

**RECORD VERSION**

**STATEMENT BY**

**THE HONORABLE CLAUDE M. BOLTON, JR.  
ASSISTANT SECRETARY OF THE ARMY  
(ACQUISITION, LOGISTICS AND TECHNOLOGY) AND  
ARMY ACQUISITION EXECUTIVE**

**BEFORE THE**

**SUBCOMMITTEE ON AIRLAND  
COMMITTEE ON ARMED SERVICES  
UNITED STATES SENATE**

**ON THE FUTURE COMBAT SYSTEMS ACQUISITION STRATEGY**

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### **THE HONORABLE CLAUDE M. BOLTON, JR.**

Chairman McCain, Senator Lieberman, and distinguished members of the Senate Armed Services Committee, I would like to express my appreciation at this opportunity to appear before you to discuss the status of converting the Future Combat System (FCS) Brigade Combat Team (BCT) program's Other Transaction Agreement (OTA) to a Federal Acquisition Regulation (FAR) Part 15 contract, its structure, its lead systems integrator approach, the proposed incentive fee structure, the risks and challenges facing the program, and the progress being made to address these risks.

FCS (BCT) program is the principal modernization program for the Army and it is the materiel centerpiece of the Army's future modular force. It is an evolutionary acquisition program consisting of 18 systems, the network, and the Soldier (18+1+1). The FCS (BCT) is a networked family of integrated manned and unmanned systems providing mobile-networked command and control capabilities; autonomous robotic systems; precision direct and indirect fires; organic sensor platforms; and adverse-weather reconnaissance, surveillance, targeting and acquisition. In addition, the FCS (BCT) program will develop and position spin outs of FCS (BCT) capabilities for procurement and fielding to current modular and fighting forces.

Since the 2004 restructure announcement, the FCS (BCT) program continues to keep pace with its performance objectives and baseline. The FCS (BCT) program completed a Department of Defense program review in

June 2005 and successfully completed its System of Systems Functional Review in August 2005. The program's revised acquisition program baseline was approved November 2005. Fort Bliss/White Sands Missile Range (WSMR) complex is the selected location for the Evaluation BCT (EBCT). The program continues to move forward in completing all of the platform-based system functional reviews and transitioning into design and prototypical development activities. Further, the program is leaning forward in preparation for its Defense Acquisition Board (DAB) in-progress review scheduled for May 2006. The Non-Line of Sight Cannon (NLOS-C) continues to move ahead as the lead development vehicle for Manned Ground Vehicles. The Army submitted a report to Congress and is moving forward to comply with Congressional direction by building 8 prototype cannon systems with delivery starting in Calendar Year 2008.

2006 is a critical execution year for the program. It has over 52 major reviews. It has extensive software and hardware deliveries and major field experiment in April 2006, Joint Expeditionary Force Exercise JEFX-06, and Experiment 1.1 in the fall of 2006. In addition, the program will have its interim Preliminary Design Review (IPDR) in August 2006. The FCS (BCT) network is proceeding ahead as planned. For over 18 months, the FCS (BCT) program has acknowledged the risks, integration challenges, and synchronization issues associated with transport layer for JTRS and WIN-T. The FCS (BCT) program has worked and continues to work closely with the restructuring activities of both key transport layer programs to make sure

these enablers support the integration master schedule of the FCS (BCT) program. The FCS (BCT) program has detailed risk mitigation plans in place to include the use of surrogates and pre-engineering development models (pre-EDMs) to ensure form, fit interchangeability and to preserve the integration phased approach for maturing the integrated FCS platforms and common network. The Army is focusing hard to get it right on developing a common and integrated battle command network. In addition, it is important to note that the program has received its first seven JTRS Cluster 1 pre-EDM radios for integration and experimentation support and use.

In terms of critical technologies, 18 of the 49 critical technologies are rated with a Technical Readiness Level (TRL) of 6, one is rated 8. The program is on schedule to have more than 23 rated TRL 6 by December 2006 and it is on schedule to mature the rest by the Preliminary Design Review (PDR) in August 2008. Risk associated with the maturation of technologies was one of the contributing factors in the Army's decision to restructure the FCS (BCT) program and extend it by four years. The current program plan significantly reduces the degree of concurrency and risk through both the spin out plan and the increased development time between Milestones B and C. The program's maturity approach is consistent with DOD acquisition policy. It is important to note that the DOD policy requires the use of alternative technology that is mature and can meet the user's needs when the technology is not mature enough. FCS (BCT) program remains at the heart of the Army's strategy to mitigate risk using the current to future force

construct. At the same time, the Army is accelerating selected technologies to reduce operational risk by improving the current modular force's survivability, intelligence, surveillance and reconnaissance, and joint interdependence.

The FCS (BCT) program is a complex undertaking. The Army continues to use a Lead Systems Integrator management approach for the FCS (BCT) program. To manage the complexity involved, a better approach was needed than having the Government operate as the "integrator". Having over 19 independent prime contracts (One Team Partners) would only inhibit interoperability and integration. Today's weapon system programs with complex networking features require new, integrated and single-step or common design processes that integrate horizontally across the board. Commonality in design of systems and subsystems is a new design imperative for complex programs. The keys to success are maximizing the use of a one-step design process for large scale horizontal integration and having one contract, one management baseline, and integrated program management and execution.

In September 2005, the Army awarded a letter contract (referred to as an Undefinitized Contractual Action) on a sole source basis to the Boeing Company for continuation of the FCS (BCT) System Development and Demonstration (SDD) program, which initially began under an Other Transaction Agreement (OTA) signed May 2003. The FCS (BCT) SDD contract was negotiated using FAR Part 15 procedures and is fully compliant

with the Uniform Contract Format (UCF) and all FAR required clauses. The use of the letter contract was essential in order to preserve the program's schedule and prevent disruption. As required, the contract must be fully definitized within 180 days. Currently, the Army is on schedule to fully definitize by the end of March 2006. I am aware of the recent GAO report 06-66, *DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes*, and its concerns that there is little evidence that such incentives improve contractor performance and outcomes. I know that the Department is working on policy guidance changes. From my position, I believe the proposed fee structure arrangement for the FCS (BCT) SDD contract strikes the right balance between contract risks and motivation of contractor performance. The fee structure is different than typical contracts of this magnitude, it has concrete and measurable performance aimed at critical path performance activities.

While I believe we are meeting the FCS challenge, my bigger challenge is ensuring we have the right people and expertise for the FCS and indeed all Army programs. Over the next 3 to 5 years, nearly half of the Army's acquisition workforce will be retirement eligible. Recruiting, retooling and reshaping the workforce are vital if we are to continue meeting the challenges of the Army programs. We are addressing that challenge with education, establishment of the Life Cycle Management Commands, "Big A, Little a" (see attached) and Army Business Transformation initiatives. People have made our Army the world's best. It is therefore imperative that we appropriately

focus on the people aspect of our program developments as we go forward into the future.

The Army is fully committed to the FCS (BCT) program and to ensure that the program delivers what is expected and required of this program. We appreciate your wisdom, guidance, and strong support as we work to ensure that the FCS (BCT) program accomplishes its goal in support of Army modular force initiative.