



**HOUSE ARMED SERVICES SUBCOMMITTEE ON READINESS  
JOEL HEFLEY, COLORADO – CHAIRMAN**

***PRESS RELEASE***

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Contact: Josh Holly, HASC (202) 225-2539 or  
Kim Sears (Hefley) (202) 225-4422

**Chairman Hefley Opening Statement**

*Hearing on the Impact of Service Contracting on Military Readiness*

**Washington, DC** --- Today we meet to discuss an issue of great importance to military readiness. Recently, I was made aware of several large contracts issued by both the Army and Air Force for flight simulation training and initial flight screening. While this subcommittee certainly recognizes and appreciates the value of this training, we are concerned by the methods used to contract for these services and what appears to be a great increase in price.

However, our discussion today will not focus exclusively on any individual contract, but instead on the question of whether or not the Army and Air Force are using service contracts to buy things that used to be in the Procurement or Military Construction accounts. Additionally, I'm concerned when I hear that services, such as military flight simulation, are qualified as "commercial," triggering the use of a completely different set of acquisition rules, which require no cost and pricing data be provided to the government. How then, do we ensure we're getting a fair deal? In that regard, our hearing today will focus on how we define certain services as "commercial."

To be fair, Congress has encouraged the use of service contracts and particularly "commercial" service contracts over the last decade. However, little attention has been paid to how this decision impacts our Operations and Maintenance accounts. The fiscal year 2007 budget request seeks \$152.0 billion for operations and maintenance and is an increase of 7.5 billion over the FY06 appropriated amount. When you consider that the 2007 budget includes a \$4 billion increase in the cost of fuel and a \$3 billion increase for inflation, it is clear that the Operations and Maintenance accounts are either flat or, in some cases, decreasing. Faced with a flat O&M budget and an ever-increasing demand for operations, training, and maintenance, we must make every dollar count.

Therefore, we need to ensure that service contracts, which incidentally comprise over 50% of all contact dollars awarded by DOD, are truly the most cost-effective means of meeting the readiness requirements of our men and women in uniform. The military services must look beyond an attractive "payment schedule" and fully examine the life-cycle cost and contract management responsibility of this approach. Furthermore, there are billions of dollars being invested in hardware, software, aircraft and facilities, but at the end of the day, whether we've paid for the service for 1 year or 19 years, the military does not own the asset. There's nothing stopping the contractor from taking the simulator away or locking the doors to the facility. In my mind, this puts readiness at risk.

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