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SENATE COMMITTEE
ON ARMED SERVICES**

TESTIMONY OF

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(ACQUISITION, TECHNOLOGY & LOGISTICS)

BEFORE THE SENATE

COMMITTEE ON ARMED SERVICES

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Introduction

Chairman Levin, Senator McCain, and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss the Department's policies and practices in the acquisition of major weapons systems.

Vision

Since I last appeared before this committee for my confirmation eight months ago, I have taken a number of actions to implement my vision for Acquisition, Technology and Logistics, which is to drive the capability to defeat any adversary on any battlefield. I have focused my approach into four strategic thrust areas, each of which has a guiding principle, desired outcomes, and specific initiatives with metrics or steps against which we can measure progress. These four strategic thrust areas are:

- Define Effective and Affordable Tools for the Joint Warfighter
- Responsibly Spend Every Single Tax Dollar
- Take Care of Our People
- DoD Transformation Priorities

In identifying both the problems we face, and the solutions we are seeking, I am committed to transparency throughout the acquisition process. It is my belief that we need to be clear, concise, and open with regard to what the Department of Defense is seeking, and the work it is completing. It is our responsibility as stewards of tax dollars to ensure complete openness, fairness, and objectivity in the acquisition process. I intend that we will be accountable to ensure the success of these initiatives.

I have charged the acquisition team to create an inspired, high-performing organization where:

- We expect each person must make a difference;
- We seek out new ideas and new ways of doing business;
- We constantly question requirements and how we meet them;
- We recognize that we are part of a larger neighborhood of stakeholders interested in successful outcomes at reasonable costs.

We live in an increasingly complex world. Our missions vary widely, so we need strategic resilience and depth; and must ensure our Nation has response options today and for the future with the appropriate capacity and capability to prevail at home and abroad.

I would like to highlight some specific initiatives that capture these philosophies and are fundamental to transforming the acquisition process and workforce. They are:

1) Program Manager Empowerment and Accountability

Program managers play a critical role in developing and fielding weapon systems. I have put in place a comprehensive strategy to address improving the performance of program managers. Key to this are program manager tenure agreements for Acquisition Category (ACAT) I and II programs, which are our largest programs. My expectation is that tenure agreements should correspond to a major milestone and last approximately 4 years. Another fundamental piece I have established is Program Management Agreements—a contract between the program manager and the acquisition and requirements/resource officials—to ensure a common basis for understanding and

accountability; that plans are fully resourced and realistically achievable; and that effective transparent communication takes place throughout the acquisition process.

2) Configuration Steering Boards (CSBs)

I have directed the Military Departments to establish CSBs. My intent is to provide the program manager a forum for socializing changes that improve affordability and executability. Boards will be in place for every current and future ACAT I program and will review all proposed requirement changes, and any proposed significant technical configuration changes which potentially could result in cost and schedule changes.

Boards are empowered to reject any changes, and are expected to only approve those where the change is deemed critical, funds are identified, and schedule impacts are truly mitigated. For example, the Navy decided to terminate the Extended Range Munition (ERM) contract after the CSB review because the effort on the ERM contract was not meeting the performance needs of the Department. The Department is now looking at other alternatives to satisfy the requirement. I require every acquisition team member to fully engage the Planning, Programming, Budgeting, and Execution (PPBE) process thus creating an avenue for program managers to ensure they are funded to execute their responsibilities or alternatively descope their programs to match reduced budget levels.

3) Defense Support Teams (DSTs)

To address the challenge of acquisition execution and assist both industry and DoD program managers, I have expanded the use of these teams who are made up of outside world-class technical experts to address our toughest program technical issues. I

expect the teams to resolve emergent problems and help the Department successfully execute tough programs before problems develop. For example, the Net Enabled Command Capability (NECC) program benefitted from a DST that clarified the critical coordination points necessary to bring the Defense Information Support Agency, the Service acquisition authorities, and operational sponsors into a coherent approach balancing military needs, technology solutions, and funding requirements. A refocused NECC team demonstrated significant progress on developing actionable military need definitions and establishing a collaborative environment for design and testing of software application modules enabling elements of a joint command and control tool set.

4) Prototyping and Competition

I have issued policy requiring competitive, technically mature prototyping. My intent is to rectify problems of inadequate technology maturity and lack of understanding of the critical program development path. Prototyping employed at any level—component, subsystem, system—whatever provides the best value to the taxpayer.

For example, the Joint Light Tactical Vehicle (JLTV) is currently using competitive prototyping. The JLTV program will eventually provide our soldiers and Marines with a truck that combines the off-road mobility of a High Mobility Multipurpose Wheeled Vehicle (HMMWV) with protection approaching that of a Mine Resistance Ambush Protected (MRAP) vehicle. To do this, the Joint Program Office is having three separate teams of contractors compete to make multiple prototypes which will be rigorously tested. At the end of this competition, the best of these prototypes will

proceed on to Systems Demonstration and Development having already proven that they have the technical maturity to satisfy the requirements in a timely and cost effective manner.

5) *AT&L Notes*

I am writing weekly notes to the acquisition workforce. These notes share lessons learned and provide leadership guidance on expected procedures, processes and behaviors within the acquisition workforce. These notes provide a powerful training tool directly from me.

Cost and Schedule Delays in Major Defense Acquisition Programs and Other Programs

Let me now address cost overruns and schedule delays in the Department's Major Defense Acquisition Programs (MDAPs). First let me say that many programs do well in terms of cost and schedule. But for those programs that do have cost and schedule growth, the biggest drivers are unstable requirements, immature technologies, and funding instability.

I am addressing requirements instability through increased partnering with the Joint Staff on requirements and through CSBs. CSBs review all proposed requirements changes and any proposed significant technical configuration changes which have the potential to result in cost and schedule impacts to an MDAP. Such changes will generally be rejected, deferring them to future blocks or increments. Changes may not be approved unless funds are identified and schedule impacts mitigated. CSBs also create a

collaborative forum for program managers to propose and describe reductions in requirements which can significantly lower cost without substantially reducing capability. Program managers desperately need these forums to try to improve the pace of requirements decisions and match that pace to the pace of program execution. The Joint Staff has also asked the programs to come back to them, if requirements are driving costs, and discuss if it makes sense to change the requirements.

I also require technical maturity of programs before program initiation (Milestone B). As you know, statute requires that Milestone Decision Authorities (MDA) certify that the technology in an MDAP is demonstrated in a relevant environment for Milestone B (or Key Decision Point B for space programs). I must also certify that the program demonstrates a high likelihood of accomplishing its intended mission. These are two of the ten criteria I certify. The Congress direction that the Defense Department ensure appropriate technical maturity at MS B was very helpful. I think the additional nine criteria add time and paperwork, and these criteria can conflict with making needed progress on developing tools for our warfighters.

Where I have had questions about a program's readiness for program initiation, I have used Independent Program Assessments (IPAs), DSTs, and other tools to do a thorough assessment of the program and to present their findings to me and other members of the Defense Acquisition Board (DAB). For example, I directed the creation of a DST to assist the Space-Based Infrared System High program in rearchitecting the Flight Software System. This became the critical path to launch due to architecture

problems found late in development. The DST team brought an outside expert perspective, enabling the contractor team to leverage years of embedded systems development and management experience, to assess the viability of the new architecture and highly streamlined development process. Currently, the revised architecture is proving to meet expectations and the development team is meeting critical delivery dates although some minor delays have been experienced.

I give explicit funding and schedule direction to programs at their milestone decisions, and ensure those funding directions are implemented in the budget process. In addition, I am also focusing a great deal of attention on the contractual incentives put in place for programs I review to ensure we incentivize improved outcomes and not reward poor ones.

Finally, I have tried to improve discipline in the process by citing the governing requirements document in acquisition decision memorandums (ADMs), prohibiting any changes to the requirements, and directing the program managers to seek adjustments in requirements which reduce cost and program risk, and insisting the program manager execute within the budget and limit the excessive demands of technical authority and derived requirements.

Taken together I believe these initiatives, along with those I discussed earlier will put us on a path towards achieving markedly improved acquisition outcomes.

GAO Report

Let me now address our cost and schedule performance that was detailed in the Government Accountability Office (GAO) Report “Assessments of Selected Weapon Programs.” This report made headlines citing cost growth of \$295 billion on 95 Defense programs. It was a catchy headline in the newspapers. But having reviewed the report in detail, I can only conclude that we and the GAO have some important work ahead of us to develop appropriate metrics to evaluate DoD’s acquisition system. The current report has some significant limitations that I will discuss briefly. Has there been cost growth in some DoD programs? Yes, and I am not here to condone it. Indeed, I am seeking to strictly limit cost growth. Do all programs behave as it is implied in the GAO report? Absolutely not. Our acquisition system is not on a downward spiral—it is on a path to improvement.

As I am sure you know, DoD is working to field some of the most technologically complex and revolutionary systems to ensure our National Security, while taking into consideration other aspects, such as immediate National Security needs, Industrial Base considerations, legislative direction, Congressional requirements, and changing capability needs. I have yet to see an assessment that takes these kinds of factors into account when developing a report card for DoD. I believe that it is essential that we, and the GAO, account for these issues when assessing the DoD acquisition system to ensure the taxpayer and Congress get an accurate picture of the health of our acquisition system.

I do not plan to dissect the report, but I am going to offer a few specific comments about the GAO's analytical approach to temper any conclusions you might have drawn from their study. I hope to build on this, so that we might all move towards sound future analysis on which to measure the progress of our acquisition system.

First, I believe GAO overstates the magnitude of many of the issues they raise by making generalizations from limited subsets of data. A few poor performers incorrectly drive many of the conclusions that GAO makes. Many of these conclusions are not indicative of most programs in the portfolio nor of DoD acquisition performance trends.

Second, the report does not differentiate between cost growth due to wise and intentional choices and cost growth from programs that are struggling. For example, \$18 billion of the cost growth in the GAO's 2007 Selected Acquisition Report portfolio can be attributed to programs with quantity increases. This growth is intentional and intelligent decision-making, representing deliberate choices to increase capability. For instance, we recently purchased more Unmanned Aerial Vehicles (UAVs) than originally envisioned because the UAV provides our warfighters with unprecedented capability that enhances their survivability in Iraq and Afghanistan. Under GAO's methodology, these additional UAVs would be counted as cost growth. Similarly, purchasing an additional 76 C-130J aircraft counts as \$8B of cost growth. Buying almost 500 additional Advanced Threat Infra-Red Countermeasure systems to defend more helicopters from heat seeking missiles counts as cost growth too. These are exactly the kinds of things

that are helping the warfighter in both Iraq and Afghanistan, but are used to bolster the perception that the Department of Defense is performing poorly.

We look forward to working with GAO to select better metrics and displays that will portray our incremental performance changes.

GAO High Risk Areas within DoD

All but one of the Department's High Risk Areas fall under my purview.

I am committed to aggressively addressing our High Risk Areas including:

(1) Weapons Systems Acquisition; (2) Contract Management and Interagency Contracting; (3) Supply Chain Management; (4) Support Infrastructure Management and Managing Federal Real Property; (5) Business Systems Modernization; (6) Financial Management; and (7) Protection of Technologies Critical to U.S. National Security Interests. I am tracking the progress of each High Risk Area goal and milestone and receive periodic updates from the respective Department leads. We are working closely with both the Office of Management and Budget (OMB) and GAO staff on developed plans and progress on milestones and metrics to reduce risks in these areas critical to DoD. Last month, we met with OMB leaders and GAO auditors to discuss those plans and review appropriate metrics in details. These exchanges are extremely valuable. Our high level focus and associated initiatives are demonstrating tangible progress in the weapon systems, contract management, supply chain, and infrastructure areas.

Investment Planning – DoD’s Implementation of Section 817 FY 2008 NDAA

Let me now address section 817, which requires a report on the DoD strategies for balancing the allocation of funds and other resources among MDAPs. In my response to section 817, I will assess the benefits of several on-going initiatives, such as capability portfolio management and the incorporation of the benefits of the Concept Decision (CD) Pilot Initiative, which was completed in March 2008. Through CSBs, Joint Analysis Teams (JATs), and the CD Pilot Initiative, we have learned much about bringing the requirements, acquisition, technology and programming processes together to determine potential materiel and non-materiel solutions for Joint Requirements Oversight Council (JROC) approved capability gaps from among a portfolio of choices. As such, I am instituting a more rigorous review prior to entering the acquisition process, called the Material Development Decision which will replace the current Concept Decision point in DoDI 5000.2. Additionally, in accordance with the Fiscal Year (FY) 2007 National Defense Authorization Act (NDAA), we are instituting a requirements manager certification course developed in conjunction with the Joint Staff and Defense Acquisition University (DAU) to ensure that requirements are written with a better understanding of and appreciation for the needs of the acquisition process.

The department continues to identify and incorporate additional opportunities for strategic resource balancing and prioritization through initiatives such as the ongoing Capability Portfolio Manager implementations. As the benefits from these initiatives are recognized, we will develop further recommendations for changes in processes and, as

appropriate, legislative proposals. However, in order to conduct the necessary in-depth review of all the data and metrics gathered, we will not be ready to submit the report required by Section 817 until the second quarter of FY 2009, after we have had an opportunity to view fourth quarter 2008 and first quarter 2009 outcomes and to assess their value added to our ability to make strategic resourcing decisions.

Milestone A Requirements – DoD Implementation of Section 943 FY 2008 NDAA

Let me now address section 943, which enacts a new section 2366b of title 10 that adds requirements for certification of MDAPs before Milestone A (MS A), or Key Decision Point A (KDP A) for space programs. This approval must be granted prior to entrance into the technology development phase of the acquisition lifecycle. We have been actively reviewing this legislation in an attempt to establish an implementation plan. Based upon that review, and advice from legal counsel, we have not yet determined how to make the language actionable. Some examples of the issues we are struggling with in section 2366b are:

1. The use of the term "system" to describe a Milestone A technology concept is problematic--there is no "system" or "program" at MS A. Indeed, the Defense Department needs the flexibility to consider a wide range of prototyping concepts in a post-MS A development effort.

2. Section 941 of the FY 2008 NDAA enacted a new section 118b of title 10. We have not completed implementation of section 118b at this time, and in fact it will be some time before that will happen because of the comprehensive reviews it requires.

Therefore, the requirement in the new MS A certification that the "system be executed by an entity with a relevant core competency as identified by the Secretary of Defense under section 118b of this title" is premature.

3. There is ambiguity over the application of the requirement for priority levels assigned by the JROC. Indeed, it is actually essential that post-MS A prototyping and development efforts be used to inform the setting of requirements. Excessive requirements are almost always a factor in the high cost and long timelines for DoD development programs. Seeking to grant excessive validity to requirements at MS A is exactly the wrong approach to improving DoD development programs.

We are working with our General Counsel in an effort to resolve our concerns and determine how to address MS A, or KDP A, approval for programs otherwise ready to enter the Technology Development phase. We will work closely with the committees to resolve our concerns with this new legislative language.

**Milestone B Requirements – DoD Implementation of Section 801as amended by
Section 812 of FY 2008 NDAA**

Let me now address section 801 as amended by section 812 of the FY 2008 NDAA, which requires the milestone decision authority to receive a business case analysis for an MDAP under consideration for MS B, or KDP B for space programs, approval and to certify on the basis of the analysis that the program is affordable, reasonable cost and schedule estimates have been developed, and funding is available to execute through the future years defense plan. In February 2008, I enacted policy

implementing section 812. This policy directs the MDA, without further delegation, to certify the program against the components of the business case analysis and the remaining provisions as specified in the law before granting Milestone B (or KDP B) approval. Although not mandated by statute, the policy also requires a similar certification if the program is initiated at Milestone C. Indeed, the most literal interpretation of the MS C certification would appropriately require full funding and effectively create a beneficial, stable multiyear procurement. However, the lack of multiyear authority prevents the taxpayer from realizing potential savings.

We have been in compliance with the amended MS B/KDP B requirements. Some aspects of these certifications serve to make the acquisition process more robust, but the process adds time and paperwork and limits DoD's flexibility. To date, in accordance with the amended statute, I have certified four MDAPs for MS B decisions and one MDAP for a KDP-B decision. The four programs receiving MS B certifications were the KC-X Tanker Replacement program, the Joint Tactical Radio—Airborne, & Maritime/Fixed Station program, the Mission Planning System (MPS) Increment IV program, and the Broad Area Maritime Surveillance (BAMS) program. The KDP B certification was for Global Positioning System IIIA.

Nunn McCurdy – DoD Implementation of Section 802 of FY 2006 NDAA

Let me now address section 802, which amended section 2433 of title 10, United States Code, by adding specifications for "significant" and "critical" cost growth thresholds; and established the requirement for unit cost reporting against an original

baseline--the baseline description established at program initiation for all MDAPs. Prior to this change, unit cost reporting was done only against the current baseline--which, in practice, once approved, replaced all previous versions.

This change has increased our visibility into unit cost changes over time, however, traditionally the Department has used the Acquisition Program Baseline (APB) both for Congressional tracking and for program execution management. The restrictions imposed by section 802 that limit changes of the current APB to Milestones (or Key Decision Points), Low Rate/Full Rate Production, and critical breaches have hampered the usefulness of the APB in the Department as a management tool. To be clear, I have always been an advocate of measuring program results against the original cost baseline.

The Department has a rigorous, intensive, Department-wide review process to assess all programs that have experienced critical Nunn-McCurdy baseline breaches. This process has provided a comprehensive basis of analysis and a review of possible alternatives for me to consider before making a decision on whether or not to certify each program. I take very seriously the responsibility to keep programs within cost and schedule and to restructure or reset programs with significant or critical cost growth, such as the unit cost growth measured for the Nunn-McCurdy criteria.

Since the changes to the law were enacted, seven programs have had critical Nunn-McCurdy baseline breaches. Of these seven, five had critical breaches to both the current and the original baselines. Only two programs had a critical breach to the original baseline only – Joint Primary Aircraft Training (JPATs) and Joint Air to Surface Missile.

All seven programs were certified, although in all cases, except JPATS, those programs were restructured to increase greatly the probability they will remain within cost and schedule.

Program Manager Requirements – DoD Implementation of Section 853 of

FY 2007 NDAA

Let me now address section 853 of the FY 2007 NDAA, which directs the Department to develop a strategic plan for enhancing the role of program managers in developing and carrying out defense acquisition programs. The Department has taken steps to empower its program managers and to hold them accountable for their performance. As a result of our efforts to develop that plan, we developed a series of initiatives in the areas of program manager development and incentives, knowledge sharing, and stability and support. Those initiatives, described below, are in various stages of implementation.

In the area of “program manager development and incentives,” we are actively pursuing program manager financial incentives linked to those positions that develop our program managers and also to their tenure in those positions. These incentives will make the program management field more appealing, especially to the civilian workforce. In addition, we are increasing our use of just-in-time training. DAU is deploying its “Core Plus” concept that involves additional position-specific coursework for program managers in specialty areas. To improve the civilian program manager workforce, we are planning to implement a single occupational specialty for use across the Department.

This will allow for more consistent career management of civilian program managers and provide better opportunities for them to compete for positions in other Services.

As part of our “knowledge sharing” initiatives, we are participating in the National Defense Industrial Association’s Industrial Committee on Program Management (ICPM). Under the auspices of the ICPM, we are teaming with industry to develop and expand the use of Program Startup Workshops to improve communication and clarify expectations up front. Within the Department, we have held Program Manager Forums that allow me and my senior staff to interact directly with program managers and to get their feedback on issues important to them. We have initiatives led by DAU to ensure our program managers have access to an array of tools and templates.

Gansler Commission Recommendations

Finally let me briefly address the Gansler Commission, which was established in August 2007 to look at Army Acquisition and Program Management in Expeditionary Operations. This initiative was prompted by the contracting problems identified largely in Kuwait, but the report is not limited to Kuwait or just to the Army. The work of this commission provides us a clear way ahead on contracting reform that offers detailed analysis and recommendations both large and small. This was a totally independent, objective assessment.

The Commission provided 4 overarching recommendations, as follows:

- (1) Increase the stature, quantity, and career development of military and civilian contracting personnel (especially for expeditionary operations);
- (2) Restructure organization and restore responsibility to facilitate contracting and contract management in expeditionary and CONUS operations;
- (3) Provide training and tools for overall contracting activities in expeditionary operations; and
- (4) Provide legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations.

The Defense Department is addressing improvement in contracting in several ways. We have increased the staffing within the Defense Procurement, Acquisition Policy, and Strategic Sourcing Directorate that is specifically dedicated to Contracting in Expeditionary Operations. This team is staffed with contracting personnel who have expeditionary deployment experience. In addition, I stood up the Task Force on Contracting and Contract Management in Expeditionary Operations to address the specific Commission recommendations and to integrate activities responding to the Commission's recommendations with the many other relevant activities already underway within the DoD. The Task Force is guided by senior leaders within the Acquisition, Technology and Logistics organization, including the Deputy Under Secretary (Acquisition and Technology), as well as the Director, Defense Procurement, Acquisition Policy, and Strategic Sourcing. These senior leaders are working closely

with key personnel throughout the Department. They meet weekly to track progress and monthly with Dr. Gansler himself to discuss any points of clarification regarding the Commission's recommendations. Progress of the Task Force is of utmost importance to me.

The Task Force actions implement section 849 of the FY 2008 NDAA, which directed the Secretary of Defense, in consultation with the Joint Chiefs of Staff, to evaluate the Commission's recommendations to determine the extent to which such recommendations are applicable to the other Armed Forces. The evaluation required by section 849 is underway, and the report to the congressional committees is on schedule for submission within a month.

With regard to increasing the number of contracting personnel, we are conducting a competency assessment for the entire DoD Contracting Career Field. The Department is actively assessing and developing its position regarding the appropriate numbers of General and Flag Officers, and Senior Executive Service authorizations for contracting positions. To be clear, it will take time to recruit, hire, train, develop, and promote the full range of contracting personnel required by DoD.

The Commission recommended that the Defense Contract Management Agency should be responsible for all base, post, camp and station contracting, and that it should be resourced to accomplish that mission. The Task Force is developing alternative approaches to achieve the Commission's goal of enhanced post-award contract management during routine times as well as during times of contingency and war.

Through monthly discussions with Dr. Gansler, we believe he agrees we are on a path to achieving the Commission's intent.

Recently, the Department sent forward legislative proposals to implement some of the recommendations of the Gansler Commission that require legislation. These proposals include:

- Authority to Acquire Products and Services Produced in a Contingency Theater of Operations Outside the United States
- Exceptions for National Security and Emergency Operations
- Requirement for Use of Express Option for Deciding Protests of Contracts and Task Delivery Orders in Support of Emergency Operations
- Optional Life Insurance Election Opportunity for Certain Federal Civilian Employees
- Expedited Hiring Authority for Defense Acquisition Positions

I would be happy to discuss further my work in implementing the Commission's recommendations and about our legislative proposals. I appreciate the committee's support of these legislative changes that will greatly improve expeditionary contracting and beyond.

Perspective

I would like to add some broader perspective to this more specific discussion of acquisition matters. In each of my Senate confirmed positions, I have talked with the

previous office holders in order to try to benefit from their experiences. I believe there are many relevant insights in these discussions.

First, this Nation had the chance to lead all other Nation's on some technology efforts because there was available funding to pursue innovative, cutting edge ideas – technology push in many cases. Our current budget processes and timelines seriously limit our ability to pace most nation-states and offer no prospect of pacing aggressive terrorist organizations.

As many of you know, several of my predecessors highlighted the need for extremely capable people. In the past, there was robust exchange of people at all career stages between industry and government. Indeed, Jacques Gansler was hired from industry based on a phone call from Johnny Foster in search of an extremely capable electronics expert. Today, for a host of reasons, we have virtually eliminated the exchange of personnel between industry and government – to the detriment of the defense research, development and procurement program. DARPA is the only organization which has managed to successfully maintain a reasonable level of industry personnel rotation for the benefit of the Defense Department and the Nation.

Indeed, after several years in government, I can tell you that it is virtually impossible to hire a mid-career industry person into the Defense Department. There are many, many impediments. However, I believe this detrimental situation hinders the ability of the defense acquisition team to be maximally effective.

Further, the Congress has enacted greater restrictions on the acquisition team members who do choose to serve in the federal government. I believe the latest set of restrictions governing post government employment will seriously discourage the very best and brightest from entering the defense acquisition field and serving for their full careers. The legislation will certainly make the wall between industry and government even higher. Many people in all walks of life now pursue two careers. The prospect of devoting years to one career of dedicated public service and then confronting severe restrictions on one's ability to use those experiences in a second career is unfair. While the DoD has some useful opportunities to hire retired military and government personnel into acquisition positions, the Department needs tools to balance these options with the ability to hire industry personnel and non-military personnel into entry, mid, and senior career positions to ensure the highest level of creativity, alternative thinking and balanced perspectives.

Current caps on management headquarters and past focused efforts on "shoppers" have seriously harmed the defense acquisition workforce. As government employees lived through these times, some of the most capable personnel left the government for the lucrative opportunities presented by industry. As the Defense Department's procurement and research and development budgets have grown significantly since 2001, there has been no linkage to the personnel process or corresponding ability to hire government personnel. Indeed, several programs which I have recently reviewed that experienced cost and schedule problems cited a shortage of program office personnel as one of the

contributing factors. I have recently asked the AT&L team to consider the use of personnel plans in conjunction with new major acquisition programs. However, these efforts will still face the constraints of management headquarters caps. The situation has driven the Defense Department to greater use of contractor personnel, a solution which has several deficiencies. However, it is necessary to have trained people to manage major acquisition programs spending significant tax dollars. It is unfair to expect flawless execution without adequate manpower.

One additional impediment to industry personnel joining the Defense Department is the restrictions DoD personnel face regarding participating in the stock market. The threshold for defining defense contractors is doing \$25,000 of business with DoD, and this threshold has not been adjusted for over 35 years. This restriction prevents many defense personnel from participating in the stock market like the rest of America. The Defense Department has an abundance of rules and processes to prevent an honest individual from assisting a single company. However, the low threshold prevents DoD appointees from participating in the stock market and restricts other members of the acquisition team. All of these issues can be carefully and appropriately managed and do not require the blanket restrictions and rules which are going to discourage people from working for the Defense Department in defense acquisition.

The Defense Department needs to work with the Congress on appropriate changes which can help DoD retain a highly capable acquisition team, recruit talented individuals

from all levels of industry, and give the acquisition team greater flexibility to deliver technology and products to protect our Nation's security.

Conclusions

In conclusion, I am working extensively with others in the Department and our industry partners to improve Defense Acquisition as outlined by the numerous initiatives I have described today. We have taken a multi faceted approach to improve both our processes and our products. Our goal is to have the best equipment for the warfighter, while spending the taxpayer's money wisely. The review boards and teams that I have instituted provide an excellent forum for integrating technology, and improving affordability and executability. Prototyping ensures competition and technological maturity. Analysis, through business case development at Milestone Reviews and Nunn-McCurdy reviews, creates a framework for cost/schedule/performance tradeoffs. Most importantly, our people, from the contract specialist to the program manager are becoming more knowledgeable and multi-functional through the training and professional development initiatives I have implemented.

In summary, we work in a very dynamic environment, and as such we must constantly be balancing stability and flexibility in our requirements, resources, and reporting. I believe we have developed a solid set of checks and balances that I am confident will support our current acquisition posture and keep us on a path to improvement.

I thank the committee for their time in allowing me to describe my vision for improving our acquisition system and some specific initiatives we have undertaken to improve program outcomes. I look forward to answering your questions.