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**THE DEPARTMENT OF DEFENSE'S
EFFICIENCY INITIATIVE**

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

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ONE HUNDRED ELEVENTH CONGRESS

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**THE DEPARTMENT OF DEFENSE'S EFFICIENCY
INITIATIVE**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, September 29, 2010.

The committee met, pursuant to call, at 10:08 a.m., in room 2118, Rayburn House Office Building, Hon. Ike Skelton (chairman of the committee) presiding.

OPENING STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Good morning. Welcome to the House Armed Services Committee hearing on the Department of Defense's efficiency initiative. We have with us three distinguished witnesses: Deputy Secretary of Defense William J. Lynn, III, the Department's chief management officer; Dr. Ashton Carter, Under Secretary of Defense for Acquisition, Technology and Logistics; and General James E. Cartwright, United States Marine Corps, the Vice Chairman of the Joint Chiefs of Staff.

The topic of the hearing discussed is one of the most important we will consider this year, and will be particularly important next year, when the committee reviews the President's budget request for fiscal year 2012. The topic is the Department's effort to wring billions of dollars of efficiency out of its operations.

Let me begin and end this hearing with one clear overriding message. I think I speak for the overwhelming majority of our committee, regardless of party, when I tell you I do not support cutting the defense budget at this time. The national security challenges this Nation faces around the world dictate that we maintain the recent growth of our ground forces, the Army and Marine Corps, we modernize our Air Force, and that we grow our Navy. To do this, we must continue to grow the base defense budget for some time to come.

I think I also speak for the committee by saying that we all want to eliminate waste within the Department wherever and whenever we find it, and I commend the Secretary of Defense and his able support team, well represented here today, for making hard choices that have too often been avoided.

Now, as you all know, this committee hasn't agreed on every decision made, nor should we, but we do respect the leadership being demonstrated by the Department of Defense. The Department's efficiency initiative is the most comprehensive effort of its kind in almost 20 years. Across the board, the committee stands ready to hear the Department's case. In the area of acquisition reform, we

believe the Department's initiatives are very much aligned with the policies this committee has advocated for years, and which were recently clearly expressed in the report of our Panel on Defense Acquisition Reform. In other areas, we look forward to better understanding what the Department is proposing and what savings will be achieved.

When it comes to jointness, insourcing, and information technology, this committee has longstanding interests and concerns that may not align as clearly with the Department's proposals. As long as I have served in Congress, this system has worked one way: the administration proposes, and the Congress disposes. This year and next will be no different.

So gentlemen, your task today is to persuade us that the initiative is not part of an agenda to cut the Defense budget, and that it is consistent with this committee's longstanding priorities in a number of critical areas.

I turn to my friend, my colleague, the gentleman from California, Buck McKeon.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 51.]

STATEMENT OF HON. HOWARD P. "BUCK" McKEON, A REPRESENTATIVE FROM CALIFORNIA, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. McKEON. Thank you, Mr. Chairman. Secretary Lynn, Secretary Carter, General Cartwright, good morning and welcome to each of you. We have been looking forward to your testimony on the Department's efficiencies initiative for some time. I hope that you will be able to provide members of this committee with detailed information regarding the Secretary's proposed measures and to allay the concerns that many of us share. As elected officials, Members of Congress have a responsibility to ensure that U.S. taxpayer dollars are not wasted on inefficient, wasteful, or redundant programs.

I agree with Secretary Gates we must scrutinize Defense programs to ensure that we are generating the most bang for the buck, and that we must concentrate our limited resources on the highest-priority programs.

Furthermore, I view it as the responsibility of the Armed Services Committee to exercise the same discipline on an annual basis through our Defense Authorization Act to shift funds from poorly performing programs to higher national security priorities and promising technologies for the future, such as missile defense and means to counter anti-access threats.

But as with most things, the devil is in the details. Unfortunately, although we have requested more information, both verbally and in writing, the Department has failed to fully respond. My first concern is where we find \$20 billion a year in cuts in the midst of two wars, without also cutting back on required weapons and services needed to meet the threats of today and tomorrow.

Secretary Lynn, you have already announced that at least a third of the savings will come from within the force structure and modernization accounts, the same accounts the Secretary is attempting to grow. We have seen that setting arbitrary targets for cost sav-

ings, as appears to have happened with insourcing, can frequently not yield the expected results. How do we avoid those pitfalls here?

Second, I am extremely concerned that no matter what the intentions of the Secretary may be, the Administration and some in Congress will not allow the Secretary to keep the savings.

This summer, the White House supported a teacher bailout bill that was funded in part with defense dollars. Once these savings from this efficiencies initiative are identified, what is to stop them from taking this money also?

We are already seeing impacts of this summer's cuts. For example, some of those funds were intended to rectify an overdraft in the Navy's military pay accounts. Once those funds were taken, the Navy was forced to take the money from aircraft procurement accounts. What is the result? It is going to take longer to buy the external fuel tanks our Super Hornets and Growlers need and to upgrade training simulators. Even worse, it will cost the taxpayers more money to buy those fuel tanks because we won't be able to take advantage of a negotiated bulk buy. So much for efficiency.

Secretary Gates appears to share my concern. In August, he stated, and I quote, "My greatest fear is that in economic tough times that people will see the Defense budget as the place to solve the Nation's deficit problems to find money for other parts of the government. I think that would be disastrous in the world environment we see today, and what we are likely to see in the years to come," end quote.

Third, with respect to acquisition reforms, most of these appear to be consistent with congressional direction. I would like to learn more about the Department's plans to set cost targets for new weapon systems. Congress supports analytical tradeoffs between required capabilities, time to the warfighter, and costs. However, our requirements must be determined by the future threat environment, not simply by our budgets.

The Department will have to convince members of this committee that these efforts will not weaken our Nation's defense. To that end, we must fully understand the rationale behind each decision and potential impact of every cut. Case in point: Who within the Department of Defense will be responsible for ensuring our commanders in Afghanistan and Iraq have the correct number and mix of military forces if the Department eliminates the Joint Forces Command?

Thank you for your willingness to provide this committee with the information we require to conduct thorough oversight and support the Secretary's efforts to grow our investment accounts.

I yield back. Thank you, Mr. Chairman.

[The prepared statement of Mr. McKeon can be found in the Appendix on page 53.]

The CHAIRMAN. I thank the gentleman. Secretary Lynn, you are on.

**STATEMENT OF HON. WILLIAM J. LYNN III, DEPUTY
SECRETARY OF DEFENSE, U.S. DEPARTMENT OF DEFENSE**

Secretary LYNN. Thank you very much. Mr. Chairman, distinguished members of the committee, thank you for the opportunity to appear before you and present testimony and discuss the De-

partment's efficiency efforts. What I would like to do, if it is acceptable, Mr. Chairman, is enter my complete statement into the record, and summarize it briefly for you.

The CHAIRMAN. You may, without objection.

Secretary LYNN. During a speech in May of this year at the Eisenhower Library, Secretary Gates outlined how in order to maintain and modernize America's key military capabilities at a time of war and fiscal pressure, the Defense Department would need to fundamentally change the way it does business. The reason is this: to sustain the current military force structure, which we must do given the security challenges the country faces, requires the equivalent of real budget growth of 2 to 3 percent. The overall Defense budget, however, is projected to rise in real terms by about 1 percent, and the Department cannot and should not ask Congress or the American taxpayers for more increases unless and until we have done everything possible to make the dollars we already have count for more.

Bridging the gap requires culling the Department's massive overhead costs and structure, the "tail," and directing them to our fighting forces and modernization accounts, the "tooth." This is not an effort to reduce the defense budget. This is about shifting resources and priorities within the existing top line. That requires reducing the Department's overhead costs by targeting unnecessary excess and duplication in the Defense enterprise.

This effort, moreover, is not just about the budget, it is also about operational agility. We need to ensure that the Department is operating as efficiently and effectively as possible. The Secretary has directed us to take a hard look at how the Department is organized, staffed, and operated, how we can flatten and streamline the organization, how we can reduce executive or flag officer billets and the staff apparatus that supports them, how we can shed overlapping commands and organizations, and how we can reduce the role and number of contractors.

Since the Secretary's speech in May, DOD [Department of Defense] has embarked on a four-track approach toward a more effective, efficient, and cost-conscious way of doing business. I will briefly touch on our activities in Tracks 1 through 3, and then spend a little bit more time on Track 4.

On Track 1, the Secretary directed that the military services find more than \$100 billion in overhead savings over the next 5 years. The services, however, will be able to keep any of the savings they generate to invest in higher-priority warfighting and modernization needs. This effort is underway now, and we have already begun to review the services' submissions. The fiscal 2012 budget will reflect the results when it is submitted to Congress in February.

On Track 2, the Department is seeking ideas, suggestions, and proposals regarding efficiencies from outside normal channels. We have solicited input from experts, from think tanks, from industry, and from the Department's external boards. We have also established a DOD suggestion program to solicit our employees' ideas. The Department is willing to consider any reasonable suggestion to reduce our overhead.

With regard to Track 3, the Department is conducting a broad review of how it is organized and operated in order to inform the

President's 2012 budget submission. This Track 3 review focuses on affecting long-term systemic improvements in several key areas of DOD operations. Dr. Carter will address those in more detail in his opening statement.

With regard to Track 4, which was announced on August 9th, we are addressing several specific areas where the Department can take action now to reduce inefficiencies and overhead. These steps are intended to jump-start the reform process ahead of and separate from the normal programming and budgeting cycle.

In particular, they represent the Secretary's lead effort to reduce headquarters and support bureaucracies, military and civilian alike, that have swelled to cumbersome proportions, grown over-reliant on contractors, and become accustomed to operating with little consideration of costs. Though all of these efforts will result in measurable savings, an equally important purpose is to instill a culture of cost-consciousness and restraint in the Department, a culture that sets priorities, makes real tradeoffs, and separates unrestrained appetites from genuine requirements.

There are eight major initiatives that reduce support contractors, headquarters personnel, senior executives, and flag and general officers. They also include efforts to reduce boards and commissions and to eliminate redundant intelligence organizations.

Finally, Track 4 involves several organizational disestablishments. The last decade has seen a growth of new offices and organizations, including two new combatant commands and five new Defense agencies. The Secretary concluded that the Joint Forces Command, the Assistant Secretary of Defense for Networks and Information Integration, the Joint Staff's J-6 Directorate, and the Defense Business Transformation Agency no longer effectively satisfy the purposes for which they were created. Some missions and tasks that each perform remain vital, but can be managed effectively elsewhere. Other functions that each perform are either already performed elsewhere or are no longer relevant for the operation of the Department.

We are mindful that the recommended actions will have economic consequences for displaced employees, their families, and their communities. The Department is committed to work with the affected communities, and will devote significant attention to the challenges employees face during this time of transition. We have asked Dr. Clifford Stanley, the Under Secretary for Personnel and Readiness, to take direct responsibility for this aspect of the Department's planning in order to ensure we take the steps necessary to help impacted employees with appropriate assistance and support.

In closing, Mr. Chairman, I understand that some of these reforms may be controversial and unwelcome to some people both inside and outside the Department. No doubt many of these changes will be stressful, indeed wrenching for the organizations and employees affected. But I would ask the members of this committee and the Congress as a whole to consider this reform agenda in terms of our responsibilities as leaders to set priorities and move resources from where they are needed least to where they belong: America's fighting forces, the investment in future capabilities to support those forces, and most importantly, the needs of our men

and women in uniform. This is what Secretary Gates and President Obama are proposing, and we urge your strong support.

Thank you for the opportunity to discuss this initiative, and I welcome your questions.

[The prepared statement of Secretary Lynn can be found in the Appendix on page 55.]

The CHAIRMAN. Thank you very much. Before I call on Secretary Carter, I ask unanimous consent that Representative Connolly sit with us at our hearing and ask questions after all members of the committee have had their chance to ask questions. And I ask the same of Mr. Scott, Bobby Scott, from the great Commonwealth of Virginia, for the same. So I ask unanimous consent for both Mr. Connolly and Mr. Scott.

Without objection, so ordered.

Secretary Carter.

STATEMENT OF HON. ASHTON CARTER, UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS, U.S. DEPARTMENT OF DEFENSE

Secretary CARTER. Thank you, Mr. Chairman, Ranking Member McKeon, distinguished members of the committee. I also thank you for the opportunity to join Deputy Secretary Lynn, General Cartwright today to discuss Secretary Gates' efficiency initiative, and in particular one piece of it for which I have responsibility.

As part of his broad initiative to improve the American taxpayers' return on our investment in national defense, Secretary Gates and Deputy Secretary Lynn tasked me to improve the Department's buying power in the way we acquire critical goods and services. Specifically, the portion of the budget that I am addressing is that \$400 billion of the \$700 billion which is contracted out for goods and services. The other \$300 billion, just to remind you, we spend within the walls, so to speak, of the Department of Defense on the uniformed and civilian employees, their salaries, their benefits, and so forth, and the buildings and installations within which we work. That is \$300 of the \$700 billion. The other \$400 billion is spent outside the walls, so to speak, of the institution on contracted goods and services, that \$400 billion in turn about equally divided between the procurement of goods and the procurement of services.

We estimate that by targeting efficiencies in both of these areas we can make a significant contribution towards achieving the \$100 billion redirection of defense budget dollars from unproductive to productive purposes sought by Secretary Gates and Deputy Secretary Lynn over the next 5 years, a significant contribution.

The Department can only meet this goal, however, if we fundamentally change the way we do business. To put it bluntly, we cannot support our troops with the capabilities they need unless we do so. Our challenge is to sustain a military at war, take care of our troops and their families, and invest in new capabilities, all in an era when Defense budgets will not be growing as rapidly as they were in the years following 9/11;

Last year we identified savings in the Defense budget by canceling unneeded programs, programs that weren't performing, that we had enough of, or whose time had passed. We will still need to

do that, but now we must find savings within programs and activities we do need and do want.

The Department must achieve what economists call productivity growth. We must learn, as the way I have put it, to do more without more. Productivity growth you see in the commercial economy when you go and you buy a computer this year and it is a little bit better than last year's and maybe even a little bit cheaper, and yet we are too often in the position of coming to you every year with exactly the same product and explaining to you why it costs more this year than it did last year. We would like to see some of that productivity growth that we see elsewhere in the economy within the defense economy.

On June 28th, I laid out a mandate to the defense acquisition workforce and the defense industry describing how the Department could try to achieve better buying power. On September 14th, after months of work with the Department's senior acquisition professionals, industry leaders, and outside experts, I issued specific guidance on how to implement that mandate.

I would like to submit, Mr. Chairman, both the June 28th mandate and the September 14th guidance, and the charts which accompany them, for the record.

[The information referred to can be found in the Appendix on pages 105 and 111.]

The CHAIRMAN. Without objection.

Secretary CARTER. We are now in implementation mode, taking each of the 23 principal items in that plan and putting them into practice, the very same teams that compiled them.

The September 14th guidance contains 23 principal actions to improve efficiency organized in five major areas, and I would like to just highlight a few of the actions we are taking in each of these areas and give some illustrative examples.

Mr. Chairman, to address the point you raised in your opening statement, I think you will see that many of the specific actions we are taking are not only consistent with, but some were inspired by the work of the subcommittee of this committee that deals with acquisition reform. So I think you will find a lot of consistency there.

First, as we begin new programs like the *Ohio*-class SSBN(X) [ballistic missile submarine] replacement, the joint family of systems for long-range strike, the Army's Ground Combat Vehicle, and even a new Presidential helicopter, we will be establishing affordability requirements that have the same force as high-priority performance requirements like speed, firepower, or bit rate. And Congressman McKeon, to your point, the objective is to have the design trades to which you referred be those which identify the key design parameters, and then be able to plot how the cost of the system varies as those parameters are varied, not in order to have less military capability but to understand where we can change the design in the direction of affordability without in fact compromising important military capability. That is the purpose of doing those design trades, and that is a discipline we need to have and we haven't had enough of.

We will also insist that our acquisition professionals and suppliers plan according to what programs should cost, not according to self-fulfilling historical estimates of what they will cost, as if

nothing can be changed in how we do business. We are already using this method to drive down costs in the Joint Strike Fighter program, the Department's largest, and the backbone of tactical air power for the U.S. and many other countries.

Second, to incentivize productivity and innovation in industry, we will strengthen the connection between profit and performance in our business practices. Among other things, we are exploring ways, through contracting and financing vehicles and a pilot superior supplier incentive program, to reward contractors who control their costs and demonstrate exemplary performance.

Third, we will remove obstacles to effective competition. Last year the Pentagon awarded \$55 billion in contracts that were supposed to be competitive but for which only one bid was received, usually from an incumbent. Yet simple changes in how we structure evaluations and work with industry have been shown to reduce by 50 percent the incidence of single bids by incumbents.

Additionally, we will promote real competition for competition is the single most powerful tool available to the Department to drive productivity. We must stop deluding ourselves with the idea that directed buys from two designated suppliers represents real competition. We are already cutting down on directed buys with the Navy's Littoral Combat Ship, where we have set in place real competition that will save more than a billion dollars in the next 5 years alone, with additional savings expected over the life of the LCS program. Competition is not always available, but the evidence is clear that the government is not availing itself of all possible competitive situations.

Fourth, and this is an area where I think we especially owe a debt to the Subcommittee on Acquisition Reform because of its focus on this question, we will more aggressively manage the over \$200 billion we spend annually on services, such as information technology and knowledge-based services, facilities upkeep, weapons system maintenance, and transportation. When most people think of the defense budget they think of ships and planes, but more than 50 percent of our contract spending, as I noted earlier, is for services. Believe it or not, our practices for buying such services are even less effective than for buying weapons systems.

Fifth, we are taking steps to reduce unproductive processes and bureaucracy by reducing the number of OSD [Office of the Secretary of Defense]-level reviews to those necessary to support major investment decisions or to uncover and respond to significant program execution issues, eliminating low-value-added statutory processes, and reducing the volume and cost of both internal and congressional reports as appropriate.

Changing our business practices will take time and require the continued close involvement of our industry partners. We also need your support, which is essential to the success of this endeavor. We have every reason to believe that the efficiencies we seek can be realized.

First, we have established reasonable reduction targets.

Second, we are focused on specific savings of the kind that I described.

Third, it is reasonable to assume that after an era of double-digit budget growth there is fat that has crept in and that we can find savings.

And finally, President Obama, Secretary Gates, Deputy Secretary Lynn, you on this committee, both Houses, in fact, of Congress, in legislation both last year and this year, have shown that you expect it and the American taxpayers expect it. The alternative, also worth considering, is unacceptable. Broken or canceled programs rather than managed programs, budget turbulence, uncertainty for industry, erosion of taxpayer confidence in the care with which we spend their money on national defense, and of course especially lost capability for the warfighter in a dangerous world. So we not only can succeed, but we must.

I thank you, and I look forward to your questions.

[The prepared statement of Secretary Carter can be found in the Appendix on page 71.]

The CHAIRMAN. Thank you, sir. General Cartwright, welcome.

STATEMENT OF GEN. JAMES E. CARTWRIGHT, USMC, VICE CHAIRMAN OF THE JOINT CHIEFS OF STAFF, U.S. DEPARTMENT OF DEFENSE

General CARTWRIGHT. Thank you, Mr. Chairman, Representative McKeon, distinguished members of the committee, and thank you for the opportunity to discuss the Department of Defense efficiency initiatives.

A few points of context. We remain a Nation at war, and that is not lost on us. Troops are deployed around the world, many engaged in combat. We are committed to ensuring these troops are properly supported.

Second, DOD is a bureaucracy that has not fully adapted its processes and constructs to the information age, as Dr. Carter just described. We must be able to adapt with increased speed in order to ensure we remain competitive. In an era of rapidly evolving threats, our success depends on our ability to adapt quickly.

Third, DOD is cognizant of the Nation's financial situation. We do not expect budgets to grow at the rate they grew over the last decade. When developing grand strategy, it is the first duty of the strategist to appreciate the financial position of his or her nation. We demonstrated this appreciation during last year's weapons systems portfolio changes and earlier this year in the process to release our strategic reviews.

The Secretary's efficiency initiatives are aimed at seeking the same effect in our organizations. These initiatives are not a cut, but rather a shift of resources from overhead to the warfighter, increasing the tooth-to-tail ratio.

Regarding the disestablishment of Joint Forces Command, JFCOM has helped to accomplish the primary goal for which it was established, to drive jointness throughout the military. We must continue along the positive vectors regarding joint activities as directed in the Goldwater-Nichols legislation. We must also improve initiatives to strengthen efforts in the interagency and combined arenas. It is our goal to reduce unintended redundancies and layering, to more clearly align operational responsibilities with service, train, and equip functions in order to reduce inefficiencies

as forces are presented to combatant commands. At all the COCOMs [combatant commands] we must consolidate functions where appropriate, and where functions are retained, move toward a construct of combined joint interagency task force organizations and centers. The combined interagency aspects are a critical component in establishing baseline capacity and surge expectations of the force. As the cyber domain continues to grow in importance, the Department will look to ensure lines of authority and responsibility are clear and adaptable. We intend to focus cyber operations in Cyber Command. We will align policy and oversight activities in a strengthened DOD Chief Information Officer.

Finally, we must align cyber requirements and cyber acquisition to maximize support to the operational activities. Given the expanding role and criticality of information and the networks that hold and transmit that information, we need to manage DOD systems in the cyber domain as we do any other operational system. To ensure our success, IT [information technology] systems must have the proper architecture and capability to ensure adaptability and innovation.

Further, our architecture should enable collaboration throughout the joint interagency coalition and commercial partnerships that we engage in. The free flow of information among these players is integral to our strategies. The Department's information systems must extend to the tactical edge and must work when others do not.

I look forward to answering your questions. Thank you.

[The prepared statement of General Cartwright can be found in the Appendix on page 76.]

The CHAIRMAN. General, thank you very much. I have spent a great deal of time and effort over a period of years pursuing jointness. I was in on the ground floor in 1982, an effort that was begun by Richard White of Texas. I introduced legislation in 1983. My first bill abolished the Joint Chiefs of Staff. That is when I found that none of them had a sense of humor. But the House passed, on three different occasions, legislation to create jointness, and in 1986, with a new chairman in the Senate, Barry Goldwater, and the able assistance and leadership of Bill Nichols of our committee, a bill was passed into law called Goldwater-Nichols, which created, in fact, jointness.

Now, it took some time for the joint culture to come about, but it did. The services saluted and did well, and I to this day wish to compliment all those, present and past, who helped create the jointness based upon the law that we passed known as Goldwater-Nichols.

So that leads me to my first question, Secretary Lynn, if I may. The Joint Forces Command is a subject of elimination. If that comes to pass, who within the Department will have as its central mission the job to advocate and develop and disseminate joint operating concepts, doctrine, and training? Would we be throwing away all of the efforts that began with Goldwater-Nichols should that happen? I am very concerned about where that will go, how much thought has gone into that, and will our military be better off as a result?

But answer the first question, Secretary Lynn. Who assumes that duty?

Secretary LYNN. Thank you, Mr. Chairman. We, too, recognize the importance of jointness in our training, in our doctrine, and in our operations, and appreciate the role you played in the 1980s, and Goldwater-Nichols, and the subsequent events. And as you indicated, those efforts have been successful in changing the whole culture of the Department. The COCOMs operate very differently than they did during the first Gulf War, when jointness was not adequate. The services operate very differently than they did in the 1970s and the 1980s in the actions that led to the Goldwater-Nichols legislation. We do think that since the Department is in a different place that it is possible to eliminate the Joint Forces Command, to eliminate this four-star, billion-dollar headquarters, but retain the culture of jointness.

You ask where the leadership will come from. The leadership will come from the Joint Staff, the leadership will now come from the services and the COCOMs themselves because of the efforts of Goldwater-Nichols, because of the work of the Joint Forces Command. The joint doctrine, training, and operations will continue to be a strong part of the Department.

The CHAIRMAN. Where does it go again?

Secretary LYNN. As I said, the leadership, in terms of training and doctrine, much of it will come from the Joint Chiefs and the Joint Staff. But the place that we are in is fundamentally different than the one that we were in the 1970s and 1980s and into the 1990s. We have a much stronger joint culture inside the military departments and the military services themselves, and the combatant commands inherently operate jointly and have a joint ethos as part of how they operate.

The CHAIRMAN. All right. Our committee has asked for a range of information on how the Department reached the decision to disestablish the Joint Forces Command. Thus far we have not received the information. Mr. Secretary, when will the information be forthcoming?

Secretary LYNN. Mr. Chairman, we have provided I think briefings to the staff, we have provided an extensive—

The CHAIRMAN. No, no, I am not talking about briefings, I am not talking about information, sheets of paper.

Secretary LYNN. Pieces of paper. We have provided, I think, an extensive legal opinion on the relevance of the BRAC [base realignment and closure] legislation, we have provided the task force memos, and will continue to answer the committee's questions and provide the documentation and the material that the committee needs. As the task force moves into the implementation phase, there will be much more material available for the committee.

The CHAIRMAN. Have you provided everything for which we have asked?

Secretary LYNN. I am not sure the committee would agree with that. We have been trying to be as responsive to the committee's questions as possible, and we are going to continue to do so. If there is specific pieces of information that you think we need, I am happy to follow up—that you need, I am happy to follow up for the record.

The CHAIRMAN. For the record, I would like to receive the copy of the memorandum for Vice Chairman of the Joint Chiefs of Staff; Director, Cost Assessment and Program Evaluation; Subject: Joint Forces Command Disestablishment Working Group. I would like to have a copy of that piece of information, please.

[The information referred to can be found in the Appendix on page 132.]

The CHAIRMAN. Mr. McKeon.

Mr. MCKEON. Thank you, Mr. Chairman. As I alluded in my opening statement, it is critical that the Department provide this committee with as much information as possible about its plans to improve efficiencies, where cuts will come from, where reinvestment will occur, and the impact of each of those changes in terms of current and future operations. This is no more true than in the case of the proposed closure of U.S. Joint Forces Command. The standup or closure of a combatant command deserves close scrutiny. It represents a major organizational and functional shift within the Department, and a significant change for the workforce.

To that end, on August 10th, during a briefing to HASC staff and Members' staff by Secretary Hale and other senior leaders, several documents were requested regarding the closure of JFCOM [Joint Forces Command]. By the end of the month, no such information had been provided.

Now, the chairman just asked about some of that. I want to be even a little more specific. On August 31st, I, along with two of my ranking members, Representative Randy Forbes and Representative Rob Wittman, sent a letter to Secretary Gates requesting the same information. Nearly a month later, just yesterday we finally received a reply.

I want to thank Secretary Gates for responding, and to thank you for any role that you may have played in providing additional information. However, not only was the response extremely tardy, but it was incomplete. My colleagues and I requested the DOD General Counsel's legal counsel about the applicability of the BRAC law, a copy of the recommendation and analysis provided by senior staff to the Secretary of Defense regarding the closure of U.S. JFCOM, any business case analysis conducted relating to this initiative, finally, terms of reference provided to the task force charged with implementing closure of U.S. JFCOM.

Now, we received the General Counsel's legal opinion and the terms of reference for the task force, but not the senior staff's analysis, nor any business case analysis.

Secretary Lynn, will the Department immediately provide the committee with the requested materials?

Secretary LYNN. Mr. McKeon, let me address the business case issue because it has come up repeatedly. The decision to disestablish or to recommend disestablishment of the Joint Forces Command was not based on a business case; it was based on a military rationale. It was based on a review of the Unified Command Plan and what the central purposes of the Joint Forces Command were, the provision of forces, joint training and doctrine, joint experimentation. After 30 meetings on those subjects with his senior military leaders and his senior civilian advisers, the Secretary concluded

that those missions no longer justified a four-star, billion-dollar command, and he so recommended to the President.

So it was a military rationale that caused the Secretary to recommend the disestablishment of the Joint Forces Command, not a business case.

Mr. MCKEON. So nothing regarding any business was involved in the decision?

Secretary LYNN. The Secretary looked at the growth of the Joint Forces Command. It tripled over the last decade, with no fundamental change in its mission. So that caused him to look at that military rationale, and we are now engaged in a review center by center, function by function as to which centers and which functions need to be retained and where they would be retained. In that review, the results of which we will provide to the committee of course, we are looking at the business case—

Mr. MCKEON. May I ask when?

Secretary LYNN. As we develop the courses of action and the recommendations. It will be over the course of the fall.

Mr. MCKEON. I think probably one of the problems the committee, or at least myself as a member of the committee are having, is the things we have asked for are late in coming or incomplete in coming, and we can't seem to get an answer as to when we will get those things that we have asked for. And then you tell us that you have made decisions, you are moving forward like we have no say whatsoever or no way to deal with this. And it leaves us somewhat frustrated. I think you can see from both the chairman and myself the questions we have. I am not saying that we are against this. It is just that we haven't seen the rationale or the total—we don't understand totally the why and the wherefor. And we still have questions about that. And when I asked when or if you will immediately give us this information, what is the response? You started talking about that it is not a business decision, it was a military decision. Okay. So you made no business analysis. Is that what I am understanding?

Secretary LYNN. No. What I am saying is that there was a military rationale. I tried in my testimony to summarize that rationale. We will try and provide you—I understand you want more material on that. We will try and provide that.

Mr. MCKEON. I understand that you made—

Secretary LYNN. I am trying to say that on the issues of the budgets and how much savings there will be, which is I think what you mean by a business case, that is being developed now. We think we will be able to save a substantial part of that billion dollars. We have not developed all of the recommendations that lead to the savings. We have developed the rationale that caused the Secretary to recommend disestablishment. The second phase is then to review which pieces stay, which pieces go, and what the net result in terms of savings are. When you are saying business case, I think that is what you want. I am saying that is underway right now, and we will provide it to the committee.

Mr. MCKEON. Okay. So what you said is you made no business decision. You think that as time goes on you will look for savings, and that is probably what we are talking about when we ask for business information on it.

Secretary LYNN. I am trying, I guess, to understand that is where you are going.

Mr. MCKEON. I am not too articulate.

Secretary LYNN. You are very articulate, I think.

Mr. MCKEON. But some of the things we are asking, let me go back then to—well, eventually I guess we will get something about the business analysis. But what about the military rationale document? Could we get that?

Secretary LYNN. Well, we think we have answered that question in the testimony, in the briefings, in the material we have provided, in the legal opinion. But I will go back to the Department and see if there is more material or a fuller explanation that we can provide if the committee thinks it requires it.

Mr. MCKEON. This committee, Mr. Secretary, is the most supportive of the military in Congress, the members of this committee, and we are not trying to be obstructionists. We are supportive of what you are trying to do. We just need to understand more fully where you are coming from. There was a lot of rationale to set up JFCOM, and now you are saying there is a lot of rationale to eliminate it. The chairman asked who is going to take over that responsibility of jointness. And you said, well, we are in a different place now and I guess we don't need it anymore. We just need to understand that more completely.

Let me ask another question. I share the Secretary's concern that the growth in the Department's top line is insufficient to address the future capabilities required by the military. One percent real growth in the defense budget over the next 5 years is a net cut for investment and procurement accounts. This is not just my view. The independent, bipartisan QDR [Quadrennial Defense Review] panel appointed by Congress recognized this fact. The co-chairman of that independent panel, Bill Perry, the Secretary of Defense under President Clinton, and Steve Hadley, the National Security Adviser under President George W. Bush, echoed the concerns of many on the committee. Their report rightly states that our Nation cannot afford business as usual, and warns of a potential train wreck coming in the areas of personnel, acquisition, and force structure. Significantly, the report offers a realistic view of the global security environment: that maintaining and growing our alliances will place an increased demand on American hard power and require an increase in our military's force structure. With that in mind, I am fully supportive of efforts to identify unnecessary overhead or low-priority programs if we can translate that savings into force structure and modernization accounts. But we cannot be naive.

Secretary Lynn, what specific commitments, if any, have you or the Secretary received from the administration that they will not attempt to harvest this savings for non-defense spending, and that they will oppose any attempt by the Congress to do so? And secondly, should you be successful in reinvesting \$100 billion over the next 5 years into force structure and modernization accounts, how much more funding will be required to see sustained growth of 2 to 3 percent in these accounts? How do you propose to achieve this growth?

Secretary LYNN. Well, answering the last question first, Mr. McKeon, the \$100 billion number comes from what we think it takes to get from the 1 percent top line growth to a 2 to 3 percent growth in the accounts that you are focused on, the force structure and the modernization accounts. That is how that calculation was done.

We have the support of the administration for the budget plan that we have presented of 1 percent real growth, and we have been trying to get the support of Congress. Of course we haven't heard the final bell on that yet.

I guess I would come back, Mr. McKeon, the challenge here is that everyone supports our effort in general, supports reform in general, but has problems with each of the particular recommendations, such as the Joint Forces Command, to eliminate redundancy, to take out layering, to take out headquarters. I understand these are tough decisions, but if we don't make these tough decisions we will not get that \$100 billion.

Mr. MCKEON. Well, you haven't given us any savings yet for JFCOM. You said you haven't done a business analysis yet to come up with any savings. That was a military decision. So to count that in the 100 billion is probably not—

Secretary LYNN. Well, fair enough. Before we submit the budget in fiscal 2012, there will be savings coming from this initiative.

Mr. MCKEON. Okay. We are hoping there will be. We haven't seen that analysis yet. We are just assuming at this point that there will be some savings generated.

Secretary LYNN. And it is a fair question to get that analysis before you judge it.

Mr. MCKEON. And that is what we asked for back in the letter, and that is what we would still like to see.

Thank you, Mr. Secretary.

The CHAIRMAN. As I understand it, you don't know how much you would save in efficiency by elimination of that command?

Secretary LYNN. We don't have the net number yet. We know it costs about a billion dollars to operate that command every year, and we know we are going to eliminate portions of that, the headquarters and some of the other functions, and that will save some money. And we will provide that analysis, I think what Mr. McKeon called the business case analysis, as we proceed this fall.

The CHAIRMAN. As I see it, Mr. Secretary, somebody is going to have to ride the shotgun on jointness. I think that is a given. The services could very well resort to stovepipe activities without that joint doctrine being enforced one way or the other. That really worries me.

Secretary LYNN. I understand. Let me ask General Cartwright to comment on that, if I may.

The CHAIRMAN. By the way, Goldwater-Nichols almost didn't include your job, General Cartwright, but we got it.

General CARTWRIGHT. I am sincerely appreciative.

Congressman, you know, as we looked at this activity, I tend to be much aligned, and we have had many conversations over the years about jointness and the incentives that drive us to joint, and we were clearly in need of getting more horsepower behind building in jointness to our force when we moved to the construct of Joint

Forces Command. That was clear, and it was clear particularly in the areas of essential training, the essential task lists that we work with, which we call military essential task lists. These are the things that the units use to train their people and certify their people in their functionality. But they were doing it to service METLs [military essential task lists] rather than to joint.

So one of the first tasks that we had to have when we stood up Joint Forces Command is we had to have sufficient horsepower in the command, authority aligned and able to say this is what we want you to do. And to develop those joint operating concepts, which we worked so hard on for the latter part of the 1990s, along with the essential task lists necessary to certify a unit joint.

About 3 years ago, we started to transition the responsibility to certify those units to the services, because those training activities, the essential task lists had been developed, and the concepts, and the services were in fact demonstrating both through their infrastructure, the training ranges, the capabilities, that they could in fact do this and would do this and saw the value in it. That was the heart of why we needed Joint Forces Command, why we needed that four-star to actually be there to drive this.

I am not saying joint and the journey to joint is done, but the hard work that we put into building those training regimens, building those training ranges, building the distributed modeling and simulation that bring these forces together and allow us to do our work has by and large been accomplished. The question is how do we sustain it? And I agree with you, who is responsible? Who gets up every morning worried about is this force going to stay joint?

We are working our way through several courses of action that are associated with that. It is going to have to be somebody. Somebody has to be accountable for that activity. We are working on that. We have several options that we are going to develop, and we will provide the committee with the results and with those choices and with the analysis that we perform. But at the end of the day, I am where you are: somebody has to get up every morning believing they are in charge of this.

The CHAIRMAN. That is an excellent answer. However, there should have been an answer in place before announcing to disband this particular command, don't you think, General? You announce you are going to get rid of it and then we will find a replacement. Come on.

General CARTWRIGHT. Mr. Chairman, we understand and we believe that when we looked at it as the Joint Chiefs and made our recommendation to the Secretary that we could in fact draw down from a four-star command to some other organizational construct. However, in the development of what we are doing, in the business case and all of the other elements of this activity, when we look at the full range of courses of action, status quo is an option. It is an option that we will fully investigate as to whether or not it is the option or it is not. But we are also looking at a full range from status quo to breaking down into agencies, other commands, assumption by other commands, divestiture completely. That full range is going to be considered as we develop this case and present our options to the Secretary. I do not feel because the Secretary set

an objective of eliminating Joint Forces Command that that option is removed from us in consideration.

Now, quite frankly, we believe that we will be able to in fact reduce below a four-star command this activity, but it is still on the table.

The CHAIRMAN. Well, I thank you for that. I hope you will keep in mind that the services by nature will go back to the stovepipe doctrines of the past, and there needs to be a joint activity to make this a continued success of jointness.

Mr. Ortiz.

Mr. ORTIZ. Thank you, Mr. Chairman.

Secretary Lynn, Secretary Carter, General Cartwright, I know that you have huge responsibilities and serious obligations, but, as I said before, in the same boat, so do we.

You know—and I think that the Joint Forces Command—correct me if I am wrong—came about because of the lessons learned during the first Persian Gulf. And the reason that at least this Member is a little leery is that we established a base in Ingleside, Texas, because of the lessons learned during the Persian Gulf, which was mine warfare. That base has since been closed, has been moved someplace else at a huge cost because where they moved did not have the infrastructure. This is why sometimes we are leery as to what is going on, all these studies. And, you know, when we want to buy something and we know that we need it, the longer that we wait, the more that it is going to cost.

But, you know, Secretary Gates has stated that there will be a 10 percent reduction in service contracts for each of the next 3 years. And my question is, 10 percent of what? What exactly—is everything being considered for the cuts?

Historically, since I have been here, civilian personnel freezes have led to increased contracting out by huge numbers. What mechanism is being put into place to ensure that contractors will not simply be substituted for civilians? And I believe in contracting out when it makes sense, but, in many instances, it doesn't make sense.

And I would like to hear what your overarching plan is, to include operational energy as part of your broader review of efficiencies, and also to hear what steps DOD is taking now to get cutting-edge technologies to the theater to change the culture and to reduce our demand for fuel.

I know I have given you three questions, but—anyone that would like to tackle these questions.

Secretary LYNN. I am going to ask Dr. Carter to address your operational energy question. There is quite a lot we are doing, and it is within his office. But before I do that, let me answer your question on consultants.

I think Secretary Gates had exactly the same perspective that you had, that often when we freeze civilian personnel, as has happened in the past, it just causes growth in what we call service support contracts. And what I mean by that is basically contracts which provide staff augmentation to government workers. I am not meaning people who do depot maintenance or do functional responsibilities related to warfighting. These are staff augmentees.

And they have grown in the last 10 years by about a factor of three. Secretary Gates thinks that growth was largely uncontrolled, in some cases perhaps unintended; at least, it wasn't centrally directed. The reductions that he is directing, the 10 percent per year, is intended to rein that back in to try and get some more sense of balance between government workers and service support contractors.

We certainly need both. We cannot operate without contractors. But we do think that we have gotten out of balance over the last 10 years. And so we are working to restore that balance as we go forward and as we look to reduce overhead in the Department.

Let me ask Secretary Carter to address the energy question.

Secretary CARTER. Thank you. Very important question. And I am delighted to say that, finally, our director of operational energy, Sharon Burke, was confirmed a few months ago. So she is in the seat now—a very important role.

And I will give you a few examples of the kind of problems that she is looking at. A few weeks ago, I was at Bagram Air Base at the fuel depot, where fuel trucks come in, and we basically buy at the gate. We are paying \$4.28 a gallon—not bad—at the gate of Bagram Air Base for fuel, much of which is trucked in through Central Asia through mountain passes and so forth. A great example of a logistics effort to decrease the cost of operational energy—that is, energy at the operational end.

Down in the Kandahar area, we are doing installation of tentage there so you are not air conditioning a tent, which anybody could realize is an inefficient way to do business.

So we have learned a lot about operational energy, and Ms. Burke is really pushing that forward.

May I also take the opportunity—Congressman Ortiz, you talked about getting cutting-edge technology to the theater. If you read my directive to the acquisition workforce that I indicated—that I issued a couple weeks ago and indicated I would put in the record, it says that achieving these efficiencies described in this memorandum is your second-highest priority. Your first-highest priority is to support the ongoing wars. That is my charge to the acquisition workforce.

And you see this in the MRAPs [mine resistant ambush protected vehicle], in ISR [intelligence, surveillance, and reconnaissance], and everything else we are trying to do, make sure that people realize it is not just about buying tomorrow's weapon system that is efficiently and effectively high-end, but also about supporting conflict that is ongoing.

I just wanted to make that point because I feel very strongly about it.

The CHAIRMAN. Thank you.

Mr. Bartlett.

Mr. BARTLETT. Thank you very much.

Dr. Parkinson noted that, as the British Navy became smaller and smaller, the Admiralty, their equivalent of our Pentagon, grew larger and larger. He also noted that an organization consumes energy with internal communication. And the larger the bureaucracy grows, the more of its energies are consumed with internal communications. And he noted that, at some point, a different point for

different types of organizations, they become so large that essentially all of their energies are consumed with internal communication and nothing gets done outside.

Our Defense Establishment has not escaped these inherent characteristics of bureaucracies, and so it is very important that we take a look. And thank you for doing that.

The question is, is the current suggestion of doing away with the Joint Forces Command—which—problem might be solved by other means, by the way, that we might need to discuss—is it possible that this suggested cure might be worse than the disease?

Because his district is so impacted by this, I would like to yield the balance of my time to Mr. Randy Forbes.

Mr. FORBES. I thank my friend from Maryland.

And, General Cartwright, I thank you for being here, but I am not going to ask you any questions for two reasons. The first one is because we have basically seen what this Administration does to people in uniform who disagree with them.

But, secondly, Secretary Lynn wasn't completely forthcoming when he said that the Department was soliciting ideas from people about all of these issues, because what wasn't disclosed is you had put a gag order or a nondisclosure agreement on the people doing this in the Joint Forces Command, where anybody that disagrees with you can't even talk to Members of Congress or couldn't be here today to talk about these issues.

And, Mr. Secretary, I ask you this question this morning: Who do you serve? Who do you work for?

Secretary CARTER. Sir, the President and the American people, through him.

Mr. FORBES. If that is the case, then you had made the comment that President Obama and Secretary Gates were supportive of these reforms. Is it your testimony today that President Obama has signed off on the reform proposal to shut down the Joint Forces Command?

Secretary LYNN. No, sir. As we discussed yesterday morning, the Secretary made that recommendation—

Mr. FORBES. So then you misspoke when you said that the President and Secretary Gates—this is Secretary Gates's proposal.

And the second thing I would ask you is this: You said to the ranking member that it was fair, a fair question, to get the analysis before you judge it. If that is the case, did the Secretary get the analysis? And if he got the analysis, why in the world won't you give it to this committee to look at it?

And let me just go back and say this. Look, this should be a debate, as my friend from Maryland said, about whether we should shut down the Joint Forces Command, other efficiencies, but we can't have that debate because you have just refused to give us the information.

Some of us may disagree. My friend from South Carolina, my friend from Texas, my friend from Florida, they all might disagree and think it should be shut down or not. But we can't have that debate because you have refused to give us a scintilla of evidence.

You know, the Pentagon has woven a tapestry of silence that is deafening to the sounds of liberty itself. The end doesn't justify the means.

Let's just look at some of the facts. You have had 11 years of testimony out in the public, of written analysis that we could look at for joint forces and jointness and the Joint Forces Command, and you have had 90 days of backroom meetings—and they have all been backroom. And when you talk about meetings, it could be just two people talking with each other. And you talk about these 30 meetings. But you have refused to give us one bit of the evidence.

And when you come in here, you are blending apples and oranges. You say there is no business case, yet it was the Business Board recommendation that we all first heard about this closure. So the Business Board is making military policy, not business decisions.

And then on the first briefings that you came in, you said you didn't know what the cost-savings were. Shouldn't you have at least looked at those cost-savings before you made the analysis? We all know from BRAC that sometimes you guys come in here and tell us all this money we are going to save from shutting down facilities and it ends up costing us more money rather than saving money.

And you say it is a philosophical decision, but it is not a philosophical decision to the folks who are losing their homes right now in Virginia to the \$250 million deal that didn't close last week because of your decision, to the restaurants and businesses that are shutting up because you didn't make that decision.

And my time is out. Mr. Chairman, I will look forward to asking some more questions when I get my own time.

Secretary LYNN. Mr. Chairman, I need to respond to a couple of those points.

The CHAIRMAN. Go ahead.

Secretary LYNN. First, Mr. Forbes, the recommendation the Secretary made—and you correctly described it as a recommendation to the President. He has had extensive discussions with the President about that recommendation and all the recommendations he has made. But with regard to the disestablishment of the Joint Forces Command, the President has not yet made a decision.

The Secretary's recommendation was not based on the Defense Business Board. The Defense Business Board is an independent and parallel activity that came to the same conclusion. But the Secretary's decision, his recommendation was based on his consultation primarily with his military advisors. These were not meetings with one or two people in the room. These were meetings with the Chairman, with the Vice Chairman, with the chiefs, with senior civilian advisors, with the commanders, both incoming and outgoing, of the Joint Forces Command.

With regard to the rationale, this is a two-part exercise. The rationale to recommend disestablishment was based not on the economics but on the military rationale. And I won't—I have gone into that in some detail. I won't repeat it. But I know you will have another chance for questions, and we can do that then.

The savings—there is a billion dollars. I am sure we will save a substantial part of that billion dollars, and that will be the business case. And we will provide that to the committee when we have it. We have provided to the committee the military rationale for the recommendation for closure.

As a bottom-line point, Mr. Forbes, I fully understand this is a very, very tough decision. It is particularly tough for the area around Norfolk. We are going to work very hard to work with those people to help that adjustment.

Mr. FORBES. Mr. Lynn, you have not done that. If you are going to work hard with them, you could have at least taken their calls from the Governor, you could have at least given them some information. And you still stonewall us today. But I will ask my questions in just a couple of minutes.

Secretary LYNN. I met with the Governor, as well as yourself, yesterday morning and will continue to do that.

The CHAIRMAN. Mr. Taylor, please.

Mr. TAYLOR. Mr. Chairman, with your permission, I am going to yield my time to Mr. Nye and claim his time when it is his turn.

Mr. NYE. Thank you, Mr. Taylor, for yielding.

Thank you, Chairman, for holding this set of hearings.

Secretary Lynn, you said that this was a military decision, not a business case decision, and that this is essentially a military, not a civilian, decision. I disagree. I just want to say, I agree with my colleague, Congressman Forbes, and with Senator Webb, who yesterday said, essentially, this, at the end, boils down to a civilian decision, because it is going to be made by the President on a recommendation by the Secretary.

But, just talking about the military side of things, I want to read quickly a quote from the former commander at JFCOM, Admiral Hal Gehman, who said, "I disagree with the Secretary of Defense's message that jointness in military operations has been achieved and the job is done." He goes on to say, "Gates's decision to close JFCOM is abandoning a decades-long effort initiated and supported by multiple Secretaries of Defense and Chairmans of the Joint Chief of Staff to ensure maximum effectiveness of our Armed Forces."

Aside from hearing from General Cartwright yesterday morning at a meeting we had and in testimony today, this is the only other military expert that we have been able to have access to to hear his thoughts on the issue. So I think it is fair, at the very minimum, to say that there is some disagreement or different points of view on the military side here.

Now, we understand, at some point, we have to come to a decision on what to do on this issue. I accept that. But I do want to say, I strongly share Chairman Skelton and Ranking Member McKeon's skepticism in the secretive nature of the discussions that have gone on in the Defense Department on this issue, particularly on something that has the kind of impact that potentially disestablishing a four-star command could have.

And I have to tell you, I get the feeling that the Department doesn't seem to believe that there is a role for Congress in this decisionmaking, given the fact that the recommendation has already been announced.

I will concede the point that you—today I think we are moving forward, actually—have said you agree that an analysis needs to be done. And when I say analysis, I am talking about what disestablishing the command or what any other route that we might end up taking would cost, how much it would save, what the spe-

cific effects would be on our military, and how we would ensure to carry out those important functions that even the Secretary has said he knows JFCOM does. He said there are some important functions there that need to be carried out.

What I am concerned about is the fact that the Secretary has made the recommendation before the analysis is done that even you have said today is an important part of the decisionmaking process on where to go here.

What I want to ask you is if you will commit to including us, not just as a committee—but the Virginia delegation and the Governor has made many requests to sit down with the Secretary of Defense face to face—if you will make a commitment to arrange that meeting, to allow us to have the input in this analysis process that you have described before implementation would proceed with this proposal.

Secretary LYNN. Thank you, Mr. Nye.

As we discussed yesterday morning directly with the Governor and yourself and some other members of the delegation, we will, indeed, ensure that the Governor and elected members of the Virginia delegation have an opportunity to meet with the Secretary sometime this fall before final decisions are made on implementation. And we will solicit your views and open a—make sure we have a channel that the information that you think needs to be before the Department before we made that decision indeed is before the Department.

Mr. NYE. Well, I appreciate you saying that, and I appreciate your recognition that we should have a role in the process. I have to say, I am unhappy with the performance of the Department to date in terms of involving us in that discussion. I will say, I am happy to note now that you have offered to include us more rigorously in the analytics before any decision is implemented, and I thank you for that.

I just want to close by saying—and reminding the other members of this committee—and I think you have had an opportunity so far to get a little bit of a flavor of, kind of, where this committee is on the decisionmaking process here—reminding the other members of the committee that the proposed closure of Joint Forces Command represents, based on a number that we have been given by the Department previously, only one-quarter of 1 percent of the Secretary's plan to realign \$100 billion in defense priorities.

And, as we provide oversight over the Secretary's plan, we will demand strategic cost-benefit analysis of those decisions. Because it is our job to provide oversight over the DOD, and it is also our job to our constituents back home to ensure that a large DOD brush doesn't sweep away thousands of jobs in our district without proper justification and without rationale.

So, with that, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman.

Let me say, Mr. Secretary, that I am deeply concerned that the years of creating the joint culture and the enforcement thereof could go down the river and be lost. And, as long as I am chairman, I am going to do my best to make sure that that culture stays and that it is enforced.

It has come at too much effort, not just by Congress, but by so many outstanding leaders who wear the uniform. They made it happen. And I don't want to see that slip away. And if I have any message for you, Mr. Secretary, I hope you understand that.

Secretary LYNN. I do understand it and share the objective, Mr. Chairman. As we discussed, we are not sure the Joint Forces Command is the right conduit going forward, but appreciate there may be differences about that.

The CHAIRMAN. Mr. Forbes, your regular time.

Mr. FORBES. Thank you, Mr. Chairman.

First of all, I would like to request unanimous approval to submit to the record a statement by the Governor of Virginia, a statement by the city of Suffolk, Virginia, and also questions that we have requested that be asked by the Department.

[The information referred to can be found in the Appendix on pages 144 and 96.]

The CHAIRMAN. Without objection.

Mr. FORBES. Mr. Chairman, I also have enormous respect for you. And one of the things that frightens me about Secretary Lynn's testimony today is he specifically says he didn't believe there was any risk of reverting back to the pre-Goldwater-Nichols Act of jointness. I think there is a huge risk.

You might not be concerned about all of the cost to the Commonwealth of Virginia. I don't expect Members here to be concerned. But we should be concerned about this: The number-one news story on the day this was announced in the communist Chinese press was the closure of the Joint Forces Command and how it was going to help them because their number-one weakness when they are working with the Russians has always been jointness.

Secondly, it is coming to a theater near you. If they can do this process here and not have any kind of openness and not include anybody, they will do it anywhere across the country.

The third thing is we have just sent a message out to all of our partners across America: You better be careful when you deal with the Department of Defense, because don't count on them being open and having a process. If they just decide they are going to close something, they will make that decision and get the analysis later.

And I wanted to go back to what I was talking about, Mr. Secretary, with this cloud of lack of transparency, that you guys have pulled down the drapes in the Pentagon. Last year—and I understand why, because we haven't really, as a committee, held you accountable to that.

Last year, you issued a gag order that prohibited any of the individuals at the Department of Defense from even talking to Members of Congress about the ramifications of some of your cuts. We had hearings that were cancelled because people couldn't come here and testify. And what did we do about it? This committee did nothing.

When you refused—the requirement you had by law to give us a shipbuilding plan so we would know what you were doing with building ships, and we asked you in every way we could and you just refused to do it, what did we do about it? We didn't do anything.

When you were required by law to give us an aviation plan and you just refused to do it and we asked you and asked you and asked you and you just failed, we didn't do anything about it.

You have had 11 years of testimony, analysis supporting Joint Forces Command. You make 90 days of backroom meetings, and you come in here and give us conclusions but no analysis, what are we going to do about that? Not a scintilla of evidence.

You wouldn't respond to Members of Congress, both the Senate and as Republicans and Democrats. My friend, Congressman Scott, has been right with us on asking this. He has had the same kind of problems that we have had.

The Governor of Virginia, you met with him yesterday. You went 7 weeks and wouldn't even return his telephone calls to just sit down and say, "What are you doing, and how are you doing it?"

Yesterday, at the so-called meeting that you had with us, you wouldn't let the press come in. We asked you to let the press come in. You took our telephones away, any recording devices. And there wasn't any classified information or anything that had executive privileges, but you just don't want the public to know some of this information.

You have issued a gag order to the personnel in Joint Forces Command, refusing to let them talk if they have a counteropinion to yours. And one of the questions I would have for you today is, will you give us a copy, will you give the chairman and the ranking member a copy of that order that you made them sign, that non-disclosure agreement, today?

You know, at some point in time, Mr. Chairman, enough is enough. We need the analysis, and we need the effects. I think this is the time.

And, Mr. Chairman and Mr. Ranking Member, we so respect both of you, but today we will be sending you a letter that is going to be signed by Democrats and Republicans, and not just people from Virginia, requesting that we have backed up, we have drawn a line in the sand, we have said, "Please give us this information"; you have refused. We have backed up again and drawn a line in the sand, and you have just refused. We have backed up again and drawn a line in the sand, and you have refused.

And, Mr. Chairman, Mr. Ranking Member, we are going to request that, if they keep pushing us against this wall, that this committee issue a subpoena to them, requiring this information be given to us, because I think it is right for the American people.

And, Mr. Lynn, I will just close by saying this: You may work for the President, you might work for the Secretary of Defense, but you do work for the American people. They are the ones that pay your bills. They are the ones that send their sons and daughters to fight our wars. And they have a right to know this information. And we ought to be able to give them this analysis and put it on the table, because, as the chairman said, we can't afford to go back.

And we need, as part of Congress, not to have to come with our hat in our hand, pleading for you to give us crumbs of information. We ought to be able to come to you and you give us the analysis and the information so that we can do the due diligence—we have to have an oversight function to protect the greatest military the world has ever known.

And, with that, Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman.

Dr. Snyder.

Dr. SNYDER. Mr. Secretary, do you want to respond to anything Mr. Forbes had to say?

Secretary LYNN. Just a couple of things. Thank you, Mr. Snyder.

One, I think, Mr. Forbes, the one thing we are agreed on, I do work for the American people. That is what I said in response to your answer, and I hope you weren't implying that I said something else.

Just on a couple of the factual points, we have provided the committee with the shipbuilding plan; we have provided the committee with an aviation plan. I know you would have—the committee would have liked it in the first month or 2 of the administration. We didn't have people confirmed. We provided it when we built it. There was no plan when you requested it. We built it over the course of the first year, and we have provided it now to the committee.

Dr. SNYDER. Mr. Chairman, because I always like to hear what Mr. Critz has to say, I would like to yield the balance of my time to Mr. Critz.

Mr. CRITZ. Thank you, Dr. Snyder.

Thank you, Mr. Chairman.

You know, obviously, I had some questions that I was going to ask, but, after listening to Mr. Forbes's testimony—you know, I go back to the briefing that we received that says the DOD indicates that, though some analysis was done leading up to the decision to eliminate the command, the detailed plan for doing so will be developed over the upcoming year.

And it is frustrating, because if we are working together and good decisions are being made, certainly we are going to agree on them. But I think I can understand the frustration is that, if we are not included in any of these decisions but we are the authorizing committee, it sort of gets a little dicey as to what do we support, what don't we support, are we working together for the American people.

But quickly, my question would be, you know, going back to 1993, when President Clinton and Vice President Gore came in, they reinvented government, and a lot of civilian Pentagon employees were eliminated over that time, and most of that was sucked up into contractors. But, during that time, the O&M [operation and maintenance] budget stayed pretty consistent with the ECI [employment cost index], with inflation. It has been those last 10 years, though, that it has been pretty extensive, how it has grown.

So my question to you is, when you are looking at this shrinking of the Defense Department, are we shrinking on O&M, are we shrinking on procurement? What is, sort of, the split on how that is going to be addressed?

Secretary LYNN. The focus of the Secretary's initiative is on what he has described as overhead. Now, much of the overhead is in the O&M account, but not all of it. And so we have asked the services and all the defense agencies to put forward proposals to develop \$100 billion in overhead cuts and to shift those resources into the

warfighting accounts. That will probably lead to some restraint in the growth of the O&M accounts, but how much I couldn't tell you right now.

Mr. CRITZ. So there is really no general idea that 90 percent of it is coming out of O&M and 10 percent is coming out of procurement. There is really no idea.

Secretary LYNN. The focus is on overhead. We are going to evaluate the specific proposals, and then it will fall where it does in the budget.

Mr. CRITZ. Okay. So when you are looking forward and you are looking to cut your budget, where does the Future Combat System fall in this debate?

Secretary LYNN. Well, the Future Combat System is an Army modernization system for its fleet of vehicles. The Secretary restructured that last year, feeling that it was not focused sufficiently on the lessons that we had learned coming out of combat in Afghanistan and Iraq, particularly with respect to IEDs [improvised explosive devices]. And that is now being restructured.

The lead element of that is a Ground Combat Vehicle, which will probably be the first element out of the restructured program. And Mr. Carter could go into more detail on that, if you would like.

Mr. CRITZ. Well, I am—we just saw that the future combat—or the Ground Combat Vehicle, there is going to be a rebidding. So is that part of the savings that we are looking for going forward, or what is the plan here?

Secretary CARTER. With respect to the Ground Combat Vehicle, which is one of the elements of what used to be Future Combat Systems, the RFP [request for proposals] that the Army issued several months ago we have pulled back because it did not contain the right acquisition strategy.

I think the intersection of GCV—I am sorry, Ground Combat Vehicle—and the efficiencies initiative lies in the area that I described earlier, particularly the affordability-as-a-requirement idea. So, as we look at the Ground Combat Vehicle, just like the Navy has done with SSBN(X), as the Army looks at the Ground Combat Vehicle, we are looking at each element of the design, all the drivers of the design—internal power, the number of troops that the vehicle can carry, the hardness of the vehicle, gunnery, and so forth—and looking at the way in which each of those requirements drives cost, and making sure that we are making the right trade-off—that is, at the point at which we are getting a diminishing return of military capability for continuing investment, that we cap the requirement at that point.

Doing that for each of the design parameters on the vehicle and thereby getting a well-rounded overall design so that the vehicle that we put out an RFP [request for proposals] for, for the technology development phase, which is our next step, is one that the Army is actually going to be able to afford when it comes time to buy it. Seven years to first production vehicle, then a period of production. You can look out at the Army budget at that time and say, what else are they going to be doing? They are going to be doing light vehicles, heavy vehicles, in addition to this armored vehicle. They have other investments to make. And we want to make sure

that we are building a vehicle that is, in fact, affordable, while also having the military capability they want.

The savings on that will be—you can think of in two categories. One is that it may be that the resulting design is one that allows us to spend less over the next 5 years than we had originally planned. In which case, that is a savings that can be part of the \$100 billion. But I think, for that particular project, the body of the savings will be in the out-years, when it comes time to design a—or to procure a vehicle that is better designed for affordability than would have been the case if we had followed the RFP 4 months ago.

Mr. TAYLOR. [Presiding.] The chair recognizes the gentleman from Texas, Mr. Conaway, for 5 minutes.

Mr. CONAWAY. Thank you, Mr. Chairman.

Gentlemen, thank you for being here this morning.

I am going to talk about something besides Joint Forces Command. My antenna went up when I heard, I guess on August 9th, that Secretary Gates's scheme was to cut overhead—and back office those kinds of things—in order to adjust these numbers, and specifically mentioned the Business Transformation Agency and NII [networks and information integration], as well, as being redundant, inefficient, inexplicably worthless, and on the chopping block for this \$100 billion nut.

A couple of questions. Did you come up with \$100 billion as a goal, or did you build a case from the bottom up, saying, “Here are these things,” and you just got to the \$100 billion?

How does eliminating all of that back office, particularly BTA [the Business Transformation Agency] and others—have you look me in the eye with a straight face and tell me you are just as committed to getting auditable financial management systems in place and audited financial statements for the Department of Defense as you were before this happened? Because it looks like you have taken the team that was on the field to do that and said they weren't going to get there.

So my question is that—the issue is, one, do you think telling the American people—the confidence to the taxpayers you mentioned earlier, Mr. Lynn, is helped or hurt by the Department of Defense having audited financial statements? In other words, is the Department better able to look them in the eye and say, “Your money is being spent the way we think it is supposed to be spent”? Or, “Just trust us”? You know, “We don't need audits. We are the single-largest entity on the face of the Earth, from a spending standpoint, and audits are not needed. You can just trust us that we will spend this money.”

So how do you defend the law that none of you will be here when it happens, that it is, you know, 2017, that is required for the Department of Defense to be audited—none of you guys will be here, and so we won't be able to hold your feet to the fire or have any kind of a penalty for you because you didn't get there. And so the passive-aggressive, you know, “Yeah, we are going to get there; yeah, we are going to get there; but it is going to be somebody else's job” is frustrating to me.

And then to have you say, “Well, we really don't need the BTA, we don't need a focus on getting the financial statements au-

dited”—can you help me understand how you are still going to keep it as a top priority for the Department to get audited financial statements and, at the same time, not commit resources to getting that done?

Secretary LYNN. There are a couple of questions embedded there. Let me—if I could just take the first one, you asked where the \$100 billion came from. We have discussed that with Mr. McKeon. It was a calculation of, what does it take to get our warfighting accounts to 2 to 3 percent real growth—

Mr. CONAWAY. Well, I would ask you to give me that math because I am not following it. But go ahead.

Secretary LYNN. Okay. I am happy for the record to provide you how the math—

Mr. CONAWAY. That is fine.

Secretary LYNN. That is—we can provide you the calculation, but that is where the \$100 billion came from. It wasn't a totaling of proposals. It was a target based on what we thought we needed to get warfighting accounts to 2 or 3 percent, which is what history tells you need to continue upgrades, continue supporting training and personnel.

Mr. CONAWAY. Okay.

Secretary LYNN. The bulk of your question, though, was on audited financial statements.

Mr. CONAWAY. And sustainable systems.

Secretary LYNN. And sustainable—well, that is where I was going, actually.

Mr. CONAWAY. Okay.

Secretary LYNN. The most important piece is not an audit, in my mind. The most important piece is the management information systems that the audit just provides a test of.

Mr. CONAWAY. Right.

Secretary LYNN. And we are committed to that. It is, as I am sure you well understand, given your background, it is somewhat different than it is in the private sector. The goal here is not providing information to investors. The goal is ensuring the taxpayers' money is well spent, that the stewardship is there.

For that reason, we have focused our initial efforts on upgrading management information systems that have to do with budgetary resources. That is the—we are trying to focus on the most important information because, as you indicated, this is a mammoth job, and so we want to start with the most important piece. And we are continuing to do that. The Comptroller, who has the—

Mr. CONAWAY. Mr. Hale and I have had this conversation. The focus on the data you use, and you are—it is not getting there. You are not getting there. So—but go ahead.

Secretary LYNN. Well, that—if we are not getting there, we probably ought to have a discussion, because that is indeed what we are trying, and I am sure that is what Mr. Hale told you. And as you indicated, Mr. Hale has the lead for this. This is the Comptroller's lead. The Business Transformation Agency plays a contributory role, in terms of some of the business systems.

It was the Secretary's conclusion not that it would hinder audited financial statements, is that the BTA became an added layer when Congress added the position of Deputy Chief Management

Officer, to which the BTA reports, that there was no longer a need for a senior official—the DCMO is an Under Secretary-level official—and a defense agency.

So we are going to fold the responsibilities underneath the DCMO [Deputy Chief Management Officer] directly, and we think we are going to get some overhead savings by combining the senior official with the defense agency. And that was the conclusion. It was not a rolling back of our commitment to audited financial statements.

Mr. TAYLOR. All right. The chair recognizes the gentleman from New Jersey, Mr. Andrews.

Mr. ANDREWS. Thank you, Mr. Chairman.

Good morning, gentlemen. Thank you for your testimony.

I think what Secretary Gates has to say is characteristically necessary and correct. And I want to be a supporter of his in his efforts to bring some rationality to this exploding budget. So I appreciate the work you are doing on his behalf, and I appreciate his position.

A little unsolicited advice. As you have heard from Mr. Nye's concerns, Mr. Forbes's concerns, you will hear from Mr. Scott, anytime we make some kind of reduction or change in this budget, it is very difficult to do. You are living that every day. I think it is especially important to do so in a way that is procedurally defensible in every respect.

The concern that I would express, having heard from my colleagues about this, about the Joint Forces Command is, you know, a decision announced August 9th, given the cycle of when Congress considers appropriations bills, when it considers authorization bills, is unfortunate.

I think when you are going to make decisions like this, you should follow either of two tracks: You should either do it in the budget presentation so the normal process can work its course. Or you should call for another BRAC, and, imperfect as that process is, I think it has gained some credibility.

So the hard decisions that you have ahead of you I think will become more achievable if you follow some sort of regular order.

The second thing I want to chime in on is what my friend from Texas, Mr. Conaway, just said. The legislation he and I worked on together that the committee unanimously approved, the floor nearly unanimously approved, which hopefully will be enacted as part of the authorization bill, does place great emphasis on these financial audits. And I think that you will gain credibility with the public and with the Congress when these audits are done. I think it will permit us to discover areas where we can, in fact, achieve efficiency without risking in any way, shape, or form the security of the country.

I wanted to ask you your opinion on the following question. Any of the three of you would be fine.

The waste—the major weapons systems bill the President signed in May of 2009 was predicated on the premise that—or, the GAO [Government Accountability Office] report that we had overspent by nearly \$300 billion, and I think it was 17 major weapons systems.

What do you think a plausible goal is in terms of reducing outlays in future major weapons systems? In other words, if we could unscramble the egg, from the GAO report, in theory it would have saved about \$300 billion. What do you think we will gain, in terms of avoiding cost overruns, if we properly implement the WASTE TKO (Weapons Acquisition System Reform Through Enhancing Technical Knowledge and Oversight) law the President signed in 2009?

Secretary LYNN. It is hard—

Mr. TAYLOR. Would the gentleman yield, sir?

Mr. ANDREWS. Yes.

Mr. TAYLOR. Just hold up, and you are going to get your remaining time.

They have just announced a motion to—a vote on a motion to adjourn. I am going to—it is the chair's intention to continue the hearing. So those of you who need to go make that vote, do so, but we are going to continue the hearing.

Thank you very much, Mr. Andrews. We will give you back that half a minute or so.

Mr. ANDREWS. Of course, Mr. Chairman.

Secretary LYNN. It is hard to set a target other than that we should bring in the programs on cost and on budget. I don't know—you hate to set a target that I am going to fail by so much.

I think, under Dr. Carter's leadership and with the committee's legislative assistance, I think we have put in place things that are going to allow us to do that. We are putting far more contracts under fixed-price incentive terms rather than cost-plus terms, which give a convergence of the incentives of both the contractor and the government now to bring it in at the price that was originally quoted because we are now sharing the risk if we go over.

Dr. Carter has introduced things that are making schedule a key performance parameter, because, indeed, it is loss of schedule that is one of the most common causes for cost overruns. So we want schedule, not just performance, to be important.

We are trying to—I am happy, Dr. Carter, if you would like to expand on those.

We are trying to put in place the things that will bring that GAO number down. The target is to bring it to no cost overruns. I understand—I am not naive—that is a very ambitious goal, but that is the goal.

Mr. ANDREWS. Dr. Carter, would you like to comment?

Secretary CARTER. Just to echo what the Deputy Secretary said, it is an edifice we build brick by brick. I will give you a few examples of recent bricks.

The Joint Strike Fighter program, which we had to tell you last fall was an aircraft that—in 2002 we had told you it would be \$50 million per aircraft in 2002 dollars. And our current estimate, which was a credible estimate, a so-called will-cost estimate, was \$92 million per aircraft.

And I think Secretary Gates, Deputy Secretary Lynn, and I look at that number and say, no, we are not going to pay that, we shouldn't have—let's see what we can do to get that number down. We are working with the performers of the work to do that. We are making some progress in that regard.

And just in that regard, as a result of that progress, I think the services have been able to reallocate from money they thought they might have to spend on Joint Strike Fighter over the next 5 years some \$580 million, which is a contribution to that \$100 billion.

Another example—

Mr. ANDREWS. Yes, it is a good start, yeah.

Secretary CARTER. Another example: the F/A-18 multiyear, on a \$6 billion contract, now about \$5.3 billion because you allowed us to procure those aircraft on a multiyear basis; \$600 million over the FYDP [Future Years Defense Program] that will not have to be spent and can be reallocated from that.

Essentially, the overhead at the plants that make the F/A-18 as a consequence of them not being able to plan on a multiyear basis, that overhead can be plowed into warfighting accounts—just exactly the principle that Secretary Lynn has been talking about, and Secretary Gates—

Mr. TAYLOR. The gentleman from Virginia, Mr. Wittman.

Mr. WITTMAN. Thank you. Thank you, Mr. Chairman.

Gentlemen, thank you for joining us.

I want to jump right in, since my time is limited, and talk about the decisionmaking between the recommendation to close Joint Forces Command.

First of all, I think there is a tremendous lack of transparency there. It took us over 7 weeks to get a response back from the Secretary. Ranking Member Forbes, Ranking Member McKeon, and myself requested that. And when we got the letter back, it just restated the initial decision and had in there a justification as to why this didn't fall under BRAC. And I noticed using the term "disestablish" JFCOM, rather than "close" JFCOM. I noted a parsing of terms.

It seems like, to me, that as we look at this process, first of all, we were told, "Well, this is an efficiency effort. We are going to be looking at this to look at where we can obtain efficiencies." But we are told that there was no efficiency analysis or cost analysis about closing JFCOM; that is yet to come.

And then we were said, "Well, really, it wasn't a business decision. It was really a military decision." So when we asked, "Well, tell us the strategic analysis behind that," we were told, "Well, we are in the process of doing that. We have some operational documents out there that talk about how jointness is going to be continued, but, strategically, we haven't figured out who is going to do this job, how it is going to be done. So none of those details have been put together."

And then we said, "Well, let us understand a little bit, then, about the process." And you said, "Well, we had over 30 meetings." And we said, "Well, it would be nice to know what happened in those 30 meetings." It is amazing to me how 30 meetings can take place at the Pentagon, there isn't a single note, there isn't a single proceedings anywhere about those meetings that you can divulge to us. Boy, I tell you, I would love to know a little bit more about how those meetings take place there and how you can have no proceedings there, nothing that we can get our hands on to understand what goes on there.

So you can understand why we are a little bit frustrated by the lack of transparency, the lack of understanding about a decision of this magnitude and, as the chairman so rightfully pointed out, the effort that went into providing a framework for jointness and a decision of this magnitude without the transparency, without this body understanding—and, Secretary Lynn, you lectured us on the responsibilities of a leader.

I would say that your responsibility as a leader is to provide that information so that we, as a Congress, can do our duty and our duty to the people that have elected us to make sure we understand the decisions, understand the implications to this Nation of those decisions. So I appreciate that lecture. I would say that the responsibility cuts both ways and that the Pentagon also has a responsibility back to the Congress, to divulge back to us clearly how that decision was made, what the underlying information is there.

And my question boils down to this. It seems like this process is wrought with inconsistencies, is wrought with lack of information being disclosed to us. Even at one point, when a meeting was had, Christine Fox said that this was a philosophical decision. So we are going from it is an efficiency effort; no, it is a military decision; no, it is a philosophical decision, without any transparency to understand exactly what is going on.

And my question is this: I want to know historically about how these decisions are made. Can you tell me other instances where decisions are made of this magnitude where you do the analysis afterwards, where you do a post-decision analysis instead of a pre-decision analysis? Can you tell me when that focus has been, in the past, on saying we will do the analysis after we make a decision or after we make a recommendation?

Secretary LYNN. Mr. Wittman, I appreciate the fact that you and other members of the delegation feel that we should have gotten you more information, we should have gotten it to you faster. As I discussed with Congressman Nye, going forward—we met with the Governor yesterday morning, with yourself and some of the other Members. We will ensure, as I discussed, that the Governor and those same Members get the opportunity to meet directly with the Secretary. We will seek your input—

Mr. WITTMAN. Mr. Secretary, with all due respect, that is not the question I asked. The question I asked was, can you tell me when in the past decisions have been made like this, with the lack of analysis prior to the decision and without that being able to be divulged?

Secretary LYNN. I was addressing some of the preamble that you had before that, but let me jump to your question.

The Secretary made his decision with enormous input from the military and the civilian advisors that he had. As we have had discussed, his reasoning here was on: What is the military purpose for this command, and is it still valid today?

The conclusion he came to, based on the advice he received, was: No, the purpose had been served in some cases, could be accomplished by other organizations in other cases, and was duplicative in cases such as force provisioning, and the Joint Forces Command wasn't needed in that role.

For those reasons—and he received a lot of input to that decision from his advisors in the meetings that you correctly summarized—he made his decision.

As we have discussed with other members of the committee, once he has made that decision, the question then is, how much of the billion dollars would be saved? And that is a decision by what would be retained and what would not. We are not going to eliminate every component of the Joint Forces Command, nor are we going to keep every component. We are going to go through a thorough analysis, which we will share with you, as I discussed with Congressman Nye, as to what needs to be kept and what needs to go. At the end of that process, we will have the complete case that you desire.

Mr. TAYLOR. The gentlewoman from California is recognized, Mrs. Davis, 5 minutes.

Mrs. DAVIS. Thank you very much, Mr. Chairman.

I appreciate your all being here. This is difficult, very difficult. And I certainly understand the concerns of my colleagues.

I wanted to shift for a second in the more personnel-health-care arena, because we are talking about jointness on the one hand. And in the House defense authorization, there is a provision that would create a permissive authority to establish a unified medical command.

Given that the Center for Naval Analyses predicts that such a move would save approximately \$294 million a year, we actually were surprised that the Department opposed strongly that section of the bill. And it is also true, of course, that there haven't—I don't think any of the politically appointed positions have been filled within Health Affairs.

So I am just wondering what objection to the unified medical command you have and that you have encountered. You know, what is the, I think, considerable pushback to reject the House proposal that we think would save significant savings?

Secretary LYNN. This is—as the congresswoman knows, this is a long-running debate over a command versus an agency and how we treat our health care.

I actually think that we ought to have, as the Secretary has indicated, a completely open mind. That second track I indicated was outside input. I think we should consider all possibilities as we look at overhead savings. Although we have had questions about it in the past, I would assert to you that we should take a look. In the new fiscal circumstances we face, we should look anew at that proposal.

Mrs. DAVIS. Is there any sense—can you give us any idea what kind of management structure, in fact, you might be thinking about that would be quite different from what we have today?

Secretary LYNN. We don't have—I don't have any proposals to discuss in terms of changing the military—the medical management structure for the Department, at this point.

Mrs. DAVIS. Okay. I think a lot of issues have been raised about other commands or other installations that might be—you might be thinking about closing. Is there anything else that you might share with us of other commands, at this point?

Secretary LYNN. I mean, I think the Secretary has said as part of his direction to the services that, if they think there needs to be changes in installations, they should suggest that in their submissions. But we have not gotten to the point that we would request a BRAC. That would be just input. So what we are—we are not to a point of looking at closing bases or installations, at this point.

Mrs. DAVIS. Okay. Thank you.

Let me just turn, then, to an important personnel issue that affects the men and women across our country and, certainly, across the globe. And recognizing the strides that have been made in MWR [morale welfare and recreation] and, certainly, in family support assistance programs and Military OneSource, as we are looking to efficiencies, what would you say—how would you articulate the efficiencies in family policy that are being envisioned right now? And how are these efficiency studies going to impact our policies as it relates to the men and women and their families that are serving today?

Secretary LYNN. I think the Secretary would be interested in any proposals where we could deliver the same services to our military families in a more efficient way. I do not think he would look favorably on proposals that would reduce the support to families, at this point. It is not quite part of the direct warfighting, but I think the Secretary believes it is equally important.

And that would not be, I think, the avenue that the Secretary is looking to go down. He is more interested in the things, frankly, we have been discussing: layering, eliminating headquarters, reducing bureaucracy. I think in terms of benefits for military families, that is not the direction he is looking to, in terms of making shifts in resources.

Mrs. DAVIS. Uh-huh. I appreciate that because, as you know, we really are in uncharted territories, as our men and women return. And I don't think we really have quite got our heads around what that is going to mean. I appreciate it.

And very, very quickly, I mean, people have raised the issues of insourcing, outsourcing. And I think one of the things that I am hearing out in the San Diego community is a concern from businesses that a number of their positions and their people, highly qualified people—they use the word “poaching,” that the military is essentially, you know, finding them—it is not that hard to find them—and bringing them in. And they think that, you know, this could create an imbalance down the road.

I just want to express that to you, that that is being heard. And I wonder if you have any comment.

Mr. TAYLOR. The gentleman from Colorado, Mr. Coffman.

Secretary LYNN. I guess not.

Mr. TAYLOR. Oh, 10 seconds.

Secretary LYNN. We do hear reports from the field. We need to follow up and make sure that all the steps that are taken are appropriate and that the government isn't doing anything inappropriate in seeking the goals of getting more expertise into the government. That is certainly not the objective of the insourcing program.

Mr. TAYLOR. The gentleman from Colorado.

Mr. COFFMAN. Thank you, Mr. Chairman.

Mr. Lynn, Secretary Carter, and General Cartwright, thank you so much for your service to our country and your testimony today.

I certainly respect the comments of Congressman Randy Forbes from Virginia in terms of the process and that maybe it wasn't the best process that you used in arriving at your conclusion.

But I want to say this, as somebody who has served in both the United States Army and the United States Marine Corps and served in both the first Gulf war and the Iraq war, and that the 15 intervening years between 1990 and 2005, between my service in the first Gulf war and the Iraq war, there has just been a quantum leap in terms of jointness in our military. And I think that it is something that today is ingrained in our military culture. So I think that you are right to evaluate whether or not we still need the Joint Forces Command in light of the extraordinary changes and progress that our military has made.

Let me go to a couple of other issues. First of all, on the insourcing/outsourcing issue, it seems that Republican Administrations want to outsource and Democrat Administrations want to insource. And let me just say that maybe there is a compromise between the two, and that is effectively managing contracts. And I am not sure that we are doing that right now. And I think we need to do a better job, before we make a decision about insourcing, in effectively managing the contracts that we have.

And just a couple more quick issues, and then I would love your response.

I think that one area that we could actually derive a savings and increase the effectiveness in our military—and it is not, certainly, a subject of our discussions yet today—is the fact that I think that our personnel system in terms of promotion is too rapid. And I think that our members of our military are not getting enough experience in their respective time and grades. And I think that we would improve our warfighting skills and save in the operating budget if we would, in fact, slow this promotion process down.

And, with that, I would refer to—defer to any of you for comments.

Secretary LYNN. On the issue of managing service contracts, we in fact agree with you, and a significant part of Secretary Carter's initiative earlier this month was improvements in that regard. Let me ask him to describe those for you.

Secretary CARTER. There are a number of those that have to do with improving our tradecraft, getting a better deal, better value for the \$200 billion we spend on services. But specifically to the insourcing question raised twice, a couple points. First, yes, it has gone back and forth from time to time. I think the important thing to bear in mind is one size doesn't fit all. Some things it is beneficial to outsource. Mowing the lawn at the base. Why should the base commander have to figure out how to get the lawn mowed? There are people who do that for a living, and it is much more efficient to do that.

When it comes to contracting officers, pricers, systems engineers and a systems command, you really want to have in the government people who have those skills. And what lay behind the Secretary of Defense's insourcing initiative for the acquisition workforce, which is ongoing and which he has indicated is not being cur-

tailed because of the efficiencies initiative, was less to save money, though on average it can be the case that a government employee fully loaded costs less than a contractor, the point was to get within our walls and on our side of the table the talent that we need responsibly to spend \$400 billion in contracting goods and services that we do every year.

So are we poaching? I mean we do go to the open market and ask people to come and join the ranks of government. They come from some other job. I am delighted when they do come. I will tell you I talk to these people. And what we have on our side when we recruit is the mission. We don't have money, we don't pay a lot, our buildings aren't steel and glass, you know, they are wood and mold, and so forth, but we have the mission, and that is, particularly for young people—what really gets them hooked is the idea that they are going to be contributing to national security.

Mr. COFFMAN. Let me just interrupt one point. But you also have a personnel system that rewards mediocrity in the sense that it takes an act of God to fire somebody, and that definitely needs to be reformed. Go ahead.

Secretary CARTER. I agree with you, and that in fact is something that Secretary Gates emphasizes all the time, and another thing that we are trying to address in the course of the workforce initiative.

Mr. TAYLOR. The gentleman from Connecticut, Mr. Courtney, 5 minutes.

Mr. COURTNEY. Thank you, Mr. Chairman. I just want to thank the witnesses for their testimony today.

Dr. Carter, in your testimony I think you sort of framed the fact that just setting aside all these percentage numbers, increase, decrease, I mean the fact is we still have to deal with the challenge of the alternative of broken or canceled programs or ones that work. And I think really that really should be the outcome that we are all trying to together achieve. And in the short time that I have been here, seeing the Presidential helicopter and the *Zumwalt* destroyer program just sort of collapse under their own weight, you know, that is not a rhetorical point that you were making in your testimony.

The program that we have been keeping an eye on over the last year or so is the SSBN program, which as you point out, has been endorsed by the QDR, Nuclear Posture Review, and was included in the 30-year shipbuilding program, but there is no question that the price tag which the Navy was, you know, assuming was one that was going to potentially challenge the surface ships of our Navy. And again, it appears from your testimony that already just within the last few months, I mean there has been some progress made in terms of that milestone A cost reduction.

You know, I guess the question is, you know, that reduction has nothing to do with the fact that this administration is still committed to moving forward with SSBN, which I appreciate if you could address that point, and secondly, that the capability that has been identified in terms of that program and our national security need for a sea-based deterrent also is not being compromised. It is really about trying to, again, not end up with another *Zumwalt* program that 10 years, 20 years down the road, is going to be

unsustainable and really affect our ability to defend ourselves as a Nation. So I was wondering if you could address that point.

Secretary CARTER. I think that is accurate. It is more a question of how than whether. On the other hand, if you don't get the how right you can get the whether wrong, if you are following me. And the helicopter is an example of that. So we don't want to get ourselves in a situation with SSBN(X) where we design a submarine that we know we won't be able to afford. And the Navy has done, I think, an excellent job in the last several months of going through all the design drivers for SSBN(X) and looking at where the change in one of the design features or one of the requirements that drives the design features can be changed in such a way that the cost of the submarine is reduced without sacrificing in any way essential military capabilities. And this kind of disciplined systems engineering job really does work. They have managed to reduce the estimated cost of that submarine by 16 percent already. And it is very plausible that they will get down to the 27 percent, which is the target. And if you consider that this is a project that is going to cost hundreds of billions of dollars over the next 20 years, if you are talking 16 percent, \$27 billion in costs you won't have to pay, that is a significant engineering achievement. And it will bring the submarine in at a price that the country will afford. It won't be one of these programs that collapses of its own weight.

Mr. COURTNEY. And the timing of that milestone, given the fact that the design work is really just sort of commencing at this point, I mean really is consistent with all the acquisition reform models that this committee endorsed, which is to not get ourselves into a position of design-build at the same time and wasting money. And again, I think what you have described is something that fits well within the schedule that your budget is embarking on. And as you said, long term that is going to create some relief for the Defense budget without sacrificing any of our country's deterrence, which again is something that is I think—again, has been embraced by this administration. I mean again, there is no compromise that is being made as far as this initiative regarding those goals which were set forth in the NPR [Nuclear Posture Review] and the QDR.

I just wanted to at least underscore and emphasize that.

Secretary CARTER. Absolutely, it is consistent both with the NPR and QDR, and very much with the intent of the work of this committee in the area of acquisition reform, particularly at the beginning of the program lifecycle.

Mr. COURTNEY. Thank you. I yield back.

Mr. TAYLOR. The gentleman from Utah, Mr. Bishop, 5 minutes.

Mr. BISHOP. Thank you, Mr. Chairman. Gentlemen, this is an important issue, which is why many of us are staying here a little bit longer. I want to go into another area of weeds, if I could, for just a moment.

First of all, General Cartwright, thank you for being in Utah recently. The wife of my Legislative Director thanks you very much for her purse. And we will just leave that issue right there.

Mr. Carter, if I can talk to you, though, specifically about it, I have been appreciative in the past of your understanding of industrial base issues, especially as we talked about solid rocket motors, when other agencies outside of the Department of Defense and the

White House were clueless about the entire issue. I want to address, because I am concerned, especially when we are talking about a \$100 billion cut when recapitalization is yet to be completed, concerned about another industrial base, and this one is small turbine engines. The weapon of choice that we have is basically the cruise missile, Tomahawk, Tactical Tomahawk air-launched cruise missile. We have those because the industrial base produces them at a low cost with a very high-efficiency small turbine engine. Yet one of the proposals to cut the Tomahawk procurement and to zero out R&D [research and development] on the supersonic cruise missile definitely puts that private sector in danger of maintaining that industrial base and losing the expertise we have to keep those programs functional.

So the three questions I do have specifically for you, is the small defense turbofan industrial base something that your office has specifically identified as a defense industrial base concern?

Secondly, what can we expect to see from your office or DOD in the way of specific actions to address an industrial base concern if it indeed has been identified as such? And finally, with Russia and India announcing sometime back they are jointly fielding a supersonic cruise missile, is it wise for this administration to pull back R&D at this particular time? And is that, once again, something that was a specific point of discussion in making your decisions on zeroing out the R&D on the supersonic cruise missile as well as cutbacks in procurement of Tomahawk?

Secretary CARTER. Thank you, Congressman. I think I can answer all three of those questions. Certainly to the first question emphatically, yes, I am aware of the issue that the end of TACTOM [Tactical Tomahawk] production occasions. We have specifically identified it as an industrial base issue. And I should say industrial base issues are, as you noted, very important. Deputy Secretary Lynn has identified that as an area of great importance to the Department and expects us to pay attention to it, and we are. I don't know the actions that will come out of that review yet.

Mr. BISHOP. Secretary Carter, let me in the interests of time just direct you here. If you could write what the actions will be, submit it to us later on, that would be fine.

Secretary CARTER. Will do.

Mr. BISHOP. If, though, you could answer the question on the Russian and Indian activity, was that a part of the consideration? Did you discuss that before making this decision?

Secretary CARTER. Yes. Not those specific programs, but the global situation and the other—and the investments that we will need to make in stand-off weapons. We know we will need to make investments in stand-off weapons. They are being considered as part of the long-range strike family of systems work that is going on. They may well result in other kinds of new stand-off weapons programs. And it is for that reason, it is to protect that option that the industrial base is so important. So that if we do choose that option again in the future, we will have the industrial capability to produce the engines.

Mr. BISHOP. Thank you. I appreciate your concern for that base. Too many people have the naive idea these bases can be just turned on and off like a spigot.

Congressman Taylor, thank you for allowing me to get that question, and I yield back.

Mr. TAYLOR. General, we recently had a classified briefing on the roller situation in Afghanistan, and the need to deploy them in a more expedient manner. One of the things that came to light, and I am trying to stay within the confines of the classified nature of that, was that the SPARKS II [self-protection adaptive roller kit system II] roller is made overseas, and that the date for all of them being delivered is several months off. One of the things that is delaying the arrival of all of them is that in the purchase of this we did not get the technical data package. I would hope that one of the revisions that your organization is looking into making is that any time our Nation pays to develop a weapon, that as a part of that contract that we will own the technical data package for that product, and that if we feel like a supplier is taking too long to deliver that product then we, as a Nation, will have the right to take that technical data package to another supplier if need be in order to get that program delivered in a more timely manner.

I don't think as a citizen, any citizen of this country wants to see a single soldier, sailor, airman, or marine lose their life or limb needlessly because we are waiting on someone who has the exclusive rights to that information to take too long to deliver it.

I would welcome any of the Secretaries' or the General's thoughts on that, but most of all, I want to hear your reassurance that going forward that any time we are spending the Nation's money to develop a product that we are going to own the technical data package to that product that we paid to have delivered.

Secretary Carter.

Secretary CARTER. If I may, I am very aware of the SPARKS roller issue. They are being destroyed at a rate larger than we had anticipated.

Mr. TAYLOR. And for the sake of the public, the good news is when the roller is destroyed the vehicle behind it is not.

Secretary CARTER. That is exactly right.

Mr. TAYLOR. But the bad news is then we have to get another roller to theater in a hurry.

Secretary CARTER. That is exactly right. And I agree with you about technical data package. You and I have discussed that in the context of the Littoral Combat Ship competition. And I will just note that in the spirit of amen to what you said, that in the document that I issued 2 weeks ago, that of the 23 items in that, one is specifically to improve the way that we acquire technical data packages. We need to learn what our rights are in that regard and also how to value them so that we can carry out the transaction, appropriate transaction with industry. So I agree with you completely.

Mr. TAYLOR. Okay. With that, the chair recognizes the gentleman from Virginia, Mr. Nye, 5 minutes.

Mr. NYE. Thank you, Mr. Chairman. I appreciate you yielding time to me earlier. I just wanted to follow up with a couple of thoughts and questions.

Secretary Lynn, you heard from a number of members of the committee today the notion that this process is hard, the process of finding savings to reallocate within the Defense Department is

a challenging one, but that having the committee involved and using the regular 2012 budgeting process is probably the best route to do that.

Now, what I wanted to ask you was, and I know that the Secretary has said most of the decisionmaking he intends to be done during that process, and I think you have backed that up today. I am curious to know if you can give us, shed any light on why Secretary Gates decided August 9th was the right time to sort of preannounce a certain segment of those decisionmaking and not to—noting the fact that we have had some discussion about the fact that an analysis of Joint Forces Command, for example, of how this could and would be done and what the options would end up being has yet to be done, why August 9th? Why not wait and just do this as part of the regular process?

Secretary LYNN. I think Secretary Gates felt a strong need to jump-start the process to establish that this was going to be an aggressive process, that this was going to be a process that he was going to be involved in personally, and that he wanted to start by establishing what he has called a culture of savings. And in particular, he focused on the areas of headquarters, of staffing, general officers, senior executives, redundancy, extra layers. And he wanted to take steps that were really more management steps that he could take immediately to try and establish the path ahead so that as we go forward with the budget the rest of the building would follow on and be equally aggressive.

Mr. NYE. Okay. Well, again, I just want to encourage you in the strongest possible terms to do this process within the regular established order. I think you will find that your ability to work with the Congress on it will be greatly enhanced if we have an opportunity to be part of that process. I want to say and again recognize that you have said today you intend to include us in that analysis process before any decisions are implemented. Thank you for that.

I also want to know that General Cartwright has said today that during that analysis at this point all options are still on the table, and essentially the status quo is one possible option for the outcome of that analysis. One possible option. We may reach another conclusion. But that is still on the table as a possible outcome. And I appreciate the fact that we will be allowed to be involved in the analysis and the process going forward.

But one last thing I want to make in terms of comments, and I want to follow up on something that Mr. Wittman asked about, he asked you have you or can you give us an example of when a decision was made without an analysis, which we agree needs to be done, you know, sort of the cart before the horse idea? I can tell you I can think of one. And that has to do with the recommendation to build a fifth U.S. carrier homeport in Mayport without the analysis done to support that decision.

Now, I say this just to say, and for the record, given the fact that we are going through a difficult decisionmaking process of how to save money, cut down on overhead and reallocate it within the Defense Department, I will be very surprised and dismayed if during this 2012 budget process that we have coming up the Defense Department again, having stated that we have got to find savings in overhead, especially things that are redundant and duplicative,

asks for money to build a billion-dollar port facility in Mayport that is by its very nature duplicative and redundant.

I don't need an answer from you. I just wanted to state that for the record. Again, this is a tough process. I recognize that you all have very difficult work to do here, and so do we, and I appreciate the fact that you have recognized that today. To be honest with you, I think that recognition was late in coming, but I am happy to note that you have agreed that we should be part of that process going forward. I look forward to working with you in taking a very good business case, if you want to use that word, military look, but an analysis of the best decisionmaking that we can make going forward on the contractor issue, on Joint Forces Command, and all the other efficiency questions that we have to solve together. Again, I thank you for being here.

Mr. Chairman, I yield back.

Mr. MCKEON. Will the gentleman yield? You have a few seconds left.

Mr. NYE. Yes, I do.

Mr. TAYLOR. Eighteen to be exact.

Mr. MCKEON. I just want to clarify what the gentleman has indicated in his statement and in his earlier statement, to reiterate or to confirm. What I hear him saying is that you have committed to involve the Congress in the decision to disband or to eliminate JFCOM. Or are you agreeing that you have already made the decision, you will make the decision, the Secretary will make the decision, the President will make the decision, and then you will include us in how you carry out that decision?

Secretary LYNN. The Secretary has made his recommendation to the President on disestablishing Joint Forces Command. The President has not yet made his decision. And I have committed here with Congressman Nye and others that as we move forward on the implementation of that decision, should the President affirm it, we will work with the committee and the Congress in making those implementation decisions.

Mr. MCKEON. Okay. It just sounds like I hear you saying maybe he misunderstood or maybe he thought that you were going to involve the Congress in the decisionmaking. But rather that is already done and it is just now the implementation.

Secretary LYNN. I think I would end up saying again what I just said.

Mr. MCKEON. All right. And I want to make sure that you like that answer. Thank you.

Mr. TAYLOR. For the benefit of the committee, they have just called a vote on the adjournment resolution. So it is the chair's intention to keep this going for another 10 minutes. That will be followed by two 5-minute votes. That will make the hearing approximately 2 hours and 45 minutes.

So having said that, in the 10 minutes that remain, the chair intends to recognize Mr. Wilson of South Carolina.

Mr. WILSON. Thank you, Mr. Chairman. Thank you for being here today. Secretary Lynn, I share the concerns of Congressman Forbes. Thus far, your testimony is that the Joint Forces Command decision was made as a result of several ad hoc discussions among senior DOD officials. I know these officials have reviewed some doc-

uments that outline their military rationale for the decision. Knowing that there has been documentation considered, I request those documents, print and electronic, used as a basis for the military decisions to be provided to the committee.

Additionally, my question is to Secretary Carter. The National Guard and Reserve forces have been instrumental in the global war on terrorism, and I know firsthand of how successful and capable our Guard and Reserve are. I served in both for 31 years, and I have four sons currently serving in the military, three in the National Guard. However, Guard and Reserves still faces shortages of proper equipment for training and for use in theater.

How are the proposed acquisition reforms going to affect the Guard and Reserve?

Secretary CARTER. The piece of the efficiency initiative that I was describing will affect the procurement of equipment irrespective of the ultimate customer, but I think the burden of your question about equipage of the Guard and Reserve in the future would be better answered by General Cartwright than by me.

Mr. WILSON. General. Thank you.

General CARTWRIGHT. As we work through these efficiency activities, the intent is to get to a better ratio of what we are calling tooth to tail, but to get those forces that are standing in order to go support either the global war on terrorism or any other activities that may be identified either on the Federal side or on the State side. The question is can we afford, through these efficiencies, to get sufficient equipment to outfit everybody with the best capabilities that we have? Or are we going do that in some other way? In other words, are there going to be shortages that we are going to have to manage? And if so, how we manage them? The idea here is to generate the resources so that we don't have those shortages.

Mr. WILSON. Great. And you personally, I want to thank the Marine Corps. I represent Parris Island, Marine Corps Air Station, Beaufort Naval Hospital. I am very proud of the Marines.

At this time, I yield the balance of my time to Congressman Forbes of Virginia.

Mr. FORBES. Thank you, Mr. Wilson. Mr. Secretary, would you agree to provide to the chairman and the ranking member a copy of the nondisclosure agreement that you have required people at Joint Forces Command to sign?

Secretary LYNN. I am not directly familiar with those nondisclosure agreements.

Mr. FORBES. If there is one, would you—

Secretary LYNN. But I will explore whether there is one, and I will report my findings to the chairman and ranking member.

Mr. FORBES. And if there is one, will you give them a copy?

Secretary LYNN. Yes.

[The information referred to can be found in the Appendix on page 85.]

Mr. FORBES. Can you tell us, is it your testimony today that you provided to this committee all of the written analysis that was given to the Secretary of Defense to make his decision to close the Joint Forces Command?

Secretary LYNN. We have provided the committee—

Mr. FORBES. Just need to know yes or no, all the written information. If you have, yes. If you haven't, no.

Secretary LYNN. We have provided the committee the analysis, the rationale—

Mr. FORBES. Mr. Secretary, I don't have much time. I am just asking have you provided all the written analysis that was given to the Secretary of Defense to this committee? If you haven't, it is okay. I just need to know.

Secretary LYNN. I am going to have to—you are going to have to let me answer. We have provided the committee a body of material that supports what the Secretary—

Mr. FORBES. That is not my question, Mr. Secretary. In all due respect, I am asking have you provided this committee with all of the written analysis that was provided to the Secretary of Defense to make the decision to close the Joint Forces Command? Yes or no? It is pretty simple.

Secretary LYNN. We have provided the committee with the material that supports the decision that the Secretary made.

Mr. FORBES. I am asking if you provided the written material that was given to the Secretary, all the material that was given to the Secretary for the Secretary to make his decision.

Secretary LYNN. I have answered the question.

Mr. FORBES. No, you haven't. You said you provided analysis, but that could have been back-filled analysis. I am asking have we gotten all the written documentation that was provided to the Secretary?

Secretary LYNN. The Secretary has provided you the material that—

Mr. FORBES. That he thinks we should have?

Secretary LYNN [continuing]. That supports his decision. I will go back and see if there is more material that we can provide you.

Mr. FORBES. So what you are saying is you don't know, as you are sitting there, whether there was more written information given to him or not?

Secretary LYNN. I am saying that I will explore as to whether there is more material that we can provide you to try and help you with this decision.

Mr. FORBES. Do you know if there was any more written material, Mr. Secretary, as you are sitting there testifying?

Secretary LYNN. I am sorry, I didn't hear you.

Mr. FORBES. I am saying do you know whether there was more written material given to the Secretary than was provided to this amendment?

Secretary LYNN. I am saying that we will provide you—we provided you with a body of materials.

Mr. FORBES. Mr. Secretary, my time is out. You are not going to answer the question, so I would like to have him provide us with the information, and I yield back.

Mr. TAYLOR. The chair thanks the gentleman. The gentlewoman from Guam, Ms. Bordallo, 5 minutes.

Ms. BORDALLO. Thank you, Mr. Chairman. Secretary Lynn, it is good to see you again, Secretary Carter and General Cartwright. Let me divert slightly from the topic of today's hearing and bring up concerns about the military buildup in Guam, and they cer-

tainly are issues of cost efficiencies if we get the buildup done right.

The Record of Decision was signed by Assistant Secretary of the Navy Jackie Pfannenstiel, and while the ROD [Record of Decision] delays the final decision on the location of a firing range, it states a preference to acquire land on the east side of the island, on a bluff above the Pagat historical and cultural site. I remain extremely skeptical that such a land acquisition deal can be struck with the Government of Guam.

So with that in mind, can you outline what steps the Department is taking in regards to meet Marine Corps training requirements? Has the Department considered Tinian Island or some of the DOD land on Guam that could be used?

And again I want to repeat I am skeptical that a deal can be struck, and I would not feel it prudent for the Department to spend billions of dollars without a deal secured for the training range.

So can you please comment, and can I get your commitment to more seriously explore alternatives for the Marine Corps firing range?

Secretary Lynn.

Secretary LYNN. Congresswoman Bordallo, thank you for the question. I appreciate the question. As you know, I recently visited Guam and saw for myself the plans and the issues that we face.

The training range is a critical issue. I agree with you. To have the Marines move to Guam and to maintain the levels of training that we would expect out of a Marine unit, we do need to find some resolution of this issue. I think you correctly described it, Pagat, that location in Pagat is the preferred location. That was after analyzing government land and some other options. Tinian is off island, probably appropriate for some training, but not close enough for the small arms training we are talking about here. We are much more interested in a training range on Guam.

We are continuing—I understand the cultural concerns in the Chamorro site that is there. We are continuing to work those issues. And we are hoping that we can find a resolution that allows the Marines to conduct their training on Guam without compromising the cultural site. And we are going to continue to work with you on that, and I agree it is a critical issue for going forward.

Ms. BORDALLO. Thank you, Mr. Secretary, and I do want to get it on record to state that you are seriously looking at alternatives.

I have another question. General Cartwright, I guess I am following up on Congressman Wilson's questions. The recommendations put forth are a good start on some of these to maximize efficiencies. But as I reviewed the recommendations, I am perplexed as to why the Department has not tackled personnel costs. And what further frustrates me is that I don't see anywhere where the National Guard plays a role in the solutions. This is a frustration of mine with regards to the buildup in Guam and now here. The Guard has demonstrated that it can recruit and retain quality soldiers and airmen at a significant savings over the active duty personnel.

So can I get a commitment to more adequately review this potential efficiency?

General CARTWRIGHT. I think your reference here is more frequent use of the Guard in lieu of the active force—

Ms. BORDALLO. That is correct.

General CARTWRIGHT [continuing]. And ensuring that they are well equipped as they go forward, and well trained and afforded the opportunities to be well equipped.

Ms. BORDALLO. And there will be savings.

General CARTWRIGHT. The Guard in itself would generate savings. This effort will generate savings to equip the Guard and continue to keep the Guard trained at the levels that we have become accustomed to, which is substantially higher than anything we have experienced in the past. So our commitment here is to generate this savings so that we can plow it back into that tooth, which we consider the Guard to be. How much we get here, and then our work with the Congress will determine the amount of money that is available to do that.

I acknowledge the fact that there are savings that we reap from utilizing the Guard that we don't necessarily receive utilizing active forces, but there are trades that we make there in that area also operationally.

Ms. BORDALLO. Thank you. I yield back.

Mr. TAYLOR. The chair thanks the gentlewoman. The chair now recognizes the gentleman from Virginia, Mr. Scott, for—if you could keep it very brief, Mr. Scott, we have only 3 minutes remaining on the vote across the street.

Mr. SCOTT. Thank you, Mr. Chairman. I appreciate the opportunity to get a couple things quickly on the record. Secretary Lynn, in the QDR there was no recommendation to close JFCOM. Is that right?

Secretary LYNN. That is correct. It didn't address command issues.

Mr. SCOTT. And there was no recommendation to close JFCOM. And during the last BRAC, JFCOM was mentioned but the decision was made not to close JFCOM. Is that right?

Secretary LYNN. Yes.

Mr. SCOTT. And it was mentioned in BRAC, which suggests that BRAC has jurisdiction, which is an interesting little thing. In reference to your answer to my colleague from Virginia, Mr. Forbes, you said you have given information that supports the decision. That invites the inquiry whether there are documents that did not support the decision that are floating around. Are such documents—do such documents exist?

Secretary LYNN. Not to my knowledge.

Mr. SCOTT. No document exists that gave an evaluation that suggested that maybe it shouldn't be closed? There was no written debate about this?

Mr. TAYLOR. Mr. Scott? I hate do this to you, but we are at the 2-minute mark. Could I ask you to please submit the remainder of your questions for the record?

Mr. SCOTT. If I could just get a quick answer to that, and thank you very much, Mr. Chairman, for the opportunity to just get in a couple of questions.

Mr. TAYLOR. If you would, the gentleman is going to submit the remainder of his questions for the record.

Secretary LYNN. Fine.

Mr. TAYLOR. General Cartwright, Chairman Skelton also has some questions for you for the record. With that, I do want to thank all three of you gentlemen for being here.

The meeting stands adjourned.

[Whereupon, at 12:37 p.m., the committee was adjourned.]

A P P E N D I X

SEPTEMBER 29, 2010

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

SEPTEMBER 29, 2010

Statement of Chairman Ike Skelton
The Department of Defense's Efficiency Initiative
September 29, 2010

Welcome everyone to the House Armed Services Committee's hearing on the Department of Defense's Efficiency Initiative. We have with us three distinguished witnesses: Deputy Secretary of Defense William J. Lynn, III, the Department's Chief Management Officer; Dr. Ashton Carter, the Under Secretary of Defense for Acquisition, Technology, and Logistics; and General James E. Cartwright, USMC, the Vice Chairman of the Joint Chiefs of Staff.

The topic they are here to discuss is one of the most important we will consider this year. And it will be particularly important next year when the committee reviews the President's budget request for fiscal year 2012. That topic is the Department's effort to wring billions of dollars of efficiencies out of its operations.

I want to begin and end this hearing with one clear overriding message. I think I speak for the overwhelming majority on this committee, regardless of party, when I tell you that I do not support cutting the defense budget at this time. The national security challenges this Nation faces around the world dictate that we maintain the recent growth in our ground forces, the Army and the Marine Corps; that we modernize our Air Force; and that we grow our Navy. To do this, we must continue to grow the base defense budget for some time to come.

I think I can also speak for the committee in saying that we all want to eliminate waste within the Department wherever and whenever we find it. I commend the Secretary of Defense and his able support team, well represented here today, for making hard choices that have too often been avoided in the past. As you all know, this committee hasn't agreed with every decision made, nor should we, but we do respect the leadership being demonstrated at the Department of Defense.

The Department's efficiency initiative is the most comprehensive effort of its kind in almost 20 years. Across the board, this committee stands ready to hear the Department's case. In the area of acquisition reform, we believe the Department's initiatives are very much aligned with policies the committee has advocated for years and which were recently clearly expressed in the report of our Panel on Defense Acquisition Reform. In other areas, we look forward to better understanding what the Department is proposing and what savings will be achieved. When it comes to jointness, insourcing, and information technology, this committee has long-standing interests and concerns that may not align as clearly with the Department's proposals.

As long as I have served in Congress, the system has worked one way: the Administration proposes, and the Congress disposes. This year and next will be no different. So gentlemen, your task today is to persuade us that this initiative is not part of an agenda to cut the defense budget, and that it is consistent with this committee's longstanding priorities in a number of critical areas.

Statement of Ranking Member Howard P. “Buck” McKeon
The Department of Defense’s Efficiency Initiative
September 29, 2010

Secretary Lynn, Secretary Carter, and General Cartwright, good morning and welcome. We have been looking forward to your testimony on the Department’s efficiencies initiative for some time. I hope that you will be able to provide members of this Committee with detailed information regarding the Secretary’s proposed measures and to allay the concerns that many of us share.

As elected officials, Members of Congress have a responsibility to ensure U.S. taxpayer dollars are not wasted on inefficient, wasteful or redundant programs. I agree with Secretary Gates that we must scrutinize defense programs to ensure we are generating the most bang for the buck and that we must concentrate our limited resources on the highest-priority programs. Furthermore, I view it as the responsibility of the Armed Services Committee to exercise the same discipline on an annual basis, through our defense authorization act, to shift funds from poorly performing programs to higher national security priorities and promising technologies for the future, such as missile defense and means to counter anti-access threats.

But, as with most things, the devil is in the details. Unfortunately, although we have requested more information, both verbally and in writing, the Department has failed to fully respond. My first concern is where we find \$20 billion a year in cuts—in the midst of two wars—without also cutting back on required weapons and services needed to meet the threats of today and tomorrow. Secretary Lynn, you’ve already announced that at least a third of the savings will come from within the force structure and modernization accounts—the same accounts the Secretary is attempting to grow. We have seen that setting arbitrary targets for cost savings, as appears to have happened with insourcing, can frequently not yield the expected results. How do we avoid those pitfalls here?

Second, I am extremely concerned that no matter what the intentions of the Secretary may be, the Administration and some in Congress will not allow the Secretary to keep the savings. This summer, the White House supported a teacher bailout bill that was funded in part with defense dollars. Once these savings from this efficiencies initiative are identified, what’s to stop them from taking this money, too?

We’re already seeing impacts of this summer’s cuts. For example, some of those funds were intended to rectify an overdraft in the Navy’s military pay accounts. Once those funds were taken, the Navy was forced to take the money from aircraft procurement accounts. What’s the result? It’s going to take longer to buy the external fuel tanks our Super Hornets and Growlers need and to upgrade training simulators. Even worse—it will cost the taxpayers more money to buy those fuel tanks because we won’t be able to take advantage of a negotiated bulk buy. So much for efficiency.

Secretary Gates appears to share my concern. In August he stated, “... my greatest fear is that in economic tough times that peo-

ple will see the defense budget as the place to solve the nation's deficit problems, to find money for other parts of the government. I think that would be disastrous in the world environment we see today and what we're likely to see in the years to come."

Third, with respect to acquisition reforms, most of these appear to be consistent with Congressional direction. I would like to learn more about the Department's plans to set cost targets for new weapon systems. Congress supports analytical trade-offs between required capabilities, time to the warfighter, and cost. However, our requirements must be determined by the future threat environment, not simply by our budgets.

The Department will have to convince members of this committee that these efforts will not weaken our nation's defense. To that end, we must fully understand the rationale behind each decision and potential impact of every cut. Case in point—who within the Department of Defense will be responsible for ensuring our commanders in Afghanistan and Iraq have the correct number and mix of military forces, if the Department eliminates the Joint Forces Command?

Thank you for your willingness to provide this Committee with the information we require to conduct thorough oversight and support the Secretary's efforts to grow our investment accounts.

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TESTIMONY OF

William J. Lynn, III
Deputy Secretary of Defense

Before the U.S. House of Representatives
Armed Services Committee

September 29, 2010

Mr. Chairman and distinguished members of the committee, thank you for the opportunity to appear before you to discuss the Department's efficiency efforts.

During his speech in May of this year at the Eisenhower library, Secretary Gates outlined how in order to maintain and modernize America's key military capabilities at a time of war and fiscal pressure, the Defense Department would need to fundamentally change the way it does business.

The reason is this: To sustain the current military force structure – which the Secretary believes we must do given the security challenges this country faces – requires the equivalent of real budget growth of two to three percent. The overall defense budget, however, is projected to rise in real terms by about one percent, based on DoD inflation assumptions. And the Department cannot, and should not, ask Congress for more increases each year unless we have done everything possible to make the dollars we already have count for more.

Bridging that gap requires culling the department's massive overhead costs and structures, the "tail," and directing them to our fighting forces and modernization accounts, the "tooth." This is not an effort to reduce the Defense budget. This is about shifting resources and priorities within the existing top line. That requires reducing the department's overhead costs by targeting unnecessary excess and duplication in the defense enterprise.

This effort is not just about the budget, it is also about operational agility. The Secretary wants to ensure that the Department is operating as efficiently and effectively as possible. He has directed us to take a hard look at how the Department is organized, staffed, and operated; how we can flatten and streamline the organization; reduce executive or flag-officer billets and the staff

apparatus under them; shed overlapping commands and organizations; and reduce the role and costs of contractors.

Since the Secretary's speech in May, DoD has embarked on a four-track approach towards a more efficient, effective, and cost-conscious way of doing business. I will briefly touch on our activities in Tracks 1-3 and then go into more depth about Track 4.

Track 1: The Secretary directed that the military services find more than \$100 billion in overhead savings over the next five years. The services will be able to keep any of the savings they generate to invest in higher priority warfighting and modernization needs. This effort is underway and we have already begun to review the service submissions. The FY 2012 budget will reflect the results when it is submitted in February.

Track 2: The Department is also seeking ideas, suggestions and proposals regarding efficiencies from outside normal channels. We have solicited input from experts, from think tanks, industry, and the department's external boards. We have also established a DoD suggestion program to solicit our employees' ideas. The Department is willing to consider any reasonable suggestion to reduce our overhead.

Track 3: The Department is also conducting a broad review of how it is organized and operated to inform President's 2012 budget process. This "Track 3" review focuses on affecting long-term systemic improvements in several key areas of DoD operations. Through this review the Department seeks to adjust processes, regulations, and systems that add needless layers of bureaucracy and serve as roadblocks to efficient operations. As a first step, Under Secretary of Defense for Acquisition, Technology, and Logistics, Dr. Ash Carter recently

unveiled his acquisition initiatives, which includes 23 significant changes to the way the Department contracts for goods and services. Dr. Carter will address these in more detail in his opening statement.

The Secretary's Track 4 initiatives, announced on August 9, address specific areas where the Department can take action now to reduce inefficiencies and overhead. These steps are intended to jump start the reform process ahead of and separate from the normal programming and budget submission process. In particular, they represent the Secretary's lead effort to reduce headquarters and support bureaucracies, military and civilian alike that have swelled to cumbersome proportions, grown over-reliant on contractors, and become accustomed to operating with little consideration of costs. Though all these efforts will result in measurable savings, an equally important purpose is to instill a culture of cost-consciousness and restraint in the Department—a culture that sets priorities, makes real trade-offs, and separates unrestrained appetites from genuine requirements.

To see these Track 4 initiatives through from his announcement to action and to produce measurable results in the near-term, the Secretary established a task force chaired by his Chief of Staff. This task force has chartered study groups from within the department which are developing action plans aligned to the Secretary's guidance. The Task Force is overseeing the implementation of these plans and their eventual transition to the appropriate department leadership. Secretary Gates will personally approve all action plans later this fall to ensure that his vision is translated into concrete results.

I will briefly recap the Secretary's guidance in each of these eight areas and then outline the reasons for his decision, as well as the general approach the Department is taking to execute it.

Contractors: The Secretary directed funding for service support contractors be reduced by 10 percent per year for three years. There have been significant efforts to outsource non-core tasks to contractors over the last several decades. However, since 2001 the availability of resources from supplemental appropriations, coupled with the urgency of supporting combat operations, resulted in dramatic increases in the number of contractors working for the Department, who have risen from 26 percent of the DoD workforce in 2000 to 39 percent today. The sheer number of contractors is not the only problem. Many of these recently outsourced service support and advisory contractors are actually carrying out functions that should be performed by government employees. The Secretary intends to reverse this trend. The task force is establishing a baseline for these contractors and will develop specific targets for reductions.

Civilian Personnel: The Secretary's initiative froze the number of OSD, Defense Agency, and combatant command positions and directed a zero-based review of each organization. The growth in the size and expense of the Office of the Secretary of Defense, the defense agencies, and the combatant commands since 2001 provides a ripe area for review and subsequent realignment. The zero-based review of organizational missions, funding, and staffing is intended to ensure that each organization is aligned to the Department's priorities, and to allow reductions or realignment of personnel and resources as appropriate. We are in the midst of gathering data and reviewing initial organizational self-assessments. As we consolidate the data, and conduct our own analysis, the

Secretary expects to receive a series of recommendations aimed at flattening the Department's headquarters and staff structures, resulting in efficiencies and savings that can be applied to higher priorities. The effort to seek efficiencies in our civilian staff will not undercut the ongoing process of adding contracting officers, system engineers, and weapons testers in our acquisition system.

Senior Positions: Secretary Gates froze the number of senior civilian executives, general and flag officers, and presidentially appointed and senate-confirmed officials. After a senior-level review, he intends to reduce the numbers of these positions. Since September 2001, the number of general and flag officers has increased by more than one-hundred, while senior civilian leaders have increased by more than 300. This "brass creep" – where higher ranking personnel now perform tasks that could be more appropriately and efficiently performed by lower ranking personnel – is associated with increased layers of bureaucracy and proliferation of new staff. The effort in this area is intended to assist in the transition to fewer organizations and into flatter and more responsive and agile structures. We have two senior study groups reviewing the distribution of senior positions across the Department and expect, at a minimum, to substantially trim the growth that has occurred since 2001.

Economies of Scale: To take advantage of the Department's economies of scale, the Secretary directed that key areas of the Department consider consolidation of duplicative or redundant infrastructure and processes to reduce costs and increase capabilities. We are pursuing several key initiatives, particularly concerning the consolidation of information technology infrastructure, that appear to offer significant savings.

Oversight Reports and Studies: The Secretary directed a freeze on the overall number of DoD-required oversight reports and immediately cut the FY10 funding for advisory studies by 25 percent. A team is conducting an aggressive review of the value of all internal and external oversight reports with the goal of reducing their volume and the burden they place on Department staff. This team is currently reviewing an initial set of more than 1,000 internal oversight reports and studies, weighing the oversight value against the manpower it takes to produce them, and will make initial recommendations within weeks. We are also examining several hundred recurring reports required by Congress in the annual spending bills to better understand the cost of production and the value they provide to you and other defense decision-makers. As part of this evaluation, we look forward to engaging this and other committees on ways to seek efficiencies as we meet your oversight needs.

Boards and Commissions: A team is also working to review about 60 defense advisory boards and commissions, along with a large number of advisory subcommittees, to assess the value of their advice and to recommend disestablishment, streamlining and restructuring of those that are not providing the highest impact to senior decision-makers. Remaining boards and commissions are expected to see their funding for studies reduced by 25 percent. Within the Secretary's authority, those boards and commissions that are assessed to provide little value to the Department will be disestablished. If our analysis indicates that any board or commission established in statute is no longer needed or should be restructured, we expect to engage your committee and others in dialogue about options for statutory changes to help implement desired efficiency gains while ensuring Congressional oversight responsibilities are met.

Intelligence Organizations: The Secretary reduced intelligence advisory and assistance contract funding by 10 percent and froze the number of senior executive positions in defense intelligence organizations. He also directed a zero-based review of the department's intelligence missions, organizations, relationships, and contracts by 1 November. There has been a proliferation of new intelligence organizations and operations since 2001, primarily based upon the demands of fighting two wars and combating terrorism. Because much of this growth was not centrally directed or coordinated, there is a high probability of redundancy and overlap with intelligence organizations that can be reduced or eliminated. This offers the opportunity to redirect the savings to other, more important intelligence efforts. In addition, this effort is being conducted in close collaboration with the DNI who is pursuing a similar review across the intelligence community. We expect that the fruits of the zero-based review and subsequent realignment will be a flatter and more responsive intelligence structure that better supports both national priorities and operational forces.

Organizational Disestablishments: The last decade has seen a significant growth of new offices and organizations including two new combatant commands and five new defense agencies. Therefore, in addition to flattening and trimming structure, the Secretary directed the Department to consider the outright elimination of organizations that either perform duplicative functions or have outlived their original purpose.

We reviewed a variety of information regarding Combatant Commands, Defense Agencies, and the OSD staff, including missions, staffing levels, and other data. However, the Secretary was particularly interested in organizations that had outlived the original argument for their existence, whose missions had

changed or no longer existed, or had a mission or conducted activities that duplicated other organizations.

We spent considerable time reviewing the input of his most senior advisors, including the Chairman and Vice Chairman of the Joint Staff, myself, and others. Over thirty meetings were held with senior leaders, in both small forums and large, to help understand the contributions that these organizations provided to national security and the risks and pitfalls that might be associated with any decision to disestablish an existing organization.

The Secretary concluded that Joint Forces Command (JFCOM), the Assistant Secretary of Defense for Networks and Information Integration (NII), Joint Staff J-6 Directorate, and the Defense Business Transformation Agency (BTA) no longer effectively satisfy the purpose for which they were created. Some missions and tasks that each perform remain vital, but can be managed effectively elsewhere. Other functions that each perform are either already performed elsewhere, or are no longer relevant for the Department.

Therefore, after several months of review, the Secretary made the decisions announced on August 9th to disestablish the NII, J-6, and BTA, and also to recommend to the President that he approve the disestablishment of Joint Forces Command (JFCOM).

NII was created in 2003 when the Office of Communications, Command, Control and Intelligence split off its intelligence functions due to the increasing need for intelligence in the post 9/11 world. At the time, there were questions about the necessity of creating a separate organization within OSD to handle the remaining Communications, Command, and Control functions, such as the replication of responsibilities and processes.

The speed at which information technology is changing is outstripping the Department of Defense's ability to adapt to the changes. The modern US military is increasingly dependent on its ability to get the right information to the right person at the right time, while preventing critical information from getting into the wrong hands. The Department continues to expand its technology solutions to support both goals. But, at the same time, the Department is hindered by its internal bureaucracy – primarily the duplication of processes by multiple organizations – which limits our ability to be as agile as we would like in this crucial area.

Many of the functions performed by NII are also provided by other organizations within the Department. For example, NII performs:

- Information assurance functions that are similar to those provided through U.S. Cyber Command (CYBERCOM), the Joint Staff, JFCOM and the Defense Information Systems Agency (DISA);
- Resourcing functions that are similar to those provided through the Under Secretary of Defense for Comptroller;
- Acquisition oversight for command and control are similar to those provided through the Under Secretary of Defense for Acquisition, Technology, and Logistics;
- CIO functions that are similar to those provided through CYBERCOM, STRATCOM, the Joint Staff, JFCOM and DISA, and;
- Command and Control (C2) functions that are similar to those provided through CYBERCOM, STRATCOM, the Joint Staff, JFCOM and DISA.

These redundancies represent more than a waste of resources—they also increase the potential for confusing or even conflicting policies and plans. Based on these observations, the analysis indicates that removing these functions from NII and J-6 and then consolidating them within other organizations will likely increase overall effectiveness and save money.

A specific consideration for allocating these functions among existing DoD organizations is the value of representing the user and provider perspectives within the same organization. The goal is to support evolving operational needs and thwart equally adaptive threats. These goals are best served by an organization that is simultaneously responsible for setting policy, implementing plans, performing C2 and directly supporting users.

There are multiple ways that key responsibilities can be reallocated. The Task Force working group is developing options to determine the best allocation strategy to achieve the goals of meeting operational needs, improving security, and being prudent fiscal managers.

The Business Transformation Agency (BTA) was created in 2006 to assist in business transformation activities, to integrate and improve the Department's business processes to include numerous Enterprise Resource Planning (ERP) implementations. The Agency encompassed the Financial Management Modernization Program and Business Management Modernization Programs that had previously existed in the Under Secretary of Defense for Comptroller and Under Secretary of Defense for Acquisition, Technology, and Logistics respectively. When established, BTA was envisioned to centralize business transformation and system modernization efforts into a unified and focused organization.

In 2008, the Congress, through the National Defense Authorization Act, instituted the position of Deputy Chief Management Officer (DCMO) to assist the Deputy Secretary of Defense, acting as the Chief Management Officer, to organize the business operations of DoD. The mission of the Office of the DCMO duplicates many of the BTA functions. Specifically, the DCMO has the principal responsibility for invigorating and improving business operations in DoD in order to enhance support to the warfighter and provide better financial accountability. Therefore, rather than lead in the development of better business practices, BTA's prime focus has essentially devolved to being the caretaker and manager for several relatively small business systems, and providing direct support to the DCMO for various policy issues. This narrower function does not justify continuing BTA as a stand-alone defense agency.

Accordingly, Secretary Gates approved disestablishment of BTA and directed that its remaining functions be reviewed and transferred to other organizations in DoD as appropriate.

The Secretary has recommended that the President approve the disestablishment of U.S. Joint Forces Command (JFCOM). This recommendation is based on a review of the missions assigned to JFCOM in the Unified Command Plan and the determination that these missions can be accomplished effectively and more efficiently, elsewhere within the Department.

JFCOM was formally established in 1999 as the successor to the U.S. Atlantic Command. The central mission of JFCOM was to infuse and, to some degree, compel jointness into everything the military does, especially training, doctrine development and the provision of forces for operations. It was understood at the time that the creation of JFCOM would result in the addition of a new

organizational layer in how the Department managed military forces. But, the imperative to encourage and advance the principle of jointness among our military was judged to outweigh the costs associated with the extra bureaucracy. Over the years, JFCOM has had success in advancing this goal. However, it has also grown dramatically in size, budget, and personnel. In 2000, its first full year of operation, JFCOM employed approximately 2,100 military and civilian personnel and had an annual operating budget of approximately \$300 million.

Today, JFCOM employs more than 3,000 military and civilian personnel in addition to approximately 3,000 direct support contractors and has an annual operating budget of nearly \$1 billion. However, unlike many DoD organizations that have grown since 2001 due to new missions or the need to support operations in Iraq and Afghanistan, JFCOM has continued to grow without any significant expansion of mission or responsibilities.

More fundamentally, the principal purpose for the creation of JFCOM in 1999 – to force a reluctant service-centric military culture to embrace joint operations and doctrine – has largely been achieved. Jointness is a cultural and behavioral principle that is evolutionary and not easily measured; however, there is little debate that today the United States military has doctrinally, operationally and culturally embraced jointness as a matter of practice and necessity. As with similar matters of cultural behavior, jointness remains a policy objective that requires continued development, vigilance and emphasis by civilian and military leadership. But I am also firmly convinced that our military institutions have now reached a point where there is no risk of reverting back to the pre-Goldwater-Nichols Act period, where the military services sometimes planned, trained, fought and bought as if the other services did not exist. The evidence of this

achievement is manifested on today's battlefields, in military schools, and among the ranks of current and next generation military leaders who have grown up in and inherently accept this new joint world.

Accordingly, we believe that we can no longer justify the expense and overhead associated with maintaining a separate four-star combatant command for this purpose.

Finally, I am mindful that the recommended actions will have economic consequences for displaced employees, their families and local communities. The Department is committed to work with the affected communities and will devote significant attention to the challenges employees will face during this transition. We have asked Dr. Clifford Stanley, the Under Secretary for Personnel and Readiness, to take direct responsibility for this aspect of the Department's planning in order to ensure we take the steps necessary to help impacted employees with appropriate assistance and support.

In closing, Mr. Chairman, I understand that some of these reforms may be controversial and unwelcome to some people both inside and outside the department. No doubt many of these changes will be stressful, if not wrenching for the organizations and employees affected. But I would ask the members of this committee, and the Congress as the whole, to consider this reform agenda in terms of our responsibilities as leaders to set priorities and move resources from where they are needed least to where they belong: America's fighting forces, investment in future capabilities and, most importantly, the needs of our men and women in uniform. That is what the Secretary and the President are proposing, and we urge your strong support.

Thank you for the opportunity to discuss this initiative with you today.
look forward to your questions.



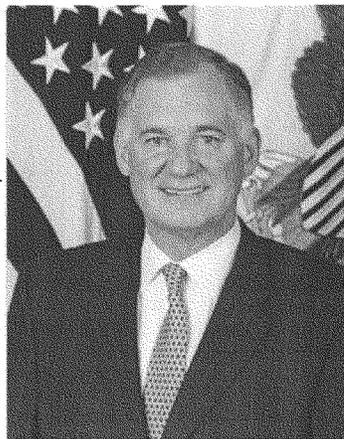
WILLIAM J. LYNN, III
Deputy Secretary of Defense



William J. Lynn III is the 30th Deputy Secretary of Defense. Mr. Lynn's career has included extensive public service at various levels within government. Mr. Lynn served as the Under Secretary of Defense (Comptroller) from 1997 until 2001 and for four years prior to that he was the Director of Program Analysis and Evaluation (PA&E) in the Office of the Secretary of Defense.

Before entering the Department of Defense in 1993, Mr. Lynn served for six years on the staff of Senator Edward Kennedy as liaison to the Senate Armed Services Committee. Prior to 1987, he was a senior fellow at the National Defense University and was on the professional staff of the Institute for Defense Analyses. From 1982 to 1985, he served as the executive director of the Defense Organization Project at the Center for Strategic and International Studies.

Mr. Lynn also has experience in the private sector from 2001-2009. He served as senior vice president of Government Operations and Strategy at Raytheon Company. He also served as executive vice president of DFI International, a Washington-based management consulting firm, from 2001 to 2002.



A graduate of Dartmouth College, Mr. Lynn has a law degree from Cornell Law School and a master's in public affairs from the Woodrow Wilson School at Princeton University. His publications include a book, *Toward a More Effective Defense*, as well as articles in various newspapers and professional journals. He has been recognized for numerous professional and service contributions, including three DoD medals for distinguished public service, the Joint Distinguished Civilian Service Award from the Chairman of the Joint Chiefs of Staff, and awards from the Army, Navy and Air Force.

**STATEMENT OF
UNDER SECRETARY OF DEFENSE FOR
ACQUISITION, TECHNOLOGY & LOGISTICS
DR. ASHTON B. CARTER
HOUSE ARMED SERVICES COMMITTEE
WEDNESDAY, SEPTEMBER 29, 2010, 10:00 A.M.**

Mr. Chairman, Ranking Member McKeon, distinguished members of the Committee:

Thank you for the opportunity to testify today. It is a pleasure to join Deputy Secretary Lynn and General Cartwright to discuss Secretary Gates' Efficiency Initiative, and my role in it.

Obtaining Greater Efficiency and Productivity in Defense Spending

As part of his broad initiative to improve the American taxpayer's return on his investment in national defense, Secretary Gates has tasked me to improve the Department's buying power in the way we acquire critical goods and services. Together, goods and services comprise \$400 billion of the \$700 billion in annual defense spending. We estimate that by targeting efficiencies in both of these areas, we can make a significant contribution towards achieving the \$100 billion redirection of defense budget dollars from unproductive to productive purposes sought by Secretary Gates and Deputy Secretary Lynn over the next five years. The Department can meet this goal only if we fundamentally change the way we do business.

To put it bluntly, we cannot support our troops with the capabilities they need *unless* we do so. Our challenge is to sustain a military at war, take care of our troops and their families, and invest in new capabilities – all in an era when defense budgets will not be growing as rapidly as they were in the years following 9/11. Last year, we identified savings in the defense budget by cancelling unneeded programs. Now we must find savings within programs and activities we do need. The Department must achieve what economists call productivity growth: We must learn to do more without more.

On June 28, I laid out a mandate to the defense acquisition workforce and the defense industry describing how the Department would try to achieve better buying power. On September 14 – after months of work with the Department's senior acquisition professionals, industry leaders, and outside experts – I issued specific Guidance on how to implement that mandate. I would like to submit both the June 28 mandate and September 14 Guidance – and the charts which accompany them – for the record.

September 14 Guidance

The September 14 Guidance contains 23 principal actions to improve efficiency organized in five major areas. Let me highlight just a few of the actions we are taking in each of the five areas:

First, as we begin new programs such as the Ohio-class SSBN(X) replacement, the joint Family of Systems for long-range strike, the Army's Ground Combat Vehicle (GCV), and even a new Presidential Helicopter, we will establish affordability requirements that have the same force as high-priority performance requirements. We will also insist that our acquisition professionals and suppliers plan according to what programs should cost, not according to self-fulfilling historical estimates of what they will cost, as if nothing can be changed in how we do business. We are already using this method to drive down costs in the Joint Strike Fighter (JSF) program, the Department's largest and the backbone of tactical air power for the U.S. and many other countries. Secretary Gates has said that monies saved this way would be retained by the Service that achieved the efficiency; in this case, the Air Force, Navy, and Marine Corps could reallocate JSF funds to buy other urgent capabilities.

Second, to incentivize productivity and innovation in industry, we will strengthen the connection between profit and performance in our business practices. Among other things, we are exploring ways – through contracting and financing vehicles and a pilot “Preferred Supplier Program” – to reward contractors who control their costs and demonstrate exemplary performance.

Third, we will remove obstacles to effective competition. Last year, the Pentagon awarded \$55 billion in contracts that were supposed to be competitive but for which only one bid was received, usually from an incumbent contractor. Yet simple changes in how we structure evaluations and work with industry have been shown to reduce by 50 percent the incidence of single bids by incumbents.

Additionally, we will promote real competition, for it is the single most powerful tool to the Department to drive productivity. We must stop deluding ourselves with the idea that “directed buys” from two designated suppliers represents real competition. We are already cutting down on directed buys with the Navy's Littoral Combat Ship (LCS), where we have set in place real competition that will save more than \$1 billion in the next five years alone, with additional savings expected over the life of the LCS program. Competition is not always available, but the evidence is clear that the government is not availing itself of all possible competitive situations.

Fourth, we will more aggressively manage the over \$200 billion we spend annually on services such as information technology and knowledge-based services, facilities upkeep, weapons system maintenance, and transportation. When most people think of the defense budget, they think of ships and planes. But more than 50 percent of our contract spending is for services. Believe it or not, our practices for buying such services are even less effective than for buying weapons systems.

Fifth, we are taking steps to reduce unproductive processes and bureaucracy by reducing the number of OSD-level reviews to those necessary to support major investment decisions or to uncover and respond to significant program execution issues, eliminating low-value-added statutory processes; and reducing the volume and cost of both internal and Congressional reports as appropriate.

Conclusion

Changing our business practices will take time and require the continued close involvement of our industry partners. We also need your support, which is essential to the success of this endeavor. However, we have every reason to believe that the efficiencies we seek can be realized: We have established reasonable reduction targets. We are focused on specific savings. We can identify the excess after an era of double-digit budget growth. And President Obama, Secretary Gates, Congress and American taxpayers expect it. The alternative is unacceptable: broken or cancelled programs, budget turbulence, uncertainty for industry, erosion of taxpayer confidence, and especially lost capability for the warfighter in a dangerous world. We can succeed and we must.

Thank you and I look forward to answering your questions.

THE HONORABLE ASHTON B. CARTER

Dr. Ashton B. Carter was sworn in as Under Secretary of Defense for Acquisition, Technology & Logistics on April 27, 2009.

Before assuming this position, Dr. Carter was chair of the International and Global Affairs faculty at Harvard's Kennedy School of Government and Co-Director (with former Secretary of Defense William J. Perry) of the Preventive Defense Project, a research collaboration of Harvard and Stanford Universities. Dr. Carter was also Senior Partner at Global Technology Partners and a member of the Board of Trustees of the MITRE Corporation and the Advisory Boards of MIT's Lincoln Laboratories and the Draper Laboratory. He was a consultant to Goldman, Sachs on international affairs and technology matters. He was a member of the Aspen Strategy Group, the Council on Foreign Relations, the American Physical Society, the International Institute of Strategic Studies, the Advisory Board of the Yale Journal of International Law, and the National Committee on U.S.-China Relations. Dr. Carter was also Co-Chair of the Review Panel on Future Directions for DTRA (Defense Threat Reduction Agency) Missions and Capabilities to Combat Weapons of Mass Destruction, Chair of the National Security Strategy and Policies Expert Working Group of the Congressional Commission on the Strategic Posture of the United States, a member of the National Missile Defense White Team, and a member of the National Academy of Sciences Committee on International Security and Arms Control.

Dr. Carter served as a member of the Defense Science Board from 1991-1993 and 1997-2001, the Defense Policy Board from 1997-2001, and Secretary of State Condoleezza Rice's International Security Advisory Board from 2006-2008. In 1997, Dr. Carter co-chaired the Catastrophic Terrorism Study Group with former CIA Director John M. Deutch, which urged greater attention to terrorism. From 1998 to 2000, he was deputy to William J. Perry in the North Korea Policy Review and traveled with him to Pyongyang. In 2001-2002, he served on the National Academy of Sciences Committee on Science and Technology for Countering Terrorism and advised on the creation of the Department of Homeland Security.

Dr. Carter was Assistant Secretary of Defense for International Security Policy during President Clinton's first term. His Pentagon responsibilities encompassed: countering weapons of mass destruction worldwide, oversight of the U.S. nuclear arsenal and missile defense programs, the 1994 Nuclear Posture Review, the Counter proliferation Initiative, control over sensitive U.S. exports, chairmanship of NATO's High Level Group, the Nunn-Lugar program resulting in the removal of all nuclear weapons from the territories of Ukraine, Kazakhstan, and Belarus, establishment of defense and intelligence relationships with the countries of the former Soviet Union when the Cold War ended, and participation in the negotiations that led to the deployment of Russian troops as part of the Bosnia Peace Plan Implementation Force.

Dr. Carter was twice awarded the Department of Defense Distinguished Service Medal. For his contributions to intelligence, he was awarded the Defense Intelligence Medal. In 1987, Dr. Carter was named one of Ten Outstanding Young Americans by the United States Jaycees. He received the American Physical Society's Forum Award for his contributions to physics and public policy. Dr. Carter was elected a Fellow of the American Academy of Arts and Sciences and the American Academy of Diplomacy.

From 1990-1993, Dr. Carter was Director of the Center for Science and International Affairs at Harvard University's John F. Kennedy School of Government, and Chairman of the Editorial Board of International Security. Previously, he held positions at the Massachusetts Institute of Technology, the Congressional Office of Technology Assessment, and Rockefeller University.

Dr. Carter received bachelor's degrees in physics and in medieval history from Yale University, *summa cum laude*, Phi Beta Kappa. He received his doctorate in theoretical physics from Oxford University, where he was a Rhodes Scholar.

In addition to authoring numerous articles, scientific publications, government studies, and Congressional testimonies, Dr. Carter co-edited and co-authored eleven books, including *Keeping the Edge: Managing Defense for the Future* (2001), *Preventive Defense: A New Security Strategy for America* (1997), *Cooperative Denuclearization: From Pledges to Deeds* (1993), *A New Concept of Cooperative Security* (1992), *Beyond Spinoff: Military and Commercial Technologies in a Changing World* (1992), *Soviet Nuclear Fission: Control of the Nuclear Arsenal in a Disintegrating Soviet Union* (1991), *Managing Nuclear Operations* (1987), *Ballistic Missile Defense* (1984), and *Directed Energy Missile Defense in Space* (1984).

**Statement of
General James E. Cartwright, USMC
Vice Chairman of the Joint Chiefs of Staff**

**Before the House Armed Services Committee
Wednesday, September 29th, 2010, 10:00 A.M.**

Chairman Skelton, Representative McKeon and distinguished members of the Committee, thank you for the opportunity to discuss the Department of Defense efficiency initiatives.

British military strategist J.F.C. Fuller wrote, "The first duty of the grand strategist is to appreciate the commercial and financial position of his country." Sustained economic power is at the root of sustainable military power. This understanding drives the efficiency initiatives. The decisions should not be viewed as stand-alone activities, but rather, as the next steps in an evolutionary process to change the way the Pentagon does business.

America remains a nation at war. We have Soldiers, Sailors, Airmen, Marines and Coastguardsman deployed around the world, many engaged in combat. We have transitioned from combat operations in Iraq, but our effort in Afghanistan has intensified. Further, demographic, cultural and geopolitical realities require us to prepare for a future where our forces may be engaged in persistent conflict. The leadership of this Department is committed to ensuring the force is sufficient and well equipped. Efficiency initiatives are aimed at increasing our "tooth to tail" ratio.

The nature of conflict in the 21st Century continues to evolve and threats span the spectrum of conflict. The intentions of those who wish to harm us are enabled by the power of information technology (IT). We must be able to adapt our strategy, weapon systems, and organizations to a construct that recognizes, mitigates, and defends against these new vulnerabilities of the information age. With this accelerated pace, we must develop a strategic and organizational construct agile enough to stay competitive.

Given the nation's economic situation, we recognize budgets will not grow at the rate they have since 9/11. DoD requires modest real budget

growth of 2-3% annually to maintain and equip a nation at war, but projected budgets for Fiscal Years 10-15 only project 1% growth, based on DoD inflation assumptions. Additionally, there is risk the projected 1% real growth may not be realized. To help ensure sufficient resources for our highest priorities, we must seek efficiency within current budgets. We owe it to the war fighters, and the taxpayers, to adapt our strategy, weapons and organizations to effectively conduct 21st Century warfare, and to conduct those operations efficiently.

The work conducted as part of the strategic reviews we released last year includes examples where we made these types of changes. In the Quadrennial Defense Review we shifted priority to concentrate efforts on the wars we are currently in. In the National Space Policy, we wrote of initiatives to increase partnerships with other nations in order to ensure space systems remained affordable. We cancelled weapon system programs that were chronically over budget, and redirected others to better align with evolving threats.

After making these adjustments in our strategy and weapons, we sought ways to streamline our organizational structure. Secretary Lynn described our general approach. Three specific initiatives are; the rebuilding and strengthening of the DoD CIO, the consolidation of IT for common use and better cyber defense, and the disestablishment of Joint Forces Command (JFCOM).

Our national dependence on IT for almost every aspect of our lives has accelerated, and DoD is no exception to this trend; DoD has witnessed a similarly rapid growth in the number of offices in the Department tasked to manage IT. Multiple organizations on multiple staffs at multiple layers of our hierarchy exist to oversee IT. The result is a complex web of authorities and responsibilities that is unclear and difficult to navigate. Combatant Commanders simply do not understand what organization they need to visit in order to get work executed. The need to clarify organizational roles and responsibilities for IT has become obvious. With the establishment of CYBER COMMAND earlier this year, the Department focused operational responsibility for this domain in one organization, compliant with legal requirements.

With the operational aspects of cyber defense assigned to CYBER COMMAND, we then needed to assign the policy and oversight responsibilities for that capability. To eliminate duplication across organizations, the operational functions of the Office of the Assistant Secretary of Defense for Networks and Information Integration, the J-6 Directorate on the Joint Staff, and portions of JFCOM will shift to CYBER COMMAND; the CIO-related functions of these organizations will be transferred into a strengthened Chief Information Officer (“CIO”). Acquisition functions will be realigned consistent with the final report of the Information Technology Acquisition Reform task force.

The recommended disestablishment of U.S. Joint Forces Command by the Secretary of Defense also recognizes our changing times. When JFCOM was stood up in 1999, its central mission was to drive jointness into everything the military does. It was understood that the creation of JFCOM for this purpose would result in the addition of an organization layer. At that time, it was judged that the imperative to advance jointness was greater than the costs associated with establishing a new command. Jointness is difficult to measure, but the goal of embracing joint operations and doctrine has reached a point where a four-star headquarters for joint advocacy is no longer required. We have embraced jointness as a matter of necessity. Evidence of this progression is manifested on the battlefield and in our military schools. We have reached critical mass, where our military accepts “joint” as the preferred method of war.

We must continue along the positive joint vectors and activities directed by Goldwater-Nichols. In addition, we must establish or improve on our processes and structures in the combined and interagency arenas. We fight as part of coalitions and alliances, and our level of success in these operations is enhanced by the degree we are synchronized with our international partners. The nature of today’s conflict also requires better integration through the interagency process. Strengthening capabilities and capacities through the “whole of our government” is increasingly important to our success.

However, we must avoid unintended redundancies and layering that can result from these efforts. Decision making in today's environments requires speed. Battlefields change too quickly. Our staffs and structures need to be flatter and faster. Redundancies and layering within our system is an impediment to success.

Finally, disestablishing JFCOM will allow us to better align operational responsibilities with service train and equip functions in order to reduce inefficiencies as forces are presented to Combatant Commanders. JFCOM succeeded in helping push the services to jointness. But that vision has largely been achieved and we believe we can no longer justify the expense and overhead associated with maintaining a separate four-star combatant command for that purpose.

The changes I have discussed in this statement have the unanimous support of the Joint Chiefs of Staff. They are needed to further our goal of creating a more effective and efficient Department of Defense. There are two major beneficiaries of these changes. The first are the war fighters, who will be better postured with the resources they need to fight and win. The second is the taxpayer, who will not only have a more effective military for 21st Century security, but will also witness and increased value in their defense dollar.



General James E. Cartwright
Vice Chairman of the Joint Chiefs of Staff



General Cartwright serves as the eighth Vice Chairman of the Joint Chiefs of Staff. In this capacity, he is a member of the Joint Chiefs of Staff and the Nation's second highest ranking military officer.

As Vice Chairman, General Cartwright chairs the Joint Requirements Oversight Council, Co-Chairs the Defense Acquisition Board, and serves as a member of the National Security Council Deputies Committee, the Nuclear Weapons Council and the Missile Defense Executive Board. In addition, he Co-Chairs the Deputies Advisory Working Group, which provides advice to Deputy Secretary of Defense William Lynn on resourcing and other high level departmental business issues.



General Cartwright was commissioned a second lieutenant in the Marine Corps in November 1971. He completed Naval Flight Officer training in April 1973 and graduated from Naval Aviator training in January 1977. He has operational assignments as an NFO in the F-4, and as a pilot in the F-4, OA-4, and F/A-18. He is a distinguished graduate of the Air Command and Staff College at Maxwell AFB, received his Master of Arts in National Security and Strategic Studies from the Naval War College, Newport, Rhode Island and completed a fellowship with Massachusetts Institute of Technology.

General Cartwright's command assignments include: Commander, United States Strategic Command (2004-2007); Commanding General, First Marine Aircraft Wing (2000-2002); Deputy Commanding General, Marine Forces Atlantic (1999-2000).

General Cartwright's joint staff assignments include: Director for Force Structure, Resources and Assessment, J-8 the Joint Staff (2002-2004); Deputy Director for Force Structure, Requirements, J-8 the Joint Staff (1996-1999).

Statement for Record of Congressman Gerald E. Connolly

House Armed Services Committee Hearing

September 29th, 2010

Thank you, Chairman Skelton and Ranking Member McKeon for permitting me to participate in this hearing. You have demonstrated exemplary bipartisan leadership of this Committee, and I appreciate your willingness to work with all members on important national security priorities.

Secretary Gates' proposed efficiency initiative relates directly to national security. As you have noted, under the previous Administration our military became reliant on federal contractors to an unprecedented degree, with the percentage of DOD workforce expenditures on service contracts growing from 26% to 39% between 2000 and 2009. Over the same timeframe, the Joint Forces Command (JFCOM) has grown from some 60 employees to more than 3,000. Clearly, with such dramatic changes it is laudable that the Secretary of Defense is examining how to improve efficiency. While acknowledging that the federal government's in-house capacity has in some cases been hollowed out under a previous administration, we must ensure that spending cuts do not cripple DOD's capacity to defend America.

On August 9th Secretary Gates presented a diverse set of proposals to improve DOD efficiency; notably, he did not state that these proposals would necessarily save money. The proposal to close JFCOM has received the most press and Congressional attention, but the other efficiency proposals would actually have a greater impact on Virginia and the nation. For example, the Secretary has proposed cutting service support contractor expenditures by 10% per year for three years, for a total reduction of 27.1%. I believe it is incumbent on DOD to demonstrate how reducing these contract expenditures will improve overall DOD efficiency, make America safer, and save money. DOD has yet to provide details on how this insourcing proposal would accomplish any of these three important objectives.

I request that DOD respond in writing to explain how it will protect small, service-disabled, veteran-owned small businesses (SDVOSB), and 8(a) businesses from disproportionate negative impacts of insourcing. Currently, 41 prime contractors with annual contract values of less than \$10 million do 90-100% of their business through DOD's Professional, Administrative, and Management Support Services (PAMS), where Secretary Gates is looking for annual 10% reductions. These are small businesses that will be adversely affected by the 10% annual reductions. In testimony before the Oversight Committee, DOD's Acting Director of Small Business Programs admitted she was not consulted about how to protect small business contractors prior to Secretary Gates' August 9th announcement. From DOD's perspective, it is probably easier to insource small contracts, so we need assurance that insourcing will not undermine DOD's laudable efforts to support small and disadvantaged businesses. Lost small business contracts could have a significant economic impact. In Virginia alone, DOD PAMS spent \$10.8 billion in 2009 on these types of service contracts. Losing \$1 billion a year as a result of this proposal will lead to layoffs and possibly the closing of small businesses.

While DOD clearly needs to provide the analytical basis for its decision to cut service contract spending, which seems to have been an arbitrary decision, Secretary Gates does deserve credit for aggressively tackling the recent growth in defense spending. Other efficiency proposals, such as consolidation of IT infrastructure and reduction of duplicative intelligence spending, will surely save money while improving national security. I look forward to working with Chairman Skelton as Secretary Gates develops an implementation strategy for this initiative.

DOCUMENTS SUBMITTED FOR THE RECORD

SEPTEMBER 29, 2010



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1300

OCT 21 2009

The Honorable Randy J. Forbes
United States House of Representatives
Washington, DC 20515

Dear Representative Forbes:

In response to your request, please find the enclosed non-disclosure agreement form signed by fifteen employees of Joint Forces Command (JFCOM) that are serving on the Command's Transition Planning Team for disestablishment.

The agreement was patterned after non-disclosures designed to protect classified or highly sensitive information. As such, it was determined to be inappropriate for the intended use of the Command's Transition Planning Team. Thus, the agreement has been withdrawn and replaced with standard guidance that is applicable for the pre-decisional planning necessary for the disestablishment of JFCOM.

Thank you for your interest in the Department of Defense Efficiencies Initiative. We welcome your input and look forward to working with you.

Sincerely,

Elizabeth L. King
Assistant Secretary of Defense
Legislative Affairs

SENSITIVE INFORMATION NONDISCLOSURE AGREEMENT

AN AGREEMENT BETWEEN

(Name of Individual - Printed or typed)

AND THE UNITED STATES

1. Intending to be legally bound, I hereby accept the obligations contained in this Agreement in consideration of my being granted access to sensitive information, pursuant to my appointment as a member of the U.S. Joint Forces Command Transition Planning Team. I understand that I will have access to various forms of sensitive information in the course of this employment. Sensitive information, for purposes of this agreement, includes information relating to Government pre-decisional processes, personnel actions, acquisition processes, formal requirements information, budgetary matters, planning, management processes, and personnel information, including Privacy Act and FOIA-Exempt information. In addition to the information described above, all information marked "For Official Use Only" is sensitive information, as well as information bearing any caveat on releaseability or distribution. I understand and accept that by being granted access to sensitive information, special confidence and trust shall be placed in me by the United States Government.

2. I accept that the unauthorized disclosure, unauthorized retention, or negligent handling of sensitive information by me could cause damage to the United States, to its interests, or to other individuals, or could be used to advantage by a foreign nation or other person. I hereby agree that I will never divulge sensitive information to anyone unless: (a) I have verified that the recipient has been properly authorized by the United States Government to receive it; or (b) I have been given prior written authorization from the United States Government acting through the Department of Defense or one of its components (hereinafter DoD) responsible for the control of the information. I understand that if I am uncertain about the sensitivity status of information, I am required to confirm from an authorized DoD official that the information is non-sensitive before I may disclose it, except to a person as provided in (a) or (b), above. I further understand that I am obligated to comply with laws and regulations that prohibit the unauthorized disclosure of sensitive information.

3. I further understand that in the course of my employment as a member of the U.S. Joint Forces Command Transition Planning Team, I may obtain access to third-party proprietary information through Government contracts or other means. I understand that such information is the property of one of more third-parties, and may only be available to the Government and its employees for limited official purposes, with restrictions on use and disclosure. I acknowledge that I may be required to execute and comply with confidentiality agreements with the owners of such third-party information.

4. I have been advised that any breach of this Agreement may result in the termination of any access to sensitive information I hold; removal from any

position of special confidence and trust requiring such access; or the termination of my employment or other relationships with DoD. In addition, I understand that unauthorized disclosure of sensitive information may, under some circumstances, constitute a violation of the Procurement Integrity Act, 41 U.S.C. § 423, et seq., Federal criminal conflicts of interest statutes, 18 U.S.C. §§ 203, 205, and 209, or other applicable Federal law. I recognize that nothing in this Agreement constitutes a waiver by the United States of the right to prosecute me for any statutory violation.

5. I hereby assign to the United States Government all royalties, remunerations, and emoluments that have resulted, will result or may result from any disclosure, publication, or revelation of sensitive information not consistent with the terms of this Agreement.

6. I understand that the United States Government may seek any remedy available to it to enforce this Agreement including, but not limited to, application for a court order prohibiting disclosure of information in breach of this Agreement.

7. I understand that all sensitive information to which I have access or may obtain access by signing this Agreement is now and will remain the property of, or under the control of the United States Government unless and until otherwise determined by an authorized official or final ruling of a court of law. I agree that I shall return all sensitive materials which have, or may come into my possession or for which I am responsible because of such access: (a) upon demand by an authorized representative of the United States Government; (b) upon conclusion of my need for such sensitive material in the course of my employment as a Highly Qualified Expert, or; (c) upon the conclusion of my employment as a Highly Qualified Expert with DoD.

8. Unless and until I am released in writing by an authorized representative of the United States Government, I understand that all conditions and obligations imposed upon me by this Agreement apply during the time I am granted access to sensitive information, and at all times thereafter.

9. I further agree that I will inform the officer appointed to lead the U.S. Joint Forces Command Transition Planning Team (TPT), Rear Admiral W. E. Carter, U.S. Navy, or any appointed successor, via the TPT Chief of Staff, of any potential or actual conflict of interest that may exist or arise throughout my employment or association with the TPT. I agree to abide by any limitations or restrictions placed upon my participation in TPT matters by the TPT Chief of Staff, if such are required to remediate an actual or potential conflict of interest.

10. Each provision of this Agreement is severable. If a court should find any provision of this Agreement to be unenforceable, all other provisions of this Agreement shall remain in full force and effect.



DEPARTMENT OF DEFENSE
OFFICE OF GENERAL COUNSEL
1600 DEFENSE PENTAGON
WASHINGTON, DC 20301-1600



Secretary of Defense Initiatives

Joint Forces Command (JFCOM) Network and Information Integration (NII) Business Transformation Agency (BTA)

Overview:

- The Secretary has directed the disestablishment of NII and BTA and recommended the disestablishment of JFCOM. The base closure laws (BRAC and section 2687 of title 10) do not apply to the disestablishment of organizations. Rather, they apply to actions taken with respect to military installations.
- The disestablishment of an organization could involve the closure or realignment of a military installation if the action results in the relocation of functions and civilian personnel positions from one installation to another. Even then, not all closures and realignments are subject to BRAC.
 - A reduction in the civilian workforce resulting from workload adjustments, reduced personnel or funding levels, skill imbalances, or other similar causes is not a closure or a realignment.
- The Secretary of Defense has the authority to close and realign military installations outside of a traditional BRAC round provided that action does not trigger the thresholds established in federal law (section 2687).
- The disestablishments of JFCOM, NII, and BTA do not trigger the thresholds established in federal law (section 2687) because the disestablishments (1) will not involve the closure of any installation with more than 300 civilian personnel; and (2) will not involve the realignment of any installation with more than 300 civilian personnel by more than 50% of the civilian personnel on that installation or by more than 1000 civilian personnel.

Section 2687:

- Section 2687 specifies that “no action may be taken to effect or implement—”
 - “the closure of any military installation at which at least 300 civilian personnel are authorized to be employed;”, or
 - the “realignment” of any installation at which at least 300 civilian personnel are authorized to be employed “involving a reduction of more than 1,000, or by more than 50 percent, in the number of civilian personnel authorized to be employed at that installation,” whichever is less, “unless and until” certain requirements are met.



- "The term 'civilian personnel' means direct-hire, permanent civilian employees of the Department of Defense." §2687(e)(2)
 - The number of contractors, Non-Appropriated Fund (NAF) employees, or military personnel is irrelevant to the analysis of applicability.

- "The term 'realignment' includes any action which both reduces and relocates functions and civilian personnel positions, but does not include a reduction in force resulting from workload adjustments, reduced personnel or funding levels, skill imbalances, or other similar causes." §2687(e)(3).
 - The key distinction between an action that is included within the meaning of "realignment" and one that is not is that a realignment must involve a movement of both functions and civilian personnel positions from one installation to another. Actions that eliminate overlapping functions or that do not involve the relocation of functions and civilian personnel positions from one military installation to another are not "realignments" within the meaning of the statute.
 - If the action involves both eliminations of civilian personnel and the movement of both functions and civilian personnel from one installation to another, the civilian personnel positions that are eliminated do not count as being "realigned" for purposes of determining the applicability of § 2687.
 - County of Seneca v. Cheney, 12 F.3d 8 (2d Cir. 1993). Seneca Army Depot employed 842 civilians, of which 442 performed special weapons capacity functions and 143 performed industrial equipment functions. The Department's action at Seneca was two-fold: eliminate the special weapons capacity function and all 442 associated civilian personnel; and transfer the industrial equipment function and 122 civilian personnel to a Defense Logistics Agency facility. The County of Seneca sought to enjoin the Department of Defense from undertaking this reduction in force, arguing that such action was a realignment that could only be undertaken within the then authorized BRAC round. The court ruled that the elimination of the special weapons capacity function and the 442 associated civilian personnel was not a realignment because "the term 'realignment' does not cover the outright elimination of a function." 12 F.3d at 10. The court also refused to consider the effect of the elimination of the special weapons capacity function and the transfer of the industrial equipment function cumulatively, finding that "because the special weapons RIF is not a realignment, BRAC does not apply to it, and the civilian personnel from special weapons do not count toward the threshold level." 12 F.3d at 11-12.

- "The term 'military installation' means a base, camp, post, station, yard, center, homeport facility for any ship, or other activity under the jurisdiction of the Department of Defense, including any leased facility, which is located within any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, or Guam. Such term does not include any facility used primarily for civil works, rivers and harbors projects, or flood control projects." §2687(e)(1)
 - While every discrete parcel of property could be view as a separate installation, it is standard practice in the military departments to assign smaller parcels of property,

particularly leased property, to a nearby military installation, making that property part of the larger military installation.

- Section 2687 does not define the term "close" or "closure", however the Department and prior BRAC Commissions have defined a "closure" as "all missions or activities of a certain installation have ceased or have been relocated. All personnel positions (military, civilian, and contractor) will either be eliminated or relocated, except for personnel required for caretaking, conducting any ongoing environmental cleanup and disposal of the base, or remaining in authorized enclaves." See, e.g., http://www.defense.gov/brac/definitions_brac2005.html

Section 2687 Does Not Apply to the Disestablishment of JFCOM:

- JFCOM has 1724 civilian personnel distributed among several locations. As further explained below, section 2687 does not apply to the disestablishment of JFCOM because the disestablishment (1) will not involve the closure of any installation at which 300 civilian personnel are authorized to be employed; and (2) will not involve the realignment of any installation at which 300 civilian personnel are authorized to be employed by more than 50% of the civilian personnel on that installation or by more than 1000 civilian personnel.
 - Naval Support Activity (NSA) Norfolk: Naval Support Activity (NSA) Norfolk: NSA Norfolk has approximately 3217 civilian personnel, of which 1058 are JFCOM. Of the 1058 JFCOM civilian personnel, 516 are at the JFCOM Headquarters located within the fence-line of NSA Norfolk and 542 at the Suffolk Annex, a leased location assigned for purposes of real property accountability to NSA Norfolk. In accordance with established practice, and consistent with Navy treatment of that location, the Suffolk Annex is considered part of NSA Norfolk. If the plan were to relocate all the JFCOM positions to another installation rather than to eliminate entirely a substantial number of those positions, such an action would be a realignment of NSA Norfolk by more than 1000 personnel and as such it would be subject to the requirements of Section 2687. The plan for the disestablishment of JFCOM, however, is to eliminate a significant number of JFCOM functions and positions through a Reduction in Force (RIF), rather than to relocate those functions and positions to another installation. The disestablishment of JFCOM therefore will result in realignment of NSA Norfolk by far fewer than 1000 personnel as well as by far less than 50% of the total civilian personnel authorized to be employed at NSA Norfolk (*i.e.*, 1608). As to closure, because NSA Norfolk has missions other than those performed by JFCOM, the disestablishment of JFCOM will not result in the closure of NSA Norfolk.
 - Naval Support Facility (NSF) Dahlgren: NSF Dahlgren has approximately 4468 civilian personnel, of which 507 are JFCOM. Even if all the JFCOM positions were relocated to another installation rather than some number being eliminated or rather than many of the jobs remaining in place under some other institutional leadership, such an action would be a realignment of NSF Dahlgren by only 507 personnel, far less than 50% of the total civilian personnel authorized to be employed at NSF Dahlgren (*i.e.*, 2234), as well as substantially fewer than 1000. If any of the JFCOM positions at NSF Dahlgren are eliminated through a RIF or if any of the positions remain at NSF Dahlgren under some

- other institutional leadership, the degree of realignment of NSF Dahlgren would be even less. As to closure, because NSF Dahlgren has missions other than those performed by JFCOM, the disestablishment of JFCOM will not result in the closure of NSF Dahlgren.
- Other Identified Military Installations: JFCOM has 47 civilian personnel authorized to be employed at Fort Belvoir, VA; 32 at Fairchild Air Force Base; 23 at MacDill Air Force Base, FL; 11 at Eglin Air Force Base, FL; 6 at The Pentagon; 4 at Creech Air Force Base, NV; 2 at Fort Eustis, VA; 1 each at Naval Air Station Norfolk, VA, Peterson Air Force Base, CO, and Camp Smith, HI. Although we have not determined the total number of civilian personnel at each of these installations, even if it were just 300 (the minimum size for section 2687 applicability) the relocation of all JFCOM civilians assigned to each of these installations would constitute a realignment of that installation by far less than 50% (i.e., 150) of the total civilian personnel authorized to be employed, as well as far fewer than 1000. If any of the JFCOM positions are eliminated through a RIF or if any of the positions remain in place, the degree of realignment would be even less. As to closure, because each of these installations has missions other than those performed by JFCOM, the disestablishment of JFCOM would not result in the closure of that installation.
 - Additional Domestic Locations: JFCOM also has 17 personnel where the particular installation has not been identified, only the city and state. Specifically, JFCOM has 10 civilian personnel authorized to be employed at an unspecified location in Fredericksburg, VA; 2 each at unspecified locations in Atlanta, GA, and Miami, FL; and 1 each at unspecified locations in Belleville, IL, Omaha, NE, and Alexandria, VA. Although we do not know the total number of civilian personnel at any of these locations, even if each had just 300 (the minimum size for section 2687 applicability) the relocation of all JFCOM civilians assigned to each of these locations would be a realignment of that location by far less than 50% (i.e., 150) of the total civilian personnel authorized to be employed, as well as far fewer than 1000. If any of the JFCOM positions are eliminated through a RIF or if any of the positions remain in place, the degree of realignment would be even less. As to closure, because each location has far fewer than 300 civilian personnel, the removal of all civilian personnel cannot possibly result in the closure of an installation at which 300 civilians are authorized to be employed. In the event that the JFCOM civilian personnel are the only civilian personnel at this location, no action affecting these locations would be subject to the requirements of section 2687 because section 2687 only applies to military installations at which at least 300 civilian personnel are authorized to be employed.
 - Foreign Locations: JFCOM has 11 civilian personnel authorized to be employed at an unspecified location in Oberammergau, Germany, and 3 civilian personnel authorized to be employed at an unspecified location in Stuttgart, Germany. Because section 2687 defines the term military installation as being limited to "a base, camp, post, station, yard, center, homeport facility for any ship, or other activity under the jurisdiction of the Department of Defense, including any leased facility, which is located within any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, or Guam," the unspecified locations in Oberammergau, Germany, and in Stuttgart, Germany are not military installations for purposes of section 2687.

Section 2687 Does Not Apply to the Disestablishment of NII:

- NII has 246 civilian personnel; including 38 authorized but unfilled positions that have not been assigned to any particular location. The remaining 208 are distributed among several locations. As further explained below, section 2687 does not apply to the disestablishment of NII because the disestablishment (1) will not involve the closure of any installation at which 300 civilian personnel are authorized to be employed; and (2) will not involve the realignment of any installation at which 300 civilian personnel are authorized to be employed by more than 50% of the civilian personnel on that installation or by more than 1000 civilian personnel.
 - Crystal Mall 3: Crystal Mall 3 has approximately 518 civilian personnel authorized to be employed, of which 77 are NII. Even if all the NII positions were relocated to another installation rather than being eliminated, such an action would be a realignment of Crystal Mall 3 by only 77 personnel, far less than 50% of the total civilian personnel authorized to be employed at Crystal Mall 3 (i.e., 259), as well as far fewer than 1000. If any of the NII positions are eliminated, the degree of realignment of Crystal Mall 3 would be even less. As to closure, because Crystal Mall 3 has missions other than those performed by NII, the disestablishment of NII will not result in the closure of Crystal Mall 3. Even attributing all the unfilled positions to Crystal Mall 3, the total number of NII civilian personnel positions would be only 115, leaving the conclusion unchanged.
 - The Pentagon: NII has 63 civilian personnel authorized to be employed at The Pentagon. Although we have yet to determine the total number of civilian personnel at The Pentagon, even if it were just 300 (the minimum size for section 2687 applicability) the relocation of all NII civilians would be a realignment of The Pentagon by only 63 personnel, far less than 50% (i.e., 150) of the total civilian personnel authorized to be employed, as well as far fewer than 1000. If any of the NII positions are eliminated, the degree of realignment would be even less. As to closure, because The Pentagon has missions other than those performed by NII, the disestablishment of NII will not result in the closure of The Pentagon. Even attributing all the unfilled positions to The Pentagon, the total number of NII civilian personnel positions would be only 101, leaving the conclusion unchanged.
 - Additional Domestic Locations: NII also has 68 personnel located in a variety of leased facilities in Crystal City. Specifically, NII has 17 civilian personnel authorized to be employed at Crystal Gateway 2; 13 each at Crystal Gateway North and Crystal Square 4; 7 each at Crystal Gateway 3, Crystal Square 2, and Crystal Square 5; and 4 at Crystal Gateway 1. Although we do not know the total number of civilian personnel at any of these locations, even if each had just 300 (the minimum size for section 2687 applicability) the relocation of all NII civilians assigned to each of these locations would be a realignment of that location by far less than 50% (i.e., 150) of the total civilian personnel authorized to be employed, as well as far fewer than 1000. If any of the NII positions are eliminated through a RIF or if any of the positions remain in place, the degree of realignment would be even less. As to closure, because each location has far fewer than 300 civilian personnel, the removal of all civilian personnel cannot possibly result in the closure of an installation at which 300 civilians are authorized to be employed. In the event that the NII civilian personnel are the only civilian personnel at

this location, no action affecting these locations would be subject to the requirements of section 2687 because section 2687 only applies to military installations at which at least 300 civilian personnel are authorized to be employed. Even attributing all the unfilled positions any one of these locations would leave the conclusion unchanged.

Section 2687 Does Not Apply to the Disestablishment of BTA:

- BTA has 302 civilian personnel positions distributed among several locations. As further explained below, section 2687 does not apply to the disestablishment of BTA because the disestablishment (1) will not involve the closure of any installation at which 300 civilian personnel are authorized to be employed; and (2) will not involve the realignment of any installation at which 300 civilian personnel are authorized to be employed by more than 50% of the civilian personnel on that installation or by 1000 civilian personnel.
 - Crystal Mall 3: Crystal Mall 3 has approximately 518 civilian personnel authorized to be employed, of which 251 are BTA. Even if all the BTA positions were relocated to another installation rather than being eliminated, such an action would be a realignment of Crystal Mall 3 by only 251 personnel, less than 50% of the total civilian personnel authorized to be employed at Crystal Mall 3 (i.e., 259), as well as far fewer than 1000. Moreover, it is expected that many of the 251 will be eliminated through a RIF, resulting in the degree of realignment of Crystal Mall 3 being far less than 50%. As to closure, because Crystal Mall 3 has missions other than those performed by BTA, the disestablishment of BTA will not result in the closure of Crystal Mall 3.
 - The Pentagon: BTA has 14 civilian personnel authorized to be employed at The Pentagon. Although we have yet to determine the total number of civilian personnel at The Pentagon, even if it were just 300 (the minimum size for section 2687 applicability) the relocation of all BTA civilians would be a realignment of The Pentagon by only 14 personnel, far less than 50% (i.e., 150) of the total civilian personnel authorized to be employed, as well as far fewer than 1000. If any of the BTA positions are eliminated through a RIF or remain in place, the degree of realignment would be even less. As to closure, because The Pentagon has missions other than those performed by BTA, the disestablishment of BTA will not result in the closure of The Pentagon.
 - Additional Domestic Locations: BTA has 20 civilian personnel authorized to be employed at Indianapolis, IN; 10 at Crystal Plaza 6; 2 each at Crystal Mall 2 and New Orleans, LA; and 1 each at 400 Army Navy Drive and Columbus, OH. Although we do not know the total number of civilian personnel at any of these locations, even if each had just 300 (the minimum size for section 2687 applicability) the relocation of all BTA civilians assigned to each of these locations would be a realignment of that location by far less than 50% (i.e., 150) of the total civilian personnel authorized to be employed, as well as far fewer than 1000. If any of the BTA positions are eliminated through a RIF or if any of the positions remain in place, the degree of realignment would be even less. As to closure, because each location has far fewer than 300 civilian personnel, the removal of all civilian personnel cannot possibly result in the closure of an installation at which 300 civilians are authorized to be employed. In the event that the BTA civilian personnel are the only civilian personnel at this location, no action affecting these locations would be subject to the requirements of section 2687 because section 2687 only applies to

military installations at which at least 300 civilian personnel are authorized to be employed.

- o In Theater: BTA has 1 civilian personnel authorized to be employed at an unspecified location in Theater. Because section 2687 defines the term military installation as being limited to "a base, camp, post, station, yard, center, homeport facility for any ship, or other activity under the jurisdiction of the Department of Defense, including any leased facility, which is located within any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, or Guam," the unspecified location in theater is not a military installation for purposes of section 2687.

Section 2687 Does Not Apply to the Cumulative Actions of Disestablishing JFCOM, NII, and BTA:

- For two installations (The Pentagon and Crystal Mall 3), the effect of the disestablishments of JFCOM, NII, and BTA is cumulative because two or more of those organizations have civilian personnel authorized to be employed at those installations. As further explained below, section 2687 does not apply to the cumulative actions of disestablishing JFCOM, NII, and BTA because even when viewed collectively, the disestablishments (1) will not involve the closure of any installation at which 300 civilian personnel are authorized to be employed; and (2) will not involve the realignment of any installation at which 300 civilian personnel are authorized to be employed by more than 50% of the civilian personnel on that installation or by more than 1000 civilian personnel.
 - o The Pentagon: JFCOM, NII, and BTA have a total of 83 civilian personnel authorized to be employed at The Pentagon. Although we have yet to determine the total number of civilian personnel at The Pentagon, even if it were just 300 (the minimum size for section 2687 applicability) the relocation of all JFCOM, NII, and BTA civilians would be a realignment of The Pentagon by only 83 personnel, far less than 50% (i.e., 150) of the total civilian personnel authorized to be employed, as well as far fewer than 1000. If any of the JFCOM, NII, or BTA positions are eliminated, the degree of realignment would be even less. As to closure, because The Pentagon has missions other than those performed by JFCOM, NII, and BTA, the disestablishment of JFCOM, NII, and BTA will not result in the closure of The Pentagon.
 - o Crystal Mall 3: Crystal Mall 3 has approximately 518 civilian personnel authorized to be employed, of which 328 are NII and BTA. If the plan was to relocate all the NII and BTA positions to another installation rather than eliminate those positions, such an action would be a realignment of Crystal Mall 3 by more than 50% of the total civilian personnel authorized to be employed at Crystal Mall 3 (i.e., 259). The plan for the disestablishment of NII and BTA, however, is to eliminate a significant number of NII and BTA functions and positions through a RIF, rather than to relocate those functions and positions to another installation. As such, the disestablishment of NII and BTA will result in realignment of Crystal Mall 3 by far less than 50% of the total civilian personnel authorized to be employed at Crystal Mall 3 (i.e., 259), as well as far fewer than 1000. As to closure, because Crystal Mall 3 has missions other than those performed by NII and BTA, the disestablishment of NII will not result in the closure of Crystal Mall 3.



OFFICE OF
THE MAYOR AND CITY COUNCIL

CITY OF SUFFOLK

P.O. BOX 1858, SUFFOLK, VIRGINIA 23439-1858 PHONE (757) 514-4018 FAX: (757) 538-1527

September 24, 2010

The Honorable Ike Skelton
Chairman
House Committee on Armed Services
Washington, D.C. 20510

Dear Chairman Skelton,

In response to the Secretary of Defense's announcement to "disestablish" U.S. Joint Forces Command (USJFCOM), the City of Suffolk, Virginia has joined with the Virginia delegation, the defense contracting community, as well as local, regional and state stakeholders to evaluate the impact of this announcement on the surrounding community. We have performed an analysis on the Hampton Roads and Suffolk, Virginia defense contracting community which provides a significant advantage in supporting joint operations for our nation's national security and the training of our military personnel.

I am attaching these documents for your information and reference during the United States House of Representatives House Armed Services Committee Hearing reviewing the efficiency recommendations by Defense Secretary Gates on Wednesday, September 29, 2010.

I will be in attendance at this meeting and look forward to seeing the USJFCOM "disestablishment" announcement fully addressed by the Secretary of Defense's office.

Sincerely,

Linda T. Johnson
Mayor

Attachments

pc: The Honorable J. Randy Forbes
The Honorable Rob Wittman
The Honorable Glenn Nye

KEY CONTRACTOR CAPABILITIES

To execute its diverse mission, especially its transformation and integration role, JFCOM has developed and improved a rented complex in Suffolk. This facility contains extensive computer support infrastructure, as well as demonstration rooms, laboratories, collaboration infrastructure and connections to a wide range of classified and unclassified communication networks. This facility is unique and tailored to support the examination and testing of hardware as well as the development of prototype hardware and new military business rules for command and control. This facility has also been used for specialized training that has leveraged emerging capabilities in modeling and simulation.

To support JFCOMmission execution, the DoD and support contractor base have invested in significant high end infrastructure in multiple facilities throughout Northern Suffolk. As is the case with JFCOM itself, within these facilities are extensive networks of laboratories, computer support systems, and demonstration rooms. This unique infrastructure is absolutely essential to the multitude of functions related to JFCOM's transformation and integration role.

Notwithstanding the vast amount of infrastructure that is in place in and around the JFCOM campus in Northern Suffolk, the even more significant, unique, capability associated with JFCOM is the human capital. Many of the JFCOM missions require specialized skills. By design JFCOM has relied on contractors to provide these specialized skills and services. Until recently, civil service positions did not exist to provide these skills, nor have there been identified military billets (positions) that have these skills. The workforce in Hampton Roads has evolved over time to fill this shortfall and has, for the defense industry, become a national asset. Assembled over many years of recruitment from the region's diverse military population, contractors supporting JFCOM have attracted and retained highly skilled individuals from every facet of the military. Their real-life experience, combined with the depth of science and technology provided by the industry's scientists and engineers, has evolved into highly skilled teams which think and act from a joint perspective. JFCOM is the only major command which requires this unique skill mix; one that is unlikely to be found elsewhere. These skills include (but are not limited to):

Communications Engineering	Electrical Engineering
Computer Science	Operations Research
Process Modeling	Process Re-engineering
Software Development	Configuration Management
Systems Engineering	Enterprise Engineering

Command and Control	Intelligence
Military Theory	Tactics
Training	Logistic Theory
Surveillance	Reconnaissance
Experimentation Theory	Experimentation Management
Non-Governmental Operations	Law Enforcement
Encryption	Web Design
Network Design	Database Design
Human Factors Engineering	Requirements Engineering
Integration Engineering	Modeling and Simulation
Information Assurance	Security Engineering
Spatial Analyses	Facilitation
Project Management	Test and Evaluation

The Hampton Roads metropolitan area features the highest concentration of military facilities in the United States and as such is home to an impressive amount of military capabilities. Key military facilities include:

Air Force

Joint Base Langley – Eustis

Army

Fort Monroe
Corps of Engineers Norfolk District headquarters

Coast Guard

Coast Guard Training Center Yorktown
Coast Guard Atlantic Area/Fifth District Headquarters
Base Support Unit Portsmouth
Shore Infrastructure Support Center

Joint

Joint Forces Staff College
Joint Counter-IED Operational Integration Center
Joint Warfighting Center/Joint Futures Laboratory

NATO

Allied Command Transformation headquarters

Navy

Naval Station Norfolk
Joint Expeditionary Base Little Creek – Fort Story
Naval Air Station Oceana
Norfolk Naval Shipyard
Naval Medical Center Portsmouth
Naval Weapons Station Yorktown
Naval Support Activity Norfolk
Naval Support Activity – Northwest Annex

Key operational or service wide enterprise military commands include:

Air Force

Air Combat Command
1st Fighter Wing

Army

Training and Doctrine Command

Coast Guard

Atlantic Area Command
Fifth District Command

Marine Corps

Marine Forces Command

NATO

Supreme Commander – Allied Command Transformation

Navy

Fleet Forces Command
Navy Region Mid-Atlantic Command
Navy Expeditionary Combat Command
Network Warfare Command

The strategic and significant presence of these bases and organizations present a unique opportunity and expertise in joint capabilities for training and operations. The presence of personnel working at these facilities in Hampton Roads also provides a renewable workforce. It is estimated that approximately 15,000 military personnel retire/exit annually from these installations. This statistic is evident after speaking with JFCOM contractors. Contractors' have disclosed that as much as 80% of their workforce is composed of military veterans with unique training and experience in all five military services: Army, Navy, Air Force, Marines, and Coast Guard. Collectively, this workforce has virtually every military skill needed to support the advancement of our nation's defense: aviation, infantry, naval surface and sub surface warfare, communications, intelligence, special operations, logistics, cyber warfare, information technology, amphibious operations, search and rescue, and on through any military skill set that needs to be applied in the joint environment. Many of JFCOM contractor employees have extensive experience working with allied forces, including current support to NATO Allied Command Transformation. Over 70% of the JFCOM contractor workforce has a BA/BS, and close to half hold advanced degrees. Those individuals without college degrees bring extensive talent in specialized skills such as special operations, communications and network engineering. Many of these employees are from military families with spouses or children serving in the military throughout the world – which increases their focus and sense of mission accomplishment. On the more specific asset of Joint capabilities, JFCOM contractors shared the following regarding the skills that exist in Hampton Roads:

- Joint training, ranging from large global exercises, to individual training for key military leaders
- Joint operational support to assist in the rapid world-wide deployment and standup of joint task force headquarters.
- Modeling and simulation skills to develop and manage models which support joint experimentation, training, operations, and concept development.
- Joint concept development and experimentation to project and evaluate future joint military concepts in fields ranging across the entire spectrum of military requirements. Examples span from operations with non government agencies - to control of weapons of mass destruction - to future logistics and sustainment operations.

- Technology assessment and capability integration skills to determine what new technologies are suited for joint military applications, focusing on the integration of government and commercial off-the-shelf technologies
- Evaluating the joint interoperability of systems, focusing on command and control, intelligence, and logistics, in an operationally realistic context.
- Network and communications engineering to establish and operate laboratories and multiple networks to support joint experimentation, training, operations, and capability integration

An additional unique attribute that has evolved in Suffolk and Hampton Roads as the modeling and simulation industry has grown, has been the development of the next generation's workforce. Suffolk Public Schools and the Pruden Center for Industry and Technology have both partnered with private industry to develop groundbreaking courses to encourage and educate those who will be future leaders in M&S. Tidewater Community College and Old Dominion University have also expanded their offerings to provide degrees based on the industry. Students in Hampton Roads are now able to pursue Associates, Bachelors, Masters and Doctoral degrees in Modeling and Simulation.

HAMPTON ROADS MODELING & SIMULATION CONTRACTORS*

Accenture	L-3 Communications
Adayana	Laser Shot, Inc.
Alelo	Lockheed Martin
Alion Science & Technology Corp	Loyola Enterprises, Inc.
Applied Research Associates, Inc.	MAK Technologies, Inc.
A-T Solutions	MASA Group
Atmospheric & Environmental Research	McLane Advanced Technologies
BAE Systems	Mitre Corporation
BI Simulation	Bihrl Applied Research Inc MPRI
Biomx Corporation	MYMIC
Boeing	Northrop Grumman Corp
Booz Allen Hamilton, Inc.	Novonics Corporation
	ODU Research Foundation

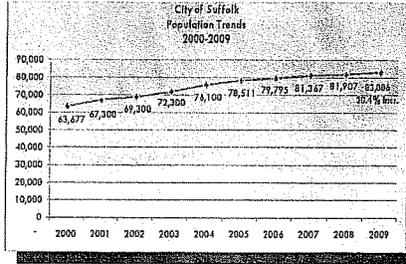
Breakaway	Raydon Corporation
C2 Technologies, Inc.	Raytheon
CACI Newco Incorporated	Reger
CAE USA	Science Applications Intl Corp
CACI, Inc.	Scientific Research Corporation
Calytrix	Simis
Carpe Occasio Technology Systems	Simventions
Command Post Technologies, Inc.	Spectrum Comm Inc
Computer Sciences Corp	SRA Int'l Inc.
Cougar Software	SRI
Craig Technologies	Systems Studies & Simulations
Cubic Defense Applications	Tapestry
Dataline, Inc	Tecmasters Inc.
DDL Omni Engineering, LLC	Teksystems
Dynamic Animation Systems	The Aegis Technologies Group, Inc.
Dynamics Research Corp	The Harrington Group, Inc.
Dynamis	Trideum
Echostorm Worldwide	Trinet Acquisition Corp
Engineering & Computer Simulations, Inc.	Enterprise Information Services, Inc.
	Unisys Corporation
Enterprise Management Systems	Universal Systems & Technology, Inc.
Evidence Based Research, Inc.	URS Federal Technical Services
FGM	Veraxx Engineering Corporation
Forterra Federal Systems	Vertex Solutions, Inc.
General Dynamics	Visense
Ii Corps Consultants, Inc.	Visual Awareness Tech. & Consulting
ITA International	VMASC
Intelligent Decision Systems, Inc.	VMD Systems Integrators, Inc.
Intergraph Corp	Werner Anderson
Interwise ITT Corporation	Whitney, Bradley & Brown Inc.
JF Taylor	Wyle Labs
JL Marshall	Xdin
	Zel Technologies, LLC

* Contractor listing provided by the Hampton Roads Partnership

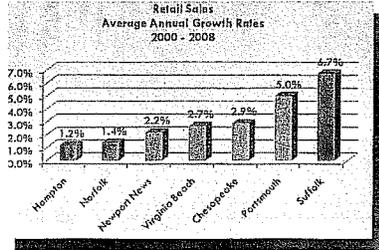
Modeling and Simulation – fueling a decade of growth in Suffolk

A Growing City... The City of Suffolk is one of the fastest growing cities in the United States and has experienced tremendous growth over the last decade. Suffolk's population has grown over 30% from 2000-2009, and is projected to experience another 182% increase over the next 20 years.

The Modeling and Simulation (M&S) Industry, led by the Joint Forces Command's (JFCOM) Suffolk campus, is a key force in this remarkable growth. This industry has created over 1,300 new jobs and over \$156 million in private investment since 2000. According to the Virginia Employment Commission the "Professional" employment occupation category (to include M&S professionals) in Suffolk has increased by 258% over the last decade.



Ripple Affect ... The M&S industry has served as a stimulant to commercial industries who have located to and are now operating in the City of Suffolk. A hotel industry has jumpstarted in close proximity to JFCOM to serve numerous exercise participants. Suffolk's retail industry has experienced an average annual growth rate of 6.7% since 2000, the highest among the seven cities in Hampton Roads. Commercial projects have congregated in the vicinity of the JFCOM campus with permit approval of: 724,000sq ft of office, 218,000sq ft of retail and 126,000 sq ft of warehouse space.



Regional Impact ... A number of contractors and support services for JFCOM are found throughout the Hampton Roads region. A study performed by ANGLE Technology in 2007 found that the M&S industry accounted for \$408 million of the gross regional product, and employment of over 5,000 with an average salary of \$82,000. The study also reported that the defense industry accounts for over 80% of the M&S applications.

The Next Steps... As the Modeling and Simulation Industry and the potential for it grows, multiple tracks have been developed to prepare the next generation's workforce as well as concentrate on the diversification of the technology. Suffolk Public Schools and the Pruden Center for Industry and Technology have both partnered with private industry to develop groundbreaking courses to encourage and educate those who will be future leaders in M&S. Tidewater Community College and Old Dominion University (ODU) have also expanded their offerings to provide degrees based on the industry. A student in Hampton Roads is now able to receive Associates, Bachelors, Masters and PhD degrees in Modeling and Simulation.

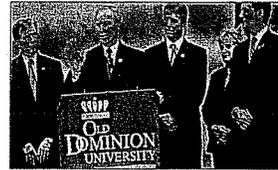
ODU's Virginia Modeling Analysis and Simulation Center (VMASC) continues to pave new roads in the diversification of M&S technology. Research tracks include: transportation, homeland security, virtual environments, social sciences, medical, gaming, and logistics.

Strategies - *for what's at stake*



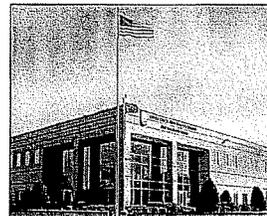
Current Strategies In Place... **Reject** - Support the Virginia political leadership's efforts to reject the Secretary of Defense's efforts to close JFCOM. This effort is designed for the decision to be reversed or slowed down for the appropriate review process to take its course. **Retain** - A focus of efforts to ensure that the core and most important mission of JFCOM remain in Suffolk and the Hampton Roads region. **Replace** - A strategy for the replacement of the business that was generated by JFCOM.

Closure Impact... The City of Suffolk alone also anticipates a loss of over 4,000 jobs as well as the loss of \$4 million in annual tax revenues. Regionally, ODU estimates that a JFCOM closure could contribute to 10,000 lost jobs, and calculates that JFCOM contributes about \$1 billion annually to the region's economy, which is just over 1% of Hampton Roads' gross regional product.



Investment Lost... JFCOM has contributed to our national security in numerous ways since its establishment in 1999. The growth and development of the Suffolk campus, specifically the Joint Warfighter Center (JWFC), has led to a sophisticated technological infrastructure that cannot be economically or physically replicated in a complete manner anywhere else in the U.S. Most of JFCOM's research and development infrastructure is contained inside the Suffolk facility for ease of collaboration between the services, foreign militaries, other government and non-government organizations. **Moving the infrastructure of the JWFC out of Suffolk will significantly hamper the various missions conducted there.** Of almost greater importance is the human capital that has developed and supports the JFCOM programs. **Hampton Roads has become the center for innovation and analysis that is needed to keep a program of this importance successful.** The knowledge needed for these specific labor categories could be replicated outside of Hampton Roads, but would require a major and costly relocation of most of the specialized government, military and contractor support base that exists here today.

Hit The Brakes... Since Secretary Gates' announcement on the "disestablishment" of JFCOM; **developers, businesses and financiers have put their projects on indefinite hold.** Some of these projects include: the refinance of a shopping center 100% leased, two new hotel developments and two new M&S business development related projects.



The Search For Answers... The cloud of confusion that was created from Secretary Gates' announcement has yet to dissipate. A number of important questions have yet to be addressed, such as: **Who will perform the tasks at JFCOM if it is closed?, What is the process for the closure procedure? Why did this not go through a BRAC or Congressional review process? Will Suffolk qualify for support and economic compensation programs from the Office of Economic Assistance? Will a contact at JFCOM be provided for information on the employment base?**



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUN 28 2010

MEMORANDUM FOR ACQUISITION PROFESSIONALS

SUBJECT: Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending

I have written to you previously to emphasize, with President Obama and Secretary Gates, that your highest priority is to support our forces at war on an urgent basis. Over the last year, the Department has also worked to reform its acquisition system, including implementing the Weapon Systems Acquisition Reform Act. Today I write to give direction on another important priority: delivering better value to the taxpayer and improving the way the Department does business.

We are a nation at war, and the Department does not expect the defense budget to decline. At the same time, we will not enjoy the large rate of growth we experienced during the years after September 11, 2001. We must therefore abandon inefficient practices accumulated in a period of budget growth and learn to manage defense dollars in a manner that is, to quote Secretary Gates at his May 8, 2010 speech at the Eisenhower Library, "respectful of the American taxpayer at a time of economic and fiscal distress."

This reality, combined with a determination to take care of our service members and avoid major changes in force structure, has led the Secretary and Deputy Secretary to launch an efficiencies initiative in the Department. The initiative requires the Department to reduce funding devoted to unneeded or low-priority overhead, and to transfer these funds to force structure and modernization so that funding for these warfighting capabilities grows at approximately three percent annually. This is the rate of growth needed historically to continue to give the troops what they need.

Some of these savings can be found by eliminating unneeded programs and activities; and, indeed, the Department's leadership has already taken strong action in this area and will need to do more. But other savings can be found within programs and activities we do need, by conducting them more efficiently. Deputy Secretary Lynn expects that two-thirds of the savings transferred to warfighting accounts should come about this way. Pursuing this kind of efficiency is the purpose of my message today to the Department's acquisition professionals. We need to restore affordability to our programs and activities. I would like

us to embark upon a process today to identify and then act on steps we can take to obtain two to three percent net annual growth in warfighting capabilities without incurring a commensurate budget increase by identifying and eliminating unproductive or low-value-added overhead; in effect, doing more without more.

The Department is spending approximately \$700 billion per year for our nation's defense. Approximately \$300 billion of those funds are spent within the Department's walls – on the salaries and benefits of military personnel and civilian employees, and on the buildings and facilities within which they work. But the remainder – \$400 billion – is spent on contracts issued to entities outside of the Department of Defense. This \$400 billion is divided about equally between products (e.g., weapons, electronics, fuel, and facilities) and services (e.g., IT services, knowledge-based services, facilities upkeep, and transportation). We, the Department's acquisition officials, agree to these contracts on behalf of the taxpayer. Each of these contracts contains a statement of the services or products it is procuring; an arrangement between the government and the contractor for how the costs of those items will be paid; and the overheads, indirect charges, and fees that complete the business transaction and make it possible for the defense industry to be economically viable.

The guidance memorandum I plan to issue will require each of you, as you craft and execute the Department's contracts in coming years, to scrutinize these terms to ensure that they do not contain inefficiencies or unneeded overhead. The guidance will give you specific features to examine and targets to hit in the pursuit of greater efficiency. The guidance will focus on getting better outcomes, not on our bureaucratic structures. But it must also take note of where the government's processes and regulations contribute to inefficiency in our business relationships.

Today I want to share with you the preliminary outlines of this guidance, so that I can have the benefit of your experience and perspective before I issue it in final form. I am also asking our partners in industry for their thoughts and input. I am also sharing these plans with the Congress. A process of analysis and dialogue is necessary to make sure our actions are effective and soundly based.

I want to emphasize two points about this initiative:

First, the savings we are seeking will not be found overnight. It has taken years for excessive costs and unproductive overhead to creep into our business processes, and it will take years to work them out. We will be concentrating on new contracts as they are awarded in coming years, to ensure that they reflect new efficiencies. Some of the targets and objectives we decide to pursue will only be able to be achieved on a timeline of several

years. On the other hand, Secretary Gates has explained clearly why we need to embark now. And the earlier we embark, the easier it will be to succeed.

Second, we in the Department cannot succeed at this task alone. We need the input and involvement of industry, and I will be actively seeking their support and ideas. We do not have an arsenal system in the United States: the Department does not make most of our weapons or provide many non-governmental services essential to warfighting – these are provided by private industry. Our industry partners are patriots as well as businessmen. This initiative should contribute to the continuing vitality and financial viability of the defense industry in the era ahead by aligning the direction and incentives of the Department and industry. It is intended to enhance and incentivize efficiency and total factor productivity. Most of the rest of the economy exhibits productivity growth, meaning that every year the buyer gets more for the same amount of money. So it should be in the defense economy. Increased productivity is good for both industry and government. So also is avoiding budget turbulence and getting more programs into stable production.

We also need the help of Congress. Members of Congress observe with dismay as they are asked to approve ever-increasing funding for the very same product or service. We will need their input and support to make necessary adjustments that will in some cases be difficult.

What is contained in the attached charts is an initial framework for restoring affordability to defense. I will be refining this framework over coming weeks, in full consultation with you, with industry, with Congress, and with outside experts and leaders. I plan to issue a final version of this mandate later this summer.

Realizing the objective of this initiative will be a formidable endeavor. But it is imperative. Secretary Gates, Deputy Secretary Lynn, and I have concluded that we cannot support our troops with the capabilities they need unless we achieve greater efficiency.



Ashton B. Carter



Objectives

- Deliver the warfighting capability we need for the dollars we have
- Get better buying power for warfighter and taxpayer
- Restore affordability to defense goods and services
- Improve defense industry productivity
- Remove government impediments to leanness
- Avoid program turbulence
- Maintain a vibrant and financially healthy defense industry

Obtain 2-3% net annual growth in warfighting capabilities without commensurate budget increase by identifying and eliminating unproductive or low-value-added overhead and transfer savings to warfighting capabilities. Do more without more.



Providing Incentives for Greater Efficiency in Industry

- **LEVERAGING REAL COMPETITION:** Avoid directed buys and other substitutes for real competition. Use technical data packages and open systems architectures to support a continuous competitive environment.
- **USING PROPER CONTRACT TYPE FOR DEVELOPMENT AND PROCUREMENT:** Phase out award-fee contracts and favor fixed-price or cost-type incentive contracts in which government and industry share equally in overruns and underruns, and overruns have analytically-based caps. Use cost-reimbursement contracts only when either government requirements or industry processes cannot be adequately specified to support pricing. Adjust sole-source fixed-price contracts over time to reflect realized costs. Work down undefinitized contract actions. Seek authority for multi-year contracts where significant savings are possible.
- **USING PROPER CONTRACT TYPE FOR SERVICES:** Phase out Time and Material and sole-source ID/IQ contracts wherever possible. Utilize fixed-price performance-based contracts when requirements are firm and can be measured, with payments tied to performance. Utilize fixed-price level of effort or cost-plus-fixed-fee contracts (with profit/fee tied to weighted guidelines) when requirements are still being defined. Award fees should be used only by exception. Maximize the use of multiple-source, continuously competitive contracts.
- **ALIGNING POLICY ON PROFIT AND FEE TO CIRCUMSTANCE:** Align opportunity to earn profits/fees to both value to the taxpayer and risk to the contractor. Apply weighted guidelines to profit/fee levels. Reward higher productivity with higher profits. Incentivize investment in innovation.
- **SHARING THE BENEFITS OF CASH FLOW:** Ensure that taxpayers receive adequate consideration (price reductions) for improved cash flows. Progress payments must reflect performance but can be increased above customary levels in return for consideration by the contractor. Reduce over time the gap between proposed and actual rates in forward price rate agreements.
- **TARGETING NON-VALUE-ADDED COSTS:** Identify and eliminate non-value-added overhead and G&A charged to contracts. Limit fees for subcontractor management to reflect actual value provided (risk assumed by prime and continuous subcontractor risk reduction). Limit B&P allowable costs in sole source contracts and encourage effective use of IRAD.
- **INVOLVING DYNAMIC SMALL BUSINESS IN DEFENSE:** When establishing multiple award contracts for services, make every effort to provide for small business participation. If at least two small businesses are deemed capable of performing on such a contract, consider setting aside that work for competition among them.
- **REWARDING EXCELLENT SUPPLIERS:** Emulate the Navy's pilot program to provide special benefits to consistently excellent industrial performers.



Adopting Government Practices that Encourage Efficiency

- **ADOPTING "SHOULD-COST" AND "WILL-COST" MANAGEMENT:** Use historically informed independent cost estimation ("will-cost" estimates) to inform managing of programs to cost objectives ("should-cost" estimates).
- **STRENGTHENING THE ACQUISITION WORKFORCE:** Achieve SECDEF goal of adding to government acquisition workforce with increased skill levels. Leverage unique qualities of non-profit FFRDCs and UARCs to augment acquisition workforce capability.
- **IMPROVING AUDITS:** Improve consistency and quality of government audits, and focus them on value-added content.
- **MANDATING AFFORDABILITY AS A REQUIREMENT:** In new programs such as the SSBN-X nuclear missile submarine, the Presidential Helicopter, the Ground Combat Vehicle, and the Air Force/Navy Long Range Strike Family of Systems, cost considerations must shape requirements and design.
- **STABILIZING PRODUCTION RATES:** To ensure more programs are in stable, economically favorable rates of production and avoid cost escalation, program managers may not adjust production rates downward without head of component authority.
- **ELIMINATING REDUNDANCY WITHIN WARFIGHTING PORTFOLIOS:** Emulate the Army's Precision Fires Capability Portfolio approach to identify where multiple programs are pursuing similar objectives.
- **ESTABLISHING SENIOR MANAGERS FOR PROCUREMENT OF SERVICES:** Follow the Air Force lead in establishing a Program Executive Officer for services in each DOD component to focus on improving policy and practice in this high-dollar-value area.
- **PROTECTING THE TECHNOLOGY BASE:** Protect the future by sustaining investment while focusing on high value-added work.



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

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SEP 14 2010

MEMORANDUM FOR ACQUISITION PROFESSIONALS

SUBJECT: Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending

On June 28, I wrote to you describing a mandate to deliver better value to the taxpayer and warfighter by improving the way the Department does business. I emphasized that, next to supporting our forces at war on an urgent basis, this was President Obama's and Secretary Gates' highest priority for the Department's acquisition professionals. To put it bluntly: we have a continuing responsibility to procure the critical goods and services our forces need in the years ahead, but we will not have ever-increasing budgets to pay for them. We must therefore strive to achieve what economists call productivity growth: in simple terms, to DO MORE WITHOUT MORE. This memorandum contains specific Guidance for achieving the June 28 mandate.

Secretary Gates has directed the Department to pursue a wide-ranging Efficiencies Initiative, of which this Guidance is a central part. This Guidance affects the approximately \$400 billion of the \$700 billion defense budget that is spent annually on contracts for goods (weapons, electronics, fuel, facilities etc., amounting to about \$200 billion) and services (IT services, knowledge-based services, facilities upkeep, weapons system maintenance, transportation, etc., amounting to about another \$200 billion). We estimate that the efficiencies targeted by this Guidance can make a significant contribution to achieving the \$100 billion redirection of defense budget dollars from unproductive to more productive purposes that is sought by Secretary Gates and Deputy Secretary Lynn over the next five years.

Since June, the senior leadership of the acquisition community – the Component Acquisition Executives (CAEs), senior logisticians and systems command leaders, OSD officials, and program executive officers (PEOs) and program managers (PMs) – has been meeting regularly with me to inform and craft this Guidance. We have analyzed data on the Department's practices, expenditures, and outcomes and examined various options for changing our practices. We have sought to base the specific actions I am directing today on the best data the Department has available to it. In some cases, however, this data is very limited. In these cases, the Guidance makes provision for future adjustments as experience and data accumulate so that unintended consequences can be detected and mitigated. We have conducted some preliminary estimates of the dollar savings anticipated from each action based on reasonable and gradual, but steady and determined, progress against a clear goal and confirmed that they can indeed be substantial.

Changing our business practices will require the continued close involvement of others. We have sought out the best ideas and initiatives from industry, many of which have been adopted in this Guidance. We have also sought the input of outside experts with decades of experience in defense acquisition.

Going forward we will need the support of Congress, which will be essential to the success of this endeavor and we have tried to take their concerns fully into account in formulating this Guidance.

A capable, qualified, and appropriately sized acquisition workforce will be key to achieving efficiency. While Secretary Gates has directed a scrub of the oversight staff in OSD and the military commands, he has also determined that the acquisition workforce increases planned last year should proceed, since they are focused on specific skill sets near to the point of execution. You, the acquisition leaders, and your workforce will be essential to the success of this Guidance.

This Guidance contains 23 principal actions to improve efficiency organized in five major areas. Specific guidance is contained in directives I am issuing today or in the near future. Over the coming months, the acquisition leadership will discuss with each of you how you can implement this Guidance and monitor progress against its metrics.

There is every reason to believe the efficiencies we are seeking can be realized. It has taken years for excessive costs and unproductive overhead to creep into our business practices, but over the coming years we can surely work them out again. Those who hesitate to go down the road of greater efficiency must consider the alternative: broken or cancelled programs, budget turbulence, uncertainty and unpredictability for industry, erosion of taxpayer confidence that they are getting value for their defense dollar and, above all, lost capability for the warfighter in a dangerous world. Not only can we succeed: we must.

TARGET AFFORDABILITY AND CONTROL COST GROWTH

Mandate affordability as a requirement. Affordability means conducting a program at a cost constrained by the maximum resources the Department can allocate for that capability. Many of our programs flunk this basic test from their inception. As the Department begins new programs like the Ohio-class SSBN(X) replacement, the new Presidential Helicopter, the Army's Ground Combat Vehicle (GCV), and the joint Family of Systems for long-range strike in the near future, I will require program managers to treat affordability as a requirement before granting milestone authority to proceed with the program. *Specifically, at Milestone A, my Acquisition Decision Memorandum (ADM) approving formal commencement of the program will contain an affordability target to be treated by the program manager (PM) like a Key Performance Parameter (KPP) such as speed, power, or data rate – i.e., a design parameter not to be sacrificed or compromised without my specific authority. At Milestone B, when a system's detailed design is begun, I will require presentation of a systems engineering tradeoff analysis showing how cost varies as the major design parameters and time to complete are varied.* This analysis would allow decisions to be made about how the system could be made less expensive without loss of important capability. This analysis would then form the basis of the 'Affordability Requirement' that would be part of the ADM decision. I will be issuing a directive in the near future to implement this guidance that will apply to both elements of a program's life cycle cost – the acquisition cost (typically 30 percent) and the operating and support cost (typically 70 percent). For smaller programs, the CAEs will be directed to do the same at their level of approval. I recognize that we need to improve the Department's capability to perform this kind of engineering tradeoff analysis, but the ability to understand and control future costs from a program's inception is critical to achieving affordability requirements.

The Navy has been conducting just this sort of analysis in connection with the commencement of the Ohio-class replacement. This submarine will be the bulwark of our survivable nuclear deterrent for the indefinite future as required by the Nuclear Posture Review, but at the price originally estimated, its construction would swamp the Navy's shipbuilding budget during the 2020-2030 periods. By conducting the kind of design tradeoffs I will require at Milestone B and trimming requirements as a result without compromising critical capability, the Navy has reduced the estimated average procurement cost by 16 percent with a goal of fully 27 percent. Over the next five years, the Department expects to begin new programs with acquisition costs in the FYDP of over \$50 billion and totaling over \$200 billion. If the forecast costs of these new programs can be scrubbed down by even a fraction of that achieved in the SSBN(X) program, billions of dollars just within the FYDP can be reallocated to more productive purposes.

Drive productivity growth through Will Cost/Should Cost management. During contract negotiation and program execution, our managers should be driving productivity improvement in their programs. They should be scrutinizing every element of program cost, assessing whether each element can be reduced relative to the year before, challenging learning curves, dissecting overheads and indirect costs, and targeting cost reduction with profit incentive – in short, executing to what the program *should cost*. The Department's decision makers and Congress use independent cost estimates (ICE) – forecasts of what a program *will cost* based upon reasonable extrapolations from historical experience – to support budgeting and programming. While ICE Will Cost analysis is valuable and credible, it does not help the program manager to drive leanness into the program. In fact, just the opposite can occur: the ICE, reflecting business-as-usual management in past programs, becomes a self-fulfilling prophesy. The forecast budget is expected, even required, to be fully obligated and expended.

To interrupt this vicious cycle and give program managers and contracting officers and their industry counterparts a tool to drive productivity improvement into programs, *I will require the manager of each major program to conduct a Should Cost analysis justifying each element of program cost and showing how it is improving year by year or meeting other relevant benchmarks for value. Meanwhile, the Department will continue to set the program budget baseline (used also in ADMs and Selected Acquisition Reports (SARs)) using an ICE.* We will use this method, for example, to drive cost down in the Joint Strike Fighter (JSF) program, the Department's largest program and the backbone of tactical air power for the U.S. and many other countries in the future. This aircraft's ICE (Will Cost) average unit price grew from \$50 million Average Unit Procurement Cost (APUC) when the program began (in 2002 dollars, when the program was baselined) to \$92 million in the most recent ICE. Accordingly, the JSF program had a Nunn-McCurdy breach last year and had to be restructured by the Secretary of Defense. As a result of that restructuring, a Should Cost analysis is being done in association with the negotiation of the early lot production contracts. The Department is scrubbing costs with the aim of identifying unneeded cost and rewarding its elimination over time. The result should be a negotiated price substantially lower than the Will Cost ICE to which the Department has forecasted and budgeted. Secretary Gates indicated in his Efficiency Initiative that monies saved in this way could be retained by the Service that achieved the efficiency; in this case the Air Force, Navy, and Marine Corps could reallocate JSF funds to buy other capabilities.

The Department will obligate about \$2 trillion in contracts over the next five years according to Will Cost estimates, so savings of a few percent per year in execution are significant.

The metric of success for Should Cost management leading to annual productivity increases is annual savings of a few percent from all our ongoing contracted activities as they execute to a lower figure than budgeted. Industry can succeed in this environment because we will tie better performance to higher profit, and because affordable programs will not face cancellation.

Eliminate redundancy within warfighter portfolios. The Army recently determined that it could forego the Non-Line-of-Sight Launch System (NLOS-LS) short-range guided missile because it already had weapons that had some (though not all) of the same features as NLOS-LS and because the cost of NLOS-LS – almost \$300,000 each – was too high for the narrow capability gap it would fill. This was a classic value decision that could not have been made by looking at the NLOS-LS program in isolation. The Army had to look at the entire “warfighting portfolio” of precision weapons to see that NLOS-LS’s cancellation would not, in fact, result in a major sacrifice of military capability.

I intend to conduct similar portfolio reviews at the joint and Department-wide level with an eye toward identifying redundancies. These reviews will initially cover Ground Moving Target Indicator (GMTI) systems and Integrated Air and Missile Defense. *I am directing the components to do the same for smaller programs and report the results.* The savings from these reviews cannot be estimated until they are conducted, but the savings could be substantial.

Make production rates economical and hold them stable. Government and industry both benefit from economic order quantity (EOQ) rates of production, and from stability in production year after year. Unfortunately, quantity cutting and turbulence to meet budget targets is widespread. Production rates are a critical part of any acquisition strategy approved by me. *Therefore, beginning immediately, I will expect production rate to be part of the affordability analysis presented at Milestones A and B. Furthermore, at Milestone C, I will set a range of approved production rates. Deviation from that range without my prior approval will lead to revocation of the Milestone.*

Recent examples where the Department ensured cost savings by implementing economical production rates include the Navy's E-2D Advanced Hawkeye program and the Air Force's Small Diameter Bomb II program. During reviews for initial production for both programs, business case analyses demonstrated significant dollar savings and more rapid achievement of operational capability, with the use of aggressive but attainable production profiles. Those EOQs were directed and are expected to realize savings of \$575 million for the E-2D and \$450 million for the SDB II as a result.

I expect to see a 5 percent annual increase in the number of ACAT 1D and 1C programs executing at their EOQ level.

Set shorter program timelines and manage to them. The leisurely 10-15 year schedule of even the simplest and least ambitious Department programs not only delays the delivery of needed capability to the warfighter, but directly affects program cost. As all programs compete for funding, the usual result is that a program settles into a level-of-effort pattern of annual funding that does not deviate much from year to year. The total program cost is the level-of-effort times the length of the program. Thus a one-year extension of a program set to complete in 10 years can be expected to result in 10 percent growth in cost as the team working on the project is kept on another year.

Yet managers who run into a problem in program execution generally cannot easily compromise requirements and face an uphill battle to obtain more than their budgeted level of funding. The frequent result is a stretch in the schedule.

An example of the importance of addressing schedule directly as an independent variable is the Army's GCV. An initial acquisition plan had this program taking approximately 10 years to complete a first production vehicle, typical of the normal leisurely pace of programs. (In contrast, the MRAP-ATV began in 2009 and delivered more than 5,700 vehicles to Afghanistan by August 2010.) Given the large investment in ground vehicle technology made in the cancelled Future Combat Systems (FCS) program, there was no need to take this much time, especially if the basic requirements were limited to those essential to an infantry fighting vehicle and incorporating the lessons of recent wars. The Department determined that the GCV program should have a seven-year schedule to first production vehicle. Requirements and technology level for the first block of GCVs will have to fit this schedule, not the other way around. *When requirements and proposed schedules are inconsistent, I will work on an expedited basis with the Services and the Joint Staff to modify requirements as needed before granting authority for the program to proceed. In particular, I will not grant authority to release requests for proposals until I am confident requirements and proposed schedules are consistent. From now on, I will also require as part of the cost tradeoff analysis at Milestone B to support affordability, a justification for the proposed program schedule. This justification will be part of the ADM authorizing the program to proceed. Deviation from that schedule without my prior approval will lead to revocation of the Milestone.*

INCENTIVIZE PRODUCTIVITY AND INNOVATION IN INDUSTRY

Reward contractors for successful supply chain and indirect expense management. The Department pays profit/fee to prime contractors on work they conduct themselves, work subcontracted by the prime contractor to subcontractors, and allowable overhead and administrative costs. All three are appropriate, but in each instance the level of profit should be calculated to reward performance. Profit on subcontracted work is meant to compensate the prime for taking on the burden of managing subcontractor risk and delivering subcontractor value. Otherwise, the government would have to manage the subcontractor itself (an alternative called "breakout"). It follows that higher profit should be awarded to management of higher-risk subcontracts, and higher profit should be given when the prime succeeds in driving down subcontractor costs every year. Likewise, profit on overhead should incentivize control of overhead cost. There is evidence, however, that blanket profit levels are set and, what is more, are not revisited periodically in light of actual performance. This should be done as a matter of course. Additionally, incentives have not kept pace with fundamental changes in the defense industrial environment, among them the growth of services contracts and a shift in the role of prime contractors from manufacturers to integrators of components manufactured by subcontractors.

I am instructing the Director of Defense Procurement and Acquisition Policy (DPAP) to review the Weighted Guidelines for profit with the aim of emphasizing the tie between profit and performance. In the meantime and effective immediately, I expect all managers of ACAT 1D programs to provide to me, as part of their acquisition strategy, the reward and incentive strategy behind their profit policy, including consideration of breakout alternatives where

appropriate. I direct the CAEs to do the same in programs for which they have acquisition authority.

It is important to note that the savings to be expected from this direction will be in cost, not in profit. Savings are not expected in profit per se since in some instances profit will increase to reward risk management and performance. But if profit policy incentivizes reduction in program cost, the overall price to the taxpayer (cost plus profit) will be less.

The value of considering a breakout option is illustrated by the results of a recent review of DDG-51 Destroyer costs. During this review, it was noted that the new cost for the Restart Main Reductions Gears (MRG), previously subcontracted by two construction shipyards as Class Standard Equipment, was now more than three times the previous cost. The incumbent manufacturer had exited the market for MRGs and had sold its intellectual property to another firm. The prime passed on this subcontractor's new bill to the government without aggressive cost management. The PEO broke out the MRG from the prime contract and conducted a full and open competition, which resulted in savings over \$400 million to the government for a lot buy of nine ship sets.

Increase the use of Fixed-Price Incentive Firm Target (FPIF) contract type where appropriate using a 50/50 share line and 120 percent ceiling as a point of departure. Choosing contract type is one important way of aligning the incentives of the government and the contractor. One size does not fit all. At one time, the Department attempted to impose fixed-price contracts on efforts where significant invention (and thus unknowable costs) could be anticipated. More recently, Cost Plus Award Fee (CPAF) contracts with subjective measures of award fee not clearly tied to cost control became widespread. In between these extremes is the FPIF contract, which should be the contracting officer's point of departure whenever conditions obtain (or can be created) that make it appropriate. "Fixed Price" is appropriate when the government knows what it wants and does not change its mind, and when industry has good control of its processes and costs and can thus name a price. While these preconditions do not always exist (as in, for example, a risky development where invention is needed), they are certainly desirable, and both parties to the contract should aspire to fulfilling them. "Incentive" is important, since it shares the costs of overruns and rewards of underruns between government and industry, giving both sides of the transaction an incentive for good performance. FPIF will normally be appropriate early in production and in single-source production where year-on-year price improvement can be rewarded.

A 50/50 share line suggests that the government and contractor have a common view of the likely contract execution cost. A 50/50 share line should represent a point where the estimate is deemed equally likely to be too low or too high. A flat or steep share line suggests that the government and contractor do not see project cost the same way. These differences in view should be discussed and considered as the basis for adjusting the target cost before an uneven share line is agreed to in contract. This might occur, for example, earlier in a program where the costs are inherently more uncertain.

A ceiling of 120 percent on an FPIF contract sets a 20 percent limit on the government's liability for overrun of the contract target cost. This is reasonable in view of historical experience in program overruns, and also reasonable because programs that overrun more than this amount in an era of relatively flat defense budgets should face review with an eye to cancellation.

A higher proposed ceiling requires explanation to the relevant head of contracting authority. Likewise, a lower ceiling than 120 percent suggests that perhaps a firm fixed-price contract is appropriate.

I am considering whether to issue more formal guidance on this matter, but effective immediately, I will require a justification of contract type for each proposed contract settlement be made to the relevant acquisition executive before negotiations are concluded. The metric for success of this measure would be fewer programs that overrun their cost targets.

The Navy, for example, recently concluded negotiations for a multi-year procurement of 124 F/A-18 strike fighter and E/A-18 electronic attack aircraft, which will yield over \$600 million (greater than 10 percent) savings to the Department and the taxpayer. The F-18 program was able to drive down cost for each lot of aircraft procured in the framework of a fixed-price incentive contract that meets the Department's objectives for realistic costs, reasonable profit, a 50/50 shareline, and a 120 percent ceiling.

Adjust progress payments to incentivize performance. The government is an exceptionally reliable customer in terms of financing. The Department pays up front and regularly, sometimes before products are delivered. The Department also finances most industry investment needed to prepare products for the defense market. The Department can therefore offer its contractors a high cash flow return on invested capital, a feature highly valued by investors. This financial environment in turn offers another opportunity to reward good performance. The Department should take advantage of this circumstance through the use of innovative contract financing methods to incentivize vendors with the time value of money in exchange for lower prices/costs. *As a matter of practice, on all fixed price type contracts, I expect that the basis of negotiations shall be the use of customary progress payments. After agreement on price on the basis of customary progress payments, the contractor shall have flexibility to propose an alternate payment arrangement for the Government's consideration.* By having determined the projected contract cost, the contracting officer should be able to determine the consideration being offered by the contractor for a more favorable payment structure. The benefits of that improved cash flow shall be documented and the contracting officer will clearly identify in the business clearance the amount of consideration the Government received for the use of the improved cash flow opportunity. *I will direct that the Director of DPAP develop for my review a cash flow model to be used by all contracting officers contemplating financing other than customary progress payments and make certain that the guidance is developed to ensure that the improved cash flow opportunities provide benefit to both industry (at both prime and subcontractor level) and the taxpayer.*

Extend the Navy's Preferred Supplier Program to a DoD-wide pilot. The Department should recognize and reward businesses and corporations that consistently demonstrate exemplary performance. The Department has experience with these types of programs in certain parts of our business. For example, the Defense Logistics Agency's Strategic Supplier Alliance (SSA) has established long term relationships with major original equipment manufacturers (OEMs) within commodity groups for parts and supplies, and they are eligible to receive contract awards on a sole source basis. SSA suppliers have their performance tracked via a vendor scorecard tool that reports administrative lead time, production lead time, percent obligations and other measures and are eligible for preferred status based upon these measures.

The Navy has announced a pilot program that would allow contracting authorities to set favorable post-award special terms and conditions that recognize those businesses and corporations that have demonstrated, over time, superior performance in delivering quality products and services, robust subcontracting management, cost containment, and on-time delivery. In the Navy's pilot, the special terms and conditions can, for example, include more favorable progress payments, higher designated ranges in the weighted guidelines, special award fee pools, and other potential post-award advantages. I believe this has significant potential to appropriately reward those corporate/business suppliers that the Department can count on to repeatedly deliver the value that we expect. *I am directing the Navy to continue to lead the pilot program but to immediately include the other Services and DoD components in order to transition to a full DoD program as soon as practical.*

Reinvigorate industry's independent research and development and protect the defense technology base. The Department reimburses industry as an allowable cost over \$3 billion annually in "Independent Research and Development" (IRAD). This is one of the Department's principal investments in technology innovation, larger than any single military department's annual Science and Technology (6.1-6.3) program. Yet, we do not have insight into how or where these funds go or if they benefit the Department or promote the technological prowess of our industry. Beginning in the 1990s, the Department reduced its technical exchanges with industry, in part to ensure the "independence" of IRAD. The result has been a loss of visibility into the linkage between funding and technological purpose. Additionally, there is some evidence that the defense industry has reduced its in-house laboratory infrastructure to a point not envisioned in the 1990s.

The capability to perform work in science and technology has increased throughout the world. Data suggests U.S. world share is continuing to decline. In order to maintain our innovative edge, secure the basis for a strong economy, and provide for national security, we must implement new policies to effectively use Department resources and maintain appropriate investment in technology development and lower cost and time required for providing those capabilities.

Understanding that industry needs to maintain independence, but acknowledging that the public funds these investments, I am reviewing how we can work with industry to identify and eliminate impediments to innovation, provide better feedback to industry researchers, and better define the Department's needs to our industry partners.

I intend to take action to align the purpose of IRAD to actual practice. Unfortunately, as noted above, the Department does not have the information about how the program is actually functioning that I would need to undergird a policy change at this time. Accordingly, I am today directing three steps that I will review in six months with the objective of issuing a directive on this subject at that time. First, the Director of Defense Research and Engineering (DDR&E) should engage with the largest of the performers of IRAD to collect data on how they have used these funds in recent years, the resulting benefits to government and industry, and how they obtain insight into technical areas of potential interest to the government. Second, I will ask the Defense Contract Audit Agency (DCAA) to collect and provide to me IRAD financial data from all firms with allowable IRAD costs. Third, I direct the DDR&E to provide to me within 60 days a plan for a pilot program, to improve the return on IRAD investments for industry and

government. The pilot program is to apply to as much as a third of the IRAD allocation, and will reflect early insights from the data we will collect.

PROMOTE REAL COMPETITION

Real competition is the single most powerful tool available to the Department to drive productivity. Real competition is to be distinguished from a series of directed buys or other contrived two-source situations which do not harness the full energy of competition. Competition is not always available, but evidence suggests that the government is not availing itself of all possible competitive situations.

Present a competitive strategy at each program Milestone. Since it is not practical to develop two of everything the Department needs, competition must be found in other forms. Program managers should have a competitive strategy for their program even if they do not have classic head-to-head competition. This might take the form of a related program that could serve as partial substitute for the program in question, a plan to re-gain competition in an unproductive sole source situation, breakout of subcontracted work, adapting commercial products, or other strategies.

I will require a presentation of a competitive strategy for each program at each Milestone and expect the CAEs to do the same at their level.

A highly successful example of a competitive strategy is the Navy's Littoral Combat Ship. This program was in danger of falling into a pattern of directed buys rather than real competition, with the result that the price of an LCS was creeping up towards that of a destroyer. The Navy decided to select only one of the LCS designs for production, doing so in an additional competitive selection. Competition in a different form will then be introduced into the program, as other shipbuilders are provided the technical data to build the same ship design competitively. This strategy is expected to save the Navy over \$1 billion over the FYDP, with additional savings expected over the life of the LCS acquisition program.

Remove obstacles to competition. In recent years, the Department has achieved the highest rates of competition in its history. Having said that, the fact is that a significant fraction of those competitive procurements have involved what is termed "ineffective competition," since only one offer to a solicitation was received even when publicized under full and open competition. This occurs in about \$55 billion of Department contracts annually. One step the Department can take is to mitigate this loss of savings from the absence of competition. A common practice has been to conclude that either a bid or proposal submitted by a single offeror in response to a full and open competition met the standard for adequate price competition because the bid or proposal was submitted with the expectation of competition. As a result, no certified cost or pricing data was requested, no cost or price analysis was undertaken, and often, no negotiations were conducted with that single offeror. *Henceforth I expect contracting officers to conduct negotiations with all single bid offerors and that the basis of that negotiation shall be cost or price analysis, as the case may be, using non-certified data.*

A more important approach is to remove obstacles to competitive bidding. For example, the Air Force's PEO for Services reviewed the Air Force's Design and Engineering Support Program (DESP) for effective competition. She found 39 percent of the task order competitions under the

Indefinite Delivery/Indefinite Quantity (IDIQ) contract resulted in one bid. The Air Force team undertook an analysis to determine why they were getting the one bid and made two changes. First, they amended their source selection methodology so that technical, cost, and past performance factors were more equally weighted. No one factor can be less than 25 percent or more than 50 percent. This served to lessen the advantage of the incumbent contractor since the technical factor could not overshadow past performance and cost. Second, the team provided a monthly report to all DESP IDIQ holders listing all known requirements in the pipeline. The report includes sufficient information to allow contractors to evaluate whether or not to bid and to start to prepare a bid package. The team has effectively added an additional 45 days to the time a requirement is made known to the potential offerors and the bid due date. These two changes have reduced the percentage of task orders receiving one bid by 50 percent. The team continues to evaluate its processes to further reduce the percentage.

Each service component and agency has a competition advocate. *I am directing each competition advocate to develop a plan to improve both the overall rate of competition and the rate of effective competition. Those plans should establish an improvement rate of at least 2 percent per year for overall competition and an improvement rate of at least 10 percent per year for effective competition. Those plans are to be approved by the CAEs. The Department's competition advocate shall brief me on the overall progress being made to achieve those goals.*

- Require open systems architectures and set rules for acquisition of technical data rights. *At Milestone B, I will require that a business case analysis be conducted in concert with the engineering trade analysis that would outline an approach for using open systems architectures and acquiring technical data rights to ensure sustained consideration of competition in the acquisition of weapons systems. A successful example of the strategic use of open architecture and buying of appropriate technical data rights is the Navy's Virginia-class SSN program. The Virginia program uses a modular open systems architecture and selective sub-component technical data rights procurement that promotes a robust competition at the component supplier level, while still supporting continual and effective block upgrades to the existing systems that reduces the overall life cycle cost of the system.*

Increase dynamic small business role in defense marketplace competition. Small businesses have repeatedly demonstrated their contribution to leading the nation in innovation and driving the economy by their example of hiring over 65 percent of all new jobs and holding more patents than all the nation's universities and large corporations combined.

Our defense industry must leverage that innovation and opportunity into our competitions, as small business representation on programs has demonstrated lower costs to the government. For many small businesses, subcontracting on Department contracts is the first step to becoming a Department prime contractor. Components must understand the small business capabilities within their industry and increase market research and outreach efforts to ensure small business utilization is maximized. In order to remove barriers to small business participation in Department contracts and competition, *I direct the CAEs to institute in all competitive and non-competitive procurement actions emphasis on small business utilization through weighting factors in past performance and in fee construct.*

IMPROVE TRADECRAFT IN SERVICES ACQUISITION

Contract support services spending now represents more than 50 percent of our total contract spending. In 2009, the Department spent more than \$212 billion in contracting services, using more than 100,000 contract vehicles held by more than 32,200 contractors — with more than 50 percent of the spend awarded to about 100 contractors.

This contractor support is critical to the Department. For professional services, for example, the Department depends upon three sources: the government workforce, the unique not-for-profit FFRDCs and UARCs, and for-profit professional services companies. Management mechanisms are in place for the first two, but far less for the third.

The Department's practices for buying such services are much less mature than for buying weapons systems. It is critically important that we have a cohesive and integrated strategy with regard to the acquisition of services. This substantial amount of spend demands a management structure to strategically source these goods and services.

Create a senior manager for acquisition of services in each component, following the Air Force's example. In order to achieve efficiencies in services contracting commensurate with the scale of the Department's spend, new governance is necessary. *I am directing the CAEs of the military departments and the commanders and directors of the other DoD components to establish a senior manager for acquisition of services, who will be at the General Officer, Flag, or SES level.* This senior manager will be responsible for governance in planning, execution, strategic sourcing, and management of service contracts. The senior manager will be the Decision Authority for Category I service acquisitions valued at \$250 million or less or as delegated and collaborate with requiring activities which retain funding authority on service contract spend.

Adopt uniform taxonomy for different types of services. Today, the Department lacks a standard taxonomy for service contract spend that can be used among the components to understand the Department's aggregate spending and value of specific services contracting. Without a standard approach, the Department has no way of measuring productivity in more than 50 percent of its contracting investment. *I am directing, therefore, each component to use the following primary categories of service spend: Knowledge-based services; Electronics and Communications Services; Equipment Related Services; Medical Services; Facility Related Services; and Transportation Services. These are derived from, and consistent with, Product Service Code (PSC) categories contained in the PSC manual maintained by the General Services Administration, Federal Procurement Data Center, and Office of Management and Budget (OMB). This taxonomy will be used by each component to ensure basic consistency.*

Address causes of poor tradecraft in services acquisition.

- *Assist users of services to define requirements and prevent creep via requirements templates.* The Department has experienced significant increases in mission/requirements creep for services spending, particularly in knowledge management services, which has increased 400 percent in the last decade. These requirements often require the same function or service to be provided but are written uniquely among various commands so that competition is limited. *Therefore, I am directing two initiatives to address mission/requirements creep. First, the Services and DoD components should establish, through their senior managers for services,*

maximum use of standard templates in developing Performance Work Statements (PWS) to improve contract solicitations. Successful examples of the use of standard templates are the Navy's SEAPORT acquisitions and DLA's use of templates to acquire Headquarters support services. Second, I also expect market research to be strengthened in order to understand industry's capabilities and appropriate pricing within the market in which we are buying. I expect the military departments and DoD components will achieve this by establishing dedicated market research teams at the portfolio management level.

- *Enhance competition by requiring more frequent re-compete of knowledge based services. Although 89 percent of the Department's services contracting spend was awarded under competitive conditions, in 24 percent of those cases only one bid was received. This suggests bona fide competition (two or more bids) is not occurring in the \$31 billion represented by those cases. To improve competition in services, I will require the military departments and DoD components to review the length of time that services contracts remain in effect before re-competition occurs. Single-award contract actions should be limited to three years (including options) unless, by exception, it is fully justified for longer periods by the senior manager for services. Contract length should be appropriate for the activity performed. Knowledge-based services readily meet the three-year limit. Other services such as Performance Based Logistics (PBL), LOGCAP, and environmental remediation, as examples, may not. The intent is that each service requirement will be reviewed by the appropriate official and only those with a sound business rationale will contain longer contract performance provisions. Multiple award IDIQ contracts may be up to five years if on-ramp provisions are included to refresh/update the competitor pool. In addition, I expect Service components to align contract spend data, to the maximum extent that is practical, to the functional/requirements elements executing the spend. This will focus all elements of the Department on the importance of achieving improved results.*

- *In cases where "1-bid" proposals are received, I will require fully negotiated pricing and cost data as appropriate. Further, I will require solicitations that receive only one bid, and that were open to industry for less than 30 days, to be re-advertised for a minimum additional period of 30 days.*

- *Limit the use of time and materials and award fee contracts for services. Today, more than 20 percent of the Department's services acquisitions are written using Time & Material (T&M) or Cost Plus Award Fee (CPAF) contract types. At a time when the Department is driving toward more fiscal discipline, we spend about \$24 billion in services using T&M contract types, which are the least preferred contract type for understanding costs. Similarly, CPAF contract types provide only limited motivation for cost discipline. The acquisition of services differs greatly from the acquisition of supplies and equipment. The contractor at-risk capital is typically much lower for most service acquisitions and must be factored into the contract decision process. I will issue further detailed guidance for establishing a taxonomy of preferred contract types in services acquisition, but starting immediately, I expect services acquisitions to be predisposed toward Cost-Plus-Fixed-Fee (CPFF), or Cost-Plus-Incentive-Fee (CPIF) arrangements, when robust competition or recent competitive pricing history does not exist to build sufficient cost knowledge of those services within that market segment. I expect that cost knowledge gained from those contracts to inform the Should Cost estimates of future price and contract type negotiations. When robust competition already exists, or there is recent competitive pricing history, I expect components to be predisposed toward Firm-Fixed-Price*

(FFP) type contract arrangements. FFP should also be used to the maximum extent reasonable when ongoing competition is utilized in multiple award contract scenarios.

○ *Require that services contracts exceeding \$1 billion contain cost efficiency objectives. With large Department outlays of capital for services contracting, it is important that the Department incentivize, achieve, and share in cost improvements over the period of performance for support services acquisitions, including knowledge management services. In acquisitions of material and production end items, we expect the contractor to be on a learning or efficiency curve to drive costs down and value up. We should incentivize and expect similar cost improvement on high-value services contracts. *Beginning immediately, I will require services contracts valued at more than \$1 billion to contain provisions in the contract to achieve productivity improvements and cost efficiencies throughout the contract period.**

Increase small business participation in providing services. Small businesses provide the Department with an important degree of agility and innovation, even in support services, and they do so with generally lower overhead structures. To strengthen and improve opportunities for small businesses in the acquisition of services, *I am directing the OSD Office of Small Business Programs to review acquisition plans for services acquisitions exceeding \$1 billion, and to be members of the OSD peer reviews of services acquisitions. Additionally, when multiple award contracts are used for services acquisitions, specific tasks suitable for small businesses will be set aside and military departments and DoD components will seek opportunities to compete Multiple Award/IDIQ contracts among small businesses.*

REDUCE NON-PRODUCTIVE PROCESSES AND BUREAUCRACY

Unnecessary and low-value added processes and document requirements are a significant drag on acquisition productivity and must be aggressively identified and eliminated. We cannot achieve Should Cost goals solely by providing incentives to industry to reduce overhead and increase productivity; the government must also eliminate unnecessary and often counterproductive overhead. Some of this overhead is required by statute, and I will work with the Congress to reduce these requirements that neither add value nor improve operational performance. Some of it is imposed by OSD, and is the natural bureaucratic growth in oversight that staffs generate over time and which has to be trimmed back periodically to more effective and productive levels. Secretary Gates has emphasized that the Department's efficiency initiative does not just extend to the \$400 billion of contracted work outside the Department's walls, but to the \$300 billion spent on the people and facilities that comprise the Department itself. He has reached into his own OSD staff and to senior commands to require greater leanness. Within OSD, he has directed my office (AT&L) to conduct a much-needed bottom-up scrub of process and staffing. Secretary Gates' determination to increase the overall acquisition workforce remains steadfast; however he intends for those additional positions to be filled with specific skill sets in short supply near the point of program execution, not an across-the-board increase or an increase in oversight staff. We must use these, and all our resources, effectively. I am calling on all participants in the acquisition system and all those who affect its processes to work with me to remove non-productive processes and bureaucracy. The following are just some of the steps we can take to address this problem:

Reduce the number of OSD-level reviews to those necessary to support major investment decisions or to uncover and respond to significant program execution issues. The number and

frequency of OSD-level program reviews has increased significantly over the past several years. The year prior to August 2010 showed that over 240 major reviews and significant USD (AT&L)/staff reviews required more than 100,000 labor-hours to complete. This practice has tended to relieve the Senior Acquisition Executives (SAEs), PEOs, and PMs from responsibility and accountability for the programs they are executing. Insight at the AT&L level into program execution performance can generally be achieved through established status reporting mechanisms and informal staff contacts. While I expect a certain level of staff oversight, I expect the staff reviews to be focused primarily on major decision points for which I am responsible and on surfacing and solving execution problems. I also expect the OSD staff in AT&L and elsewhere to remain cognizant of our programs' progress and to identify problems quickly so that they can be dealt with as early as possible. There is a balance between this appropriate level of oversight and that which is excessive and tends to relieve the chain of command from management responsibility. I believe we have tipped the balance too far in favor of additional oversight and need to restore it to a more appropriate and effective level.

- *Realign OSD Acquisition Reviews to add more value.* It is important that we align AT&L resources to address the most significant investment decisions required at the Under Secretary level. Therefore, *I am directing ARA to review the current list of OSD reviews — DABs, Pre-DABs, OIPTs, PSRs, and TRLs etc., to recommend specific realignment of these reviews/meetings to ensure they focus their purpose on the major acquisition investment decisions made by the Department.*

- *Review DAB documentation requirements to eliminate non-relevant content.* Our DAB documents have become bloated and at the same time often fail to provide necessary and important content. A team has already been established to review DAB documents beginning with the Acquisition Strategy Report. *I am directing ARA to complete the review of all DAB documents by March 1, 2011 and to provide me with recommendations for streamlining and focusing these documents on needed content to support AT&L level decisions.*

- *Reform TRL reviews to focus on technology as opposed to engineering and integration risk.* The TRL review and certification process has grown well beyond the original intent and should be reoriented to an assessment of technology maturity and risk as opposed to engineering or integration risk. *I am directing the DDR&E to review this process and to make recommendations to refocus the TRL certification process to be consistent with its original intent.*

Eliminate low-value-added statutory processes. I recognize the importance of keeping programs within cost and schedule and agree on the need to reevaluate the viability of programs that incur large overruns or schedule slips. I fully support the spirit and the intention of the Nunn-McCurdy review process. However, I believe the process can be streamlined in a way that we can make sound decisions about the future of programs and provide Congress with the information and certifications they need without overly burdening programs and, in some cases, without reviewing programs that experience average unit cost growth because of decisions made by the Department, such as changed quantities resulting from requirements changes. As an example of overhead costs, my staff calculated the number of hours and attendant costs for Nunn-McCurdy evaluations that the Department undertook this year for the most recent six programs that breached the critical Nunn-McCurdy thresholds. The estimates for these six evaluations exceeded \$10 million and 95,000 hours of overhead labor. Notwithstanding the legal

requirement, two of the six evaluations were for technical breaches since the breaches were the result of production quantity changes or acquisition strategy changes rather than a result of cost growth per se. The knowledge we gained by conducting full evaluations was not significantly greater than what we already knew at the outset and had no effect on the decision to continue the programs. To curb this, *I am targeting specific oversight processes, described below, to reduce or eliminate costs associated with what I believe are unnecessary overhead burdens that add marginal or questionable value to meeting the needs of our warfighters or expectations of the taxpayer. I am also directing the streamlining of some processes that are important to keep, but that require significant efficiency improvement to be effective. The Department will continue to comply with all statutory requirements, but where it makes sense we will tailor how we achieve compliance to be consistent with the circumstances, and we will work with Congress to modify statutory requirements where the intended goal is clearly not being achieved.*

- *Request Nunn-McCurdy Rules for Special Situations. I will work with Congress to eliminate the requirement for the full suite of Nunn-McCurdy assessments and reporting activities in special circumstances where quantity-induced or other external reasons cause critical breaches to occur.*

- *2366a and 2366b Certification Process Review. I will work with OSD staff and the Congress to reassess both the need for and the overall method of implementation we have imposed on ourselves to respond to the requirement for retroactive 2366a/b certifications to ensure objectives are met without burdensome and inefficient bureaucracy.*

- *Congressionally-mandated organizational changes within AT&L. Congress has correctly identified and mandated some changes to the AT&L organization that are improving our ability to oversee acquisition programs and make better decisions about specific investments and about acquisition policy. It is important, however, that AT&L have the flexibility to balance the internal staff elements in order to effectively execute all the functions for which AT&L is responsible. I intend to work with the Congress to ensure that all oversight functions are adequately staffed and performed without inserting inefficiencies and unnecessary overhead into the acquisition process at the same time.*

Reduce by half, the volume and cost of internal and congressional reports. The time and resources spent on one-time and recurring internal and congressional reports are costly to the Department and take the acquisition workforce away from executing programs. For internal reports, the Department must suppress its appetite for non-critical information and resist the temptation to become checkers of checkers. For congressional reports, in the past 10 years, the total number levied on the Department has grown from 514 to 719. During that same span, the number of reports assigned to my office (AT&L) grew from 102 to 156. Many of these reports, once they are introduced into legislative language, continue to be required year after year — long after the immediate relevancy and value of the information have passed. None of these reports are free. A conservative cost estimate of the resources consumed in producing the 719 congressional reports is \$350 million annually. Consequently, *I am directing my staff to conduct a bottom-up review of all internally-generated reporting requirements and to work with ASD (Legislative Affairs) to conduct a bottom-up review of all congressionally mandated acquisition reports to assess the value of the reports with a goal to eliminate at least 50 percent of the reports and to substantially shorten the ones remaining. I am also tasking ARA to impose*

reasonable page count caps (given the information requested) when reports are assigned for production and to indicate the estimated cost to prepare each report on its cover.

Reduce non-value-added overhead imposed on industry. Industry has its own internal unproductive processes which add to project costs, but these are in some part a reflection of the requirements which the government imposes. A great number of the inputs I received from industry were directed at what was viewed as excessive overhead expenses based solely on non-value-added mandates and reporting requirements which may have been relevant at some point in time, but have little relevance in the world in which we now find ourselves. *In order to identify and reduce these costly requirements, I am directing the Director of Industrial Policy, with support from DPAP, to more fully survey our industrial base to identify, prioritize, and recommend a path forward to unwind duplicative and overly rigorous requirements that add to costs, but do not add to quality of product or timeliness of delivery. As we remove these requirements, I will expect a decline in the overhead charged to the Department by our industrial base that reflects these reduced costs.*

Align Defense Contract Management Agency (DCMA) and Defense Contract Audit Agency (DCAA) processes to ensure work is complementary. It is well known that during the last 20 years, due to budget constraints, DCMA and DCAA have progressively reduced staff and capability. As a result, critical functions they perform have become blurred and require clarification, and where necessary should be de-conflicted to avoid unnecessary overlap and redundancies. In this vein, industry has expressed concern regarding overlapping roles and missions between DCMA and DCAA, resulting in duplication of data requests submitted by contractors and inefficient application of Department resources. Over the past several months, at my direction, the Director of DPAP has been working with DCAA and DCMA to identify areas of potential overlapping responsibility, such as Accounting, Estimating, Purchasing, Financial Capability Reviews, Earned Value Management System (EVMS), MMAS, Property Management, and Forward Pricing, and propose methods to eliminate the duplication. *I am tasking the Director of DPAP to develop guidance that will clearly spell out the roles and responsibilities of each organization in those areas where duplication and overlap occur.*

Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs. Contract negotiations can administratively benefit from the use of Forward Pricing Rate Agreements (FPRAs). Certainly a quality FPRA will result in reduced administrative costs associated with negotiating and managing acquisitions. However, it is also recognized that establishing FPRAs just for the sake of having FPRAs is not beneficial and has been costly to the taxpayer. For multiple reasons, including but not limited to complexity of contractor rate structures and audit process changes today, DCMA has only established 32 percent of expected FPRAs. It has, on the other hand, established 85 percent of the expected FPRRs. Clearly the opportunity exists to re-examine how best to ensure contracting officers obtain the support they need to negotiate rates. We will strive to have FPRAs, when possible, but we will not do so when FPRR's are available if we believe that there is not a legitimate and thoughtful basis for departing from them. *Accordingly, I am tasking DCMA to be responsible for the promulgation of all FPRRs. In those cases, where DCAA has completed an audit of a particular contractor's rates, DCMA shall adopt the DCAA recommended rates as the Department's position with regard to those rates.*

This letter is not the end of a process, but the beginning of vigorous implementation and further refinement. Today I have signed out directive memoranda to my key staff elements, DPAP, ARA, DDR&E, and the leaders of the OIPTs that coordinate the OSD-level oversight of major programs setting those offices on the course to begin implementing this guidance. I have provided the Component Acquisition Executives with a draft directive memorandum that I intend to sign within the next few days for their review and comments. Starting today but extending over the next several months we will be putting the actions I have described in this guidance into more formal direction and practice. Today, however, I am tasking all of you to absorb this guidance memo and begin acting on it within the scope of your existing authority. There is no time to lose.



Ashton B. Carter



Guidance Roadmap

- **Target Affordability and Control Cost Growth**
 - Mandate affordability as a requirement
 - At Milestone A set affordability target as a Key Performance Parameter
 - At Milestone B establish engineering trades showing how each key design feature affects the target cost
 - Drive productivity growth through Will Cost/Should Cost management
 - Eliminate redundancy within warfighter portfolios
 - Make production rates economical and hold them stable
 - Set shorter program timelines and manage to them
- **Incentivize Productivity & Innovation in Industry**
 - Reward contractors for successful supply chain and indirect expense management
 - Increase the use of FPIF contract type where appropriate using a 50/50 share line and 120 percent ceiling as a point of departure
 - Adjust progress payments to incentivize performance
 - Extend the Navy's Preferred Supplier Program to a DoD-wide pilot
 - Reinvigorate industry's independent research and development and protect the defense technology base
- **Promote Real Competition**
 - Present a competitive strategy at each program milestone
 - Remove obstacles to competition
 - Allow reasonable time to bid
 - Require non-certified cost and pricing data on single offers
 - Require open system architectures and set rules for acquisition of technical data rights
 - Increase dynamic small business role in defense marketplace competition
- **Improve Tradecraft in Services Acquisition**
 - Create a senior manager for acquisition of services in each component, following the Air Force's example
 - Adopt uniform taxonomy for different types of services
 - Address causes of poor tradecraft in services acquisition
 - Assist users of services to define requirements and prevent creep via requirements templates
 - Assist users of services to conduct market research to support competition and pricing
 - Enhance competition by requiring more frequent re-complete of knowledge-based services
 - Limit the use of time and materials and award fee contracts for services
 - Require that services contracts exceeding \$1B contain cost efficiency objectives
 - Increase small business participation in providing services
- **Reduce Non-Productive Processes and Bureaucracy**
 - Reduce the number of OSD-level reviews to those necessary to support major investment decisions or to uncover and respond to significant program execution issues
 - Eliminate low-value-added statutory processes
 - Reduce by half the volume and cost of internal and congressional reports
 - Reduce non-value-added overhead imposed on industry
 - Align DCMA and DCAA processes to ensure work is complementary
 - Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs

Sept 14, 2010



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

JUN 21 2010

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
DIRECTOR, COST ASSESSMENT AND PROGRAM
EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Policy for Communication with Industry

The commercial base on which the Department depends should be knowledgeable of and aligned with the Department's strategic and tactical objectives. Early, frequent, and clear communication among the Department and its current and potential suppliers helps promote our national security. Ensuring this communication is fair, even, and transparent helps the Department: maximize materiel and service support to the Warfighter; set realistic expectations and technologically achievable requirements; enhance the ability of organizations to meet cost, schedule and performance objectives; and establish policies and business practices that promote the long-term viability and competitiveness of the commercial base supporting defense. Such dialogue helps industry make informed investment and business decisions necessary to meet near- and longer-term requirements of the Department.

The Department's policy is for representatives at all levels of the Department to have frequent, fair, even and transparent dialogue with the commercial base on matters of mutual interest, as appropriate, in a manner which protects sensitive information, operation, sources, methods, and technologies. For the Department, this includes representatives of end users and requirements generators as well as those within acquisition organizations. Traditional and non-traditional suppliers are to be included in such dialogue. Matters of mutual interest include, but are not limited to: DoD and

OSD 06333-10



industry business practices and policies; removal of barriers to competition; technology trends and development objectives; security challenges; and the performance of organizations, contracts, projects and programs.

Offices of General Counsel will assist their supported commands to facilitate planning for both formal and informal communications with industry. Subject to sound business judgment and the attached statutory limitations on the government's ability to exchange information, officials within the Department are encouraged to communicate with industry as necessary to conduct official business. Ethics laws and rules *per se* do not prohibit communications with industry representatives; they do mandate fair and even treatment such that communication opportunities with DoD officials must be made available to all interested outside parties. All methods of communication, unless statutorily prohibited, are permitted. Communication with a wide and diverse variety of businesses of all sizes and with industry organizations is often the best overall strategy to ensure the communication is fair, even and transparent.

Early and frequent communication, as appropriate, in a manner which protects sensitive information, operation, sources, methods, and technologies, is to be promoted across the breadth and depth of the Department. It is not required, desired, or practicable that industry outreach be centrally managed. Nevertheless, to be productive, communication by the Department with outside parties must be clear and consistent. DoD organizations will ensure their communications represent DoD positions.

A handwritten signature in black ink, appearing to read "W. C. Byrnes". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

Attachment:
As stated

ATTACHMENT

Communications with Industry

The following are statutorily based limitations on communicating with firms and representatives of the defense industrial base.

- Conflict of Interest Prohibition (18 U.S.C. § 208)
 - Government officials may not participate in a matter that presents an actual or apparent conflict of interest.
- Procurement Integrity Act (41 U.S.C. § 423)
 - Government officials may not disclose proprietary or source selection information.
- Competition in Contracting Act (10 U.S.C. 2304)
 - Government officials may not give unauthorized preferential treatment to one firm but must treat all firms equally.
- Trade Secrets Act (18 U.S.C. §1905)
 - Government officials may not disclose trade secrets or other proprietary information without permission of the owner of the information.
 - Government officials must protect procurement-sensitive information and information that would not otherwise be disclosed to the public under the Freedom of Information Act.
- Federal Advisory Committee Act (5 U.S.C. App.2)
 - Government officials must comply with the Federal Advisory Committee Act when seeking consensus advice or recommendations from a group that includes non-government employees.

Attachment



OFFICE OF THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

SEP 1 2010

MEMORANDUM FOR VICE CHAIRMAN OF THE JOINT CHIEFS OF STAFF
DIRECTOR, COST ASSESSMENT AND PROGRAM
EVALUATION

SUBJECT: Joint Forces Command (JFCOM) Disestablishment Working Group

On August 16, 2010, Secretary Gates issued a memorandum, "Department of Defense Efficiency Initiatives," establishing the Efficiencies Task Force (ETF) to oversee implementation of "Track Four" initiatives announced on August 9, 2010. As discussed, you will lead the JFCOM Disestablishment Working Group, tasked to develop the implementation plan necessary to disestablish JFCOM. The primary guidance for this working group is below:

- The JFCOM Disestablishment Implementation Plan should use the proposal briefed to and approved by Secretary Gates as a point of departure, to include:
 - Transfer joint force management, training, capability development, concept development and experimentation functions to the Joint Staff, with support roles going to Services and other components as appropriate.
 - Transfer subordinate organizations based on initial proposals recommended to the Secretary by Cost Assessment and Program Evaluation (CAPE) in this decision process; and
 - Revert forces currently assigned to JFCOM back to the appropriate Service. The appropriate disposition of PACOM forces should be a part of this effort.
- The implementation plan should retain only those JFCOM functions and programs which remain relevant to current DoD missions and provide management value, and discontinue all others. JFCOM functions identified for retention and transfer should be scrubbed and streamlined in a manner that constrains the growth of unnecessary overhead in receiving organizations.
- The final product should include a diagram of current JFCOM functions, with associated manpower and resource levels, mapped against the proposed disposition of JFCOM functions, with proposed manpower and resource requirements.
- The implementation plan should seek to accomplish the disestablishment of JFCOM by September 31, 2011.

You should provide an interim update on your work by October 15, 2010 and a final plan by no later than December 10, 2010.

It is important to the success of this efficiency effort that the Working Groups use common data sources, consistent definitions, and similar formats so that the best decisions can be made. Therefore, the ETF will be a central source of data, definitions, and formats to facilitate this objective. Mr. James Briggs (James.Briggs@sd.mil) is your ETF liaison officer and



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Christian Marrone is the ETF Executive Director. The ETF will coordinate interim progress review timing and final outbrief meetings as appropriate.

I appreciate your willingness to take on this task, and expect your team to have the full support and cooperation of the Department as you embark on this important work.

A handwritten signature in black ink, appearing to read "Robert Rangel". The signature is fluid and cursive, with the first name "Robert" and last name "Rangel" clearly distinguishable.



The Voice of the Government Services Industry

Statement for the Record

Stan Soloway
President & CEO
Professional Services Council

House Armed Services Committee

Hearing on the
Department of Defense's Efficiency Initiative

September 29, 2010

The Department of Defense has embarked on several important and ambitious initiatives to reduce its overhead costs, eliminate unnecessary work, and properly balance its workforce. I appreciate the opportunity to share our views on those initiatives. As these initiatives unfold, it is in everyone's interests to ensure that they do so in a transparent, evidence-based, mission-focused manner. Moreover, those attributes should exist in advance of any decision or action, not as a post-hoc rationalization.

Let me make clear that we fully recognize the imperatives the Secretary of Defense has identified and support his commitment to ensuring that the department optimizes its resources and appropriately aligns its workforce needs. There is no question that there are savings to be had and that, in this time of exceptional fiscal pressures, every effort needs to be made to identify and capitalize on those opportunities. Moreover, as we have made clear repeatedly to the department, the members and staff of the Professional Services Council stand ready to work closely with the department in the development and implementation of strategies that will enable the department to meet its goals. We already have had some of those discussions but many more are needed. Conversely, the Secretary's ambitious objectives will not likely be met if the department attempts to operate in a vacuum, solely through directives, or on the basis of arbitrary goals.

The department has set in motion three independent but interconnected objectives. These include the Secretary's insourcing initiative, which was launched in early 2009; the department-wide efficiency initiative he announced earlier this year and elaborated on in his August 9 statement; and Undersecretary Carter's acquisition improvement initiative which was initially announced on June 28 and more fully unveiled on September 14. Since the acquisition initiatives remain a work in progress, particularly with regards to improvements in what Dr. Carter called "tradedcraft" in services acquisition, I will focus most, but not all, of my remarks on the other two initiatives. In all cases much work remains to be done to ensure they truly meet the tests of transparency, rigorous analysis, and collaboration.

The Acquisition Initiatives: A Work in Progress

We commend Undersecretary Carter for undertaking an acquisition improvement initiative and we look forward to engaging in substantive dialogue with the department as the details of the initiative unfold. Our goal is to engage with the department to identify ways to ensure the objectives of the initiatives are met. For now, let me make just a few brief comments on the initiatives as they currently stand.

First, with regard to competition, Dr. Carter made clear his concern that competition for services is not what he would like it to be. In so doing, he mentioned that some 28 percent of awards that were solicited broadly and were intended to be awarded competitively, attracted only one bid. His stated goal is to lower that percentage. While we would not disagree with him on the importance of competition and of maximizing the number of offers that the department receives, there are strong explanations for industry's lack of response to some solicitations that should be disclosed and discussed.

Improvements in performance work statements, genuine openness to innovation, and more are all key ingredients to enhancing competition and attracting more bidders. But we should also recognize that competition is not simply defined by the number of bidders. Every contractor performing on a services contract knows that his or her competitors are watching them constantly, and prepared to pounce on opportunities that emerge through recompetition for the work. At the same time, those competitors are simply not going to bid if they perceive that the incumbent is performing well and the contract appears to be competitively priced. Nonetheless, the very fact that they are prepared to bid when an incumbent stumbles or a new innovation opens a door, creates a kind of implied competition that must also be considered and appreciated.

Second, it is important to recognize that the issues of competition and the market dynamics of the services sector are entirely different from the hardware or weapons system sectors and thus demand very different actions. As Dr. Carter noted, the department does not yet have an adequate taxonomy for defining services and developing the right kinds of acquisition strategies for each relevant case. We believe that a common taxonomy must be developed and in place before specific policy or strategy decisions are made.

Finally, Dr. Carter appropriately discussed the need to drive more innovation. We agree, and we look forward to engaging with him and his team to affect acquisition practices that genuinely enable innovation. But let's be clear, while the statutory and regulatory authority clearly exists to enable the department to make the value-based decisions that are essential to attracting and rewarding innovation, the current environment is overtly hostile toward what is known as "best value" acquisitions. I believe it is fair to say that every one of our member companies is deeply concerned that the government has, over the last four or more years, regressed in its acquisition practices to the point where virtually every award decision is made on the basis of the lowest price – even if that is NOT what the request for proposal states. To some extent, this is a result of the ongoing fiscal pressures facing the department. To another extent, it is the direct result of the influence of elements of the oversight community that almost invariably criticize, sometimes very harshly, acquisition professionals who make value-based judgments and do not award to the lowest bidder. This dynamic serves no one's best interests and must be reversed, at a minimum through specific policy guidance.

Insourcing: A Good Idea Gone Awry

In April 2009, Secretary Gates announced an initiative to rebuild the department's critical workforce skills, particularly, but not solely, within the acquisition workforce. The Secretary expressed concern that a combination of factors, including workforce demographics and a broken hiring and personnel system, had created an over-reliance on contractors. At that time, the Secretary outlined a strategy to increase the department's organic workforce with those critical skills by approximately 35,000 people. He said that roughly half of the increase would result from insourcing and the other half would represent new hires. As part of the implementation of the Secretary's action, the DoD Comptroller issued a classified "Resource Management Decision 802" (RMD 802) that provided budgetary guidance to the military departments and defense agencies. That RMD

has never been made public.

There is no question that the department simply does not have adequate internal capability or skills to design, award, or manage contracts for its many and diverse missions. As such, PSC was supportive of the Secretary's plan. Although a number of companies recognized that some of their work could be affected, the consensus among our member companies then was that the Secretary's actions were on the right track. Unfortunately, the implementation of his plan has not accurately reflected either his stated intention or addressed the department's most pressing needs.

First, the Secretary's numeric personnel targets were allocated across the military departments and other defense agencies, which, in turn created individual quotas for each component. Indeed, widely distributed Air Force Materiel Command (AFMC) documents confirm this fact. Those documents state that AFMC's "share" of the Secretary's directive is roughly 3,500 positions." Similar statements were made by components of the Army and Navy.

Second, the AFMC documents clarified that, through Resource Management Decision 802, the department was assuming a 40 percent savings for every position insourced. If this extraordinary declaration was based on any analysis, it has never been publicly released, despite repeated requests from industry and, members of Congress. But the AFMC documents are enlightening on the question of how such savings could possibly be achieved. It says and I quote: "The objective is to replace contract costs with personnel costs."

In other words, the department was comparing fully burdened operational contract costs—which include salaries, benefits, equipment, hardware procured under a contract, other overhead and, of course, profit—with just the salaries and immediate benefits of a federal employee. No consideration was apparently given to any of the expense categories for contract performance that also apply to government performance, nor was consideration apparently given to unique government costs, principally post-employment costs such as retirement benefits and long-term health care.

In January 2010, the department finally issued "guidance" in the form of a Directive Type Memorandum, or DTM, to provide a methodology that would enable a more accurate assessment of the relative costs of contract performance versus in-house federal performance. However, as we outlined in an extensive analysis we provided to the department,¹ the DTM provides neither a workable methodology nor a comprehensive listing of all of the identifiable costs that must be considered in any objective process.

¹ See the PSC June 16, 2010 letter to The Honorable Christine Fox, director of Cost Assessment and Program Evaluation, available at http://www.pscouncil.org/AM/Template.cfm?Section=Policy_Issues&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=5562.

Other analyses have also concluded that the DTM contains a number of inexplicable contradictions. For example, in assessing the relative costs of performing work using uniform military or civil servants, the DTM requires that all post retirement and other benefits costs for each be considered. But in comparing the costs of civil service performance versus contractor performance, the DTM specifically prohibits the consideration of any costs that would not be incurred by DoD. What might those costs be? By far the biggest category would be the post retirement costs associated with the civil service since they become the responsibility of the Office of Personnel Management. Moreover, it is notable that the DTM was not issued until some nine months AFTER the Secretary issued his insourcing directive and six or more months after RMD 802 declared the savings that would be achieved. This led to funding decisions that were embedded in the budget before the cost comparison process, weak as it may be, was even developed. Obviously, the order of events should logically have been reversed.

Analyses Not Made Available to Affected Parties or the Public

Regrettably, while the department has acknowledged our analysis and concerns, it has not responded to any of the specific issues we raised. The same occurred in 2009 when Congressman Jeff Miller wrote the Air Force requesting information about the insourcing of routine base support services—primarily because those actions resulted in a small business with nearly twenty years of service to DoD literally going out of business. In its response to Congressman Miller, the Air Force did not share any of the analytics underpinning that insourcing decision.

With the combination of established numerical headcount quotas and specific dollars savings assumptions, along with the lack of a workable, analytically rigorous process for assessing relative costs, the department's insourcing process has been marked more by efforts to meet those targets and survive presumptive budget cuts than by strategic workforce efforts focused on the kinds of skills the department needs most and that the Secretary set out to address. By the department's own estimates, at least half of the positions identified to date for insourcing fall outside of the kinds of critical skills the Secretary was targeting in his original directive. That means that the department has based at least half of the insourcing decisions reached to date on incomplete and highly questionable cost analyses and thus is insourcing contracted positions performing entirely routine work rather than obtaining the critical skills that were identified by the Secretary in 2009.

A Lack of Transparency

In addition to the apparently arbitrary and undisciplined manner in which DoD insourcing has progressed, we are deeply concerned about the continued refusal of the department's components to publicly share the analyses that have led to individual decisions. In virtually every case I am aware of, DoD activities have not even been willing to share the bottom line conclusions they reached in their analyses, let alone the analyses themselves. This is consistent with the AFMC guidance referenced earlier that states that the analytical tools are only available at the major command level. But it is highly inconsistent with the government's otherwise broad commitment to transparency and, indeed, to decades of tradition in contracting, where contract prices are announced at the time of contract award.

Moreover, because the analyses do not involve competing proposals, there is no objective reason they cannot be shared with the affected incumbent contractors.

This has left the affected parties, including companies and their workforces, with only the option of filing Freedom of Information Act requests. For example, the International Association of Machinists and Aerospace Workers have filed numerous such requests. After the first of those requests was responded to in a relatively timely manner, they have been entirely unsuccessful with each of their subsequent requests. This simply does not need to be. Indeed, if there was more transparency in the process, the need for costly and time consuming FOIA requests would largely disappear.

Air Force Documents Reveal Analytical Weaknesses

However, the one FOIA request on which the IAM was successful was highly informative and may reflect one of the reasons there has been such resistance to responding to additional requests.

In this case, the Air Force decided to insource a contract with an estimated five year value of approximately \$225 million. The documents obtained as a result of the FOIA request show that the Air Force expects to save only \$450,000 over the life of the contract, equal to 0.02 percent. This clearly contradicts the long-held consensus that a minimum savings of about 10 percent should be required for any insourcing OR outsourcing decision, just to cover the inevitable costs associated with the workforce churn that will take place. What is even more telling about this Air Force analysis are the details behind it.

For instance, the Air Force assigned to the contract cost elements that were never executed; had just one of those elements been eliminated as they should have been, the result of the analysis would have been a net cost INCREASE resulting from the insourcing. In addition, the Air Force clearly did not include a wide range of training, personnel development and support costs that are covered under the contract and which will accrue similarly to the government.

Even more telling however, are two other aspects of the analysis. First, the Air Force is planning to perform the work with approximately 15 percent fewer personnel than the contract calls for. In light of the fact that the Air Force's own, highly questionable analysis shows that the savings from the insourcing will be negligible, one can fairly and clearly conclude that the cost per person associated with performing the work in house will be significantly higher than under the contract—and that's before adding in the many cost elements ignored by the analysis. If, in fact, the work can be performed with fewer people, imagine the savings that would be possible if the Air Force and the contractor worked together to identify workforce efficiencies.

Finally, the Air Force analysis did not include any assessment of post-retirement costs associated with the federal workforce. A simple calculation shows clearly that just post-retirement health insurance premiums will result in the government assuming tens of millions of dollars in deferred liabilities against a purported savings of less than a half million dollars.

This example is one of the very few where data is available. But it is instructive and reflective of the broader departmental approach, as illustrated in the AFMC documents. And it is clear from this example that the only real explanation for continuing with this particular insourcing action is to meet pre-determined quotas—even if, as in this case, the real short and long term costs to the government will actually be higher.

This is not a new finding. More than a decade ago, when the Army moved so heavily into contractor logistics support, it did so because it recognized that it is cost prohibitive for a permanent civil service to perform work that is variable in both nature and scope. Similarly, following the early phases of the Iraq war, the Navy realized that far too many of its sailors were engaged in out-of-theater support work at a cost the Navy could no longer afford. Since so much of that work was variable in scope and amount, the Navy also chose, in some but not all cases, to hire private contractors rather than incur the permanent and long-term costs of civil service employees.

This is not to in any way demean the value or importance of the civil service. Rather, it is merely to reinforce the importance of conducting, on a case-by-case basis and in a manner consistent with the missions involved, meaningful and complete cost comparisons.

The Secretary of Defense Acknowledges That Insourcing Savings Have Not Materialized

In light of the issues and concerns outlined above, it is not surprising that the Secretary of Defense on August 9 acknowledged that insourcing has not resulted in the desired savings. As a result, with the appropriate exception of some critical acquisition skills, he announced a significant de-emphasis on insourcing as part of his efficiency initiative. However, the Secretary's changed strategy applies only to the Office of the Secretary of Defense, the combatant commands and the defense agencies. It has no direct effect on insourcing activities within the military departments, which appear to be continuing apace, despite the clear and compelling evidence that real savings are illusory.

Economic Impacts Ignored

Finally, with regard to the current insourcing initiative, no consideration is being given to either the loss of imputed corporate tax and other revenues to local or state governments or the impacts associated with reducing well-paying, private-sector jobs at a time when such jobs are what the economy needs more than anything. While the government should not be a jobs program for either civil servants or contractor employees, it is reasonable to ask the critical question of how insourcing, in the cases where it involves routine commercial activities that do not need to be performed by federal employees, serves the nation's broader economic interests or the interests of the local economies that are affected.

Some would argue that this is a false premise and that, in fact, insourcing simply changes the identity of the employer and that employees keep their jobs. However that is simply not the case. Some work actually does change locations. Moreover, as noted explicitly in the AFMC guidance, incumbent contractor employees are not in any way assured of a continuation of their jobs, their salaries, or their employment status. Indeed, with the

exception of the limited benefits associated with direct hire authority that has been granted for acquisition positions only, incumbent contractor employees face the very same gauntlet of employment processes and procedures as any other new government hire.

In addition, insourcing actions have a very real effect on local governments and economies associated with reduced private sector revenues. Real estate taxes and development, local corporate use and sales taxes and other critically important sources of local revenue are eliminated when work is insourced. If the work involved is inherently governmental or so critical that it must be performed by a government employee, then we agree that it is a price that needs to be paid. But when it is not, such impacts cannot be ignored, particularly in the current difficult economic environment.

Toward An Accurate Comparative Process

Given the track record thus far, and the extreme paucity of information being shared, we would propose that, for each insourcing action involving OTHER than inherently governmental functions or work that is otherwise deemed so critical that it must be performed by federal employees, the department be required to conduct an analysis of the total lifecycle costs borne now or in the future by the American taxpayer associated with performing the work in house. This analysis should also include an assessment, made on the basis of reasonable market research, of the potential benefits that might accrue through a new competitive award process or through contract adjustments negotiated with the incumbent contractor. Finally, there should be an analysis of the impact of an insourcing decision on small businesses prior to finalizing the decision. After all, as the President has said, small business is the engine of innovation and is critical to our economic recovery. As such, it seems counter-intuitive to take work away from small businesses unless doing so results in meaningful and measurable benefits for the American taxpayer.

Secretary Gates' Efficiency Initiative: Some Answers. Some Questions

On August 9, Secretary Gates announced a new initiative to find \$100 billion in defense budget savings over the next several fiscal years. Among the components of this initiative are a freeze on new hires within the Office of the Secretary, the defense agencies and combatant commands; reductions in the number of senior flag and general officers; proposed reductions in the general bureaucracy; and a 10 percent reduction in contract support services each year for the next three years.

We support efforts to achieve the Secretary's desired results. The department has no choice but to reduce its overhead costs and eliminate unnecessary spending if it is to meet its mission needs. While we take no position on his specific decisions to close Joint Forces Command (JFCOM), the Business Transformation Agency (BTA), or the Network Information and Integration (NII) office, questions about the strategic analyses underpinning these decisions, much like many of the insourcing decisions discussed earlier. Regardless of whether those are decisions that are the discretion of the department or whether there are additional statutory procedures that must be followed, all stakeholders should be privy to the factors considered and the justification to shutter commands and programs.

In his August 9 statement, the Secretary echoed the words of the Defense Business Board when, in explaining his decision to close JFCOM, he talked specifically about how the command was “contractor heavy.” Whether closing JFCOM is the right action or not, we find that justification wanting. In our view, WHO is doing the work has nothing to do with whether the work being done remains important and valuable to the mission. It is the mission need and not the badge of the worker that should drive such a decision. In that vein, it would be very helpful to understand more about the analytical underpinnings of this decision, particularly given the effect the JFCOM closure will have on the economy of the Tidewater region in Virginia. The same rigor should underpin the decision to close BTA and NII.

The same concerns apply to the Secretary’s direction that contract support services be reduced by 10 percent each year for the next three years. There are already conflicting reports as to what contracted services are included in this directive. Is it all service contracting? Is it specific subcategories? How was the 10 percent goal determined?

Most importantly, what is magical about contracted support services? Why target only contractor-performed work rather than the totality of the work being done by the department? Why does the directive not seek a more holistic approach to all work being performed by DoD in an effort to find areas of redundancy or changed needs, regardless of who is performing that work?

In short, our principal concern with the 10 percent per year target is its arbitrary nature and its failure to look comprehensively and strategically within each defense activity at all of the work being performed by the total force of uniform military, civil servants and contractors.

Finally, as these reductions are executed, questions remain as to whether the execution strategies will be developed through a collaborative process in which the contractors and the department work together to find ways to reduce the overall costs of performance or will be implemented through prescriptive direction. Again, the best hope for effective implementation is the kind of communication and collaboration that marks the best in customer/supplier relationships. Unfortunately, in today’s environment, our public-sector partners too often feel that they are under increasing pressure to reduce, not enhance, their communications with industry. This violates common sense and the most fundamental premises of good business relationships. In fact, the problem became so severe that Deputy Secretary of Defense William Lynn issued a memorandum in June reminding the department’s workforce of the essential importance of constant and open communication with their private-sector partners.² Unfortunately, the pressure remains. And there is thus an abject need to not only remind the workforce of the importance of communication, but to insist that they engage in it.

² “Policy for Communication with Industry” memorandum from Deputy Secretary of Defense William Lynn, attached.

Conclusion

Our goal today is not to question the objectives Secretary Gates has set forth through any of these initiatives. What he is seeking to do is the right thing to do and he deserves our strong support. At the same time, to the degree actions taken in the field run contrary either to his guidance or to the best chances of successfully implementing his initiatives, it is important for us to speak out. We have reached out to the department on many occasions with some limited success. And we look forward to more detailed and ongoing dialogue. The decisions being made today and in the months ahead will have enormous repercussions for the department, the taxpayer and the thousands of high performing companies supporting our national security mission. As such, those decisions must be analytically rigorous and the process behind them must be open and transparent to the degree our national security interests allow. Without such analyses or transparency, the likelihood of falling well short of the Secretary's important goals is increased many times over.

Written Testimony

Before The
HOUSE COMMITTEE ON ARMED SERVICES

Regarding

"Defense Department Budget Initiatives"

September 29, 2010

Submitted by: Honorable Robert F. McDonnell
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Chairman Skelton, Ranking Member McKeon and other distinguished members of the Armed Services Committee, on behalf of the Commonwealth of Virginia, I thank you for inviting me to offer testimony today in this important hearing to consider the Efficiencies Initiative announced by the Secretary of Defense on August 9, 2010.

The Commonwealth of Virginia is proud to be the home of many elements of this Country's national defense establishment. The Pentagon - the headquarters and virtual epicenter of America's military is located in Arlington County, and the Central Intelligence Agency Headquarters – the headquarters and virtual epicenter of America's civilian foreign intelligence activities responsible for providing national security intelligence to senior U.S. policymakers – is located in Fairfax County. Virginia has a long and proud history of being a close and trusted partner with the United States military and national security agencies that goes back to 1608 when Captain John Smith recognized the importance of building a fort at Point Comfort in Hampton Roads, building Fort Algernourne with the mission of protecting the approaches to the colony at Jamestown. As a result of the War of 1812, Fort Monroe was built to protect the entrance to Hampton Roads and the several port cities that had access to its waters.

As the United States grew its presence of military and national security facilities in the Commonwealth, Virginia was embraced as a full participating partner in that growth. The Commonwealth and many of her local governments located in the Northern Virginia and Hampton Roads regions, partnered with the United States to develop and build the infrastructure required to support the growth of these facilities. This infrastructure included not only roads, curbing and guttering to provide access to the expanding facilities of the military and national defense establishments, it included building and manning fire facilities, rescue and first responder

facilities, schools and neighborhoods necessary for its maintenance and growth. It was the Arlington County Virginia Fire Department that served as the lead agency in the response to the attack on the Pentagon on September 11, 2001. On that fateful day, the Arlington County Fire Department employed 279 men and women. As a result of the attack on the Pentagon, however, additional career firefighters were hired, bringing the total to 305 in 2005. Minimum staffing on the county's engine companies was also increased to four firefighters from three in the months after the attack. The county trained CERT Teams – Community Emergency Response Teams – in cooperation with the federal Department of Homeland Security stepped up disaster preparedness programs. These additional components of local infrastructure were added as a full partner with the military to insure adequate first responder requirements to any future acts of terror against the Pentagon.

Virginia, and her localities and local governments, have been, and continue to be, a willing, responsive partner with the United States in providing for the general welfare of all of the citizens of the Commonwealth, including those citizens who serve our Nation in both the military and the national security agencies, as well as their families to insure the best possible quality of life for each and every Virginia citizen. That high quality of life includes excellent school systems to educate the children, the police, fire and rescue resources required to protect our citizens and communities, and the facilities used to exercise the right to vote on each election day for the leaders of this Country and the Commonwealth.

The Commonwealth has endured economic adversities as a result of the several rounds of the Base Realignment and Closure (BRAC). Throughout the BRAC process, however, the Commonwealth was, as usual, treated as a full participating partner in giving input in the decision-

making process of removing many federal government agencies from commercial leased space in both the Northern Virginia and Hampton Roads regions. While business owners of the commercial leased space have suffered adverse economic impact from the loss of federal government agency tenants in buildings that were largely built to accommodate past growth and additional requirements of the military and national security agencies, the BRAC process does provide the time and additional resources required to address those economic adversities.

The BRAC process in 2005 that removed federal agencies from commercial leased properties resulted in those agencies being moved to military and national security properties at Fort Belvoir, Quantico Marine Operating Base, Fort Eustis, Fort Lee and many other facilities within the Commonwealth. Tremendous growth has occurred at these federal properties necessitating additional infrastructure – streets and roads, curbing, guttering and the like – to accommodate the growth generated by the movement of these agencies to the federal properties in the Commonwealth. Again, however, the Commonwealth was treated as a full partner in the decision making processes such that Virginia could address the needs of its citizens.

On August 9, 2010, that cooperation, openness and partnership between the federal government and the Commonwealth was conspicuously absent with the announcement by the Secretary of Defense that it was his intent to close the U.S. Joint Forces Command (USJFCOM) and reduce the use of defense contracts by a total of 30% over the next three (3) years. The Secretary of Defense did not provide, and has not provided since that time, any material information in support of his decision. In fact, the Department of Defense has told staff that the decision was “philosophical” and now they are putting together a plan of action to justify and effectuate these decisions. He has directed several flag officers at USJFCOM to put together a

plan to eliminate USJFCOM and provide to him an interim report by the middle of October, and a final report in December. Furthermore, he has directed that all personnel who participate in the formulation of a plan to support his decision must sign a nondisclosure statement – in essence, the Secretary of Defense has imposed an embargo on all information that is needed by the Commonwealth to evaluate and respond to the August 9th announcement.

The Commonwealth, after over two hundred (200) plus years of partnership with the federal government in the development and growth of the military and national defense infrastructure, is not being treated as a partner with the federal government. The Commonwealth is no longer provided a seat at the table to be a part of the planning process for an announced closure of a major employer in the Hampton Roads and Northern Virginia regions. The Commonwealth has worked with a number of private sector employers that have announced plant closures affecting many Virginia citizens to minimize the adverse economic consequences of such closures – the most recent example being the 2008 Ford Motor Company closure of the F-150 truck assembly plant in Norfolk that employed 2,433 workers. That plant had a direct payroll of \$160 million, and drew parts from 17 local suppliers that employ about 2,700 people.

After several letters requesting a meeting with the Secretary of Defense, followed up with repeated personal requests from the Virginia Congressional Delegation to members of the White House staff, as well as the President of the United States, the Department of Defense has responded with an offer to meet with the Governor and the Congressional Delegation. The meeting is with the Deputy Secretary of Defense and the Vice Chairman of the Joint Chiefs of Staff. The state is still waiting for an opportunity to meet with Secretary Gates.

The focus of the Secretary of Defense with reducing the overhead of his department, shrinking the number of military headquarters in the department and reducing the size of military headquarters staff is both a responsible and commendable goal given the current difficult economic and fiscal situation currently being experienced by our nation. It is important to achieve savings through reductions in overhead expenses, but not the best course for the security of the nation when achieved through the reduction of force structure or elimination of successful modernization programs – especially when this country is engaged in fighting determined and elusive adversaries that have chosen approaches to warfare that avoid our military’s conventional strengths. As Virginia’s Governor, I have undertaken a similar goal by appointing a Commission on Government Reform and Restructuring which I have challenged with putting forth bold and innovative ideas to ensure that duplicative, outdated, unnecessary and ineffective services and service delivery methods are eliminated, and that state revenues are dedicated to the core functions of government. These are good strategies.

There is, however, a significant difference in the methods chosen by me and the Secretary to pursue the goal of achieving efficiencies in government operations. The term “transparency” generally refers to public access to information held by the government, including information upon which government relies in making its decisions. I have chosen to pursue the goal of eliminating government waste and achieving operational efficiencies by means of a transparent process involving public hearings of the Reform Commission and receiving input and ideas from the public. DoD has chosen to accomplish the goal of eliminating government waste and achieving efficiencies without being transparent to the public. No Virginia leaders, Congressmen, Senators, private contractors or JFCOM leaders appear to have been part of the planning or decision making process.

During the last weeks of July, rumors began to circulate that the Defense Business Board, an advisory board of retired economic and business leaders, would recommend ways to reduce department costs. One such rumored recommendation was to eliminate the Joint Forces Command in Norfolk. At his news briefing on August 9th, Secretary Gates announced, without any prior notice or warning, that he was recommending to the President the closure of the Joint Forces Command.

As Governor of Virginia, I was asked by the President to serve on the Council of Governors, a group of ten governors appointed for the purpose of providing State Governors a forum to exchange views, information, or advice with the Department of Defense. I was told that the appointment was to establish an open and continuous dialogue with the Secretary of Defense, and achieve transparency in the exchange of ideas. Close cooperation and communication between the federal government and the individual states is absolutely vital if the most effective use of state and federal resources is to be achieved on matters of national defense and homeland security. In support of establishing an open and continuous dialogue, I appointed an active duty Air Force general officer as a member of the Virginia National Guard so that he could command the Joint Task Force responsible for the National Boy Scout Jamboree. The appointment of a Title 10 general officer as a member of the title 32 Virginia National Guard was the first time such an appointment had been made in the history of this nation. The recommendation relating to the closure of the Joint Forces Command was not taken with a similar spirit of cooperation nor was it as a result of open dialogue and transparency in the decision making process by the Secretary.

I have twice asked DoD to provide answers to detailed questions pertaining to the reasons for the closure, its impact on national security and joint operations, and the implementation plan. Responses to date from Pentagon leadership have been wholly inadequate. In my letter of

September 24, 2010, I inquired into six major areas of concern (copy attached) and I still await complete answers to this inquiry.

The U.S. Joint Forces Command (JFCOM), established in 1999 as the successor to the U.S. Atlantic Command, is uniquely organized and tasked for providing joint forces and developing joint training, joint concept development and experimentation, and the joint capabilities development needed to adjust to the demands of 21st-century military operations. It traces its origins to the shortcomings in joint operations revealed during the 1980s and Operation Desert Storm. Following the Gulf War, Gen. Colin L. Powell, the chairman of the Joint Chiefs of Staff, and others recognized that refining how each branch of the armed forces works together to train and deploy for joint operations was key to meeting future challenges. He felt that a single, U.S.-based unified command should be responsible for training forces from all services for joint operations. Today, JFCOM is a forceful advocate for "jointness." Retired Navy Admiral Hal Gehman, former Commander of the Joint Forces Command, had it right in his widely published article this past Sunday (September 26, 2010) when he disagreed with Secretary Gate's decision to close JFCOM. He said *"The core of work JFCOM does is essential to the future success of the United States military and, despite claims to the contrary, is not duplicated anywhere else in the department. History has proven this work certainly can not be accomplished inside the beltway"*.

The 2005 Base Closure and Realignment process validated JFCOM's mission and contributions to joint warfighting. The DoD panel reviewing the command recommended that JFCOM purchase its leased spaces to support its permanent presence. Congress has responded through the authorization and appropriation of funding for military construction projects at the command. In 2009, JFCOM opened a 49,000-square-foot Joint Deployment Center and Maritime Operations Center shared with the Navy's Fleet Forces Command.

Admiral Michael G. Mullen, the chairman of the Joint Chiefs of Staff, spoke to the importance of JFCOM's missions at a 2007 change command ceremony. Referring to the command's work to develop "lessons learned" from ongoing military operations to preserve the experience of U.S. service men and women, he said, "It is vital that we capture that for the future health of our armed forces." The *2010 Quadrennial Defense Review* echoed this view, stating, "Perhaps more than ever before, the United States requires joint military forces able to function and succeed across a wide geographic and operational spectrum. Moreover, military forces must be capable of working effectively with a range of civilian and international partners."

Recent projections indicate that complete closure of the JFCOM function would eliminate more than 10,000 direct and indirect jobs and a loss of annual salaries of more than \$200 million in Virginia. The decision to close Joint Forces Command will also result in the loss of numerous contractor jobs in both the Hampton Roads area and the Northern Virginia area. The recommendation to the President is a significant base realignment and closure action that should be treated as such. The transparent process that must be used by the Secretary is established by the Base Realignment and Closure (BRAC) legislation that was enacted by the Congress to ensure sufficient time and opportunity is available for review of such proposals in an open and transparent manner. The BRAC process ensures that such critical base infrastructure closure and realignment decisions are made only after a complete review, without political interference, and within the national strategic framework. The Department of Defense has previously used BRAC in the Commonwealth to reorganize its base and force structure to more efficiently and effectively support United States forces, increase operational readiness, and facilitate new ways of doing this nation's business.

The BRAC Commission is an independent body charged with the responsibility for reviewing the Secretary's recommendations for closures such as this recommendation involving the Joint Forces Command. BRAC specifies the selection process for the Commissioners, and the President is required to consult with congressional leadership on nominations to serve on the Commission. The Commission has the authority to change the Department's recommendations if it determines that the Secretary deviated substantially from the force structure plan and/or selection criteria. The Commission holds meetings to solicit public input prior to making its recommendations.

I recognize the integral part the military and national security operations and facilities play in the economic vitality of our citizens. I intend on being proactive in identifying the appropriate strategies to both retain existing military operations and facilities that are so very vital to the security of this nation, and to identify and attract operations and facilities that should be located within Virginia. Therefore, last month I ordered the creation of a Commission on Military and National Security Facilities in the Commonwealth. The Commission consists of my Secretary of Commerce and Trade and my Assistant to the Governor for Commonwealth Preparedness and distinguished members of the business community, including the defense contracting community, and retired senior military officers.

I have charged the Commission with the following responsibilities:

- Identify appropriate opportunities for relocating additional military commands and missions to the Commonwealth.
- Identify appropriate opportunities for relocating additional federal facilities to the Commonwealth.
- Recommend, as appropriate, the best business practices for the Commonwealth to retain its existing military installations and commands.

- Recommend, as appropriate, the best business practices for the Commonwealth to retain its existing non-military federal facilities.
- Support and foster collaboration among local and regional entities in identifying appropriate opportunities for placement of additional federal facilities in the Commonwealth.
- Determine the best and most efficient manner to foster and promote business, technology, transportation, education, economic development and other efforts to support, attract and retain existing military installations and commands in the Commonwealth.
- Determine the best and most efficient manner to foster and promote business, technology, transportation, education, economic development and other efforts to support and retain existing non-military federal facilities in the Commonwealth.
- Identify and track all federal government facilities located in the Commonwealth and their building plans.
- Determine the best industrial and economic development for the localities included in or adjacent to military installations and commands in the Commonwealth.
- Determine the best industrial and economic development for the localities included in or adjacent to federal facilities in the Commonwealth.
- Inform the Governor on a regular basis on all pertinent findings and recommendations.

I have asked Commission members to consider that this great Nation is in parlous times and under severe economic and fiscal stress. History records that hard times often force the policy makers in this Country into making ill considered decisions. It is my intent that the efforts of Commission members will result in better planning, more transparency in deliberations and recommendations that do not place our national security in jeopardy.

Growing groups of business, senior retired military and political leaders are opposed to this decision, and are frustrated with the lack of available information to support it. The use of an independent commission and public meetings make the process as transparent, open and fair as possible. The last BRAC process in 2005 did not recommend closure of the Joint Forces Command. Decisions regarding the future of the Joint Forces Command and the use of defense

contractors located in the Commonwealth should be made in the context of the existing transparent, open and public process that is represented by BRAC.

Thank you for your consideration of these important issues, and for doing what is best for the military and our nation.

Attachment, Areas of Concern:

1. BUSINESS CASE ANALYSIS OF ACTIVITIES TO BE ELIMINATED
 - Numerous documents and statements from DoD have indicated that a plan for disestablishment of JFCOM, including a determination of the functions that should continue to exist, should be eliminated, or should be moved, is being developed over the next several weeks. How does DoD justify making a decision to close JFCOM before first carrying out such an assessment?
 - What studies on cost savings has DoD conducted concerning the JFCOM closure and contractor reduction? Please provide details.
 - What studies on workload impacts has DoD conducted (e.g., what are impacts on JCS of force provider function shift)? Provide details.
 - Has DoD contacted contractors and civilians to determine their intent to move locations if their functions are moved? What impact on moving functions, and the service members who receive JFCOM training and operations support, could result from the loss of these personnel from the workforce?

- What process was used to identify JFCOM for closure and what factors were considered in proposing the JFCOM closure? Why was it not done within the QDR completed this spring, or as part of a BRAC realignment?
 - What specific legal authority exists for such strategic closures outside of BRAC?
 - Jointness and joint interoperability give the U.S. military a great strategic advantage. How will such important characteristics of the modern military be met if JFCOM closes?
 - The modeling and simulation work done at JFCOM is a critical low cost test and evaluation function. How can it be done if JFCOM closes?
2. WILL THE PROCESS TO REDUCE/ELIMINATE JFCOM AND DEFENSE CONTRACTOR SUPPORT EVER BECOME TRANSPARENT TO THE PUBLIC
- Did OSD review the process and decision made by the OSD Headquarters and Support Activities Joint Cross Service Group during the 2005 BRAC process that resulted in the recommendation that JFCOM continue to exist and should in fact purchase its leased facilities? How does DoD reconcile the recommendation to close JFCOM with the 2005 BRAC recommendation?
 - Various personnel at JFCOM have been directed to sign non-disclosure agreements relating to the review and closure process. Why does the Department not take a transparent review and decision-making process in this action?
 - The Secretary indicated that he authorized the services to consider additional closures, and Mr. Hale recently indicated that no “more” closures would be announced until at least February. Is DoD currently considering additional base or function closures or realignments that would affect Virginia? If so, what are the metrics and process being used in that review?

- If the Secretary and the military departments are considering additional closures and realignments, does DoD believe that another round of the BRAC process is necessary?
3. IMPACT OF INFRASTRUCTURE IN PLACE WITHIN LOCAL COMMUNITIES
- Have specific locations outside of Hampton Roads been identified to host any JFCOM mission that will remain intact after the proposed disestablishment of JFCOM?
 - Has DoD considered moving a new mission to backfill the sudden loss of this Command in the Hampton Roads region? For example, has DoD considered moving AFRICOM or other functions to the region? Which locations are being considered to host AFRICOM?
 - What specific JFCOM functions will remain in Suffolk and Norfolk? What are the estimated civilian, uniformed, and contract job positions at each location? Are these personnel assigned to specific billets at each location?
 - What is the DoD plan for use of leased space in Suffolk? Will the leases be terminated and what are the termination fees?
4. WHAT JFCOM FUNCTIONS ARE BEING RELOCATED OR LEFT IN PLACE?
- If similar functions to JFCOM exist within the Joint Chiefs of Staff and other organizations, did DoD consider consolidation of those functions to JFCOM, rather than disestablishment? Should alternatives, such as expanding or strengthening the JFCOM function, have been considered instead of selecting the JFCOM closure option?
 - For those activities that DoD determines should continue to exist, what process will DoD use to determine whether they should remain in place or move elsewhere?
 - Was there consideration given to simply reducing the number of contractors and eliminating the duplication of missions versus eliminating the entire command?

5. ECONOMIC IMPACT

- Has DoD calculated the extreme economic costs to Virginia of the contractor reduction; and what is the estimate? Where are the displaced contractor functions going to be performed?
- Will the JFCOM closure make the region eligible for base closure assistance, including OEA grants, from the federal government?
- Will the JFCOM closure result in an increase of personnel in the National Capital Region?

6. REDUCTION IN THE USE OF DEFENSE CONTRACTORS

- What costs, and savings, are associated with the use of defense contractor personnel at JFCOM? What costs, and savings, are associated with the use of defense contractor personnel in the National Capital Region? How will DoD decide which defense contractors and contracts to cut or eliminate in order to achieve the announced reduction?
- What studies has DoD conducted on both the short and long term real cost savings by reducing the use of defense contractors? Please include any existing examples where reducing the use of defense contractors – either by using uniformed personnel or by in-sourcing – has actually reduced costs to DoD.
- If the Department is looking for efficiencies, why was the decision made to cut the government contracting services sector rather than finding efficiencies through the streamlining of administrative operations?
- Upon what basis or analysis was the decision made to reduce the use of defense contractors by a total of 30% over the next three (3) years? Please provide a copy of any analysis conducted by DoD that forms the basis of this action.

- What universe of service will the reduction affect? Will it be an across the board? If not, which categories of service will be targeted?
- Will the reduction in the use of defense contractors be spread equally throughout the country or will any such reduction be confined to a specific region, such as the National Capital Region of Northern Virginia, which appears to be hit extremely hard by this decision.

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

SEPTEMBER 29, 2010

QUESTIONS SUBMITTED BY MR. SKELTON

Mr. SKELTON. Deputy Secretary Lynn, the DOD General Counsel legal opinion is based on the concept that there will be enough United States Joint Forces Command (JFCOM) workload reduced that the number of civilian employees realigned will fall below thresholds for coverage under the Base Realignment and Closure statute. What JFCOM functions was the DOD General Counsel's office told were being eliminated in formulating this legal opinion? If the General Counsel was not provided with a list of workload reductions, what assumptions or factual elements were provided in obtaining the legal opinion?

Secretary LYNN. The DOD General Counsel was told that the Secretary was proposing the disestablishment of JFCOM and was asked to analyze the extent to which the requirements of Section 2687 of Title 10, United States Code might apply to that action. No specificity regarding the functions or number of personnel positions to be eliminated was provided, just a general statement that the Department anticipated eliminating a significant number of functions and personnel positions. The Office of the General Counsel therefore did a location-by-location analysis, examining the full range of possible actions to accomplish the disestablishment. The attached paper explains the extent to which any such action would, or would not, trigger the requirements of Section 2687. The paper does not assume or depend upon any specifics regarding what functions or what number of personnel positions would be eliminated; rather it simply explains the legal effect of the full range of possibilities.

Mr. SKELTON. Deputy Secretary Lynn, by law, the department must manage its civilian workforce by workload and funding, rather than use arbitrary constraints. How is the freeze consistent with the law? Why won't the freeze lead to reductions in civilian employees without any workload analysis?

Secretary LYNN. 10 U.S.C. § 129 does not prohibit managing our civilian workforce by any particular accounting convention, such as man years, end strength, or full time equivalent (FTEs) targets, provided that those conventions are based on workload or funding. In his efficiencies roll-out speech on August 9, 2010, Secretary Gates stated that for the past two years Department leadership has been working on reforming the way the Pentagon does business. He referenced the fact that sustaining the current force structure and making needed investments in modernization will require annual real growth of 2 to 3 percent, which is 1 to 2 percent above current top-line budget projections. He also referenced the fact that in May 2010, he "called on the Pentagon to take a hard, unsparing look at how the department is staffed, organized, and operated." The conclusion from that study was that the headquarters and support bureaucracies had grown cumbersome and top-heavy, overreliant on contractors, and accustomed to operating with little consideration to cost. Further, as he outlined his four-track approach he made it clear that it will be incorporated in the FY 2012 budget request.

We are now in the midst of a careful evaluation of the roles and functions of our component organizations that considers the most effective allocation human capital—government and contract personnel alike. Our problem is that our entire workforce has grown too large and we must take steps to control this growth. The Department is not conducting a civilian hiring freeze. Rather, we are halting the growth of our workforce and reducing our reliance on service support contractors through targeted reductions.

Mr. SKELTON. Deputy Secretary Lynn, in announcing the efficiency initiative, the Secretary has focused on examining opportunities to reform many of the Department's business operations, such as contracting, acquisition, and human capital. The FY08 NDAA established the Deputy Secretary of Defense as DOD's Chief Management Officer (CMO), established a Deputy CMO (DCMO) to assist the CMO, and designated the service Under Secretaries as CMO for their departments.

What is your role, as the CMO, in the efficiency initiative? What specific responsibilities have been given to the CMO and how are these being carried out?

Secretary LYNN. As CMO, I review all recommendations from the Efficiencies Task Force as part of the Secretary's leadership and decisionmaking team.

The Secretary's call to cut overhead costs and transfer those savings to force structure and modernization is effectively accomplished through the four tracks detailed in his initiative announcement to include:

- 1) Finding \$100 billion in savings over the next five years that can be reallocated to priority warfighting and modernization needs.
- 2) Seeking suggestions from industry, advisory boards and DOD employees on new ideas to achieve efficiencies.
- 3) Reviewing how the Department is organized and operated to identify necessary changes to how we do business.
- 4) Implementing 23 initiatives on defense acquisition and contracting, such as reduction of funding for support contractors by 10 percent a year for the next three years.

These tracks are being implemented across the Department. For example, the Secretary issued guidance to each of the Military Departments and Defense Agencies with specific savings targets that are to be met as part of the budget preparation process for the FY 2012 President's budget; conducted the Innovation for New Value, Efficiency and Savings Tomorrow (INVEST) contest, which solicited cost-cutting ideas from our workforce; and made the decision to close the Joint Forces Command (JFCOM), the Office of the Assistant Secretary of Defense for Networks and Information Integration and the Business Transformation Agency (BTA). Disestablishment plans for those organizations are under development.

Mr. SKELTON. How will the task force being led by the Secretary's chief of staff interrelate with the CMO, DCMO and military department CMOs?

Secretary LYNN. The Secretary's Chief of Staff chairs the Department's Efficiencies Task Force, with support from established study groups. These groups are tasked with managing the four tracks detailed by the Secretary in his efficiency initiative announcement. As CMO, I review all recommendations from the Efficiencies Task Force as part of the Secretary's leadership and decisionmaking team. The Secretary's Chief of Staff is working with the DCMO on the closure of BTA and the INVEST contest.

Mr. SKELTON. What is the role of the Deputy CMO and military department CMOs with respect to the efficiency initiative? What specific responsibilities have been given to the CMO and how are these being carried out?

Secretary LYNN. The DCMO is working with the Department's senior leadership to ensure BTA critical skill sets and functions are retained, but functional overlaps are eliminated. Second, the DCMO is administering the Department's INVEST contest. This contest solicited DOD military and civilian employees' creative ideas to save money, avoid cost, reduce cycle time, increase agility and use resources more effectively. The contest ran from August 9, 2010 through September 24, 2010, and 15,890 ideas were submitted. The Department is currently evaluating these ideas.

Military Department CMOs have broad responsibility for implementing the Secretary's efficiency initiative within their respective organizations and achieving the Secretary's goal for each Military Department in shifting \$28.3 billion in overhead costs to force structure and future modernization.

The Army CMO was designated as the single oversight lead for all Army efforts in meeting objectives across the four tracks detailed in the Secretary's announcement. In this role, the Army CMO has: delineated specific roles and responsibilities of Army leadership for 14 specific efficiency tasks; established guidance to ensure synchronization and integration of Army-wide initiatives affecting adjustments to the FY 2012–2016 Program Objectives Memorandum (POM); and expanded Army initiatives to a longer-term effort incorporating a holistic review of major Army Enterprise programs, capability portfolio reviews and processes to garner efficiencies in the out-years (Program Review 2013–2017). The Army CMO also directed establishment of a process to identify, assess and implement future DOD and Army efficiency initiatives that leverages the Army integrated management processes against specific metrics and efficiency targets.

The Department of the Navy (DON) CMO is tasked with tracking and coordinating across the Navy, Marine Corps and Secretariat, all efficiency-related pursuits with the specific goal of institutionalizing an enterprise-wide culture of efficiency. The DON CMO is responsible for establishing and chairing a Department of the Navy Efficiency Implementation and Monitoring Program and leads an efficiency working group within DON to increase awareness of efficiency tasks, coordinate specific issues across multiple stakeholders, and by doing so, avoid duplication of effort. The DON CMO is also leveraging the Department of the Navy Business Transformation Council to incorporate the efficiency initiative into the DON's overall business transformation program.

The Air Force CMO is the lead in working with DOD's Efficiency Task Force, and is tasked, together with the Air Force Vice Chief of Staff, with providing final efficiency recommendations to the Secretary of the Air Force. The Air Force CMO is aggressively working to reduce overhead and realign savings to warfighting needs; seek proposals from the entire Air Force; assist in the conduct of front end assessments to inform the FY 2012 budget request; and to assist in reducing excess duplication across the entire DOD Enterprise. To meet the Secretary of the Air Force's direction to find \$28.3B in efficiencies across the Future Years Defense Program, the Air Force CMO and Vice Chief of Staff, as co-chairs of the Air Force Council, are utilizing the Air Force Corporate Structure to ensure top-level leadership and focus on our efforts in improving warfighting capability while shedding non-value added work and improving efficiency. In this effort, the Air Force CMO is responsible for ensuring efficiency priorities and objectives are integrated into Air Force business transformation and other related strategic plans, as well as Air Force's performance management processes.

Mr. SKELTON. If not the CMO, who in the Department is accountable for making sure that the initiative is fully implemented?

Secretary LYNN. The Secretary of Defense and the Department's entire senior leadership team are working together to implement and assume accountability for this initiative.

Mr. SKELTON. Dr. Carter, does the Department have the human capital, the numbers and the expertise, to truly implement the reforms in Dr. Carter's September 14 guidance? In particular, does the Department have the expertise to conduct should cost and will cost management of programs?

Secretary CARTER. The Department has program management, cost and engineering capabilities within the existing acquisition workforce that are critical to executing programs and facilitating affordability decisions. However, the Department recognizes that the size and composition of this existing workforce must be expanded to be able to apply these core capabilities to meet the more detailed affordability analysis needs of all acquisition programs and to more fully enhance those capabilities in support of Major Defense Acquisition Programs.

The Department is committed to using disciplined program management practices, revitalizing cost-related capabilities, and reversing a decade-long decline in the organic workforce. To get best value for taxpayers, DOD will enhance the cost-estimating and pricing capability to improve program estimates and ensure we price contracts appropriately. As reported in our April 2010 report to Congress "The Defense Acquisition Workforce Improvement Strategy FY10," to improve quality, the Department is expanding and improving training programs in this area. We have created a separate cost-estimating career path within the Business career field, and now require 7 instead of 4 years of experience to achieve Level III certification. Currently, the Department has more than 900 cost-estimating positions in the DOD acquisition workforce supporting a diverse set of technical and program activities. The cost analysis capability at the program office level is supported and guided by existing cost analysis organizations within each Component acquisition product division and organizations at the Component headquarters level that provide independent cost analyses to support Component Acquisition Executive decisions. In the Office of the Secretary of Defense, the Cost Assessment and Program Evaluation organization provides an additional level of capability to provide estimates to inform Department-level decisions on acquisition programs and their affordability.

In terms of Engineering-related capabilities within the acquisition workforce, the Department currently has 38,000 positions in the "Systems Planning Research Development Engineering—SPRDE" technical workforce. The SPRDE workforce represents the Department's core capabilities for executing the range of engineering trade-off studies including life cycle cost modeling in all phases of the acquisition process. These trade study and modeling activities are critical to making informed choices that impact system affordability. As part of the Organization and Capability Assessment efforts mandated by Public Law 111-23 (Weapons Systems Acquisition Reform Act of 2009), the Department is currently working with the Military Departments and Agencies to assess the current capability of the workforce members providing engineering-related expertise. The Department possesses the capabilities needed at the present time by using government personnel with augmentation from systems engineering-focused Federally Funded Research and Development Centers (FFRDCs) and contractor personnel. The transition to an indigenous organization of government technical personnel is in progress and is anticipated to take several years.

The Department has been working closely with the Military Departments on several Major Defense Acquisition Programs with good results from carefully thinking through requirements, business strategies, cost estimates and engineering trade-

offs. As Secretary Gates has said, “There is no silver bullet” for changing how the Department conducts business, and it will take time to fully implement these ideas across the Department and inculcate these practices in all acquisition programs.

Mr. SKELTON. Dr. Carter, the acquisition workforce is a critical element in the management of acquisition—and the IMPROVE Act makes a number of recommendations related to the acquisition workforce. Under your efficiency initiative, the acquisition workforce is deemed a critical area (and exempted from the billet freeze). Beyond just increasing hiring for acquisition positions, what internal actions is the Department taking to hire and train individuals for the acquisition workforce? How will you ensure that the military services don’t include parts of the acquisition workforce in their “overhead” reductions undertaken in track (1)?

Secretary CARTER. In addition to improving hiring practices and increasing the size of the acquisition workforce, the Department is creating more focused acquisition career paths, strengthening certification requirements, investing in leadership development, assessing workforce competencies and implementing strategies to address identified gaps, increasing acquisition training capacity, and providing new and improved training at all levels. Components are actively using the Defense Acquisition Workforce Development Fund for a full spectrum of quality-enhancing workforce initiatives authorized by 10 U.S.C. 1705.

DOD efforts to strengthen the acquisition workforce in size and quality are key to successful implementation of our acquisition reform efforts to improve our buying methods and our buying power. The President’s FY 2011 budget request provides for continuing the Secretary of Defense initiative to grow the acquisition workforce by 20,000 positions by 2015. Significant progress in hiring and growth continues and is being closely monitored by the defense acquisition workforce steering board, which is chaired by Dr. Carter, and is composed of senior acquisition component and functional leaders.

Mr. SKELTON. Dr. Carter, when you state that the Department is cutting 10% of service support contracts, can you please clarify what this means? Ten percent of what, and what is the basis for choosing ten percent? What analysis is the Department using to determine which service support contracts will be eliminated? How will you know you’ve cut the “right” contracts?

Secretary CARTER. The Department is focused on reducing its growing reliance on support contractors that perform routine, staff support functions. These targeted services are a subset of the Department’s Knowledge Based Services portfolio and align within Advisory and Assistance Services (A&AS).

Examples of targeted support contractors include:

- Contractors that come into a headquarters building (e.g. the Pentagon) each day and have a desk, phone number, and computer account; and
- Contractors that perform duties such as writing memoranda or preparing routine briefings.

Examples of support contractors not targeted include:

- Contractors that orchestrate range control and monitoring at training ranges;
- Contractors that provide highly specialized technical assistance for weapons systems; and
- Contractors that provide IT support or maintain landscaping.

In accordance with Section 807 of the FY 08 National Defense Authorization Act, DOD submits an annual inventory of services contracts to Congress. We admit that this inventory is not sufficiently exact for the intended purposes of this 10% reduction. In order to implement these reductions accurately and effectively, the Department must first establish a more complete accounting of the targeted support contractors. A DOD-wide survey of these support contracts is in progress. This survey data will not only assist the Department in reducing such support by 10% annually during the next three years, it will provide the necessary data and management tools to better manage this contractor support into the future.

Mr. SKELTON. Dr. Carter, what is the plan going forward for involving defense industry in the implementation of the reforms spelled out in Dr. Carter’s September 14 guidance?

Secretary CARTER. Many of the initiatives in the September 14 Memorandum to Acquisition Professionals emphasize the Department’s own business practices—things that we can do directly to provide better value to warfighters and taxpayers. We developed that list of initiatives through intensive internal effort, looking hard at data and lessons learned from experience, but we also drew extensively on the best ideas submitted by industry. We expect the Efficiency Initiative to continue to benefit from communication and cooperation with industry. We also understand that some of our recommendations will affect (1) our interactions with industry and (2)

industry's business practices. We specifically want to reward industry for actions that increase efficiency and provide real value-added initiatives for the Department.

To make sure industry understands the Initiative's goals and the detailed implementation steps, the Department's leadership is holding a series of meetings with CEOs and industry leaders. That process began immediately after we published the September 14 memorandum. On September 16, we held a public event for industry at which we explained the initiative and answered questions, and we committed to meet individually with defense industry leaders to hear their suggestions and their concerns. We have carried out that promise. Additionally, my Principal Deputy, the Service Acquisition Executives, the Deputy Assistant Secretary for Industrial Policy, and other Department executives have held a similar series of meetings. Our goal is to maintain an open line of communication that will smooth implementation. We want to give industry leaders as clear a signal as possible about our plans, and we want to give companies as much opportunity and incentive as possible to adapt to the new acquisition environment.

We also hope to work with industry to stimulate new thinking that will lead to follow-on steps to improve the Department's efficiency still further. The September 14 memorandum also calls for the Deputy Assistant Secretary for Industrial Policy to involve industry further in implementing the reforms. Industrial Policy will solicit input from the industrial base to discover how DOD requirements of questionable utility and inefficient DOD practices cause industry to adopt practices that increase non-value-added costs. This input will build on the earlier set of industry suggestions and will solicit specific, credible, and convincing data on the non-value-added practices and the costs that they impose. The Department will then hold a public meeting at which industry experts can comment on the best of the suggestions, ensuring that those suggestions are broadly relevant to industry. This process will lead to follow-on reform proposals as part of the next phase of Efficiency Initiative implementation.

Mr. SKELTON. Dr. Carter, what exactly is the intent of your new policy on independent research and development?

Secretary CARTER. The intent is to reinvigorate industry's independent research and development (IR&D) and protect the defense technology base. We are reviewing how we can work with industry to identify and eliminate impediments to innovation, provide better feedback to industry partners on their IR&D investments, and better define the Department's needs to our industry partners. Open communication between industry and the Department should guide industry's prioritization of IR&D. Results from initial inquiries reveal that the communication between industry and DOD on specific IR&D investments is not as strong as it could be as a result of changes made during the 1990s to the law governing IR&D processes. I intend to take action to improve communication between industry and government to better align the purpose of IR&D to actual practice.

Mr. SKELTON. General Cartwright, my understanding is that pursuant to section 162 of title 10, United States Code, all forces under the jurisdiction of a military department must be assigned to either a unified command or a specified command that reports directly to the Secretary of Defense. Is this also the Department's understanding of this law? Given that today this requirement has been satisfied by the fact that all forces in the continental United States are assigned to United States Joint Forces Command (JFCOM), what options are being considered to achieve this requirement once JFCOM is disestablished?

Section 162 of title 10, United States Code reads as follows:

§ 162. Combatant commands: assigned forces; chain of command

(a) Assignment of forces.

- (1) Except as provided in paragraph (2), the Secretaries of the military departments shall assign all forces under their jurisdiction to unified and specified combatant commands or to the United States element of the North American Aerospace Defense Command to perform missions assigned to those commands. Such assignments shall be made as directed by the Secretary of Defense, including direction as to the command to which forces are to be assigned. The Secretary of Defense shall ensure that such assignments are consistent with the force structure prescribed by the President for each combatant command.
- (2) Except as otherwise directed by the Secretary of Defense, forces to be assigned by the Secretaries of the military departments to the combatant commands or to the United States element of the North American Aerospace Defense Command under paragraph (1) do not include forces assigned to carry out functions of the Secretary of a military department listed in sections 3013(b), 5013(b), and 8013(b) of this title [10 USCS

- §§ 3013(b), 5013(b), and 8013(b)] or forces assigned to multinational peacekeeping organizations.
- (3) A force assigned to a combatant command or to the United States element of the North American Aerospace Defense Command under this section may be transferred from the command to which it is assigned only—
 - (A) by authority of the Secretary of Defense; and
 - (B) under procedures prescribed by the Secretary and approved by the President.
 - (4) Except as otherwise directed by the Secretary of Defense, all forces operating within the geographic area assigned to a unified combatant command shall be assigned to, and under the command of, the commander of that command. The preceding sentence applies to forces assigned to a specified combatant command only as prescribed by the Secretary of Defense.
- (b) Chain of command. Unless otherwise directed by the President, the chain of command to a unified or specified combatant command runs—
- (1) from the President to the Secretary of Defense; and
 - (2) from the Secretary of Defense to the commander of the combatant command.

General CARTWRIGHT. Section 162 of title 10, United States Code, provides that the Secretaries of the military departments shall assign all forces under their jurisdiction to the combatant commands or to the U.S. element of the North American Aerospace Defense Command, as directed by the Secretary of Defense, except for those forces assigned to carry out the functions of the Secretary of a military department listed in sections 3013, 5013, and 8013 of title 10 or forces assigned to multinational peacekeeping organizations. The Department of Defense is considering how best to effect the reassignment of those forces currently assigned to United States Joint Forces Command if the President disestablishes that Command.

Mr. SKELTON. General Cartwright, in the past, Congress has found it necessary to compel the Department to more aggressively pursue jointness, most notably in the Goldwater-Nichols Act. If United States Joint Forces Command (JFCOM) is eliminated, who within the Department will have as their central mission the job to advocate, develop, and disseminate joint operating concepts, doctrine, and training? Without a central advocate for jointness, and considering that the CJCS and VCJCS already have full time jobs, how can the Congress be assured that the Department won't default to service-centric approaches?

General CARTWRIGHT. Since Goldwater-Nichols passed in 1986, the Department of Defense, including Services and Combatant Commands, has diligently pursued jointness. The U.S. Joint Forces Command (JFCOM) was established to standardize training, develop doctrine, deliver Joint capabilities, and improve jointness in operations and warfighting. JFCOM has been successful in helping define, establish and compel a Joint culture throughout the U.S. Military.

The Secretary's recommendation that the President approve the disestablishment of U.S. Joint Forces Command (JFCOM) is based on a review of the missions assigned to JFCOM in the Unified Command Plan and the determination that these missions can now be accomplished effectively and more efficiently elsewhere within the Department.

Fundamentally, the principal purpose for the creation of JFCOM in 1999—to force a reluctant service-centric military culture to embrace joint operations and doctrine—has largely been achieved. Jointness is a cultural and behavioral principle that is evolutionary and not easily measured; however, there is little debate that today the United States military has doctrinally, operationally and culturally embraced jointness as a matter of practice and necessity. The on-going assessment of JFCOM's functions will identify those functions which should be sustained, and will recommend the appropriate level and location of leadership.

QUESTIONS SUBMITTED BY MR. THORNBERRY

Mr. THORNBERRY. Deputy Secretary Lynn, in your statement you said, "The department is seeking ideas, suggestions and proposals regarding efficiencies from outside normal channels. We have solicited input from experts, from think tanks, from industry and from the department's external boards ... The department is willing to consider any reasonable suggestion to reduce our overhead." Military mail has long been identified as a non-core function of the Defense Department and is resource-intensive. A 2005 Defense Business Board (DBB) report strongly rec-

ommended outsourcing military mail. Major identifiable cost factors for military mail include Second Destination Transportation costs, air and surface transportation costs, air terminal facilities and personnel costs, APO/FPO facilities and personnel costs, Official Mail Center facilities and personnel, and unit mail clerks. Potential savings of outsourcing military mail are estimated in the hundreds of millions per year. Have you and/or will you consider outsourcing military mail as a reasonable suggestion to reduce overhead? If you have not, why not?

Secretary LYNN. Not only has the Department considered outsourcing mail functions, we have progressively outsourced military mail services. After the 2005 Defense Business Board (DBB) report and a 2007 OSD directive to outsource mail services, the Military Departments outsourced positions at APOs/FPOs, mail terminal facilities and official mail centers that resulted in an estimated annual savings to DOD of approximately \$60 million from FY 2005 to FY 2009. Military and DOD civilian postal personnel are still required to: perform postal jobs that are inherently governmental; serve as on-site postmasters at APOs/FPOs in accordance with United States Postal Service (USPS) policy; serve as contracting officer technical representatives; provide postal support for theater-opening contingency operations; provide direct support for rapid, episodic deployments; and provide support at forward operating bases and other dangerous, austere locations.

In July 2009, the USPS completed contracts for deregulated, international commercial air movement of mail resulting in a \$34 million transportation savings for DOD during the first year. On September 29, members of the Office of Assistant Secretary of Defense for Logistics and Materiel Readiness and the Military Postal Service Agency briefed the DBB on these and other outsourcing and efficiency efforts made throughout the mail enterprise since their report in 2005. In accordance with DOD policy, the Department continues to civilianize and outsource mail functions, streamline the mail transportation network, and consolidate/align mail facilities to reduce operating costs and return personnel to warfighting functions.

Mr. THORNBERRY. Dr. Carter, in your statement you said, "The Pentagon awarded \$55 billion in contracts that were supposed to be competitive, but for which only one bid was received, usually from an incumbent." Recently the Air Force issued pre-solicitation notices seeking input from private industry for technical solutions for a proposed counterinsurgency, ISR, and light attack aircraft. The requirements outlined were overly prescriptive in technical details rather than capability. As a result, an innovative crop-dusting company in Olney, Texas, which has developed the AT-802U for counterinsurgency, ISR, and light attack purposed for the U.S. military, was unable to even bid. It appears that the Department wrote the requirements with an incumbent and their preferred solution model in mind. How do you plan to address technical requirements written so narrowly as to exclude innovative, non-traditional, and relatively unknown entrants to the defense industrial base? How do you plan to avoid developing requirements that may inadvertently endorse an incumbent's preferred solution?

Secretary CARTER. Competition is the cornerstone of the acquisition process and its benefits are well understood. To that end, we make every effort to avoid overly prescriptive technical specifications that hamper competition. In accordance with the requirements of the Federal Acquisition Regulation, contracting activities are to employ market research before developing requirements documents for an acquisition and before soliciting offers to determine what sources are available to meet the agency's requirements. Market research is also used to identify the capabilities of small businesses and new entrants into the marketplace. Contracting offices also use draft Request for Proposals and industry days to obtain industry feedback on the technical requirements and other aspects of solicitations. All of this is in support of ensuring maximum competition for our requirements.

The Under Secretary of Defense (Acquisition, Technology & Logistics) in his September 14, 2010 memorandum "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending" underscored the importance of competition and removing barriers to competition that often result in only one offer.

Mr. THORNBERRY. General Cartwright, in your statement you said, "At all the COCOMs, we must consolidate functions where appropriate and where functions are retained, move toward a construct of combined joint interagency task force organizations and centers." Because strategic communication is an inherently interagency problem and because the need for addressing strategic communication considerations are required both in the development and execution of policy, would you consider establishing mission-focused Joint or Combined Joint Interagency Task Forces for strategic communication within the combatant commands for U.S. missions in Iraq, Afghanistan, and elsewhere to be of value? If not, what would you recommend to organizationally better address the strategic communication issue? What road-

blocks to establishing such organizations do you foresee? Does the Department have the authority to establish such organizations under existing authority or is legislative change required to overcome these roadblocks?

General CARTWRIGHT. There is substantial consensus within the Department that strategic communication (SC) is a process by which we integrate and coordinate, rather than a collection of capabilities and activities. The process is an enabling function that guides and informs our decisions. Conceptualizing SC as a process allows the Department to focus on ensuring effective coordination among components, and to identify needed supporting capabilities, rather than designing and resourcing new structures and organizations. The SC process supports appropriate coordinating mechanisms at the combatant command level. But, rather than establishing new structures and organizations, SC leverages existing interagency organizations and capabilities to minimize bureaucratic layers and competition for limited resources.

As referenced in the 2009 Report to the President on a National Framework for Strategic Communication and DOD's Fiscal Year 2009 Report on Strategic Communication to congressional defense committees, in response to Section 1055(b) of the Duncan Hunter National Defense Authorization Act for FY2009, interagency task forces and coordinating bodies needed to address SC considerations currently exist. The Combined Joint Interagency Coordination Group (C/JIACG), established at each geographic combatant command, coordinates with the United States Government civilian agencies to conduct operational planning. Though the name of the organization has changed with the addition of coalition partners, it has worked and is working today in the Afghanistan and Iraq theaters. The C/JIACG can be leveraged to serve as a resource for military planners seeking information and input from communication practitioners in theater or at the national level. Furthermore, the DOD Global Engagement Strategy Coordination Committee (GESCC) is the Department's central body for facilitating the SC integrating process. GESCC representatives participate in the National Security Council's regular interagency policy committee meetings on SC and global engagement and also work closely with the Department of State's Global Strategic Engagement Center. Accordingly, the Department sees no need to establish new task forces or coordinating bodies as they either currently exist for the purpose of fulfilling interagency SC considerations or, as in the case of the C/JIACG, can be leveraged to support operations in Iraq, Afghanistan, and elsewhere.

QUESTIONS SUBMITTED BY MR. GARAMENDI

Mr. GARAMENDI. Dr. Carter, what is the status of the acquisition program developing an Improvised Explosive Device (IED) detector that replicates the smelling sense of a canine?

Secretary CARTER. This question references DARPA's basic research program, RealNose. The RealNose goal is to model, design, and develop a novel sensor inspired by the canine's olfactory system to include: air/odor intake, a detector layer (which includes olfactory receptors), a signal transduction methodology, and a signal processing/pattern recognition methodology for the accurate detection and identification of known and unknown chemicals and mixtures of chemicals (i.e. explosives, chemical and biological weapons). The key to the program concept is simulating the entire mammalian olfactory system (from air intake to pattern recognition) to demonstrate canine-comparable specificity, distance and detection thresholds.

The program is currently working in Phase 1A. Performers in Phase 1 developed breadboard device system-level designs but were unable to demonstrate the ability to detect five individual chemical odors (out of ten potential) at the canine level of detection for each molecule, and at a probability of detection greater than or equal to 80 percent. Stabilization of olfactory receptor proteins for use in a device became a significant challenge that all three performers were unable to overcome in Phase 1. Therefore, the goal of Phase 1A is to optimize the sequence of olfactory receptors to augment stability, allowing for consistent and reliable detection of odorants at room temperature for greater than 48 hours. At the end of this phase, the PM will assess whether the program is ready to proceed to Phase II.

Mr. GARAMENDI. Dr. Carter, how much has been spent on this initiative?

Secretary CARTER. \$22.6 million from FY 2008 to FY 2010.

Mr. GARAMENDI. Dr. Carter, what cost-benefit analysis has gone into determining the efficiency of this initiative vice procuring more canines, personnel, and associated equipment?

Secretary CARTER. For IEDs, there is not an applicable cost/benefit analysis in using canines. Canines are a great detector but only for TNT/DNT, not for homemade explosives or IEDs utilizing other materials. Operators must carry multiple

detectors to detect explosives and chemicals. They must also use an alternate lab-based sensor(s) to identify threats.

Mr. GARAMENDI. Dr. Carter, is this initiative in-line with your guidance on gaining efficiencies through the acquisition reform? If yes, how?

Secretary CARTER. As part of the overall DARPA S&T portfolio, all approved programs are reviewed for efficiency opportunities. RealNose will assess the level and utility of the contractor support on the program and the technical direction/approach as part of this review.

Mr. GARAMENDI. General Cartwright, does the military have adequate satellite communication capabilities to meet theater requirements concerning intelligence, reconnaissance, and surveillance (ISR)?

General CARTWRIGHT. We have adequate satellite communication capabilities to meet current theater ISR requirements. We are procuring additional capacity and capability to meet the forecast demand. The Wideband Global Satellite (WGS) Communications constellation recently deployed its third satellite over western Africa, and we expect the fourth and fifth WGS spacecraft to be launched before the end of 2012. This will increase the amount of capacity available to our ISR assets, as well as other users. At the same time, we are working to ensure that all of our reconnaissance platforms are properly equipped with terminals that will allow them to use the new WGS network.

Mr. GARAMENDI. General Cartwright, do you see an increased requirement for satellite communications to be used as a capability for protecting troops on the battlefield? What is being done to ensure this capability is being developed to meet the dynamic conditions of current and future overseas contingency operations?

General CARTWRIGHT. The need for battlefield communications over the next ten to fifteen years will continue to increase, and satellites will remain a mainstay of the capability mix we'll deploy to support our troops in the field. As contingencies erupt around the globe, we will need to rapidly surge communications capabilities into a theater, then be able to reposition that capability rapidly to meet needs that may emerge in other theaters.

Satellite systems require significant lead time—often as long as a decade—to design, build, test, and finally launch. Their lengthy build schedules, coupled with complications arising from the repositioning of geosynchronous spacecraft, are often incompatible with the need to surge capabilities in and out of theater. For these reasons, we will look to commercial SATCOM leasing and a deployable aerial communications layer to augment the military space communications backbone. A recommended capability mix is part of the outcome of an expected Analysis of Alternatives (AoA) the Department plans to conduct on space communications during fiscal year 2011.

Mr. GARAMENDI. General Cartwright, I am told there are issues with the services communicating with each other on the battlefield due to use of different communications platforms by the Services. What is being done to bridge this capability gap, garner efficiencies, and ensure a joint effort?

General CARTWRIGHT. The Department has improved the ability for Joint forces to communicate by investing in common equipment with interoperable technologies. However, we have not yet achieved wideband tactical connectivity that enables full implementation of situational awareness/information sharing at the tactical edge. Additionally, Joint forces continue to rely on Service-specific communications equipment and work-around tactics, techniques, and procedures to maintain communications with other Joint and coalition forces.

Although we are able to communicate, challenges still remain and greater efficiency can be realized. The Department is addressing these and other issues through initiatives such as the Combined Enterprise Regional Information Exchange System (CENTRIXS), the Joint Tactical Radio System (JTRS) Program, and the Global Information Grid (GIG) 2.0 construct.

QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. 1. Is the Department intending to terminate the Acquisition and Cross-Servicing Agreement with NATO SACT? If so, what are the implications from a diplomatic perspective and the implications from a warfighting perspective?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Acquisition and Cross Service Agreement (ACSA) with NATO SACT will remain intact and be executed under Joint Staff oversight. The Department currently has no plans to terminate the Acquisition and Cross-Servicing Agreement with NATO SAC-T.

Mr. FORBES. 2. Who will manage the Foreign Liaison/Exchange Officer agreements that are in place with 19 nations?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The new Joint Staff Deputy Director J7, Joint and Coalition Warfighting, will manage the FLO/Exchange Officer agreements with the 20 countries we currently have agreements with. The intent is for remaining elements of former JFCOM training, doctrine, lessons learned, and concept development entities to maintain those relationships as part of the Joint Staff.

Mr. FORBES. 3. Does the Department of Defense view the National Security Strategy as an important document that should, in a broad sense, drive our nation's national defense structure?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Department of Defense views the National Security Strategy as a vital document that articulates the Commander-in-Chief's national security priorities and guidance. The National Security Staff and the Department of Defense worked to ensure close coordination between the National Security Strategy (NSS) and the 2010 Quadrennial Defense Review (QDR). The 2010 QDR report is consistent with President Obama's vision on defense issues, including: reforming acquisition; taking care of our military personnel and families; strengthening international relationships in the face of common challenges; and rebalancing our forces to succeed in today's conflicts while preparing for the threats of tomorrow.

Mr. FORBES. 4. What is your plan to ensure that our allies have access to joint interoperability doctrine without a combatant command to lead them?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. Part of the JFCOM Disestablishment Plan includes the creation of a Joint Staff-led organization focusing on Joint and Coalition Warfighting, located in Hampton Roads, to ensure doctrine and training interoperability with allies and coalition partners remain current. A key aspect in developing this plan has been to ensure the close relationship with NATO ACT is maintained. As such, General Abrial, Supreme Allied Commander Transformation (NATO), has been an integral part in the development of the new "to be" organizations and kept informed on our progress. In this new construct, his staff will interact on a day-to-day basis with the DDJ7 JCW in Suffolk, VA. Additionally, General Abrial will now interact with the CJCS and VCJCS on issues involving ACT/US interests.

Mr. FORBES. 5. Why has the Department abandoned a strategy-based military construct and instead elected to try and protect our national interests with a weaker and wholly illogical budget-based military?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Department has not abandoned a strategy-based defense construct. Through the Quadrennial Defense Review and related strategic initiatives, the Department has undertaken a thorough assessment of ongoing operations and emerging challenges. As demonstrated in the FY 2010–2012 budgets, the Department is continually improving the balance of efforts and resources among current conflicts, preparing for future contingencies, and preserving existing advantages.

Mr. FORBES. 6. Article 5 of the NATO charter states that:

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area. Any such armed attack and all measures taken as a result thereof shall immediately be reported to the Security Council. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

On September 11th, 2001, NATO offered, for the first time, assistance to the United States. Why is the Department recklessly abandoning this partnership?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Department of Defense is not abandoning the NATO Alliance. The Department has led the way in creating a 50-nation NATO coalition with over 40,000 troops from allied and partner countries united in Afghanistan, so that terrorists who threaten us all have no safe haven and so that the Afghan people can forge a more hopeful future. At the 2010 NATO Summit in Lisbon, President Obama reaffirmed our Article 5 commitment: that an attack on one is an attack on all. To ensure this commitment has meaning, the Department of Defense, is leading the development of a missile defense capability for NATO territory, the phased adaptive approach, to defend against the growing threat from ballistic missiles. This new approach to European missile defense will be the United States's contribution to this effort and a foundation for greater

collaboration that will protect all of our allies in Europe as well as the United States. We are also leading efforts to improve NATO's flexibility, efficiency, and effectiveness to better prepare it to counter other new challenges in an uncertain future. For example, the Department has led efforts to reform NATO structures and processes to better position the Alliance to handle emerging challenges such as malicious cyber activities and the proliferation of weapons of mass destruction. (This NATO effort is analogous to the Department's plans to streamline the U.S. military combatant command structure.) Finally, building on our experience with NATO in Afghanistan, the Department will continue to support building the NATO partnership beyond the Euro-Atlantic area that will help make the Alliance a pillar of global security.

A key aspect in developing this plan has been to ensure the close relationship with NATO ACT is maintained. As such, General Abrial, Supreme Allied Commander Transformation (NATO), has been an integral part in the development of the new "to be" organizations and kept informed on our progress. In this new construct, his staff will interact on a day-to-day basis with the DDJ7 JCW in Suffolk, VA. Additionally, General Abrial will now interact with the CJCS and VCJCS on issues involving ACT/US interests.

Mr. FORBES. 7. Does the Department now find the research conducted under the Cooperative Research and Development Agreements (CRADA) with IBM, Northrop Grumman and Old Dominion University not worthy of continuation?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. Like all parts of JFCOM, the Cooperative Research and Development Agreements are being reviewed and those judged effective and valuable will be retained and re-aligned under another appropriate DOD organization.

Mr. FORBES. 8. What is your cost estimate of the termination of the non-indefinite requirement contracts?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. As of 8 Feb 2011, JFCOM does not anticipate incurring any contract termination costs.

Mr. FORBES. 9. If you don't have an estimate, how can the Department in good conscience recommend the closure of a combatant command authorized under 10 US Code 161 without first determining not just what the indefinite contract cost may be, but the whole cost?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. See response to #8 above.

Mr. FORBES. 10. What is your estimate for the closure of the Suffolk and L'Enfant facilities with regards to termination of the leases and disposal of the buildings and material?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Suffolk facility lease costs were programmed into the FY12 budget submission. The L'Enfant lease will expire without renewal in FY11. FY12 will be a transition year during which most facility moves and renovations will occur. First order estimate of move/renovation/closure costs for Hampton Roads is \$25M, and for L'Enfant is \$50K. These estimates will be refined during a series of Rehearsals of Concept during the second and third quarter of FY11. These costs should be considered in the context of overall savings.

Mr. FORBES. 11. If no estimate exists, how can the Department in good conscience recommend the closure of a combatant command authorized under 10 US Code 161 without first determining not just what the indefinite contract cost may be, but the whole cost?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. See response to question #10.

Mr. FORBES. 12. Does the Department possess a complete listing of all applicable Memorandums of Agreement and Understanding to ensure that we do not inadvertently violate an agreement opening up the government to some level of liability?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. JFCOM continues to compile a comprehensive list of applicable instructions and agreements across all functional areas which must be addressed during the disestablishment. JFCOM has begun coordination on these instructions and agreements. JFCOM has not encountered nor does it expect to encounter any violations or difficulties in resolving.

Mr. FORBES. 13. If there exists no complete list, how can the Department close a combatant command without full knowledge of the agreements that may be in place and may expose the Department to liability if not properly terminated?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. See response to question #12.

Mr. FORBES. 14. How is the Department planning to deal with the high number of displaced federal workers? What is the Department planning to do to properly care for those employees who have relied upon employment at JFCOM and now, to

their detriment, are having their livelihood taken from them with little or no notice? What is the Department going to do beyond RIF procedures?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. DOD is utilizing its portfolio of outplacement transition programs and tools to mitigate any negative impact on affected employees. The Department has and will continue to identify employment opportunities within DOD through our Priority Placement Program and outside of DOD through the Office of Personnel Management's Interagency Career Transition Assistance Plan (ICTAP) and Reemployed Priority List (RPL).

Additionally, the Department is working directly with the impacted organizations to provide transition assistance. This type of assistance includes resume writing; workshops on transition benefits and entitlements; referral to job assistance centers; and instructions on how to apply for other federal jobs outside DOD. The Department may choose to use workforce shaping tools such as Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Pay (VSIP) as part of the transition process.

Mr. FORBES. 15. Deputy Secretary William J. Lynn stated that the Department spent "considerable time reviewing the input of his [Secretary Gates] most senior advisors, including the Chairman and Vice Chairman of the Joint Staff, myself, and others." Why has the Department steadfastly refused to provide this input and analysis that was developed for and relied upon by the Secretary to make his decision despite repeated requests by multiple members of the Virginia Delegation?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Department has and continues to provide information to the VA Delegation. Secretary Gates met with Governor McDonnell and the Virginia Congressional Delegation in order to provide information and receive direct input and suggestions before making final decisions on the implementation plan for the disestablishment of JFCOM. Additionally, the Department has met with Members of the Virginia Congressional Delegation, including the Governor of Virginia, and provided information both in the form of briefings and documents. Finally, General Odierno, JFCOM Commander, and his senior staff have been consistently engaged with Governor McDonnell and the Virginia Congressional Delegation in an effort to effectively communicate JFCOM disestablishment plans and be responsive to additional requests for information.

Mr. FORBES. 16. Please provide the actual (not a summary) of the Department's legal opinion with regards to the applicability of Title X, 2687 Base Closure and Realignments on the JFCOM closure decision.

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. As previously provided on 24 Sep 2010, attached is the Department's legal analysis of the applicability of Section 2687 of title 10, United States Code. (See page 89 in the Appendix.)

Mr. FORBES. 17. Numerous documents and statements from DOD have indicated that a plan for disestablishment of JFCOM, including a determination of the functions that should continue to exist, should be eliminated, or should be moved, is being developed over the next several weeks. How does DOD justify making a decision to close JFCOM before first carrying out such an assessment?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. As discussed in responding to previous questions, the decision to recommend the disestablishment of JFCOM was based on improving operational effectiveness. JFCOM today is a redundant layer in our processes for training joint forces and providing them to the other combatant commanders to use operationally. A review of the missions assigned to JFCOM in the Unified Command Plan (UCP) showed that JFCOM functions could be carried out by other organizations within the Department. Determining precisely which functions will go where does not affect the fundamental rationale for the decision. Since the Secretary's decision, the JFCOM Transition Planning Team has systematically reviewed all JFCOM functions and identified those functions that should be retained and transitioned elsewhere in the Department (in whole or part), and as well as those that could be eliminated as an efficiency.

Mr. FORBES. 18. What studies on cost savings has DOD conducted concerning the JFCOM closure and contractor reduction? Please provide details.

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The cost-savings, which are significant, were identified in the detailed JFCOM transition planning. Specifically, the original JFCOM resource request for FY11 included \$988M in funding, 1,545 military personnel, 1,612 government civilians, and 2,565 Full-time Equivalent (FTE) contractors. The transition plan calls for retaining \$536M in funding, 1,131 military personnel, 1,487 government civilians, and 580 FTE contractors for FY 11. These resources will be re-directed to the organizations gaining the former JFCOM functions selected for reassignment.

The decision to disestablish JFCOM was also based on improving military effectiveness by making the force generation and force provider process more streamlined by removing layers that are redundant or no longer necessary.

Mr. FORBES. 19. What studies on workload impacts has DOD conducted (e.g., what are impacts on JCS of force provider function shift)? Provide details.

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. JFCOM will prepare a detailed implementation plan in coordination with the Joint Staff that addresses workload impacts. The Department plans for transition of selected personnel, as appropriate, to accompany the shift of functions from JFCOM to other organizations. Specifically, of the 5,722 total personnel initially assigned in FY11 to JFCOM, 3,198 will be reassigned to the organizations gaining former JFCOM functions. The majority of these reassigned personnel (more than 1,600) will be assigned to the Joint Staff. The remainder of retained personnel will be assigned across various other joint organizations. Of the 3,891 JFCOM personnel originally assigned to the Hampton Roads area, approximately 1,900 will remain there after transition is completed.

Mr. FORBES. 20. Has DOD contacted contractors and civilians to determine their intent to move locations if their functions are moved? What impact on moving functions, and the servicemembers who receive JFCOM training and operations support, could result from the loss of these personnel from the workforce? What process was used to identify JFCOM for closure and what factors were considered in proposing the JFCOM closure? Why was it not done within the QDR completed this spring, or as part of a BRAC realignment?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. No JFCOM support contractors or civil servants have been contacted to determine their intent to relocate or not relocate. As the contracts for relocated functions are modified or new support instruments negotiated, the contract company will determine how to position their employee assets to perform the task. JFCOM recently hosted a meeting with industry representatives to keep them informed of pending changes. Additionally, JFCOM is coordinating with agencies from the Commonwealth of Virginia as the Governor's office establishes a Workforce Transition Center to support JFCOM's disestablishment. There is no major anticipated impact to operations support if civil servants or contractors do not desire to relocate.

The Secretary took an unsparing look at the Department to find ways to increase the Department's effectiveness especially given the likelihood of increased budgetary pressure. The QDR and BRAC realignment were not explicitly designed for this purpose. As referenced in previous answers, the decision to recommend the disestablishment of JFCOM was indeed based on improving operational effectiveness. JFCOM today is a redundant layer in our processes for training joint forces and providing them to the other combatant commanders to use operationally. A review of the missions assigned to JFCOM in the Unified Command Plan (UCP) showed that JFCOM functions could be carried out by other organizations within the Department.

Mr. FORBES. 21. What specific legal authority exists for such strategic closures outside of BRAC? Jointness and joint interoperability give the U.S. military a great strategic advantage. How will such important characteristics of the modern military be met if JFCOM closes?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. As specified in Section 113(a) of title 10, United States Code, the Secretary of Defense "... is the principal assistant to the President in all matters relating to the Department of Defense. Subject to the direction of the President and to [title 10, United States Code] and section 2 of the National Security Act of 1947 (50 U.S.C. 401), he has authority, direction, and control over the Department of Defense." In this capacity the Secretary of Defense is responsible for ensuring that the Department of Defense operates efficiently and effectively in the performance of its missions. Closures and realignments are often necessary to achieve efficient and effective operations. The Secretary of Defense has the authority to close and realign military installations outside of the BRAC process provided that action does not trigger the thresholds established in section 2687, or the action is only undertaken after the Department satisfies the procedures set forth in that provision.

The Department has identified JFCOM functions that are essential to ensure Joint and Coalition interoperability is maintained and sufficient resources are in place to adapt to an evolving threat environment. Those retained, essential functions will remain but will align under the Joint Staff, Combatant Commands, or the Military Departments as appropriate. Some functions may remain in their present physical location.

Mr. FORBES. 22. The modeling and simulation work done at JFCOM is a critical low-cost test and evaluation function. How can it be done if JFCOM closes?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. Like all parts of JFCOM, the modeling and simulation work has been reviewed and those elements judged effective and valuable are being retained and re-aligned under another appropriate DOD organization. In particular, modeling and simulation capabilities are

being retained in two areas: as part of the support to Joint Training and as part of the Joint Concept Development and experimentation process. These capabilities will continue to be housed in the Hampton Roads region but will be re-aligned under the Joint Staff J7 directorate.

Mr. FORBES. 23. Did OSD review the process and decision made by the OSD Headquarters and Support Activities Joint Cross Service Group during the 2005 BRAC process that resulted in the recommendation that JFCOM continue to exist and should in fact purchase its leased facilities? How does DOD reconcile the recommendation to close JFCOM with the 2005 BRAC recommendation?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. These two decisions addressed different questions. BRAC was focused on facilities and the efficient use of these; the Secretary's recommendation to disestablish JFCOM was driven by a review of command organizations and the desire to improve operational effectiveness of those organizations.

The analysis undertaken by the Headquarters and Support Activities Joint Cross Service Group during the 2005 BRAC process focused only on whether existing Headquarters activities were appropriately located and whether the facilities in which they were located met their mission requirements. The Headquarters and Support Activities Joint Cross Service Group did not examine those organizations on a functional basis to determine if those organizations should continue to exist.

Mr. FORBES. 24. Various personnel at JFCOM have been directed to sign non-disclosure agreements relating to the review and closure process. Why does the Department not take a transparent review and decisionmaking process in this action?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. JFCOM transition planning personnel initially complied with local information handling instructions designed to prevent initial pre-decisional and wide-ranging discussions from giving rise to premature and inaccurate rumors and misunderstandings.

Mr. FORBES. 25. The Secretary indicated that he authorized the services to consider additional closures, and Mr. Hale recently indicated that no "more" closures would be announced until at least February. Is DOD currently considering additional base or function closures or realignments that would affect Virginia? If so, what are the metrics and process being used in that review?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. As part of our ongoing effort to improve the effectiveness and efficiency of the Department, DOD will consider all options in how we perform our missions. There are currently no firm recommendations regarding any future disestablishments or realignments.

Mr. FORBES. 26. If the Secretary and the military departments are considering additional closures and realignments, does DOD believe that another round of the BRAC process is necessary? Have specific locations outside of Hampton Roads been identified to host any JFCOM mission that will remain intact after the proposed disestablishment of JFCOM?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Department of Defense is not currently seeking authority to undertake another round of closures and realignments under the Defense Base Closure and Realignment Act of 1990, as amended. The Secretary of Defense has asked the Secretaries of the Military Departments to examine their organizations for efficiencies. If the Secretaries of the Military Departments identify any actions that could involve the closure or realignment of a military installation, those actions will only be undertaken in accordance with law.

The vast majority of retained Hampton Roads located functions will remain in Hampton Roads. The intent for retained, re-assigned elements of JFCOM that are located outside the Hampton Roads area is for them to remain in their current locations. This includes: Joint Warfare Analysis Center (JWAC) in Dahlgren, VA; Joint Personnel Recovery Agency (JPRA) in Ft Belvoir, VA and Spokane, WA; Joint Communications Support Element (JCSE) in Tampa, FL; Joint Fires Interoperability and Integration Team (JFIIT) at Eglin AFB, FL; and the NATO School in Oberammergau, GE.

Mr. FORBES. 27. Has DOD considered moving a new mission to backfill the sudden loss of this Command in the Hampton Roads region? For example, has DOD considered moving AFRICOM or other functions to the region? Which locations are being considered to host AFRICOM?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Department considered a range of options. That said, the Hampton Roads region will be included in any future evaluation of options to relocate AFRICOM's headquarters.

Mr. FORBES. 28. What specific JFCOM functions will remain in Suffolk and Norfolk? What are the estimated civilian, uniformed, and contract job positions at each location? Are these personnel assigned to specific billets at each location?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. Specific functional reconfiguration is on-going and will be codified in a detailed Implementation Plan. In general, essential joint force providing, joint training, doctrine and concept development, lessons-learned, command and control integration as well as key Combat Command support enablers are planned to remain in Hampton Roads. Approximately 1,300 military, civilian and contractor positions remain in Suffolk and 500 remain in Norfolk. Personnel alignment to retained positions will continue over the next 6–12 months.

Mr. FORBES. 29. What is the DOD plan for use of leased space in Suffolk? Will the leases be terminated and what are the termination fees?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The Department is pursuing both alternative occupants for the vacated spaces as well as potential transition from lease arrangements to Department ownership of one or more of the Suffolk properties. Lease costs programmed into the budget through FY12 allow the Department ample opportunity to develop those alternatives and avoid lease termination fees.

Mr. FORBES. 30. If similar functions to JFCOM exist within the Joint Chiefs of Staff and other organizations, did DOD consider consolidation of those functions to JFCOM, rather than disestablishment? Should alternatives, such as expanding or strengthening the JFCOM function, have been considered instead of selecting the JFCOM closure option?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The decision to recommend the disestablishment of JFCOM was based on several factors including improving operational effectiveness by eliminating a redundant layer in our command and control processes for training joint forces and providing them to the other combatant commanders to use operationally.

Mr. FORBES. 31. For those activities that DOD determines should continue to exist, what process will DOD use to determine whether they should remain in place or move elsewhere? Was there consideration given to simply reducing the number of contractors and eliminating the duplication of missions versus eliminating the entire command?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The intent for the vast majority of retained, re-assigned elements of JFCOM that are located in Hampton Roads is for them to remain in Hampton Roads. Due to the significant investment in supporting technologies and workforce, further analysis led to the recommendation for those retained functions to remain in the Hampton Roads area. The intent for retained, re-assigned elements of JFCOM that are located outside Hampton Roads is for them to remain in their current locations due to the same business case analysis rationale.

The decision to recommend the disestablishment of JFCOM was based on several factors including improving operational effectiveness by eliminating a redundant layer in our command and control processes for training joint forces and providing them to the other combatant commanders to use operationally.

Mr. FORBES. 32. Has DOD calculated the extreme economic costs to Virginia of the contractor reduction; and what is the estimate? Where are the displaced contractor functions going to be performed? Will the JFCOM closure make the region eligible for base closure assistance, including OEA grants, from the federal government?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. DOD has not calculated costs to local areas of any of the efficiency initiatives, including the disestablishment of JFCOM.

While all sectors of the JFCOM workforce are being scaled back, the mission functions that are retained in Virginia will continue to be performed by the remaining military, civil servants, and contractors or some combination of these workforce groups.

In January 2011, the Office of Economic Adjustment (OEA) approved a \$472,180 award to provide economic adjustment assistance to the Commonwealth of Virginia in response to the disestablishment of JFCOM. (Please note: OEA's program of assistance to Virginia for the disestablishment of JFCOM is "economic adjustment assistance," not "base closure assistance" as the question indicates.)

Mr. FORBES. 33. Will the JFCOM closure result in an increase of personnel in the National Capital Region?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. We do not anticipate JFCOM disestablishment will have a discernable impact on the National Capital Region workforce numbers.

Mr. FORBES. 34. What costs, and savings, are associated with the use of defense contractor personnel at JFCOM? What costs, and savings, are associated with the use of defense contractor personnel in the National Capital Region? How will DOD

decide which defense contractors and contracts to cut or eliminate in order to achieve the announced reduction?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. DOD does not inventory contractor personnel or expenditures by geographical region. Contractor/contracts that support those missions/functions that are redundant will be eliminated. Those that support unique and critical missions/functions will be retained.

JFCOM's FY11 estimated "historical" contract cost is \$550M in active contract instruments and funds obligated, subject to reduction as a result of functions ending and transferring and the associated ending or scaling of supporting contract instruments.

Mr. FORBES. 35. What studies has DOD conducted on both the short- and long-term real cost savings by reducing the use of defense contractors? Please include any existing examples where reducing the use of defense contractors—either by using uniformed personnel or by insourcing—has actually reduced costs to DOD. If the Department is looking for efficiencies, why was the decision made to cut the government contracting services sector rather than finding efficiencies through the streamlining of administrative operations?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The DOD, Congress, and GAO have observed a significant increase in the Department's spending for contracted services, as evidenced by the doubling of the dollars DOD has budgeted/obligated for contracted services, to approximately \$250B in FY10. While the reduction in contracted spending as a result of in-sourcing was \$900M in FY10, the net growth in contracted services from FY09 to FY10 was still more than \$5 billion. While in-sourcing decisions may result in savings, in half of all decisions to in-source a contracted service to date, cost has not been the deciding factor. While at the organizational level, DOD components are finding that they can generate savings or efficiencies through in-sourcing certain types of previously contracted services or functions, these savings are generally not visible at a macro level and materialize in the form of resource realignment at the field/command level to other priorities or requirements.

As part of improving the way DOD conducts business, DOD is ensuring adequate in-house capability and capacity to perform inherently governmental functions, closely associated with inherently governmental functions, and other critical work (including increased acquisition capabilities and contract oversight and other critical acquisition functions that will help mitigate risk, build internal capacity, and help meet readiness needs).

While in-sourcing these critical or necessary services may not always generate direct savings, the overall benefits to the taxpayer are realized through:

- improved oversight of contracted service performance;
- maximizing use of competitive processes for contracted services;
- improved tradecraft in services acquisition
- implementing more efficient and timely acquisition processes;
- reducing fraud, waste, and abuse;
- improved performance of critical cost-saving acquisition functions to include systems engineering, contracting, cost estimating, test;
- contract pricing.

A major tenet of the Secretary's Efficiencies Initiative is to streamline administrative operations. Sometimes this means eliminating associated support that has been obtained by contract. OSD (including the defense agencies and field activities) and the Combatant Commands conducted a functional review and identified low-priority functions for potential elimination as well as other opportunities to lower operating costs and improve performance and agility. In addition, the Department reduced funding for administrative support services that have previously been obtained by contract. The Department recognizes that the private sector is, and will continue to be, a vital source of expertise, innovation, and support to the Department.

Mr. FORBES. 36. Upon what basis or analysis was the decision made to reduce the use of defense contractors by a total of 30% over the next three (3) years? Please provide a copy of any analysis conducted by DOD that forms the basis of this action.

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The reduction is in the use of a specific subset of contractors—service support contractors. These are contracted personnel that perform staff and administrative functions.

The goal of the Secretary's Efficiencies Initiative is to protect current and future operational capability by streamlining overhead functions and shifting those savings toward investments in capabilities. The functions performed by service support contractors typically fall into the category of overhead and therefore should either be eliminated or performed by existing government personnel.

Mr. FORBES. 37. What universe of service will the reduction affect? Will it be an across-the-board? If not, which categories of service will be targeted?

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The reduction is in the use of a specific subset of contractors—service support contractors. These are contracted personnel that perform staff and administrative functions.

As the result of a Department-wide survey that concluded in October 2010, the Department determined that about \$4B was spent on service support contracts. This is roughly 3 percent of the value of all service contracts. We used this baseline to calculate the 10 percent annual reductions.

Mr. FORBES. 38. Will the reduction in the use of defense contractors be spread equally throughout the country or will any such reduction be confined to a specific region, such as the National Capital Region of Northern Virginia, which appears to be hit extremely hard by this decision.

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The reduction applies to all DOD world-wide components and its magnitude will be a function of each component's existing use of service support contract personnel.

Mr. FORBES. 39. Please provide a list, by position, of every individual involved in any capacity in the JFCOM decision and disestablishment that have been required to sign a non-disclosure agreement.

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. The non-disclosure agreement was originally signed by 15 members of the JFCOM Disestablishment Transition Planning Team, who did not make final decisions affecting the disestablishment of JFCOM or the realignment of its functions or workforce.

Mr. FORBES. 40. Describe in detail in the internal and external actions being taken to disestablish JFCOM.

Secretary LYNN, Secretary CARTER, and General CARTWRIGHT. A detailed implementation plan has been developed to disestablish US Joint Force Command along both functional and organizational lines. The cornerstones of this plan include:

- 1) Transfer streamlined, relevant joint functions to appropriate DOD entities;
- 2) Revert forces currently assigned to JFCOM back to their appropriate Service;
- 3) Eliminate unnecessary or redundant functions;

Additional focus is being placed on ensuring the Department sustains the momentum and gains in Jointness it has worked so hard to achieve since the passage of the Goldwater-Nichols Act, while causing no harm to critical interaction with NATO and other multi-national partners.

General Odierno, JFCOM Commander, and his senior staff are consistently engaged with Governor McDonnell and the Virginia Congressional Delegation in an effort to effectively communicate JFCOM disestablishment plans and be responsive to requests for information.

QUESTIONS SUBMITTED BY MR. BISHOP

Mr. BISHOP. Dr. Carter, I have been informed recently that cuts and reductions in cruise missile procurement and R&D programs may force private industry to disband its design teams with this highly specialized expertise. Is the small defense turbo fan engine industrial base something that your office has specifically identified as a defense industrial base concern?

Secretary CARTER. Yes, the Department has specifically identified the small turbo fan industry as an industrial base issue. My Industrial Policy office has been actively engaged with this issue over the last 6 months and is seeking alternative strategies.

Mr. BISHOP. Dr. Carter, what can we expect to see out of your office and the DOD in the way of specific actions in the near future to address the small turbine engine industrial base concern?

Secretary CARTER. The Military Services are exploring new next generation weapons programs that will use small turbo fan engine technologies. To ensure these technologies are available, the Department is actively considering the realities of the small turbo fan industry viability on these new program timelines. DOD is investigating ways to bridge these industrial capabilities until they are required.

Mr. BISHOP. Dr. Carter, with Russia and India having announced last year that they have jointly fielded a supersonic cruise missile, is it wise for this Administration to pull back any further R&D funding for a supersonic variant?

Secretary CARTER. As the Department plans its next generation systems, DOD needs to perform the appropriate analysis to determine which capabilities and associated propulsion technologies will be required to meet our future national security requirements and establish the investment plans to develop and mature those technologies.

QUESTION SUBMITTED BY MRS. McMORRIS RODGERS

Mrs. McMORRIS RODGERS. I, like many of my colleagues, applaud the Department of Defense's proactive approach to reduce unneeded bureaucracy, rein in wasteful spending, and I concur with Chairman Skelton and Ranking Member McKeon that now is not the time to cut the defense budget.

However, in light of Secretary Gates's announced plans to eliminate the U.S. Joint Forces Command, I am concerned the critical mission of the Joint Personnel Recovery Agency, a subordinate command of the U.S. Joint Forces command, may be adversely affected if reshuffled or reassigned to a different outpost.

Spokane, Washington, has served as the Joint Personnel Recovery Agency home since its 1999 inception, to the end, what are the DOD's plans with regard to the Joint Personnel Recovery Agency? Does the DOD efficiency initiative result in closing the "White Bluff" Joint Personnel Recovery Agency facility located in Spokane, Washington?

Secretary LYNN. A review of all U.S. Joint Forces Command (JFCOM) functions is ongoing. For functions that will be retained, several courses of action are being analyzed with respect to their future organizational alignment, location and resources. The disposition of the Joint Personnel Recovery Agency will be determined as the JFCOM disestablishment plan is completed.

QUESTION SUBMITTED BY MR. CONAWAY

Mr. CONAWAY. Secretary Lynn, you indicated in your testimony that the elimination of the Business Transformation Agency would not negatively impact the Department's ability to improve its business processes and prepare for financial audits, and that the savings from the elimination of BTA would only be in the form of duplicative staff and overhead functions. As we look to ensure that there is no degradation of these important functional capabilities currently provided by BTA, please identify what, if any, specific non-overhead BTA functions/personnel will be eliminated as part of the shutdown. For each of these positions, please identify how they are duplicative in nature and no longer necessary.

Secretary LYNN. BTA's mission is to guide transformation of business operations throughout the Department and to deliver Enterprise-level capabilities aligned to warfighter needs. This mission remains valid. However, with the establishment of the position of the DCMO as an Under Secretary of Defense-level official in the Office of the Secretary of Defense, duplication was created. It was determined the benefits provided by BTA could be more effectively realized through its disestablishment and incorporation of appropriate functionality into the Office of the DCMO. While a number of potential courses of action are under consideration, and all aspects of the organization, including programs, are under review, elimination of the BTA will meet the Secretary's guidance to eliminate redundancy and reduce cost.

Efficiency will be found through elimination of overhead functions that, while necessary in a Defense Agency regardless of size, can more cost-effectively be provided to the DCMO through existing support organizations within the Office of the Secretary of Defense. Additionally, organizations that currently exist within the Office of the DCMO and BTA, that perform similar or complementary functions will be combined and streamlined. This consolidation will enable more agile management of Departmental business transformation functions and the ability to more effectively carry out the mission. Other functions, that were part of BTA, but not directly related to its mission, may transfer to other organizations within the Department or be eliminated entirely.

We are still in the process of determining exactly which BTA functions/personnel will be eliminated and which will be transferred. We expect to have more information on the details of the BTA disestablishment by January.

QUESTIONS SUBMITTED BY MR. WITTMAN

Mr. WITTMAN. Deputy Secretary Lynn, what quantitative and qualitative analysis, and what data, underlie the decision to eliminate JFCOM? Please provide the cost/benefit assessments and projected savings with regard to keeping or eliminating JFCOM and its functions and responsibilities.

Secretary LYNN. The decision to disestablish JFCOM was based on improving operational effectiveness: JFCOM today is a redundant layer in our processes for training joint forces and providing them to the other combatant commanders to use operationally. The Secretary considered a detailed breakdown of JFCOM's UCP missions and how they are executed within DOD including interactions between

JFCOM and other commands. His examination of the range of functions carried out by JFCOM concluded that many are duplicative; some are obsolete or of questionable value; and others can be carried out just as effectively by other existing DOD organizations.

Mr. WITTMAN. Deputy Secretary Lynn, who will insure the progress made to date will continue in Joint training, doctrine, capabilities, and operations, particularly with regard to assessing Joint lessons learned and adapting Joint doctrine, developing integrated joint capability solutions, and preparing the Joint force for future threats? Will these remain command responsibilities or become staff functions of the Chairman, the Services, the COCOM's or some other entity?

Secretary LYNN. Since Goldwater-Nichols passed in 1986, the Department of Defense, including Services and Combatant Commands, has diligently pursued jointness. The U.S. Joint Forces Command (JFCOM) was established to standardize training, develop doctrine, deliver Joint capabilities and improve jointness in operations and warfighting. JFCOM has been successful in helping define, establish and compel a Joint culture throughout the U.S. Military.

The Secretary's recommendation that the President approve the disestablishment of U.S. Joint Forces Command (JFCOM) is based on a review of the missions assigned to JFCOM in the Unified Command Plan and the determination that these missions can be accomplished effectively and more efficiently, elsewhere within the Department.

Fundamentally, the principal purpose for the creation of JFCOM in 1999—to force a reluctant service-centric military culture to embrace joint operations and doctrine—has largely been achieved. Jointness is a cultural and behavioral principle that is evolutionary and not easily measured; however, there is little debate that today the United States military has doctrinally, operationally and culturally embraced jointness as a matter of practice and necessity. The on-going assessment of JFCOM's functions will identify those functions which need to endure, and will recommend the appropriate location of former JFCOM functions and responsibilities as well as the appropriate level of leadership to ensure our joint capabilities are sustained and improved upon to meet current and future threats.

Mr. WITTMAN. Deputy Secretary Lynn, Allied Command Transformation (ACT) and NATO have built strong ties to JFCOM in areas of training, capability development, experimentation, and coalition forces integration. How will this progress be sustained and which U.S. commander and staff will assume counterpart responsibilities to ACT's NATO Four-Star commander?

Secretary LYNN. We will sustain interagency and coalition relationships. On September 7, NATO Secretary General stated that ACT will remain in Norfolk, VA even if JFCOM is disestablished.

Mr. WITTMAN. Deputy Secretary Lynn, in the transfer of JFCOM functions to Washington or elsewhere, was the cost of labor, living, and operations factored into the analysis particularly in comparison to Hampton Roads? For those functions retained and either transferred or retained in place, what cost savings factored into the estimates of cost savings from JFCOM closure?

Secretary LYNN. The Secretary did not recommend disestablishing JFCOM to save money. His decision was based on improving operational effectiveness. JFCOM today is a redundant layer in our processes for training joint forces and providing them to the other combatant commanders to use operationally. We are still working on a detailed implementation plan. Cost savings estimates will not be available until a more detailed implementation plan is completed.

Mr. WITTMAN. Deputy Secretary Lynn, with the announced intent to reduce the growth of Pentagon overhead (support staffs, senior positions, staffing layers), how do you foresee organizing and supervising JFCOM functions that revert to the Joint Staff without significant increase in staff size and space requirements? What statutory authorities will you be requesting to increase the size of the Joint Staff?

Secretary LYNN. A review of the functions performed by U.S. Joint Forces Command (JFCOM), in support of its Unified Command Plan (UCP) assigned missions, concluded that several functions are needlessly duplicative, while others are obsolete or of questionable value. It was also determined that the functions still required to meet UCP missions can be accomplished effectively and more efficiently elsewhere within the Department.

These latter functions will be transferred either to the CJCS or to a Combatant Commander or Service Chief. To accomplish these transfers, there will be a determination of what resources will be required by the receiving organization to perform the functions into the future. A final decision on the location of these functions and associated manpower has not yet been made.

Mr. WITTMAN. Deputy Secretary Lynn, are there statutes that prevent the CJCS from executing certain functions currently being done by JFCOM in support of the

COCOMs? Which commander will be assigned the missions specifically assigned to JFCOM in the Unified Command Plan IAW the provisions of Goldwater-Nichols?

Secretary LYNN. Chapter 5 of title 10, United States Code, addresses the Joint Chiefs of Staff and in particular addresses the functions of the Chairman of the Joint Chiefs of Staff. A key limitation on assigning functions to the Chairman is that he may not exercise military command over the Joint Chiefs of Staff or any of the armed forces (10 U.S.C. 152(c)). In addition, the Chairman may neither organize nor use the Joint Staff, which is under the authority, direction and control of the Chairman, as an overall Armed Forces General Staff nor may the Joint Staff exercise any executive authority (10 U.S.C. 155(e)). The Department of Defense is considering how best to address the missions currently assigned to United States Joint Forces Command by the President in the Unified Command Plan, if the President disestablishes that Command.

