RECORD VERSION

STATEMENT BY

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INTRODUCTION

Mr. Chairman and distinguished members of the Committee on Armed Services, thank you for this opportunity to report to you on the status of Acquisition Reform within the U.S. Army. It is my privilege to represent Army leadership, the military and civilian members of the Army acquisition workforce, and – most importantly – the Soldiers who rely on us to provide them with world-class weapon systems and equipment so they can successfully accomplish any mission at anytime, anywhere in the world and return home safely.

As an Army, we are helping to win the Global War on Terrorism and sustaining a full range of global commitments while continuing the most profound transformation since World War II. Our work and our successes to date would be impossible without the tremendous support the Army receives from you, the Members of the Committee on Armed Services, and your staff. Thank you, on behalf of our outstanding Soldiers and the civilian employees and family members who support them.

In Army Acquisition, Logistics and Technology (AL&T), our goal is to provide the Soldier with the right product, at the right time, the right place, and the right price. We continue to aggressively streamline and improve business operations and practices to bring them more in line with commercial business practices. The introduction of commercial practices and components in defense acquisition not only saves us money, it also is essential to getting modern information technology into our weapon systems and fielding them fast. To focus our efforts, we concentrate on programs, people, production, and improvement.

PROGRAMS

Army Acquisition is transforming to get products to the Soldier faster, make good products even better, minimize life cycle costs, and enhance the synergy and effectiveness of the Army AL&T communities. We have implemented evolutionary acquisition and spiral development, life cycle management, and rapid acquisition – all in the form of the Rapid Equipping

Force, the Rapid Fielding Initiative, Stryker, the Future Combat Systems, and our life cycle management commands. Let me highlight these programs.

The Rapid Equipping Force works directly with operational commanders in the field to find promising technology solutions for identified operational requirements – at times within hours or days, not weeks or months. The solution may be off the shelf – government or commercial – or a near-term developmental item that can be rapidly made available. These items may be as sophisticated as the Rapid Aerostat Initial Deployment, a 360-degree surveillance device suspended from either an Aerostat balloon or atop a tower, or lock shims that enable Soldiers searching for weapons in Iraq to nondestructively open padlocks, or remote-controlled reconnaissance devices to explore caves, tunnels, wells, and other confined spaces as well as inspect bombs up close without endangering our Soldiers.

The Rapid Fielding Initiative (RFI) enables all units deploying to Iraq and Afghanistan to have the latest available equipment. In coordination with field commanders and Soldiers, RFI provides each of them with more than 50 mission-essential equipment and clothing items, including the Advanced Combat Helmet and accessories, weapons accessories, knee and elbow pads, hydration systems, and other items. Working with existing contractors to refine equipment or purchasing, and adapting commercial off-the-shelf items, RFI has reduced some acquisition cycles to weeks or even days.

In addition, the rapid fielding of the Stryker vehicle demonstrates our Army's ability to meet a Combatant Commander's urgent needs using a streamlined, responsive acquisition system. In 2003, the Army deployed its first Stryker Brigade Combat Team, the 3rd Brigade, 2nd Infantry Division, to Operation Iraqi Freedom, delivering its enhanced capabilities to the Joint Force in record time: four years from broad concept to operational deployment and 30 months from contract award. Exceptional support from Congress and the Office of the Secretary of Defense, along with close collaboration between the Army and industry made this achievement possible. At present, 1,297 Strykers have been delivered to the Army. Stryker is a real success story.

We continue to work in partnership with industry to ensure that our Soldiers have body armor and that their combat platforms have the ballistic protection required to safeguard them from improvised explosive devices, rocket-propelled grenades, and other life-threatening devices. Currently, we have seven vendors producing 20,000 sets per month of Interceptor Body Armor. As of April 2005, all warfighters and Department of Defense (DoD) civilians in Iraq, Afghanistan, Kuwait, and the Horn of Africa have life-saving body armor. In comparison, on September 2001 we had three vendors producing 1,600 sets per month. Regarding our Up-Armored High Mobility Multipurpose Wheeled Vehicles, production increased from 30 in May 2003 to meeting the theater requirement of 9,727 in July 2005. Likewise, with our Add on Armor, the Army went from none in October 2003 to more than 24,500 Add on Armor kits applied in October 2005. We are saving lives through a holistic approach to force protection – personal body armor, vehicle armor, electronic counter-measures, greater situational awareness, and better training and operational focus.

The Army's Future Combat Systems (FCS) is our primary materiel program for achieving future force capabilities. FCS is a family of 18 systems, plus the continued expansion of the network and capabilities to the Soldier – all designed to function as a single, integrated system. FCS adheres to an evolutionary acquisition strategy that will allow for upgrades in capability and rapid insertions of advanced technologies throughout the program's life cycle. This will allow for the FCS program to remain flexible and open to accommodate trades in the system architecture and in the individual design of systems.

Still, while building toward tomorrow, we are well on our way to meeting the Army Chief of Staff's desire to spin or spiral FCS technologies as they mature to the Current Force. Our plan expands the scope of the program's System Development and Demonstration phase by adding four discrete "Spin Outs" of capabilities. Spin Out 1 will begin fielding in 2008 and consist of prototypes fielded to the Evaluation Brigade Combat Team for their use and evaluation. Following successful evaluation, production and fielding of Spin Out 1 equipment

to the Current Force will begin in 2010. This process will be repeated for each successive Spin Out.

The FCS program is on track. Most recently, it passed the Program's System of Systems Functional Review which sets the technical baseline to move into the Preliminary Design phase – on time with high quality – within 18 months. Its success is due in large measure to teamwork. The FCS "One Team" is a solid partnership between government and industry. The Lead Systems Integrator team of Boeing and Science Applications International Corporation, along with its key system subcontractors and industry supplier team works closely with the Army to ensure that FCS will be delivered to the warfighter on schedule.

With FCS, we are redefining the term *integration* as it applies to weapon systems development. The FCS program has totally integrated not only its technologies and platforms, but also its management approach. From day one, all Army stakeholders have been on board – from the requirements and resources communities to our scientists and engineers, as well as the acquisition, test, and logistics communities, at all levels within the Army and DoD – working closely with our industry partners. The result of this comprehensive "One Team" effort is a successful program that will provide our warfighters with unprecedented capabilities.

The FCS program is an excellent example of the successful synergism of all stakeholders in supporting a process that I have termed "Big A, Little a" process (see Figure 1). For far too long we have concentrated on the "Little a" acquisition process which involves the contracting, program management, development, developmental test & evaluation, production, and initial fielding. While these "Little a" activities are very important, they are a subset of the "Big A" process which includes capabilities, resourcing, operational test & evaluation, sustainment modification, security assistance, and disposal. All of these drive cost, schedule and performance and ultimately "Soldier wait time". Compared to the "Little a" acquisition process, there has been relatively little attention, initiatives, training, education, certification given or required in these other

critically important "Big A" processes. It is time that we consider acquisition improvement/streamlining from a broader and more appropriate point of view; namely, the "Big A" point of view. It will enable us to provide our warfighters with what they need to do their jobs better, faster, and cheaper.

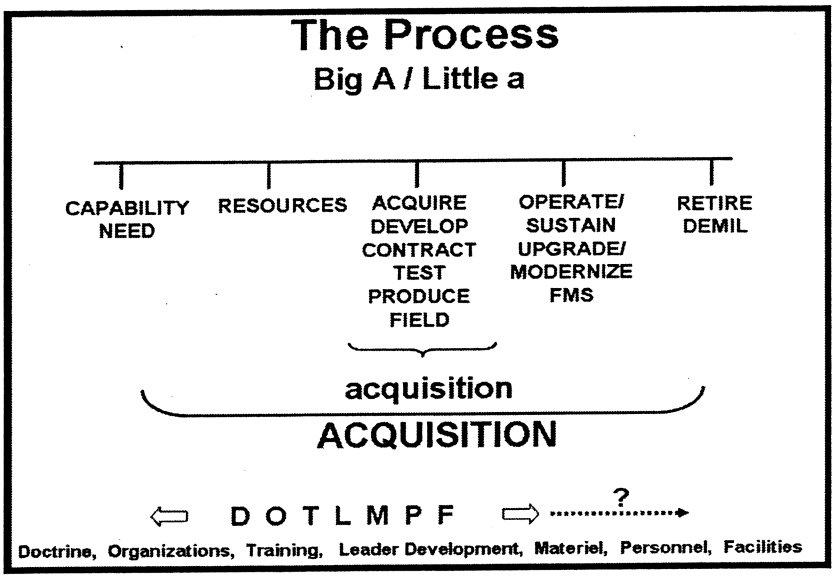

Figure 1

In the Army, we have begun in earnest to address the "Big A" through the establishment of the Futures Center under LTG John M. Curran at the U.S. Army Training and Doctrine Command. The Futures Center develops and integrates Army requirements, including warfighting concepts, architectures, doctrine, training, and organizational designs, while supporting resource development to deliver needed capabilities for Joint Force Commanders. Our office is working closely with the Futures Center, as well as the G-8 under LTG David F. Melcher and the G-3 under LTG James J. Lovelace to produce more streamlined and efficient "Big A" processes. "Big A" is also being addressed at our four Life Cycle Management Commands (LCMC) – the Aviation/Missile LCMC at Huntsville, Alabama; the Soldier/Ground Systems LCMC at Warren, Michigan; the Communications/Electronics LCMC at Fort Monmouth, New Jersey; and the Joint Ammunition LCMC at Rock Island, Illinois. This life cycle management concept

is designed to provide an integrated, holistic approach to product development and systems support. In the first year of our two-year LCMC experiment, we are seeing tremendous results. Of significant importance is bringing together the equipping and sustaining program evaluation groups to provide effective programmatic oversight during a system's life cycle. We plan to expand this effort by incorporating all necessary training and education to ensure success.

The Army is the Executive Agent for DoD's reconstruction and relief mission in Iraq. On January 7, 2005, the Secretary of the Army delegated to the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)) the authority and responsibility to direct and oversee the operations of the Iraqi Project and Contracting Office (PCO). The U.S. Central Command also designated the Army as the lead component for contracting for Operation Enduring Freedom in the Combined Joint Operations Area, Iraq and Afghanistan. Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) provides contracting support under my authority as the Army Acquisition Executive to both the Iraq reconstruction effort and to our combatant commanders in Iraq and Afghanistan.

Together PCO and JCC-I/A are working as a team, with the Department of State in rebuilding Iraq. We have made tremendous progress to date. More than 75 percent of the $13 billion allocated to DoD has been obligated. In total, JCC-I/A has awarded over 7,500 contracts and over 2,800 projects have been started by PCO. We have completed 1,909 projects, including 746 of 800 schools where more than 300,000 students are being educated; 10 major oil projects to assist in increasing Iraqi oil production; and electricity projects that have added 1,200 megawatts in generation capacity to the national electrical grid. In April 2005, PCO and JCC-I/A began shifting smaller electricity projects to Iraqi contractors. This direct contracting initiative has allowed projects to be completed faster, cheaper, and safer. When all water projects are completed, roughly 3.7 million people will have safe drinking water. Ninety-four water treatment plants have been completed to date, and 85 more are underway. Under the Accelerated Iraq Reconstruction Program, 51 water treatment plants have been completed and there are an additional four under construction. The majority of these projects

are awarded directly to local contractors and local water authorities. We are currently renovating 20 hospitals, constructing 142 new primary health care facilities, restoring the country's railroad system, and constructing 500 kilometers of roadways. Lastly, in 2003, the PCO spearheaded a joint effort of all U.S. government agencies to successfully reconstruct the badly sabotaged Port of Umm Qasar. By the latter part of 2004, $3.5 billion in material and goods had moved through the port.

The PCO and JCC-I/A operates in full compliance with the law and have many success stories that demonstrate our abilities to streamline and adapt acquisition processes to a changing environment. For example, during the initial reconstruction phase when there was less than optimal information on reconstruction requirements and the local business base, we awarded $5 billion in Indefinite Delivery-Indefinite Quantity design/build construction contracts to seven separate contractors. This took only 90 days with full and open competition and in full compliance with Federal Acquisition Regulations. There were no protests. Normally, this process would have taken nearly 18 months. Approximately half of all construction projects have been directly contracted to Iraqi firms; in fact, we seek to maximize the use of local Iraqi firms wherever possible. Iraqi employment under the reconstruction projects exceeds 47,000 people.

To facilitate infrastructure sustainment, our contractors have conducted thousands of training hours to transfer technology and skills to the Iraqis. For example, in the water sector alone, contractors have held more than 85,000 training hours for Iraqi employees at several water facilities within the ministry headquarters. As a management tool, PCO and JCC-I/A have implemented the Subcontracting Excellence Database that contains information on both subcontracting activities and efforts to develop the personnel needed to sustain the facilities being built.

The success that we see with the PCO and JCC-I/A is being achieved with a very limited number of individuals. Both offices operate with approximately 100 dedicated people each who work long hours, seven days a week.

PEOPLE

There is great concern that the Army Acquisition Corps is declining too rapidly while workload continues to increase. From a high of 140,000 people at the conclusion of the Cold War, we're now at 47,485 civilians and 1,834 military members. And in the next three years, one-half of all civilians will be eligible to retire. Of all the issues that I deal with on a daily basis, aside from those that impact our Soldiers who are fighting today, the most critical one to me is the declining workforce and the knowledge that is walking out the door. Without the well-trained and educated workforce, all the other things necessary will not happen.

The Army's AL&T workforce is a critical resource that requires unique education, training, and experience in order to perform vital acquisition functions. These requirements are defined in the Defense Acquisition Workforce Improvement Act, (Public Law 101-510) and codified in 10 USC 1701-1764. Although amended several times since its enactment in 1990, the emphasis on improving the professionalism of the Defense Acquisition workforce through education and acquisition training has never diminished. Acquisition personnel perform highly technical and specialized work in areas such as engineering, contracting, and logistics – skills essential to ultimate success on the battlefield.

PRODUCTION

The United States has the world's best defense industrial base. There is not a single country in the world that comes close, though I recognize that the underlying commercial manufacturing sectors face very tough competition from foreign counterparts.

As a result of the latter trend, our industrial base is becoming much more globally integrated. Like the rest of America, the Army is trying to adjust to this globalization and find the best technology from these world suppliers so that our Soldiers have the very best when called to serve.

It is not a time to sit back. Our enemies abroad are watching us today, looking for our vulnerabilities. Now, and in the future, the weapon systems and equipment we buy must be responsive to evolving and anticipated threats. We, along with our industry partners, must be agile enough to anticipate requirements and surge expedited contracting of services and fielding of equipment. In addition, we must take advantage of lessons learned and adjust the entire process to constantly do better.

IMPROVEMENT

Improvements to our business, resourcing, and acquisition processes promote the long-term, overall health of the Army. It frees human and financial capital that can be better applied towards accomplishing our current warfighting requirements and accelerating transformation efforts.

We continue working aggressively to streamline our business processes and practices by taking advantage of industry innovation through commercial off-the-shelf products, outsourcing, and partnering. We are making good progress. In this regard, the much-used cliché – "Success is a journey, not a destination" – is very true.

CONCLUSION

The real winner in our successful acquisition and sustainment of weapon systems and equipment is the Soldier, the centerpiece of the Army. The most technologically advanced platforms are useless without the intellect, dedication, and remarkable sense of duty of the American Soldier.

We are an Army at war, a full member of the Joint and Interagency Team now fighting terror around the world. The Army is constantly working to improve the way we do business so that we can better support our Soldiers in the field. We must provide the Soldier with the right system, at the right time, in the right place, and at the right cost. That is our mandate. With your continued support, we will succeed.


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