tactical Actions • Joint Urban Operations

Although the plan is highly decentralized—relying on many smaller-scale experiments conducted by all players—it tracks the expected manpower and funding to be invested each year, and lists the deliverables (exercises event, concept document).

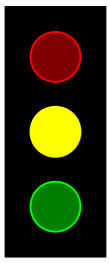
We are exploring concepts developed both inside and outside of the Department—any new idea that could improve how we command and control joint forces across the battle space in cities or jungles, mountains or forests, in the littoral and at sea, and in space. The plan gives special emphasis to events planned during FY 2004 and 2005.

The Joint Experimentation Campaign Plan is just a first step. Our goal is to set in motion a process of *continual transformation*, and a culture that will keep the United States several steps ahead of any potential adversaries. As such, we will review and revise our campaign plan periodically:

	First Release	Update/Revise
Secretary's Guidance	September 2003	Biennially
Joint Experimentation Campaign Plan	December 2003	Biennially
Joint Requirements Oversight Council Review[1]	December 2004	Biennially

[1] The Joint Requirements Oversight Council (JROC) comprises the vice chiefs of staff of each military service, and is chaired by the Vice Chairman of the Joint Chiefs of Staff. The JROC reviews all potential defense acquisition and special interest programs to avoid duplication of new programs with existing programs, and to foster the use of interoperable joint programs.

DEVELOP MORE EFFECTIVE ORGANIZATIONS



As our culture changes, our focus shifts to enabling what we call joint operations—the ability of our land, sea, air, and space forces to be combined under the control of a single combatant commander and used in ways that are most appropriate to achieving the objectives of the campaign that he has laid out.

Accordingly, over the past two years we have modified our command structures dramatically, adding a combatant command for the United States called Northern Command and merging our Space Command with Strategic Command to make use of the new instruments of strategic power. We also have given the Special Operations Command a new lead role in shaping combat concepts and operations, adding almost 2,000 personnel to its ranks.

Strengthen Joint Operations

It is not enough to say we want to fight joint—we have to train joint, too. Accordingly, we are dedicating a substantial amount of funding to enable joint training. Much of this training will be "virtual," leveraging the most modern modeling and simulation tools. At the same time, the Army, Navy, Marine Corps, and Air Force are all rethinking their own service training to make it friendly to the joint operational environment.

ESTABLISH A STANDING JOINT FORCE HEADQUARTERS

The concept of organizing forces under a joint task force commander has been used to great effect since the Gulf War of 1990. However, each time we respond to a crisis, we must create these joint organizations from scratch, siphoning people and equipment from other commands—and when the emergency is over, these high-functioning units disband.

Two years ago we took steps to create permanent joint headquarters for each of our combatant commands worldwide. These headquarters would be equipped with the most capable command, control, computers, communications, intelligence, and surveillance assets we have available. The permanent staff would be trained to a common standard and be expert about how joint forces function in

battle. Accordingly, our model concept for a Standing Joint Force Headquarters (SJFHQ) will be ready for testing by the end of FY 2004, with the goal of fielding the model globally to regional commands during FY 2005.

Establish baseline	Test prototype during Millennium Challenge 2002 (a major joint force exercise)	2002
Issue guidance	Publish "Joint Force Command and Control Concept to Guide Standing Joint Force Headquarters Development by 2005"	JAN 2003
Establish oversight	Update Chairman, Joint Chiefs of Staff Instruction (CJCSI) 3170.C, "Joint Capabilities Integration and Development System," draft charter	FY 2003
Develop staffing options	Complete SJFHQ Organization Study	FY 2003
	Conduct Pinnacle Impact 03 and related experiments to finalize Doctrine Organization Training Materiel Leadership Personnel and Facility (DOTMLPF)	
Validate & verify options	Continue experiments for each regional combatant commander	FY 2003
	U.S. Forces Pacific: Terminal Fury	FY 2005
	U.S. Forces Central Command: Internal Look	FY 2005

ESTABLISH A GLOBAL JOINT PRESENCE POLICY

To better manage how we use air, land, sea, and space assets across service lines—and to improve coordination in the readiness and tempo of operations of all U.S. forces—we will establish steady-state levels of air, land, and naval presence in critical regions around the world. By matching our stationing and deployment policies to specific operational tasks, we will improve the capability and flexibility of U.S. forward-stationed forces and better control force management risks.

Our inaugural Global Joint Presence Policy was issued in the summer of 2003.

Enhance Homeland Defense and Consequence Management

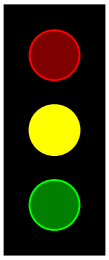
In January 2002, the Vice Chairman of the Joint Chiefs of Staff, working with the vice chiefs of the military services and the Assistant Commandant of the Marine Corps, chartered a major

study of the Department's ability to perform homeland defense missions.

Using the consolidated list of all major military tasks as a baseline, the team identified 151 operational tasks related to homeland defense missions that would contribute to homeland security, and 32 associated deficiencies considered serious enough to warrant immediate remedial action.

Drawing on the results of this effort, the Joint Staff and the Commander, U.S. Northern Command, in cooperation with other federal agencies including the Department of Homeland Security, the Federal Bureau of Investigation, and the Transportations Security Administration, are refining an operational concept and architecture for identifying and evaluating homeland defense missions.

DEFINE AND DEVELOP TRANSFORMATIONAL CAPABILITIES



The dramatic transformation of America's strategic environment demands an equally dramatic transformation in how we prepare the force. Our emphasis must shift from deliberate planning to time-sensitive planning, from permanent organizations to *dynamic* organizations, and from hierarchical institutions to modular force packages. Accordingly, how we train must transform.

Today's trainers must prepare the force to learn, improvise, and adapt rather than to merely execute fixed doctrine to standards. We must define and then develop dynamic capabilities-based training across the full spectrum of service, joint, interagency, intergovernmental, and multinational operations.

The long-term goals of training transformation are to:

- Improve readiness and align military capabilities with the needs of the combatant commanders.
- Develop individuals and organizations that think intuitively as joint entities.

- Develop individuals and organizations that instinctively adapt their response to a constantly changing threat.

- Achieve adaptation by unifying diverse means.

Achieving these objectives begins with changing the way people think and the way organizations operate. We must create, impart, and apply knowledge, individually and collectively, via learning, education, and training, respectively. The new strategic environment requires orchestration of this wider diversity of means and a broader, more inclusive definition of "jointness."

Accordingly, the training transformation implementation plan (www.t2net.org), signed by the Deputy Secretary on June 10, 2003, provides a road map to developing and fielding dynamic, capabilities-based training to Active and Reserve components; federal, state, and local agencies; and our international security partners, including nongovernmental organizations. This roadmap is framed around three key initiatives: the Joint Knowledge Development and Distribution Capability, the Joint National Training Capability, and the Joint Assessment and Enabling Capability.

Joint Knowledge Development and Distribution Capability

If we are to structure and employ forces in ways that will meet our strategic objectives, our forces must become multi-skilled and multidimensional—they must intuitively "think" joint. This means each civilian and military member of the force must understand the principles of joint operational art and "see" the battlespace through the lens of a common operating picture. This will allow them to apply knowledge collected from across the force and transform it into combat power that is able to surprise and overcome an aggressor.

The Joint Knowledge Development and Distribution Capability (JKDDC) initiative is intended to leverage state-of-the-art distribution processes to access knowledge—in the form of education, learning, training, and human expertise—via a net-centric, knowledge-based, joint architecture that is interoperable with the joint training system. Thus, education and training

resources will be available anytime, anywhere. It also will allow on-scene commanders, first responders, and others to seek real-time advice from subject-matter experts in the areas of language, culture, science, strategy, and planning working at military war colleges, universities, or other resource sites across the globe.

Major JKDDC Milestones	
2003	Establish a joint management office Stand up an Advisory Group Align ongoing initiatives for joint distributed learning
2004	Launch an initial web-based curriculum for joint military leader development
2005	Provide an initial web-based delivery of joint individual education and training resources
2009	Transition initial joint education and training prototype efforts to international coalition partners, international organizations, and nongovernmental organizations

Joint National Training Capability

Building on the training transformation of the 1970s, the Joint National Training Capability (JNTC) will provide an environment for realistic joint exercises against aggressive, free-playing opposing forces, with credible feedback. This integrating environment will provide:

- *Improved Horizontal Training* that builds on existing service interoperability training
- *Improved Vertical Training* that links component and joint command and staff planning and execution
- *Integration Exercises* that enhance existing joint exercises to address joint interoperability training in a joint context
- *Functional Training* that provides a dedicated joint training environment for functional warfighting and complex joint tasks

The JNTC will enable active and reserve component forces from all services, located at widely dispersed training sites around the globe, to train together on a 24-hour basis, while linked to real-world command and control systems.

JNTC can be used to train forces against a general threat, to conduct mission rehearsal against a specific threat, or to experiment with new doctrine, tactics, techniques, procedures, joint operational concepts, and equipment. By providing the means to represent large tactical forces via simulation, JNTC can present a range of realistic training to battle staffs from joint headquarters, component headquarters, and service tactical headquarters. Over time, JNTC will evolve to encompass a larger training audience, including coalition partners and federal, state, local, and nongovernmental agencies.

Major JNTC Milestones	
2004	Initial Operating Capability
2005	Provide joint context with command, control, communications, computer, intelligence, surveillance, and reconnaissance to major service training events and to joint command and staff training events Create an initial Web-based delivery capability for operational planning and mission rehearsal Create an initial Web-based delivery capability for operational planning and mission rehearsal Use the joint training system to link lessons learned from military operations, joint training, experimentation, and testing to the development and assessment of joint operational capabilities
2007	Assess all joint training tasks biannually in a joint context in selected joint exercises Conduct specifically-designed major transformation events with complex tasks in a joint context to assess systematically the joint operational capabilities Conduct a multinational JNTC event Demonstrate a deployable JNTC, and mission rehearsal capabilities
2009	Train joint forces to conduct operations in key transformation mission areas Conduct and analyze joint and interoperability training with lessons learned leading to improvements across the spectrum of doctrine, organization, training, materiel, leadership, personnel, and facilities Establish fully-trained SJFHQ with functional components

Joint Assessment and Enabling Capability

The Joint Assessment and Enabling Capability (JAEC) initiative will help us systematically assess training transformation plans, programs, and investments across the Department, allowing us to continuously monitor how joint force readiness is improving. These

assessments will guide the rapid spiral development of the JKDDC and the JNTC initiatives.

Major JAEC Milestones	
2004	Develop a performance assessment architecture Create an initial web-based joint lessons learned network for defense users
2005	Develop standard training transformation metrics Produce an initial block assessment report Track joint education, training, and experience of all defense personnel
2006	Link joint training to the Defense Readiness Reporting System network
2007	Ensure that all DoD forces are trained prior to and during deployment Ensure that all joint training and exercises in support of combatant commander requirements are measured and reported

Joint Force Experimentation

The Commander, U.S. Joint Forces Command is in charge of integrating the objectives of each transformation plan into a series of deliberate exercises, experiments, and demonstration. The goal is to discover future concepts for joint warfighting by bringing together the best ideas of the individual services and the skill and innovation of industry.

He oversees more than 800 military and government workers, contractors and consultants who constitute a massive "transformation laboratory" testing new concepts through rigorous experimentation, educating joint leaders, training joint forces, and making recommendations on how the Army, Navy, Air Force and Marines can better integrate their warfighting capabilities tools and assessment mechanisms to drive continual improvement.

Last summer, the Joint Forces Command completed its first major experimental effort—Millennium Challenge 2002, nicknamed "MC02." MC02 focused on the military's ability to conduct rapid, decisive operations against a determined adversary. Players came from all the military services, most combatant commands, and many federal agencies. Future experiments will draw on lessons learned during that event, as well smaller, objective experiments.

In addition, we are monitoring the plans to ensure we build on lessons already learned from operations in Somalia, Haiti, Bosnia, Kosovo, and elsewhere earlier this decade, such as increasing the role of naval intercept operations, resolving communications differences between fleets and ground and aviation elements, and improving the interoperability of special operations forces.

Establish and Monitor Service Transformation Plans

Last year, each of the military services drafted "roadmaps" laying out their respective approaches to acquiring the kinds of capabilities described as leading the way toward a transformed force in the 2001 Quadrennial Defense Review. As such, they establish a baseline against which to measure future progress. The plans will be revised periodically to reflect how legacy systems and concepts have been enhanced, or as fundamentally new capabilities are fielded and validated via experimentation. We will also ask the services to revise their plans to restructure activities as the Department's goals are refined—and we will issue an annual transformation planning guidance to guide those updates.

We will use the following criteria to assess whether the systems cited in each roadmap are truly "transformational":

DECISION LOGIC
Is the system interoperable? If it is not on the "net," then it is not contributing, not benefiting, and not part of the information-age. Can it be readily made a networked participant and are funding plans in place to do so? Does it broaden the capabilities base? Does this contribute to rebalancing capabilities with regard to "breadth vs. depth?" Is the system performing at decreasing rate of return on investment? Is it the "ultimate" of an existing capability or platform and are there alternative ways of creating this capability with potential increasing rates of return on investment? Are new technologies available at lower investment, both for acquisition and life cycle costs? Is it less expensive to effectively counter the system than it is to sustain the system? Is the system on the wrong side of the cost technology curve? Does it re-establish a leadership position and lock out competition in areas where the barriers to competitive entry are falling? (sea, space and cyberspace) Does it support operational concepts that dramatically increase the speed of deployment, employment and sustainment Does it support an operational concept that itself is undergoing devolution? Does it leverage U.S. asymmetric advantages of C2, deployment capability, logistics and medical? Does it create a U.S. asymmetric advantage? Does the acquisition strategy dramatically reduce capabilities cycle time? Will it profoundly alter the competition more than the legacy forces?

Monitor the Status of Defense Technology Objectives

Our science and technology investments are focused and guided through a series of defense technology objectives, each focused on (1) a specific technological advancement that will be developed or demonstrated, (2) the anticipated date the technology will be available, (3) the specific benefits that should result from the technological advance, and (4) the funding required (and funding sources) to achieve the new capability. These objectives also distinguish specific milestones to be reached and approaches to be used, quantitative metrics that will indicate progress, and customers who will benefit when the new technology is eventually fielded.

Every two years, independent peer review panels composed of approximately six experts in relevant technical fields assess the defense technology objectives for each program. At least two-thirds of the team members are from academia, private industry, and other U.S. government agencies. The reviews are conducted openly; observation by stakeholders is welcomed. The teams assess progress against three factors—technical approach, finding, and technical progress—and rate the programs as:

Green	Progressing satisfactorily toward goals
Yellow	Generally progressing satisfactorily, but some aspects of the program are proceeding more slowly than expected
Red	Doubtful that any of the goals will be attained.

The benefits of these ratings are many. Not only do they reflect the opinions of independent experts, but they are also accepted and endorsed by stakeholders. These reviews result, and will continue to result in near real-time adjustments being made to program plans and budgets based on the ratings awarded.

Performance Goal—Status of Defense Technology Objectives						
Benchmark	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Target/Actual	FY 2003 Actual	FY 2004 Projection
Percentage of DTOs progressing satisfactorily [a]	94	98	96	≥70/98	96	≥ 70
Total number of DTOs evaluated in biennial reviews	159	168	180	163	163	
Total number of DTOs	347	327	397	374	404	
Note: DTO = Defense Technology Objective. [a]Includes both "green" and "yellow" (satisfactory) DTO ratings.						

Exploit the U.S. Information Advantage

Our preeminent global intelligence capability is the foundation of U.S. military power. It enables our leaders to decide how and when to apply military force, and provide a capability to assure allies and friends of our purpose and resolve, dissuade adversaries from threatening ambitions, deter aggression and coercion, and decisively defeat an adversary on our terms. However, to maintain and improve our ability to meet future challenges, we are seeking to transform intelligence by:

- Achieving the capability to know something of intelligence value about *everything*—on demand and on our terms—by providing the fine-grained details of specific issues to support timely decisions. This is a daunting challenge, but it will be absolutely necessary if intelligence is to support future military missions.
- Developing a strategic competency for warning that allows us to deal with a full spectrum of potential threats, while honing our operational skills to always expect the unexpected: To prepare for surprise and deal rapidly and assuredly with unforeseen developments, we must continuously develop information on ever-changing threats and actors—on the ground, in the air, space, or cyberspace.
- Employing our forces to ensure intelligence enables the swift defeat of the enemy. We must be prepared to act quickly, secretly, and effectively. We will need to anticipate needs of the warfighter and provide predictive intelligence that stays ahead of the battle.

ACHIEVE PREDICTIVE INTELLIGENCE CAPABILITIES AND RESPONSIVE, INTEGRATED INTELLIGENCE SYSTEMS

We are committed to developing capabilities that provide "exquisite" intelligence—to know our adversaries' intentions and secrets without *their* knowing that *we* know. This means closing the gap in time and culture between intelligence and military operations. To do so is to enable a seamless transition from the collection of information to its employment to assessments of the effects of that employment.

With these objectives in mind, we have established initiatives to integrate intelligence operations and information content across defense intelligence components; establish a framework operating an integrated global intelligence, surveillance, and reconnaissance system; establish interoperability standards for future intelligence systems; and conduct experiment and field demonstrations to evaluate how improving horizontal integration will affect mission performance.

A critical step on this path is shifting from a collection-focused intelligence system to a user-driven system. This will fundamentally change the way in which we plan and operate. It will facilitate combined intelligence operations and will exploit the advantages of information technology to provide knowledge to our customers when they need it. To that end, we are researching capabilities that let users pull relevant data from any place on the intelligence network to where it is needed most, regardless of origin or format. These capabilities will not replace current intelligence, data analysis, or analysts; rather, they will capitalize on already collected information.

MAKE INFORMATION AVAILABLE ON A NETWORK THAT PEOPLE DEPEND ON AND TRUST

Our ability to build a worldwide information net, populate it with information needed by military commanders, and then use the network for command and control is limited by the bandwidths available on the global information grid. Bandwidths are often compared to pipes through which information flows as it is

channeled to the user. The size and number of pipes available determines how much information can be processed at any one time.

Several ongoing research efforts are trying to find ways to "squeeze" information so it flows more easily: metadata tagging, securing access to the spectrums used most often for military operations, exploring technology and regulations associated with the electromagnetic environment to ensure interference-free access.

Finally, we must make sure our information networks, both current and future, are secure from attack. As a first step, we are refining our information assurance strategy. It will become the baseline for identifying, funding, and tracking the achievement of specific actions underway to protect our information infrastructure.

POPULATE THE NETWORK WITH NEW, DYNAMIC SOURCES OF INFORMATION TO DEFEAT THE ENEMY

Our military commanders use information of all kinds, not only intelligence data, to "see" the battle space, and thus outwit and overcome our adversaries. The net-centric enterprise architecture we are building will allow commanders to engage the network at any time from anywhere, without needing cumbersome base support. Data will be posted and ready for download and analysis as soon as it arrives, anywhere on the network.

Our network will let users "fuse" data from many sources, in real time, into an integrated picture of the operational environment. These analyses can then be posted back to the net, where data producers, commanders, and other users working from sites dispersed throughout the world to synchronize battlefield assets can retrieve them.

The network will be tailorable, allowing users to subscribe or individually request specific information—a military version of the Internet search engine. This will thin the volume of information being pushed through the net, since users will receive only data pertinent to their operational needs or interests. More important, relevant data will automatically be updated, so users will have immediate, in-progress information about ongoing intelligence, operations, or combat support analyses.

MEASURING INTELLIGENCE VALUE TO THE CUSTOMER

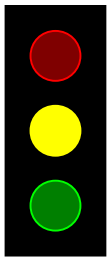
To strengthen the overall management of intelligence capabilities, we are building measures of the value of our human, signals, and imagery systems. These metrics will evaluate how well intelligence is enabling military planners and operators to perform their tasks and will identify shortfalls and establish benchmarks for intelligence performance levels that will be needed to deal with future tasks. We have recently completed evaluations of air and space systems and are extending these measures to encompass broader areas of collection and analysis. Our long-term goal is to measure the performance of intelligence operations as an integrated enterprise and to understand how that performance will change as new capabilities come online. We will also appraise our progress toward improving the number, quality, and responsiveness of intelligence products, as well as developing more useful ways to post the results on networks.

DENY ENEMY ADVANTAGES AND EXPLOIT WEAKNESSES

We must not only protect our sources and use of information—we must also target the enemy's information assets and destroy or disrupt his ability to use them against our forces. Accordingly, we are working to define the tools and possible weapons associated with information operations. During FY 2004, we will develop an investment strategy for optimizing these capabilities, and metrics for tracking our progress toward achieving those improvements.

Aggressive counterintelligence is also part of information operations. In April 2002, we established a Defense Counterintelligence Field Activity to oversee all defense counterintelligence efforts, with the goal of providing a "common operational counterintelligence picture" to monitor defense-wide threats and activities that could pose harm to our people or institutions. This new field activity will lead efforts during FY 2004 and 2005 to define strategic outcomes and associated performance measures for use in monitoring the progress and performance of this important initiative.

DEFINE SKILLS AND COMPETENCIES FOR THE FUTURE



" Throughout history warfare has assumed the characteristics of its age and the technology of its age. Today we see this trend continuing as we move from industrial age warfare with its emphasis on mass to information age warfare which highlights the power of networked distributed forces and shared situational awareness…Within this wider context of military transformation, network-centric warfare is one of the key concepts for thinking about how we will operate in the future."

Deputy Secretary Paul Wolfowitz
July 2001

"[A key roadblock to progress is a]…Lack of understanding of key aspects of human and organizational behaviors…"

DoD Report to Congress on Network Centric Warfare
July 2001

Establish Human Skill Sets for a Networked Environment

Behavior of individuals, systems, and organizations is a significant and nontrivial component of net-centric operations.

Accordingly, we have launched a two-phase research initiative to define a conceptual framework for the development of skills, knowledge, and competencies for a networked environment.

Phase I (completed DEC 2002)	This basic research initiative advanced underlying theory of Information Age Warfare and highlighted the key relationships between the Physical, Information, and Cognitive Domains for Network Centric Operations (NCO).
Phase II (ongoing)	The objective of phase II is to provide insights that can be applied to begin to identify the knowledge, skills, and competencies required for organizations with mature information age capabilities. It will further mature NCO Theory and develop a wide range of case studies of military operations conducted with varying degrees of information sharing. From these it is expected that a series of behavioral trends and key competencies will be identified, which can ultimately be incorporated within the Universal Joint Task List and the Joint Training Master Plan.

Define and Monitor Key National Capabilities

The 2001 Quadrennial Defense Review lists the six critical operational goals to guide the Department's transformation efforts. In addition to the overall management plans described above, each military service and defense agency must outline what it is doing now to support these goals, and how it intends to pursue improvements or innovations over the next several years. These plans, called "capability roadmaps," will be compared to emerging results from the experiments conducted by U.S. Forces Command and to the actual performance of units as reported through the Joint Training Information Management System.

Operational Goals for Transformation

1. Defend the U.S. homeland and bases of operation overseas.
2. Project and sustain forces in distant theaters.
3. Deny enemies sanctuary.
4. Improve our space capabilities and maintain unhindered access to space.
5. Harness our advantages in information technology to link up different kinds of U.S. forces so they can fight jointly.
6. Protect U.S. information networks from attack and disable the information networks of our adversaries.

REPORT OF THE SECRETARY OF THE ARMY

THE ARMY – AT WAR AND TRANSFORMING

In October 1999, we unveiled our vision for the future – "Soldiers, on point for the Nation, transforming this, the most respected army in the world, into a strategically responsive force that is dominant across the full spectrum of operations." The attacks against our Nation on 11 September 2001 and the ensuing war on terrorism validate The Army's Vision – *People, Readiness, Transformation* – and our efforts to change quickly into a more responsive force.

While helping to fight the Global War on Terrorism, The Army is in the midst of a profound transformation. Readiness remains our constant imperative. Transformation advances on three broad axes: perpetuating The Army's legacy by maintaining today's readiness and dominance; bridging the operational gap with an Interim Force of Stryker Brigade Combat Teams; and fielding the Objective Force to fight and win conflicts in the years beyond this decade.

The Army – Serving Today, Balancing Risk, Managing Transformation

Soldiers are the most precise and responsive means to strike and then control enemy centers of gravity on the ground. American Soldiers are the basis of a flexible force that accomplishes missions in non-linear battlespace by integrating innovative technologies and techniques with current systems and doctrine. Our people adapt under the harshest conditions, whether in the deserts of Kuwait and the Sinai, the mountains and rice paddies of Korea, or the tropics of the Democratic Republic of Timor-Leste.

Demanding commitments mean we must nurture a balance between current and near-term readiness and Army Transformation to meet future challenges. We accept reasonable operational risk in the mid-term to fund Army Transformation to the Objective Force. To avoid unacceptable risk, we are monitoring the current operational situation as we support the Combatant Commanders in the war against terror, conduct homeland defense, and prosecute the long-term effort to defeat transnational threats. We have designed and implemented the Strategic Readiness System (SRS) to provide a precision, predictive tool with which to monitor The Army and make appropriate adjustments to preserve current readiness. Our Nation's surge capacity in industrial base further reduces current risk by keeping production lines warm and responsive. Our first Stryker Brigade Combat Team will provide the Combatant Commanders with a new capability to further mitigate operational risk – even as we transform to the Objective Force.

REALIZING THE ARMY VISION: PEOPLE, READINESS, AND TRANSFORMATION

The Army Vision addresses three essential components: *People*, *Readiness*, and *Transformation*. Soldiers are the heart of The Army, the centerpiece of our formations, and the foundation of our combat power. Readiness remains our overarching imperative; it is the means by which we execute our nonnegotiable contract with the American people – to fight and win our Nation's wars, decisively. To preserve readiness while rapidly changing, Transformation advances on three major axes: preserving our Army legacy by maintaining readiness and dominance today; bridging the operational gap with Stryker Brigades – the Interim Force; and fielding the Objective Force this decade to keep The Army dominant in the years beyond this decade. Realizing The Army Vision requires the concerted effort of the entire Army, across all components – from warfighting to institutional support organizations.

In support of the emerging joint operational concepts and architectures, The Army – as the major landpower component – continues to develop ground concepts for a full spectrum, and multidimensional force. These concepts are producing a Joint Force that presents potential enemies with multiple dilemmas across the operational dimensions – complicating their plans, dividing their focus, and increasing chances of miscalculation.

In future joint operations, Objective Force units will be capable of directing major operations and decisive land campaigns with Army headquarters. Objective Force headquarters at all levels will provide the Joint Force Commander (JFC) with seamless, joint battle command and decision superiority. The modularity and scalability of our Objective Force formations will provide an unprecedented degree of flexibility and adaptability to the Combatant Commander – providing the right force at the right time for decisive outcomes.

People

In our Vision, we recommitted ourselves to doing two things well each and every day – training Soldiers and civilians and growing them into competent, confident, disciplined, and adaptive leaders who succeed in situations of great uncertainty.

Soldiers

Recruitment of Soldiers is crucial to our success. In 1999, The Army missed its recruiting goals for the Active Component (AC) by about 6,300 inductees, and for the Reserve Component by some 10,000. Our recruiting situation was simply unacceptable, and we committed ourselves to decisive steps and reversed that trend.

In FY 2002, The Active Component achieved 100% of its goal in recruiting and retention – for the third consecutive year. The Army exceeded its AC 79,500 enlisted accession target in FY 2002 and exceeded its aggregate FY 2002 retention objective of 56,800 Soldiers in all three categories by 1,407. We are poised to make the FY 2003 accession

target of 73,800, and we expect to meet our Active Component FY 2003 retention target of 57,000. The FY 2004 accession target is set at 71,500.

The Army Reserve has met mission for the last two years, and its recruiting force is well structured to meet FY 2004 challenges. The Army Reserve continues to maintain a strong Selected Reserve strength posture at 205,484 as of 17 January 2003 – over 100.2% of the FY 2003 End Strength Objective. Overcoming many recruiting and retention challenges in FY 2002, the Army National Guard (ARNG) exceeded endstrength mission, accessions were 104.5% of goal, and we exceeded reenlistment objectives.

To ensure that we continue to recruit and retain sufficient numbers, we are monitoring the current environment – GWOT and frequent deployments – to determine impact on morale, unit cohesiveness, combat effectiveness, and support of Well-Being programs that draw quality people to us. We continue to examine innovative recruiting and retention initiatives. Resourcing recruiting pays dividends well beyond accessions in execution years.

Civilian Component

As a comprehensive effort to consolidate, streamline, and more effectively manage the force; The Army has begun an initiative to transform our civilian personnel system. Aggressive transformation of our civilian force – in which projections through FY 2005 indicate a 16% annual turnover due to retirements and other losses – will ensure we continue to meet those obligations. As of FY 2002, The Army employed 277,786 civilian personnel.

The Civilian Personnel Management System XXI (CPMS XXI) has identified the reforms necessary to hire, train, and grow a civilian component that supports the transforming Army. To achieve this, we have redefined the way civilians are hired, retained, and managed. Mandatory experiential assignments will become the vehicle by which we develop future leaders. CPMS XXI fully responds to current mandates in the President's Management Agenda and incorporates the results of the Army Training and Leader Development Panels.

Personnel Transformation

The centerpiece of Personnel Transformation is a comprehensive effort focused on a potential Army-wide implementation of unit manning and unit rotation. We are aggressively examining the feasibility of a unit manning and rotation system. The Army currently uses unit rotations in support of operational missions in the Balkans, Sinai, and Afghanistan. The Army is studying the use of unit rotations for other locations and in the war on terrorism. Units would know of these rotations well in advance, providing families with greater predictability and enabling focused preparation, both of which contribute to increased combat readiness of the unit.

Unit manning seeks to synchronize the life cycle of a unit with the life cycle of the Soldier within that unit. All Soldiers and leaders would be stabilized, resulting in a

significant increase in cohesion and combat readiness over our present individual replacement system. Such a system has significant second and third order effects across the force – training and leader development, recruiting and retention, unit readiness levels, and total Army endstrength, among others. All of these are being studied intensively. In July 2003, senior Army leadership decisions were made on unit manning and unit rotation.

Third Wave

Because we operate in an environment in which there are increasing demands for military capabilities – the Third Wave initiative seeks to ensure that we are achieving the best value possible for our taxpayers' dollars. There are three phases to the Third Wave process. First, we determined what activities were core or non-core to The Army's mission. In the second phase, we are validating the breakout between core and non-core functions by determining if any non-core functions should be exempted. In the third phase, key Army leaders will assess appropriate plans to execute non-core functions, select the best means to proceed, and develop implementation plans. At this time, we do not know how many of the 214,000 jobs identified as potentially non-core functions in Phase I will be included in implementation plans. Although implementation plans will target execution in fiscal years 2005-2009, some implementation plans may be delayed.

The implementation of competitive sourcing of non-core functions will adhere to OMB Circular A-76 and related statutory provisions. Exceptions to the requirement for public-private competition are limited. To lower costs for taxpayers and improve program performance to citizens, OMB has undertaken major revisions to the processes and practices in OMB Circular A-76 to improve the public-private competition process.

Army Well-Being

Army readiness is inextricably linked to the well-being of our people, and Army Well-Being is the human dimension of our Transformation. Well-Being responds to the physical, material, mental, and spiritual needs of all Army people – Soldiers, civilians, retirees, veterans, and their families. We recognize the fundamental relationship between Well-Being programs and institutional outcomes such as readiness, retention, and recruiting. Well-Being integrates policies, programs, and human resource issues into a holistic, systematic framework that provides a path to personal growth and success and gives our people the opportunity to become self-reliant. We recruit Soldiers, but we retain families – Well-Being programs help make The Army the right place to raise a family, so our Soldiers can better focus on their mission – training, fighting, and winning wars, decisively.

Developing Leaders

Leader development is the lifeblood of the profession. It is the deliberate, progressive, and continuous process that trains and grows Soldiers and civilians into competent, confident, and decisive leaders prepared for challenges in combined, joint, multinational, and interagency operations.

In June 2000, we convened the Army Training and Leader Development Panel (ATLDP). The purpose of the ATLDP is to identify skill sets required of Objective Force Soldier and civilian leaders and to assess the ability of current training and leader development systems and policies to enhance these required skills. In May 2001, the ATLDP Phase I (Officer Study) validated the requirement to transform our Officer Education System (OES). The most significant product of the officer ATLDP is our OES Transformation.

ATLDP Phase I (Officer Study) identified three high-payoff institutional training and education initiatives for lieutenants, captains, and majors: Basic Officer Leader Course (BOLC); Combined Arms Staff Course (CASC) for staff officers, and the Combined Arms Battle Command Course (CABCC) for company commanders; and, Intermediate Level Education (ILE). Beyond ILE, Army officers continue to attend Joint or Senior Service Colleges to develop leader skills appropriate to the operational and strategic levels of the profession.

The ATLDP Phase II (NCO Study) resulted in the recommendation to build new training and leader development tools for NCOs to replace current methods, as required. The ATLDP Phase III (Warrant Officer Study) culminated with the recommendation to clarifying the warrant officer's unique role in The Army and improving the Warrant Officer Education System (WOES) to ensure timely training and promotion. The Civilian Training and Leader Development Panel (Phase IV) study results are complete, and we are forming the Implementation Process Action Team (I-PAT) to identify actions The Army must take to increase the professional development of our civilian workforce. At the senior leader level, The Army initiated the Army Strategic Leadership Course (ASLC) aimed at teaching principles of strategic leadership. To date, we have completed twelve of the foundation courses and three alumni courses, training the majority of The Army's general officers.

Readiness

Homeland Defense (HLD)

HLD missions range from traditional warfighting competencies that defeat external threats to the non-combat tasks associated with supporting civil authorities in domestic contingencies. Operation NOBLE EAGLE mobilized over 16,000 Army National Guard Soldiers to protect critical infrastructure. These Soldiers assisted the Department of Transportation in securing our Nation's airports while also playing a vital role in securing our Nation's borders. The Army is moving forward to provide one Civil Support Team (CST) to each state, as required by the National Defense Authorization Act for FY 2003. Combat Support Teams support Incident Commanders and identify Chemical, Biological, Radiological, Nuclear, and Explosive (CBRNE) agents and substances, assess current and projected consequences, advise on response measures, and assist with appropriate requests for additional support. To date, OSD has certified 30 of 32 teams, and The Army is working to establish additional teams. Additionally, the Army National Guard has assumed the mission of Deputy Area Air Defense Commander (DAAOC) with the

Avenger and Sentinel Radar providing defense of critical assets. The Army remains committed to HLD, dedicating Active Component (AC) and Reserve Component (RC) staffs to focus on training, doctrine, planning, and execution of DoD missions in support of civil authorities.

Missile Defense

Robust Missile Defense is a vital warfighting requirement that protects both our homeland and our deployed forces. Missile Defense is inherently a joint capability to which The Army is a major contributor. The Army is deploying and employing Ground Based Mid-Course Defense assets to contribute our warfighting capability, accelerating the fielding of the PATRIOT Advanced Capability 3 (PAC3). The development of kinetic energy and directed energy weapons such as the Surface Launched Advanced Medium Range Air-to-Air Missile (SLAMRAAM) and Medium Tactical High Energy Laser (MTHEL) will bring new defense measures to the Nation. We are postured to assume control of the Medium Extended Air Defense System (MEADS) program in FY 2003 and intend to begin fielding by FY 2014. MEADS is a transformational program of Objective Force quality and a significant improvement on PATRIOT's capabilities. It will be more mobile, deployable (C130 capable), and sustainable than PATRIOT and cover a 360-degree sector to the PATRIOT's sectored coverage. It will be effective against low radar cross section (RCS) cruise missile targets.

Chemical Demilitarization

In Section 1412 of Public Law 99-145, Congress directed the DoD to destroy the United States' chemical weapons stockpile. In turn, the Secretary of Defense delegated management of all chemical munitions disposal to the Department of the Army. On November 29, 2000, the Johnston Atoll Chemical Agent Disposal System, using incineration-based technology, completely destroyed the last stockpiles stored at the Atoll, and closure operations began in January 2001. The Tooele Chemical Agent Disposal Facility has incinerated 44% of the chemical agents and 81% of the munitions stored there. Disposal operations at these two sites destroyed 30% of the total U.S. chemical weapons stockpiles. Construction of incineration facilities at Anniston, Alabama; Umatilla, Oregon; and Pine Bluff, Arkansas, is complete. Systemization activities are on-going at Aberdeen, Anniston, Umatilla, and Pine Bluff. The plan to accelerate the disposal of bulk agents using a neutralization process at Aberdeen, Maryland, and Newport, Indiana, has been approved. Limited operations began on August 9, 2003, at Anniston. Aberdeen will commence operations when all approvals are in place. Newport is scheduled to begin in first quarter FY 2004. With continued funding and minimal schedule changes, we will safely destroy the U.S. stockpile of lethal chemical agents and munitions at eight existing CONUS sites.

Training the Force

In October 2002, The Army released *Field Manual (FM) 7-0, Training the Force*. Synchronized with other field manuals and publications being updated to respond to

changes in Army, joint, multinational, and interagency operations, *FM 7-0* is the capstone doctrinal manual for Army training and leader development. It provides the developmental methodology for training and growing competent, confident Soldiers, and it addresses both current and future Objective Force training requirements.

We are transforming the way we fight future wars, and The Army is participating fully in a DoD-sponsored program to transform how forces train to fight. This effort involves four major initiatives: building upon existing service interoperability training; linking component and joint command staff planning and execution; enhancing existing joint training exercises to address joint interoperability; and studying the requirement for dedicated joint training environments for functional warfighting and complex joint tasks. The Army hosted the first joint National Training Center (NTC) event at Fort Irwin, CA, in May 2003. In June 2003, the U.S. Army Forces Command executed the 2nd joint NTC event – JCS exercise ROVING SANDS.

During the late 1990s, funding for the recapitalization and modernization of The Army's Combat Training Centers (CTCs) was reduced, eroding their capability to support their critical missions. To address these problems, The Army will invest nearly $700M over the next six years to modernize these training centers.

Force Protection And Antiterrorism

Our efforts focus on improved force protection policy and doctrine; more rigorous training and exercises; improved threat reporting and coordination with national intelligence and law enforcement agencies; enhanced detection and deterrence capabilities for Chemical, Biological, Radiological, Nuclear, and Explosive (CBRNE) threats; increased capabilities and protection for access control; and expanded assessments of Major Commands (MACOM) and installation force protection programs. Both operational and installation environments rely upon secure, networked information infrastructure to execute daily enterprise-wide processes and decision-making, so the parameters of force protection include contemporary and evolving cyber threats.

The Army's Information Systems Security Program (ISSP) secures The Army's portion of the Global Information Grid (GIG), secures the digitized force, and supports information superiority and network security defense-in-depth initiatives. ISSP provides the capability to detect system intrusions and alterations and react to information warfare attacks in a measured and coordinated manner. To the greatest extent possible, it protects warfighters' secure communications – from the sustaining base to the foxhole.

Soldiers, Active and Reserve, are heavily engaged in force protection and antiterrorism missions. Soldiers guard military installations, nuclear power plants, dams and power generation facilities; tunnels, bridges, and rail stations; and emergency operations centers. During the 2002 Winter Olympics in Salt Lake City, Utah, nearly 1,500 ARNG Soldiers provided security, and Soldiers guarded key infrastructure sites during Super Bowl XXXVII in January 2003. Over 12,500 Reserve Component Soldiers are currently mobilized for Operation NOBLE EAGLE to fulfill Force Protection requirements, and in

February 2003, over 8,000 Army National Guard Soldiers will support airport security requirements – a requirement that could reach 9,500 Soldiers. Security of detention facilities and detainees at Guantanamo Bay Detention requires approximately 1,500 Army personnel, half of whom are Military Police. Army Reserve Internment and Resettlement battalions on 6-month rotations impact military police availability to CONUS Force Protection requirements.

Installations

Army installations are our Nation's power projection platforms, and they provide critical training support to The Army and other members of the joint team. The Army has traditionally accepted substantial risk in infrastructure to maintain its current warfighting readiness. However, a decade of chronic under funding has led to a condition in which over 50% of our facilities and infrastructure are in such poor condition that commanders rated them as "adversely affecting mission requirements." Our facilities maintenance must improve. Over the past two years, we began to rectify this situation with significant increases in funding and innovative business practices. These efforts have been dramatically successful as we continue to correct a problem that was 10 years in the making. In an effort to prevent further degradation we increased funding for facilities sustainment.

Sustainment

The Army is revolutionizing its logistics process. Through one initiative, the Single Stock Fund (SSF), we extend national visibility of stockage locations, capitalize inventories into the Army Working Capital Fund, and reduce customer wait time by an average of 18.5%. The SSF will continue to reduce inventory requirements and generate even more savings for The Army by creating greater flexibility for the management of inventories.

Another initiative, the National Maintenance Program (NMP), enhances weapon system readiness, reliability, and availability rates by bringing Army Class IX repair parts to a single national standard. Increased reliability will reduce overall weapon system Operating and Support cost. NMP centralizes the management and control of Army maintenance activities for components and end items. NMP will produce appropriately sized Army maintenance capacity that still meets total maintenance requirements.

Strategic Readiness Reporting

Upon completion of its implementation, the Army's Strategic Readiness System (SRS) will be a precision readiness measurement tool that provides Army leadership with accurate, objective, predictive, and actionable readiness information to dramatically enhance resource management toward one end – strategic readiness to defend the United States. The Army Scorecard – a product of SRS – will integrate readiness data from the business arena and the operating, generating, and sustaining forces of both the Active and Reserve Components. Army Scorecard methodology focuses on four critical areas: *People* – investing in Soldiers and their families; *Readiness* – maintaining the support

capability to the Combatant Commanders' operational requirements; *Transformation* – transforming The Army into the Objective Force; and application of *sound business practices*.

SRS markedly improves how we measure readiness. It gathers timely information with precision and expands the scope of the data considered. We are further developing this system to leverage leading indicators and predict trends – solving problems that affect readiness *before* they become problems, from Well-Being to weapons platforms. SRS will help enable The Army preserve readiness to support Combatant Commanders, invest in Soldiers and their families, identify and adopt sound business practices, and transform The Army to the Objective Force.

Transformation

Balancing Risk As We Manage Change

Balancing risk is integral to Army Transformation. To maintain current readiness while we transform, we are managing operational risk: risk in current readiness for near-term conflicts with future risk – the ability to develop new capabilities and operational concepts that will dissuade or defeat mid- to long-term military challenges. The Army has accepted risk in selective modernization and recapitalization, and we continue to assess these risks as we balance current readiness, the well-being of our people, Transformation, the war on terrorism, and new operational commitments. Between 1999 to 2002, The Army has terminated 29 programs and restructured 20 others for a total savings of $12.8B. These funds were reallocated to resource the Stryker Brigades and essential Objective Force research and development.

In Program Budget 2004 and its associated Five-Year Defense Plan (FYDP), The Army has generated an additional $22B of savings by terminating 24 additional systems and reducing or restructuring 24 other systems. The Army reinvested these savings in the development of transformational capabilities in these and other programs: Future Combat System - $13.5B, Precision Munitions - $3.2B, Sensors and Communications - $2.3B, Science and Technology - $1.1B, and Missile and Air Defense - $1.1B. The operational risk associated with the decreased funding for certain current programs is acceptable as long as we field Stryker Brigades on schedule and accelerate the fielding of the Objective Force for arrival, this decade. We will continue to reassess the risk associated with system reductions and related organizational changes against operational requirements and the strategic environment.

Transforming – Changing the Way We Fight

The Army is fundamentally changing the way we fight and creating a force more responsive to the strategic requirements of the Nation. We are building a joint precision maneuver capability that can enter a theater at the time and place of our choosing, maneuver at will to gain positional advantage, deliver precise joint fires and, if necessary, close with and destroy the enemy.

The Objective Force is an army designed from the bottom up around a single, networked, integrated C4ISR architecture that will link us to joint, interagency, and multi-national forces. It will be a rapidly deployable, mounted formation, seamlessly integrated into the joint force and capable of delivering decisive victory across the spectrum of military operations. The Objective Force and its Future Combat System will leverage and deliver precise combat power. It is a capabilities-based force that rapidly responds to strategic environment requirements.

To help guide our Transformation efforts, The Army leverages lessons-learned from extensive experimentation and wargaming. We are working to harness the power of knowledge, the benefits of science and technology, and innovative business solutions to transform both the Operational and Institutional Army into the Objective Force. The Army's annual Title 10 Wargames provide critical insights for developing the Objective Force. Likewise, results from joint experiments – Millennium Challenge '02 and other service Title 10 Wargames like Global Engagement, Navy Global, and Expeditionary Warrior, and more – also inform these efforts. We are also learning valuable lessons from current operations in Afghanistan and Iraq.

To evaluate the effectiveness of the Stryker Brigade Combat Team (SBCT) concepts for battalion and company operations in a Joint Force, The Army employed a SBCT unit during Millennium Challenge '02. Less than four weeks after Stryker vehicles were delivered to the first unit at Fort Lewis, the unit demonstrated rapid air and sealift deployability and integrated into the exercise well. Additionally, when given a mission on short notice to support a Marine Corps unit in ground operations, the SBCT unit demonstrated its agility and versatility.

An Information Enabled Army

Achieving the full spectrum dominance of the Objective Force (OF) requires changing the way we fight. We cannot achieve the OF capabilities without leveraging the full potential of technological advances developed by the Nation's industrial base and science and technology communities. We have consolidated management of Information Technologies (IT) into a single effort – Army Knowledge Management (AKM).

Information management is critical to achieving The Army Vision, and AKM supports Transformation through the development and implementation of a net-centric, knowledge-based Army architecture interoperable with the joint system. AKM will accelerate the Detect-Decide-Deliver planning processes and enable warfighters to first *see* the adversary– before our forces are detected; *understand* the Common Relevant Operating Picture (CROP); *act* against adversaries; and *finish* the warfight with decisive victories – *see first, understand first, act first, finish decisively*. AKM will provide knowledge at the point of decision for all leaders.

The net-centric operations that AKM enables will decrease our logistic footprint and enhance sustainability of the Objective Force through multi-nodal distribution networks. Advanced information technologies will dramatically enhance Battle Command.

Command, Control, Communications, and Computer (C4) decision tools seamlessly linked to Intelligence, Surveillance, and Reconnaissance (ISR) assets produce a radically improved Common Relevant Operating Picture (CROP) and enable Battle Command.

The Army Knowledge Enterprise (AKE) construct describes our process to enable improved strategic and tactical information distribution and collaboration. AKE leverages the ingenuity and resourcefulness in shaping the environment to achieve dominance and helps leaders achieve decision superiority and mission efficiencies.

Operational: The Objective Force

The Objective Force will consist of command structures scaled to meet Joint Force Commander requirements and modular combined-arms units tailored according to each situation. Objective Force integrated, mobile, air-ground teams will conduct mounted and dismounted operations and employ both manned and unmanned platforms to achieve decisive victories. The Objective Force will conduct simultaneous combat and stability operations and master transitions between operational phases. It will be offensively oriented, multi-dimensional force enabled by advanced information technologies that give Soldiers real-time intelligence and actionable information.

The Objective Force will arrive in theater combat capable – deployment will be synonymous with employment. The Objective Force will be strategically responsive and rapidly deployable worldwide by air, sea, highway and rail modes to support inter-theater strategic deployment and intra-theater operational maneuver. An Objective Force Unit of Action (UA) will deploy on almost one-third the number of aircraft required to deploy a heavy brigade combat team today. It will be operationally deployable and capable of operational maneuver over strategic distances by air, land, or sea. Soldiers will overcome anti-access and area denial strategies and environments through precision maneuver and decision superiority.

The Objective Force networked system will include Soldiers equipped with the Land Warrior system; a family of 18 integrated, synchronized, manned and unmanned Future Combat Systems (FCS); and critical complementary systems such as the Comanche, High Mobility Artillery Rocket System (HIMARS) with Guided MLRS rockets, and the Future Tactical Truck System. The components of the FCS are being synchronously developed and fielded, as a complete family to achieve the warfighting capabilities the Nation requires to defeat adversaries.

Soldiers of the Objective Force will seamlessly integrate Objective Force capabilities with the capabilities of joint, Special Operations, multinational forces, and other federal agencies. The Land Warrior system will integrate individual Soldiers in the network while providing them increased protection and lethality. And FCS will give Soldiers the capability to destroy any adversary in any weather and environment with smaller calibers, greater precision, more devastating target effects, and at longer-ranges.

Joint C4ISR – a net-centric information architecture nested within the Global Information Grid (GIG) – will connect the Objective Force. Every Objective Force

Soldier and platform will be capable of sensing and engaging the enemy while maintaining situational awareness of friendly forces. Advanced information technologies and C4ISR decision tools and assets will enhance the Common Relevant Operating Picture (CROP). The Objective Force will identify, locate, and engage critical targets with lethal or non-lethal affects and assess battle damage on those targets. The joint C4ISR linkages will enable the attack of targets with whatever joint or Army assets are available for immediate employment. Similarly, enhanced situational awareness will facilitate multi-layered active and passive defense measures.

The FCS is a transformational approach to meeting this Nation's requirements for the Objective Force. We will design and field a balanced FCS family to avoid optimizing a component at the expense of sub-optimizing overarching capabilities of Objective and joint forces. Acquisition and requirements development processes are being updated to accommodate DoD's direction to field a networked system of systems rapidly through spiral development and an open architecture that allows maturing technological insertions as they occur.

The Army embraces the ongoing DoD and Joint Staff Capabilities and Acquisition processes reform efforts to achieve revolutionary capabilities in the fielding of a new generation of equipment. This collaborative effort holistically enables us to design new information-age capable organizations, use evolutionary acquisition strategies to equip those organizations, and see the Objective Force fielded this decade.

Enabling the Objective Force Soldier

Eighteen manned and unmanned systems; the Objective Force Soldier; and C4ISR comprise the Future Combat System. Manned and unmanned reconnaissance capabilities are part of the FCS Family of Systems' interdependent networked air- and ground-based maneuver, maneuver support, and sustainment systems.

There are 10 Unmanned Systems: Unmanned Aerial Vehicles (UAV) Classes 1-4; Unmanned Ground Vehicles (UGV) – the Multifunction Utility/Logistics and Equipment (MULE); the Armed Robotic Vehicle (ARV); and the Manpackable Unmanned Ground Vehicle (MUGV); Unattended Ground Sensors (UGS); and Unattended Munitions – the Non-Line-of-Sight (NLOS) Launch System (LS) and Intelligent Munitions Systems (IMS).

There are 8 manned systems: the Infantry Carrier Vehicle (ICV); Command and Control Vehicle (C2V); Reconnaissance and Surveillance Vehicle (RSV); Line-of-Sight, Beyond-Line-of-Sight Mounted Combat System (LOS/BLOS MCS); NLOS- Mortar; Medical Vehicle (MV); the FCS Recovery and Maintenance Vehicle (FRMV); and the Non-Line-of-Sight (NLOS) Cannon.

Decisive warfighting is about fires and maneuver. Joint and organic close, supporting, indirect fires destroy the enemy, suppress the enemy's capabilities, protect our forces and enable ground units to maneuver. The ICV, the Unattended Munitions NLOS-LS, IMS, C2V, MCS, NLOS-Mortar, and NLOS Cannon are important elements of the FCS that

will enable the Objective Force to conduct distributed and simultaneous joint combat operations. With joint fires, the NLOS Cannon is critical to support and protect our land forces in hostile environments. NLOS-LS NetFires is a platform-independent launcher with a family of missiles with precision attack and loitering capabilities. Both Precision Guided Mortar Munitions and Excalibur precision cannon munitions will enhance organic maneuver fires. A new, joint fire support, battle command and fire support architecture will allow rapid target engagement by any asset.

The Land Warrior program responds to this legacy and enhances our Soldiers combat power generation capability. The Land Warrior program will develop a lightweight, low observable, enhanced-armor protection, fighting ensemble for the individual Objective Force Soldier. Through networked connectivity to the FCS-equipped, maneuver Unit of Action, Land Warrior Soldiers will enable revolutionary lethality, mobility, survivability, and sustainability for the individual warfighter while reducing logistics demands.

Science and Technology (S&T) investments in military logistics are an important enabler for the Objective Force. We are placing our emphasis on sustainment's big drivers – fuel, ammunition, maintenance, and water – to dramatically reduce our logistics footprint and lift requirements in these areas.

Bridging the Capabilities Gap – Stryker Brigade Combat Teams

The Army responded to a capabilities gap between its lethal, survivable, but slow-to-deploy heavy forces and its rapidly deployable light forces that lack adequate protection, lethality, and tactical mobility. In 2002, The Army began fielding the first Stryker Brigade Combat Team to bridge that gap. In 2003 – less than four years after its announcement – we are on track to achieve IOC with the first SBCT at Fort Lewis, Washington.

Stryker Brigade Combat Teams respond to Combatant Commander requirements across the spectrum of military operations. Optimized for combat in complex and urban terrain, Stryker Brigades will be decisive in other major combat operations. The SBCT Reconnaissance, Surveillance, and Target Acquisition (RSTA) Squadron provides organic human intelligence capabilities and UAVs embedded at the brigade level. Its military intelligence and signal companies leverage theater and national assets to create an information-enabled force.

Leveraging platform commonality, enhancing logistics practices and enablers, and reorganizing logistics formations, the SBCT is vastly more deployable and sustainable than our heavy forces, while significantly increasing combat power generating capabilities. Augmented for sustained operations, the SBCT requires 37% fewer CSS personnel than a digitized heavy brigade. While capitalizing on these advantages, developing and available technologies allow us to mass effects and create a robust, reliable capability to conduct operational maneuver over strategic distances.

Finally, SBCTs provide an invaluable means of spearheading Transformation. The SBCT trains junior officers and noncommissioned officers in the tactics, techniques, and procedures that will inform employment of the Objective Force.

The Army has resourced six Stryker Brigade Combat Teams to contribute to fulfilling the 1-4-2-1-defense construct and national security requirements; however, at this time, the Secretary of Defense has only authorized the procurement of the first four brigades. The Army will provide the Secretary of Defense with a plan for Stryker Brigades 5 and 6.

Fielding of the SBCTs affects the entire Army, and current fielding timelines will enhance the Nation's ability to fight and win the GWOT and conduct major combat operations. The transformation of four Active Component brigades to SBCTs provides a rotational base with three of the SBCTs focused on the Pacific theater. One of the two SBCTs fielded at Fort Lewis will be forward-based in Europe not later than 2007. The Stryker Cavalry Regiment will support the XVIII Airborne Corps' critical need for robust, armed reconnaissance. The conversion of a Reserve Component brigade to an SBCT will enhance our strategic reserve and support the GWOT, Smaller Scale Contingencies, and Homeland Defense missions. Additionally, SBCT stationing provides rapid, strategic responsiveness through power projection platforms capable of supporting four critical regions described in the 1-4-2-1-defense construct. The first SBCT has formed, trained, tested and is now capable and will be deploying to OIF.

Preserving the Army's Legacy

Today's force guarantees The Army's near-term warfighting readiness to fight and win our Nation's wars, decisively. Because we bypassed a procurement generation, our Combat Support and Combat Service Support systems now exceed their 20-year expected life cycle, and 75% of our critical combat systems exceed their expected half-life cycle. To maintain operational readiness while preserving resources for Transformation, The Army is recapitalizing and selectively modernizing a portion of the current force. The modernization program addresses the critical issue of AC and RC interoperability and serves as a bridge to mesh these two components seamlessly. In general, The Army *increased* funding for programs that are *clearly transformational* and support the Defense transformation goals, *sustained* funding for high priority systems that will transition to the Objective Force, and *reduced* funding for systems not essential to Army Transformation. We remain committed to a 17-system recapitalization program and have reduced prioritized recapitalization from three-and-one-third to two divisions.

Army Special Operations Forces (SOF) are indispensable and will continue to provide unique capabilities to the Joint Force and Land Component Commanders. Increasing joint campaign requirements for SOF contributed to the validation and resourced growth in SOF structure.

The Army will remain the largest user of space-based capabilities among the Services. Army space assets are providing tangible support to the war on terrorism and Operation ENDURING FREEDOM – they ensure Army and Joint Force Commanders optimize

communications, satellite intelligence, Global Positioning System, imagery, weather, missile warning, and other space-based capabilities in every aspect of planning and operations. We are working diligently with the joint and interagency space community to ensure that Army and joint space systems continue to provide their essential capabilities now and for the Objective Force.

Aviation Transformation and Restructuring

Aviation Transformation further demonstrates our hard choices in balancing risk to resource Transformation. Our current interim plan lowers operating and sustainment costs while posturing aviation for arrival of the Objective Force by 2010. Apache modernization is an integral part of the plan. The AH-64D Longbow will enhance domination of the maneuver battlespace and provide the ground commander with a versatile, long-range weapon system against a range of fixed and moving targets. The RAH-66 Comanche program is on track to field a helicopter with stealth qualities in FY 2009 to provide Armed Reconnaissance and Close Combat support to our Objective Force FCS formations. The UH-60 Blackhawk continues to be the assault workhorse of Army Aviation, executing over 40% of The Army's annual flying hours. We are extending the life of the UH-60 while providing it with capabilities required of the future battlespace. Similarly, we are fully committed to the CH-47F Chinook program. The CH-47 was the primary lift platform in OEF and performed superbly. The Army is committed to improving on this capability and extending the life of this Army workhorse. As we restructure and standardize attack and lift formations across the force, we will also adjust the stationing and alignment of Reserve Component aviation units to mitigate the near-term risk.

Army National Guard Aviation comprises almost 50% of our aviation force and is one of our most valuable assets. Essential for successful execution of the Nation's military strategy, the ARNG currently has aviation units deployed in Afghanistan, Kuwait, Bosnia, Europe, and Saudi Arabia, as well as Central and South America.

Army Guard Restructuring Initiative (AGRI)

ARNGRI seeks to transform a sizeable portion of ARNG combat structure into more deployable, flexible fighting forces to support Army requirements at home and abroad. ARNGRI will introduce two new organizations into the force structure: Mobile Light Brigades (MLB) and Multi-Functional Divisions (MFD). These organizations will provide full spectrum capabilities in support of Combatant Commanders. MLB will operate as subordinate units to MFD, which will also contain two combat support / service support brigades capable of supporting either major combat or homeland security operations.

Army Reserve Transformation Initiatives

Army Reserve initiatives ensure the USAR is missioned, organized, and equipped to provide interoperability across the full spectrum of military operations. Transformational

organizations include experimentation forces, information operations, joint augmentation, network security, and interagency units. The Readiness Command and Federal Reserve Restructuring Initiatives will help the USAR fulfill these new mission requirements. Regional Readiness Commands will focus on readiness, leader development, and training, which will demand a new personnel system that achieves holistic life-cycle management for Reserve Soldiers.

Institutional – Enhancing the Way We Do Business

We cannot accelerate Army Transformation without transforming the way The Army does business – from transformation of logistics and acquisition to personnel and installation transformation. Changing The Army is first about changing the way we think, and better business practices represent practical application of common sense initiatives that best serve.

Transformation of Installation Management (TIM)

Recognizing the requirement to enhance support to commanders, The Army restructured the management of Army installations under the Installation Management Agency (IMA) - a new field-operating agency of the Assistant Chief of Staff for Installation Management. Its mission is to provide equitable, efficient, and effective management of Army installations worldwide to support readiness; enable Well-Being; improve infrastructure; and preserve the environment. This new management approach eliminates the migration of base operations funds to other operational accounts below the HQDA level. It also enables the development of multi-functional installations to support evolving force structure and Army Transformation.

Barracks and the Family Housing programs significantly increase the well being of our Soldiers and their families. We established the Barracks Upgrade Program (BUP) in the late 1990's to improve single Soldiers' housing conditions. Through 2002, we have upgraded or funded-for-upgrade 70% of our permanent party barracks to Soldier suites that consist of two single bedrooms with a shared bath and common area. We will continue the BUP until all permanent party barracks achieve this standard.

We established the Residential Communities Initiative for our families. This program capitalizes on commercial expertise and private capital to perform a non-core function for The Army – family housing management. The program provides greater value to us by eliminating the housing deficit at our first eleven sites, while leveraging a $209M Army investment into $4.1B of initial private development. Pending OSD and Congressional approval, 28 projects are planned through 2006 that will impact over 72,000 housing units or 80% of Army Family Housing in the United States. By the end of 2007, we will have the programs and projects in place to meet the OSD goal of eliminating inadequate family housing. We will accomplish this goal through RCI and increased Army investment in family housing construction at non-privatized installations. The Reserve Component (RC) enhances RCI through real property exchange authority that is only available to the RC. This legislative authority allows the exchange of RC owned property

with public or private entities and has a tremendous potential to improve future RC infrastructure at no governmental cost.

The Army has also aggressively reduced its financial burden and physical footprint by disposing of 34% of its facilities from a 1990 high of 116 billion square feet. The Army anticipates that the Congressional FY 2005 Base Realignment and Closure (BRAC) authority will permit additional appropriate reductions. BRAC will enable us to dispose of excess infrastructure and realign the remaining facilities with the requirements of the transforming Army and the Objective Force. BRAC will also allow us to re-allocate resources from closed or realigned installations to other high priority requirements.

The Army continues to improve its utilities infrastructure by divesting non-core utility systems' operation and maintenance through privatization. As of December 2002, we had privatized 64 of the 351 systems in the program, and we have an additional 104 presently under negotiation.

As part of our Army Knowledge Management, we are modernizing our Installation Information Infrastructure – *infostructure* – to support a net-centric, knowledge-based Army. The Installation Information Infrastructure Modernization Program (I3MP) executes a multi-year, $3.2B program for upgrades to optical fiber and copper cable, installation of advanced digital equipment, and upgrades to Defense Global Information Grid gateways. This program will ensure worldwide, high-speed data connectivity at Army installations. To date, we have completed 22 of 95 CONUS installations and initiated upgrades at four installations outside of the continental United States. We plan to complete I3MP in 2009.

Acquisition Transformation

The Army is leading the way in acquisition reform within DoD's broad transformation of defense acquisition policies and procedures. Our FCS program may prove to be the largest DoD acquisition effort that fully embraces evolutionary concepts of acquisition and spiral development – leveraging the potential of rapid advancement within individual technologies by allowing changes within programs as technologies mature.

The FCS program is evolutionary in its design and incorporates periodic blocked improvements within its 19 systems and 540 spirally developing technologies – the Objective Force Soldier and 18 manned and unmanned systems. The Army's use of a Lead System Integrator enables a "best of the best" approach to selection from competing industry efforts. Our unprecedented partnership with DARPA ensures the FCS effort leverages that agency's DoD-wide perspective and resources to produce the best capability and value for the Joint Force.

The Army continues to revise its acquisition policies and applicable regulatory guidance. The Army transferred control of all acquisition program management to the Army Acquisition Executive and eliminated duplication of effort in two major Army commands. Subsequently, twelve Program Executive Officers (PEO) report to the Army

Acquisition Executive, and their subordinate PEOs assumed management of all Army acquisition programs, regardless of Acquisition Category. The plan ensures a single chain of authority for acquisition programs within The Army, and clearly holds Program Managers responsible and accountable for life cycle program management.

Another initiative is the Army Contracting Agency (ACA) that realigns our previously decentralized installation and information technology contracting processes into one organization. Responsible for all contracts over $500K and tasked to eliminate redundant contracts, ACA leverages Army-wide requirements to achieve economies of scale. ACA supports Army Transformation efforts by aligning all base support contracting into a single organization; acts as the single coordinating element and forms the base from which to deploy contingency-contracting, operational support to the warfighting commands; and will continue to support small business awards.

Logistics Transformation

Designing the right logistics architecture is fundamental to success. The Army's Logistics Transformation will focus on creating an overarching corporate logistics enterprise that employs industries' best business practices. Our mobility and deployability goals for the Objective Force are to deploy a combat brigade within 96 hours after lift off, a division on the ground in 120 hours, and a five-division corps in theater in 30 days. To achieve this strategic responsiveness, the Army Strategic Mobility Program serves as a catalyst to bring about force projection changes both in The Army's and in our Sister Services' lift programs. Platforms like the Intra-Theater Support Vessel and Inter-Theater Shallow Draft High Speed Sealift provide transformational capabilities for operational and strategic maneuver and sustainment of Army formations.

Army Prepositioned Stocks ashore and afloat continue to be a critical component of Army power projection. The Army is currently participating in a Joint Staff led Worldwide Prepositioning Study to determine if location, mix, and capabilities in existing stocks require adjustments to meet the Defense Strategy more effectively.

The Objective Force requires The Army to optimize its logistics footprint through the leverage of technology and innovative sustainment concepts. We are already developing and integrating key enablers to provide a transformed, corporate logistics enterprise, including embedded diagnostics and prognostics, tactical logistics data digitization, serial number tracking, and the Global Combat Service Support – Army (GCSS-A) system that utilizes a commercial Enterprise Resource Planning solution. The ERP approach changes our logistics automation systems strategy from one of custom code development for unique Army requirements to adoption of a commercial off-the-shelf product.

The selective use of the Logistics Civil Augmentation Program to augment military logistics force structure provides commanders with the flexibility to reallocate manpower, resources, and materiel by adding contractors to the equation of logistics support. In addition to providing services and some supply support, these contractors can

quickly deploy to establish base camps, receive and process Soldiers as they begin arriving in theater, and reverse the process on return.

Advanced Medical Technology

The Army is the lead agent for DoD vaccine, drug, and development programs for medical countermeasures to battlefield threats. This includes vaccines against naturally occurring infectious diseases of military significance, combat casualty care, military operational medicine, and telemedicine research. The program also funds Food and Drug Administration requirements for technology transition to advanced development.

The medical force provides the requisite medical intervention and care for the Joint Force deployed around the globe. With its Medical Reengineering Initiative, The Army Medical Department has transformed 28% of its force structure to promote scalability through tailored, capabilities-based packages that result in improved tactical mobility, reduced footprint, and increased modularity for flexible task organization. MRI supports both the current forces and the Stryker Brigades, and is the bridge to the Objective Medical Force.

Business Initiatives Council (BIC)

In June 2001, the Secretary of Defense established the DoD Business Initiatives Council with a goal to improve business operations and processes. We aggressively explored ways to improve internal business practices, and established The Army BIC. The Secretary of the Army has approved a total of 35 initiatives under the ABIC. We submitted a number of the initiatives through the formal DoD BIC process for implementation across the Services and other DoD activities. The BIC process has helped to create a culture of innovation and inter-service cooperation as a result of cooperation across the military departments, the Joint Staff and OSD.

A COMMITMENT TO THE FUTURE

With the continued strong support of the Administration, the Congress, our Soldiers, and our civilians, and the greatest industrial base and science and technology communities in the world, The Army will field the Objective Force – this decade. By 2010, we will have fielded the first operationally capable Objective Force unit equipped with the Future Combat Systems. Our Stryker Brigade Combat Teams will be providing Combatant Commanders capabilities not currently available – enhanced strategic responsiveness and the ability to operate in a distributed, non-linear battlespace. Through selective recapitalization and modernization of today's systems that enable our Soldiers to preserve our legacy, we will have sustained a decisive-win capability at a high state of readiness as an integral part of the Joint Force. We will have significantly improved the well being of our people and sustainment of Army infrastructure.

REPORT OF THE SECRETARY OF THE NAVY

Introduction

The past year has been one of tremendous accomplishment for our Navy and Marine Corps. Our men and women operating in the air, on and under the sea, and on the ground are at the leading edge of the Global War on Terrorism (GWOT). Forward deployed, combat ready Naval Forces – sustained by naval and civilian shipmates around the world – are proving every day the unique value of sovereign, independent Forces projecting power from the sea.

Guided by the President's National Security Strategy and the Secretary of Defense's (SECDEF) Defense Planning Guidance, we continue to maintain superiority over a broad range of innovative and determined enemies. Our vision and our way ahead – Naval Power 21 and the Naval Transformation Roadmap – provide the framework to align, organize, and integrate our Naval Forces to meet the wide array of challenges that lie ahead. This will require accelerating operational concepts and technologies to improve war-fighting effectiveness and enhance homeland defense; shaping and educating our force to operate tomorrow's Fleet; sustaining readiness; and harvesting efficiencies to invest in the transformation of our Navy and Marine Corps.

Our FY 2004 Budget consolidates performance management goals of the President's Management Agenda (PMA) with the FY 2001 Quadrennial Defense Review (QDR) goals. It also designates metrics the Department of Defense (DoD) will use to track associated performance results. Consistent with Government Performance and Results Act (GPRA) guidance, these results can be found in the Department of the Navy (DON) FY 2004 Budget Highlights Book (February 2003). Our efforts are summarized below and are aligned with SECDEF's balanced scorecard approach to risk management across the four components of Operations, Force Management, Future Challenges and Institutional focus areas.

Operations

We are at war and our orders from the President are to be ready for potential additional hostilities – now and in the future. We will continue to maintain our readiness in responding to global crises while remaining vigilant at home and overseas. Our enemies are widely dispersed, persistent, and innovative and our task is to dissuade, deter or defeat them. Since our Naval Forces are the Nation's "first responders" on the scene, they must be equipped, ready and capable of helping clear the way for quick and forced entry, attack and sustained battle and a gradual, graceful exit. We must continue to organize, equip and train to fight jointly and improve joint war-fighting capabilities.

We have the most combat ready force in our history. Over the past year, our investment in personnel, spare parts, ordnance, and fuel accounts enabled our Naval Forces to answer an early call to action, deploy at a higher state of combat readiness, and build a more responsive surge capability. These investments were vital to sustaining the GWOT and assuring friends and allies with our global response.

During FY 2002, we increased our Battle Group Readiness by improving manning earlier in the pre-deployment cycle. We began the merger of Navy and Marine Corps tactical air power, removing redundancies and creating an anticipated savings of several billion dollars. Our littoral warfare strategy has matured into the Expeditionary Maneuver Warfare (EMW) concept with the Advanced Amphibious Assault Vehicle (AAAV), MV-22, Maritime Prepositioning Force (Enhancement) (MPF(E)) and Landing Craft, Air Cushion (LCAC) systems providing the tactical mobility assets to spearhead EMW. We developed the Global Concept of Operations which, when fully implemented, will create Joint Maritime Force Packages, providing 37 Independent Strike Groups vice 19 Groups, to better support the 1-4-2-1 strategy set forth in the QDR. For the Missile Defense Program, we established a path for operational capability by FY 2004 and the test program achieved a third consecutive hit-to-kill intercept. In support of our GWOT, the FY 2002 supplemental budget included $350M to facilitate the re-manufacture of 440 Tomahawk missiles.

As we optimize the resources given to the DON by the Congress and American taxpayer, we are revamping the ways we use our people to improve their efficiency and effectiveness. On our ships, the Optimal Manning Experiment is seeking to develop a more efficient model for shipboard manning in the 21st century. Sea Swap, a plan to deploy a single ship for 18 months by rotating three crews, intends to capitalize on operational savings by avoiding the four-to-six-week transit times normally required for CONUS-based ships to reach Persian Gulf destinations. Finally, we created the new Marine Corps' Anti-Terrorism Expeditionary Brigade (4th MEB) to support our GWOT.

Force Management

Last year, we targeted resources at retaining, recruiting, and training our Sailors and Marines to create an environment that promotes personal and professional growth while providing the kind of war fighters needed for our 21st Century Naval Force. Most importantly, we developed a more responsive Force — one that surged forward with the right people, to the right place, at the right time to fulfill our national security requirements. We developed manpower policies that provided a more optimum total force mix of people (active, reserve, civilian and contractor) and skill sets for our future programs and systems. We sustained our Quality-of-Service programs to be competitive with Corporate America, including: state-of-the-art tools and training; performance-based compensation and promotion opportunities; efficient health care; and reasonable OPTEMPO and PERSTEMPO. Overall, during FY 2002, we witnessed continued

improvements in compensation, housing, information technology, spare parts availabilities, and educational initiatives, leading to an improved and incentivized environment for mission accomplishment.

The Navy has achieved accession requirements for the last three years in a row, while the Marine Corps has consistently met monthly and annual recruiting goals for over seven years. Our recruiting successes, coupled with record retention levels, have resulted in much improved force manning. We shifted approximately 17,000 DON legacy-related billets from positions that were contributing little or no value to fill critical emerging requirements, and eliminated an additional 10,000 billets. We accelerated goals for several important quality of life initiatives, including elimination of inadequate housing by FY 2007, implementation of Homeport Ashore and achievement of 2+0 for Marine Corps barracks construction standard.

As we continue to augment and, where possible, replace manpower with technology, we are growing a more senior Force to lead and manage the increasingly technical 21st Century Naval Force. In FY 2002, the Top 6 Enlisted Ranks increased to 71.5%, up 1.3% from FY 2001. This healthy trend allows us to retain more of our experienced leaders and maintain advancement opportunities. We are also revolutionizing the personnel distribution system. Project SAIL (Sailor Advocacy through Interactive Leadership) fundamentally changes the relationship between a Sailor and his/her detailer and puts choice in the human resource detailing system for both the member and the gaining command.

Future Challenges

Our Naval Vision, as described in Naval Power 21, focuses on four fundamental qualities of Naval Forces – Decisiveness, Sustainability, Responsiveness and Agility. The Navy and Marine Corps have defined their respective Service strategies in Seapower 21 and Marine Corps Strategy 21. Taken together, these visions begin to prescribe a strategy-to-concepts-to-capabilities technology continuum that will result in greatly enhanced power projection, protection and joint operational freedom. In so doing, they provide the framework for organizing, aligning, integrating and transforming our fully networked naval forces to meet the challenges and risks that lie ahead.

During FY 2002, our Navy and Marine Corps put its war fighters in charge of operational experimentation. Joint wargames, experiments and exercises coordinated by Commander, Fleet Forces Command (CFFC) are developing new operational concepts and methods to employ technology, such as the Joint Fires Network and High Speed Vessels. The Undersea Experimentation Working Group was also established to more fully integrate submarines into joint experimentation programs. We intend to raise the bar in experimentation and speed the delivery of new concepts through the Fleet's Sea Trial process. Outstanding units are also joining the Fleet. We commissioned USS

McCampbell (DDG 85), USS Shoup (DDG 86), USS Preble (DDG 88) and laid the keel for USS Texas (SSN 775).

To accelerate the transformation of our naval forces, we improved the inter-operability among networks, sensors, weapons and platforms through such programs as the Cooperative Engagement Capability (CEC) and the Composite Tracking Network (CTN). We deployed and accelerated the development of unmanned systems, such as the Unmanned Aerial Vehicle (UAV), Unmanned Underwater Vehicle (UUV) and the Unmanned Ground Vehicle (UGV) to satisfy requirements for existing missions and platforms. We funded significant transformational capabilities, including: next-generation aircraft carrier (CVN-21) development; augmentation and replacement of DD-21 with a new family of ships -- Littoral Combat Ship (LCS), CG(X) and DD(X); two more SSBN-to-SSGN conversions; and the advanced Hawkeye (E-2C) Upgrade Program. We are also bringing open systems architecture to all surface and submarine combat systems, leveraging legacy-system upgrade efforts and DD(X) new system developmental work.

Pushing the state-of-the-art in transformational weapons technologies, we have invested in key demonstration programs. These include the Active Denial System for Force Protection, the Free Electron Laser for both Force Protection and Missile Defense, and Electromagnetic Gun efforts that will eventually support many Navy and Marine Corps missions, including extended range naval gunfire support. This will lead to a mix of kinetic and non-kinetic capabilities optimally suited to the electric ship of the future, and the emergent threats to both Sailors and Marines.

The DON is also moving forward with the Joint Strike Fighter (JSF) Program that completed all major milestones on time with International Partner Memoranda of Understanding (MOUs) signed with seven allied nations. Funding for the Broad Area Maritime Surveillance System (BAMS) UAV provides for delivery of the first two aircraft in FY 2006. This system can support the Carrier Strike Group (CSG) and Expeditionary Strike Group (ESG) by providing wide area surveillance for situational awareness and battlespace management. We returned the MV-22 program to flight by crafting the test and deployment strategy to satisfy OSD’s flight safety and operational reliability concerns. The CEC program successfully completed Operational Evaluation (OPEVAL), allowing one ship to shoot a weapon at a target generated based on another ship’s firing solution. We transitioned the Naval Fires Network (NFN) from prototype to deployment in support of Operation Enduring Freedom (OEF). Recognizing that space is evolving into an environment critical to future war fighting, the DON has committed itself to serving as a full partner in National Security Space efforts. We support Naval and Joint Forces with new classes of space-related capabilities that can most advantageously be provided from mobile sea-based platforms such as sea-based launch-on-demand systems.

Institutional

We have substantially streamlined our business practices to work toward a more efficient Navy and Marine Corps. By emulating smart business practices from commercial industry, we have made management teams more product-oriented, pushing down responsibility, authority and accountability to the operational unit(s) or performing activities wherever possible. We are developing leaders with a better understanding of business strategies, cost control, program risk and rapid flexible design. Teamwork is emphasized for integrated product and process development, implementation and execution, as we have witnessed in our successful Navy/Marine Corps Intranet (NMCI) program. We have increased the use of activity-based costing and continue to streamline the three major decision processes – Planning, Programming, Budgeting and Execution System (PPBES), acquisition management and requirements formulation. Divestiture is allowing us to reallocate savings to more urgent requirements through the reduction or elimination of legacy systems, programs and organizations.

Focusing on specific actions we could take within existing statutory and regulatory guidelines during FY 2002 at the headquarters' level, we realigned the PPBS by virtually merging the Program Objectives Memorandum (POM) and Budget end-game processes and eliminating duplicative oversight reviews. Additional consolidation will be accomplished in FY 2003, including the merger of the POM and budget databases into one entity (the Program Budget Information System (PBIS)). Operationally, to provide better workload efficiency and improved competitiveness for future DD(X) construction, we negotiated the construction swap of four DDGs for four LPDs between Bath Iron Works and Northrop Grumman Ship Systems. To improve family-housing efficiencies, we awarded three family-housing privatization projects, totaling over 4,800 units. From design-build improvements, to more efficient facilities, to BRAC land sales via the GSA Internet and the disposal of more than 74,000 acres of base-closure property, we are improving management of our infrastructure and producing a stable and effective foundation for the Navy and Marine Corps of the future.

To properly resource our recapitalization plans, we re-evaluated and improved the pricing of major acquisition programs and prior year shipbuilding together with workload validation savings throughout the DON, resulting in $700M savings annually. To improve efficiency for related weapons acquisitions, we created a single Program Executive Officer (PEO) for C4I procurement and focused on an overarching system of systems by creating PEOs for Integrated Warfare Systems, Littoral and Mine warfare and ships. We encouraged the DoD's Business Initiatives Council (BIC) to identify internal cost savings that could offset funding requirements for personnel programs, infrastructure, recapitalization and equipment modernization. We made significant reductions in the number of personnel (63%) and operating costs (44%) for those positions reviewed as part of the DON Strategic Sourcing Program, with more than 43,000 additional positions currently under review.

Performance Measurement

The Department of the Navy, one of the largest employers in our nation, is also one of the most visible to the public. With Service members in multiple countries, at sea and ashore, in every time zone and in every climactic region, the spotlight never leaves our emblem. With our charter to defend our nation and its interests at home and abroad, it becomes essential that every employee take an active role in using his/her resources wisely, measuring performance and ensuring success in each endeavor.

The President has stated that this Administration is "dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used." To achieve this, the strategy proposed in the PMA focuses on five basic tenets: (1) Budget and Performance Integration, (2) Strategic Management of Human Capital, (3) Competitive Sourcing, (4) Financial Management Improvement, and (5) Expanding E-Government. The FY 2004 budget consolidates performance management goals of the PMA with those of the FY 2001 QDR under a balanced scorecard approach for risk management, within which we have previously described the major accomplishments and future plans for the DON. The PMA also designates metrics to track associated performance results to improve programs as an integral component of the Department's budget and performance integration initiative.

In an effort to incorporate these metrics into the budget process, the Office of Management and Budget (OMB) has instituted the Program Performance Assessment process to identify programs that will be measured in "getting to green" and providing a rating system that is consistent, objective, credible, and transparent. The initial programs reviewed in FY 2004 are summarized in the DON FY 2004 Budget Book (February 2003). Programs were assessed and evaluated across a wide range of issues related to performance, including strategic planning, program management and program results. We are continuing to work with OSD and DON Program Managers in refining these metrics and improving performance where it is warranted. Amplifying information can be found in the detailed budget justification materials supporting the FY 2004 President's budget submission to Congress.

Conclusion

Our Naval Forces will continue to lead from the front lines of the Global War on Terrorism and continue to answer the call of our Nation. Together with our fellow services, we will assure our friends and allies and we will dissuade, deter and defeat our nation's enemies. While our Navy and Marine Corps Team faces uncertain future battlegrounds, we have set a course to win our nation's wars and transform to meet tomorrow's challenges.

REPORT OF THE SECRETARY OF THE AIR FORCE

INTRODUCTION

After the traumatic events of September 11, 2001, the words “clear and present danger” acquired a new meaning for America, our allies, and our friends. This nation’s safety and security, as well as the freedoms that we should never take for granted, are at risk here and abroad. As we move into the third year of this new century, we are facing an unprecedented array of asymmetric threats in the Global War On Terrorism. We are responding to critical missions at flashpoints in Afghanistan, the Middle East, and Southeastern Asia – we are poised to defend America’s interests wherever threatened. We continue to meet an unprecedented level of sustained demand for a diverse portfolio of air and space capabilities to quickly project American power globally while providing effective homeland defense. We are meeting this challenge while simultaneously transforming our capabilities, our operational concepts, and our people to meet the threats of today while preparing for tomorrow.

The U.S. Air Force continues to provide America the “high ground” advantage of space and unmatched air dominance in all theaters of operation. With new, more disruptive technologies in the hands of our enemies, we must apply the sum of our operational experiences and experimentation to develop dynamic, flexible, and adaptable forces capable of dissuading, deterring, and defeating a much wider range of potential future adversaries. This fluid setting underscores the need for agility in how we think about military operations, as well as more responsive planning and acquisition processes to provide future joint warfighters the tools they will need to support our National Security Strategy. As advanced military capabilities proliferate among potential adversaries, we need to keep pushing technology forward to dominate these threats before they can be used effectively against our interests. In less than one hundred years, American air and space power has evolved into an effective tool of national policy, creating a host of sophisticated, stealthy aerial vehicles capable of global reach. Through calculated research, development, and procurement decisions and a resolve to integrate all of our combat, information, and support systems into an enterprise architecture of joint air and space capabilities, we will achieve our mission to win this nation’s wars and protect our vital interests whenever and wherever they are threatened.

As we supported an unprecedented level of contingency operations over the last year, we evaluated, implemented, and validated a host of technological advances, organizational changes, and operational concepts that enabled our men and women to achieve desired effects on the battlefield faster and with greater precision than at any time in the history of warfare. Such adaptation is characteristic of Air Force transformation, as airmen strive to push the envelope to achieve innovative and unprecedented air and space capabilities for combatant commanders, the joint force, and our nation. We have continued to move

our expeditionary Air Force closer to realizing the transformational imperatives of this new era, machine-to-machine digital integration of manned, unmanned, space, and joint command and control assets.

FORCE MANAGEMENT

Transforming our force would not be possible without an integrated plan to educate, train, and mature the right mix of Active Duty, Air National Guard, Air Force Reserve, and civilian personnel who understand the nature of our changing security environment. To achieve this, we are evolving our personnel function towards a new Total Force Development process that better blends Professional Military Education, advanced academic degrees, and assignment policies. The strength of our nation's Air Force will never reside in systems alone, but in the airmen operating them. Nor will our capabilities improve solely through technological advances, but instead through the dedication, professionalism, skills, and adaptive insights of the Air Force family, including our extended family of defense analysts and members of industry to support our transformation objectives. We recruit and retain a remarkably diverse group to ensure we reach our fullest potential. Their backgrounds reflect the cross-section of American culture – all races, religions, economic and educational backgrounds, skill and management levels, men and women – that make this Air Force the tremendous organization that it is today.

Airmen embrace transformational ideas and seek to apply them to every aspect of the Air Force, from new organizational constructs to innovative joint concepts of operations. The true test of their ideas is evident in real-world operations, where the Air Force is often the "tip of the spear" – and airmen have proven themselves as unequalled warfighters. Whether maintaining safe skies over UN no-fly zones, supporting counter-terrorist missions in the jungles of the Philippines, or paying the ultimate price while rescuing fellow Americans in a battle on an Afghan ridge, our airmen are proven combat veterans. To enable our people to support these real-world expeditionary operations, the Air Force transformed to a force management construct known as the Air and Space Expeditionary Force (AEF). After nearly three complete and successful deployment cycles, our AEF construct is validated as an effective means of meeting our nation's increased operations tempo requirements. Yet we've continued to enhance the construct by initiating significant organizational changes -- for example, ensuring that every airman belongs to one of our ten AEFs. A beneficial collateral effect has been a change in our corporate mindset and culture, where an airman's AEF association cultivates an expeditionary perspective and a clearer appreciation for joint warfighting requirements and capabilities.

Force Development – A New "Flight Plan" for Leadership

Future military missions will require greater sophistication and understanding of the security environment, and our expeditionary force requires airmen with international

insight, foreign language proficiency, and cultural understanding. We are working diligently to expand the cadre of professionals with such skill sets and experiences. Our education initiatives will contribute to a major corporate culture shift that fosters appropriate development throughout our airmen's careers to meet evolving force requirements. In the past, we addressed aspects of career development, education, and assignments individually, but not necessarily in a coordinated, connected approach. Recognizing this, and to prepare for the future, we introduced a systemic force development construct that evolves professional airmen into *joint* force warriors. This construct provides the right level, timing, and focus of education, training, and experience for all airmen, while encompassing personal, team, and institutional leadership skills for all levels of military operations.

As opportunities in advancing technologies unfold, it is imperative that the Air Force continue to draw upon a vibrant collection of educated, technically skilled, and technologically savvy airmen – both uniformed and civilian alike. Agile, flexible training is an essential investment in human capital, and our initiatives ensure our investment delivers the right training to the right people at the right time. In August 2002, we began our groundbreaking Enlisted-to-Air Force Institute of Technology (AFIT) Program. An initial cadre of senior NCOs began receiving world-class, graduate education to optimize them for greater responsibilities and challenging follow-on assignments. In addition, because more than 42 percent of our civilian force will be eligible for retirement in the next five years, we are committing significant resources to pay for advanced education as well as cross-functional career broadening.

Diversity

Diversity is a readiness issue; it is a warfighting issue. We know that we must continue to attract people from all segments of American society and tap into the talents and advantages resident in our diverse population if we hope to reach our fullest potential as a fighting force. Today's multi-threat world also mandates that we instill in our airmen the ability to effectively think across cultural boundaries and functional paradigms. Our continuing goal is to recruit, train, and retain airmen without imposing artificial intellectual boundaries, adopting the personnel policies and practices that will best integrate people, their ideas, new weapons and systems to achieve air and space dominance.

Recruiting the Best

It takes tremendous effort to identify and develop such airmen, yet the return for the nation is immeasurable. Increased advertising, an expanded recruiting force with broader access to secondary school students, and competitive compensation prepare us to meet recruiting goals. Despite the challenge of mustering such a diverse and skilled collection of Americans, we exceeded our Fiscal Year 2002 enlisted recruiting goals and expect to

surpass Fiscal Year 2003 objectives. We will adapt our goals to meet new force objectives; however, the capacity limitations of Basic Military Training and Technical Training School quotas will continue to challenge our Total Force recruiting efforts.

Officer recruitment presents similar challenges. We are particularly concerned with a shortage of military and civilian scientists and engineers. We fell short of our accession goal for this group and have begun all-out recruitment and retention efforts for these critical specialties.

Historically, the Air National Guard and Air Force Reserve access close to 25 percent of eligible separating Active Duty Air Force members (i.e., no break in service). The demands of continued high operations tempo may negatively impact our efforts in attracting Air National Guardsmen, as well as drawing separating Active Duty airmen to the Air Force Reserve. As a result, recruiting will have to make up a substantial portion of accessions from that market by developing alternatives.

Retention

The Air Force is a retention-based force. The critical skill sets we develop in our airmen are not easily replaced, so we expend every effort to retain our people – the impetus for our "re-recruiting" efforts. Overall retention plans include robust compensation packages that reward service, provide for a suitable standard of living, ensure a high quality of life, and retain the caliber of professionals we need to win America's wars decisively. Over the past year, we continued to reap the benefits of our aggressive retention program, aided by bonuses, targeted pay raises, and quality of life improvements. Introducing the Critical Skills Retention Bonus for select officer specialties reinforced our commitment to target specific skills suffering significant retention challenges. The Air National Guard has placed particular emphasis on aircraft maintenance fields, security forces, and communication and intelligence specialists by offering enlistment and reenlistment bonuses, a Student Loan Repayment Program, and the Montgomery GI Bill Kicker Program. However, many airmen retained under Stop Loss will separate throughout Fiscal Year 2003 – a fact of particular concern for our rated force. Our flexible Aviation Continuation Pay (ACP) program remains an important part of our multifaceted plan to retain pilots.

OPERATIONS

Meeting Our Nation's Warfighting Requirements

Committed to meeting any mission tasked, the Air Force completed an unprecedented array of operations and exercises in 2002. From the jungles of the Philippines to the deserts of the Middle East, and across every continent and body of water, the Air Force joined with land and naval forces to secure America's national security objectives. We do

not act as individual services, but in concert as joint warfighters to prevail in the war on terrorism and all military missions required of our nation. With each mission, the joint force grows more capable as we mature our vision, our capabilities, and our joint culture.

Our most fundamental mission is to protect America – Homeland Defense. In support of that mission, the Air Force achieved a range of alert postures involving more than 200 military aircraft at over 20 airbases for Operation NOBLE EAGLE (ONE). In conjunction with unprecedented NATO airborne warning support and other U.S. assets, we have provided continuous combat air patrols over sensitive/high risk areas, and random patrols over other metropolitan areas and key infrastructure. In 2002, airmen flew over 25,000 ONE fighter, tanker, airlift, and airborne warning sorties, made possible only through the mobilization of over 30,000 reserve component airmen.

Throughout Operation ENDURING FREEDOM (OEF), the Air Force has maintained a continuous, steady-state presence consisting of over 14,000 airmen in Afghanistan and the associated theater of operations. Air Force assets provided crucial intelligence and situation awareness, combat power, and support capabilities for the combatant commander. A key reason for American military success in the region is the performance of Air Force special operations airmen. Working in teams with other special forces, ground units, and coalition elements, "blue-suit" special operators are positioned on the ground to target enemy resources using the full lethality of integrated air and space capabilities. Fully engaged in all aspects of the war on terrorism, from mobility to close air support, our aircraft and crews flew more than 40,000 OEF sorties in 2002 – over 70 percent of all coalition sorties. This includes more than 8,000 refueling missions conducted by the "linchpin" capability for joint warfighters – the tanker force. Simply put, Air Force mobility forces made operations in a distant, land-locked nation possible.

Our 2002 combat operations were not limited to ONE and OEF. Iraqi forces fired on coalition aircraft over 400 times during 14,000 sorties supporting Operations NORTHERN WATCH and SOUTHERN WATCH. In support of these missions, the Air Force maintained a continuous, regional presence of more than 9,000 airmen, complementing other air and space assets that provided vital intelligence, situation awareness, and indications and warning to monitor Iraq's compliance with United Nations' directives.

Beyond air operations, we operated and maintained several constellations of earth-orbiting satellites, and in 2002 we launched 18 missions with a 100 percent success rate – including the first space launches using Evolved Expendable Launch Vehicles. These activities bolstered America's assured access to space and ensured vigorous, global intelligence, surveillance and reconnaissance (ISR), missile warning, precision navigation and timing, communications, and weather systems. In addition, manned, unmanned, and space ISR assets not only delivered unprecedented battlefield awareness, but, with the

Predator unmanned aerial vehicle (UAV), we also introduced transformational combat capabilities.

We continue to deliver force protection through the integrated application of counterterrorism and antiterrorism operations, and preparedness for chemical, biological, radiological, nuclear, and explosive incidents. We employ a tailored selection and application of multilayered active and passive, offensive and defensive measures. Intelligence and counterintelligence programs support this integrated effort and remain critical to our success. In this regard, we continued to develop and employ all-source intelligence systems; cross-functional intelligence analysis procedures; and an operational planning process to implement Force Protection operations that deter, detect, deny, and destroy threats. Our goal is to see first, understand first, and act first.

Extending A Helping Hand

Even though the fight against global terrorism is our national military focus, throughout 2002 airmen joined soldiers, sailors, and marines in the Balkans, South America, Europe, Asia, and around the world to assure our friends while deterring and dissuading our adversaries. In 2002, airlift crews exceeded 2.4 million airdropped daily ration deliveries in Afghanistan, evacuated allied personnel at threatened locations around the world, and flew typhoon relief missions to Guam, while our explosive ordnance specialists removed unexploded munitions in Africa. At the same time that airmen were supporting an unprecedented level of food, medical, civil engineering, and evacuation relief efforts in warring regions, we were also on call to perform critical, quick-response missions during natural or manmade crises at home.

Executive Agent for Space

The Air Force is proudly performing its role as the Department of Defense Executive Agent for Space with confidence and enthusiasm. In conjunction with the other services and agencies, we are shaping a new and comprehensive approach to national security space management and organization. Our capstone objective is to realize the enormous potential in the high ground of space, and to employ the full spectrum of space-based capabilities to enable joint warfighting and to protect our national security. The key to achieving this end is wholesale integration – through air, land, space, and sea; across legacy and future systems; among existing and evolving concepts of operations; and between organizations across all sectors of government. We will continue to deliver the unity of vision and effort required toward fulfilling our mission of delivering the most advanced space capabilities for America. It is in this context of the widespread and increasing importance of space systems that we strive to meet present and future national security challenges by providing dominant space capabilities that will:

- Exploit Space for Joint Warfighting. Space capabilities are integral to modern warfighting forces, providing critical surveillance and reconnaissance information, especially over areas of high risk or denied access for airborne platforms. We are working to enhance existing capabilities and, where it makes sense, pursue new ones such as the Transformational Communications System (TCS), which promises to dramatically increase bandwidth for our joint warfighters; and the Space Based Radar, which will complement the airborne Joint Surveillance Target and Attack Radar System by migrating portions of the Ground Moving Target Indicator capability into space.

- Pursue Assured Access to Space. We cannot effectively exploit space for joint warfighting if we do not have responsive, reliable, and assured access to space. In August 2002, the new Evolved Expendable Launch Vehicle got off to a strong start with the successful launch of Lockheed Martin's Atlas V booster. Boeing's Delta IV program added to the nation's array of modern launch vehicles with liftoff in November 2002. We are also pursuing advanced and highly versatile reusable launchers and small expendables with extremely short response times to achieve long-term assured access, while taking the necessary steps to maintain and improve our space launch infrastructure.

- Preserve Our Freedom of Action in Space. Our nation must be able to act freely in space or risk losing those capabilities essential to joint warfighting. We initiated efforts to increase our space situation awareness, beginning with the new Space Situation Awareness Integration Office at Air Force Space Command, and a similar program at the Space and Missile Systems Center. Future efforts are planned to develop strategy, doctrine, and programs to improve the protection of our own space capabilities while denying the benefits of joint space capabilities to our adversaries.
- Develop Our People. The Air Force's Space Professional Strategy fulfills a Space Commission recommendation to develop space professionals and nurture a cadre to lead our national security space endeavors at all levels in the decades ahead. These space-expert airmen will become the core leadership for future space operations, and will shoulder the brunt of the responsibility for advancing joint warfighting capabilities into the high ground frontier.

Transforming How We Train

Over the past year, we advanced joint and combined interoperability skills with our sister services and those of 104 nations through 111 Joint Chiefs of Staff exercises and Joint Task Force experimentation events conducted in 40 foreign countries. Exercises ranged from large field training events such as BRIGHT STAR, to command post exercises like POSITIVE RESPONSE, and smaller but equally valuable humanitarian exercises, as in school construction, well drilling, and medical clinic visits. Clearly training, while not unique to our military, is a unique American military strength. But we cannot continue to

rely on the methods of the past as we face the challenges and opportunities of the future. As our potential adversaries work to overcome our technological superiority, it is imperative that we enhance our "training advantage" by improving our operational proficiency at the tactical level coincident with integrating training at the joint level. To achieve this objective, we remain fully engaged with the other services, unified commands, and the Office of the Secretary of Defense in developing and implementing a training transformation plan. While our vector is new, our goal remains to train as we will fight by increasing the joint content of our exercises in live, virtual, and distributed training environments.

Task Force Enduring Look

Success in future missions also hinges upon our ability to learn from previous operations. To ensure that we learn from ongoing operations and adapt accordingly, we established Task Force Enduring Look. Task Force Enduring Look is responsible for Air Force-wide data collection, exploitation, documentation, and reporting of lessons-learned from ONE and OEF. Through extensive investigation and analysis, Enduring Look is examining Air Force and joint warfighting effectiveness to help shape the transformation of expeditionary air and space power.

Transforming to a 21st Century Global Reconnaissance and Strike Force

The Air Force is continually developing new areas of expertise that sustain us as the world's preeminent air and space force. In the past, we have distilled our distinctive capabilities into what we called our six "core competencies" – Air and Space Superiority, Global Attack, Rapid Global Mobility, Precision Engagement, Information Superiority, and Agile Combat Support. Our evolving recognition of the fundamental characteristics from which we derive our strength and sustain our air and space dominance, led us to identify three new institutional core competencies, forming the backbone around which we organize, train, and equip:

- Developing Airmen: the heart of combat capability
- Technology-to-Warfighting: the tools of combat capability
- Integrating Operations: maximizing combat capabilities

Our core competencies reflect a legacy of transformational thinking – innovation and adaptation focused on accomplishing our mission. This point is underscored by the fact that, in spite of a more than 30 percent reduction in manpower over the past twelve years, we have faced an exponential increase in worldwide taskings. Intensifying operations tempo requires significant changes in the way our force organizes, trains, and equips to support combatant commander requirements. Just as the advent of aircraft revolutionized the nature of warfighting, recent advances in low observable technologies, space-based

systems, manipulation of information, precision, and small, smart weapons offer dramatic advantages for combatant commanders.

The F/A-22 is an excellent example of our ability to adapt innovative technology to warfighting capabilities and evolving operational requirements. Originally envisioned as an air superiority fighter, it has been transformed into a multirole system. The F/A-22 not only brings to bear warfighting capabilities without equal for decades to come, but also includes those we did not foresee at its inception. Collectively, the platform's supercruise, stealth, maneuverability, and novel avionics will give joint warfighters the ability to achieve crucial battlefield effects – penetrating into anti-access areas, putting precision munitions on target, detecting and intercepting aircraft and cruise missiles, allowing 24-hour stealth – and implement new and evolutionary concepts of operations.

Capabilities-based Concepts of Operations

As we transform to meet the exigencies of our strategic environment, our principal focus has transitioned from fielding a platform-based garrison force to developing a capabilities-based expeditionary force. The Air Force's Air and Space Expeditionary Force (AEF) construct divides our combat forces into ten equivalent AEFs, each possessing air and space warfighting and associated mobility and support capabilities. The AEF construct is the tool that we use to organize and deploy expeditionary wings, groups, and squadrons. A key element of our ability to deliver these tailored and ready expeditionary forces is the parallel development of concepts of operations (CONOPS) that describe how we fight and how we integrate with our sister services and outside agencies. In short, CONOPS are the fundamental "blueprints" for how we go to war. In addition to guiding our decisions during operational planning, CONOPS help us to provide scalable, quick-reacting, task-organized units from the ten standing AEFs, and sustain our ability to ensure trained and ready forces are available to satisfy all operational requirements.

Developing new CONOPS will help us make the shift to a "capabilities-based" force by providing solutions to a variety of problems joint warfighters can expect to encounter in the future. Whether detailing our plans for operating in an anti-access environment or identifying how to deliver humanitarian rations to refugees, Air Force CONOPS lend focus on the essential elements required to accomplish the mission. They cover the complete spectrum of warfighting capabilities (deep strike, information, urban, psychological operations) and enable us to tailor forces (expeditionary wings, groups, or squadrons) from existing AEFs to meet joint requirements. In support of this effort, our new Capabilities Review and Risk Assessment process assesses CONOPS capability shortfalls, health, risks, and opportunities, while prioritizing future capability opportunities. This helps CONOPS developers articulate disconnects between required capabilities and developing programs, while providing senior Air Force leadership an

operational, capabilities-based focus for acquisition program decision-making. Current Air Force CONOPS include:

- **Global Strike** – employs joint power-projection capabilities to engage anti-access and high value targets, gain access to denied battlespace, and maintain battlespace access for all required joint/coalition follow-on operations.

- **Global Response** – combines intelligence and strike systems to attack fleeting or emergent high value or high risk targets by surgically applying air and space power in a narrow window of opportunity, anywhere on the globe, within hours.

- **Homeland Defense** – leverages Air Force capabilities with joint and interagency efforts to prevent, protect, and respond to threats against our homeland – whether within or beyond U.S. territories.

- **Space and Command, Control, Communications, Computers, Intelligence Surveillance, and Reconnaissance (Space & C4ISR)** – harnesses horizontal integration of manned, unmanned, and space systems to provide persistent situation awareness and executable decision-quality information to the Joint Force Command.

- **Global Mobility** – provides regional combatant commanders with the planning, command and control, and operations capabilities to enable rapid, timely, and effective projection, employment, and sustainment of U.S. power in support of America's global interests, ensuring precision delivery of required operational effects.

- **Nuclear Response** – provides the deterrent "umbrella" under which conventional forces operate and, if deterrence fails, avails a rapid scalable response.

- **Air and Space Expeditionary CONOPS** – provides the overarching context, which identifies and sequences distinctive capabilities and broad-based functions that air and space power assets can give the Joint Force Command to generate desired effects in support of national military objectives.

TRANSFORMING THE INSTITUTIONAL AIR FORCE

Performance and Accountability – New Ways of Doing Business

To achieve our vision of an agile, flexible, responsive, and capabilities-based air and space force, we must transform the processes that provide combatant commanders with

air and space capabilities. An example of this in action is the Air Force's efforts to carry out the responsibilities of DoD's Space Milestone Decision Authority (MDA). The Secretary of the Air Force delegated these responsibilities to the Under Secretary of the Air Force. Adapting an effective process already in use at the National Reconnaissance Office (NRO), the Under Secretary instituted a new streamlined space acquisition program review and milestone decision-making process. This new process was used for the first time in August 2002 in developing a contract for the National Polar-orbiting Operational Environmental Satellite System. This effort creates an opportunity for the Air Force to apply performance and cost accountability to defense industrial firms through their chief financial officers and board of directors by linking executive compensation to contract performance.

In addition to the major process changes for DoD space, the Air Force's Business Transformation Task Force directed and integrated improvements to our core business and operations support processes. Our objective is to continually improve our acquisition, logistics, maintenance, training, medical, dental, and other corporate processes as they ultimately determine our overall enterprise effectiveness and directly sustain combat capabilities. An additional category of processes called *enablers* completes the Air Force enterprise. Enablers include the management of human resources, finances, contracts, property, plant and equipment, and information. These enablers are important as they facilitate our distinct capabilities and determine the overall efficiency of our enterprise.

The Air Force is moving to enact business transformation from an integrated enterprise perspective, examining every process and associated link, streamlining the Strategic Resource Planning Process in accordance with new DoD directives. Accordingly, we will employ industry best practices and identify management metrics to improve process efficiency without degrading our enterprise effectiveness; expand our customer's self-service management capability and free up needed resources for the operational communities; and provide accurate real-time financial data for better decision making. Already, acquisition reform has effected notable improvements:

- Streamlined our acquisition and contracting regulations

- Created a Program Executive Office for Services to bring centralized coordination, oversight, and new efficiency to the growing area of services contracts – which accounts for nearly half of our procurement budget

- Developed and initiated System Metric and Reporting Tool (SMART), putting real-time program status information on everyone's desktop

- Empowered "High Powered Teams" of requirements and acquisition professionals to create spiral development plans to deliver initial capability to warfighters more quickly, and add capability increments in future spirals

- Designed a Reformed Supply Support Program to improve the spares acquisition process by integrating the support contractor into the government supply system

- Continued, with OSD support, expansion of the Reduction in Total Ownership Cost program to identify critical cost drivers, fund investments to address them, and generate cost savings and cost avoidance

Aligned with OSD's push to adopt Balanced Scorecard performance measures and the President's Management Agenda, these initiatives are only the beginning of a comprehensive and aggressive approach to reforming Air Force business practices. Our efforts today will have a direct effect on efficient and effective air and space capability acquisition, both immediately and in the future.

Ensuring Readiness

Reconstituting and reconfiguring our expeditionary basing systems and wartime stocks is a critical element of our force projection planning. While we made significant strides in funding, we require additional investments in bare base systems, vehicles, spares, munitions, and pre-positioning assets. Our infrastructure investment strategy focuses on three simultaneous steps. First, after a thorough examination, we must dispose of excess facilities. Second, we must fully sustain our facilities and systems so they remain combat effective throughout their expected life. Third, we must establish a steady investment program to restore and modernize our facilities and systems, while advancing our ability to protect our people and resources from the growing threat of terrorism at current, planned, and future operating locations – at home or abroad.

Improved vehicle fleet funding allowed us to replace some aging vehicles with more reliable assets, including alternative fuel versions to help meet federal fuel reduction mandates. Targeted efficiencies in spares management and new fuels mobility support equipment will improve supply readiness. In addition, our spares campaign restructured Readiness Spares Packages and repositioned assets to contingency sites. Moreover, to increase munitions readiness, we expanded our Afloat Prepositioning Fleet capabilities, and continue acquiring a broad mix of effects-based munitions in line with the requirements of all Air Force CONOPS.

Finally, our Depot Maintenance Strategy and Master Plan calls for major transformation in financial and infrastructure capitalization to ensure Air Force hardware is safe and ready to operate across the threat spectrum. To support this plan, we increased funding in FY 2004 for depot facilities and equipment modernization. We also began a significant

push to require weapon systems managers to establish their product support and depot maintenance programs early in the acquisition cycle and to plan and program the necessary investment dollars required for capacity and capability. Additionally, we are partnering with private industry to adopt technologies to meet capability requirements. The results from these efforts will be enhanced, more agile warfighter support through the critical enabler of infrastructure.

Expanding AEF Personnel

In the wake of the September 11, 2001, attacks, the Global War on Terrorism, and stepped-up air operations in Afghanistan, Iraq and other hotspots, workload and stress in a number of mission areas have significantly increased for our expeditionary forces. Manning for these operations is drawn from our existing AEF packages. In order to accommodate increased contingency requirements we are exploring options to augment the existing AEF construct. Recent and ongoing efforts to maximize the identification of deployable forces and align them with the AEF cycle have helped in meeting the more immediate warfighting requirements.

We are refocusing uniformed manpower allocation on our distinctive capabilities to reduce the stress on our active force. Additionally, we are carefully considering technologies to relieve the increased workload. These efforts exist within our longer-term goals to reengineer, transform, and streamline Air Force operations and organizations, and have allowed us to realign some new recruits into our most stressed career fields.

Our focus on more efficient and responsive capabilities and planning processes has inspired us to adapt the way we organize, train, and equip our forces. The requirements that emerge from the Air Force CONOPS will guide a reformed acquisition process that will include more active, continuous partnerships among requirement, development, operational, test, and industry communities working side by side at the program level.

Science and Technology – Wellspring of Air and Space Capabilities

We are improving our Science and Technology planning and collaboration with other services and agencies to ensure that we encourage an operational pull that conveys to the Science and Technology community a clear vision of the capabilities we need for the future. The goal is to address the full spectrum of future needs in a balanced and systematic manner. We are also working to enhance our ability to quickly demonstrate and integrate promising technologies. Some of these new technologies – for example, the Predator unmanned aerial vehicle and laser-based communications – show clear promise for near-term, joint warfighting applications.

Addressing the Recapitalization Challenges

We have made tremendous strides in modernizing and improving maintenance plans for our aircraft; however, the cruelty of age has introduced new problems for old aircraft. Reality dictates that if we completely enhance the avionics and add new engines to 40-year old tankers and bombers, they are still 40-year old aircraft, and subject to fleet-threatening problems such as corrosion and structural failure.

This is equally true for our fighter aircraft, where once cutting-edge F-117s now average over 15 years of service, and mainstay air-dominance F-15Cs are averaging nearly 20 years of service. With double-digit surface-to-air missile systems, next-generation aircraft, and advanced cruise missile threats proliferating, merely maintaining our aging fighter and attack aircraft will be insufficient. In fact, the dramatic advances offered in many of our operational concepts cannot be realized without the addition of the unique capabilities incorporated in the F/A-22. Simply stated, our legacy systems cannot ensure air dominance in future engagements – the fundamental element for joint force access and operations. We will thus continue executive oversight of F/A-22 acquisition in order to ensure program success.

Although ultimately solving these recapitalization challenges requires acquisition of new systems, we will continue to find innovative means to keep current systems operationally effective in the near term. We know that just as new problems develop with old systems, so too do new opportunities for deployment, such as our use of B-1s and B-52s in a close air support role during Operation ENDURING FREEDOM. We will also pursue new options for these long-range strike assets in a standoff attack role for future operations.

Additionally, we are looking for ways to replace our orbiting space systems and satellites, improve outmoded ground control stations, enhance protective measures, continue to address new space launch avenues, and address bandwidth limitations in order to continue leveraging space capabilities for the joint warfighter. We are exploring alternatives for assuring access to space, and a key aspect of this effort will be invigorating the space industrial base.

Finally, it is imperative that we address the growing deficiencies in our infrastructure. Any improvements we may secure for our air and space systems will be limited without a commensurate address of essential support systems. Deteriorated roofs, waterlines, electrical networks, and airfields are just some of the infrastructure elements warranting immediate attention.

Organizational Adaptations

In 2002, we initiated numerous adaptations to more efficiently and effectively exploit Air Force advantages for the joint warfighter. Comprehensive integration of the Air Force's extensive C4ISR systems is paramount for our future capabilities. This requires an enterprise approach of total information cycle activities including people, processes, and technology. To achieve this, we created a new Deputy Chief of Staff for Warfighting Integration, which brings together the operational experience and the technical expertise of diverse elements (C4ISR, systems integration, modeling and simulation, and enterprise architecture specialties). This new directorate will close the seams in the kill chain by guiding the integration and interoperability of manned, unmanned, and space C4ISR systems.

Partnering with Warfighting Integration efforts, the Air Force Chief Information Officer shares responsibility to spearhead the transformation to an information-driven, network-centric Air Force. These two organizations orchestrate the integration of Air Force systems, processes, platforms within our information enterprise. The goal is to provide the roadmap for innovation and to function as a blueprint that can be used to leverage our information technology resources. This comprehensive information architecture will serve as a key construct in defining mission information requirements and promoting interoperability.

Blended Wing

We do nothing in today's Air Force without Guard, Reserve and civilian personnel working alongside Active Duty airmen. A fundamental initiative of Air Force transformation is to employ innovative organizational constructs and personnel policies to effectively integrate these components into a single, more homogenous force. In this way, we can create efficiencies, cut costs, ensure stability, retain invaluable human capital and, above all, increase our combat capabilities.

A key effort is to "blend" units from two or more components into a single wing with a single commander. This level of integration is unprecedented in any of the services, where Active Duty, Guard, and Reserve personnel share the same facilities and equipment, and together, execute the same mission. In essence, blending provides two resource pools within a single wing – one, a highly experienced, semipermanent Reserve component workforce, offering stability and continuity; the other, a force of primarily Active Duty personnel able to rotate to other locations as needs dictate.

In October 2002, the blended wing concept became a reality with the activation of the 116th Air Control Wing. Meanwhile, parallel efforts, such as placing Reserve pilots and maintenance personnel directly into Active Duty flying organizations under the Fighter

Associate Program, add to this leveraging of highly experienced Reservists to promote a more stable, experienced workforce. As organizational constructs, blending and associate programs have laid an important foundation for a capabilities-based, expeditionary air and space force that is inherently flexible enough to meet rotational AEF requirements.

Combat Wing

The comprehensive evaluations in our ongoing transformation have also included examining our wing structure. Given all of the lessons gleaned from expeditionary operations over the past decades, we thought it possible to derive advantages in revised wing organization for both force development and combat capability. The result was the creation of the Combat Wing Organization. The central aspect of the Combat Wing Organization is the new Mission Support Group. This will merge former support and logistics readiness groups, and contracting and aerial port squadrons, as applicable. Within this group, we will hone expeditionary skills from crisis action planning, personnel readiness, and working with the joint system for load planning and deployment, to communications, contingency bed-down, and force protection. Currently, all of these aspects exist in skill sets that none of our officers have in total. But the new expeditionary support discipline will address this, and provide our officers with broad expertise in all aspects of commanding expeditionary operations. With this reorganization, each wing will now have one individual responsible for the full range of deployment and employment tasks – the Mission Support Group Commander.

THE BOTTOM LINE

The events of the last year have emphasized the uncertain dynamics of a new international security era marked by the rise of non-state actors and rogue powers, many following a path of ruthless aggression and massive destruction. The undeterred spread of weapons of mass destruction has upped the ante in a high stakes game. Yet, just as America adapted to new global dynamics in the past, we will again confront emerging challenges with confidence and faith in our ability to meet the demands of assuring freedom and safeguarding global peace and stability.

The men and women of the U.S. Air Force continue to spearhead our nation’s defense against aggression. The ability to reach out and deliver precisely targeted effects across the spectrum of national security requirements is the cornerstone of Air Force strategic planning and programming. Closely integrated with ground, naval, and marine forces as well as other national agency systems, the Air Force will bring to bear a suite of flexible air and space capabilities to ensure the success of tomorrow’s joint force commander.

APPENDIX A:
BUDGET TABLES

Table A-1

Department of Defense—Budget Authority by Appropriation[1 2 3 4] (Dollars in millions)

	FY 1985	FY 1990	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Current Dollars								
Military Personnel	67,773	78,876	70,650	73,838	76,888	86,957	93,489	98,956
O&M	77,803	88,212	94,360	95,984	101,890	116,091	113,767	117,202
Procurement	96,842	81,122	50,335	53,951	61,630	61,626	69,953	72,747
RDT&E[5]	31,327	36,459	38,290	38,706	41,594	48,718	56,800	61,827
Military Construction	5,517	5,130	5,405	5,106	5,423	6,631	6,288	5,020
Family Housing	2,890	3,143	3,592	3,543	3,683	4,048	4,208	4,017
Other DoD Programs[6]	9	351	11,409	13,813	14,844	18,874	17,272	17,900
Defense-wide Contingency						83		45
Revolving & Management Funds	5,088	566	5,381	7,314	5,333	4,389	3,075	2,712
Trust & Receipts	-426	-832	-694	-1,606	-1,262	-1,552	-652	-620
Deduct, Intragovernment Receipt	-21	-27	-133	-115	-76	-234	-227	-175
Total, Current Dollars	**286,802**	**292,999**	**278,595**	**290,534**	**309,948**	**345,631**	**363,972**	**379,630**
Constant FY 2004 Dollars								
Military Personnel	126,319	126,545	84,947	84,896	85,601	91,775	95,382	98,956
O&M	128,911	125,127	105,288	105,084	107,374	119,616	115,906	117,202
Procurement	143,795	101,301	53,759	56,801	64,159	63,454	71,046	72,747
RDT&E	47,874	46,794	41,258	40,948	43,301	50,108	57,681	61,827
Military Construction	8,434	6,529	5,827	5,420	5,681	6,844	6,389	5,020
Family Housing	4,323	4,012	3,839	3,736	3,820	4,157	4,274	4,017
Other DoD Programs	13	469	14,337	16,717	17,328	21,152	18,185	17,900
Defense-wide Contingency						85		45
Revolving & Management Funds	7,708	727	5,735	7,688	5,502	4,494	3,121	2,712
Trust & Receipts	-645	-1,069	-739	-1,688	-1,301	-1,588	-662	-620
Deduct, Intragovernment Receipt	-32	-35	-142	-121	-78	-239	-230	-175
Total, Constant Dollars	**466,699**	**410,400**	**314,110**	**319,480**	**331,387**	**359,859**	**371,093**	**379,630**
% Real Growth								
Military Personnel				-0.1	0.8	7.2	3.9	3.7
O&M				-0.2	2.2	11.4	-3.1	1.1
Procurement				5.7	13.0	-1.1	12.0	2.4
RDT&E				-0.8	5.7	15.7	15.1	7.2
Military Construction				-7.0	4.8	20.5	-6.7	-21.4
Family Housing				-2.7	2.2	8.8	2.8	-6.0
Total				**1.7**	**3.7**	**8.6**	**3.1**	**2.3**

[1] Numbers may not add to total due to rounding.

[2] Tables A-1 and A-2 show the total DoD budget, which consists of both discretionary spending and direct spending. These terms were defined by the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act), which was extended and amended extensively by the Budget Enforcement Act of 1990 and the Omnibus Budget Reconciliation Act of 1993. Discretionary spending is controlled through annual appropriations acts. Direct spending (sometimes called mandatory spending) occurs as a result of permanent laws. For DoD, mandatory spending consists mostly of offsetting receipts.

[3] Extensive budget data is available on the DoD web site—www.dtic.mil/comptroller. Click on Defense Budget, then National Defense Budget Estimates (Green Book).

[4] Large decline in military construction in FY 2000 reflects a one-time action to allow advance funding in this account.

[5] RDT&E=Research, Development, Test and Evaluation

[6] New Appropriation Title that includes: Defense Health Program, Inspector General, and Drug Interdiction--previously in the O&M Title; and Chemical Agents & Munitions Destruction, Army, which was previously in Procurement.

Department of Defense—Budget Authority by Component[7] [8] (Dollars in millions)								Table A-2
	FY 1985	FY 1990	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Current Dollars								
Army	74,270	78,479	68,367	73,165	77,027	85,918	90,616	93,772
Navy	99,015	99,977	84,028	88,795	95,501	102,376	110,913	114,486
Air Force	99,420	92,890	81,914	83,050	89,549	100,228	107,891	113,680
Defense Agencies/OSD/JCS	13,126	18,663	24,450	24,753	26,755	33,912	36,186	39,331
Defense-wide	970	2,989	19,836	20,771	21,117	23,197	18,366	18,360
Total, Current Dollars	**286,802**	**292,999**	**278,595**	**290,534**	**309,948**	**345,631**	**363,972**	**379,630**
Constant FY 2003 Dollars								
Army	125,734	113,592	77,979	80,813	82,905	89,479	92,276	93,772
Navy	160,174	139,488	94,704	97,433	101,770	106,189	112,927	114,486
Air Force	157,799	128,378	91,399	90,746	94,858	103,661	109,826	113,680
Defense Agencies/OSD/JCS	21,543	25,180	26,716	26,466	28,065	34,955	36,767	39,331
Defense-wide	1,449	3,761	23,311	24,023	23,789	25,575	19,295	18,360
Total, Constant Dollars	**466,699**	**410,400**	**314,110**	**319,480**	**331,387**	**359,859**	**371,093**	**379,630**
% Real Growth								
Army				3.6	2.6	7.9	3.1	1.6
Navy				2.9	4.5	4.3	6.3	1.4
Air Force				-0.7	4.5	9.3	5.9	3.5
Defense Agencies/OSD/JCS				-0.9	6.0	24.6	5.2	7.0
Defense-wide				3.1	-1.0	7.5	-24.6	-4.9
Total				**1.7**	**3.7**	**8.6**	**3.1**	**2.3**

[7] Numbers may not add to total due to rounding. Entries for the three military departments include Retired Pay accrual.

[8] Extensive budget data is available on the DoD web site—www.dtic.mil/comptroller. Click on Defense Budget, then National Defense Budget Estimates (Green Book).

Each year's multi-volume Budget of the United States Government is the most widely available source for data for National Defense (Function 050 – includes Dept of Energy defense activities) and for the Department of Defense (DoD) (Function 051). The President submits his proposed budget to Congress on the first Monday in the February preceding the October 1st start of a new fiscal year. Each year's Budget is available in most public libraries and many Congressional offices. It also is on line at ***www.gpo.gov/usbudget/***, where one can select:

- Budget of the US Government, the main document, includes chapter on national security.
- Historical Tables: Include tables showing total budget authority and total outlays (total equals discretionary plus mandatory).
- Budget System and Concepts for explanations of the federal budget process and terms like budget authority, discretionary spending, and mandatory spending.

APPENDIX B:
GOLDWATER-NICHOLS ACT
IMPLEMENTATION REPORT

This appendix contains the Department's Joint Officer Management Annual Report for FY 2002. Except for compliance with Section 619a, Title 10, United States Code, Tables B-2, B-5, reasons in Tables B-9 and B-11, and promotion objectives, the Joint Duty Assignment Management Information System (JDAMIS) was used to produce this report.

COMPLIANCE WITH SECTION 667, TITLE 10, U.S. CODE

Tables B1-B13 comprise the reportable requirements of section 667, title 10, U.S.C. for monitoring Department Joint Officer management and education programs.

Table B-1A
Summary of Joint Specialty Officer (JSO) and JSO Designations for FY 02

	USA	USAF	USMC	USN	Total
Number of officers designated as JSOs:*	464	1240	62	365	2131
Number of officers who meet selection criteria but were not selected:	15	3	0	0	18
Number of JSOs designated under standard provisions:	366	914	31	204	1515
Number of JSOs designated under COS provisions:	84	327	31	161	603
* Note: Designation under section 521(a) of the 2002 National Defense Authorization Act.					

Table B-1B
Critical Occupational Specialties (COS)

USA	USAF	USMC	USN
Infantry	Pilot	Infantry	Surface
Armor	Navigator	Tanks/AAV	Submariner
Artillery	Command/Control Operations	Artillery	Aviation
Air Defense Artillery	Space/Missile Operations	Air Control/Air Support	SEALS
Aviation		Anti-Air Warfare	Special Operations
Special Operations		Aviation	
Combat Engineers		Engineers	

Table B-2

JSOs by Branch and Grade

USA		USAF		USMC		USN	
O-9	0	O-9	5	O-9	0	O-9	0
O-8	0	O-8	10	O-8	0	O-8	0
O-7	0	O-7	5	O-7	0	O-7	0
O-6	94	O-6	239	O-6	15	O-6	44
O-5	324	O-5	712	O-5	34	O-5	264
O-4	46	O-4	269	O-4	13	O-4	57

Table B-3

Summary of Officers on Active Duty with a Critical Occupational Specialty (as of September 30, 2002)

	USA	USAF	USMC	USN	Total
COS JSO Officers:	893	1604	373	995	3865
COS JSOs currently serving in a JDA:	175	311	47	179	712
COS JSOs who completed a JDA and are currently attending JPME:	17	4	3	12	36
COS officers who have completed JPME:	1237	2156	486	1454	5333
COS officers designated as JSO who have not completed JPME:	1136	1693	453	1750	5032

Table B-4

Summary of JSOs with Critical Occupational Specialties Who are Serving or Have Served in a Second Joint Assignment (as of September 30, 2002)

	USA	USAF	USMC	USN	Total
Field Grade					
Have Served*	164(83)	196(121)	21(10)	72(40)	453(254)
Are Serving*	87(31)	60(29)	21(4)	72(16)	240(80)
General/Flag					
Have Served*	11(5)	35(16)	8(5)	4(1)	58(27)
Are Serving*	9(11)	13(7)	4(7)	7(3)	33(28)

* Number in parenthesis indicates number of second joint assignments, which were to a critical joint position.

Table B-5

Analysis of the Assignment Where Officers Were Reassigned (in FY 2002) on Their First Assignment Following Designation as a JSO

	USA	USAF	USMC	USN	Total
Assignment Category					
Command:	2	118	0	6	126
Service Headquarters:	13	11	3	1	28
Joint Staff Critical:	0	1	0	0	1
Joint Staff Other:	0	12	2	0	14
Other JDA:	34	39	2	2	77
Professional Military Education (PME):	4	30	10	0	44
Retirement/separation:	1	6	3	0	10
Other Operations:	16	56	14	2	88
Other Staff:	38	42	4	0	84
Other Shore (Navy):	N/A	N/A	N/A	1	1

Table B-6

Average Length of Tour of Duty in Joint Duty Assignments (FY 2002) (in months)

	USA	USAF	USMC	USN	DoD Avg
General/Flag Officers					
Joint Staff	30.2	22.8	24	26.2	25.8
Other Joint	28.3	25.8	28.5	36.5	29.8
Joint Total	28.9	25.2	27.9	33.2	28.8
Field Grade Officers					
Joint Staff	32.3	33.5	31.8	37.4	33.8
Other Joint	36.6	36.7	37.4	39.3	37.5
Joint Total	36.3	36.4	36.6	39.2	37.1

Table B-7

Summary of Tour Length Exclusions for FY 2002

	USA	USAF	USMC	USN	Total
Category					
Retirement:	50	23	9	59	141
Separation:	0	2	0	9	11
Suspension from duty:	5	3	0	1	9
Compassionate/Medical:	3	2	0	1	6
Other joint after promotion:	14	2	1	2	19
Reorganization:	37	0	0	0	37
Joint overseas-short tours:	101	150	13	52	316
Second tours:	24	31	3	28	86
Joint accumulation:	2	17	0	7	26
COS reassignment:	48	99	50	125	322
Total:	284	329	76	284	973

Table B-8

Joint Duty Position Distribution by Service
(as of September 30, 2002)

	USA	USAF	USMC	USN	Total
Joint Staff Positions **Assigned**:	258	247	64	201	770
Joint Staff Positions **Filled**:	255	216	60	185	716
Other Joint Duty Assignment Positions **Assigned**:	2852	3058	507	1775	8192
Other Joint Duty Assignment Positions **Filled**:	2474	2608	494	1572	7148
Total Joint Duty Assignment Positions **Assigned**:	3110	3305	571	1976	8962
Total Joint Duty Assignment Positions **Filled**:	2729	2824	554	1757	7864
Percent of Total Number of Joint Duty Assignments:	34.7%	36.9%	6.4%	22.0%	100%
Percent of Total Number of Officers:*	34.7%	35.9%	7.1%	22.3%	100%
*Total Commissioned Officers: O-3 through O-10 less professional categories.					

Table B-9A

Critical Position Summary
(as of September 30, 2002)

	USA	USAF	USMC	USN	Total
Total number of critical positions:	319	288	53	147	807
Number of vacant critical positions:	72	91	0	34	197
Number of critical positions filled by JSOs:	109	102	15	61	287
Of those positions filled, percent filled by JSOs:	44%	52%	29%	54%	47%
Number of critical positions filled by non-JSOs:	138	95	37	52	321
Percent of critical positions filled by JSOs&Non-JSOs:	77%	68%	98%	77%	75%

Table B-9B Reasons for Filling Critical Positions with Officers Who are Not JSOs	
Position filled by non-JSO incumbent prior to being a joint position:	0
Position being converted to a non-critical position or being deleted:	14
Joint specialty officer not yet available:	0
Best qualified officer not joint specialist:	275
Position filled by non-JSO incumbent prior to being a critical position:	16
Other:	16

Table B-9C The following organizations have joint duty critical positions, which are filled by officers who do not possess the joint specialty	
USJFCOM	25
USCENTCOM	23
NORAD (Merged with STRATCOM 1 October 2002)	3
OSD	11
USEUCOM	27
CJCS Activities	11
USSPACECOM (Merged with STRATCOM 1 October 2002)	10
DoD Agencies	40
JOINT STAFF	37
USSTRATCOM	12
General/Flag Officers	29
USPACOM	31
USSOCOM	10
USSOUTHCOM	14
USTRANSCOM	9
NATO Support	1
Cross Department	1
Allied Command Europe	21
Allied Command Atlantic	4
NATO	2
Total	321

Table B-10

Comparison of Waiver Usage (FY 2002)

	USA	USAF	USMC	USN	Total
Field Grade					
JSO Designations	464	1240	62	365	2131
JSO Sequence Waivers	14	0	0	0	14
JSO Two-tour Waivers	0	0	0	0	0
JSOs Graduating from JPME	9	2	2	5	18
Post JPME Assignment Waivers Granted	5	0	3	0	8
Field Grade Officers who departed JDAs	598	793	161	573	2125
Field Grade JDA tour length waivers	54	69	20	30	173
General/Flag Officer					
JSO Designations	0	20	0	0	20
JSO Designation Waivers	0	0	0	0	0
General/Flag Officers who departed JDAs	33	37	7	21	98
General/Flag Officer JDA tour length waivers	15	11	4	3	33
Attended CAPSTONE	34	34	8	29	139
CAPSTONE Waivers	0	1	0	13	14
Selected for Promotion to O-7*	40	38	8	29	115
Good of the Service Waivers	1	0	0	1	2
Other Waivers*	18	6	0	15	39
*Does not include professional categories.					

Table B-11A

Joint Professional Military Education (PME) Phase II Summary (FY 2002)

	USA	USAF	USMC	USN	Total
Students graduating from AFSC in FY02	186	307	40	154	689
Students who had not completed Resident PME	70	244	27	47	388
Percent of Total	23%	78%	67%	30%	56%
Students who had completed non-resident PME	69	244	27	47	387
Percent of Total	37%	79%	67%	30%	56%
Students without resident or non-resident PME	1	0	0	3	4
Percent of Total	1%	0%	0%	2%	1%

Table B-11B

Reasons for Students Not Completing Resident PME Prior to Attending Phase II

Officer completed Phase I by correspondence/seminar	373
Officer completed Phase I equivalent program	11
Officer scheduled to attend a resident PME immediately following Phase II	4
Officer career path did not allow attendance at a resident PME program	0
Other	0

Table B-12A

Temporary Joint Task Force Credit (FY 2002)

Category	USA	USAF	USMC	USN	Total
Full Joint Tour Credit *	0	0	0	0	0
Cumulative Credit *	0	0	0	0	0

* Note: The Department created a Joint Task Force WebPage for on-line credit application. This computer- based system became operational in August 2002. Due to system processing times, credit applications were not approved by FY 2002 cutoff.

Table B-12B

Operations for which Joint Task Force Credit has been awarded (FY 2002)

Operation	Date of Operations
Operation NORTHERN WATCH*	01 Aug 92 - TBD
Operation SOUTHERN WATCH*	27 Aug 92- TBD
Operation ABLE SENTRY*	26 Jun 93 – 28 Feb 99
Operation JOINT ENDEAVOR*	25 Dec 95 – 19 Dec 96
Operation JOINT GUARD*	20 Dec 96 – 20 Jun 98
Operation DESERT THUNDER*	24 Jan 98 – 15 Dec 98
Operation JOINT FORGE*	20 Jun 98 – 10 Jun 99
Operation NOBLE ANVIL*	24 Mar 99 – 20 Jul 99
Operation JOINT GUARDIAN*	11 Jun 99 – TBD

* Note: Approved under section 523, 2002 National Defense Authorization Act.

Table B-13A

Army Joint Officer Promotion Comparisons

Grade	Category	Are Serving In			Have Served In			Total In Zone			Remarks
		IZ%	BZ%	AZ%	IZ%	BZ%	AZ%	Con[1]	Sel[1]	%	
O-8	Joint Staff	0%	N/A	N/A	80%	N/A	N/A	6	4	67	See 2 & 3
	JSO	0%	N/A	N/A	0%	N/A	N/A	22	13	59	
	Service Hqs	43%	N/A	N/A	43%	N/A	N/A	14	6	43	
	Other Joint	29%	N/A	N/A	36%	N/A	N/A	21	7	33	
	Board Avg							69	30	44	
O-7	Joint Staff	13%	N/A	N/A	4%	N/A	N/A	67	7	9	
	JSO	0%	N/A	N/A	0%	N/A	N/A	572	16	3	
	Service Hqs	7%	N/A	N/A	0%	N/A	N/A	194	8	4	
	Other Joint	4%	N/A	N/A	1%	N/A	N/A	284	10	4	
	Board Avg							1644	40	2	
O-6	Joint Staff	83%	0%	0%	68%	14%	0%	59	44	75	
	JSO	43%	0%	3%	71%	5%	0%	182	117	64	
	Service Hqs	55%	2%	7%	71%	.96%	0%	171	113	66	
	Other Joint	71%	0%	3%	48%	3%	11%	220	122	55	
	Board Avg							2172	422	51	
O-5	Joint Staff	100%	50%	100%	0%	0%	0%	14	13	93	
	JSO	0%	50%	29%	0%	0%	0%	1	0	0	
	Service Hqs	75%	13%	16%	100%	19%	0%	67	51	76	
	Other Joint	77%	6%	17%	77%	8%	4%	241	185	77	
	Board Avg							1329	944	75	
O-4	Joint Staff	0%	0%	0%	0%	0%	0%	0	0	0	
	JSO	0%	0%	0%	0%	0%	0%	0	0	0	
	Service Hqs	100%	40%	50%	100%	0%	0%	12	12	100	
	Other Joint	100%	0%	0%	0%	0%	100%	2	2	100	
	Board Avg							1456	1310	90	

Note 1: Con = Considered; Sel = Selected
Note 2: 0% indicates that no officers were selected in this category.
Note 3: N/A indicates that no officers considered were in this category.

Table B-13B

Air Force Joint Officer Promotion Comparisons

Grade	Category	Are Serving In			Have Served In			Total In Zone			Remarks
		IZ%	BZ%	AZ%	IZ%	BZ%	AZ%	Con[1]	Sel[1]	%	
O-8	Joint Staff	50%	N/A	N/A	0%	N/A	N/A	8	3	38	See 2 & 3
	JSO	0%	N/A	N/A	0%	N/A	N/A	46	14	30	
	Service Hqs	33%	N/A	N/A	33%	N/A	N/A	15	5	33	
	Other Joint	25%	N/A	N/A	33%	N/A	N/A	7	2	29	
	Board Avg							73	26	36	
O-7	Joint Staff	10%	N/A	N/A	2%	N/A	N/A	69	3	4	
	JSO	N/A	N/A	N/A	N/A	N/A	N/A	546	26	5	
	Service Hqs	N/A	N/A	N/A	2%	N/A	N/A	188	7	4	
	Other Joint	6%	N/A	N/A	1%	N/A	N/A	299	3	1	
	Board Avg							1641	38	2	
O-6	Joint Staff	81%	4%	20%	76%	10%	0%	62	50	81	
	JSO	93%	15%	0%	79%	8%	0%	111	88	79	
	Service Hqs	60%	4%	0%	57%	9%	0%	176	100	57	
	Other Joint	48%	.9%	1%	41%	3%	0%	273	123	45	
	Board Avg							927	432	47	
O-5	Joint Staff	82%	23%	0%	100%	0%	0%	22	19	86	
	JSO	100%	0%	0%	100%	0%	0%	3	3	100	
	Service Hqs	85%	7%	13%	88%	10%	0%	186	160	86	
	Other Joint	71%	5%	6%	66%	5%	6%	447	1314	70	
	Board Avg							1989	1304	66	
O-4	Joint Staff	0%	0%	0%	100%	0%	0%	0	0	0	
	JSO	0%	0%	0%	0%	0%	0%	0	0	0	
	Service Hqs	100%	0%	0%	100%	0%	0%	30	30	100	
	Other Joint	0%	0%	0%	100%	0%	0%	8	8	100	
	Board Avg							2048	1814	89	

Note 1: Con = Considered; Sel = Selected
Note 2: 0% indicates that no officers were selected in this category.
Note 3: N/A indicates that no officers considered were in this category.

Table B-13C

Marine Corps Joint Officer Promotion Comparisons

Grade	Category	Are Serving In			Have Served In			Total In Zone			Remarks
		IZ%	BZ%	AZ%	IZ%	BZ%	AZ%	Con[1]	Sel[1]	%	
O-8	Joint Staff	N/A	N/A	N/A	N/A	N/A	N/A	4	4	100	See 2 & 3
	JSO	N/A	N/A	N/A	N/A	N/A	N/A	3	2	67	
	Service Hqs	100%	N/A	N/A	50%	N/A	N/A	2	2	100	
	Other Joint	N/A	N/A	N/A	100%	N/A	N/A	2	2	100	
	Board Avg							10	6	60	
O-7	Joint Staff	0%	N/A	N/A	N/A	N/A	N/A	4	0	0	
	JSO	N/A	N/A	N/A	N/A	N/A	N/A	119	5	4	
	Service Hqs	7%	N/A	N/A	2%	N/A	N/A	61	2	3	
	Other Joint	11%	N/A	N/A	0%	N/A	N/A	17	1	6	
	Board Avg							256	8	3	
O-6	Joint Staff	100%	0%	0%	50%	0%	0%	8	6	75	
	JSO	0%	N/A	N/A	60%	0%	0%	26	16	62	
	Service Hqs	62%	0%	9%	67%	0%	0%	22	14	64	
	Other Joint	57%	0%	6%	35%	0%	0%	60	29	48	
	Board Avg							238	134	56	
O-5	Joint Staff	67%	0%	0%	100%	N/A	N/A	4	3	75	
	JSO	100%	N/A	N/A	67%	N/A	N/A	4	3	75	
	Service Hqs	76%	0%	14%	62%	0%	4%	60	40	67	
	Other Joint	81%	0%	0%	57%	0%	0%	72	54	75	
	Board Avg							521	356	68	
O-4	Joint Staff	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	
	JSO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	
	Service Hqs	100%	0%	N/A	91	0%	N/A	23	22	100	
	Other Joint	100%	0%	N/A	10	N/A	N/a	3	3	100	
	Board Avg							814	722	89	

Note 1: Con = Considered; Sel = Selected
Note 2: 0% indicates that no officers were selected in this category.
Note 3: N/A indicates that no officers considered were in this category.

Table B-13D

Navy Joint Officer Promotion Comparisons

Grade	Category	Are Serving In			Have Served In			Total In Zone			Remarks
		IZ%	BZ%	AZ%	IZ%	BZ%	AZ%	Con[1]	Sel[1]	%	
O-8	Joint Staff	100%	N/A	0%	40%	N/A	50%	7	4	57	See 2 & 3
	JSO	100%	N/A	0%	50%	N/A	50%	10	8	80	
	Service Hqs	50%	N/A	0%	67%	N/A	0%	7	4	57	
	Other Joint	25%	N/A	0%	75%	N/A	0%	8	4	50	
	Board Avg							31	19	61	
O-7	Joint Staff	14%	N/A	0%	0%	N/A	0%	24	1	4	
	JSO	0%	N/A	0%	3%	N/A	0%	80	2	3	
	Service Hqs	0%	N/A	4%	5%	N/A	0%	63	1	2	
	Other Joint	5%	N/A	6%	0%	N/A	5%	43	1	3	
	Board Avg							307	5	2	
O-6	Joint Staff	77%	15%	33%	85%	2%	0%	46	38	83	
	JSO	57%	0%	0%	61%	1%	0%	82	52	63	
	Service Hqs	67%	1%	3%	73%	0%	0%	106	73	69	
	Other Joint	34%	0%	1%	38%	0%	0%	136	52	38	
	Board Avg							664	356	54	
O-5	Joint Staff	100%	0%	67%	80%	0%	0%	15	14	93	
	JSO	0%	0%	0%	100%	0%	0%	1	1	100	
	Service Hqs	80%	2%	6%	92%	0%	29%	51	42	82	
	Other Joint	71%	0%	8%	60%	2%	3%	154	102	66	
	Board Avg							1101	752	68	
O-4	Joint Staff	0%	0%	0%	0%	0%	0%	0	0	0	
	JSO	0%	0%	0%	0%	0%	0%	0	0	0	
	Service Hqs	90%	12%	33%	100%	11%	0%	14	13	93	
	Other Joint	69%	0%	40%	80%	0%	0%	23	17	74	
	Board Avg							1716	1438	84	

Note 1: Con = Considered; Sel = Selected
Note 2: 0% indicates that no officers were selected in this category.
Note 3: N/A indicates that no officers considered were in this category.

APPENDIX C:
RESOURCES ALLOCATED TO MISSION AND SUPPORT ACTIVITIES

Section 113(l) of Title 10, United States Code, requires the Department of Defense (DoD) to identify resources allocated to mission and support activities in each of the five preceding fiscal years. In response to that requirement, Appendix C provides year-by-year comparisons of:

- DoD funding (in constant dollars) allocated to forces and infrastructure (Table C-1).[1]
- DoD manpower allocated to forces and infrastructure (Tables C-2 through C-7).
- DoD manpower in management headquarters and headquarters support activities, compared to active-duty military end-strength (Table C-8).

Data for the reporting period (FY 1999-2003) have been normalized for definitional or accounting changes.

As shown in Table C-1, the Department is allocating about 43% of Total Obligational Authority (TOA) to infrastructure activities in FY 2003, down from about 44% in the preceding year. Tables C-2 through C-8, which address DoD manpower, show continued reductions in manpower for infrastructure activities. This is an important measure of the Department's progress in improving the efficiency of its support operations. The efficiencies achieved result from initiatives in the Quadrennial Defense Review and Defense Reform Initiatives, including savings from previous base realignment and closure rounds, strategic and competitive sourcing initiatives, and privatization and reengineering efforts.

DEFINITIONS

In tracking annual resource allocations, this appendix uses mission and infrastructure definitions that support macro-level comparisons of DoD resources such as those presented here. The definitions are based on the 2001 Quadrennial Defense Review, the Future Years Defense Program (FYDP), and a soon-to-be-published Institute for Defense Analyses publication, *DoD Force and Infrastructure Categories: A FYDP-Based Conceptual Model of Department of Defense Programs and Resources*, prepared for the

[1] In this appendix, the term "forces" is synonymous with mission and the term "infrastructure" is synonymous with support.

Office of the Secretary of Defense. The definitions are consistent with the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (P.L. 99-433). This Act requires that combat units, and their organic support, be routinely assigned to the combatant commanders and that the military departments retain the activities that create and sustain those forces. This feature of U.S. law provides the demarcation line between forces (military units assigned to combatant commanders) and infrastructure (activities retained by the military departments). In addition to more precisely distinguishing forces from infrastructure, the force subcategories have been updated to reflect current operational concepts. The infrastructure subcategories likewise have been updated and streamlined.

The sections that follow define the force and infrastructure categories addressed in this appendix. Each FYDP program element is assigned to one and only one force or infrastructure category.

FORCE CATEGORIES

- ***Expeditionary Forces.*** Operating forces designed primarily for nonnuclear operations outside the United States. Includes combat units (and their organic support) such as divisions, tactical aircraft squadrons, and aircraft carriers.

- ***Deterrence and Protection Forces.*** Operating forces designed primarily to deter or defeat direct attacks on the United States and its territories. Also includes those agencies engaged in U.S. international policy activities under the direct supervision of the Office of the Secretary of Defense.

- ***Other Forces.*** Includes most intelligence, space, and combat-related command, control, and communications programs, such as cryptologic activities, satellite communications, and airborne command posts.

INFRASTRUCTURE CATEGORIES

- ***Force Installations.*** Installations at which combat units are based. Includes the services and organizations at these installations necessary to house and sustain the units and support their daily operations. Also includes programs to sustain, restore, and modernize buildings at the installations and protect the environment.

- ***Communications and Information Infrastructure.*** Programs that provide secure information distribution, processing, storage, and display. Major elements

include long-haul communications systems, base computing systems, Defense Enterprise Computing Centers and detachments, and information assurance programs.

- ***Science and Technology Program.*** The program of scientific research and experimentation within the Department of Defense that seeks to advance fundamental science relevant to military needs and determine if the results can be successfully applied to military use.

- ***Acquisition Infrastructure.*** Activities that develop, test, evaluate, and manage the acquisition of military equipment and supporting systems. These activities also provide technical oversight throughout a system's useful life.

- ***Central Logistics.*** Programs that provide supplies, depot-level maintenance of military equipment and supporting systems, transportation of material, and other products and services to customers throughout DoD.

- ***Defense Health Program (DHP).*** Medical infrastructure and systems, managed by the Assistant Secretary of Defense for Health Affairs, that provide health care to military personnel, dependents, and retirees.

- ***Central Personnel Administration.*** Programs that acquire and administer the DoD workforce. Includes acquisition of new DoD personnel, station assignments, provision of the appropriate number of skilled people for each career field, and miscellaneous personnel management support functions, such as personnel transient and holding accounts.

- ***Central Personnel Benefits Programs.*** Programs that provide benefits to service members. Includes family housing programs; commissaries and military exchanges; dependent schools in the United States and abroad; community, youth, and family centers; child development activities; off-duty and voluntary education programs; and a variety of ceremonial and morale-boosting activities.

- ***Central Training***. Programs that provide formal training to personnel at central locations away from their duty stations (non-unit training). Includes training of new personnel, officer training and service academies, aviation and flight training, and military professional and skill training. Also includes miscellaneous other training-related support functions.

- ***Departmental Management***. Headquarters whose primary mission is to manage the overall programs and operations of the Department of Defense and its components. Includes administrative, force, and international management headquarters, and defense-wide support activities that are centrally managed. Excludes headquarters elements exercising operational command (which are assigned to the Other Forces category) and those management headquarters that are associated with other infrastructure categories.

- ***Other Infrastructure.*** These programs do not fit well into other categories. They include programs that (1) provide management, basing, and operating support for DoD intelligence activities; (2) conduct navigation, meteorological, and oceanographic activities; (3) manage and upgrade DoD-operated air traffic control activities; (4) support warfighting, wargaming, battle centers, and major modeling and simulation programs; (5) conduct medical contingency preparedness activities not part of the DHP; and (6) fund Commander-sponsored or JCS-directed joint exercises. Also included in this category are centralized resource adjustments that are not allocated among the programs affected (e.g., foreign currency fluctuations, commissary resale stocks, and force structure deviations).

Table C-1

Department of Defense
TOA by Force and Infrastructure Category
(FY 2004 $ in Billions)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Forces					
Expeditionary Forces	129	130	137	147	159
Deterrence and Protection Forces	8	8	9	13	13
Other Forces	31	29	31	33	41
Defense Emergency Response Fund	0	0	0	14	1
Forces Total	**168**	**167**	**177**	**207**	**214**
Infrastructure					
Force Installations	21	23	23	26	28
Communications & Information	4	4	5	6	7
Science & Technology Program	8	9	9	10	11
Acquisition	8	9	9	8	8
Central Logistics	17	20	18	20	20
Defense Health Program	20	21	19	26	22
Central Personnel Administration	9	10	11	7	7
Central Personnel Benefits Programs	8	8	8	8	9
Central Training	24	25	26	29	29
Departmental Management	16	15	15	16	16
Other Infrastructure	3	4	9	4	4
Infrastructure Total	**138**	**148**	**152**	**160**	**161**
Grand Total	**306**	**315**	**329**	**367**	**375**
Infrastructure as a Percentage of Total	**45%**	**47%**	**46%**	**44%**	**43%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.

NOTE: TOA = Total Obligational Authority.

Table C-2

Department of Defense
Active-Duty Military and Civilian Manpower by Force and Infrastructure Category (In Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Forces					
Expeditionary Forces	788	796	804	839	848
Deterrence and Protection Forces	30	29	28	27	26
Other Forces	60	59	60	66	66
Forces Total	**878**	**884**	**892**	**932**	**940**
Infrastructure					
Force Installations	186	173	171	163	153
Communications & Information	28	24	25	24	24
Science & Technology Program	16	15	15	16	16
Acquisition	105	98	97	96	97
Central Logistics	189	182	176	178	169
Defense Health Program	134	127	129	129	131
Central Personnel Administration	64	91	93	85	82
Central Personnel Benefits Programs	48	48	49	47	48
Central Training	316	298	297	293	274
Departmental Management	124	119	117	116	116
Other Infrastructure	15	22	12	23	19
Infrastructure Total	**1,227**	**1,198**	**1,182**	**1,171**	**1,129**
Grand Total	**2,105**	**2,082**	**2,074**	**2,103**	**2,069**
Infrastructure as a Percentage of Total	**58%**	**58%**	**57%**	**56%**	**55%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.

NOTE: Excludes National Guard and Reserve personnel.

Table C-3

Department of the Army
Active-Duty Military & Civilian Manpower by Force and Infrastructure Category (In Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Forces					
Expeditionary Forces	336	340	346	354	351
Deterrence and Protection Forces	2	2	2	2	2
Other Forces	9	10	11	13	12
Forces Total	**347**	**352**	**358**	**368**	**365**
Infrastructure					
Force Installations	40	39	38	34	34
Communications & Information	8	6	6	6	6
Science & Technology Program	10	10	10	10	11
Acquisition	13	11	11	12	12
Central Logistics	43	43	43	45	43
Defense Health Program	52	50	50	50	50
Central Personnel Administration	32	38	36	36	34
Central Personnel Benefits Programs	6	6	6	6	6
Central Training	117	113	110	107	102
Departmental Management	35	32	32	32	34
Other Infrastructure	4	4	0	4	3
Infrastructure Total	**359**	**352**	**342**	**343**	**335**
Grand Total	**706**	**704**	**700**	**711**	**700**
Infrastructure as a Percentage of Total	**51%**	**50%**	**49%**	**48%**	**48%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.

NOTE: Excludes National Guard and Reserve personnel.

Table C-4

Navy
Active-Duty Military & Civilian Manpower by Force and Infrastructure Category (In Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Forces					
Expeditionary Forces	170	171	176	184	185
Deterrence and Protection Forces	13	12	12	13	11
Other Forces	11	12	12	12	13
Forces Total	**194**	**196**	**200**	**209**	**209**
Infrastructure					
Force Installations	50	46	46	45	52
Communications & Information	8	6	6	6	5
Science & Technology Program	0	0	0	0	0
Acquisition	56	51	52	51	52
Central Logistics	62	60	59	60	56
Defense Health Program	41	38	39	40	42
Central Personnel Administration	14	32	31	30	25
Central Personnel Benefits Programs	6	6	5	6	6
Central Training	89	80	78	75	67
Departmental Management	30	28	28	28	29
Other Infrastructure	6	5	6	6	5
Infrastructure Total	**362**	**354**	**351**	**348**	**339**
Grand Total	**556**	**549**	**551**	**557**	**548**
Infrastructure as a Percentage of Total	**65%**	**64%**	**64%**	**63%**	**62%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.

NOTE: Excludes National Guard and Reserve personnel.

Table C-5

Department of the Air Force
Active-Duty Military & Civilian Manpower by
Force and Infrastructure Category (In Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Forces					
Expeditionary Forces	175	175	173	187	197
Deterrence and Protection Forces	14	14	13	11	12
Other Forces	29	26	27	30	29
Forces Total	**219**	**215**	**212**	**229**	**238**
Infrastructure					
Force Installations	74	68	67	64	47
Communications & Information	5	5	5	5	5
Science & Technology Program	6	5	5	5	5
Acquisition	19	18	17	16	17
Central Logistics	54	49	47	45	43
Defense Health Program	41	39	40	39	39
Central Personnel Administration	7	9	14	7	11
Central Personnel Benefits Programs	4	4	6	5	5
Central Training	67	66	71	75	68
Departmental Management	29	28	27	28	26
Other Infrastructure	4	12	6	12	11
Infrastructure Total	**311**	**304**	**304**	**300**	**277**
Grand Total	**529**	**518**	**516**	**529**	**516**
Infrastructure as a Percentage of Total	**59%**	**59%**	**59%**	**57%**	**54%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.

NOTE: Excludes National Guard and Reserve personnel.

Table C-6

Marine Corps
Active-Duty Military & Civilian Manpower by Force and Infrastructure Category (In Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Forces					
Expeditionary Forces	106	109	109	113	114
Deterrence and Protection Forces	0	0	0	0	0
Other Forces	1	1	1	1	1
Forces Total	**107**	**111**	**110**	**114**	**115**
Infrastructure					
Force Installations	21	20	20	19	19
Communications & Information	0	0	0	0	0
Science & Technology Program	0	0	0	0	0
Acquisition	1	1	1	1	1
Central Logistics	5	5	5	5	5
Defense Health Program	0	0	0	0	0
Central Personnel Administration	10	11	11	11	11
Central Personnel Benefits Programs	1	2	2	2	2
Central Training	43	38	38	37	37
Departmental Management	5	5	6	6	6
Other Infrastructure	0	1	1	1	1
Infrastructure Total	**87**	**83**	**83**	**80**	**80**
Grand Total	**193**	**194**	**193**	**195**	**196**
Infrastructure as a Percentage of Total	**45%**	**43%**	**43%**	**41%**	**41%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.

NOTE: Excludes National Guard and Reserve personnel.

Table C-7

Defense Agency and Defense-Wide Civilian Manpower by Force and Infrastructure Category (In Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Forces					
Expeditionary Forces	0	0	0	0	0
Deterrence and Protection Forces	1	1	1	1	1
Other Forces	10	10	10	11	11
Forces Total	**11**	**11**	**11**	**12**	**13**
Infrastructure					
Force Installations	0	0	0	0	0
Communications & Information	8	7	7	7	7
Science & Technology Program	0	0	0	0	0
Acquisition	17	17	16	16	15
Central Logistics	25	24	22	22	22
Defense Health Program	0	0	0	0	0
Central Personnel Administration	1	1	1	1	1
Central Personnel Benefits Programs	31	31	30	29	29
Central Training	0	0	0	0	0
Departmental Management	26	25	25	23	22
Other Infrastructure	0	0	0	0	0
Infrastructure Total	**109**	**105**	**103**	**99**	**97**
Grand Total	**120**	**116**	**113**	**111**	**110**
Infrastructure as a Percentage of Total	**91%**	**91%**	**90%**	**89%**	**89%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.

Table C-8

Headquarters and Headquarters Support Manpower Compared to Active Duty End-Strength (In Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Management Headquarters and Support Activities	31	30	29	29	27
Active-Duty Military End-strength	1,386	1,384	1,387	1,416	1,390
Headquarters Manning as a Percentage of Military End-Strength	**2.2%**	**2.2%**	**2.1%**	**2.0%**	**1.9%**

SOURCE: FY 2004 President's Budget and associated FYDP with Institute for Defense Analyses normalization adjustments.