

Defense Reforms

You previously have answered the Committee's advance policy questions on the reforms brought about by the Goldwater-Nichols Act in connection with your nomination to be Deputy Under Secretary of Defense for Acquisition and Technology.

- 1. Have your views of the importance, feasibility, and implementation of these reforms changed since you testified before the Committee at your confirmation hearing on June 22, 2001?**

Answer: My views have not changed. The reforms, resulting from the implementation of the Goldwater-Nichols Act over the past fifteen years, have become entrenched in our daily business. From an acquisition perspective—those changes, particularly the placement of the acquisition function under the control of civilian leadership within the military departments, have been an important factor in enabling the acquisition community to more efficiently and effectively deliver the capabilities that the joint warfighters need to meet the challenges of the 21st century.

- 2. Do you see the need for modifications of Goldwater-Nichols provisions based on your experience to date as Deputy Under Secretary of Defense? If so, what areas do you believe it might be appropriate to address in these modifications?**

Answer: Although I believe that the implementation of Goldwater Nichols has been successful and consistent with congressional intent, I also believe it is important to continue to look at how well our current processes and structures meet the demands of a dynamic environment such as the one with which we are faced with today. There are several initiatives and studies currently addressing these kinds of issues; however the results are not yet finalized.

Duties

Section 133 of Title 10, United States Code, describes the duties of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(ATL)).

- 3. Assuming you are confirmed, what duties do you expect that Secretary Rumsfeld will prescribe for you?**

Answer: As Under Secretary of Defense for Acquisition and Technology I will perform for the Secretary of Defense and the Department the statutory functions of establishing policies on acquisition matters for all elements of the Department of

Defense, I will also exercise supervision on behalf of the Secretary and Deputy Secretary of Defense over the Military Department's acquisition systems and processes. As you know these statutory functions and duties are promulgated in the Department of Defense Directive 5134.1, the charter of the "Under Secretary of Defense (Acquisition, Technology, and Logistics)," on April 24, 2000; and Department of Defense Directive 5000.1, "Defense Acquisition" on May 12, 2003.

I would serve the Secretary as the Defense Acquisition Executive with responsibility for supervising the performance of the Department of Defense Acquisition System; establish policy for acquisition plans and strategies, validate program acquisition requirements, and develop acquisition program guidance; set policy for acquisition matters, including contracting, research and development, production, logistics, developmental testing, procurement, and training and career development of acquisition personnel; serve as the Defense Logistics Executive with Responsibility for integrating the global supply chain; set policy for administrative oversight of defense contractors; serve as the Department of Defense Procurement Executive; serve as the National Armaments Director and Secretary of Defense representative to the semi-annual NATO Five Power conference and Conference of National Armaments Directors; establish policies for, and oversee developmental testing and evaluation, and coordinate with the Director, Operational Test and Evaluation (DOT&E) on the Test and Evaluation Master Plan for Acquisition Category (ACAT) 1 programs, oversee the Joint Test and Evaluation Program with the DOT&E, and manage the Foreign Comparative Test Program; develop international memoranda of agreement and memoranda of understanding relating to acquisition matters; supervise the Defense Science Board; and chair the Nuclear Weapons Council assisted by a structure of overarching integrated product teams that relate to the acquisition process.

4. Do you recommend any changes to the provisions of section 133 of Title 10, United States Code, with respect to the duties of the USD(ATL)?

Answer: No.

5. If confirmed, what duties and responsibilities would you plan to assign to the Deputy Under Secretary of Defense for Acquisition and Technology and the Deputy Under Secretary of Defense for Logistics?

Answer: I would assign the Deputy Under Secretary of Defense for Acquisition and Technology as my principal assistant, and empower him/her to act in my stead. He/she will also serve as my Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics. He/she would advise and assist me across the full range of my responsibilities in providing staff advice and assistance to the Secretary and Deputy Secretary of Defense, particularly with regard to overseeing policies and

procedures governing the DoD Acquisition System and overseeing the development, implementation, and management of the Defense Procurement program.

I would assign the Deputy Under Secretary of Defense for Logistics and Materiel Readiness (DUSD (L&MR)) as my principal advisor on logistics and materiel readiness, and as the principal logistics official within the senior management of the DoD. He/she would advise and assist me across the full range of my responsibilities in providing staff advice and assistance to the Secretary and Deputy Secretary of Defense. In this capacity, the DUSD (L&MR) would monitor and review all logistics, maintenance, materiel readiness, strategic mobility, and sustainment support programs.

Major Challenges and Problems

6. In your view, what are the major challenges that will confront the USD(ATL)?

Answer: Those most important include, not only reaching my seven goals mentioned below in question seven, but also the following:

- Providing the necessary supplies and force protection equipment to our men and women in Iraq and around the world,
- Matching limited resources with DoD's Joint Vision (increasing acquisition program requirements and decreasing financial resources),
- Implementing a capability based acquisition process
- Reducing acquisition cycle time.
- Maintaining international cooperation,
- Preparing for the upcoming BRAC,
- Developing and accurately costing software and integrating it into weapon systems,
- Fielding missile defense,
- Preserving intellectual capital (strategic workforce planning coupled with knowledge transfer from our aging workforce), and
- Improving the logistics and business process with commercial style productivity improvements.

I am sure there will be others, but I am confident that the Department—working with the Congress—will meet any and all future challenges to our national security.

7. Assuming you are confirmed, what plans do you have for addressing these challenges?

Answer: I have developed a set of seven goals to address my major challenges and they are as follows:

1. Acquisition Excellence with Integrity
2. Logistics Integration and Efficiency
3. Systems Integration and Engineering for Mission Success
4. Technology Dominance
5. Resources Rationalized
6. Industrial Base Strengthened
7. Motivated, Agile Workforce

Acquisition, Technology, and Logistics Goals

Secretary Aldridge established five goals to improve defense acquisition: (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; and (5) initiate high leverage technologies to create the warfighting capabilities, systems and strategies of the future.

8. What progress has been made toward achieving these goals?

Answer: The Department has made significant progress towards achieving the five goals set by Secretary Aldridge.

Goal 1: To achieve credibility and effectiveness in the acquisition and logistics support process, we have made several significant changes. We have revitalized the Defense Acquisition Board, replacing the assistant secretaries for acquisition from each Military Department with the secretaries themselves. This change better reflects the breadth of issues we face in acquisition matters. It has brought some welcome stability to many programs, while reducing the decision time. And it brings to bear all the resources of each Military Department. We have mandated evolutionary acquisition as DoD's preferred strategy for acquiring weapons and information systems. This is enabling us to field capable equipment more rapidly and at lower cost and less risk. We are also demanding that all of our major weapon system programs be properly priced and fully funded. These programs are being budgeted to realistic cost estimates as developed – in most cases – by the DoD Cost Analysis Improvement Group (CAIG). Consequently, while many of the Goal #1 acquisition metrics (e.g., "Annual Rate of Acquisition Cost Growth" and "Development Acquisition Cycle Time") have not yet shown favorable

trends, they are expected to in the near future. These revised program costs and schedules will provide a more realistic baseline from which future changes will be measured. Realistic funding and scheduling will reduce the persistent cost and schedule growths of the past and improve DoD's overall credibility.

We also continue to make progress in the transformation of defense logistics. Working with the Services, the United States Transportation Command, the United States Joint Forces Command, and the Defense Logistics Agency, we have been developing a Logistic Enterprise Architecture that will provide knowledge-enabled logistics. As a part of this work, we have completed a comprehensive review of all logistics enterprise systems and ensured compliance of the logistics domain with the Business Modernization Enterprise Architecture (BMEA) effort. We also made changes in the following key areas. In the Enterprise Integration area, we have eliminated over 400 legacy systems. In the weapon system area, we implemented performance-based agreements on 60 weapons programs including the C-17 and the M1A1. In the maintenance area, we have forged over 100 government/ industry partnerships at our principal depot maintenance facilities in order to combine government strengths in maintenance and tactical operations with industry's strengths in engineering and supply chain management. And in the distribution business area, we implemented dramatic revisions to the material management and distribution regulations to exploit best business practices in our end-to-end services for the warfighter.

Goal 2: To revitalize the quality and morale of the DoD AT&L workforce, we have taken several initiatives. We have continued the Civilian Acquisition Personnel Demonstration Project (AcqDemo) and have consolidated and dramatically improved our acquisition education. Since it was first implemented in January 1999, the AcqDemo has grown to approximately 8,000 participants. It remains the only active demonstration project that crosses Component lines and the authority for the project was extended by last years National Defense Authorization Act to run through September 2012. Both this and our efforts in education are vital if we are to exercise the innovative and progressive management of our own technology and systems development efforts.

Additionally, we are attempting to broaden the quality and expertise of the workforce by recruiting from a much larger pool of people. We are exploring and pursuing various employment avenues to bring the experience, expertise and best practices' that personnel from private industry, colleges, laboratories and other sources may bring to the Defense acquisition workplace. Casting the net both inside and outside the Federal Government will help bring into the Defense Acquisition Workplace the new experiences and 'best practices' that personnel from private industry and elsewhere have to offer. With these efforts and others, we have measured our progress by looking at five metrics. We achieved progress on all five measures - - morale, as measured by a survey of the workforce, has remained above 75% in two perspectives, current job satisfaction and anticipation of future job satisfaction. The quality of our existing workforce continues to exceed our goal, with 86% of our personnel being certified at or above the level required for their position.

Goal 3: To improve the health of the defense industrial base, we have taken several important steps. We are monitoring the financial viability of the aerospace-defense industry, encouraging and monitoring technology investments, enhancing competition, and encouraging increased efficiency. We are encouraging major defense firms to invest at least 2.7% of sales in Independent Research & Development (IR&D) by the end of 2005. IR&D spending as a percentage of sales dropped during 2002 from 1.89% to 1.77% -- a negative trend that should reverse as the projected DoD budget increases materialize. To increase innovation and competition, the Department is encouraging non-traditional suppliers to enter the defense marketplace. The Department's goal was to increase the entry of new corporate segments doing business with DoD by 5% in FY01 and 10% in FY02. In FY01, the actual increase was 8.6%; in FY02 it was 12.0%. Also to increase competition, the Department seeks to enhance the ability of U.S. defense firms to compete in the international marketplace by improving DoD's export license review times. Through March 2003, the Department had improved its average review time to about 19 days. To encourage increased efficiency, the Department added a new cost efficiency factor to its profit policy to reward contractors for reducing costs. Initial data collection to measure the effectiveness of this policy change will be complete by the end of the year. These efforts, along with increased defense budgets, and in spite of a stagnant overall U.S. economy, appear to be paying off. The aerospace-defense sector generally is either outperforming or keeping pace with the S&P 500 index firms as measured by several key indicators: stock price, return on invested capital, debt service capacity, and price-to-earnings ratio.

Goal 4: In rationalizing the weapon systems and infrastructure with defense strategy, we have made significant progress. We have rewritten and streamlined the DOD 5000 series, the Directives guiding the Defense Acquisition System, and coupled it with the Joint Capabilities Integration and Development System (JCIDS). This process union between the acquisition community and the Joint Staff is a huge step forward in the Department's effort to transform. This coupling should make capabilities-based acquisition much more efficient and consistent with our Defense Strategy. We have also put the decision making structure for the next BRAC in place to make the hard infrastructure choices inherent in that difficult, but important process. The Department's transformation effort clearly focuses on this rationalization. With it and with the writing of the next Defense Planning Guidance, we will continue to converge towards this important goal.

Goal 5: To initiate high leverage technologies to create the warfighting capabilities, systems and strategies of the future, we have taken several significant actions. Most noteworthy has been the Department's increased investment in science and technology (S&T). The Secretary set the goal of having S&T comprise three percent of the DOD budget. While the Department has not yet reached the 3% goal, the overall DoD S&T investment has increased by approximately 30 percent over the last two years.

Over the same time period, the Defense Advanced Research Projects Agency (DARPA) budget request for S&T increased by approximately 50 percent and our request for the Advanced Concept Technology Demonstration (ACTD) program increased by almost 80 percent. The majority of high-risk, high-payoff DoD S&T activity is conducted by DARPA. To support achieving Goal #5, DARPA has been directed to continue focusing on high risk/high pay-off technologies; that are by their very nature high leverage transformational technologies. Approximately 90% of DARPA's \$2.9 billion FY04 President's Budget Request is oriented toward these high leverage technologies.

We have also implemented "Technology Readiness Assessments" to ensure that a program has achieved an appropriate level of technical maturity prior to initiation. And we are exploiting the enormous potential of Advanced Concept Technology Demonstrations (ACTDs). The ACTD program works with the warfighter to help transition these technologies through the development of advanced operational concepts and determining the military utility of the technology options via expanded prototyping and demonstrations.

9. What goals would you pursue for improving the defense acquisition system, if you are confirmed?

Answer: Shortly after becoming the Acting Undersecretary of Defense (AT&L), I held an offsite with the staff to update the goals and align them with the President's Management Agenda and Secretary Rumsfeld's most recent guidance and initiatives. We thoughtfully considered the goals, objectives and initiatives of our senior leadership and as a result, recast the previous five into seven. These seven goals are specifically targeted to drive performance outcomes that will directly contribute to our joint warfighting strategy and the transformation of our DoD business processes. They are:

1. Acquisition Excellence with Integrity
2. Logistics Integrated and Efficiency
3. Systems Integration and Engineering for Mission Success
4. Technology Dominance
5. Resources Rationalized
6. Industrial Base Strengthened
7. Motivated, Agile Workforce

I see these goals continuing the progress we have made so far under this administration. If confirmed, I intend to continue with these goals and fully establish the objectives and metrics to measure future success.

10. Describe the approach and progress made by this Administration in reducing cycle time for major acquisition programs.

Answer: DoD has made considerable progress in implementing policy that will reduce cycle time and allow us to field capability rapidly and efficiently. Our new policies are streamlined and flexible, and based on an evolutionary or phased acquisition approach. That approach emphasizes maturing technology before we commit to major investment decisions, but also allows us to field some capability earlier. As a result, we are able to reduce program technical risk substantially. Program technical risk can otherwise be a major contributor to lengthy cycle times. The new policies are in effect and we anticipate seeing the cycle time benefits in the next few years.

11. What specific steps has the Department of Defense taken to adapt incremental and phased acquisition approaches, such as spiral development?

Answer: On May 12, 2003, Deputy Secretary of Defense Paul Wolfowitz issued new policies that identify evolutionary acquisition as the preferred strategy for satisfying operational needs; spiral development is the preferred process for executing such strategies. Our objective is to balance needs and available capability with resources. We must put capability into the hands of the warfighter as quickly as possible, while pursuing an acquisition strategy that will permit growth in capabilities over time.

12. How will the requirements process, budget process and testing regime change to accommodate spiral development?

Answer: The new policies were tailored to facilitate evolutionary acquisition. An evolutionary approach delivers capability in increments, recognizing, up front, the need for future capability improvements. Each increment supports time-phased capability needs that are matched with available technology and resources to facilitate rapid development. Each increment will be fully funded before development is initiated and will have a test and evaluation plan designed to evaluate the capabilities associated with that increment.

13. Would DoD's major acquisition programs be more successful if the Department were to follow the commercial model and mature its technologies with research and development funds before these technologies are incorporated into product development?

Answer: The new DoD acquisition policies are very consistent with successful commercial models because they require technologies to be demonstrated in a relevant environment before a program is initiated. The new policies require formal assessments of technology readiness and, where there are indications that technology is not sufficiently mature, specify that alternative mature technologies be employed that achieve the required capability. This approach is consistent with the most successful commercial business practices, supports an evolutionary strategy, and facilitates less costly and time consuming systems development.

14. What steps would you take, if confirmed, to ensure that the key components and technologies to be incorporated into major acquisition programs meet the Department's technological maturity goals?

Answer: DoD acquisition policy requires demonstration of key technologies in a relevant, and preferably, in an operational environment before a program is initiated. If confirmed, I will enforce and emphasize that policy because I believe it is fundamental to reducing technological risk and shortening cycle time.

The Department has established a separate set of regulations for the acquisition of space systems. These regulations do not appear to place the same emphasis on technological maturity as the regulations applicable to other programs.

15. In your view, is the technological maturity of major technologies and components less important for space systems than for other major defense acquisition programs?

Answer: No, in fact our recently approved Space Acquisition Policy requires an independent technology assessment sooner in the weapon system's life cycle than the model contained in the DoD 5000, which is used to guide the acquisition of non-space major defense acquisition programs. As stated in the Space Commission Report (to assess U.S. National Security Space Management and Organization pursuant to FY 2000 National Defense Authorization Act), advancement of U.S. technological leadership in space is a fundamental tenet of our national security. Therefore, as you mention, the Department has taken several measures, including the formulation of a separate set of regulations to guide space acquisition programs. This policy acknowledges the

importance of technology by mandating risk reduction planning and establishing technology readiness assessments at each milestone.

16a. What steps do you believe that the Department should take to ensure that the development and production of space systems are not undermined by efforts to prematurely deploy technologies that are not yet ready?

Answer: The Department's dependence on technology development, the pace at which this technology is increasing, and its vital role in our nation's defense warrant a robust process to ensure we don't prematurely deploy technologies. In addition to the establishment of independent technology assessments, the new space acquisition policy implements an exhaustive "peer review" approach to support milestone decisions. These peer reviews provide in-depth scrutiny of program management techniques, including an assessment of the realism of program costs and program risks. Also, it is important to note that these are independent reviews, conducted by teams of individuals with recent acquisition, cost or operational experience in space programs. We believe this approach will provide an early understanding of critical technologies and its associated maturity necessary to meet the critical communications and intelligence needs our space systems must deliver on-time with cutting edge technologies.

16b. What role do you expect to play, if confirmed, in the oversight of the acquisition of space systems?

Answer: In the Department's response to Section 911 of the Bob Stump National Defense Authorization Act for Fiscal Year 2003 (Public Law 107-314) that requested the Secretary of Defense provide a detailed plan on how the Office of the Secretary of Defense shall provide oversight of acquisition for defense space programs, the need for a strong oversight role was highlighted since space represents a significant military capability given its criticality to maintain and improve the surveillance, communications and situation awareness needed to support U.S. military forces. In my role as USD(AT&L), if confirmed, I will ensure a robust acquisition program oversight process remains in place to proactively identify and resolve execution problems. This will be accomplished by the oversight and analysis of funding, cost, schedule, performance, and other program status information to assess the program's progress toward achieving objectives set forth in their milestone reviews. This results-oriented management approach establishes effective controls by initially establishing program objectives at the milestone review and then monitoring progress toward achieving these objectives through review and analysis of oversight reporting information. It should also be noted that the OSD and Joint Staff oversight responsibilities prescribed by law, and further defined in DoD guidance, have not been changed by the Department's alignment of space responsibilities following the Space Commission Report highlighted earlier.

In recent years, Congress has enacted a number of legislative provisions designed to improve oversight of missile defense programs.

17. What are your views of this legislation?

Answer: The legislation passed as part of the FY 2002 and 2003 National Defense Authorization Acts gave the Department much greater flexibility in how we administer, manage, and fund the Ballistic Missile Defense System program and its component elements. The increased funding levels and ability to use FY 2004 RDT&E funds for items that are not traditionally RDT&E-funded are allowing us to develop and test elements of the Ballistic Missile Defense System at a faster pace than under the standard approach.

I would note, however, that the legislation designed to improve Congressional oversight of missile defense programs has also increased substantially the quantity of reporting to Congress, which requires resources we believe would be better spent dedicated to fielding our initial ballistic missile defense capabilities. If confirmed, I plan to work with Congress to ensure we meet your oversight requirements while maintaining our increased pace in developing the Ballistic Missile Defense System and deployment of missile defense capabilities.

18. What role do you expect to play, if confirmed, in the oversight of the acquisition of missile defense systems?

Answer: In January 2002, the Secretary of Defense approved a non-standard approach to acquisition of ballistic missile defenses in order to speed development, while improving senior level oversight of that effort. Under that approach, the Missile Defense Agency has sole responsibility and authority for development; the Services have the bulk of the responsibility for procurement; and both are subject to acquisition oversight by the Under Secretary of Defense (Acquisition, Technology and Logistics). I plan to use the Missile Defense Support Group to assist in that oversight. In December 2002, the President decided to begin deployment of missile defense capabilities. Since the President's decision, the Department of Defense has been preparing for that step, and we have identified areas where the non-standard approach to acquisition might be improved. If confirmed, I plan to revisit our current approach to acquiring ballistic missile defenses to ensure it effectively meets the Secretary's guidance and the President's direction.

Problems with computer software have caused significant delays and cost overruns in a number of major defense programs. Last year's National Defense Authorization Act required the Secretary of each military service to establish a program to improve software acquisition processes. It also required the Under

Secretary of Defense for Acquisition, Technology and Logistics to prescribe uniform guidance for the services to use to establish these programs.

19. What is the status of this effort and, if confirmed, how would you ensure that you know the status of the software components of major weapon systems in order to avoid additional problems in this area in the future?

Answer: We have begun implementation of the FY03 National Defense Authorization Act section 804 legislation through policy, uniform guidance and an oversight mechanism to track status. The revised Department of Defense Instruction 5000.1, states “Acquisitions of software intensive systems shall use process improvement and performance measures. Selection of sources shall include consideration of product maturity and past performance.” In March 2003, the Department published a policy memorandum specifically related to section 804 that directs the Military Departments and selected Defense Agencies to establish software acquisition process improvement programs. This memorandum expanded the scope of section 804 to provide added emphasis on a number of related acquisition processes and provided specific uniform guidance. It established improvement of the Department’s capability to acquire all types of software-intensive systems as a Department-wide objective, and required the affected Components to brief the Department’s Software-Intensive Systems Steering Group, which reports to me, on the status of those programs. Each of the Military Departments and Agencies has established their programs, and the Software-Intensive Systems Steering Group has overseen their progress. We have measured progress against the guidance provided and have created a forum for issue discussion, support, and resolution. This forms the mechanism by which we will ensure compliance with the legislation.

20. Do you believe that the Air Force realignment is consistent with the intent of Goldwater-Nichols acquisition realignment legislation?

Answer: I believe the intent of the Air Force realignment that places three Program Executive Officers (PEOs) for product development closer to the programs they manage and provides them a greater span of control over the resources is consistent with Goldwater-Nichols and the Packard Commission recommendations. I have approved a waiver from the 5000 requirements and asked for a report on the pros and cons. I am concerned about the span that these commanders (Aeronautical Systems Center, Electronic Systems Center, and Air Armament Center) will have, though I was also concerned that the best senior acquisition talent was not being employed in Acquisition Programs where the Air Force could use them. It will place Air Force PEOs closer to the programs they manage and ensure their skills are immediately available to the programs they supervise. I believe the change adds emphasis to our intent to have management in

the place where it can be most effective and reinforces our commitment to short, clear command channels.

21. What steps would you take, if confirmed, to ensure that the Air Force's realignment of the acquisition structure does not result in returning to the problems that the Goldwater-Nichols changes were intended to address?

Answer: The Air Force realignment will not undermine the intent of Goldwater-Nichols and I expect it will improve our ability to manage our acquisition programs. However, I intend to assess the results of the realignment and have directed the Air Force Service Acquisition Executive to provide a report to me in two years that specifically addresses PEO responsibilities. I believe the Goldwater-Nichols and Packard Commission recommendation were very helpful, but want to continue to explore how to best implement their intent.

22. Section 805 of the National Defense Authorization Act for Fiscal Year 2003 established performance goals for procuring services pursuant to multiple award contracts. What steps is the Department now taking to achieve these goals? In your view, are there any additional steps that the Department should be taking?

Answer: We have issued guidance to the Military Departments and Defense Agencies concerning the use of performance based requirements and competition when placing order under multiple award contracts. The Federal Acquisition Regulations have also been modified to reflect these requirements. We are also doing a spend analysis of all service requirements and have instituted a review process for all services. We will monitor the effects of these changes to ensure that they result in the established goals being met.

23. The Air Force recently announced a revamping of its contractor award fee system. Can you describe the status of this effort and whether Department-wide changes are necessary in this area?

Answer: The Air Force's study on revising the contractor award fee process is not yet complete. Therefore, it would be premature at this time to make any conclusions about what impact their study may have on the policies of the Department. However, in this same general area, I have recently asked various organizations within AT&L to commence a study on industry profitability and to conduct a review of our profit policy.

24. What is the status of the Department's efforts to implement a management structure in compliance with the requirements of section 801?

Answer: The Department has issued several policy directives to implement sections 801(a) and (d). On May 31, 2002, the Under Secretary of Defense (Acquisition, Technology, and Logistics) issued a policy memorandum that set up a review structure and process for the acquisition of services. Each of the three military departments has developed a "Management and Oversight of Acquisition of Services Process" to provide a review structure for services acquisitions, as required by the memorandum. The Military Departments are implementing this infrastructure, which includes approval levels for services acquired through another agency's contract.

The Department recently issued an interim rule to the Defense Federal Acquisition Regulation Supplement (DFARS) on October 1, 2003 establishing approval requirements for contracts and task orders for services. The interim rule requires certain approval to acquire services through the use of a DoD contract or task order that is not performance based, or through any contract or task order that is awarded by an agency other than DoD. With respect to services acquisitions through a contract or task order awarded by an agency other than DoD on behalf of DoD, the rule requires approval in accordance with department or agency procedures. The results of these two policy directives have created stronger oversight and control over our acquisition of services.

25. When do you expect the implementation to be completed?

Answer: The policies developed in response to section 801 were issued in May 2002. The Military Departments are implementing the infrastructure to support their approved management and oversight processes which include approval levels, etc. We will continue to strive for improvements in the acquisition of services increasing our efficiency and effectiveness.

26. What is the Department doing to better manage its services contracts?

Answer: The Department is improving the management of our acquisition of services through the implementation of additional oversight, approval and control measures as well as the development of enhanced spend analysis and strategic sourcing efforts. The policy directive in May 2002 and the interim DFARS rule published in October 2003 established a management structure and process for the review and approval of these acquisitions. We continue our efforts to assess the viability of strategic sourcing initiatives for various service sectors and will implement changes as appropriate.

27. Does the Department plan to conduct a “spend” analysis, as recommended by GAO?

Answer: The Department initiated a spend analysis covering the acquisition of services in February 2003. During the first phase we utilized available data from our acquisition databases to conduct a review of all DoD acquisition of services. The first phase was completed in September 2003, and we developed a listing of the top twenty commodity categories that we believe may offer potential efficiency increases. We are currently establishing commodity teams to further analyze in greater detail these commodity areas and develop strategic acquisition plans where possible. We expect to identify approximately five commodity areas where we will develop Department-wide acquisition strategies during FY 04. We are also developing methods to enhance our data visibility and accuracy in order to facilitate this process for future analyses. We have followed commercial best practices as much as possible and will continue to monitor commercial trends in the conduct of strategic sourcing efforts. Additionally, we have regularly briefed GAO on the progress of our spend analysis.

28: Can you describe the status of DoD’s review of the Defense Federal Acquisition Regulation Supplement?

Answer: DFARS Transformation has two important components: (1) reducing the regulation and making value-added changes; and (2) improving DoD’s rulemaking process using technology to enhance efficiency and transparency.

Effort on the first component was completed on May 2, 2003. We reviewed the DFARS to verify currency, accuracy, clarity, and value of all text, identified opportunities for improvement and reduction to DFARS requirements, and solicited ideas from Government, industry, and the general public through memoranda, press articles, and a DFARS Transformation website. We developed 86 significant change proposals and over 700 other recommended DFARS changes.

The Defense Acquisition Regulations Council opened 77 new DFARS cases to implement recommendations for improvements and reductions to DFARS text. Twenty-seven (27) joint committees are drafting proposed DFARS changes for public comment. Four rules have been published, and publication of additional proposed changes is expected to begin in November 2003. The remaining proposals may result in up to 50 additional FAR and DFARS cases and several proposed legislative changes for fiscal year 2005.

With respect to the second component, our technology plans involve issuing a request for proposals (RFP) for the Defense Acquisition Regulation Integrated System. We are seeking an integrated commercial off-the-shelf capability to eliminate paper processes, enhance world-wide communication, deliberation, collaboration, and archiving within DoD’s acquisition rulemaking system. Our plans include issuing the RFP in early calendar year 2004 and demonstrating an alternative solution by June 2004.

Test and Evaluation

The Department has, on occasion, been criticized for failing to adequately test its major weapon systems before these systems are put into production.

- 29. What are your views about the degree of independence needed by the Director of Operational Test and Evaluation in ensuring the success of the Department's acquisition programs?**

Answer: I believe that there is a very valid need for an independent assessment of the test and evaluation process as part of defense acquisition. Both of our offices would prefer that test problems be identified as early in the process as practicable. Therefore we are pushing to emphasize Developmental Test and Evaluation and measuring test readiness at decision points. I fully support the test communities' effort to shift their focus to providing as much information as possible (as early as possible) in order to identify operational deficiencies early in the developmental process. This new view of testing should enhance the effectiveness of the DOT&E.

- 30. What initiatives in this regard would you take, if confirmed?**

Answer: I would continue to work with the DOT&E to achieve continuous information gathering and decision making processes in which operational testing and evaluation plays an even more critical role in forming good acquisition decisions. The T&E process must become as much a tool for early learning as a test for operational effectiveness and suitability—particularly as we continue to implement evolutionary and capability-based acquisition approaches.

The National Defense Authorization Act (NDAA) for Fiscal Year 2003 included several provisions to improve the management of DOD test and evaluation facilities.

- 31. Can you outline what has been done to implement these provisions?**

Answer: My office is in the process of standing up DoD Test Resources Management Center (TRMC). A charter has been written and is in the final stages of coordination, and an interim staff is already in place. The DoD Test Resource Management Center (TRMC) is being implemented with a permanent staffing level of approximately 25 government personnel.

Section 231 requires the TRMC to produce a biennial strategic plan that reflects the needs of DoD with respect to T&E facilities and resources. An initial plan has been prepared by the TRMC with the active participation of the Director, Operational Test &

Evaluation (DOT&E), Military Departments, Defense Agencies with T&E responsibilities, and other cognizant DoD offices. This first plan is in the final stages of review and will be submitted to Congress within the month. The plan provides a baseline for future TRMC strategic planning efforts. It outlines both an approach for developing future strategic plans and the scope of T&E infrastructure to be addressed. Overarching goals and objectives for TRMC oversight of DoD T&E facilities and resources are provided, and an initial set of modernization requirements is outlined.

Section 232 of the NDAA for Fiscal Year 2003 establishes the objective of ensuring that, by fiscal year 2006: (1) the institutional and overhead costs of the Major Range and Test Facility Base (MRTFB) are fully funded; and (2) the institutional customers of the MRTFB are charged only the direct costs of their testing activities.

32. What steps has the Department taken to achieve these objectives?

Answer: We have established a group with representatives from the Components and the OSD staff, including the OSD accounting policy and budget experts, to determine the most appropriate definitions to use in establishing direction for the Components to use in charging no more than direct costs for users at the MRTFB as directed by the Congress. The group is expected to complete their work in early December and their definitions will be used by the Services to fully fund their MRTFB facilities for the FY 2006 program to be submitted to OSD next summer.

33. Do you anticipate that the Department will fully meet the objectives by fiscal year 2006?

Answer: Yes

34: What steps do you believe the Department should take to ensure that milestone decision authorities do not field systems before system performance has been adequately demonstrated?

Answer: DoD Acquisition policy requires a system to be demonstrated in its intended environment before proceeding to Low Rate Production. Our policy is to limit low rate production to those articles necessary to assess the effectiveness and suitability of the system via operational test and evaluation. The specified Low Rate Initial Production (LRIP) quantities are approved by the milestone decision authority (MDA) at the beginning of System Development and Demonstration and reported to Congress in the Selected Acquisition Report. Changes to the quantities would have to be justified by program conditions and, via internal DoD reporting procedures, brought to my attention

when the proposed quantities exceed the MDA approved quantities. Consequently, I believe we have sufficient policy and procedural controls in place to prevent “fielding” of a capability prior to adequate demonstration.

That having been said, we have been pressed to fulfill Combatant Commanders requests for rapid technology insertion, and have responded to those requests repeatedly in Operation Enduring Freedom and Iraqi Freedom. In the case of rapid technology insertion, we continue testing and accept user feedback. We find this process has caused greater interaction between developers and users that has resulted in shorter cycle times and more focused response. I see this as a disciplined application of the 5000 policy, but with the benefit of actual usage, prior to a larger fielding and service acceptance.

35. Do you support Congressionally-mandated cuts to the acquisition workforce, and do you think further cuts are necessary?

Answer: Reductions in the Defense Acquisition Workforce that are not driven by the Department’s strategic planning and efficiency improvements have the potential for exposing the Department to significant risk. We are using our human capital strategic planning process to define the workforce we will need in the future and the actions that we need to take to get there. We have made a number of process improvements that allowed us to increase our productivity, and we are continuing to pursue acquisition excellence which will allow us to make further productivity gains. We will pursue with Congress additional actions to reduce reporting, promote personnel flexibility, and close unneeded bases, all of which will allow us to make further workforce reductions. But I do not in any way support legislated reductions that are not carefully synchronized with DoD’s management streamlining efforts and are not supported by our human capital strategic planning.

36. Please give your assessment of the strengths and weaknesses of DOD’s implementation to date of DAWIA.

Answer: Overall, DAWIA has been good for the Department of Defense, and today we have one of the most professional workforces in the Federal Government. We have methods for credentialing our personnel and molding a professional workforce. In fact, we receive many requests for program information from other Government Agencies wishing to pattern their programs on our success. However, given the passage of time and the current statutory structure for the Defense acquisition, technology, and logistics workforce, changes are necessary. Some portions of the original Act have limited the Department's flexibility in achieving the Act's purpose. Also, the extreme detail in the Act, necessary at the time of enactment, no longer is needed. The Department needs authority to structure the acquisition, technology, and logistics workforce program by regulation so the Secretary could change structural details as needed to continue to meet the policy objectives (*e.g.*, adding career fields, adjusting

certification qualifications, changing the way training is delivered, etc.) without needing future legislation. I appreciate the support the Senate has given in supporting DAWIA restructuring in S-1050.

37. Does DOD's acquisition workforce possess the quality and training needed to adapt to new acquisition reforms, as well as to the increased workload and responsibility for managing privatization efforts?

Answer: This is an area of special concern for me and one that I am also working very hard. In the dynamic defense acquisition environment, our people are challenged with managing an increased workload with a reduced workforce. Consequently, it is very important that the current acquisition workforce have the necessary training and experience to implement new acquisition policies, as well as manage the Department's privatization efforts.

Through the Defense Acquisition University (DAU) and its Performance Learning Model (PLM), the workforce has convenient and economical access to learning products 24 hours a day, 7 days a week – the concept of anytime, anywhere learning. Whether through distributed learning with web-based courses and continuous learning modules, rapid deployment training on the latest acquisition initiatives and best practices, or access to acquisition resources with the new AT&L Knowledge Sharing System, DAU is providing the DoD AT&L workforce with a more flexible, responsive, and agile learning environment.

In addition to formal training on privatization that DAU already provides, I have tasked DAU to develop a web-based privatization resource center. DAU has also fielded continuous learning modules that teach the workforce market research and performance work statement development skills. DAU's communities of practice provide interactive discussion areas so that field practitioners can share lessons learned. I believe that these learning assets will allow DoD personnel to better understand the latest guidance and techniques so they can do a more effective job of implementing and managing privatization efforts.

If confirmed, I will continue expanding our rapid deployment training for these acquisition initiatives. I will also continue to enhance our web-based program for continuous learning and emphasize the deployment of best available workplace learning practices to accelerate acquisition and logistics excellence and enable more cross functional training.

38. What are your views regarding assertions that the acquisition workforce is losing its technical and management expertise and is beginning to rely too much on support contractors, FFRDCs, and, in some cases, prime contractors for this expertise?

Answer: The DoD AT&L workforce is a critical resource which requires unique education, training and experience in order to perform acquisition functions. Acquisition personnel perform highly technical and specialized work in areas such as engineering, contracting and logistics -- skills highly sought after in the private sector. However, a decade of downsizing has left DoD with a workforce that is not properly shaped for the future. We have reacted to workforce skill gaps in the past by contracting for support in order to minimize impact to our mission, while maintaining in-house expertise. In response to the pending retirement wave, we have begun to more aggressively manage the AT&L workforce through human capital strategic planning (to identify future skill gaps) and a marketing and recruiting campaign targeted at securing those skills.

39. What are your views on the current role and responsibilities of the lead system integrator?

Answer: It is important to remember that a lead system integrator is no more, and certainly no less, than a prime contractor. The LSI is still charged with responsibility of managing all aspects of the contract – technical, financial, subcontractors, etc. The use of the LSI term serves to emphasize the increasingly complex integration of prime and subcontractor efforts required to meet requirements, but should not be taken as a diminution of the other responsibilities of a prime contractor. It is important to remember that these responsibilities are for the execution of contracts awarded for execution of a program. Overall responsibility and accountability for the entire program remains with the Government Program Manager.

40. How would you define the line between those acquisition responsibilities that are inherently governmental and those that may be performed by contractors?

Answer: The primary responsibilities required of the prime contractor have to do, for the most part, with performance of the contract. This includes such things as design decisions, resource allocation, and subcontractor selections. Once the prime contractor is named, the Government's ongoing formal responsibilities focus on adherence to requirements, and appropriate flow-down to design, funding oversight performance, and issues that may require contract modifications – requirement changes, schedule adjustments, etc.

However, the roles of the prime contractor and Government are really quite intertwined in execution. Through the use of Integrated Product Teams (IPT's) and sharing of real time contractor information, performance decisions are open to wide discussion before they are put in place.

An example of this is subcontractor selection. The prime has the right to choose the vendors necessary to execute the contract, since the prime has overall responsibility for meeting the requirement. But, on occasion the Government gets more involved in the selection process, and it may reserve the right to grant final approval for the prime's selections.

41. If confirmed, what steps would you take to ensure that contracting mechanisms which maintain adequate safeguards are in place to ensure that lead system integrator access to sensitive and proprietary information is not compromised?

Answer: As mentioned, an LSI is a prime contractor, subject to the same contracting mechanisms governing access to sensitive and proprietary information as any other Government contractor.

42. What specific steps have—or will—the Department take to monitor the progress of the key technologies for the Future Combat Systems?

Answer: The Department is engaged with Army leadership in the identification of key technologies critical to the success of the Future Combat Systems (FCS). The Army identified thirty-one critical technologies as part of the FCS Increment One definition; they were corroborated by an Army-sponsored independent technical review team and discussed with the Department during the Defense Acquisition Board reviews prior to the FCS Milestone B decision.

In addition to the Army's review, I chartered an independent review of the Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) element of FCS, including the key technologies associated with the network. My staff led the review. It involved participation by other OSD staff offices, the military departments, and selected defense agencies. The review looked at FCS in the context of the FCS Family of Systems, the Army's future force structure, and the joint force, as well as how the program fits within the scope of the Global Information Grid. This multi-service/OSD participation on Departmental issues impacting the FCS network provided a level of insight that would not have been otherwise possible. The review identified a number of findings associated with the network which, when resolved and implemented, will significantly improve FCS's ability to provide a joint capability. The Army and OSD are making significant progress resolving and implementing the

findings. The results of the review were taken into consideration as part of the Defense Acquisition Board Milestone B decision.

The Acquisition Decision Memorandum (ADM) requires the Army to establish a Critical Technology Risk Mitigation Working-level Integrated Product Team (WIPT) within 90 days of the Milestone B decision. The WIPT is online with functional representatives from the Department fully integrated.

The ADM required the Army to submit updated Critical Technology Risk Mitigation Plans within 120 days of the Milestone decision. Since May 2003, the Department has worked aggressively with the Army and developed Risk Mitigation plans for each critical technology.

The Army is in the process of establishing Technology Transition Agreements (TTA) between the FCS Program Manager and the DoD Science and Technology (S&T) Community. The Army has provided "Draft" TTA's to the Department for review and is expected to provide final TTA's for Department approval by November 15, 2003.

43. What policies are in place to ensure that the lead systems integrators do not misuse sensitive and proprietary information owned by other contractors and do not unnecessarily limit competition in a manner that would disadvantage the government?

Answer: The use and protection of subcontractor information is governed by both the contract itself and the subcontract arrangements between the prime and the vendor. In this way, the Government can intervene through the contract terms if necessary, and the vendor can act on its own behalf, if necessary, to protect its rights.

44. Based on operations in Afghanistan and Iraq, what changes, if any, need to be made to the Defense Logistics Agency's use of prime vendor agreements, virtual prime vendor agreements, and direct vendor delivery in order to streamline the Department's logistics systems for commercial items such as medical supplies, clothing and subsistence, and common hardware items?

Answer: This issue has been studied and independently addressed - for example, the Combat Support Agency Review Team (CSART) report done by the Logistics Management Institute showed that the commercial base of suppliers for medical materiel responded superbly. However, there are some "disconnects" in the process. For example, transportation and "in transit visibility" remain challenges beyond the theater distribution center "last tactical mile" - but perhaps the most important single finding - and this applies across all commodities - is that advance requirements planning from the customers of the process has to be much better. DLA can move materiel from employment to deployment in a matter of days - but if the requirements development and

planning process is flawed, the challenge becomes exponentially greater. Overall, though, the commercial logistics support has been exceptional and one of the success stories of the entire theater of operations.

Based on some of the lessons we've learned:

- We are developing prime vendor type contract(s) to provide maintenance, repair and operations (MRO) supplies to support facilities maintenance requirements for South West Asia.
- DLA is working an extensive effort to review the Agency's Direct Vendor Delivery (DVD) contracts for compliance with Uniform Materiel Movement and Issue Priority System (UMMIPS)/Time-Definite Delivery (TDD) standards.
- DLA has directed actions to ensure DVD OCONUS shipments meet requirements of the Defense Transportation System (DTS) when those commercial shipments have to be diverted through DTS entry points.
- DLA is also working to improve requisition visibility to its customers by implementing Total Asset Visibility (TAV) across the enterprise. In-transit visibility is part of TAV, provides information needed to respond more readily and accurately to customer demands, and is an essential ingredient to increasing the efficiency and effectiveness of transportation resources. The Agency's policy is that DVD arrangements will fully support asset visibility objectives and initiatives.
 - DLA is implementing the Distribution Planning and Management System (DPMS) to simplify vendor compliance with this requirement.
 - DLA is requiring vendors to adhere to military standard documentation and marking in accordance with MIL-STD-129, to include, but not limited to Military Shipping Labels and bar-coding, and has issued procedures for providing line-item shipment data via Radio Frequency Identification Tags, electronic transmission, or telephone calls to support visibility requirements into the United States Central Command Area of Responsibility.

45. Should the Department continue to rely on commercial practices that rely increasingly on the private sector to meet the Department's logistics needs, or are there risks inherent in this approach that need to be mitigated?

Answer: There are risks in all supply chains, whether 100% organic or increasingly sourced from the private sector. As we continue to evolve to increased reliance on the private sector, the Department is addressing issues such as backup supply sources, alternative methods of transportation, propositioned stocks, and safety levels.

The Department remains committed to adopting best practices in order to provide flexible, reliable, rapid, and effective logistics support to the Warfighter. These best practices may be found in the commercial sector, the government sector, or they may leverage the best of both.

For example, in support of OIF, we deployed the most sophisticated Radio Frequency Identification (RFID) system in the world. This system made extensive use of commercial technology applied to a military environment. Whether or not RFID is a “commercial practice” or a “defense practice,” it is a best practice. Commercial-off-the-shelf (COTS) software is another area where DoD can continue to modernize by adopting best practice and proven technology in the supply chain. There is no need to reinvent the wheel. We can adopt commercial practice and commercial technology and refine it to meet our needs. All Components are aggressively pursuing initiatives that incorporate COTS technology in the military logistics space.

Performance Based Logistics has also leveraged commercial capabilities to deliver superior support to our Warfighters. The F18E/F Super Hornet delivered better than 92% operational availability during the combat phase of OIF. JSTARS had a 100% MC rate during Operation Enduring Freedom. These are but two examples that show how weapons systems performance can be improved through the integration of best practice into our logistics function, and how commercial capabilities make a difference. We know that commercial ports and freight carriers are doing a superb job moving material to the theater, and there are notable successes in the theater, including warehousing and transportation. At the same time, we must be cognizant of the challenges and risks associated with the fundamental transformation we are making within the Department, and we must use this knowledge to improve . . . to enhance . . . to create the world-class logistics necessary to meet today’s threats in the war against terrorism.

There is no doubt that we face challenges by relying on commercial resources to provide logistics support in-theater, in Afghanistan and in Iraq. We need to explore the issue of force protection for commercial contractors in the battlespace, and make adjustments as required. We must define our core missions in logistics, and ensure that we have a plan to fulfill them. We must assess our reliance on contractors for basic functions like transport and storage in support of the battlespace, for these private sector resources may not be available whenever and wherever we may have to fight. Clearly there are risks to be managed, but we must not forget the greatest risk of all. We must not create risk by failing to transform, by failing to learn how to deliver 21st century warfighting capability. We must apply best practice, whatever the source. Our greatest risk occurs not when we apply best practices, but when we fail to properly apply best practices.

Logistics

- 46. In your view, how successful has the Future Logistics Enterprise been in streamlining DOD's logistics policies and practices, and on what criteria do you make this assessment?**

Answer: The success of FLE in streamlining DoD’s logistics policies and practices has been evident in the logistics support provided during the Operation Iraqi

Freedom. Criteria supporting this assessment are many: the Department moved a ground force farther and faster than anyone had ever done in history – 300 miles in 22 days. DoD moved 15 million square feet of cargo in 60 days, using 100,000 containers that would stretch 379 miles. The effort involved more than 6,000 railcars...157 vessels...108,000 truck shipments...and the third largest airlift in history. Even today, we have 2,500 trucks on the road every day between Kuwait and Iraq, carrying – among other things – 1.5 million liters of water and more than 300,000 MREs a day.

47. What additional steps, if any, remain to be taken to improve logistics support to the warfighters, and how will the Office of Force Transformation’s work on logistics inform your policy decisions on logistics matters?

Answer: The second phase or implementation phase of FLE is called Force-centric Logistics Enterprise. We’ve accelerated efforts to bring on additional capability. Additional steps include:

- Improved weapon system support through performance-based logistics and collaboration with industry
- Examination of mission capability improvements, and working with TRANSCOM, to look at end-to-end distribution performance
- Evaluation of how information – knowledge – gained from new integrated systems and tools – provides better situational awareness.

The FLE has leveraged “network centric” and “knowledge-enabled” logistics to support the Global War on Terrorism (GWOT). The GWOT requires fundamentally different supporting structures built on tightly knit collaboration and real-time information –i.e. those that are “network centric”. One aspect that we are looking at closely is “sense and respond logistics”. In logistics, “network centric” means using information technology to ensure efficiency, stability, and predictability. Knowledge-enabled logistics make it possible to get the right item, in the right place, at the right time.

Additionally, in September the Secretary of Defense established a Defense Logistics Executive (DLE). This will be an additional responsibility of the Under Secretary for AT&L. The DLE will have overall responsibility for integrating the global supply chain. The consolidation of authority under one process owner is aimed at realizing logistics efficiencies by:

- Eliminating existing seams between current distribution processes and standardize the policies, vision and performance goals in DoD’s supply chain.
- Driving interoperable information technology solutions and enhance total asset visibility to distribution customers.
- Institutionalizing sustainment planning into our contingency processes.

- Streamlining distribution accountability under a single combatant commander (provide one single accountable person for the combatant commander to contact for their distribution needs).

Competitive Sourcing

Over the past several years, DOD has increased its reliance on the private sector to perform certain activities, including equipment maintenance and facility operations. Some have supported this effort while others have expressed concern that core activities are being jeopardized by reducing our reliance on military personnel and civilian employees of the Federal government.

Comment: The Department utilizes the process of competitive sourcing only when it makes military and economic sense to do so. Competition is a driving force within the American economy, causing organizations to improve quality, reduce cost, and provide rapid delivery of better products and services. It is essential that we continue to utilize the process to obtain work that is clearly identified as a commercial function, so that we may improve support to the warfighter and increase readiness efficiently.

48. Do you believe that public-private competition results in significant savings to the Department? If so, please explain how.

Answer: Yes, competition has produced significant savings for DoD. A review of the DoD Commercial Activities Management Information System indicates that our competitions, from FY 95 to the present, will produce an estimated savings of nearly \$8 billion through the period of performance, regardless of whether the Government workforce or a source in the private sector won the competition. Other independent evaluators, including RAND, GAO, and the Center for Naval Analysis, have consistently found that public-private competitions generate real and substantial savings no matter which source prevails.

49. What impact will the recent changes to OMB Circular A-76 have on the Department's plan for public-private competitions?

Answer: The recent changes to the OMB Circular A-76 will provide a fresh start for all participants in the competitive process, including the Department, employees and federal labor unions, and the commercial sector. The new process incorporates provisions of the Federal Acquisition Regulation (FAR), and provides for robust and fair public-private competitions. With the transition to the new process, the Department is taking measured steps to ensure that all planners and decision makers involved are

adequately trained to carry out their new duties involving significant changes from the old process.

50. Are there other effective alternatives that would achieve the benefits of public-private competition?

Answer: The Department continues to consider alternatives, including privatization, divestiture, and public-private partnerships. Although such alternatives are capable of achieving savings, I believe that in order for the taxpayers to receive the best value for their investments, the alternative methods should promote competition.

The GAO Commercial Activities Panel recommended allowing comparable appeal rights to both parties in public-private competition.

51. Do you agree that the public and private sectors should receive comparable treatment in the bid protest process?

Answer: I agree. I believe that the procedures in the revised Circular provide sufficient recourse to federal agencies for all parties affected by performance decisions. The GAO's jurisdiction, under the Competition in Contracting Act, to review bid protests by federal employees, is a matter for the GAO to determine.

Information Technology (IT)

There appears to be potential overlap between the responsibilities of the USD(ATL) and the DoD Chief Information Officer (CIO) (currently the Assistant Secretary of Defense for Networks and Information Integration(ASD(NII)) with regard to information technology acquisition, particularly with embedded information technologies in weapon systems.

52. If confirmed, how do you anticipate sharing responsibilities with the DoD CIO to ensure effective acquisition of information technology?

Answer: The ASD(NII) and the USD(AT&L) work very closely on information technology acquisition matters, and I would expect that relationship to continue. For example, the DoD CIO is a member of the Defense Acquisition Board (DAB), which I will chair if confirmed. In addition, his Principal Director for Command, Control, Communications, Intelligence, Surveillance, and Reconnaissance (C3ISR); Space; and Information Technology Programs leads an Overarching Integrated Product Team that

makes recommendations to the USD(AT&L) before such information technology acquisition programs are reviewed by the DAB. Our offices collaborate on a number of other important initiatives, including the implementation of the Department's Software Acquisition Process Improvement Program and the Implementation of Management Initiative Directive 905 on Net-Centric Business Transformation and E-Government. We have also worked as a team to streamline and rationalize the Clinger-Cohen certification process, which is reflected in the recently streamlined 5000 Defense Acquisition System series.

53. What is your assessment of the Department's ability to rapidly assimilate commercial information technologies?

Answer: The Department has improved greatly in its ability to assimilate commercial information technologies. Many of the largest programs in our business domains are implementing or considering the use of Commercial off-the-Shelf (COTS) Enterprise Solutions. To make sure such solutions are successful, we are working with the Office of the DoD CIO on a streamlined process for acquiring COTS Enterprise Solutions based on industry best practices. For example, a COTS IT and National Security System (NSS) Software Action Plan, signed by the ASD(NII), provides a set of initiatives designed to increase the use of COTS across the Department. We are working with the Office of the ASD(NII) on this effort. The Enterprise Software Initiative (ESI) Program, started in 1998 under the DoD CIO, offers today a suite of commercial software, hardware, and service products under enterprise licenses, providing major discounts to its customers for a total cost avoidance of \$1.3 Billion.

54. Is DoD's growing dependence on commercial information technologies a positive or negative development, in your judgment?

Answer: Using commercial hardware and software reduces the costs and risks of building our own hardware and software **for both the manager and the warfighter**. Commercial products enable us to more rapidly deliver needed capabilities to our users and exploit commercial best practices. But we recognize and are addressing vigorously the inherent challenges of embedded malicious or foreign code and information assurance.

55. “Buy America” issues have been the source of considerable controversy in recent years. What benefits does the Department obtain from international participation in the defense industrial base and under what conditions, if any, would you consider it necessary to impose domestic source restrictions for a particular product?

Answer: International sales, purchases, and licensed production are common forms of international defense cooperation. These transactions are important in that they contribute to operational interoperability and promote cost savings, two of the key goals of the armaments cooperation programs. These transactions are heavily regulated by most nations and are often politically sensitive because they involve both national security and public funding.

Although most DoD equipment is from domestic sources, the DoD makes use of a worldwide supplier base. The DoD is somewhat constrained by laws and regulations that limit acquisition of certain non-U.S. products, such as the Buy American Act and annual Appropriations Act provisions that restrict certain procurements to U.S. sources. The DoD has agreements with many allies to facilitate defense trade. The aim of those agreements is rationalization of the defense equipment supplier base so as to achieve the greatest efficiency in equipping our collective forces. The agreements establish reciprocity in the treatment of vendors from the other country

The Congress has encouraged acquisition of defense equipment from U.S. allies to avoid duplication of research and development effort. For example, the Foreign Comparative Testing program is funded by Congress and facilitates testing and acquisition of foreign-developed products when those non-developmental products can meet DoD requirements. This program has resulted in substantial cost-savings through avoidance of development programs.

Foreign-developed products acquired by the DoD are often produced in the U.S. under license. Examples of such products are the Rhinemetall 120mm tank gun used on the M1A1 Main Battle Tank, the Beretta 9mm pistol, the AV-8B Harrier aircraft, the Mark 92 naval fire control radar, and the Oto Melara 76mm naval gun.

In general, I believe that domestic source restrictions are counterproductive. However, in certain limited instances involving national security and the preservation of a key defense technology or production capability, domestic source restrictions may be necessary. I would encourage allied and friendly nations to impose national source restrictions only in similar limited circumstances.

56. There have been recent indications that the Department of Defense is backing away from decades of opposition to legislated domestic source restrictions. What is the rationale behind this apparent shift in DOD's policy?

Answer: There is no change in DoD policy. Earlier this year we sought changes to such provisions to clarify and simplify their application. The House Defense Authorization Bill for Fiscal Year 2004 contained a number of new domestic source restrictions. DoD opposes these provisions.

57. Given the outcry from our allies about "Buy America" protections, how will the department manage the potential damage to defense cooperation with our allies, including such cooperative programs as the Joint Strike Fighter, as well as DOD's longstanding policy of encouraging allied interoperability?

Answer: I support greater defense industrial cooperation. More cooperative endeavors such as teaming, joint ventures and even mergers and acquisitions can produce beneficial synergies, efficient use of limited resources and healthy competition, so long as it occurs in a positive and constructive manner. One way to encourage more defense industrial cooperation is to ensure that the programs we pursue receive full support and are well-managed programs to the marketplace. The Joint Strike Fighter (JSF) is a prime example of this type of program. Some of the provisions of the original H.R. 1588 directly endangered the JSF program, but we do not expect these provisions to become law. "Buy America" protections will lessen the desire of our allied and friendly foreign partners to cooperate in defense projects. This would adversely affect allied interoperability in the long term, while driving up acquisition costs to the DoD and driving out competition.

58. If DOD were to support more protectionist policies, do you anticipate "trade retaliation" by our allies, including the possibility of our allies going elsewhere for their defense acquisitions?

Answer: I do not support protectionist policies. To the extent that Congress enacts protectionist legislation, our allies' reaction will be uniformly negative. Many close allies have expressed concern to U.S. Government officials on the possibility of new legislation in this area. However, the extent of the impact on U.S. defense trade is unknown. While retaliation is certainly a possibility, we will do all that we can to encourage allies to make source selection decisions based on best value, including interoperability with U.S. armed forces. If protectionist legislation is enacted as it is currently written, the Department of

Defense will sponsor a study to examine the impact of such legislation on U.S. defense trade.

59. Could such a development jeopardize our \$30-50 billion annual trade surplus in aerospace products?

Answer: If other countries are denied access to the DoD market, it is inevitable that they will not continue to grant U.S. companies unfettered access to their defense markets. This retaliation will occur across all product lines but is likely to be most pronounced in the aerospace sector because of our significant trade surplus in that sector.

60. If the U.S. were to lose this trade surplus, would DOD weapon systems costs rise?

Answer: I would expect costs for both current and future US programs would rise. For example, reduced foreign sales of JSF aircraft would raise the unit cost of the aircraft bought by the US, since we would lose the benefit of buying in larger numbers. Perhaps more importantly, our ability to enter into future cooperative defense relationships will likely be severely undermined.

61: We understand that the Department is considering an approach under which significant domestic source restrictions would be placed in legislation, subject to a case-by-case waiver by the Secretary of Defense. Has the Department estimated how many waivers would be necessary if such legislation were enacted? What burdens would such a case-by-case waiver approach place on the Department of Defense?

Answer: I expect that an important aspect of the language regarding domestic preference will be a two year study to evaluate what items should be subject to further restriction. Once this study is complete, we will be better able to evaluate the workload associated with the waiver provisions.

62. Do you believe it is premature for the Congress to enact additional domestic source restrictions without first thoroughly analyzing and studying the impact these restrictions could have on our trade and defense cooperative relationships and the U.S. defense industrial base? Specifically, should a Blue Ribbon Commission be formed to study these issues before Congress enacts any additional legislation in this area?

Answer: While the Department of Defense would prefer no new protectionist legislation, a waiver provision would allow mitigation of the most direct consequences for DoD. However, the impact on trade and defense cooperative relationships may be indirect or subtle. The extent of the impact is currently unknown. If protectionist legislation is enacted as it is currently written, the Department of Defense will sponsor a study to examine the impact of such legislation on the U.S. defense trade. Given the uncertainty concerning the legislation impact on cost of defense industrial requirements, and international cooperation, a commission like study seems appropriate.

The Defense Industrial Base

63. What is your view of the current state of the U.S. defense industry?

Answer: Generally the U.S. manufacturing sector that supports defense is healthy, innovative, and responsive. The financial health of the defense industrial base has improved; the aerospace-defense industry sector is generally either outperforming or keeping pace with the S&P 500 index firms as measured by key financial indicators. Increased defense funding associated with the protracted war against terrorism will likely negate any residual effects of the recession/stagnation felt in other sectors of the economy. Additionally, the Department has been successful in efforts to encourage innovative, non-traditional suppliers to compete for defense business.

As the defense environment changes, we will continue to monitor challenges and trends within the defense industrial base and are prepared to take appropriate action to sustain industrial capabilities essential to defense, when required.

64. What impact, in your view, have offset requirements imposed by other countries had on the U.S. defense industry?

Answer: I believe that offsets are economically inefficient and market distorting. However, I am aware of no instances in which offsets have negatively impacted our ability to meet national defense commitments.

The Department of Commerce has been charged by the Congress to evaluate annually the impact of offsets on defense preparedness, industrial competitiveness, and trade. In its latest report, dated July 31, 2003, the Department of Commerce noted almost all non-U.S. purchasers of U.S. defense systems require offsets as a condition of the sale;

and that offsets have both a positive and negative impact on defense preparedness. Exports and the revenue generated by export sales are crucial to producers of U.S. defense systems and, by extension, U.S. foreign policy and economic interests. On the other hand, U.S. subcontractors can be displaced by foreign suppliers. On the whole, the latest Department of Commerce report indicates that jobs generated by export sales between 1993 and 2000, significantly exceed jobs lost through offsets (almost 42,000 work years annually vs. less than 9,700 work years annually). The net is very favorable.

65. What steps, if any, do you believe the Department should take to address any such impact?

Answer: I believe that the United States should not act unilaterally or bilaterally on this issue. Using an interagency approach, the U.S. Government should encourage multilateral discussions with our trading partners to reduce or eliminate offsets. We need to be careful in our approach as the U.S. has been a net beneficiary in programs with offset requirements. The Department of Defense should have a prominent role in such discussions.

Over the last decade, numerous mergers and other business consolidations have substantially reduced the number of major defense contractors.

66. Do you believe that consolidation in the defense sector has had an adverse impact on competition for defense contracts? If so, what steps should be taken to mitigate those effects?

Answer: The number of active competitors in several defense markets has declined and, consequently, it has become more challenging to ensure effective competition in these sectors. Nevertheless, I believe that our active participation in merger and acquisition reviews with the anti-trust agencies has ensured that we continue to have sufficient competition in important defense areas.

When required, we have taken steps to mitigate certain adverse effects of otherwise acceptable mergers and acquisitions, including requiring behavioral or structural remedies to preserve competition. For example, we permitted Northrop Grumman to buy TRW only after ensuring competitors a level playing field. When acting as a system prime contractor, Northrop Grumman must not favor in-house payloads over better value payloads from outside suppliers. Additionally, Northrop Grumman must offer its own payloads on a competitive basis to rival system prime contractors. Finally, we have worked with the anti-trust agencies to block transactions when necessary to preserve competition.

67. Do you support further consolidation of the defense industry?

Answer: I have no blanket policy of encouraging or discouraging further consolidation or divestiture. Each proposed transaction must be evaluated on a case-by-case basis in the context of the individual market, the changing dynamics of that market, and the need to preserve competition. Considerations include the need to promote innovation for technological advancement; to preserve price competition within mature industries; and to secure adequate supply sources.

A consolidation from five suppliers to four in a product market raises fewer complex issues than a change from three to two. Accordingly, mergers in some market segments may raise competitive issues while mergers in other segments may not. Therefore, while our standards remain constant, prime contractor level mergers in a concentrated industry are more likely to raise competitive concerns than would be the case in an industry that is not so concentrated.

68. What is your position on foreign investment in the U.S. defense sector?

Answer: In general, I favor foreign investment in the United States, whether for defense industries or non-defense industries, so long as the investment does not pose a threat to national security. Since foreign acquisitions of U.S. defense firms could directly affect both the reliability of suppliers and the transfer of technology under development in the Department, we need to oversee and continue to monitor developments in this area in order to protect our national security interests. The Department of Defense participates in an interagency review organization, the Committee on Foreign Investment in the United States, chaired by the Department of the Treasury, which is charged to identify and address concerns when foreign acquisition of U.S. firms poses credible threats to national security. Fortunately, when foreign acquisitions raise national security issues, we can apply several risk mitigation measures, such as requiring Outside Directors, Technology Control Plans, physical and organizational firewalls, visitation reporting policies, and partial divestitures. Thus we rarely have to recommend to the President that an acquisition be blocked in order to protect national security.

69. Do you believe that there should be greater cooperation, and perhaps even integration, between defense industries in Europe and the United States? If so, how can such cooperation be facilitated?

Answer: International armaments cooperation, in its many forms, enhances interoperability, improves coalition warfighting, stretches tight U.S. defense budgets, and promotes competition across national markets. Accordingly, I favor industrial teaming, joint ventures, and international mergers and acquisitions with partner nation firms that are pro-competitive and do not compromise national security. I also support judicious

use of Government-to-Government agreements to foster closer industrial linkages. Accordingly, we are entering into bilateral Declaration of Principles agreements with allies and friendly nations such as the U.K., Australia, the Netherlands, Spain, Italy, Norway, and Sweden. These agreements foster cooperation in key interest areas such as harmonization of military requirements, research and development, security of supply, sales and export procedures, security of information, ownership and corporate governance, technical information, and promoting defense trade. Finally, we also can encourage transatlantic cooperation by using Government-to-Government agreements to bring efficient, well-managed international programs to the marketplace. The Joint Strike Fighter is a good example of such a program.

70. What is your view of the adequacy of the tools and authorities available to DoD to ensure that its contractors are responsible and have a satisfactory record of integrity and business ethics?

Answer: An offeror must be judged to be responsible before it may receive a government contract. Having a satisfactory record of integrity and business ethics is one of the seven criteria that must be met before a contractor may be determined to be responsible. We have adequate tools necessary to ensure we deal with responsible entities in the defense industry.

Throughout the contract period, the government will record how well the contractor performed and consider this information when awarding future contracts. We have made prohibited behavior clear to all involved. For example, the regulations explain how to evaluate violations of the Procurement Integrity Act, improper gratuities, kickbacks, and any activity that unfairly restricts competition. A range of corrective actions are permitted for differing circumstances. Our contractors understand what is expected of them, and we rely heavily on competition and corporate self-governance to ensure that all offerors observe acceptable standards of behavior.

When ethics programs are not effective, violations, regardless of the size of the entity, may be resolved by criminal and civil penalties authorized in law, adjustment or cancellation of contracts, or suspension or debarment proceedings. We are permitted to consider which course of action best furthers the government's interests and ensures that the needs of the government are met.

Regarding the issue of suspension and debarment, it must be stressed that these actions are not intended to punish contractors for wrongdoing. Punishment is the responsibility of the Department of Justice. DoD must protect its business interests to ensure it is dealing only with entities that are responsible and conduct themselves with integrity. We also feel it is in our interests to work with those entities that appear to be straying from expected practices generally by entering into administrative agreements in lieu of suspension or debarment and provide them with an opportunity to effect positive change. This will allow these contractors to conduct business in a transparent fashion and provide the goods and services needed to support the warfighter.

Leasing Policy

Advocates of leasing capital equipment have argued that leases enable the Department to obtain new equipment without requiring significant up-front funding. Opponents of such leases have argued that this approach, without adequate justification, shifts to future leaders, today's budget problems.

71. What criteria would you use, if confirmed, in determining whether to support a major lease of capital equipment by the Department of Defense?

Answer: In order to determine whether or not to support a major lease of capital equipment by the Department of Defense, I would put each lease proposal through a thorough review process conducted by the Leasing Review Panel. The Under Secretary of Defense (Acquisition, Technology and Logistics) and the Under Secretary of Defense (Comptroller) serve as co-chairs of the panel, which includes representatives from Program Analysis and Evaluation (PA&E), the Office of General Counsel, and the Joint Chiefs of Staff, among others. The Leasing Review Panel will also consult with the Office of Management and Budget on each proposed lease. Each proposed lease would have to be considered on a case-by-case basis and all aspects of the lease agreement would be scrutinized, including the urgency of the need to the Department and the warfighter.

For the last two decades, the Department of Defense has been subject to statutory goals for contracting with small businesses and minority small businesses.

72. Do you believe that these goals serve a valid and useful purpose in the Department of Defense contracting system?

Answer: Yes, the overall small business goals serve a worthwhile purpose by focusing top DoD leadership attention on small business matters and serve as a stimulus for continuous improvement to the DoD Small Business Program. To achieve these goals, DoD fosters an acquisition environment that provides the maximum opportunity for small business to participate, both as prime contractors and as subcontractors. Small business participation in Defense acquisition is vital to the Department of Defense. To maintain our worldwide military superiority, we must take full advantage of the talent and technology that resides within American Small Business.

DOD has a number of programs to improve small business participation in defense contracts. These include among others the so-called "rule of two", which provides that if two or more small businesses are capable of performing a contract,

competition will be limited to small business, the Section 8(a) program, and the DoD mentor-protégé program.

73. In your judgment, how could the overall DOD small business program be improved to ensure that it is providing the right results for the Department in meeting its acquisition needs, and also by developing dynamic, entrepreneurial, small businesses that can compete in the global marketplace?

Answer: One opportunity to improve the overall DOD small business program is to strengthen the Mentor-Protégé Program. DOD recently made advances toward improving this program by transitioning the execution of the program to the Military Services and Defense Agencies. This streamlines the process, resulting in an increase in agreements and the number of small businesses (protégés) receiving technical and business infrastructure training from DOD prime contractors (mentors). We are strengthening oversight of the Mentor-Protégé Program through the use of performance metrics that track cost, schedule and performance.

Another opportunity is to similarly strengthen the Small Business Innovation Research and Small Business Technology Transfer Programs. Under these programs, small entrepreneurial companies with the capability to fill a DOD technology need are awarded contracts. We are strengthening these programs to emphasize the future commercial application of their products. We have also upgraded the application process and we will continue to improve program oversight.

In addition to strengthening these programs, we are refocusing our analysis capabilities to identify those industry categories where small businesses could be more successful. More importantly, we are attempting to identify those categories where small businesses might add value to the Department's future needs. With this capability we will be better equipped to assist small businesses with developing their future capabilities and with targeting their marketing efforts.

74. What is your view of contract “bundling”?

Answer: I remain concerned about contract “bundling” and specifically the effects that such a practice may have on the small businesses that have continuously supported the Department of Defense in meeting our mission requirements. The small business community has consistently provided high quality products and services in a timely manner that supports our military men and women; and they do so at fair and reasonable prices, which is also good for the taxpayer. These small businesses are a well-spring of innovation, flexibility and competition that the Department can ill-afford to take for granted.

I think it is important to note that the Department of Defense has issued five Department policy memorandums in regard to “contract bundling”. The purpose of the

memorandums is to sensitize our contracting community of the importance that small business brings to the Department of Defense. The memoranda challenge program executives, managers, and contracting personnel to continuously understand how “contract bundling” impacts small businesses. If any requirements are “bundled,” they must meet the statutory requirement that the bundle offers measurably substantial benefits to the government and proves to be necessary and justified. It is our policy that when a “bundled” requirement is necessary and justified, the contracting office shall mitigate the effects on small business to the maximum extent practicable.

75. Do you believe that there is a value to having small businesses contract directly with the federal government, rather than being relegated to the role of subcontractors?

Answer: I believe there is great value that small businesses have the opportunity to contract directly with the Federal government. I also believe it is critical to the Department that we continue to support small business subcontracting opportunities. Small businesses bring innovation, flexibility and necessary competition to our procurement process. Small businesses produce more patents and innovations per employee than large business. They are part of the solution in maintaining and expanding the Defense industrial base and are key to meeting our future needs. The Department continues to build on the talents, capabilities and capacities that the small business community brings to both our prime contracting and subcontracting tables.

One of the reasons that I believe in maximizing small business subcontracting opportunities is that most of the small business prime contractors are introduced to the Department through the subcontracting program. It is noted that subcontracting remains the small business standard path to prime contracting opportunities.

76. What is your view of the appropriate degree of competition for contracts for the reconstruction of Iraq?

Answer: I believe that we need to push for competition wherever possible on contracts for the reconstruction of Iraq. There are many U.S. firms that can perform the work and they need to be given the opportunity to contribute to the rebuilding of Iraq while affording the best value for the American public and the Iraqi people.

77. Do you believe that the Department should take steps to expedite the award of competitive contracts and minimize the use of sole-source contracts now in place?

Answer: We are taking steps to expedite the award of competitive contracts. At the same time, we are working to use the existing sole source contracts for immediate needs only, and not for larger, longer term efforts.

Contractor Logistic Support

More and more of the Department's maintenance and support functions are outsourced. These contractor logistics support agreements have resulted in the increased reliance on civilian contractors in combat areas.

78. What are your views regarding contractors on the battlefield?

Answer: The benefits and risks of contractor support are considered on a case-by-case basis. The challenge for commanders at the operational level is how to make the most effective use of contractors and to balance the increased capabilities brought by contractors with the added challenges. Commanders evaluate each function, define the acceptable level of risk, and balance the mix of military and contractor support accordingly. When using contractors, commanders do not necessarily face more risks, but they do face different risks. These benefits and risks must be placed in perspective, properly assessed, and dealt with. For example, use of contractors may actually reduce operational risk because the contractors represent capabilities, or increments thereof, that otherwise may not be available to commanders.

79. Has the Department, in your judgment, gone too far in outsourcing maintenance and support functions?

Answer: No. Maintenance and support functions include such things as facilities and equipment maintenance and other functions readily identifiable as commercial and available within the private sector. These are logical candidates for a "Competitive Sourcing" study to determine who is able to best provide the services in support of our mission. The Department only does this when it makes military and economic sense. With respect to depot-level maintenance, the Department retains core functions, and contracts for performance only as permitted by title 10 of the United States Code.

80. What changes to current policy would you recommend regarding the outsourcing of maintenance and support functions?

Answer: With the record of success the Department has enjoyed in conducting “Competitive Sourcing” studies on maintenance and support functions, I believe the current policy is adequate.

Recent work done by the GAO for this Committee highlighted several challenges related to contractor support of deployed forces, including ineffective implementation of existing policy guidance.

81. Do you believe that the Department’s existing regulations are adequate to address these challenges?

82. If confirmed what steps would you take to ensure compliance with existing regulations and policies?

Answers: DoD and the Military Departments have several policy documents that describe how to design long-term contractual support vehicles that consider the operational risks associated with outsourcing and how to plan for specific contingencies. They do a good job of addressing the risks associated with using contractors on the battlefield. Theater planning by Combatant Commanders also addresses risk and many of the issues that arise when using civilian contractors to better prepare the Joint Task Force commander and mitigate the risks in advance. Although risk assessment approaches vary among DoD components, all approaches call for effective risk assessment on the use of contractors on the battlefield and none does anything that jeopardizes our warfighting capability.

In light of the increasing use of contractors on the battlefield, the DoD has been working with the RAND Arroyo Center to further examine our decision-making and risk assessment processes affecting use of contractors and to recommend improvements. Interim findings from the RAND effort indicate that recent Army doctrine has effectively captured the conceptual risks relevant to using contractors and choosing between contract and organic sources and that Army doctrine on risk assessment provides a reliable framework for improving Army sourcing decisions. RAND further adds that the challenge now is to transform this doctrine into practice by training our personnel in the subtleties of risk analysis relevant to sourcing decisions.

The challenge for commanders at the operational level is to make the most effective use of contractors and to balance the increased capabilities brought by contractors with the added challenges. Commanders evaluate each function, define the acceptable level of risk, and balance the mix of military and contractor support accordingly. When using civilian contractors, commanders don’t necessarily face more risks, but they do face different risks. These benefits and risks must be placed in

perspective, properly assessed, and dealt with. For example, use of contractors may actually reduce operational risk because the contractors represent capabilities, or increments thereof, that otherwise may not be available to commanders.

In many cases, the original equipment manufacturer ends up with a significant role in contractor logistics support (CLS) contracts.

83. What procedures are in place to ensure that CLS contracts are not awarded to the original equipment manufacturer for the life of the CLS without appropriate competition among qualified vendors?

Answer: Competition is the law of the land. Under the Competition in Contracting Act, we must conduct competitive procurements unless a statutory exemption applies, such as when only one source of supply is available.

Ideally, we define our procurements in terms that are flexible enough that many suppliers are capable of meeting the government's need. Supportability of equipment is something that we consider when we design a system. We instruct our program managers through the acquisition regulations to ensure that a flexible, performance-oriented strategy to sustain systems is developed and executed. This usually increases the opportunities for more firms to support fielded equipment than would be the case when we procure specific models of a particular equipment manufacturer.

In addition, we have a network of Competition Advocates throughout the Department who are charged with seeking ways to increase competitive opportunities for particular procurements. For example, they challenge requirements that are not stated in terms of functions to be performed, performance required or essential physical characteristics. They can be most effective when industry expresses an interest in competing for an item or service that we believed to be available from a single source. So I would encourage any firm that believes it can be an effective provider of logistics support to make the local Competition Advocate aware of its capabilities and areas of interest.

Role of the USD (ATL) in the Science and Technology Program

84. If confirmed, what role would you play in the oversight of the Services' and DARPA's science and technology programs?

Answer: If I am confirmed, the oversight role will remain as currently in place. The DDR&E reports to the USD(AT&L) and is responsible for the direction and content of the Department's Science and Technology program. The Services and Agencies coordinate their programs through the Project Reliance chaired by DDR&E.

85 What is the relationship between the USD(ATL), the Director of Defense Research & Engineering (DDRE), and the Director of DARPA in developing and executing DARPA's research and technology development programs?

Answer: I will continue with the same reporting structure, with the Director of DARPA reporting to USD(AT&L) through the DDR&E. The DDR&E will continue to exercise authority, direction and control over DARPA. The DDR&E will be charged to ensure that DARPA's portfolio is balanced, supports the warfighter, and continues cutting edge research. In short, DARPA executes; DDR&E sets priorities and objectives and provides oversight.

Science and Technology Program

The defense science and technology program is recovering after years of declining budgets. However, the budget request for defense S&T still falls short of the Secretary of Defense's goal of dedicating 3% of the total defense budget to science and technology.

86. If confirmed, how would you plan to increase the Department's science and technology program to meet the Secretary's goal?

Answer: The Department's goal, established in the Quadrennial Defense Review (QDR), is to grow the S&T investment to be 3% of the total Defense budget. While the FY04 President's Budget Request (PBR) and Future Years Defense Program (FYDP) do not achieve this goal, they do increase S&T funding from the FY03 PBR and exceed zero percent real growth in FY04 and throughout the FYDP. We did not make the 3% goal because of the topline growth. The table below shows the FY04 PBR and FYDP for S&T funding, and shows that the buying power of Department's S&T investment is increasing across the FYDP. If confirmed, I will continually support increasing the buying power for our S&T investment and believe it is essential that the Department fund S&T at a level adequate to ensure the technological superiority of our armed forces.

DoD S&T Funding (TY \$M)	FY03	FY04	FY05	FY06	FY07	FY08	FY09
FY04 President's Budget Request	10,000*	10,232	10,541	10,790	11,193	11,541	12,134
0% Real Growth from FY03 PBR		10,186	10,384	10,592	10,805	11,018	11,231
Delta over 0% Real Growth		+46	+157	+198	+388	+523	+903
% of DoD Top Line	2.64%	2.69%	2.63%	2.57%	2.54%	2.50%	2.51%

*\$10,000B was the FY03 PBR (includes DERF and NPR). \$10.773B was appropriated in FY03.

Science and Technology Workforce

The Director of Defense Research & Engineering recently wrote to you expressing concerns over the effect that the proposed National Security Personnel System (NSPS) and Best Practices initiatives would have on the Department's laboratory and test center workforce. He recommended that the NSPS proposal be modified to permit laboratory directors to retain the authorities they currently have under existing Congressionally authorized personnel demonstrations. He also recommended that the proposed Best Practices initiative Federal Register announcement be delayed until it can be revised to better support laboratory and test center missions.

87. Do you support the laboratory directors and the DDRE in their attempts to retain control over DoD's scientific and technical workforce?

Answer: In some ways, the laboratory directors and the DDR&E do in fact exercise control over DoD's scientific and technical workforce. Neither the laboratory directors nor the DDR&E have, however, taken the position that they desired "control" over the human resources system under which our scientists and engineers work. They clearly have had, and retain, an interest in shaping that system in ways which they felt would enhance the technical quality of our laboratories. The fact is that the laboratories and the DDR&E, in collaboration with P&R, have been extremely successful in achieving this goal. As a result of much hard work and effective collaboration by all of the interest groups, we are now in final convergence on a "Best Practices" design that we believe will truly serve the needs of the laboratory directors, the DDR&E, and the human resources community. That we've obtained this convergence has been a notable achievement for DoD. So the true story here is not where we started; rather, it's where we are ending. This is a success story.

88. Do you support a delay in the release of the final Lab Demo Best Practices Federal Register so that it can be modified to better meet the concerns of the laboratory community and DDRE?

Answer: I do not support a delay in the "release" of the final Lab Demo Best Practices Federal Register Notice. Further, the Director of Defense Research and Engineering has never petitioned for such a delay. For clarification, let me point out that some in the laboratory community favored a delay in its implementation until the NSPS design was finalized. Their issue was simply that of avoiding multiple near-term conversions of personnel practices. This I believe was a totally rational concern.

I support the immediate release of the Best Practices Federal Register Notice when the final design tradeoffs are completed. This does not say that I believe that we've got it perfectly right this first time. What's important here is that we begin transforming the

entire DoD S&T personnel system, and that we have a way of adjusting and refining this system as mission needs evolve. I don't see these adjustments and refinements as having the form of "exceptions for individual laboratories." Rather, I think what could be necessary is some fine tuning of the overall umbrella system.

Devolvement of Research Programs

This year the Office of the Secretary of Defense devolved (transferred) several programs to the Services. Many of these devolved programs resided in OSD because of the inherent jointness of the program.

89. If confirmed, how would you plan to maintain the joint nature of those programs devolved to the Services?

Answer: Senior review groups with members from the Office of the Secretary of Defense will remain in place to ensure particular Military Departments meet the "core/joint service" objectives and metrics of the programs. The senior review groups have already reviewed execution plans of these programs and have recommended withholding funds from selected programs until joint issues have been resolved. These same review groups will review execution plans and metrics again at mid-year and make recommendations concerning future funding allocations. This process has been effective in the past and would expect to continue it.

For example, the Armed Services Biomedical Research Evaluation and Management Committee, has oversight of the Department's investment resources. This committee recommended withholding research funds from Army and Navy programs that were formerly a part of OSD pending clarification of program goals and objectives.

Joint Unmanned Combat Air System (J-UCAS) –

As you are aware, this Committee established a goal for the Department of Defense that by 2010 one-third of U.S. military operational deep strike aircraft would be unmanned and by 2015 one-third of all U.S. military ground combat vehicles would be unmanned.

90. What is your assessment of the Department's ability to meet this goal? In particular, please provide the Committee with the role that USD, AT&L will play in the oversight of this effort.

Answer: The Department recognizes the inherent advantages of unmanned systems in military operations. I am encouraged by the continuing advancement of technology maturation for unmanned systems. Technology advancements are in

computational capabilities, sensor integration, and onboard intelligence. Critical to the continued evolution and expansion of unmanned system capabilities is the continuing development of a robust, industry standard architecture. I might add that in the Army's design for the Future Combat System's Unit of Action, well over 33% of the Increment 1 combat vehicle force consists of unmanned ground vehicles.

Additionally, I believe my oversight role in the development and deployment of unmanned systems is critical. As you know, I currently have OSD oversight for the Army's Future Combat Systems (FCS) program and for the Joint Unmanned Combat Air System (J-UCAS).

The future of FCS is heavily predicated on the success of unmanned systems in the next decade. With this in mind, I have tasked additional members of my staff to focus their oversight role specifically on the unmanned systems portion of FCS. This oversight will be accomplished by the same staff that has coordinated the Joint Robotics Program (JRP), a Congressionally directed program since 1990, that was consolidated at OSD level and takes much of the credit for our advancement in the unmanned ground systems area. The Joint Robotics Program was not devolved to one of the Services in FY 2004, as were other programs, because of what I believe is the critical nature of its mission to foster the joint development and fielding of this important operational and technology area across the Services.

In my oversight role, I have also directed DARPA to lead the Joint Unmanned Combat Air System (J-UCAS) program. DARPA has a rich history of leading and producing state-of-the-art technology efforts that have resulted in revolutionary advances. Just two examples are the F-117 Stealth Fighter and the Internet. DARPA has also developed the two most successful UAV programs in the history of the DoD: Predator and Global Hawk. I firmly believe that J-UCAS will be no different. To date, three different airframes have flown over 12 hours in 17 flights. To keep this program on track, I have chaired one EXCOM meeting and have another scheduled for December, 2003. Multiple lower level meetings have occurred in preparation for these EXCOM meetings. The FY05 budget is still being built, but the current demonstration program is building to meet the stated Air Force and Navy requirements.

Congressional Oversight

In order to exercise its legislative and oversight responsibilities, it is important that this Committee and other appropriate committees of the Congress are able to receive testimony, briefings, and other communications of information.

91. Do you agree, if confirmed for this high position, to appear before this Committee and other appropriate committees of the Congress?

Answer: Yes

92. Do you agree, when asked, to give your personal views, even if those views differ from the Administration in power?

Answer: Yes

93. Do you agree, if confirmed, to appear before this Committee, or designated members of this Committee, and provide information, subject to appropriate and necessary security protection, with respect to your responsibilities as the Under Secretary of Defense for Acquisition, Technology, and Logistics?

Answer: Yes

94. Do you agree to ensure that testimony, briefings and other communications of information are provided to this Committee and its staff and other appropriate Committees?

Answer: Yes