**TESTIMONY OF**

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**(ACQUISITION, TECHNOLOGY & LOGISTICS)**

**BEFORE THE UNITED STATES SENATE**

**COMMITTEE ON ARMED SERVICES**

**READINESS AND MANAGEMENT SUBCOMMITTEE**

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**Overview of the Department of Defense**

**Acquisition Programs, Reform and Workforce**

**The Honorable Michael W. Wynne**
**Under Secretary of Defense (Acting)**
**(Acquisition, Technology and Logistics)**

Chairman Ensign, Senator Akaka and Members of the Committee:

Thank you for the opportunity to appear before you and discuss the President's

2005 Acquisition Policy and Programs for the Department of Defense. While we have

made great progress in making acquisition more efficient, in moving capabilities to the

warfighter faster, and in the transformation of our defense establishment, the Department

recognizes that we must make even greater progress in the future. I thank the Committee

for your leadership in providing both the authority and guidance for our efforts to date

and ask for your continued support of the Department's transformation program.

**Support to the Global War On Terrorism -- Iraq**

I want to begin by highlighting the Acquisition, Technology and Logistics

(AT&L) workforce's efforts in the Global War on Terrorism (GWOT), emphasizing their

work to support our forces in Iraq and the Iraqi people. The acquisition workforce is

doing extraordinary things under the most trying of circumstances to achieve the

President's goal to establish a securer, more peaceful and democratic Iraq that will stand

against terrorism and no longer threaten America, the region or the world. The

Reconstruction of Iraq is proceeding on a very aggressive schedule and entails creating

an infrastructure beyond what had ever existed. Contracts totaling $5 billion for

construction and program management have now been awarded in response to requests for proposals that were released in early January.  Under Army leadership, the principal Army contracts office—made up of Army, Navy, Air Force, Marine and civil service personnel—has awarded approximately 1500 contracts so far, with almost two thirds to Iraqi firms.  With only about 30 personnel in theater, this organization has established a main office in the green zone, with three satellite offices around the country.  Additionally, under the Program Management Office of the Coalition Provisional Authority (CPA), the acquisition workforce is defining $6 billion dollars worth of requirements for non-construction procurements, again with a limited staff.

An example of the major efforts put forth by our stateside contracting workforce to support our troops was the supply of Small Arms Protective Inserts, or SAPI plates.  Prior to Iraq, the estimated FY 03 requirements were only $17M.  By November 2003, we bought $370M SAPI plates – using contracts awarded within 30 days, with an average delivery beginning within 83 days.  Today, ALL troops in Iraq are equipped with body armor.

Another example of support to our warfighters in Iraq and Afghanistan is the DoD Combating Terrorism Technology Task Force (CTTTF).  It provides a valuable forum to examine the technology alternatives to address immediate operational needs to support the GWOT.   Leading up to Operation Iraqi Freedom the CTTTF reacted to a broad set of operational issues.  Technologies were accelerated to field several specialized, unique weapons which focused on specific, anticipated threats.  Notable among these was the AGM-114N Thermobaric Hellfire which built upon previous efforts supported by the

CTTTF in development of thermobaric weapons which were employed in Afghanistan in Operation Enduring Freedom. The CTTTF sponsored the Passive Attack Weapon to rapidly transition an Advanced Technology Development prototype program to production, fielding 230 weapons in 160 days. This effort included weapons production, development of operational tactics, delivery aircraft certification, field testing, certification, and deployment.

A major focus of our current CTTTF effort is to enhance force protection capabilities. We have actions underway to mitigate effects stemming from terrorist use of weapons such as Improvised Explosive Devices (IEDs), mortars, and rocket propelled grenades. A key focus is detection and defeat of IEDs and on predictive analysis capabilities.

Contractor performance in Iraq has been good in many respects. Our troops have obtained considerable in-country support from contractors such as meals and other logistical needs. However, it has not been perfect. Iraq presents a difficult security environment for contractors. Many contractors that have not had problems in performing their domestic DoD contracts are having difficulties in adjusting to the unique environment in Iraq and to their own firms' influx of new business. I believe that contractor financial and internal control problems will be worked out, and in the meantime we are taking whatever actions are necessary to protect the Government's financial interests.

I want to underscore that I am absolutely committed to an integrated, well-managed contracting process in Iraq. The billing of costs that are not properly

documented and supported will not be tolerated.  If internal control systems are deficient, I will enforce the use of protections, such as contract withholdings, suspension and debarment, to safeguard our interests.  I will also  provide whatever personnel and budget resources are needed to enforce integrity in DoD contracts.

## Right People, Right Place, Right Time, Right Pay, Right Skills

I also want to address, right up front, the size of the AT&L workforce.  I believe we are at the point where any further reductions in the size of this workforce will adversely impact our ability to successfully execute a growing workload.  The numbers are startling.  The AT&L workforce, as defined and managed by the DoD, shrank by 10%, from 149,439 people in March 1998 (when it was first defined) to 134,431people in September 2003.  However, from a workload perspective, the investment account funding (*i.e.,* RDT&E, Procurement, and Military Construction funds) increased 54%, from $96.5B in FY 1998 to $148.8B in FY 2003.  Similarly, the total number of contract actions exceeding $100,000 (*i.e.,* those that require the vast majority of work by acquisition personnel) increased 57%, from 120,560 in FY 1998 to 189,140 in FY2003. While the AT&L workforce has been shrinking, we continue to place greater demands on our workforce.  Today acquisition professionals must work harder than ever to manage rising funding requirements, to execute a growing number of contracting actions, and to administer an expanding range and volume of complex acquisitions, including performance-based contracting, services acquisition, major defense systems, and research and development.  To the extent that the workload continues to grow, we will need to assess the size of the AT&L workforce to support the growing demands of the Global

War on Terrorism, buying of services, and providing weapons systems and new technologies to the warfighter.

We are also faced with severe engineering shortages. As a result, the Department is taking an extremely active role in attracting inventors and engineering talent to the defense and aerospace industries. There are a number of "hard science" areas where the DoD provides between one-third and one-half of all government-funded university research dollars in disciplines such as aeronautical engineering, mechanical engineering, electrical engineering, materials science, and computer science. In short, the Department actively helps to grow the human element of the aerospace sciences. Over the past year, the Department has also increased both the total number and annual stipend for its Graduate Science and Engineering Fellowship program—providing strong financial incentives to top science and engineering students.

**Seven AT&L Goals**

When I became Acting Undersecretary, I established Seven Goals for AT&L specifically targeted to drive performance outcomes that will directly contribute to our joint warfighting strategy and to transforming DoD's business processes. These Goals are:

1. Acquisition Excellence with Integrity
2. Logistics Integrated and Efficient
3. Systems Integration & Engineering for Mission Success
4. Technology Dominance
5. Resources Rationalized

6. Industrial Base Strengthened

7. Motivated, Agile Workforce

**Acquisition Excellence with Integrity**

Acquisition Excellence with Integrity is all about improving our acquisition processes. Evolutionary acquisition will push systems to the warfighter faster by fielding increments of ever-increasing capability. Spiral development will ensure systems maintain a technology edge through user feedback combined with new/improved technology. Our cost estimates must reflect the true total ownership costs and be accurate enough to enhance our credibility with Congress and the American people. We must ensure we can deliver at an affordable cost. To ensure we look at joint warfighting capabilities – not just individual programs, we must move to senior leadership capability reviews.

**Logistics:  Integrated and Efficient**

This goal directly impacts Joint Warfighting operational and future capabilities. We have several critical initiatives here, among them: moving to enterprise integration business systems and processes; end-to-end management of logistics, which reduces logistics handoffs and ensures reliable delivery of products and services; weapon system support strategies founded on performance-based logistics, which drives toward higher availability for weapon systems; designing OUT logistics requirements through high reliability systems and reducing the deployable logistics footprint of operational and support forces and reducing logistics costs of operations.

**Systems Integration & Engineering for Mission Success**

The purpose of this goal is to restore systems engineering best practices at all levels of our architectures. My view is that we collectively, both government and industry, almost lost this art, and it is one that is sorely missed. As part of the goal, I established as a matter of policy the requirement that all acquisition programs apply a robust systems engineering approach that balances total system performance and total ownership costs within the family-of-systems, systems-of-systems context. This context will improve the integration of complex systems by establishing net-readiness requirements and common interfaces as integral portions of a system's design. In a related effort, I have established a standardized methodology for the conduct of system assessments. These assessments provide program managers expert feedback and insight on their program's systems engineering organization and processes. They also provide me insight into the program's readiness for entry into the next acquisition phase or into operational test and evaluation.

I have revamped systems engineering curricula and certification methods and established a senior systems engineering forum to institutionalize systems engineering discipline across the Department. I am also establishing a government and industry community of practice.

We are leading the establishment of the systems view of integrated architectures and are participating in the operational and technical views. We are leading in the development of roadmaps and I will ensure that Defense Acquisition Board (DAB)

reviews consider milestone decisions in a broader context of what individual programs contribute to joint capabilities.

## Technology Dominance

Technology dominance provides our warfighters with the best equipment today, and the capabilities needed for our future forces. While many challenges exist today, technology can help address the immediate needs for the Global War on Terrorism. Technology dominance occurs through the alignment of the Science and Technology (S&T) program with the needs of Combatant Commands and the joint functional concepts; the continuing importance of basic research to enable the development of future military capabilities; and most importantly that we have the best scientific and technical talent available today and in the future. Technology has a time value, but we cannot always predict when time will confer criticality on any single technology. A diversity of investments is required to maintain technology dominance over adversaries who can focus on exploiting narrow technical vulnerabilities. Our S&T plan seeks a balance of exploiting near term opportunities and enabling technologies that might prove pivotal in the future. Adroit applied engineering efforts and foresighted basic research investments are both prominent in our S&T strategy.

## Resources Rationalized

This goal is aimed at rationalizing infrastructure to enhance the transformation of common business-oriented support functions, improve joint utilization of assets, and reduce the total cost of ownership. We will rationalize our infrastructure through both the base realignment and closure process (BRAC) and the Global Posture Review. Both

will successfully allow the Department to position our infrastructure globally to support joint warfighting capability, to address new and evolving strategic imperatives, and to transform our business practices. To that end, I am fully supporting the Department's Business Management Modernization Program (BMMP). Three out of 6 domains fall under my purview. They are: 1) Logistics, 2) Acquisition, and 3) Installations and Environment domains. Together they are working toward a corporate approach to legacy information technology systems and business processes. As an example, under the BMMP, the Acquisition Community of Interest is working closely with both the BMMP Domains and the Services to transform our processes and to implement a net-centric solution to provide on-demand access to acquisition oversight information. As a result, for the first time, the acquisition oversight community now has access to acquisition information from their desktops, and we are well on our way to accomplishing program reviews using our new system. In the future, we hope to provide Congress with electronic access to the types of information they need for oversight and to eliminate special hard copy reports such as the Selected Acquisition Report (SAR). The end-state will streamline DoD processes and yield long-term savings and efficiencies.

Dovetailing with the efforts of BMMP we continue our ongoing assessment of the Department's Acquisition process from end to end. We are currently modeling our acquisition processes and integrating them with the other five business domains so that the department's Business Enterprise Architecture (BEA) is defined. By collectively defining our business architecture we are able to re-engineer our business processes to ensure that the best process can be combined with the most capable information system

infrastructure.  Two of our significant systems are the Standard Procurement System also

known as SPS and Wide Area Workflow (WAWF).  SPS is currently our enterprise

system for procurement with over 24,000 users throughout the Department of Defense.  It

is the authoritative source of data for our business and financial process associated with

procurement.  Wide Area Workflow, also an enterprise solution, combines process

change with technology as it streamlines the receipts and acceptance process, moving

from paper to electronic invoicing, within the Department and commercial community.  It

provides one interaction from the vendor to DoD to process invoices, receiving reports

and eventually Unique Identification Data.  This system has already allowed DoD

to decrease its interest penalty payments and increase its discounts taken for prompt

payment.  Per my direction, WAWF is currently being deployed across the DoD and to

the vendor community and is processing an average of over $1 billion in transactions

monthly.

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**Industrial Base Strengthened**

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The AT&L transformation mandate requires a defense industrial base focused on,

and capable of supporting, 21$^{st}$-century warfighting.  We are developing and employing a

logical, capabilities-based approach to identifying and evaluating industrial base

sufficiency for critical warfighting capabilities.  Industrial base assessment information

will be used to identify remedies where critical industrial capabilities are insufficient to

meet DoD requirements, identify critical industrial capabilities smaller innovative firms

can provide, focus international cooperation activities, and assess export controls.  We

are developing, and plan to implement, policies that encourage smart industrial base

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management on the part of acquisition program managers to keep the industrial base robust and responsive.

## Motivated, Agile Workforce

Of course, without a "Motivated, Agile Workforce" none of the other goals can be realized. Our people are a strategic asset and represent a competitive advantage. DoD's transformation and warfighting capability are dependent upon a world-class acquisition workforce. We now plan to develop, motivate and equitably compensate employees based on performance and contribution to mission and will provide maximum flexibility to assign employees consistent with the needs of the organization and individual's qualifications. We also plan to implement a central referral system, a repository for all jobs, which will enable the acquisition workforce to apply for jobs across the Department along with non-DoD employees.

The Defense Acquisition University (DAU) will rapidly deliver awareness training, through innovations like Rapid Deployment Training (RDT), to keep the workforce up to speed on evolving practices and major new policy initiatives. DAU is helping to create AT&L learning organizations by fully deploying a capabilities-based approach that promotes career-long learning and provides the workforce more control over their learning solutions by balancing training courses; knowledge sharing; and continuous learning.

In sum, I have set these goals to complement and facilitate Secretary Rumsfeld's business transformation and joint warfighting objectives and, even more fundamentally, to ensure that the resources entrusted to the department are well managed and wisely

used.  In implementing the seven AT&L goals, I have a number of AT&L initiatives aimed at improving the way DoD manages acquisitions and programs, several of which I would like to highlight for you now.

### Systems of Systems Initiatives

I have taken action to improve our acquisition decision-making to account for how our acquisition programs will be integrated into joint forces.  I now require DAB reviews to include a presentation on all other systems that the program under discussion relies on within its mission context.  I also review what systems rely on the program under review. During the recent Space Based Infrared Systems (SBIRS)-High and STRYKER reviews, this approach achieved good results.

Working with the Joint Staff, we have begun to examine the use of integrated architectures to guide investment strategies across the Department.  We have done so for Joint Combat Identification and the lessons we learned from that process are being applied to other areas.

One major initiative we have embarked on in order to improve a key capability for the joint warfighter is our Joint Battle Management Command and Control (JBMC2) Roadmap.  This roadmap guides both material and non-material aspects of approximately $47B of programs within the Department.  The heart of JBMC2 is the Family of Interoperable Operational Pictures (FIOP), initiated to provide an all-source picture of the battlespace through the fusion of existing sources of data.  The FIOP includes a number of elements, to include single integrated pictures for Air, Ground, Maritime, Space and Special Operations.  By fusing multiple sources of sensor, human intelligence, and other

data, the seamless family of interoperable pictures will enable the joint warfighter to execute battle management activities with real-time, decision-quality data, even at the tactical level.

One of the key JBMC2 enablers is the notion of appliqués.  As a spiral development activity, an appliqué can provide current and legacy forces with capabilities now to exchange information across the joint force and with coalition partners.  The Department believes appliqués may have broad application for current forces.

### Logistics Transformation

We are continuing to transform our logistics and supply chain business processes. In September 2003, I was designated by Secretary Rumsfeld as the Defense Logistics Executive (DLE), and General Handy, the Commander of U.S. Transportation Command as the Distribution Process Owner (DPO).  As the DLE, I will be the single focal point for Defense Logistics and Global Supply Chain Management System in the Department. General Handy will be the single overseer of the distribution process and his organization will be the single "go-to" organization for all distribution related issues.  General Handy and I have the authority and accountability to manage the complex but critical supply chain and distribution process.  My goal is to put interoperable information systems in place and synchronize distribution pipelines in order to optimize the end to end distribution system.

Another of my strategic imperatives is to implement Radio Frequency Identification technology, commonly referred to as "RFID."  Implementing this technology will optimize the DoD supply chain, enhance materiel visibility and increase

our support to the warfighters.  The Department joins industry leaders, such as Wal\*Mart,

in adopting commercial standard RFID technology at the case and pallet level to optimize

our supply chain while further leveraging the market place in driving technology costs

down.  Radio Frequency "tags" applied to the cases, pallets and freight containers

shipped to and within the DoD will enable hands-free processing of materiel transactions,

allowing us to re-apportion critical manpower resources to warfighting functions.  The

Department plans to take this technology one step further and apply these tags to its most

critical assets; those requiring a Unique Identification or UID for short.  RFID tags

applied to the item packaging of UID items will enable us to better manage and track

these critical assets.  Likewise, the unique identification of items supports our efforts to

value military equipment and to develop supporting documentation.  Together these

efforts will enable DoD's property accountability, inventory, and financial management

information systems to achieve compliance with the Chief Financial Officers Act.  As we

implement this new technology, we continue to consult with our industry partners and

employing commercial open, global standards.

## Spend Analysis Initiative

I have an important initiative underway to identify how to acquire services in a

more efficient and strategic way.  To date, we have completed a rough order spend

analysis to categorize what we spend on services and identify service commodity areas

offering potential savings from sourcing in a more strategic manner.  We are now

developing strategic sourcing plans for the top service commodities, beginning with

administrative services.  In conjunction with other efforts under the Department's

Business Management Modernization Program, we are striving to improve our capability to obtain acquisition data and enhance our ability to perform spend analysis functions to support the development of strategic sourcing plans.

## Corrosion Control Initiative

Another initiative is resident in my recent corrosion control policy to ensure that technologies to enable selection of corrosion resistant materials, development of corrosion preventing production processes, and application of corrosion prevention treatments are fully considered during the acquisition process. Effective corrosion planning is now a standard topic for all programs subject to DAB reviews. Among our recent accomplishments, the Defense Acquisition University initiated Rapid Deployment Training on Corrosion Prevention and Control (CPC) Policy and Planning; we have established a DoD Corrosion website; and we have published a CPC Planning guidebook to help Program Managers plan their CPC efforts. At my request, the Defense Science Board has established a Task Force on Corrosion Control to assess on-going DoD corrosion control efforts, especially in research, and provide recommendations for improvement. In order to directly enhance our research program in corrosion we have included a focused research initiative in the Small Business Innovation Research solicitation released on May 1st. Seventeen corrosion topics of broad DoD interest have been included in the Pentagon-sponsored SBIR program in addition to the six Service-sponsored corrosion topics. For the first time ever, in a consolidated way, the Department has requested $27M in the President's Budget specific to corrosion prevention and control for the Services to fund high return-on-investment projects. We

also continue to work with the General Accounting Office in a completely transparent way to assist in its on-going review of our corrosion efforts and planning.

Some examples of our corrosion technology transition efforts are: The Services will use Av-Dec sealant materials to significantly improve corrosion resistance and reduce maintenance; products will be applied to aviation systems including C-130s, EA-6Bs and helicopters. The USMC/Army is developing an automated, transportable vehicle wash down system to significantly reduce costs and improve corrosion prevention in a wide range of environments, including Iraq. The Navy is currently adapting commercial technology in advanced, rapid-cure epoxy and polyurethane anti-corrosion coatings for use in shipboard tanks; these long-life coatings reduce application time and apply to a wide range of systems. The Army is prototyping a clear water rinse facility that will provide thorough after-mission drive-through rinsing of all service helicopters at a number of airfields. The Air Force is using avionics grade corrosion inhibiting lubricants and CPCs to drastically reduce avionics corrosion failures.

## Contracting

Contract closeout continues to be one of my top priorities. We are focused on reducing the backlog of over-age contracts, especially those that have been physically complete more than six years. I am happy to report that we have made significant progress. For example, at the beginning of FY 2002, we had approximately 20,000 over-age contracts. This number has been reduced by 35%. Additionally, we identified over 5,000 contracts as being physically complete for more than six years. To date, 70% of these contracts have been closed. We are institutionalizing practices to close contracts

in a timely manner and decreasing the amount of funds needed each year to replace older

cancelled funds on over-age contracts.  This means the military services are now using

less current-year money to pay old bills.

To create a new synergy among the Congressionally mandated Small Business

Programs within the Department of Defense, I have approved a

coordinated initiative developed by the OSD-OSADBU affecting the Small Business

Innovative Research (SBIR), the Small Business Technology Transfer Research (STTR)

and Mentor Protégé programs.  The newly crafted initiative focuses on selected

innovative technology topics essential to DoD industrial transformation. The

effort allows for resources to be applied to qualifying SBIR/STTR small business firms to

take them from conception to the end product through a select Mentor-Protégé

development plan. The initiative allows for a formalized Mentoring relationship with a

larger prime contractor that possesses the technology infrastructure support for the

qualifying SBIR/STTR small business firm. Under this initiative a SBIR/STTR firm that

is selected into the Mentor-Protégé program should facilitate a quicker return on

investment to the DoD from topic conception to program application and end production

of the product or service that may have a commercial application.

Fiscal Year 2003 was a banner year within the Department of Defense for U.S.

businesses--both large and small.  Total contract dollars awarded by the Department of

Defense set a new record high.  DoD awarded close to $190 billion in prime contracts to

U.S. businesses, of which approximately $42 billion was awarded to small businesses—

our best-ever year for small business.   Awards to small business increased nearly $9

billion from the prior year, from 21.2% to 22.4% of total contract awards. The Defense

Department also did its part to strengthen the U.S. economy by awarding almost $12

billion to socially and economically disadvantaged small business concerns. In addition,

small business subcontractors also have benefited from DoD's increase in contract

business opportunities. For Fiscal Year 2002, the latest year for which we have compiled

the data, small businesses received subcontract awards totaling over $25 billion—$2

billion more than the prior year.

### Federally Funded Research and Development Centers (FFRDCs)

Since the mid-1990s there have been congressionally-imposed limits on FFRDC

staff years of effort. These limits, contained in annual appropriations acts, restrict the

Department's efforts to acquire new capabilities and to respond to worldwide operational

challenges.

FFRDCs are an extraordinary source of high quality support on a variety of

technical, analytic, and operational issues. Given the rising acquisition and R&D budgets,

and the complexities of transforming military forces for the future – while conducting

global operations against terrorism today – DoD needs all of the first-class help it can get.

However, since 1996, the DoD budget has grown by 46% in real terms, while FFRDC

staff-years of effort have been limited to a 9% increase. Continued constraints on FFRDCs

exacerbate negative trends in program acquisition support and in achieving program

integration in support of joint operations and other enterprise-wide objectives. The

constraints prevent DoD from obtaining technical and analytic support to

compensate for reductions in DoD's acquisition workforce, the decline in experienced personnel in the defense industry due to the aging workforce, DoD budget cuts in the 1990s, and initiatives that have reduced government oversight of acquisition programs. The Department must be able to call on its FFRDCs for help when they are the best source of technical and analytic support.

I seek the Committee's support in removing the legacy concerns regarding management and "right-sizing" of DoD FFRDCs. These issues have been resolved by implementation of the "FFRDC Management Plan", which has been used and updated since 1996. This is not a funding issue; it is about good governance. The Department needs to be able to spend the money Congress provides in the most effective manner.

### FY 05 Investment Accounts Overview

Before I conclude, I'd like to highlight some aspects of the FY 2005 Defense budget request for the investment accounts. This includes $68.9 billion for Research, Development, Test, and Evaluation (RDT&E) – a $7.1 billion increase over the FY 2004 President's Budget. It also requests $74.9 billion for procurement, a $2.2 billion increase over our FY 2004 request. The Fiscal Year 2005 budget increases transformation technologies and capabilities – and balances support for this long-term transformation with resources for current global operations and requirements. The budget includes $3.2 billion to support the transformation of the Army by fully funding the Future Combat System and $1.0 billion to procure the combat vehicles for the 5th Stryker Brigade

Combat Team (SBCT). It supports fielding of the 4th SBCT and sustains the three SBCTs already in the force.

For shipbuilding, the request includes $11.1 billion to support procurement of nine ships in fiscal 2005 – up from seven ships for fiscal 2004. Fiscal 2005 begins a period of transition and transformation for shipbuilding as the last DDG 51 destroyers are built, and the first DD(X) destroyer and Littoral Combat Ship will be procured. The Department is also investing in additional technologies and capabilities in our next-generation ships. Specifically, $1.0 billion is requested to continue development of, and procure long-lead equipment to support, the planned fiscal year 2007 award of the lead ship for the CVN-21, whose innovations include an enhanced flight deck, a new nuclear power plant, allowance for future technologies, and reduced manning. Another $1.6 billion is requested to continue development of technologies to be applied to others of this new generation of 21st century surface ships including the DD(X) destroyer, Littoral Combat Ship, CG(X) cruiser and the Maritime Prepositioning Force (Future) ship. The average shipbuilding rate from fiscal 2005-2009 of 9.6 ships per year shows our increased commitment in this area. This rate sustains the current force level and significantly adds to Navy capabilities.

The President's budget continues to develop and will begin to field the Joint Strike Fighter (JSF), a family of low observable strike fighter aircraft for the United States Air Force, Navy, Marine Corps, and the United Kingdom's Royal Navy and Royal Air Force. In addition, seven other international partners, Italy, the Netherlands, Turkey, Canada,

Australia, Denmark, and Norway are participating in the development program. The budget contains $4.6 billion for restructuring the JSF program that will accommodate additional design work and risk reduction in its System Development and Demonstration (SDD) phase. The total cost estimate for SDD increases from $33.0 billion to $40.5 billion. Schedule delays on this very complex aircraft are prudent and necessary to mature its design and ensure its ultimate success. The Department also continues investment in the F/A-22, the next-generation air dominance fighter, to counter emerging worldwide threats. We are requesting $400 million to develop the EA-18G electronic warfare aircraft, the next- generation solution to detect, identify, locate and suppress hostile emitters for decades to come. Finally, $1.7 billion is requested to support ongoing development and procurement of 11 V-22 aircraft. The V-22 program was structured to enhance interoperability in the next increment, implement additional cost-reduction initiatives, and pursue a more executable production ramp following operational testing, Milestone C review and DoD certification.

I am particularly proud of the Department's efforts to obtain efficiencies and synchronize development efforts in the Unmanned Combat Air System area. The budget reflects the initiation of the Joint Unmanned Combat Air Systems Program (J-UCAS). J-UCAS consolidates previous DARPA/Service unmanned combat air vehicles programs as a means to develop and demonstrate a common operating system and enhance competition between two contractor teams to achieve the best capabilities for the Services. The program will accelerate key capabilities leading to an operational

assessment in fiscal 2007-2009.  Unmanned aerial vehicles continue to provide new capabilities and advantages that have proven critical in the global war on terrorism, and we must exploit this technology to leverage our war fighting edge.

The transformation of America's military capabilities involves developing and fielding military systems to achieve a new portfolio of military capabilities to decisively combat the full range of security threats – now and well into the future.  A key objective is to provide robust capabilities and innovative approaches for the full spectrum of potential missions.  Transformation will continue to require a strong S&T program.  The fiscal 2005 S&T request is $10.5 billion, a 1.6 percent real increase over the fiscal 2004 request.  The program is focused on a number of transformational capabilities that hold great promise for the future.

A transformed military cannot function with inadequate facilities.  To provide and maintain quality facilities in which to work, the budget funds 95 percent of facilities sustainment (maintenance) requirements – up from 94 percent in fiscal 2004.  To modernize DoD facilities at a satisfactory pace, Secretary Rumsfeld established the goal of achieving a facilities recapitalization rate of 67 years.  The fiscal 2005 request keeps DoD on track to reach that goal in fiscal 2008.  The budget also keeps the Department on track to eliminate nearly all its inadequate military family housing units by fiscal 2007, with complete elimination in fiscal 2009.

**Conclusion**

Before closing, I would like to note how extremely proud I am of the world-class AT&L workforce. One metric of their ability and dedication can be found in the awards they win. Some highlights of these are: The Defense Acquisition University was recently recognized by Training Magazine as one of the top 50 corporate training organizations in America and was cited as Best-in-Class among government organizations. The university also received the 2003 American Society of Training and Development (ASTD) Best Award. Our efforts to transform business processes and practices won recognition as well. The Acquisition Domain supporting the Department's Business Management Modernization Program was selected as a finalist in the 2004 Excellence in Government Awards. The Standard Procurement System (SPS) Program, the cornerstone of the Acquisition Domain business process transformation efforts, received the Grace Hopper Government Technology Leadership Award from the Council for Excellence in Government and Government Executive magazine. SPS was also honored during the 2004 Excellence Government Awards. Finally, the SPS Program Manager, Colonel Jacob Haynes, was selected as one of the Top 10 Government Career Information Technology Managers by the Government Computer News (GCN) magazine and was featured in the GCN's "Profiles in Leadership" April 19th issue.

In closing Mr. Chairman, thank you for the opportunity to testify before the Committee about our acquisition programs, policies, processes, and, especially, our

people.  I would be happy to answer any questions you and the Members of the

Committee may have.