

Advance Questions for Frank Kendall
Nominee to be Under Secretary of Defense for
Acquisition, Technology, and Logistics

Defense Reforms

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Special Operations reforms have strengthened the warfighting readiness of our Armed Forces. They have enhanced civilian control and clearly delineated the operational chain of command and the responsibilities and authorities of the combatant commanders, and the role of the Chairman of the Joint Chiefs of Staff. They have also clarified the responsibility of the Military Departments to recruit, organize, train, equip, and maintain forces for assignment to the combatant commanders.

- 1. Do you see the need for modifications of any Goldwater-Nichols Act provisions?**

I do not see the need for modifications to Goldwater-Nichols Act provisions at this time. I believe the current allocation of responsibility for acquisition-related matters in title 10, United States Code, appropriately assigns responsibility to the Under Secretary of Defense for Acquisition, Technology, and Logistics, and that the law also appropriately identifies the acquisition-related functions of the Military Department Secretaries. I will continue to consider this issue and will make proposals for modifications if and when required.

- 2. If so, what areas do you believe might be appropriate to address in these modifications?**

N/A

Duties

Section 133 of title 10, United States Code, describes the duties and responsibilities of the USD(ATL).

- 3. Assuming you are confirmed, what additional duties do you expect that the Secretary of Defense will prescribe for you?**

If confirmed, I expect the Secretary to assign duties and functions commensurate with the USD(AT&L)'s function and expertise as he deems appropriate.

- 4. Do you recommend any changes to the provisions of section 133 of Title 10, United States Code, with respect to the duties of the USD(ATL)?**

No.

5. **Do you believe that the Department of Defense has effectively implemented a streamlined chain of command for acquisition programs, as envisioned by the Packard Commission?**

I believe that the Department has implemented a strong acquisition chain of command, built upon an effective management structure that meets the current acquisition requirements and outcomes. I am concerned, however, that some program managers have been given responsibility for too many programs. If confirmed, I will continue to examine this structure and oversight to ensure continued success in leadership.

6. **Do you see the need for modifications in that chain of command, or in the duties and authorities of any of the officials in that chain of command?**

No, not at this time. I believe the statutory reporting chain providing USD (AT&L) directive authority concerning Military Department acquisition programs via the Military Department Secretaries is a crucial authority that must be maintained. If confirmed, I will evaluate the current chain of command and will recommend adjustments should any be needed to ensure continued success.

Qualifications

If confirmed, you will be responsible for managing an acquisition system pursuant to which the Department of Defense spends roughly \$400 billion each year. Section 133 of title 10, United States Code, provides for the Under Secretary to be appointed from among persons who have an extensive management background in the public or private sector.

7. **What background and experience do you have that you believe qualifies you for this position?**

I have over 40 years experience in the areas of national security, defense, and acquisition. My education includes degrees in engineering, business and law. I served on active duty in the Army for over ten years including in operational units and research and development commands. As a civil servant, I worked as a systems engineer and systems analyst. I spent over eight years in the Pentagon on the Under Secretary for Acquisition's staff first as Assistant Deputy Under Secretary for Strategic Systems (Defense Systems) and then as Director, Tactical Warfare Programs. Outside of government I have been the Vice President of Engineering for Raytheon Company and a consultant on national security and acquisition related matters, principally program management, technology assessment, and strategic planning, for a variety of defense companies, think tanks, and government laboratories or research and development organizations. I re-entered the Government in March 2010 after confirmation by the Senate to be the Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics. Since October 2011, I have served as the Acting Under Secretary of Defense for Acquisition, Technology and Logistics.

8. What background or experience, if any, do you have in the acquisition of major weapon systems?

During the past two years, I have served the Defense Department in the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics. For a year and a half as the Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics), and from October 2011 to the present as the Acting Under Secretary of Defense for Acquisition, Technology, and Logistics. In both positions, I played a central role overseeing and directing major weapons systems on behalf of the Department. In my previous Pentagon positions, I served in the Under Secretary of Defense for Acquisition's office from 1986 to 1994. During this period I had oversight responsibility, first for all strategic defense programs, and then for all tactical warfare programs. During my period as Director of Tactical Warfare Programs from 1989 to 1994, I chaired the Conventional Systems Committee, now called the Overarching Integrated Product Team, which was responsible for preparing for Defense Acquisition Board (DAB) decisions for the Under Secretary for Acquisition. In this capacity, I was responsible to the Under Secretary for approximately 100 DAB reviews covering systems from all three military departments that spanned the spectrum of major weapon systems. After I left government service in 1994, I was involved with a number of major weapons systems programs in my capacity as Vice President of Engineering at Raytheon. As an independent consultant, I spent several years providing technical management and program management consulting to the Lead System Integrator for the Future Combat Systems program. During the period 1997 to 2008, I was also involved in reviews of a number of major acquisition programs, either as an independent consultant or as a member of a government advisory board.

Relationships

In carrying out your duties, what would be your relationship with:

9. The Secretary of Defense

If confirmed, I will be the principal staff advisor to the Secretary of Defense on matters concerning acquisition, including on the procurement of goods and services, research and development, developmental testing, and contract administration. I will also be the principal staff advisor to the Secretary on matters concerning logistics, maintenance and sustainment support, installations and environment, operational energy, chemical, biological, and nuclear weapons, and the defense industrial base.

10. The Deputy Secretary of Defense

If confirmed, I will be the principal staff advisor to the Deputy Secretary in the same manner as to the Secretary.

11. The other Under Secretaries of Defense

There are many actions that require coordination among the Under Secretaries of Defense. If confirmed, I will work with the other Under Secretaries to serve the priorities of the Secretary of Defense.

12. The DOD General Counsel

If confirmed, I will work with the General Counsel's office to ensure all actions are legal, ethical, and within regulatory guidelines.

13. The Director of Operational Test and Evaluation

If confirmed, I will work with the Director of Operational Test and Evaluation to ensure the Department has appropriate operational test and evaluation of defense acquisition programs.

14. The Director of Cost Assessment and Program Evaluation

If confirmed, I will work with the Director of Cost Assessment and Program Evaluation to ensure that the Department has independent cost analysis for defense acquisition programs and appropriate resource assessments for other programs within my responsibilities.

15. The Assistant Secretary of Defense for Research and Engineering

If confirmed, I will direct the work of the Assistant Secretary of Defense for Research and Engineering to maintain the technological edge of the Armed Forces, ensure the Department has continued ability to acquire innovative capabilities, and to reduce the cost and risk of our major defense acquisition programs.

16. The Deputy Assistant Secretary of Defense for Developmental Testing

If confirmed, I will direct the work of the Deputy Assistant Secretary of Defense for Developmental Testing to ensure there is strong involvement early in program formulation, that comprehensive, independent developmental testing assessments of program maturity and performance are available to inform acquisition decisions, and that the developmental test community within the acquisition workforce is appropriately staffed and qualified.

17. The Deputy Assistant Secretary of Defense for System Engineering

If confirmed, I will direct the work of the Deputy Assistant Secretary of Defense for System Engineering to ensure the application of sound systems engineering principles to major defense acquisition programs and to ensure that the systems engineering community within the acquisition workforce is appropriately staffed and qualified.

18. The Director of Program Assessment and Root Cause Analysis

If confirmed, I will direct the work of the Director of Program Assessment and Root Cause Analysis to ensure that the performance of the defense acquisition system is carefully evaluated and to ensure that all relevant lessons learned are captured from programs which experience unacceptable cost growth and that performance measurement for DoD programs and institutions is effectively implemented.

19. The Acquisition Executives in the Military Departments

If confirmed, I will make communication and coordination with the Service Acquisition Executives a top priority. I will work with the Acquisition Executives to ensure effective oversight, through the Secretaries of the Military Departments, of acquisition programs in their areas, support transparency in sharing information about program status, take appropriate remedial actions to rectify problems, actively engage in departmental processes to improve acquisition outcomes, and support the policies and practices of the Department. I will also expect them to champion best practices and share ideas and concerns with me, with each other and with appropriate stakeholders.

20. The Vice Chairman of the Joint Chiefs of Staff

If confirmed, I will support the Vice Chairman in his role with respect to the Joint Requirements Oversight Council, and would support and encourage his active role as a member of the Defense Acquisition Board. I will also seek to ensure the requirements and acquisition processes work effectively together in terms of stabilizing requirements, and ensuring requirements established for acquisition programs are achievable within appropriate cost, schedule, and technical risk.

Major Challenges and Problems

21. In your view, what are the major challenges that will confront the USD(ATL)?

My principle challenge will be to support the Department's recently announced Military Strategy Guidance within the available resources. My priorities as the Acting USD(AT&L), and the priorities I would emphasize if confirmed, are tightly aligned with that challenge and with the principles the Secretary of Defense has expressed – maintain the best military in the world, avoid a hollow force, take a balanced approach to achieving efficiencies, and keep faith with our men and women in uniform.

My priorities and the major challenges I expect to face if confirmed as USD(AT&L) are: (1) providing effective support to current operations, (2) achieving affordable acquisition programs, (3) improving the efficiency and effectiveness of the Department's acquisition of both products and services, (4) strengthening the industrial base during a period of lower than expected budgets, (5) strengthening the acquisition workforce in order to achieve better acquisition outcomes, and (5) ensuring that despite

limited resources the Department protecting the capabilities the Department will need in the future to equip and sustain the force and conduct operations.

22. Assuming you are confirmed, what plans do you have for addressing these challenges?

The following is a very brief summary of some of the plans that I have to address the challenges I see:

To support the Warfighter, if confirmed, I will continue to prioritize and institutionalize rapid acquisition to meet urgent needs, timely and reliable logistics support, effective contingency contracting, and more efficient operational energy solutions.

To achieve affordable programs, if confirmed, I will continue to work with the requirements and resource communities and the acquisition community to ensure the programs the Department starts have firm cost goals in place for both production and sustainment, that appropriate priorities are set, and that the necessary tradeoffs are made to keep Defense programs within affordable limits.

To improve efficiency, if confirmed, I will continue to refine and evolve the Better Buying Power initiative. I will continue the continuous improvement management approach that Dr. Carter and I initiated to control and reduce costs while acquiring products and services that provide the highest possible value to the Warfighters.

To strengthen the industrial base, if confirmed, I will continue to focus on executing contracts with industry that include appropriate incentives to higher productivity and drive fair business deals to protect the taxpayers' interest, while providing industry with reasonable profit opportunities and without putting industry at unacceptable risk. I will also continue to ensure critical skills and capabilities in the industrial base are identified, and intervene where necessary to see that needed capabilities are preserved. If confirmed, I will keep strong two way lines of communication to industry open at all levels so that industry and government truly understand each other's perspectives and concerns.

To strengthen the acquisition workforce, if confirmed, I will continue to work to increase the capability of the workforce. As budget reality reduces the capacity to increase the size of the workforce, I will turn greater attention to the capability within the workforce, particularly the development of key acquisition leaders in program management, engineering, contracting, and product support. This includes increased skills and leadership training. It also means setting high standards, recognizing good performance, and holding people accountable for poor performance.

To protect the future, if confirmed, I will continue to advocate for sound investments in the next generation of technologies to maintain U.S. military superiority. This means

protecting essential capabilities in the industrial base, such as design teams that would take a generation or more to replace. It means retaining a contingency contracting capability that can be expanded when needed for future operations. It means developing and nurturing small businesses, maintaining our installations, and ensuring the safety and security of our nuclear deterrent. Most of all, it means maintaining the very best military in the world, not just today, but for the long term.

Acquisition Organization

- 23. Do you believe that the office of the USD(ATL) is appropriately structured to execute its management and oversight responsibilities?**

Yes. I have made a number of minor adjustments in the AT&L structure since I joined the organization in March 2010. As I evaluate the impact of these changes other adjustments are possible, but overall I believe the structure is appropriate.

- 24. Do you see the need for any changes in the relationship between the USD(ATL) and senior acquisition officials in the military departments?**

No.

- 25. Do you see the need for any additional processes or mechanisms to ensure coordination between the budget, acquisition, and requirements systems of the Department of Defense and ensure that appropriate trade-offs are made between cost, schedule, and performance requirements early in the acquisition process?**

I believe the correct mechanisms are in place at the Defense Acquisition Board (DAB) and the Joint Requirements Oversight Council, and in the process for performing Analyses of Alternatives, to ensure that appropriate trade-offs are made between cost, schedule, and performance requirements on major defense acquisition programs. Dr. Carter and I initiated the use of affordability production and sustainment cost requirements or caps early in program life cycles and, if confirmed, I will continue the use of this management tool to force trade-offs early in the system design process. If confirmed, I will also continue to examine whether there is a need for additional processes or mechanisms for ensuring appropriate trade-offs before program requirements are finalized.

- 26. What do you believe should be the appropriate role of the service chiefs in the requirements, acquisition, and resource-allocation process?**

The acquisition process does not exist in isolation and the service chiefs play a major role as a result of their deep involvement in the budget and requirements processes, and because they are responsible for the health of the acquisition workforce of their respective Military Departments, particularly the officer corps. The acquisition process functions properly only when the service's uniformed leadership is actively involved and takes responsibility for the success of the acquisition system. I believe the chain of

professional acquisition authority—normally the program manager, program executive officer, component acquisition executive and/or milestone decision authority—is appropriate for acquisition decisions, but that these people cannot be successful without the involvement and active support of service senior uniformed leadership.

27. What do you see as the potential advantages and disadvantages to giving the service chiefs authority and responsibility for the management and execution of acquisition programs?

The service chiefs are usually not acquisition professionals, and in general, I believe that the management and execution of acquisition programs should be done by people who have the professional experience and qualifications to direct large scale complex programs. I also believe that the service chiefs already have significant responsibility for the success of acquisition programs, and that there is much they can and should do within their current authority to improve acquisition outcomes. The steps the service chiefs can take include: (1) making sure their personnel systems are doing everything they can to create a more capable and professional acquisition workforce (particularly key leaders including program managers, chief engineers, contracting officers, and product support managers); (2) recognizing the importance and unique skills of those key leaders and making it career enhancing to go into the acquisition field; (3) ensuring that realistic requirements are set and that there is a cooperative relationship between the acquisition community and the requirements community in which requirements trade-offs and informed decisions can be made efficiently; (4) creating a command environment where acquisition professionals are listened to and encouraged to bring realistic assessments forward to senior requirements and budget decision makers and where sound business practices that will save money and provide more value are supported; and (5) including the acquisition professionals in the cultural mainstream of their service.

28. What do you believe should be the appropriate role of the combatant commanders in the requirements, acquisition, and resource-allocation processes?

Combatant commanders advise on capability needs, priorities and allocation of resources consistent with those needs. I am particularly sensitive to the need for the acquisition system to address urgent needs of the combatant commanders in support of wartime operations and changing threats. In those exceptional cases where a Combatant Commander holds special acquisition authorities such as the Commander, U.S. Special Operations Command, AT&L has responsibilities to foster their success through mentorship and positive process oversight. If confirmed, I will continue to respect and encourage their advice and solicit their input on meeting their needs effectively.

29. Do you see the need for any changes in the structure or operations of the Joint Requirements Oversight Council (JROC)?

I support the Vice Chairman of the Joint Chiefs' initiatives to emphasize cost-informed decisions in the military needs validation process and to streamline the JROC process. The current construct encourages direct and open discussion between senior military needs officials and acquisition leaders. Our staffs work continuously to evolve these processes to provide capability more effectively. The VCJCS and I have been working closely to streamline and coordinate requirements and acquisition, and if I am confirmed, I will continue this practice. I have been regularly attending JROC meetings to provide the acquisition perspective and if confirmed I will continue this practice.

30. What improvements, if any, do you believe are needed in the lines of authority and accountability for the procurement of major weapon systems?

I believe in clear lines of authority and accountability for the procurement of major weapon systems. They go from the Defense Acquisition Executive through the Secretaries of the Military Departments to the Service Acquisition Executives and the Program Executive Officers and Program Managers. I see no need for changes to that structure. If confirmed, I will continuously review this to see if changes might be needed.

31. What steps if any will you take, if confirmed, to empower program managers to execute major defense acquisition programs and hold them accountable for how well their programs perform?

Section 853 of the John Warner National Defense Authorization Act for Fiscal Year 2007 required the Department to develop a strategy to enhance the role of Department of Defense program managers in developing and carrying out defense acquisition programs. The Department developed the strategy and has implemented many of the initiatives identified in its report to Congress to include more focused education and training, program manager forums, and institutionalized assist teams. Tenure agreements, program manager agreements, and configuration steering boards increase leadership stability while enhancing management accountability. The foundation of accountability is competency and experience. I am currently reviewing the Department's approach to developing and empowering program managers as well as the approach to holding them accountable for their performance. I regard leaving stronger, more effective acquisition leaders as the single most important legacy I could leave the Department and if confirmed that will continue to be one of my highest priorities.

Major Weapon System Acquisition

32. Do you believe that the current investment budget for major systems is affordable given decreasing defense budgets, the historic cost growth trends for major systems, and the continuing costs of ongoing contingency operations?

I believe the current investment budget for major systems is affordable if properly managed, but that it will be a challenge to achieve this. The President's FY 2013 Defense Budget provides a balanced approach to reducing force structure and procurement over the FYDP. Cost growth in acquisition programs will have to be controlled if the Department is to execute this budget successfully. Secretary Gates and Dr. Carter foresaw the need for greater efficiency and effective execution and started the Better Buying Power initiative in 2010 to ensure that the performance of the defense acquisition system was everything that the warfighter and taxpayers have a right to expect. If the Department continues to experience over the next ten years the same levels of cost growth and failed programs that occurred in the decade preceding this initiative, it will be extremely challenging to meet our minimum needs for recapitalization and modernization.

33. If confirmed, how do you plan to address this issue?

If confirmed, I will continue to make cost control an over-riding priority. As the USD(AT&L), I would continue to advise the Secretary on a sustainable and affordable investment strategy for the Department. As the Acting Under Secretary, I have included formal affordability requirements as a critical element of the defense acquisition system. If confirmed, I will continue to work to control potential cost growth for existing programs and to work to improve the Department's requirements, acquisition, and budgeting processes to ensure investment decisions are informed by sound affordability constraints.

34. What would be the impact of a decision by the Department to reduce purchases of major systems because of affordability issues?

Over the long term, the Department must balance force structure with operating costs, capital investments, and modernization. I believe that ultimately reductions in our recapitalization and modernization rates could jeopardize our ability to keep up with pacing threats, reduce production efficiency, increase sustainment costs for the existing force structure, and affect the health of the industrial base. In the short term, some reductions are manageable and affordability constraints cannot be ignored.

Nearly half of DOD's major defense acquisition programs have exceeded the so-called "Nunn-McCurdy" cost growth standards established in section 2433 of title 10, United States Code, to identify seriously troubled programs. Section 206 of the Weapon Systems Acquisition Reform Act of 2009 (WSARA) tightened the standards for addressing such programs.

35. What steps if any would you take, if confirmed, to address the out-of-control cost growth on DOD's major defense acquisition programs?

I believe the Department must continue to take steps such as those included in the Better Buying Power initiatives that Dr. Carter and I started. These initiatives are part

of a process of continuous improvement in the acquisition system aimed at controlling costs in all acquisition activities, including major programs. First of all the Department's planning must be realistic and fully resourced. This means setting requirements that are affordable and achievable within the time and resources available. Affordability caps for both production and sustainment are now being applied early in program life cycles and their use must continue so that sound requirements trades are made as early as possible. In order to ensure more effective program execution, primarily by industry, acquisition strategies that emphasize sustaining a competitive environment and providing strong incentives to cost control must be implemented consistently. Continuous efforts to identify sources of cost reduction through "should cost" management should be used during all program phases. If confirmed, I will continue to implement these measures and work to identify additional steps that can be taken to control cost growth.

36. What steps if any do you believe that the Department should consider taking in the case of major defense acquisition programs that exceed the critical cost growth thresholds established in the "Nunn-McCurdy" provision?

I believe the DoD has full authority to take appropriate measures, including major restructuring or termination of poor performing programs. While terminations have rarely occurred in the past, one of my first acts as Acting Under Secretary was to terminate the Joint Tactical Radio System Ground Mobile Radio program after a Nunn-McCurdy breach. I believe that the current budget environment will make it more likely that program terminations will occur after critical Nunn McCurdy level cost breaches due to our overall affordability constraints. Also the Department will be more aggressive in taking action before Nunn McCurdy thresholds are reached. As Principal Deputy USD(AT&L), I also instituted a practice of conducting Nunn-McCurdy-like reviews as soon as cost growth became apparent even if breaches had not occurred yet so that this mechanism is applied proactively instead of reactively. If confirmed, I will continue this practice.

37. Do you believe that the office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, as currently structured, has the organization and resources necessary to effectively oversee the management of these major defense acquisition programs? If not, how would you address this problem?

Yes.

38. Do you see the need for any changes to the Nunn-McCurdy provision, as revised by section 206?

No.

39. What principles will guide your thinking on whether to recommend terminating a program that has experienced critical cost growth under Nunn-McCurdy?

If confirmed, the five certification elements listed in the law will continue to guide me.

Operating and Support Costs

The Department estimates that operating and support (O&S) costs account for up to 70 percent of the acquisition costs of major weapon systems. Section 832 of the National Defense Authorization Act for Fiscal Year 2012 requires the Department to take a series of steps to improve its processes for estimating, managing, and reducing such costs.

40. What is the current status of the Department's efforts to implement the requirements of section 832?

Several organizations within the Department, to include AT&L and the Cost Assessment and Program Evaluation Office (CAPE), are currently addressing implementation of the requirements outlined in Section 832. The Section 832 requirements will be implemented in a major revision of the Department of Defense Instruction (DoDI) 5000.02, which includes an extensive restructure of the document, as well as "Fact of Life Changes" and the incorporation of other National Defense Authorization Act (NDAA) directed requirements, including those of Sections 805, 815, and 837.

41. What steps remain to be taken to implement section 832, and what is the Department's schedule for taking these steps?

The planned completion date for these efforts is December 2012. If confirmed, I will supplement the update to DoDI 5000.02 with guidance, training, mentorship and oversight. If confirmed, I would expect to gain insight into the effectiveness of these efforts through Defense Acquisition Executive Reviews and incorporate the lessons learned into future policy refinements.

42. What steps, if any, are needed to ensure that the requirements and acquisition communities fully and effectively collaborate to understand and control the O&S costs prior to and early in product development, when it is possible to have the most significant impact on those costs?

The Department recognizes that alignment and partnership among the operational requirements, development, and sustainment communities are essential to optimizing war fighter operating and support strategies at a minimal cost. Identifying, maintaining and understanding program impacts to O&S costs are critical during a Program's early requirements definition, and technology development phases, and remains a priority during the Weapon System's entire life cycle.

I recently elevated the importance of Life Cycle Product Support by making the Life Cycle Sustainment Plan (LCSP) a stand-alone Program management tool required for all Programs prior to entering the Engineering & Manufacturing Development (EMD)

Phase. The LCSP will capture the requirements for product support that include both Readiness and O&S Cost Objectives.

Additionally, I am addressing the role/influence of Reliability, Availability and Maintainability (RAM) Engineering during acquisition reviews. During the quarterly Defense Acquisition Executive Summary (DAES) assessments, I focus on Reliability and Availability as well as actual O&S Cost performance against pre-determined objectives. These assessments act as a trigger for further in-depth reviews of programs between major milestones and during Post-IOC reviews.

Operational energy costs are also an important target for O&S cost reduction. The Department recently published an operational energy strategy and implementation plan. If confirmed, I will work to ensure that this plan is successfully executed.

If confirmed, I will continue to explore and implement these and other management tools to reduce support costs.

43. What additional steps, if any, do you believe the Department needs to take to bring O&S costs under control?

I believe the Department should continue execution of the steps Dr. Carter and I put in place under the “Better Buying Power” initiatives and should seek other ways of controlling O&S costs. Specifically, if confirmed, I will continue and enforce the implementation of sustainment affordability constraints as programs conduct technology demonstration and enter engineering and manufacturing development. Sustainment cost constraints are intended to force programs to analyze sustainment costs and take steps to control them during product development, but these constraints must be enforced. If confirmed, I will ensure that this occurs.

Under Better Buying Power, the Department also initiated a “Should Cost” management process that requires our managers to drive costs, including sustainment costs, down. Program Managers must develop clear cost objectives that are lower than the Independent Cost Estimate (ICE), or “Will Cost,” derived from historical data. These “Should Cost” targets are not arbitrary numbers. Rather, each target must be grounded in some form of a tangible, best practice and/or innovative business approach designed to improve upon historical performance.

The Department also needs to continue the effort to align the incentives of the government and its sustainment contractors to produce better results. If confirmed, I will continue to encourage use of Performance Based Sustainment strategies to drive O&S costs down by providing competitive and financial incentives to both industry and government. The data from the Department’s use of performance based sustainment demonstrates that properly structured and executed performance based sustainment strategies produce better performance results at less cost than traditional,

transactional sustainment approaches. Performance based strategies can be applied to activities performed by both public and private sustainment providers.

If confirmed, I will continue to explore and implement other management tools to reduce O&S costs.

Systems Engineering

One of the premises for WSARA was that the best way to improve acquisition outcomes is to place acquisition programs on a sounder footing from the outset by addressing program shortcomings in the early phases of the acquisition process. The Defense Science Board Task Force on Developmental Test and Evaluation reported in May 2008 that “the single most important step necessary” to address high rates of failure on defense acquisition programs is “to ensure programs are formulated to execute a viable systems engineering strategy from the beginning.”

- 44. Do you believe that the Department of Defense has the systems engineering and developmental testing organizations, resources, and capabilities needed to ensure that there is a sound basis for key requirements, acquisition, and budget decisions on major defense acquisition programs?**

Since the passage of WSARA, the Department has worked to build the systems engineering expertise required for effective acquisition. While much progress has been made, the Department still has work to do in building its capacity for professional systems engineering. The Department has increased the numbers of system engineers, but the work force has a demographics issue with a senior workforce nearing retirement and a number of relatively inexperienced junior people who will need more experience to become proficient. If confirmed, I will continue to identify and implement creative measures to address this problem.

- 45. What is your assessment of the implementation to date of section 102 of WSARA, regarding systems engineering?**

I believe the Department has faithfully implemented section 102 by establishing the Deputy Assistance Secretary of Defense for Developmental Test and the Deputy Assistant Secretary of Defense for Systems Engineering offices, by staffing these offices with highly qualified teams, and by providing guidance and oversight to the systems engineering capabilities in the military services.

- 46. What additional steps will you take, if confirmed, to implement this provision?**

If confirmed, I will work with the Service Acquisition Executives to ensure the effective implementation of recently approved systems engineering policy and

guidance and the adequacy of the competency, capacity and authority of the systems engineering workforce as critical components in support of successful acquisition system performance.

- 47. Do you believe that the nation as a whole is producing enough systems engineers and designers and giving them sufficient experience working on engineering and design projects to ensure that DOD can access an experienced and technically trained systems engineering and design workforce? If not, what do you recommend should be done to address the shortfall?**

I am not satisfied that the nation is currently producing enough systems engineers and engineers in other disciplines to meet the Department's complex engineering challenges. The Department has ongoing efforts to promote engineering education in Kindergarten through 12th grade and college curricula, and, if confirmed, I will continue to support those efforts to promote engineering as an important field of study with our national educational system. I will also promote engineering excellence within the acquisition work force as a core value.

Last year, the Chairman and Ranking Member of the Armed Services Committee expressed concern that the annual report to Congress by the Assistant Secretary of Defense for Systems Engineering and the Assistant Secretary of Defense for Developmental Testing failed to meet applicable statutory requirements.

- 48. What steps will you take, if confirmed, to ensure that future reports on developmental testing and systems engineering fully comply with applicable statutory requirements?**

In response to the expressed concerns of the Chairman and Ranking Member of the Armed Services Committee, the Department has increased the detail and extent of our reporting in the FY11 DT&E and SE Annual Report to Congress. If confirmed, this will continue to be a matter of priority for me.

Technological Maturity

Section 2366b of title 10, U.S. Code, requires the Milestone Decision Authority for a major defense acquisition program to certify that critical technologies have reached an appropriate level of maturity before Milestone B approval.

- 49. What steps if any will you take, if confirmed, to make sure that the Department of Defense complies with the requirements of section 2366b?**

If confirmed, as chair of the Defense Acquisition Board (DAB) and Milestone Decision Authority (MDA) for major defense acquisition programs, I will continue to use technology readiness assessments (TRAs) to ensure compliance with section 2366b. I am concerned however, that reliance on formal technology readiness levels (TRLs) has become a substitute for a deeper understanding of the state of risk prior to entering

development. I commissioned a study of recent decisions to enter EMD, which concluded that TRLs in many cases were not being used effectively to assess the risk of entering EMD. The TRL labels used in TRAs are a useful benchmark, but they alone are not enough.

50. What steps if any will you take to ensure that the Assistant Secretary of Defense for Research and Engineering is adequately staffed and resourced to support decisions makers in complying with the requirements of section 2366b?

If confirmed, I would continue to work with ASD(R&E) and other members of the OSD and Military Department staffs to ensure the adequacy of resources available to meet the challenges of complying with the requirements of section 2366b.

51. Are you satisfied that technology readiness assessments adequately address systems integration and engineering issues, which are the cause of many cost overruns and schedule delays in acquisition programs?

I am not satisfied that Technology Readiness Assessments (TRAs) are, by themselves, adequate for addressing systems integration and engineering risks. They are necessary but not fully sufficient to determine technical risk. A recent Department case study on technology development and prototyping found very little correlation between TRAs and program success in development. TRAs are, however, necessary for identifying and maturing the Critical Technology Elements enabling the key performance characteristics of advanced systems. They form an essential part of program managers' risk management strategies, planning, and execution. In May 2011, I directed the Department to revise its approach for conducting and independently verifying TRAs for Program Inception (Milestone B) in order to make program managers more responsible and accountable for understanding and managing program risks. It is too early to tell how effective these changes have been. If confirmed, I will continue to make improving risk management of technology, engineering, and integration risks a high priority.

52. Beyond addressing technological maturity issues in acquisition programs, what other steps should the Department take to increase accountability and discipline in the acquisition process?

There are a great number of factors that contribute to the failure of programs to meet their cost, schedule, and performance objectives and many are associated with discipline and accountability. By instituting and enforcing affordability constraints on programs, I have begun to discipline the acquisition system to constrain requirements to affordable levels. Industry should also be held accountable for its performance, and I believe this is best accomplished through the incentives integrated into our contracts and through the actions taken when programs are not performing acceptably. Government institutional performance matters also, and I am beginning to implement new institutional performance measurement required by section 2548 of title 10, United States Code. When this system is in place, it will allow the Department to

compare institutional performance and identify best practices. If confirmed, I will aggressively continue this initiative. There are also perverse incentives in our budget execution system that encourages the workforce to obligate money, whether it makes sense to do so or not. The Department should not provide incentives that prioritize putting funds on contract over negotiating a contract that is in the Department and the American taxpayer's best interest. If confirmed, I will continue the effort to instill a culture of cost consciousness and stewardship of the taxpayer's dollars throughout the defense acquisition system. My emphasis is on taking steps to improve the quality and professionalism of the acquisition workforce that plans and manages the execution of the Department's programs. Program managers and other leaders who do not perform to standards have been removed from their positions, but I expect this to be infrequent. The Department (particularly the Military Departments) has the duty to ensure that the people entrusted with the responsibility for managing major programs have the qualifications and the professional development they need to assume this responsibility. If confirmed, I will continue to work to ensure that this is the case.

Requirements Process

53. What is your assessment of recent revisions made by the Vice Chairman of the Joint Chiefs of Staff to the Joint Capabilities and Integration Development System (JCIDS)?

I believe these revisions will allow JCIDS execution to align more closely with the Department's new strategic guidance and to take account of cost and technological maturity factors. Additionally, I understand that the process makes permanent several important initiatives that enable more rapidly delivered and affordable capabilities to the Warfighter. The updated policy addresses Combatant Commanders' Joint Urgent Operational Needs (JUONs) and Joint Emergent Operational Needs (JEONs), improving the Department's agility and efficiency in meeting the most urgent Warfighter needs in current and future contingency operations. Joint Requirements Oversight Council (JROC) review of analysis of alternatives results prior to Milestone A, and of Capabilities Development Documents (CDDs) prior to Milestone B, facilitate contracting activities before Technology Development and Engineering and Manufacturing Development acquisition phases. Lastly, new JCIDS limitations on length of Initial, Development, and Production Capability Documents reduce the often redundant administrative burden on program managers that has lengthened process timelines of systems acquisition and focuses the JROC on the most important requirements for a program.

54. In your view, has the Joint Requirements Oversight Council (JROC) been effectively drawing and using input from the systems engineering, cost analysis and program planning, and budgeting communities as warranted, in its deliberations regarding requirements associated with major systems acquisitions?

The updates to the JCIDS and JROC Charter place increased emphasis on how the JROC executes its responsibilities to consider cost, schedule and performance of programs and identified alternatives. The AT&L staff has been working to help lay the groundwork for active collaboration among Joint Staff, Military Departments, Combatant Commanders (COCOMs), Cost Analysis and Program Evaluation (CAPE) and AT&L in analysis of how requirements alternatives drive cost, schedule and performance. Some of these process changes are newly implemented, but I believe they provide a framework for success if effectively executed. I have also increased my personal participation in the JROC process in order to ensure that these considerations are taken into account during the deliberations over requirements. I believe this is having a significant impact. If confirmed, I will continue this practice.

Concurrency

Some of the Department's largest and most troubled acquisition programs appear to have suffered significantly from excessive concurrency – the effort to produce a weapon system, even as it is still being designed.

55. What impact do you believe that such excessive concurrency has on our efforts to produce major weapon systems on schedule and on budget?

Excessive concurrency can drive cost growth and result in major schedule disruptions that produce further inefficiency. The acceptable degree of concurrency between development and production depends on a range of factors including the risk associated with the development phase, the urgency of the need, and the likely impact on cost and schedule of realizing that risk. A careful balance must be struck on every program, taking all these factors and others into account. If confirmed I will continue to work to ensure that balance is carefully assessed and properly managed.

56. What steps will you take, if confirmed, to address this issue?

If confirmed, I intend to ensure that the risk/benefit of any given degree of concurrent production and development is carefully assessed before program plans are approved and before production decisions are made. I will ensure that major weapons systems program plans have clearly articulated and justified framing assumptions underlying concurrency risks and track progress against these assumptions. I will continue to require programs to reassess levels of planned concurrent production as necessary if these underlying assumptions change.

57. Under what circumstances, if any, do you believe that it is useful and appropriate to require prime contractors on major defense acquisition programs share in concurrency costs?

In most circumstances, the government will bear the bulk of concurrency risk. When the government initiates production before development is complete, the government can use cost plus contracts that cover concurrency risk or a fixed price vehicle that

excludes concurrency costs from the contracted deliverable. The first four lots of JSF, an example of an unusually highly concurrent program, used these approaches so that the government bore almost all concurrency costs. In general, I believe that industry should not be asked to bear excessive risk. At some point, however, the concurrency risk in a program should be reduced to the extent that industry can reasonably bear a portion or all of that risk, as is the case with JSF Lot 5. If industry is then unwilling to accept this risk as a reasonable part of doing business, then the risk may be too excessive to contract for continued production. In a well-structured program this situation should not occur.

58. In your view, would a requirement for such cost sharing reduce the likelihood of excessive concurrency in the development and production of major weapon systems?

The government usually controls the structure of the program and determines when to start production. If the concurrency risk is excessive, then government should usually wait until it is reduced before starting production. If the urgency of acquiring the product dictates accepting high concurrency risk, then in general the government should bear it. Cost sharing arrangements do not change the existence of the risk, however if industry is unwilling to accept some concurrency risk as a condition of a production contract, this would be an indication that the risk may still be high.

Joint Strike Fighter

You were recently quoted as saying that it was “acquisition malpractice” to place the Joint Strike Fighter into production years before the first flight test.

59. Does this quote accurately reflect your views?

Yes. The context of this remark was specifically in reference to the decision made to enter into production of the Joint Strike Fighter prior to the initiation of flight test. This decision was a clear departure from well-established principles of sound program management. It is important to note that this judgment does not extend to the JSF program as a whole. The Department remains committed to the JSF program and I believe the program, if appropriately managed, will allow the Department to acquire a critical capability at an acceptable cost. My comment was also not an indictment of any individual, but of the systemic problem of allowing optimism and the presence of funding in the budget to over-rule sound program management practices.

60. What steps if any do you believe that we can take now to address any problems or deficiencies that may have developed as a result of excessive concurrency on the Joint Strike Fighter program?

I believe that the Department has taken appropriate steps to address concurrency risk on the F-35 program by maintaining production at a fixed rate for the next two years as the design stabilizes and is validated by flight testing. The most recently awarded

production contract is structured to ensure Lockheed Martin shares the cost of concurrency risk and incentivizes Lockheed Martin to quickly identify and implement solutions to deficiencies identified during testing. If confirmed, I will continue to evaluate concurrency risk to ensure that there is a prudent balance between concurrency risk and efficient production.

61. What steps if any do you believe we should take to avoid similar problems in future acquisition programs?

It is my understanding that the level of concurrency in the JSF program was established based on an expectation that our modeling and simulation capabilities would allow us to reduce the amount of discovery in flight test compared to our historical experience with similar programs. This assumption proved unrealistic, and I believe our experience on the JSF program should lead us to pursue acquisition strategies based on sounder program management practices. There is a bias toward optimism in our program planning that needs to be counter-acted by experienced professional leadership. This can be a difficult balance, however as too much risk aversion can also lead to problems including extended schedules and increased cost in programs.

The Department recently completed a special “quick look” study on the progress of the Joint Strike Fighter program.

62. What is your understanding of the key findings of the “quick look” study?

I chartered the F-35 Quick-Look Review to determine if there was sufficient confidence in the stability of the basic F-35 design to justify additional concurrent procurement. The review team, comprised of technical and program management experts from the AT&L staff, did not find any fundamental design risks sufficient to preclude further production. The team did identify several sources of design risk that warranted reexamining production plans and carefully monitoring of program progress going forward.

63. What steps if any do you believe the Department should take on the Joint Strike Fighter program to address the findings of the study?

The Department has already taken the appropriate steps to address the findings of this study. Maintaining production at lower than planned rates as the design stabilizes and is validated by developmental flight testing avoids excessive concurrency costs. There are now financial incentives to Lockheed Martin to rapidly identify effective solutions to design discrepancies discovered during flight test and to shorten the timelines for implementation of needed changes during production. The Department is moving to an event-based relationship between production and progress on the development program. If confirmed, I will continue to monitor the program closely and will intervene if the program does not execute to plan.

64. What lessons from this study, if any, do you believe that the Department should learn and apply to other programs?

The Department learned that while engineering design tools have advanced remarkably in the information age, they have not replaced the need for careful developmental testing of complex military systems. Authorizing production before sufficient progress had been made in flight-testing to provide confidence in the design incurred excessive concurrency risk for the program as design deficiencies were identified after production aircraft had been ordered and delivered. A more general lesson, and a systemic problem, is the bias toward spending appropriated funds whether it is a sound management and business decision to do so or not.

65. Do you believe that the “quick look” approach is a model that should be repeated for other programs, or should the Department’s established processes be sufficient to identify problems and opportunities in ongoing programs without the need for such special reviews?

Yes, I believe the Quick-Look approach can and should be repeated on other programs. The F-35 Quick-Look Review relied on the technical expertise and engineering judgment of the Deputy Assistant Secretary of Defense (DASD) for Systems Engineering, the DASD for Developmental Test and Evaluation, and the Director for Strategic and Tactical Systems, supplemented by other subject-matter experts from the Service Technical Centers and the OSD staff. Their programmatic expertise and authority on the F-35 program derived directly from their oversight roles within the Department's established processes. Although the Department frequently requests technical advice and assistance from external subject matter experts, conducting timely, focused internal reviews of critical acquisition issues does provide the Department a valuable tool for responsively analyzing and resolving rapidly emerging programmatic issues. I do not regard this mechanism as a deviation from established processes, but as an adjunct to those processes. It was triggered in part by a report from the Director of Operational Test and Evaluation, which was a part of the Department’s normal processes.

Fixed Price-Type Contracts

Recent Congressional and DOD initiatives attempt to reduce technical and performance risks associated with developing and producing major defense acquisition programs so as to minimize the use of cost-reimbursable contracts.

66. Do you think that the Department should move towards more fixed price-type contracting in developing or procuring major defense acquisition programs? Why or why not?

While I think greater use of fixed price vehicles, particularly in early production, is warranted, I do not believe that the Department should be restricted in the available contract types because of the wide variety of situations faced by the Department. In

general, I believe that the move to increased use of fixed price contracting that Dr. Carter and I initiated in the Better Buying Power initiatives was a sound decision. Increased use of fixed price incentive fee contracting in early production has particularly high potential to improve outcomes. I am less enthusiastic about fixed price development because of my experiences with this approach in the late 80s and early 90s. Nevertheless, there are instances when fixed price development is the best approach. The AF tanker program is a good example. In this case the guidelines I would use for fixed price development were all present: (1) the requirements were firm; (2) the technical risk was low; (3) the expected bidders had the expertise and experience to bid rationally and to execute successfully; (4) the expected bidders had the financial capacity to absorb any reasonable overruns; and (5) they had a business case that would motivate them to do so. If any of these elements were not present, I would seriously consider whether a cost plus development approach was the best option. Many of our development programs do entail cost risk that may exceed industry's capacity and willingness to absorb losses. In many cases, the Department is reaching for unprecedented levels of performance in advanced designs. No amount of risk reduction can completely remove all the risk from next generation designs and the government may need flexibility to work closely with the contractor to adjust requirements as knowledge increases during development. In some cases, operational urgency makes long risk reduction programs prior to development for production unacceptable. The bottom-line is that there is a range of contract types for good reasons.

67. Under what circumstances, if any, do you believe it would be appropriate for the Department to use a cost-type contract for the production of a major weapon system?

I believe those circumstances should be limited, but they will sometimes occur. For the production of a major weapon system, I would consider a cost type contract in those circumstances where the system design and/or the state of production has not yet matured to the point where reliable cost outcomes can be projected. This situation can occur, for example, in production of new design first articles in commodities like satellites and ships. It can also occur when there is great schedule urgency, due to an operational situation or an intelligence surprise, which precludes taking time for risk reduction and design maturation. In these cases, higher degrees of risk and concurrency are warranted with concomitant risk in production costs and even feasibility that it may not be reasonable to ask industry to assume. Most production, certainly the production beyond low rate initial production, should be contracted for on a fixed price basis. I have continued to support the emphasis that Dr. Carter and I placed on the use of fixed price incentive fee contracts during low rate production. These vehicles cap the government's liability, while allowing some flexibility for cost uncertainty and providing a strong incentive for industry to control costs. They also provide the government with good visibility into contractor actual costs.

In a recent presentation at the Center for Strategic and International Studies, you were quoted as stating that “The data says it doesn’t make much difference” whether the Department uses fixed-price or cost-plus contracts for low-rate initial production contracts.

68. Does this quote accurately reflect your views?

I was not expressing a view. The quote reflects what the data suggests. The data is incomplete and needs greater study. I was making the point that our acquisition policies need to be data driven whenever possible, not just intuitive. I have seen several swings of the pendulum with regard to perceived best practices in acquisition. Usually the current conventional wisdom is based more on intuition and what seems to have not worked recently, than on an analysis of the historic data on program outcomes.

69. What data were you relying on in making this statement?

This statement was based on an examination of earned-value data on the actual performance of 440 historical, large, early-stage production contracts for Major Defense Acquisition Programs (MDAPs). These data were reported between January 1970 and December 2011. They are available in the Defense Acquisition Management Information Retrieval system (DAMIR) and its predecessor, the Consolidated Acquisition Reporting System (CARS).

70. What conclusions if any have you reached about the way the Department should contract for low-rate initial production of major weapon systems?

No single contract type works best in all cases for low-rate initial production of major weapon systems and each situation has to be carefully evaluated to determine the best approach for that situation. In cases where risk has not been or cannot be adequately reduced (due to urgency or the technical feasibility of reducing risk without building a production asset) a cost plus vehicle may be appropriate. A fixed-price incentive firm (FPIF) or cost-reimbursable contract may also be appropriate when the incentive structure is properly designed and tied to desired performance over the anticipated risk range. Alternatively, firm-fixed price (FFP) contracts may be appropriate for low-rate initial production in cases where there is little risk and the production processes and costs are well understood.

Technology Transition

The Department continues to struggle with the transition of new technologies into existing programs of record and major weapons systems and platforms. Further, the Department also has struggled with moving technologies from DOD programs or other sources rapidly into the hands of operational users.

71. What impediments to technology transition do you see within the Department?

The impediments I see include the formality and rigidity associated with Programs of Record, inflexibility in the requirements process, the length of time it takes to obtain programmed funds, the difficulties associated with reprogramming funds, and the difficulties small businesses and non-defense companies have in doing business under Federal Acquisition Regulation they may not be familiar with.

72. What steps if any will you take, if confirmed, to enhance the effectiveness of technology transition efforts?

There are a number of activities under way in the Department to enhance the effectiveness of technology transition. If confirmed I will continue to support these initiatives and look for other opportunities to enhance technology transition. The rapid acquisition programs that the Department has initiated to support ongoing operations have been very successful at acquiring new technologies and fielding them quickly. The Department needs to institutionalize this process so that future urgent needs can also be met effectively. DoD is in the process of expanding the rapid acquisition of Joint Urgent Operational Needs from primarily off the shelf technology to those that require some limited development time and may not be directly associated with ongoing operations. The Department is expanding its out-reach to small businesses, including, with the Congress's support, reinvigorating the mentor protégé program which aligns traditional defense firms with small businesses trying to break into the defense markets. Under the Better Buying Power initiatives, the Department has taken steps to improve communication between government and industry about both government funded research and development priorities and company funded internal research and development (IRAD). The Army has initiated a program that allows firms to demonstrate their networking technologies and qualify for competitive awards. The Air Force is taking steps to allow advanced technology space launch firms to compete with traditional firms. All the services are emphasizing open systems and open architectures as a means of permitting new technologies to be inserted into existing programs. These are just examples of the types of steps the Department needs to take to improve technology transition.

73. What can be done from a budget, policy, and organizational standpoint to facilitate the transition of technologies from science and technology programs and other sources, including small businesses, venture capital funded companies, and other non-traditional defense contractors, into acquisition programs?

I believe that it is important that the Department tap into as great a range of sources of technology as possible. This includes commercial technology, small business, and traditional defense companies. By adopting open standards that keep pace with technology, the Department can tap into commercial technology, particularly in information systems. Small businesses, including non-traditional defense contractors are a critical source of innovation. Initiatives to increase small business participation

in defense programs include reinvigorating the mentor protégé program; lowering barriers to participation in the Small Business Innovation Research program such as restrictions on venture capital ownership; and expansion of some small business size restrictions. The Department has increased its efforts to stimulate and leverage independent R&D (IRAD) with new practices to improve communication with industry on Department priorities and ensuring Department science and technology and acquisition program managers are aware of the technology developments in IR&D projects. If confirmed, I will continue and expand the Departments efforts to reach out to and support all of these sources of technology and find ways to reduce barriers to entry for the sources of new technology.

Where Congress has seen fit to provide funds for innovation beyond the level that the Department requested, the Department has acted promptly to execute those funds and if confirmed I will continue that practice. For example, the Ike Skelton National Defense Authorization Act for Fiscal Year 2012 and the FY2011 Defense Appropriations Act included provisions for the establishment of the Defense Research and Development Rapid Innovation Fund (RIF). This program emphasizes rapid, responsive acquisition and engagement of small, innovative businesses in solving defense problems using a fully merit-based, competitive proposal process. The Department is in the process of awarding the initial contracts under the Rapid Innovation Fund.

Our Office of Small Business Programs is also working with the Small Business Administration to implement the FY2012 reauthorization of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer programs. Two provisions within this reauthorization will facilitate transition of technology. The first is the Commercialization Readiness Program for the Department of Defense that directs DoD to establish goals for increasing transition of SBIR developed technology into fielded programs or programs of record, and provides for the use of incentives for program managers and prime contractors to meet these goals. The second is the provision to allow limited participation by small business firms that are owned in majority part by multiple venture operating companies, hedge funds or private equity firms. This action is intended to induce additional venture capital, hedge fund, or private equity firm funding of small business innovation.

74. Do you believe that the Department's science and technology organizations have the ability and the resources to carry technologies to higher levels of maturity before handing them off to acquisition programs?

In general, I believe that the Department's S&T (Budget Activities 1-3) organizations collectively have the ability and adequate resources to carry technologies forward to the pre-production prototyping stage at Budget Activity 4, which may or may not be a formal acquisition program. Technological superiority underpins the Department's strategy and if confirmed, I will continue to monitor the balance of S&T and R&D investments to ensure a proper balance and that the S&T activities have adequate capacity and resources.

- 75. What steps if any do you believe the Department should take to ensure that research programs are sufficiently funded to reduce technical risk in programs so that technological maturity can be demonstrated at the appropriate time?**

As I have stated in previous testimony, I believe technologies (that are necessary or desirable to meet proposed acquisition program needs) should be identified early and that specific maturation programs should be defined and agreed to by the S&T and development communities. Technology maturation programs should also be collaboratively managed. Within specific programs, this is based in part on the Technology Readiness Assessment (TRA) process, which assesses the technological maturity of critical technology elements enabling systems performance, and the program manager's technology maturation strategies. The Milestone decision process ensures these strategies are adequately funded and determines exit criteria for demonstrating technical progress before the commitment to investments in development or production.

- 76. What role do you believe Technology Readiness Levels and Manufacturing Readiness Levels should play in the Department's efforts to enhance effective technology transition and reduce cost and risk in acquisition programs?**

Technology and Manufacturing Readiness Levels (TRLs and MRLs) are tools for gauging the maturity of technologies that might be adopted by an acquisition program to meet cost or performance goals or to achieve desired production capabilities. They provide an indicator of the degree of risk remaining in a program. I believe they are valuable benchmarks against which to assess program risk, but I also believe that TRLs and MRLs alone are not conclusive about whether a program should proceed to development and production or not. One has to look behind these labels to understand the actual risk associated with a technology and the steps that could be taken to mitigate that risk. If confirmed, I will continue to use TRLs and MRLs, but I will also continue to insist on thorough professional assessments of risk that go beyond the use of these benchmarks.

Section 253 of the National Defense Authorization Act for Fiscal Year 2009 required the Department to report to Congress by no later than October 1, 2009, on the feasibility and advisability of various approaches to technology transition. The Department has not yet complied with this requirement.

- 77. When can the committee expect to receive the report required by section 209?**

It will be delivered by April 6, 2012.

Section 1073 of the National Defense Authorization Act for Fiscal Year 2011 established a competitive, merit-based rapid innovation fund to accelerate the fielding of technologies developed pursuant to SBIR projects, technologies developed by the defense laboratories, and other innovative technologies.

78. What is your view of the rapid innovation fund established by section 1073?

In September 2011, the Department issued solicitations for Rapid Innovation Fund (RIF) proposals and received over 3500 responses. I anticipate that approximately 160-180 of the responses will receive contract awards. My view is it is too early to determine the RIF's overall impact. Our implementation processes were successful in obtaining proposals, primarily from small businesses. However, contract awards should not be the sole criteria for success. I believe it will take at least two or three years before one can objectively assess the effectiveness of RIF in achieving the goal of accelerating the transition of innovative capabilities into Department programs.

79. What is your understanding of the Department's plans for the funds previously authorized and appropriated to the fund, by not yet expended?

The FY 2011 program value for the RIF is \$496.1 million of which \$436.4M are RDT&E funds, and \$59.7M are procurement funds. My understanding is that the Department is on track to obligate all of the \$436.4M RDT&E funds prior to September 30, 2012 for contract awards to proposals.

Unrealistic Cost, Schedule and Performance Expectations

Many acquisition experts attribute the failure of DOD acquisition programs to a cultural bias that routinely produces overly optimistic cost and schedule estimates and unrealistic performance expectations. Section 201 of WSARA seeks to address this problem by promoting early consideration of trade-offs among cost, schedule, and performance objectives in major defense acquisition programs.

80. Do you believe that early communication between the acquisition, budget and requirements communities in the Department of Defense can help ensure more realistic cost, schedule and performance expectations?

Yes.

81. If so, what steps if any would you take, if confirmed, to ensure such communication?

I have, and if confirmed will continue to stress the need for earlier communication among the requirements, budget and acquisition communities to enable more informed decisions on cost, schedule and performance trades from the beginning of requirements development throughout the acquisition lifecycle. If confirmed, I will continue to take steps to forge closer ties between military needs and acquisition solution development in the services and in the Department overall. I regularly participate in the Joint Requirements Oversight Council (JROC) where cost-informed and technologically sound decisions can yield savings in time and resources for acquisition programs. I have directed AT&L staff elements to engage with the Joint Staff early in the process of validating joint requirements to assist with assessment of candidate needs against

existing capability portfolios. I strongly support Configuration Steering Boards and other forums in which requirements, budgeting, and acquisition communities work together to reach better solutions to our warfighters needs.

The Department of Defense has increasingly turned to incremental acquisition and spiral development approaches in an effort to make cost, schedule and performance expectations more realistic and achievable.

82. Do you believe that incremental acquisition and spiral development can help improve the performance of the Department's major acquisition programs?

Yes. While not a "silver bullet," incremental development can play a significant role in the development of major acquisition programs. The department applies the term "incremental" to both the incremental and spiral acquisition approaches. In particular, an incremental approach could be the right strategy when the program manager is faced with an evolving requirement, an evolving threat, or where an investment in an immature technology is needed to achieve a longer-term advantage. In this last case, fielding a capable, call it an "80% solution" now, with an eye to incorporating the new technology when it is ready later, is a good strategy. In all these instances, getting a capability into the warfighters' hands sooner, then upgrading to a more capable system can be a smart business approach, and better serve our troops.

83. What risks do you see in the Department's use of incremental acquisition and spiral development?

If implemented correctly, there is little additional technical risk to using an incremental strategy. There are upfront costs associated with an open design that can accommodate incremental upgrades. Part of the trade off for lowering the initial technical risk is the necessity in such a strategy to incorporate an intentional plan that allows for upgrading early deliveries to the final configuration or cutting changes into the production line. The additional cost and complexity for these upgrades is an important consideration that must be factored into the overall plan for an incremental approach. Smart use of open architecture and commercial standards, careful management of intellectual property rights, and well defined form, fit, and function interfaces are important to being able to upgrade systems more easily at a reasonable cost.

84. In your view, has the Department's approach to incremental acquisition and spiral development been successful? Why or why not?

The department applies the term "incremental" to both the incremental and spiral acquisition approaches. The Department's success has been mixed. I believe the Department has been more successful in producing open designs that can accommodate uncertain new technology than in pre-planned future spirals. Success depends upon the degree of technical risk or requirements instability and whether the program management and oversight structures are responsive to the needs of these strategies. No approach to acquisition is right for all circumstances but incremental acquisition

strategies that enable multiple block upgrades can provide the Department with a useful flexibility and efficient improvements in capability.

85. What steps if any do you believe are needed to ensure that the requirements process, budget process, and testing regime can accommodate incremental acquisition and spiral development approaches?

I do not believe that additional steps are required. Under our current acquisition policy, each increment of capability requires approved/achievable requirements, full funding for the increment and a test plan designed to assess the capability the increment is expected to provide. Affordability constraints are being implemented, and I believe that these constraints will discipline the requirements process to realistic initial capabilities that may be improved in future increments. In short, the Department's policies are designed to support an incremental acquisition approach in those cases where it is the most appropriate strategy.

86. How should the Department ensure that the incremental acquisition and spiral development programs have appropriate baselines against which to measure performance?

Current department acquisition policy requires each program increment to have an Acquisition Program Baseline (APB) that specifies the cost, schedule and performance against which the program increment will be measured. The APB is approved by the Milestone Decision Authority (MDA) and cannot be altered without MDA approval. In a multi-increment program, each increment must have its own MDA-approved baseline.

Major Shipbuilding Programs

Recent estimates indicate that the new nuclear-powered aircraft carrier GERALD R. FORD (CVN-78) will cost over \$12 billion, exceeding the legislatively-imposed cost-cap by as much as a \$500 million. It appears that cost growth in this ship is attributable to, among other things, inaccurate assumptions in the cost of materials made when much of the ship's design was immature and unforeseen labor issues encountered with new design features.

87. How confident are you that the Navy can effectively control the cost to build the CVN 78 in particular and other major shipbuilding programs in general?

The Navy has worked aggressively with the contractor to get CVN-78 costs under control. I believe the Navy currently has a solid understanding of CVN-78 costs; however, the Navy will not be able to complete the ship within the cost cap. Although there has been substantial cost growth, there are reasons to be hopeful that costs are now under control:

- The ship design is now more than 90% complete and the design is fully on contract
- Shipbuilder cost performance on current work is improving

- Material cost estimates are mature
- The Navy is implementing should cost targets throughout the supply chain including for government furnished material

In general, I see activities in the Navy that focus on cost-consciousness at all levels, government and industry, including major shipbuilding programs.

88. What do you see as the major factors contributing to the Navy’s continuing difficulty in effectively managing the cost of building its largest ships?

At this point, I see the following three major factors contributing to cost growth:

- CVN-78 is a lead ship, and as a consequence, there was greater uncertainty about cost than with established programs
- CVN-78 had an incomplete design at contract award
- The program involved concurrent development of major ship systems such as the Electromagnetic Aircraft Launching System, the Advanced Arresting Gear, and the Dual Band Radar

In summary, the scope and complexity of the program were underestimated.

89. What steps will you take, if confirmed, to address these causal factors?

For CVN-78 and follow-on Ford-class ships, achieving full design maturity for the ship and its major systems is the key to addressing the causal factors of cost growth. In addition, aggressive should cost management of the ship and subsystem contracts is required to identify and eliminate unnecessary cost in the transition to follow-on ships.

Funding and Requirements Stability

The poor performance of major defense acquisition programs has also been attributed to instability in funding and requirements. In the past, the Department of Defense has attempted to provide greater funding stability through the use of multi-year contracts. More recently, the Department has sought greater requirements stability by instituting Configuration Steering Boards to exercise control over any changes to requirements that would increase program costs.

90. Do you support the use of Configuration Steering Boards to increase requirements stability on major defense acquisition programs?

I support activities such as Configuration Steering Boards that provide Service leadership a forum to review proposed changes to program requirements or system configuration and preclude adverse impact on program cost and/or schedule. Configuration Steering Boards are entirely consistent with the Better Buying Power initiatives that seek to target affordability and control cost growth. If confirmed, I will

continue to emphasize the importance of Configuration Steering Boards and ensure they are contributing to requirements stability and cost control as intended.

91. What other steps if any would you recommend taking to increase the funding and requirements stability of major defense acquisition programs?

I believe that it is incumbent on the acquisition community to work with the requirements and resource communities to ensure programs have clear, achievable requirements and realistic funding profiles. The acquisition community must bring its technical expertise to the discussion of requirements and funding throughout the acquisition progress to enable requirements and funding profiles that are inherently stable because they are realistic and affordable.

Time-Certain Development

The Defense Acquisition Performance Assessment (DAPA) panel recommended in 2006 that the Department set fixed durations for program phases, including a requirement for the delivery of the first unit of a major weapon system to operational forces within six years of the Milestone A decision. The DAPA panel believed that durations for program phases could be limited by ensuring appropriate levels of technological maturity, defined risk-reduction horizons, and program execution criteria, while allowing for the use of spiral development or block upgrades for enhancements in capability or increased requirements over time. Proponents of this approach, called time-certain development, have highlighted its potential for helping ensure that “evolutionary” (or “knowledge-based”) acquisition strategies are used to develop major systems by forcing more manageable commitments to discrete increments of capability and stabilize funding by making costs and schedules more predictable.

92. What is your view of the DAPA panel’s recommendation?

The DAPA panel identified several key ways to improve the DoD acquisition process. Many of these findings – knowledge based acquisition, reducing non-value added oversight, improving coordination with the requirements process – have been incorporated into the Better Buying Power initiatives put in place in 2010. The Department is seeing positive results from these efforts.

93. What is your view of time-certain development as an acquisition strategy for major weapons systems development programs?

Time really is money, and prolonged extended development schedules that span multiple technology refresh cycles are inherently inefficient. This is not a "silver bullet," however, and I believe placing arbitrary time limits on programs as a general approach would not be a smart strategy. I have worked, and if confirmed would continue to work to establish realistic program timelines and make sure thorough planning has been done up front. Where it makes sense, I have also continued to emphasize the need to deliver the “80% solution” to the warfighter more quickly in

less-risky and more cost effective ways, using an approach based on open systems and open architectures to meet the evolving requirements over time. In the more general case, program managers who do good up-front planning have a thorough understanding of the requirements, the technology, and industry capability can create an acquisition strategy that is both achievable in a reasonable time and affordable. The idea behind time-certain development programs is to force programs to adopt proven, lower-risk technologies, shorter engineering development, and less re-planning and rework after a program starts. Sometimes this is the right approach. The purpose of a program, however, is to deliver a fielded capability that meets the user's needs. The best way to control program duration is to control the requirements, both initially and over the development cycle. If confirmed, I will continue to work closely with the requirements community, particularly the JROC, to ensure that requirements can be met in a reasonable time, are technically feasible, and are affordable.

94. What steps if any would you take, if confirmed, to implement time-certain development strategies in the future acquisition programs?

I agree that program duration should be controlled, but the best approach to doing so is to limit requirements to those that can be achieved in a reasonable timeframe, where this makes sense. Once requirements are set, a development program should be structured to be as efficient as possible in preparing the product that meets those requirements to enter production. The emphasis during development should also be on controlling the costs of production and sustainment, which are the real drivers of most program's life cycle costs. Software intensive programs including business systems, command and control systems, and large scale embedded software programs for weapons systems should be structured in relatively short (nominally 1 year) increments as a way of forcing detailed planning, manageable work packages, and disciplined development.

Military Space Procurement Policy

DOD, the intelligence community, NASA, and other government agencies rely on commercial domestic launch service providers to place spacecraft and satellites into and beyond orbit. The government plans to spend at least \$15 billion on launch services from fiscal year 2013 through 2017, and launch costs are expected to rise. The Department is in the midst of implementing a revised launch vehicle acquisition strategy.

95. What steps do you believe the Department should take to:

a. Keep launch costs from continuing to spiral upwards?

I believe that introducing more competition for launch as soon as feasible is the key to controlling launch costs. The Air Force is taking steps to determine and understand the root causes behind the upward spiral of costs and to attack the high overhead costs the Department is currently paying. The current efforts take the form of a dual prong approach that: (1) implements a block-buy acquisition

strategy to purchase economic order quantities; and (2) provides a path to qualification of new entrants into the NSS launch market. As required in the 2012 NDAA, I have acted to reinstate EELV as a MDAP not in sustainment so that there will be greater visibility into the programs status. If confirmed I will work with the Air Force to ensure that reduction of launch costs is a high priority and that these initiatives are carried out.

b. Introduce new entrants, where they are available, to the launch industry while maintaining the Nation's unprecedented high level of launch successes?

Competition will be a key component to reducing and promoting reduced launch costs and the key to creating competition is allowing new entrants into the market without sacrificing safety and reliability. Implementing the recently developed AF-NRO-NASA coordinated strategy for certifying new entrants and the subsequent AF New Entrant Certification Guide, which provides a risk-managed approach for introducing new-entrant launch companies to the NSS market for EELV-class missions, are important next steps. However, throughout the process of introducing new entrants, the Department can not sacrifice safety and must continue to maintain mission success rates.

c. Enable the U.S. launch industry to be more competitive on the world market?

I believe several steps could be taken to promote U.S. competition in the world market. First, there is a need to consider possible reclassification of selected launch capabilities under the International Trafficking in Arms Regulation (ITAR). The Department should also explore developing and implementing policy to make it easier for commercial space enterprises to use DoD launch bases/ranges for commercial missions. This would make domestic launch providers more competitive commercially, because they would be able to employ existing capital infrastructure at our DoD launch facilities and ranges. Of course, this would require the Department to determine ways for these commercial companies to pay their fair share of the cost of modernizing, operating and maintaining these facilities. Such a partnership could be a win-win situation, but would have to be designed and executed on a non-interference basis with national security missions.

GAO has found that there is a continuing, severe disconnect between satellite development programs and the development of ground control systems and receivers. For example, new Global Positioning System (GPS) satellites are expected to be in orbit nearly a decade without the ships, aircraft, and other weapon systems being able to take full advantage of them. Given that some satellites now cost well over a billion dollars each to develop and launch, the implications of insufficiently aligning the Department's space and ground requirements are very significant.

96. Do you agree with GAO's assessment of this issue?

I agree with the GAO that there are timing disconnects in some of our space acquisitions between the satellites, ground control, and user equipment.

97. What steps if any would you take, if confirmed, to address this disconnect?

Most of the situations the Department faces today with satellite, ground control, and user system disconnects leave the Department with little flexibility. These situations came about largely because one element of the system was delayed due to technical difficulties or funding shortfalls and got out of synchronization with the others. Disconnects can occur with any of the system elements, but the most frequent situation is for satellites to be ready before user equipment is ready. This problem exists with MUOS and FAB-T, and with GPS III, depending on how the user equipment progresses. The only solution to the problem is to set up realistic coordinated schedules at the outset, design in as much flexibility as possible, and then monitor progress closely and make adjustments early before the disconnects grow out of control. For the programs that are well under way and in which these disconnects already exist, I have taken action on a case-by-case basis to address the situation. On MUOS, I have worked with industry and the two program offices involved (JTRS and MUOS) to achieve improved execution performance. I have insisted on a single end-to-end lead, the Navy, for the entire MUOS effort and the integrated Navy/JTRS team is being assessed on a regular basis to insure the product set and delivery time are optimized. For FAB-T, I have directed the initiation of an alternative source for the most critical terminals. I am reviewing the three GPS program segments as an enterprise with all three segments, GPS III, OCX, and MGUE being addressed simultaneously. If confirmed, I will continue these practices and work to anticipate any emerging disconnects and address them as early as possible.

Multi-Year Contracts

The statement of managers accompanying Section 811 of the National Defense Authorization Act for Fiscal Year 2008 addresses the requirements for buying major defense systems under multiyear contracts as follows: “The conferees agree that ‘substantial savings’ under section 2306b(a)(1) of title 10, United States Code, means savings that exceed 10 percent of the total costs of carrying out the program through annual contracts, except that multiyear contracts for major systems providing savings estimated at less than 10 percent should only be considered if the Department presents an exceptionally strong case that the proposal meets the other requirements of section 2306b(a), as amended. The conferees agree with a Government Accountability Office finding that any major system that is at the end of its production line is unlikely to meet these standards and therefore would be a poor candidate for a multiyear procurement contract.”

98. If confirmed, under what circumstances, if any, do you anticipate that you would support a multiyear contract with expected savings of less than 10 percent?

The complexity of each situation makes a general answer difficult. I believe that multiyear contracting can provide substantial cost savings, and therefore it should be considered as an option to serve best the war fighter and taxpayer. The total magnitude of the savings that could be achieved and the firmness of the procurement plan would be key considerations. I recently certified two multi-years for shipbuilding programs that might not reach the 10 percent savings threshold depending on how the baseline is calculated and how successful the contract negotiations are. The circumstances that motivated me to do so were my confidence in the Navy management team's ability to negotiate the best possible price for the Department, the certainty that the ships would be acquired, and the knowledge that if an acceptable price could not be negotiated that the Department would not execute a multi-year.

99. If confirmed, under what circumstances, if any, would you support a multiyear contract for a major system at the end of its production line?

It may be appropriate in some circumstances to consider a program for multiyear procurement when it is nearing the end of production. It depends upon the circumstances of the particular procurement. The total magnitude of the savings that could be achieved and the firmness of the procurement plan would be key considerations. Analysis and careful review of all information should be completed whenever a multi-year contract is being considered.

100. What are your views on multiyear procurements? Under what circumstances do you believe they should be used?

In general, I favor multiyear procurement strategies if they provide substantial savings and if there is a firm commitment to the planned procurement. I believe that multiyear procurements can offer substantial savings through improved economies in production processes, better use of industrial facilities, and a reduction in the administrative burden in the placement and administration of contracts. The potential for multi-year procurement can be a powerful incentive to suppliers to reduce cost and negotiated price but it also has the disadvantage of reducing the government's flexibility during the years the strategy is being executed. There are a number of criteria to consider in deciding whether a program should be considered for multiyear procurement. Among them are: savings when compared to the annual contracting methods; validity and stability of the mission need; stability of the funding; stability of the configuration; associated technical risks; degree of confidence in estimates of both contract costs and anticipated savings; and promotion of national security.

101. What is your opinion on the level of cost savings that constitute "substantial savings" for purposes of the defense multiyear procurement statute, 10 U.S.C. §2306b?

There has been much debate over the threshold on the level of cost savings that constitutes "substantial savings." In my view, the 10% figure cited in the conference manager's statement is a reasonable benchmark, but it should not be an absolute

criteria. The Department needs to ensure that the savings achieved from multiyear contracts are substantial, not only in terms of the relative difference in price that the Department would otherwise pay for an annual procurement, but also in terms of the total dollars saved. But I also understand that placing an absolute minimum threshold on “substantial savings” could unnecessarily limit the contracting options available. The merits of any single multiyear procurement should be evaluated based upon the circumstances of each particular proposed program being considered for multiyear procurement.

- 102. Under what circumstances, if any, do you believe that a multiyear contract should be used for procuring weapons systems that have unsatisfactory program histories, e.g., displaying poor cost, scheduling, or performance outcomes but which might otherwise comply with the requirements of the defense multiyear procurement statute, 10 U.S.C. § 2306b?**

Multi-years should be pursued when they are in the best interest of the government. However, in the circumstances set out in the question, the degree of scrutiny should be greater than in other cases. Additional analysis and careful review of all information should be completed whenever a multi-year contract is being considered for use in procuring weapon systems that have shown unsatisfactory program histories, but which otherwise comply with the statutory requirements. It is particularly important in a situation like this that the reasons for unsatisfactory history are understood and that those reasons have been addressed. If a supplier were deemed to have a high likelihood of failure to perform and default due to overruns, then a multi-year would not be in the government’s interest.

- 103. How would you analyze and evaluate proposals for multiyear procurement for such programs?**

The Department would need to examine all risk factors in conjunction with the potential for cost savings to determine if multiyear procurement would be appropriate for a program with an unsatisfactory history. If confirmed, I will ensure analysis and evaluation of proposals for multiyear procurements are in accordance with all statutory and regulatory requirements, and I will ensure that the Department fully understands the benefit to the warfighter and taxpayer to proceed with a multiyear procurement for a program that has an unsatisfactory history.

- 104. If confirmed, what criteria would you apply in determining whether procuring such a system under a multiyear contract, is appropriate and should be proposed to Congress?**

If confirmed, I will ensure that all of the regulatory and statutory requirements are met before proceeding with any multiyear procurement. I would also ensure that all risk factors had been carefully analyzed and considered.

105. What is the impact of the Department’s current budget situation, in your view, on the feasibility and advisability of additional multiyear procurement contracts for major weapon systems?

I believe that the current budget environment increases the inherent value that the stability of multiyear procurement contracts provides to industry, giving the Department the opportunity to enter into such agreements on favorable terms. However, this opportunity must be balanced against the fact that multiyear contracts encumber budgetary resources over multiple years and with our current budget constraints, the Department must be judicious in the extent to which it enters into such contracts. Above all, there must be a firm commitment to the entirety of the multiyear so that even if additional budget reductions are necessary the products being procured under multiyear arrangements will have a higher funding priority than other programs that would have to be reduced.

106. Under what circumstances, if any, should DOD ever break a multiyear procurement?

If the Department has done its job properly and industry has proposed responsibly, the cancellation of a multiyear contract should be all but unheard of. There are very rare circumstances when it could occur. One such event would be in the case of extremely deep and unanticipated budget reductions that forced a fundamental reshaping of Department priorities. Another possibility would be the surprise emergence of a threat that rendered the program under contract instantly obsolete. In these circumstances, cancellation or renegotiation of a multiyear procurement could be appropriate or even required. Finally, if a contractor were to default and be totally unable to perform than the contract might have to be terminated so that another supplier could be arranged for.

Continuing Competition and Organizational Conflicts of Interest

Section 202 of WSARA requires DOD to take steps to promote continuing competition (or the option of such competition) throughout the life of major defense acquisition programs.

107. What is your view on the utility of continuing competition as a tool to achieve long-term innovation and cost savings on major defense acquisition programs?

In my view, there is no more effective tool to reduce prices than competition. The Department should use direct competitive acquisition strategies whenever possible. Utilizing competition in the marketplace allows the Department to leverage innovation, S&T, design, and drive efficiency through a program's lifecycle providing a stronger return on investment. For this reason, the Department should strive to use this model as much as possible in its programs. Under the Better Buying Power initiatives, I have stressed the need for creating a “competitive environment” to the greatest extent possible in all our programs. This can be done any number of ways, including component breakout, initiation of a next generation concept or a program to upgrade an existing alternative. In recent speeches, I have emphasized that with ongoing budget

reductions there is a competition within the budget for funding in which poorly performing programs will not do well. If confirmed, I will continue to stress creating a competitive environment as one of the most effective ways the Department has of controlling cost.

108. Do you believe that such continuing competition is a viable option on major defense acquisition programs?

I believe that competition at both the prime and sub-contract level is the most powerful tools available to the department to drive productivity and control cost. To ensure that competition is emphasized during every phase of the acquisition process, the Department has issued policy requiring our Program Managers to present a competition strategy for their programs at each program milestone. I personally review these strategies and would continue to do so, if confirmed, for Major Defense Acquisition Programs and would require Component Acquisition Executives to do the same for programs under their cognizance.

109. In your view, has the consolidation of the defense industrial base gone too far and undermined competition for defense contracts?

I believe that the consolidation witnessed throughout the 1990s has left us with a limited number of prime contractors for major programs and that further consolidation at that level is probably not in the Department's or the taxpayer's interest. I have said so publicly on multiple occasions, as I believe it is important for industry to understand the Department's views so that they can be taken into account. That said, if confirmed I would certainly review any proposed business deal objectively on its merits. At the lower tiers, however, I would expect to see an increased amount of activity in mergers and acquisitions, and even consolidations to further streamline capabilities and respond in a market-driven manner to the reduced budgets anticipated over the coming decade. The Department will examine these transactions carefully on a case-by-case basis to preserve competition and facilitate the most efficient and effective industrial base possible.

110. If so, what steps if any can and should the Department of Defense take to address this issue?

It is the Department's policy to allow market forces to shape the market, but to oppose transactions that eliminate competition and are not ultimately in the best interest of the Department and taxpayer. The Department continues to discourage mergers and acquisitions among defense materiel suppliers that are anti-competitive or injurious to national security. Ultimately, however, the Department is not an antitrust regulator and the ability for the DoJ and FTC to intervene must meet statutory criteria. The Department has long-established procedures to provide information and the support needed by the antitrust regulators for their merger reviews. In areas where consolidation has resulted in a loss of competition, the Department has in the past encouraged new entrants or explored the use of alternative capabilities.

Section 203 of WSARA requires the use of competitive prototypes for major defense acquisition programs unless the cost of producing such prototypes would exceed the lifecycle benefits of improved performance and increased technological and design maturity that prototypes would achieve.

111. Do you support the use of competitive prototypes for major defense acquisition programs?

Yes, I support the use of competitive prototyping for major defense acquisition programs. This can be an effective mechanism for maturing technology, refining performance requirements, and improving our understanding of how those requirements can drive systems acquisition costs.

112. Under what circumstances do you believe the use of competitive prototypes is likely to be beneficial?

This depends on the maturity of candidate technologies for meeting the Department's requirements and in particular on the degree of risk associated with integrating those technologies into a viable product. When planned or proposed technology has implementation risk, particularly in an integrated product, and has not been demonstrated adequately, competitive prototyping during the technology development phase works well as an element of a comprehensive technical risk management process. Like all other risk reduction techniques, competitive prototyping has to be considered on a case-by-case basis and it has to reduce the risk of entering Engineering and Manufacturing Development (EMD). Competitive pre-EMD prototyping requires resources and increases schedules. In short, there are costs and benefits to be considered. Overall, however, it can reduce risk, sustain competition further into the design process, reduce total program cost, and lead to better products for our warfighters. This is particularly true in the Technology Demonstration phase. The cost of competitive Engineering and Manufacturing Development phases is usually prohibitive.

113. Under what circumstances do you believe the cost of such prototypes is likely to outweigh the potential benefits?

In cases where the material solution is based on mature, well understood technologies and demonstrated designs with little integration risk, the additional costs of competitive prototyping are unlikely to offset the potential reduction of system lifecycle costs. Prototypes requiring very high investments with limited production runs are also unlikely to meet this test; competitive prototyping of ships and satellites is frequently cost-prohibitive, both in a Technology Demonstration phase and in Engineering and Manufacturing Development phase. However, competitive prototyping of major subsystems can still provide opportunities for reducing risk and driving down production and sustainment costs.

Section 207 of WSARA required the Department to promulgate new regulations to address organizational conflicts of interest on major defense acquisition programs.

114. What is your understanding of the steps the Department has taken to implement section 207?

Sec 207 of the Weapons System Acquisition Reform Act (WSARA) of 2009 (Pub. L. 111-23) required the Secretary of Defense to revise the Defense Supplement to the Federal Acquisition Regulation (DFARS) to provide uniform guidance and tighten existing requirements for organizational conflicts of interest by contractors in major defense acquisition programs. The DFARS rule implementing WSARA was published on December 29, 2010. This rule provided uniform guidance and tightened existing requirements for organizational conflicts of interest for Department of Defense contracts. On April 26, 2011, a proposed change to FAR subpart 9.5 relating to organizational conflicts of interest was published, but this rule has not yet been finalized.

115. What additional steps if any do you believe the Department of Defense should take to address organizational conflicts of interest in major defense acquisition programs?

The Department has already taken a number of steps, but at this point in time the Department is working with other federal organizations on a final FAR rule that would guide the Department. The Department and the other federal agencies determined that, in general, the coverage on organizational conflicts of interest included in the Federal Acquisition Regulations needed broadening and a proposed rule was published on April 26, 2011. The public comment period is now closed and the FAR Acquisition Ethics and International Law Team, including DoD membership, is evaluating public comments and developing the final rule.

Furthermore, the Department's Panel on Contracting Integrity has also reviewed the area of post-employment restrictions pursuant to section 833 of the National Defense Authorization Act for Fiscal Year 2010, Public Law 111-84. The purpose of the review was "to determine if such policies adequately protect the public interest without unreasonably limiting future employment options of former Department of Defense personnel." in developing the revised regulation. A matter the Panel considered was the extent that post-employment restrictions "protect the public interest by preventing personal conflicts of interest and preventing former DoD officials from exercising undue or inappropriate influence." The Panel completed its report in December 2010 and as directed by section 833, the National Academy of Public Administration (NAPA) performed an independent assessment of the Panel's report. NAPA completed its review in February 2012 and provided additional recommendations for post award restrictions. The Panel will review the NAPA recommendations in 2012 and recommend the way forward.

I strongly support the Department's activities to remedy OCI issues in major weapons systems to ensure that OCI issues are adequately reviewed and addressed in developing acquisition strategies and source selections and defense-related mergers.

116. What are your views on the use of system engineering and technical assistance contractors that are affiliated with major defense contractors to provide “independent” advice to the Department on the acquisition of major weapon systems?

I believe that Systems Engineering and Technical Assistance (SETA) support contractors are currently providing critical support to the Department's acquisition workforce. However, I believe these contractors must not be used to perform inherently governmental functions and they must not be used in a situation where a conflict of interest or the appearance of a conflict of interest would exist. At this point, I do not believe that it would be wise, as some have suggested, to create two totally separate classes of contractors separated by a bright line; those that provide support to government functions and those that provide products. Some of the Department's support contractors need the experience, knowledge and perspective that come from working on actual products. If mitigation does not prove effective, I would consider implementing more stringent constraints, but at this point, I believe that mitigation is still the preferred approach.

117. What lines do you believe the Department should draw between those acquisition responsibilities that are inherently governmental and those that may be performed by contractors?

When it comes to the performance of functions that support our acquisition responsibilities, I believe that a clear line does exist between activities that may or may not be performed by contractors. An important feature for inherently governmental functions lies in the answer to the question whether the activity involves the exercise of discretion in applying Federal Government authority, or the making of value judgments in decisions that obligate government funds and commit the government contractually. Acquisition functions might be categorized in three phases, all of which are or involve inherently governmental functions: acquisition planning, source selection, and contract administration. In planning, certainly the task of determining or approving requirements falls on the inherently governmental side of the line. In source selection, inherently governmental functions include awarding of contracts, serving on a source selection board and making a determination about whether or not a price to be paid to an officer is reasonable. During contract performance, the Department must not have contractors participate on performance evaluation boards or determine whether contract costs are reasonable. I recognize that many of the tasks for which the Department acquires contracted support in the acquisition arena involve functions that are or may be closely associated with inherently governmental functions. As such, the Department has a responsibility to employ an enhanced degree of management oversight to ensure independent contract support and advice does not evolve into the performance of

inherently governmental functions or the provision of impermissible government or proprietary information to contractors.

- 118. If confirmed, what steps if any would you take to ensure that defense contractors do not misuse their access to sensitive and proprietary information of the Department of Defense and other defense contractors?**

In my view, the rules that govern unauthorized disclosure of sensitive and proprietary information are adequate and must be followed. If I am confirmed, I will continue to support strong adherence to the applicable rules.

- 119. If confirmed, what steps if any would you take to ensure that defense contractors do not unnecessarily limit competition for subcontracts in a manner that would disadvantage the government or potential competitors in the private sector?**

I believe that competition at both the prime and subcontract level is essential to the Department's ability to control cost and provide opportunities for the insertion of new technology. If confirmed, I will continue the policy of requiring program managers to include a strategy to maximize the use of competition, at all levels, in program planning and execution. I will continue to enforce this policy rigorously.

Implementation of the Weapon Systems Acquisition Reform Act of 2009 (WSARA)

Several new major weapons programs have been started since the WSARA was enacted. Examples include the Ohio Class Submarine Replacement Program, the KC-46 Aerial Refueling Tanker Replacement Program, the VXX Presidential Helicopter Replacement Program, and the Ground Combat Vehicle Program.

- 120. In your view, how effectively have such "new start" major defense acquisition programs abided by the tenets, and implemented the requirements, of the WSARA, particularly those that address "starting programs off right" by requiring that early investment decisions be informed by realistic cost estimates, sound systems engineering knowledge and reliable technological risk assessments?**

Based on my experience since I returned to the Department in March 2010, I can state that the Department has abided by the tenets and implemented the requirements of WSARA in each of its "new start" programs begun since the enactment of WSARA. This includes the examples cited in the question. The certifications required by WSARA provide a means to enforce each program's implementation. Each of these programs is notable for the careful attention paid to developing realistic requirements and a focus on affordability. I completely agree with the premise that the key to successful program execution is sound and realistic planning at program inception.

- 121. Where do you think there might be room for improvement?**

If confirmed, I will continue to review the performance of “new start” programs that have implemented WSARA to determine what the Department's implementation could do to improve a program's probability of successfully delivering affordable capability on time. I do not believe at this point that major policy changes are required. If confirmed, my focus will primarily be on effective implementation of the policies that have been put in place by WSARA and other initiatives. However, I strongly believe in a doctrine of continuous improvement throughout the acquisition system and if confirmed I will continue to seek opportunities for constructive change on the margins. The Better Buying Power initiative that Dr. Carter and I started is based on the premise that the Department can learn from experience and continuously improve. If confirmed, I will work to identify and implement continuous improvements to the acquisition system. There is plenty of room for improvement.

The Better Buying Power Initiative

The Department of Defense’s “Better Buying Power” initiative provides acquisition professionals with important guidance on how to achieve greater efficiency, enhanced productivity and affordability in how the Department procures goods and services.

122. If confirmed, what steps if any will you take to follow-through on this guidance and ensure that it is implemented as intended?

I worked closely with then Under Secretary of Defense for Acquisition, Technology, and Logistics Dr. Ashton B. Carter on the development and initial implementation of the Better Buying Power initiative. If confirmed, I will follow-through on implementation of the initiative and carefully consider additional steps consistent with the principles and objectives of the initiative.

123. In particular, what steps will you take to ensure the implementation of the following elements of the better buying power initiative?

- a. Sharing the benefits of cash flow**
- b. Targeting non-value-added costs**
- c. Mandating affordability as a requirement**
- d. Eliminating redundancy within warfighting portfolios**

- a. The cash flow initiative is being initiated by some buying commands with success, but the Department has not collected data on its effectiveness in general. Industry, through the Aerospace Industries Association, has raised some concerns with this initiative and I have agreed to meet to discuss its implications. Industry is concerned about accounting and cash flow implications and at this point, I do not fully understand the basis for these concerns, but I’m happy to listen to their perspective. Where I have received feedback from government contracting officials, they have indicated some success with the initiative. The premise of sharing the benefits of cash flow was that the government could receive a reduced

price in return for accelerated cash flow to industry. This should be a mutually beneficial win-win prospect for both parties and where it has been implemented that seems to be the result, but I would like to reserve judgment on this initiative until I understand industry's concerns more fully and until more data on its implementation can be accumulated.

- b. Targeting non-value added costs is a continuous challenge. It involves identifying candidate costs, determining if they really are non-value added, and then working to eliminate them if that is the case. In the most obvious cases this involves duplicative efforts and requirements or regulations that have no beneficial impact. Some oversight and quality control measures may be non-value added and should be eliminated, but the perspective on the value of these measures is often not consistent. Management at all levels needs to be actively engaged in identifying and eliminating non-value added activities and requirements, and again this is a continuous process. The implementation of "should cost" analysis as a management tool is one way in which if confirmed, I will continue to attack non-value added requirements. One minor reform I have initiated within the Milestone review process is to streamline many of the planning documents required for these reviews, while increasing the substantive information present in them. If confirmed, this effort will have my attention in every aspect of the acquisition system.
- c. Affordability as a Requirement has been implemented for major programs, particularly new starts. The basic premise is that the Department should be smart enough to avoid starting programs that will ultimately be canceled because they are not affordable. Determining what affordability cap to put on production and sustainment costs is simply a matter of analyzing the expected long term funding that will be available for the portfolio of products that contains the product under consideration. The next challenge will be twofold: first to flow this type of analysis down to non-Major Defense Acquisition Programs, and second to enforce it for the major programs for which affordability constraints are in place. If confirmed, I intend to meet that management challenge.
- d. The effort to eliminate redundancy across portfolios is a work in progress. It demands vigilance and constant attention to the possibilities for efficiencies by all parties. Three examples from my experience of the last two years are the Air Force Space Fence and Navy AMDR programs, the USMD Gator radar and the Air Force 3DLR program, and the USMC and Army light tactical vehicle programs. In each case, I have initiated or supported efforts to eliminate redundancy at system or component levels. This is largely a matter of consistent and continuous management attention, particularly as new programs and projects are proposed for initiation. If confirmed, I will continue the effort to identify opportunities for commonality within and across portfolios and I will insist that the services do the same.

124. Are there any elements of the Better Buying Power initiative with which you disagree and which you intend to modify materially or discontinue?

The short answer is no, however the Better Buying Power initiatives are not static. They are under continuous review and will be modified and added to as the Department learns more from its experience with the initiatives. I recently conducted a review of the progress on the original initiatives at the Business Senior Integration Group, the body I chair that oversees and reviews the Department's progress improving the acquisition systems performance overall. While at this time I do not intend to materially modify or discontinue parts of Better Buying Power, I am committed to reviewing all aspects of the initiative to determine if they are working as intended or not. This is a results oriented initiative and if confirmed, I will discontinue efforts if I determine they are not adding value or if the management resources needed for implementation can be used more effectively elsewhere.

Contracting for Services

By most estimates, the Department now spends more for the purchase of services than it does for products (including major weapon systems). After a decade of rapid growth, section 808 of the National Defense Authorization Act for Fiscal Year 2012 placed a cap on DOD spending for contract services.

125. Do you believe that the Department of Defense can do more to reduce spending on contract services?

Yes. I am working aggressively to improve our tradecraft in services acquisition and will continue to examine our requirements for services and the ways services are acquired to ensure that the Department acquires only what is truly needed and does so as efficiently as possible.

126. Do you believe that the current balance between government employees (military and civilian) and contractor employees is in the best interests of the Department of Defense?

I believe the balance is roughly in alignment, but that there is likely room for improvement, particularly on a local level. The Department greatly values the contributions made by private sector firms and recognizes that the private sector is, and will continue to be, a vital source of expertise, innovation, and support to the Department's Total Force. However, I believe the Department must constantly assess the mix and ensure that our utilization of contracted support is appropriate given the nature of the mission and work, the risks associated with contractor performance and reliance, and the need to ensure continuity of operations.

127. What steps if any would you take, if confirmed, to control the Department's spending on contract services and ensure that the Department complies with the requirements of section 808?

If confirmed, I will continue to work with the Department's senior leadership to manage the Department's spending on contract services. It is my understanding that the Department is refining the control mechanisms and procedural guidance to ensure compliance with the requirements of Section 808 of the Fiscal Year 2012 National Defense Authorization Act, which limits the amount of funds the Department may obligate for contract services in fiscal years 2012 and 2013. The directed reductions in staff augmentation contracts in Section 808 are consistent with the actions initiated by then Secretary Gates in 2010 and are underway. The requirement in Section 808 to reduce by 10 percent funding for contracts for functions that are closely associated with inherently governmental functions presents challenges because most of the Department's components have not historically created a record of the amount of funding allocated to contracts for functions that are closely associated with inherently governmental functions. Therefore, these components do not have an accurate baseline amount from which to project the targeted reduction. If confirmed, I will work with all components to manage this work appropriately.

Section 812 of the National Defense Authorization Act for 2007 required the Department of Defense to develop a management structure for the procurement of contract services. Sections 807 and 808 of the National Defense Authorization Act for Fiscal Year 2008 (subsequently codified in section 2330a of title 10, United States Code) require the Department of Defense to develop inventories and conduct management reviews of contracts for services.

128. Do you believe the Department is providing appropriate stewardship over service contracts?

I believe that the Department is improving the quality of the stewardship it maintains over service contracts but there remains room for further improvement. One of the principle focuses of the Better Buying Power initiatives Dr. Carter and I initiated is to improve the Department's tradecraft in managing service contracts. I have been working to increase the effort in this area, and recently reviewed the efforts underway in each Military Department. Progress is being made, but much more can be done. I believe that effective stewardship requires proactive engagement from senior leaders at operational and strategic levels of the Department to manage these contracts and if confirmed I will continue to work to provide that leadership at my level.

129. Do you believe that the Department has appropriate management structures in place to oversee the expenditure of more than \$150 billion a year for contract services?

In general yes, but I also believe they can be strengthened and expanded upon. Under Dr. Carter and my direction, each Military Department was required to appoint a senior manager responsible for oversight of all contracted services. This structure is now being expanded to cover each of the major types of services the Department acquires. If confirmed, I will continue to work toward an enterprise-wide, structured program to

enable sound business practices and decisions about how to fulfill service contract requirements. Foundational to the success of these structures will be the effectiveness of the front-end process to review and validate requirements for services (as required by Section 863 of the National Defense Authorization Act for Fiscal Year 2011).

130. Do you support the use of management reviews, or peer reviews, of major service contracts to identify “best practices” and develop lessons learned?

Yes. I fully support the use of peer reviews on major service contracts to identify best practices and lessons learned. The practice of conducting peer reviews on the Department's major service contracts is well engrained in our process and the Department has derived significant benefit from this initiative. The requirement to conduct peer reviews has been institutionalized in Department of Defense Instruction 5000.02. Recently, I have directed my staff to develop a stand-alone DoD instruction to govern the acquisition of services. If confirmed, I will continue to emphasize best practices in the management of contracted services.

131. If confirmed, will you fully comply with the requirement of section 2330a, to develop an inventory of services performed by contractors comparable to the inventories of services performed by federal employees that are already prepared pursuant to the Federal Acquisition Inventory Reform (FAIR) Act?

Yes. The Under Secretary for Personnel and Readiness and the staff in AT&L will compile inventories prepared by the military departments and defense agencies and publish the Department's fourth inventory of contracts for services later this year. Following the inventory submission, each department and agency will complete a review of its inventory within 90 days in accordance with the considerations at paragraph (e), section 2330a of title 10.

Section 863 of the National Defense Authorization Act for Fiscal Year 2011 requires the Department of Defense to establish a process for identifying, assessing, reviewing, and validating requirements for the acquisition of contract services.

132. What is the status of the Department’s efforts to implement the requirements of section 863?

Over the past several months, the Director of Defense Procurement and Acquisition Policy (D,DPAP) has been engaged with the Senior Service Managers from the Military Departments and the Defense Agencies to understand optimal approaches to implementing this requirement. The Department has issued guidance to the military departments and the defense agencies that reiterates the requirements of section 863 and requires them to submit their processes and initial implementation plans to the Director of Defense Procurement and Acquisition Policy, not later than 30 days after receipt of the memorandum.

133. What steps remain to be taken, and what schedule has the Department established for taking these steps?

Once the required plans are provided to the Director of Defense Procurement and Acquisition Policy on the AT&L staff by the Military Departments and components, the AT&L staff will work with them to ensure that these plans are effective and are implemented. The Department at this point is taking a somewhat decentralized approach to implementing section 863 because of the substantial differences in Military Department and component structures and information management tools. If confirmed I will review the effectiveness of the initial implementation of this requirement to determine whether or not stronger mechanisms should be put in place.

134. What additional steps if any would you take, if confirmed, to improve the Department's management of its contracts for services?

If confirmed, I will continue to make the improved management of contract services a high priority. Recently, I convened two-day meeting of a select group of senior leaders, including the acquisition executives from the military departments. The purpose of the meeting was to flesh out required actions to support our objectives for the current calendar year. One of the eight areas discussed in depth was the need to improve our proactive management of services. Specific actions coming out of this session included: deployment of tools to generate quality contract performance work statements that clearly articulate requirements for services, deployment of tools to facilitate meaningful market research tailored for service requirements, establishment of a functional integrated product team unique for services to address the training needs of personnel (within or outside the defense acquisition workforce) who are tasked to manage and oversee individual service contracts, and a decision to formalize the program management function in the services arena. If confirmed, I will work to implement these steps and continue to look for additional ways to improve the Department's performance in managing contracts for services.

Contractor Performance of Critical Governmental Functions

Over the last decade, the Department has become progressively more reliant upon contractors to perform functions that were once performed exclusively by government employees. As a result, contractors now play an integral role in areas as diverse as the management and oversight of weapons programs, the development of personnel policies, and the collection and analysis of intelligence. In many cases, contractor employees work in the same offices, serve on the same projects and task forces, and perform many of the same functions as DOD employees.

135. In your view, has DOD become too reliant on contractors to support the basic functions of the Department?

Not in general, but I believe this is an area that requires continuous attention, particularly in a time of declining budgets. The appropriate balance between organic

government performance and reliance on contractors is something that must be assessed function by function. Many functions are appropriate for contractor support; however, some functions, such as conducting military operations, establishing government requirements, determining acquisition strategies, conducting source selection, and program management, are more appropriately performed by government personnel because they are inherently governmental or close to inherently governmental and should not be performed by contractors. One area where the government's organic capacity had been allowed to decline so that needed work was either not performed or shifted to contractor support is the area of acquisition management. Over the last few years, the Department has been able to make significant gains in in-sourcing more of this work, particularly in engineering and program management. As a result, and with the committee's assistance, the Department has significantly strengthened the acquisition workforce. If confirmed, I will continue to assess the issue of appropriate use of contractors across the Department to determine whether and where DoD's reliance on contractors may have become excessive.

136. Do you believe that the current extensive use of personal services contracts is in the best interest of the Department of Defense?

I believe the personal services contracts the Department has established in accordance with the applicable statutes to acquire, for example, medical providers are in the best interest of the Department. I am however concerned about the risk and potential that some of our non-personal contracts may inappropriately evolve into personal service arrangements, particularly those that utilize contractors to perform work that is closely associated with inherently governmental functions. Last year, the DFARS was amended to provide guidance that enables Department officials to more effectively distinguish between personal services and non-personal services and to ensure that procedures are adopted to prevent contracts from being awarded or administered as unauthorized personal services contracts. If confirmed, I will continue to enforce the limits on use of personal service contracts.

137. What is your view of the appropriate applicability of personal conflict of interest standards and other ethics requirements to contractor employees who perform functions similar to those performed by government employees?

In my opinion, contractor employees who directly support Government employees, and may have access to similar business sensitive or source selection sensitive information, should be subject to similar ethical standards as the Government employees they support. It is important that such contractor employees not be allowed to profit personally from the information that may be available to them because of their performance under a DoD contract.

U.S. military operations in Iraq and Afghanistan have relied on contractor support to a greater degree than any previous U.S. military operations. According to widely published reports, the number of U.S. contractor employees in Afghanistan is roughly equal to the number of U.S. military deployed in that country.

138. Do you believe that the Department of Defense has become too dependent on contractor support for military operations?

Not at this point. In the long-term counter-insurgency environments in which the Department has used them so extensively, contractors have been necessary to performance of the mission. The Department has gone through a painful multi-year process of learning how to manage contractors effectively in the area of operations. This process isn't over yet, but a great deal of progress has been made. Contractors provide a broad range of supplies, services, and critical logistics support. They serve as force multipliers, performing non-inherently governmental functions and allowing limited military resources to focus on what they are trained to do. The Department continually assesses implications with respect to force size and mix, contract support integration, planning, and resourcing.

Based on our experience in Iraq and Afghanistan, I believe the Department should continue to improve and evolve our strategy regarding the use and management of contractors. At this time, I do not believe the Department is too dependent on contractors, but I believe there is still room for improvement in our management of contractors supporting ongoing operations.

139. What risks do you see in the Department's reliance on such contractor support? What steps do you believe the Department should take to mitigate such risk?

I believe the risks associated with a large reliance on contractor support include: possible loss of those services for future contingencies and in changed operational environments, the performance of inherently governmental functions by contractors, the Department losing critical core knowledge and capability, and the risk of losing the expertise and structure for contingency contract management that was created over the last several years. The Department continues to conduct assessments of the risks associated with reliance on contracted support in contingency operations and is working to ensure they are mitigated. The Department mitigates that risk by ensuring contractor support estimates are integrated into existing planning processes and procedures, and through consideration of Operational Contract Support requirements in force planning scenario development and joint force assessments.

140. Do you believe the Department is appropriately organized and staffed to effectively manage contractors on the battlefield?

In general yes, but as in other areas there is room for improvement. At the start of our conflicts in Iraq and Afghanistan, the Department was not properly organized and staffed to manage contractors in the ongoing contingency operations effectively. This

isn't surprising, as neither the long conflicts nor the need to rely on contractors were anticipated. A number of corrective actions have been taken over the last several years. The Department has matured these capabilities and now has in place a functioning governance body that synchronizes efforts with the Joint Staff, the Services and other Department staff and agencies to ensure processes and policy are in place to oversee contracted support in contingency operations effectively. The Department continues to revise policies to incorporate lessons learned and emerging legislative requirements, assess planning capability requirements, and update business systems to improve capabilities. If confirmed, I will continue to oversee ongoing efforts to improve the Department's performance and to ensure DoD institutionalizes its contingency contracting and Operational Contract Support capabilities and applies lessons learned from our experiences in Iraq and Afghanistan to future conflicts.

141. What steps if any do you believe the Department should take to improve its management of contractors on the battlefield?

For ongoing operations, I believe work must continue to implement and enforce the policies that have been put in place over the last few years and to strengthen them where needed. One area that needs strengthening is the enforcement of anti-corruption measures and of the ability to prevent contract funds from ending up in the hands of our enemies. I support the efforts of the Congress and members of the SASC to add to the tools available to the Department in this area. Looking ahead to a time when the current contingency has ended, the Department needs to ensure: 1) training and contingency plans account realistically for the role of contractors on the battlefield; 2) adequate numbers of contracting officers, contracting officer representatives, and other skilled personnel will be available to manage contractors; 3) transparency of contractor and subcontractor performance is provided for; 4) measures remain in place for the prevention of waste, fraud, abuse, and corruption; and 5) continued effective coordination with other Departments and agencies.

Wartime Contracting

Section 804 of the National Defense Authorization Act for Fiscal Year 2011 requires the Department to establish procedures to ensure that rapid acquisition processes are not misused for the acquisition of systems and capabilities that are not urgent and would be more appropriately acquired in accordance with normal acquisition procedures.

142. What is the status of the Department's efforts to implement the requirements of section 804?

Pursuant to section 804 of the 2011 NDAA, the Department conducted a review of the Department's rapid processes and is developing policy in response to its findings and recommendations. Primary among these was the need for improved management oversight of the Department's urgent needs processes. The Secretary therefore issued Directive-Type Memorandum (DTM) 11-006, "Establishment of the Senior Integration Group (SIG) for the Resolution of Joint Urgent Operational Needs (JUONs)," June 14,

2011, which defined the responsibilities of the many DoD components to include the Office of the Secretary of Defense, the Joint Chiefs of Staff, the Military Departments, and other components. In January, the Chairman of the Joint Chiefs of Staff issued CJCSI 3170.01H, "Joint Capabilities Integration and Development System" which established processes for identifying, assessing, validating, and prioritizing joint military capability requirements, including Urgent Operational Needs (UONs), Joint Urgent Operational Needs (JUONs), and Joint Emergent Operational Needs (JEONs). Additional policy is under development to address the remaining findings to include the requirement to discriminate clearly those urgent requirements appropriate to be resolved through our rapid acquisition processes rather than the traditional acquisition process. This policy will be included in a revision to the DOD Instruction 5000.02 "Operation of the Defense Acquisition System" which is currently in staffing.

143. Do you agree that rapid acquisition procedures are not generally suited to the acquisition of complex systems that require substantial development effort, are based on technologies that are unproven, and are too risky to be acquired under fixed price contracts?

In general, yes. There may be rare cases however, such as when technological surprise is achieved by a potential adversary, that the risks associated with rapid acquisition procedures are justified for complex systems that require substantial development. In my earlier experience during the Cold War, this did occur on at least two occasions. Also, there are cases when the fulfillment of an urgent need associated with an ongoing conflict can only be met by pursuing a complex new technology that entails significant risk. Even if the time needed to develop and field the needed solution exceeds the expected duration of the conflict, it may still be the right decision to proceed with a rapid acquisition process. Wars often do not end on one side's schedule. In both Operation Iraqi Freedom and Operation Enduring Freedom, the department fielded solutions ranging from airborne ISR and communications relays to ground based mine rollers to satisfy urgent needs across the spectrum of complexity and technical maturity. Contracting strategies for our rapid acquisition efforts are guided by the existing Federal Acquisition Regulation, which encourages our acquisition officials to use the contract type that represents the best value, in terms of both risk and schedule, to the benefit of the government. In all cases, the decision to embark upon a rapid acquisition effort should be based on the determination by the decision authority that the strategy represents an appropriate balance of risk between operational and acquisition considerations.

Section 848 of the National Defense Authorization Act for Fiscal Year 2011 and section 820 of the National Defense Authorization Act for Fiscal Year 2012 establish planning requirements for contractor logistics support.

144. What is the status of the Department's efforts to implement the requirements of section 848 and section 820?

Section 848 provisions in the FY11 NDAA provided the necessary charter for a Defense Science Board Study on Department of Defense organization, doctrine, training, and planning for contractor logistics support of contingency operations. I am establishing a Task Force to meet all of the requisite elements identified in the NDAA language pertaining to this matter. My intent is for the Task Force to cover all aspects of the contractor logistics support to contingency operations throughout the Department, to include reviewing previous findings and recommendations related to legislative or policy guidance. Implementation of this task force was delayed because some of the questions the task force was required to address had serious conflict of interest implications that had to be mitigated and this took longer than expected. With respect to our implementation of Section 820 of the FY12 NDAA, I have worked closely with The Under Secretary of Defense for Policy and the Joint Staff to incorporate requirements determination and Operational Contract Support (OCS) into the Department's strategic planning documents. If confirmed, I will continue to support inclusion of OCS as strategic guidance is revised.

145. What additional steps do you believe the Department needs to take to improve its planning processes for the use of contractors in contingency operations?

I believe that it is critical to ensure adequate and appropriate planning for contractor support in all planning for contingency operations. The Department is integrating contractor support estimates into existing planning processes and procedures, and ensuring that Operational Contract Support requirements are considered in force planning scenario development and joint force assessments. If confirmed, I will continue to monitor these initiatives closely to ensure they are carried out.

146. What is the status of the Department's efforts to implement the requirements of sections 841 and 842?

The Defense Procurement and Acquisition Policy Director implemented Sections 841 and 842 on January 26, 2012 via the Class Deviation (No. 2012-O0005). Effective immediately, this Class Deviation mandates contracting officers to incorporate this provision in all contracts that will be awarded on or before December 31, 2014 and to modify existing contracts to the maximum extent practicable.

147. What additional steps do you believe the Department needs to take to avoid contracting with the enemy in Afghanistan?

The Department primarily needs to continue the forceful implementation and enforcement of the measures it has already put in place or is considering. The Department has instituted many initiatives to improve accountability and oversight of contracts awarded to local firms in Afghanistan and to prevent flow of US funds to the enemy. One such initiative is the U.S. Central Command's "Vendor Vetting" process of all non-US vendors prior to contract award to ensure US funds do not support or finance insurgent, foreign intelligence capabilities and to reduce the risk of insider

threats to the U.S. Forces. Another such initiative is a GEN Petraeus' request to establish the U.S. Government Acquisition Accountability Office for Afghanistan (AAOA). The impetus of this initiative is the threat posed by corruption to the ISAF/Embassy/NATO mission that can alter the social and political dynamics and fuel local powerbrokers. If confirmed, I will continue to emphasize the importance of avoiding contracting with the enemy in Afghanistan.

148. Does the Department need additional tools for this purpose?

I believe Sections 841 and 842 have provided the Department the statutory authority needed to prevent flow of US funds to the enemy. If I am confirmed, I will continue the effort to identify and to pursue other tools that will assist in preventing flow of US funds to the enemy in Afghanistan.

In August 2011, the Commission on Wartime Contracting in Iraq and Afghanistan issued its final report. The report included numerous recommendations, including recommendations for reducing the government's over-reliance on contractors in contingency operations; making organizational changes to provide greater focus on contingency contracting; providing additional staffing and resources for contingency contracting; and tightening contracting policies to address deficiencies in past performance databases, suspension and debarment procedures, government access to contractor records.

149. What is your view of the Commission's recommendations?

In general, I agree with the Commission's recommendations, particularly those that apply to the Department of Defense. The Department worked closely with the Commission throughout its existence and benefited from its interim and final recommendations. I appreciate and welcome the Commission's efforts to assist the Department in eliminating waste, fraud and abuse in wartime contracting. In March 2010, the Under Secretary of Defense for Acquisition, Technology and Logistics created a permanent board to provide strategic leadership to the multiple stakeholders working to institutionalize operational contract support and to track accepted Commission recommendations to completion. As a result of these steps, a great majority of the Commission's final recommendations have already been acted upon. If confirmed, I will continue this office's focus on implementing these improvements.

150. Are there any of the Commission's recommendations which you believe the Department of Defense should *not* implement? If so, why not?

I agree in principle with all 11 of the DoD-specific recommendations. But I am concerned about the Commission's tactical approach in one area: Recommendation 6 suggested changes within the Under Secretary of Defense for Acquisition, Technology and Logistics regarding civilian officials responsible for contingency contracting. I believe two separate organizations for two key functional communities (contracting and logistics), rather than a single organization as the Commission envisioned, best

supports the AT&L mission. Those two organizations are Program Support under our Assistant Secretary of Defense for Logistics and Material Readiness, and the Contingency Contracting Office under our Director for Defense Procurement and Acquisition Policy. If confirmed, I will continue to work closely with both organizations to ensure accountability and leadership focus on operational contract support and contingency contracting.

Section 844 of the National Defense Authorization Act for Fiscal Year 2012 requires DOD to implement a Commission recommendation by establishing annual competition goals for contingency contracts.

151. Do you agree that sole-source contracting, while it may be necessary in the early stages of a contingency operation, should be phased out as quickly as possible thereafter?

Yes. I believe promoting competition is an important Departmental focus area. Competition in a mature military operation such as Operation Enduring Freedom is a key means of obtaining the best business deal for the warfighter. But the long-held flexibility provided by statutory exceptions to competition is instrumental in assisting the forces, particularly in obtaining urgent requirements as they begin military operation. I believe it is in the best interest of the government to compete requirements as soon as practicable. If confirmed, I will continue to emphasize the importance of competition in getting the best business deals for our taxpayers.

152. What is the status of the Department's efforts to implement the requirements of section 844?

The Defense Procurement and Acquisition Policy Director established the contingency competition goals required by Section 844 on February 17, 2012. In addition, this event was used as an opportunity to improve transparency into contingency competition data. If confirmed, I will continue to emphasize transparency and competition in contracting.

153. Are there additional steps that the Department should take to reduce its reliance on sole-source contracts in contingency operations?

Although the competition rate in Iraq and Afghanistan has generally been well over 80 percent, I believe the Department should look for opportunities to do even better. With the recent initiative to improve transparency into contingency competition data through a unique code in the Federal Procurement Data System for Operation Enduring Freedom, the Department expects to gain additional insights into opportunities for increased competition. If confirmed, I intend to monitor this area closely to ensure competitive procedures are effectively implemented and used whenever possible.

Section 806 of the National Defense Authorization Act for Fiscal Year 2012 requires DOD to implement a Commission recommendation to improve the operation of its past performance databases.

154. What is the status of the Department's efforts to implement the requirements of section 806?

I believe that more effective use of past performance data bases is needed in general, not just in contingency contracting. There are actually two ongoing efforts to implement section 806, "Inclusion of Data on Contractor Performance in Past Performance Databases for source selection decisions." The first is a DoD, GSA, and NASA proposed change to the Federal Acquisition Regulation to provide Government-wide standardized past performance evaluation factors and performance rating categories and require that all past performance information be entered into the Contractor Performance Assessment Reporting System (CPARS). The proposed rule responds to the requirements of section 806 to (1) establish standards for the timeliness and completeness of past performance submissions and (2) assign responsibility and management accountability for the completeness of past performance submissions for such purposes. At the present time, the proposed rule is in final drafting. The second is a Defense Acquisition Regulation Council proposed rule currently in drafting that will address the requirements of section 806 with regard to the statutory notification and transfer requirements to send the contractor assessment to the Past Performance Information and Retrieval System (PPIRS) after the 14 day period established.

155. What additional steps will you take, if confirmed, to improve the Department's use of past performance data in the award of new contracts?

I believe that it is critical that the Department have up-to-date and accurate information about defense contractors in source selections for new awards. The Federal Acquisition Regulation (FAR) already requires that a contractor's past performance be evaluated in all source selections for negotiated competitive acquisitions expected to exceed the simplified acquisition threshold. It has been a challenge to ensure that past performance data is entered into the Contractor Performance Assessment Reporting System (CPARS). I recently wrote to all the defense components stressing the importance of not only completing assessments in a timely manner but also including quality supporting narratives with the ratings. These assessments are a shared responsibility between the program manager team and the contracting officer and the acquisition chain of command must continue the effort to ensure compliance. If confirmed I will continue to emphasize the importance of past performance and to hold the chain of command responsible.

Private Security Contractors

In 2010, the Armed Services Committee reviewed DOD's use of private security contractors in Afghanistan and identified numerous problems, including a lack of oversight, failure to comply with existing statutory and regulatory requirements, and

improper qualification and vetting of security contractor personnel. Section 831 of the National Defense Authorization Act for Fiscal Year 2011 established new oversight and accountability requirements for contractors performing private security functions in an area of combat operations. Section 833 of that Act required the establishment of standards and certification requirements for private security contractors. In 2011, the Commission on Wartime Contracting recommended that DOD and other federal agencies significantly reduce their reliance on private security contractors.

156. What is your view of the recommendations of the Commission on Wartime Contracting regarding the use of private security contractors?

I generally agree with the observations and recommendations of the Commission on Wartime Contracting, including those on Private Security Contracting. The Department recognized many of these problem areas independently of the Commission's work and began Department-level regulatory initiatives to address them as soon as the Department was aware of them. These initiatives include revisions to the Federal Acquisition Regulation and the Defense supplement to that regulation, the publication of a new rule governing private security contractors under Title 32 of the United States Code, and implementation instructions for operational contractor support and for Private Security Contractors (PSC) in particular. These efforts establish clear policy for the use of PSCs in contingencies and similar operations and address issues such as background screening and vetting, registration, reporting, and determining those situations when PSCs may and may not be used. Following the legislative guidance provided by Congress in the 2008 and 2011 National Defense Authorization Acts, these rules apply to all US Government agencies contracting for security services in areas of combat or other significant military operations, not just to Defense Department contracts, and are codified in the Code of Federal Regulations (CFR). The standards and certification requirements for PSCs, developed pursuant to Section 833 of the 2011 National Defense Authorization Act, will provide additional controls and accountability over private security contractors. Since this will be a commercial standard, it can be used by USAID implementing partners, other governments, and private sector users of PSC services, and therefore offers the potential to raise the level of performance of all security contractors, not just those of the DoD.

157. Do you believe the Department of Defense and other federal agencies should reduce their reliance on contractors to perform security functions that may reasonably be expected to require the use of deadly force in highly hazardous public areas in an area of combat operations?

I believe that any use of PSCs must be carefully considered against the risk of becoming involved in combat operations, of causing inadvertent harm to the civilian population, and of damaging the performance of the mission. In counter-insurgency and counter-terrorism operations, without clear lines of battle or safe areas, the military troops or police that might be needed to protect all of the logistics, installation and personnel needing protection (including relief, recovery, and development activities

that are conducted simultaneously with combat operations) can easily be prohibitive. PSCs may be the only practical solution. When it is appropriate and necessary to use PSCs, these security contractors must be properly regulated and supervised to ensure that the services are being performed competently and within well-defined limitations. Under these circumstances, I believe that the use of security contractors in contingency operations is acceptable and I believe that current levels are consistent with this approach.

158. What steps if any would you take, if confirmed, to ensure that any private security contractors who may continue to operate in an area of combat operations act in a responsible manner, consistent with U.S. defense and foreign policy objectives?

If confirmed, I will continue to support the efforts already begun within the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, in the Military Services, and in the Combatant Commands and with other agencies and internationally. These efforts include development of Department-level policy, coordinating this policy with the Departments of State and Justice and other government agencies, and engaging the international community to provide a common framework for the proper roles and oversight of private security contractors and the enforcement of those policies during overseas operations by the appropriate authorities. I will continue the work to implement fully the recently published provision in Title 32 of the United States Code that applies to private security contractors working for all federal agencies operating in overseas operations, consistent with DODI 3020.50. I believe that additional work remains to be done to ensure that Department of Defense instructions and Combatant Commander guidance and orders remain current, clear, and aligned with U.S. defense and foreign policy objectives. The imminent publication of the business and operational standards required by Section 833 of the 2011 National Defense Authorization Act will improve the standards of performance for all PSCs. These standards will be available for use by other U.S. Government agencies and anyone who contracts for PSC services. Collaboration among the Department of Defense, the Department of State, and other governmental agencies must continue. This will ensure consistent policy is developed across the federal government with potential coalition partners and host nations, promoting a common interagency and international understanding of responsible use and oversight of private security services. Collective collaboration will also result in the use of binding and enforceable standards for private security contractors.

USSOCOM Acquisition Authorities

U.S. Special Operations Command (USSOCOM) is unique within the DoD as the only unified command with acquisition authorities and funding. Further, the Commander of USSOCOM is the only uniformed commander with a subordinate senior acquisition executive.

159. Would you recommend any changes to USSOCOM's current acquisition authorities?

No. I believe that USSOCOM currently has appropriate acquisition authorities. If confirmed, I will continue to meet periodically with the Commander, USSOCOM and the USSOCOM Acquisition Executive to discuss opportunities to improve acquisition efficiency and effectiveness.

160. What role do you believe USSOCOM's development and acquisition activities should play in broader Service and Department of Defense efforts?

I believe that SOCOM's activities should continue to be coordinated with those of the broader Department acquisition system to achieve synergies, avoid duplication, control cost, and identify best practices that can be used more widely. The Department should always seek the broadest benefit and application of its development and acquisition activities, including those activities sponsored or led by USSOCOM.

161. If confirmed, how would you ensure that special operations capabilities and requirements are integrated into overall Department of Defense research, development and acquisition programs?

Approximately 18 months ago, Dr. Carter and I instituted a "SOCOM Acquisition Summit" that meets every six months to coordinate and integrate SOCOM's activities with the rest of the Department. These meetings have been very beneficial to both SOCOM and the Department, and if confirmed I will continue to hold them and use them as a catalyst to improve the Department's efficiency and effectiveness and to ensure SOCOM's acquisition needs are understood and are being met. If confirmed, I will continue to work with USSOCOM, the Services, and Defense Agencies to improve their collaboration efforts in order to achieve the most efficient allocation of the Department's research, development, and acquisition resources.

Contracting Methods

In recent years, the Department of Defense has relied heavily on time-and-materials contracts for the acquisition of services. Under such a contract, the Department pays a set rate per hour for contractor services, rather than paying for specific tasks to be performed. In some cases, contractors have substituted less expensive labor under time-and-materials contracts, while continuing to charge federal agencies the same hourly rates, resulting in effective contractor profits of 25 percent or more.

162. What is your view of the appropriate use of time-and-materials contracts by the Department of Defense?

I believe that time-and-materials (T&M) contracts are the least desirable contract type because they provide no positive incentive for cost control or labor efficiency. There are circumstances when the use of T&M contracts is appropriate such as situations

requiring emergency repairs or immediate disaster response, but when used, the conditions that supported the decision to use them must be documented. A T&M contract might be appropriate when commercial services that are commonly provided in this way are not reasonably available by other contracting approaches. Legal services could fall into this category, for example. The Better Buying Power memorandum of September 14, 2010 includes direction to move away from T&M contracts for services and move toward Cost Plus Fixed Fee or Cost Plus Incentive arrangements when robust competition or recent competitive pricing history does not exist to provide the ability to firm fix price the effort.

163. What steps if any do you believe the Department should take to minimize the abuse of time-and-materials contracts?

The Department has already taken steps to minimize the use of T&M contracts. Their use is questioned in all peer reviews and during the review of service acquisition strategies. T&M awards within the Department have decreased by 49% since 2009, down from 5,505 in 2009 to 2,836 in 2011, a reflection of the direction in the Better Buying Power memorandum of 2010. As recently as early February, the Federal Acquisition Regulation was revised to ensure that T&M contracts are used to acquire commercial services only when no other contract type is suitable and to instill discipline in the determination of contract type with the view toward managing risk to the Government.

Section 852 of the John Warner National Defense Authorization Act for Fiscal Year 2007 requires the Department of Defense to promulgate regulations prohibiting excessive “pass-through” charges on DOD contracts. Pass-through charges are charges added by a contractor for overhead and profit on work performed by one of its subcontractors, to which the contractor provided no added value. In some cases, pass-through charges have more than doubled the cost of services provided to the Department of Defense.

164. What is your view of the regulations promulgated by the Department of Defense to implement the requirements of section 852?

The Department has made several changes to the FAR and DFARS to implement the requirements of Section 852 in the last few years. FAR 52.215-22 - Limitations on Pass-Through Charges—Identification of Subcontract Effort (Oct 2009) requires contracting officers to review contractor proposals, before agreeing to a price, to verify that the contractor's efforts add value where there is significant subcontracting and to ensure there are no excessive pass-through charges. After contract award, contracting officers can recover excessive pass-through charges and reduce the contract price. FAR 52.215-23 – Limitations on Pass-Through Charges (Oct 2009) requires contractors to notify the Contracting officer if 70% of the total cost of work to be performed is intended to be subcontracted or reaches this level during the performance of the contract. The contractor must then provide documentation to describe their value added, indirect costs and profit/fee applicable to the work performed by the

subcontractor(s). This requirement flows-down to the lower-tier subcontractors as well. Additional changes include FAR 31.2 which entitles the government to a price reduction for excessive pass through charges and FAR 52.215-2 provides the right for the government to examine the contractor's records. I believe these regulations are an important step in addressing pass-through charges, but they will only be effective if they are implemented by experienced program and contract management professionals.

165. What additional steps if any do you believe the Department should take to address the problem of excessive pass-through charges?

In addition to implementing the requirements of Section 852, the Department is taking steps through two Better Buying Power initiatives to address this issue. If confirmed, I will continue to implement those steps. The first is to address the issue of excessive pass-through charges as an element of to be considered in determining pricing arrangements in contracting, particularly sole-source contracting. Effective supply chain management is one of the services the Department expects from its prime contractors and the Department should structure its business arrangements to reward superior performance, particularly price reduction, in this area. Conversely, where a prime contractor is not providing value added, as in the acquisition of a commodity, the premium the Department pays for supply chain management should be very limited. This is an element of the Department's peer reviews of pending acquisitions. Pre-award peer reviews of non-competitive actions have placed special emphasis on the need to align contractor profitability to performance and avoid blanket profit levels. The second Better Buying Power initiative that applies here is the use of "should cost" review. These reviews are conducted by Program Managers to identify opportunities for cost reduction and can result in changes to acquisition strategies including break out of components from primes for direct acquisition by the government and more effective negotiations of total price. Another step that the Department is in the process of taking is to implement a final DFARS rule on the use of a Proposal Adequacy Checklist, which will also provide guidance in the review of proposals to prevent excessive-pass through charges

Interagency Contracting

166. What is your assessment of the risks and benefits associated with DOD's continued extensive use of inter-agency contracts?

The decision to utilize interagency contracts to meet Department requirements is essentially a business decision that should take many factors into account. When done properly, interagency contracts can be an efficient and effective method of meeting important requirements. While often convenient, however, interagency contracts can be used to avoid oversight and the control mechanisms associated with sound management. I believe the practice does have utility, but must be carefully monitored to ensure it is not abused.

167. Do you believe additional authority or measures are needed to hold DOD or other agency personnel accountable for their use of inter-agency contracts?

I do not have any information that would suggest that existing statute, regulation, and policy are insufficient with regard to accountability and the proper use of interagency contracts if properly implemented. If confirmed, I would be open to considering such measures if the need became apparent.

168. Do you believe contractors have any responsibility for assuring that the work requested by DOD personnel is within the scope of their contract?

Yes, however the primary responsibility for ensuring work is within the scope of a particular contract rests with the contracting officer. If the contractor believes the DoD work is outside the scope of the other Agency's contract, he has a responsibility to discuss it with the other Agency contracting officer.

169. Do you believe that DOD's continued heavy reliance on outside agencies to award and manage contracts on its behalf is a sign that the Department has failed to adequately staff its own acquisition system?

I do not believe that the use of non-DoD Agencies to award and manage contracts on behalf of the Department is generally a reflection that the Department has failed to adequately staff its own acquisition needs. Interagency acquisition can support the whole of Government approach to strategic sourcing and leveraging the buying power of the Federal Government. The Department should continue to utilize the expertise of non-DoD agencies as authorized by Congress, when it is done properly, efficiently and effectively, and is a cost effective alternative to direct DoD management.

Alaska Native Corporations

Over the last few years, there have been a number of reported abuses involving defense contracts awarded to Alaska Native Corporations (ANCs) under Section 8(a) of the Small Business Act. Section 811 of the National Defense Authorization Act for Fiscal Year 2010 required that sole-source awards to ANCs in excess of \$20 million be subject to the same "justification and approval" applicable to other large sole-source contracts.

170. What is your understanding of the status of the Department's implementation of section 811?

DoD implemented the interim rule regarding Section 811, immediately upon its publication on March 16, 2011 and provided guidance to the DoD acquisition community.

171. If you are confirmed, what additional steps if any would you take to address abuses of the 8(a) program?

If confirmed, I will continue to ensure that the acquisition community monitors 8(a) acquisitions for potential abuses and that DoD addresses reported abuses as they arise.

In one reported case, Army Corps of Engineers officials allegedly conspired with a subcontractor allegedly to rig a bid by stacking the source selection board to favor a particular bidder.

172. Are you comfortable that the Department has effective controls in place to prevent the “stacking” or manipulation of source selection boards?

On the whole, I believe this type of activity is exceedingly rare, but it can occur and must be vigorously guarded against. I believe that even the perception that activities like this may have occurred is extremely damaging to the credibility of the acquisition system. When conducting competitively negotiated source selections within the Department, compliance with statutory and regulatory requirements is absolutely required. Those requirements include fairness and objectivity in source selection as a fundamental value that is central to an effective system. I believe there are adequate controls in place, but that constant reinforcement of the importance of following the rules with regard to fair and objective source selection is a continuing responsibility of every individual working in the acquisition system.

173. Are you comfortable that effective controls are currently in place to prevent the "stacking" or manipulation of source selection boards on acquisitions with a total estimated value of less than \$100,000,000, where the Procurement Contracting Officer may also serve as the Source Selection Authority, responsible for appointing the chairperson of the Source Selection Evaluation Board?

Yes, the Services and Agencies have strong warranting programs and require annual ethics training. I am aware, however, of a recent allegation that a contracting officer may have “stacked” a source selection panel.

174. If not, what additional controls would you, if you are confirmed, put in place to help ensure that source selection boards cannot be “stacked” or otherwise manipulated to favor a particular bidder, especially on low-profile contracts of relatively small value?

If confirmed, I will direct the Section 813 panel review the procedures for establishing source selection panels, especially those where the contracting officer will be the source selection authority, to ensure the existing procedures are sound.

Acquisition of Information Technology

Most of the Department’s Major Automated Information System (MAIS) acquisitions are substantially over budget and behind schedule. In particular, the Department has run into unanticipated difficulties with virtually every new business system it has tried to field in the last ten years. Section 804 of the National Defense Authorization Act for Fiscal Year 2010

required the Department of Defense to establish a new acquisition process for information technology.

175. Do you believe that unique problems in the acquisition of business systems require different acquisition strategies or approaches?

Yes, I believe there are unique characteristics associated with the acquisition of information systems that call for the use of acquisition approaches different from those normally used by the Department for acquiring weapon systems. All acquisitions should be tailored to the nature of the product being acquired. As a class, business systems are products having characteristics that tend to dictate a specific type of program structure. They can be generally characterized as products that are based on commercial information technology infrastructure and commercial software that has to be adapted, often extensively, to meet Defense Department requirements. The Department has already begun to adapt to the unique challenges of business information system acquisition through the implementation of the Business Capability Lifecycle (BCL), an acquisition approach for defense business systems that emphasizes well defined increments of capability that are developed, tested, and often fielded in increments structured around one to two year software builds. This structure will also be incorporated as one of the acquisition approaches covered by the new DoD 5000.02 which is currently in staffing.

176. What steps if any do you believe the Department of Defense should take to address these problems?

The issuance of the June 23, 2011, directive requiring the use of the Business Capability Lifecycle (BCL) for the acquisition process for business systems and the updates being made to the DoDI 5000.02 for BCL policies and procedures are important steps forward in improving the acquisition processes. The Department has been implementing the BCL model on a case-by-case basis for approximately two years. It is the Department's intent that each new defense business system will begin its lifecycle under the BCL model. If confirmed I will continue to engage and direct the incremental acquisition approach to delivering capabilities, as well as engage the Department to look for opportunities whenever possible to tailor the acquisition process to further improve outcomes. If confirmed, I will also monitor the effectiveness of this approach to acquiring business systems to determine if further changes are needed.

177. What steps has the Department taken to implement the requirements of section 804? What steps remain to be taken?

The Department has made steady progress in implementing several of the key approaches outlined in Section 804, specifically in the areas of Acquisition, Requirements, Testing and Certification and Human Capital. On June 23, 2011, a Directive-Type Memorandum (DTM) on Business Capability Lifecycle (BCL) was signed and issued by USD (AT&L). The BCL provides a framework for implementing

a more flexible and streamlined processes for the acquisition of these business information systems. I recently launched efforts to update DoDI 5000.02 in part in order to implement some key IT acquisition reform efforts identified in the 804 report. The departments testing community has been working in collaboration with USD (AT&L) to incorporate an integrated testing, evaluation, and certification approach into the DoDI 5000.02, to reduce redundancies in system testing activities and improve the efficiency and effectiveness of testing the Department's information systems. The Joint Staff has also initiated efforts to include more streamlined requirements management and approval process for acquisition of information systems. A comprehensive review of IT acquisition competencies is also currently being conducted by the Department's Chief Information Officer. This review will update the IT acquisition competencies to better define DoD critical skill sets and assist in the update of curricula at the Defense Acquisition University and the Information Resources Management College. We are working directly with ongoing and new start acquisition programs to drive many of the IT reform principles identified in Section 804. Implementation of Business Capabilities Lifecycle (BCL) is a current focus area. The Department will use the experience and lessons learned from the "pilots/early adopters" to inform and shape the on-going improvements and updates to policy and guidance.

178. If confirmed, how would you work with the Chief Information Officer of the Department of Defense to take these steps?

If confirmed, I will continue to work closely with the DoD CIO, and I will ensure the OUSD(AT&L) staff and the DoD CIO staff work collaboratively to identify and take any steps needed to improve the acquisition of information technology based capabilities. This is an important area for the Department to achieve more consistent and better outcomes given the continuing evolution of technology.

Section 806 of the National Defense Authorization Act for Fiscal Year 2011 gives the Department of Defense new tools to address supply chain risk in the acquisition of information technology.

179. What is the status of the Department's efforts to implement the requirements of section 806?

Section 806 provides pilot authority for the Department to deny award to a vendor if USD (AT&L) determines, based on intelligence provided by the DoD CIO, that the vendor is a threat. The authorities provided by Section 806 have the potential to significantly reduce risks associated with those who may have intentions to damage our systems and capabilities through the supply chain. The challenge is to exercise these authorities effectively; particularly the potential changes to source selection, debriefing and protest procedures. The DoD components and AT&L General Counsel are discussing the potential for rulemaking. Three procurement pilots have been identified.

180. What additional steps do you believe the Department needs to take to address supply chain risk?

The Department's approach to addressing supply chain risk encompasses a number of efforts including use of the specific authorities of Section 806 and more recently enacted legislation. I believe the Department needs a comprehensive approach to supply chain risk. If confirmed, this will remain a high priority for me and I will work to identify additional steps to address this risk.

Section 818 of the National Defense Authorization Act for Fiscal Year 2012 establishes new requirements for DOD and its contractors to detect and avoid the use of counterfeit electronic parts.

181. What steps has the Department taken to implement the requirements of section 818?

I have recently signed out a memorandum providing overarching guidance to the Services and Agencies. The memorandum directs specific actions, including using risk assessment for the impact of a counterfeit part, directing the purchase of mission critical items from the manufacturer's distribution chain, reporting all counterfeit incidents within the Department's supply chain to the Government Industry Data Exchange Program (GIDEP), and directing the use of existing DFAR clauses to address counterfeiting while the Department coordinates a broader anti-counterfeit DFAR case. This memorandum covers items that could potentially affect mission performance and warfighter safety, in addition to electronics parts.

182. What steps remain to be taken, and what schedule has the Department established for taking these steps?

In addition to efforts to strengthen contracting clauses, establish central reporting of counterfeit incidents, and collaborate with industry on the development of counterfeit standards, the Department is taking steps to define requirements and processes for the purchase of critical items from "Trusted Suppliers". The Department is also working closely with the Department of Homeland Security on anti-counterfeit inspections, and defining rules for the reimbursement of counterfeit costs. This will lead to revisions in policies, such as the DoD Instruction 4140, the Supply Chain Materiel Management Regulations, and the development of changes to procurement regulations, including the Defense Federal Acquisition Regulation Supplement. While the definitive schedule will be based on the assessment mandated by the legislation, the Department continues its ongoing efforts to address counterfeit material in its supply chain. If confirmed, I will ensure that section 818 is implemented as expeditiously as possible.

183. What additional steps do you believe the Department needs to take to address the problem of counterfeit electronic parts?

I believe the Department should explore expanded use of technology to assist in combating this threat. This includes developing tools to provide greater traceability and validation of authenticity over the components lifecycle, such as, DNA marking, unique identifiers inserted at time of manufacturing, and software methods. These steps could have a significant impact on the problem of counterfeit electronic parts, and if successful, greatly decrease the probability of counterfeit items in the DoD supply chain in the future.

Some have argued that the current test and evaluation process does not appropriately address the unique circumstances applicable to the acquisition of information technology systems.

184. What steps if any do you believe the Department should take to improve the test and evaluation process for information technology systems, including their vulnerabilities in the face of a growing cybersecurity threat environment?

Information technology systems are ubiquitous but occur in several very distinct types of products: they are embedded in weapon systems, found in specialized command and control systems, and are the basis for the Department's business systems. The Department should continue to explore more efficient and effective test regimes for each of these situations. To support iterative, incremental software development, I believe the Department should move toward a more continuous integration and test approach that integrates developmental test, operational test, and certification and accreditation activities to the greatest extent practical. This approach will rely more heavily on early user involvement, use of automated testing, and continuous monitoring of deployed capabilities. An essential element of this approach is a robust pre-production cyber test environment that permits us to better understand and characterize the cyber threat, and take corrective actions prior to fielding systems. I believe that the Department still has a considerable amount of work to do in maturing this capability, building on the test-beds and laboratories that have already been established. The Report on the Acquisition and Oversight of Department of Defense Cyberspace Operations Capabilities that I recently submitted to Congress provides more detail on the steps that need to be and are being taken.

Cyberspace-related Procurement Policy

DOD's new strategic guidance highlights the increasing importance of cyber operations with respect to both defensive and offensive capabilities. As a result, this is one of the few areas in which the Department is proposing to increase its investments.

185. What acquisition challenges do you foresee that are unique to the procurement of cyber-related capabilities?

There are a number of challenges in this area, but the greatest one is time and the need for agility. I recently submitted a report to the Congress that describes the Department's new cyber acquisition management approach, which I am just beginning

to implement. Cyber offense and defense products are usually far smaller in dollars than the major programs that undergo Department level oversight, but they are critical to the Department's capabilities. Cyber related products must often be developed, tested and fielded on very short timelines that keep pace with both the threat and the agility with which new technologies are created and enter the market place. The implementation challenges to acquiring cyber capabilities at the pace needed will be (1) streamlining the acquisition framework to manage risk and accommodate the rapid timelines of information technology modernization and cyberspace operations, (2) evaluating operational performance and risk while maintaining speed of execution, (3) establishing a robust infrastructure for developing and testing cyber capabilities quickly and effectively prior to implementation, and (4) enabling timely collaboration across the Department, across the government and with industry to address a ubiquitous problem that will require strong collective action. If confirmed, I will continue to implement and refine this approach.

186. What steps if any will you take, if confirmed, to address these unique challenges?

Section 933 of the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 directed the Department to provide a strategy for the rapid acquisition of tools, applications, and other capabilities for cyber warfare. The Department's response to Congress, which I recently submitted, addressed many of the challenges I have described. If confirmed, I will actively oversee the Department's cyber acquisition investments in cooperation with the Under Secretary of Defense for Policy, the Vice Chairman of the Joint Chiefs of Staff, the Chief Information Officer, the Commanders of USSTRATCOM and USCYBERCOM, and the Services. I will also work with other agencies and with industry to address the challenge of cyber offense and defense acquisition.

Acquisition Workforce

Section 852 of the National Defense Authorization Act for Fiscal Year 2008 established an Acquisition Workforce Development Fund to help the Department of Defense address shortcomings in its acquisition workforce. The fund provides a continuing source of funds for this purpose.

187. Do you believe that the Acquisition Workforce Development Fund is still needed to ensure that DOD has the right number of employees with the right skills to run its acquisition programs in the most cost effective manner for the taxpayers?

Yes. The fund supports continued strengthening of the acquisition workforce. The quality and capability of this workforce is critical to improved acquisition outcomes and achieving efficiencies.

188. If confirmed, what steps will you take to ensure that the money made available through the Acquisition Workforce Fund is spent in a manner that best meets the needs of the Department of Defense and its acquisition workforce?

If confirmed, I will continue to work closely with senior acquisition leaders and the leadership of the Military Departments to ensure that only sufficient levels of funding are used and that the funding is employed to meet the Department's highest priority needs. I have directed the Military Departments to reevaluate the balance of the various acquisition professional career fields in their workforces funded through DAWDF, and if confirmed I will work to ensure the Department has an appropriate balance.

The Defense Industrial Base

189. What is your view of the current state of the U.S. defense industry?

In concise terms; capable and healthy, but understandably nervous and cautious. The industrial base greatly is concerned about the unthinkable possibility of sequestration and the near certainty of defense budgets that will be essentially flat at best. This is a major change from the first decade of this century, and something everyone is adjusting to. The changes currently taking place, including the reduction of nearly half a trillion dollars from the planned defense budget over ten years, with more possible even if sequestration is avoided, is of great concern to the defense industry and skilled workers that support our national defense. I believe that defense industry is a vital component of our total force structure and as such, its health is essential to our national security. The industrial base today is increasingly global, commercial, and financially complex, with significant differences in the business environment faced in different sectors and at different tiers of the supply chain. Demand for many products has been very strong in recent years, other parts of the industrial base faced low demand even during the up-cycle of defense spending. Overall, our industry produces systems that offer an unsurpassed technological advantage to our warfighters, but I believe the industrial base could significantly improve the efficiency with which it produces these products and the Department must be prepared to assist them in doing so. If confirmed, I will carefully monitor the industrial base and adapt policies and make necessary investments when warranted to minimize risk to our technological advantage for future Warfighters.

190. Do you support further consolidation of the U.S. defense industry?

As far as merger and acquisition activity at the major prime level, I do not believe that further consolidated at that level is likely to be in the interest of either the warfighter or the taxpayer. I believe the Department should preserve as much competition as possible at every tier. Below the top tier, I believe it is a reasonable expectation that there will be some further transaction activity as industry repositions in response to the current budget environment and the new strategy. That is normal and healthy, and I believe it should be driven by market forces and industry, not by the government. The Department will certainly fulfill our commitments to seriously and judiciously review all proposed mergers and acquisitions on a case-by-case basis to ensure they are

consistent with the preservation of competition and the continued health of the industrial base.

191. What is your position on foreign investment in the U.S. defense sector?

Foreign investment can provide benefits to the Department and the economy, but each investment must be considered on its own merits. I am generally supportive of investment in the defense sector including foreign investment if appropriate national security concerns have been resolved and such investments do not compromise the department's critical technology supply chain. As Acting Under Secretary, I have the lead role in DOD's participation in the Committee on Foreign Investment in the U.S. (CFIUS) which conducts national security reviews of foreign acquisitions of U.S. firms. I support a leading role for DOD and a strong presence on CFIUS. I also support robust DoD participation in implementation of the export control laws to help ensure that defense-relevant U.S. technologies resident in foreign-owned or controlled firms with DoD contracts are not inappropriately transferred overseas or to foreign nationals.

192. What steps if any do you believe the Department of Defense should take to ensure the continued health of the U.S. defense industry?

I believe one of the most important steps the Department can take to ensure the continued health of the industry is to engage our industrial partners directly and be open with industry about Department plans and intentions. The Department must also continue and enhance our efforts to be receptive to industry concerns and address legitimate issues as quickly and efficiently as possible. The Department must also take all responsible steps to ensure that the defense industry can support our warfighters' needs, now and in the future. For some product and technologies, the Department is the only customer, so the government's budget and program choices have significant influence on the financial health of the providing companies. The Department's primary mechanism for supporting the industrial base is through the programs that buy the defense industry's products. In exceptional cases, when an acquisition program will not support the minimum volume that a niche supplier needs to remain viable, I believe the Department should consider the use of various strategies to ensure the continued health of segments of the defense industry that are deemed vital to our future capabilities. The Defense Production Act Title III authority, the Industrial Base Innovation Fund, and the Manufacturing Technology Program are three such resources to support critical capabilities that are at risk. These interventions should only in exceptional cases, which I believe will be rare.

193. What is your understanding of the status of the Department's ongoing Sector-by-Sector, Tier-by-Tier (S2T2) analysis of the defense industrial base?

The S2T2 project is making solid progress, but it is a process, not a singular effort, so its status is, and will remain, ongoing. The Department has used several techniques to collect a broad baseline of data across the sectors and down the tiers of the industrial

base, and that data has already proven useful in considering the industrial base implications of some proposed program adjustments. The Department integrated initial S2T2 analysis into the process of developing the Department's FY13 budget proposal, and if confirmed, one of my priorities will be to institutionalize the process to evaluate the impact of acquisition decisions on the industrial base. S2T2 is also making strong progress in fulfilling its mission to serve as the Department's central repository for industrial base data, working with the Services and Components to eliminate duplication and fill in gaps in data collection.

194. Has the Department taken any concrete steps to enhance the health and status of a particular sector or tier based upon this analysis?

In response to initial analysis of S2T2 data, the Department adjusted some of the program schedules in the FY-13 budget proposal to smooth workflow, maintaining the health of some critical and fragile niches in the industrial base. The Department has also adjusted the emphasis in planning for some industrial base investments through the Manufacturing Technology Program and the Defense Production Act Title III authority, responding to data collected as part of the S2T2 program. Moreover, as the Department enters deliberations on the FY14 budget, data collected as part of the S2T2 effort will be essential as the Department institutionalizes the process to consider the industrial base impacts of program decisions.

195. Under what circumstances if any do you believe the Department should use Defense Production Act Title III authorities to address defense industrial base needs?

I believe that the Department should use Title III authorities, consistent with section 303 of that law, which requires two determinations submitted to Congress prior to contract execution— (1) Such action “is essential to the national defense; and (2) without [such action], United States industry cannot reasonably be expected to provide the capability for the needed industrial resource, material, or critical technology item in a timely manner.” Title III decisions should be informed by thorough industrial base analysis, based largely on activities of the Defense Production Act Committee (DPAC), as well as the Sector-by-Sector Tier-by-Tier (S2T2) project, and Space Industrial Base Council Critical Technology Working Group (CTWG). Established by Section 722 of the Act, DPAC is composed of Department and Agency heads from across the federal government. Its mandate is to advise the President on the effective use of DPA authorities, including Title III provisions. The CTWG was chartered to assess key domestic space industries and, when necessary, coordinate strategies (primarily through DPA Title III) for ensuring reliable access to critical space-related products. The CTWG is composed of military, intelligence, and civilian agency representatives. The Department should rely on these sources of information and advice as well as other sources in determining industrial base priorities for DPA Title III investments.

196. What is your view of current or anticipated consolidation efforts by major defense contractors?

As far as merger and acquisition activity at the major prime level, I do not believe that further consolidated at that level is likely to be in the interest of either the warfighter or the taxpayer. I believe the Department should preserve as much competition as possible at every tier. Below the top tier, I believe it is a reasonable expectation that there will be some further transaction activity as industry repositions in response to the current budget environment and the new strategy. That is normal and healthy, and I believe it should be driven by market forces and industry, not by the government. The Department will certainly fulfill our commitments to seriously and judiciously review all proposed mergers and acquisitions on a case-by-case basis to ensure they are consistent with the preservation of competition and the continued health of the industrial base.

197. How does the Department evaluate the effect that such consolidations may have on the ability of the Department of Defense to leverage competition to obtain fair value and the best quality in the goods and services it procures and cultivate technological and engineering innovation?

When examining a merger, the Department weighs potential harm to competition and innovation caused by horizontal consolidation and vertical integration against potential benefits such as reduced overhead costs and other synergies for both existing and planned programs and future requirements.

198. What role, if any, should the Department of Defense have in vetting and approving or disapproving such consolidation efforts?

The Department examines mergers and acquisitions concurrently and in cooperation with the DOJ or FTC and provides a unified Department position on major transactions to the appropriate antitrust regulatory agency for consideration in determining the U.S. Government's position. As the primary customer impacted by defense business combinations, the Department's views are particularly significant because of its special insight into a proposed merger's impact on innovation, competition, national security, and the defense industrial base. However, the regulatory agencies have the authorities provided by the antitrust statutes and may or may not take actions supported by the Department. In certain limited cases, the Department has in the past unilaterally asked the parties for certain behavioral or structural remedies to address potential issues. Where warranted, the Department supports transactions that eliminate excess capacity; achieve cost savings to the Department; and improve national security.

Manufacturing Issues

Section 812 of the National Defense Authorization Act for Fiscal Year 2011 requires DOD to issue comprehensive guidance to improve its management of manufacturing risk in major defense acquisition programs.

199. What steps has the Department taken to implement the requirements of section 812? What steps remain to be taken?

Section 812 of the FY11 NDAA required the Department to issue guidance on the management of manufacturing risk for the major defense acquisition programs. In July 2011, the Deputy Assistant Secretary of Defense for Systems Engineering (DASD(SE)) updated the Defense Acquisition Guidebook (DAG) with new guidance on how manufacturing readiness should be assessed throughout all phases of the acquisition process and at specific systems engineering technical reviews. This new guidance, added to DAG Chapter 4 (Systems Engineering), was developed based on industry best practices and prior DoD knowledge base maintained by DAU. If confirmed, I will continue to evaluate the impact of these steps and refine these best practices to stay abreast of rapidly changing technologies and industrial-base capabilities.

200. What additional steps would you take, if confirmed, to address continuing shortcomings in manufacturing research and capabilities in the development and acquisition of defense systems?

If confirmed, I would continue to promote the Department's investments in advanced manufacturing technology and the transition of those concepts to the industrial base, through competitive incentives and direct investment.

I also see great value in having Program Managers consider manufacturing and production issues early in program planning and source selection. Manufacturing technology should routinely be included in the risk reduction efforts during the technology demonstration phase of the acquisition process and through continuing engineering support. The Department should continue to embed advanced manufacturing into specific weapons system platforms through technology transition agreements between the Manufacturing Technology Program and the Program of Record.

In late 2010, DARPA launched a major initiative to create revolutionary approaches to the design, verification and manufacturing of complex defense systems. Though the Adaptive Vehicle Make (AVM) portfolio, DARPA is developing design tools and manufacturing approaches that include a richer design space with the potential to compress development timelines dramatically. This work is maturing and, if confirmed, I will encourage the transition of these concepts to the industrial base.

If confirmed, I will continue to emphasize the importance of manufacturing technology and seek creative mechanisms to advance it.

201. Do you believe that additional incentives are needed to enhance industry's incorporation and utilization of advanced manufacturing processes developed under the manufacturing technology program?

In general, I believe that existing incentives are acceptable, but will be strengthened further by steps the Department and administration are taking. The Department's competitive acquisition and procurement processes incentivize offerors to pursue internal research and development investments in manufacturing technology and to employ advanced manufacturing processes in response to the DoD's solicitations. The recent efforts I have sponsored to create a Department Innovation Marketplace include manufacturing technologies. The Manufacturing Technology (ManTech) program is a partner in the National Strategic Plan for Advanced Manufacturing announced in February 2012 by the Administration, which states, "advanced manufacturing is a matter of fundamental importance to the economic strength and security of the United States." This strategy lays out a robust innovation policy, which incorporates intensive engagement among stakeholders at the national, state, and regional levels, including the DoD ManTech program, to promote U.S. competitiveness. If confirmed, I will seek out additional ways to provide incentives to industry to incorporate and utilize advanced manufacturing technologies.

202. What is your view of the utility of the Industrial Base Innovation Fund for advancing manufacturing technology and processes?

The Industrial Base Innovation Fund (IBIF) has been and I believe will continue to be a valuable resource for addressing short term, operational needs and issues such as surge and diminishing manufacturing sources. The Department currently possesses the flexibility to respond to defense industrial base or manufacturing needs, such as those identified by the on-going sector-by-sector tier-by-tier (S2T2) project, through programs identified in the President's Budget. However, in fiscal year 2012, the IBIF program is being reoriented to address niche concerns raised through the S2T2 effort, when current programs will not support the minimum sustaining rate that a niche supplier needs to provide a critical product or service. The Department is focused on ensuring the continued health of selected essential parts of the defense industry through mechanisms like the IBIF. Such interventions are being pursued only when the Department is highly likely to need a product in the future, where the product would be prohibitively difficult and expensive to obtain after a hiatus, and where affordable and innovative mechanisms are available to work with the producers in the interim.

Foreign Military Sales

You were recently quoted as saying that the Department should facilitate more foreign sales of U.S. weapons to advance numerous policy aims including achieving higher procurement rates that would aid the U.S. military as it braces for a prolonged period of fiscal belt-tightening. Specifically, you were quoted saying, "we've always been supportive

of [foreign military sales] but I think we can up our game a little bit.... And maybe in some cases take a look at taking a little bit more risk than we've been willing to take in the past.”

203. Does this quote accurately reflect your views?

Yes.

204. With regard to your reference to “taking a little bit more risk,” what types of increased risk would you be prepared to accept and why?

We are using the new defense exportability features (DEF) legislative authority provided by Congress in the Fiscal Year 2011 and 2012 National Defense Authorization Acts to invest a small amount of US RDT&E funding early in development to implement pilot program activities that we hope will lead to earlier, more successful sales in support of our foreign policy objectives. Our recent DEF report to Congress describes ongoing efforts. There is risk that these investments may not result in actual exports in the future, but we have done our best to choose pilot programs that are stable from a U.S. acquisition perspective also have a high probability of future export to allied and friendly nations. Also, given the reduction in expected defense budgets, the benefits associated with increased export sales move up a notch relative to other marginal considerations. In close cases, this could tip the balance toward support for the foreign sale under consideration.

205. What additional steps, if any, do you believe the Department of Defense generally and the Acquisitions, Technology and Logistics directorate in particular should take to facilitate more foreign sales of U.S. weapons and equipment?

The Department is taking several steps in this area that should be continued and strengthened where possible. The administration has been working for some time to implement reforms of export controls through the so called “four singles.” This work is on-going. In particular, the “four singles” effort to review and simplify the Commerce and State Department export control lists would be particularly helpful in facilitating foreign sales. As Principal Deputy Under Secretary, I have also worked with USD(Policy) to streamline the U.S. Government processes for reviewing proposed sales for technology security and foreign disclosure issues. This work is off to a good start but should also be completed. The Department should also continue to encourage use of the new defense exportability features (DEF) legislative authority provided by Congress in the Fiscal Year 2011 and 2012 National Defense Authorization Acts in programs that have a high probability of future foreign sales. The DEF legislation provides the Department authority to invest a small amount of US RDT&E funding early in development to implement pilot program activities that can lead to earlier, more successful sales in support of our foreign policy objectives. Finally, I believe that the senior Department officials, including USD(AT&L), should be directly involved in providing information about possible sales to foreign governments and in removing administrative barriers to foreign sales where that is in the interest of the United States. If confirmed I will continue to be actively engaged in

these and other measures to further foreign sales of United States military equipment to our friends and allies.

Science and Technology

206. What, in your view, is the role and value of science and technology programs in meeting the Department's transformation goals and in confronting irregular, catastrophic, traditional and disruptive threats?

I believe that science and technology programs play a crucial, indeed essential, role in meeting the Department's transformation goals and in confronting all threats to include irregular, catastrophic, traditional, and disruptive. To maintain the technological superiority the United States has enjoyed for several decades, it is essential that the Department pursues a focused, high quality, aggressive science and technology program that is responsive to the full range of capabilities required by our Armed Forces.

207. If confirmed, what direction will you provide regarding funding targets and priorities for the Department's long term research efforts?

If confirmed, I will work with the Department's leadership to ensure that funding for science and technology investments are set at levels that will ensure the Department has adequate resources in this area. The Department and the administration have placed a strong emphasis on sustaining S&T spending. Secretary Panetta has repeatedly indicated that technological superiority underpins the Department's recently released Military Strategy Guidance. If confirmed I will continue that emphasis and, subject to the Secretary's approval, set appropriate targets and priorities, primarily through the Defense Planning Guidance.

208. What specific metrics would you use, if confirmed, to assess whether the Department is making adequate investments in its basic research programs?

If confirmed, I will work with ASD(R&E) to ensure that adequate investments are made by the military services and agencies in basic research. Effective management of this portfolio requires good judgment, tight coupling to the research community, and a long-term perspective. The key metrics that I would use to assess the adequacy and impact of these investments include technology transitions into our acquisition programs and the industrial base and longitudinal assessment of publications in scientific journals, number of students supported, patents granted, and publications in peer reviewed conference proceedings.

209. Do you feel that there is sufficient coordination between and among the science and technology programs of the military services and defense agencies?

I believe that the Department is performing reasonably well in this area, but that there is always room for additional improvement. The formal coordination structure is as

follows: at the top, there is an S&T EXCOM, chaired by the ASD(R&E), and attended by the S&T Executives of the military services and defense agencies. This group meets quarterly to discuss major science and technology policy issues. It also meets once a year for a Strategic Overview where each Component presents an overview of the focus of its S&T investment. There are also the Deputies to the S&T EXCOM that meet weekly and serve as an action group to implement decisions made by the S&T EXCOM. The Department has established seven Priority Steering Councils consisting of scientists and engineers from the services and agencies, whose job it is to develop cross-cutting roadmaps for the Department's recently designated S&T Priorities. The councils are complemented by Communities of Interest (COIs) populated by scientist and engineers from the services and agencies for the purpose of integrating the Departments S&T program in specific technology areas. COIs are permanent in nature. There are also short-term Technology Focus Teams (TFTs) that perform in-depth analysis of specific technology issues and report their findings to the S&T EXCOM.

210. What is the Department's role and responsibility in addressing national issues related to science, technology, engineering, and mathematics education and workforce development?

I believe that the Department should take a strong role in supporting the development of world-class science, technology, engineering and mathematics (STEM) capabilities within the domains of importance to national security. With the support of Congress, the Department engages America's students, educators and educational communities to enrich DoD's current and future workforce through strategic investments. These investments are designed to create access and opportunities to work alongside DoD scientists and engineers as well as funding cutting-edge research in areas critical to national security. The Department is actively working with the Office of Science and Technology Policy, the National Science Foundation and other Federal agencies to draft the first Five Year Federal STEM Education Strategic Plan to coordinate its STEM investments to achieve Government-wide efficiencies in accordance with Federal policies. If confirmed, I will support and participate in the effort to support STEM workforce development.

211. What steps if any would you take to support efforts to ensure that the nation has the scientific and technical workforce needed for its national security technological and industrial base?

DoD science, technology, engineering and mathematics (STEM) education, training and outreach programs, such as the National Defense Education Program (NDEP), including K-12, the Science, Mathematics and Research for Transformation (SMART) program, and National Security Science and Engineering Faculty Fellows (NSSEFF) program expand the pool and diversity of scientists and engineers available to the DoD and the technological and industrial base. If confirmed, I will continue to work with the Assistant Secretary of Defense (Research and Engineering) to assess the extent to

which NDEP, and other similar STEM programs, meet the Department's current and future technical workforce needs, are effective and efficient, and are synchronized with other Federal government STEM initiatives. I will also continue to support the efforts in this area that non-defense organizations within government and industry are conducting.

212. How would you use science and technology programs to better reduce technical risk and therefore potentially reduce costs and schedule problems that accrue in large acquisition programs?

Technical risk should be identified during the early program planning and analysis phases of the acquisition process as alternative solutions to military problems are evaluated. Once the candidate preferred solutions and associated risks are identified, the program and S&T communities should work together to develop technology maturation programs and risk reduction programs that will reduce the risk associated with a technology to a level where it can be incorporated in an acquisition program, either for technology demonstration or for engineering development. The S&T community and the program community should work together to identify the most promising and high payoff areas for investment for both initial fielding and subsequent upgrades or increments.

213. Do you feel that the science and technology programs of the Department of Defense are too near-term focus and have over-emphasized technology transition efforts over investing in revolutionary and innovative programs?

No. The Department has sustained its investments in longer term technologies and DARPA is appropriately funded to pursue high risk high payoff opportunities. I am concerned about some of the trends in the balance of investments in the various research and development accounts, however. As the Department has increased the amount of time some programs are being kept in the inventory the percentage of the R&D budget being used for upgrades has grown. The accounts for basic and applied research have been protected and for good reason; however, this has led to reductions in the accounts funding prototypes and full scale development. If confirmed, I will continue to monitor these trends and recommend actions to address it if needed.

214. Are you satisfied that the Department has a well articulated and actionable science and technology strategic plan?

Yes. The current science and technology strategic investment strategy is a result of coordinated strategic planning activities that have occurred over the past two years. In April 2011, the Secretary of Defense issued a memo that identified seven S&T priorities for investment planning. The Components published S&T strategic plans that support the priorities of both the Department and their respective organizations' assigned missions. These plans contain actionable goals and are available to industry, academia, and other government organizations on the Department's web site.

215. Do you see a need for changes in areas such as hiring authority, personnel systems, financial disclosure and ethics requirements, to ensure that the Department can recruit and retain the highest quality scientific and technical workforce possible?

I have not seen any data that would indicate conclusively that the Department has a major problem in the areas of hiring authority, personnel systems, disclosure, and ethics requirements; however, I am concerned that the Department needs to strengthen its workforce in the engineering fields. This includes the military officer corps. If confirmed, I will work with the service leadership to assess this situation and determine whether any corrective action is needed. The Department does have tools such as Interdepartmental Personnel Act (IPA) and Highly Qualified Expert (HQE) programs to bring in additional talent. I believe the use of these programs could be expanded and I do believe more can and should be done to increase the capacity of the technical workforce without changes in the administrative areas mentioned.

The Assistant Secretary of Defense for Research and Engineering (ASD(R&E)) has been designated as the Chief Technology Officer of the Department of Defense.

216. In your view, what is the appropriate role of the Chief Technology Officer of the Department of Defense?

The Chief Technology Officer (CTO) is the advisor to the Under Secretary of Defense for Acquisition, Technology and Logistics, the Deputy Secretary of Defense, and the Secretary of Defense for research and engineering matters. The CTO should provide technical leadership, guidance, and oversight for the Department's R&E program to include the identification of critical technology areas and the adequacy of the Department's overall R&E investment and program content.

217. What authority should the ASD(R&E) have over the Defense Advanced Research Projects Agency (DARPA)?

By DoD Charter the Defense Advanced Research Projects Agency (DARPA) is established as an Agency of the Department of Defense under the direction, authority, and control of the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) and the Assistant Secretary of Defense for Research and Engineering (ASD(R&E)). DARPA also recommends to the Secretary of Defense, through the ASD(R&E), the assignment of research projects to DARPA. I would not recommend any changes in these authorities and roles.

218. What authority should the ASD(R&E) have over other Service and Agency science and technology efforts?

I believe the existing authorities are appropriate. By DoD Charter, the ASD(R&E) is to recommend approval, modification, or disapproval of programs and projects of the Military Departments and Defense Agencies to eliminate unpromising or unnecessarily

duplicative programs. The ASD(R&E) is also designated to recommend the initiation or support of promising projects or programs for the science and technology program. These recommendations are usually provided as resource and programmatic input to the Department's process for developing the President's Budget Request.

219. Do you see the need for any changes in organizational structure, workforce, or availability of resources to improve the effectiveness of the Office of the Assistant Secretary of Defense for Research and Engineering?

Not at this time. The Department is still in the final stages of implementing the provisions of the FY 2009 Weapons Systems Acquisition Reform Act. To date, progress has been good, and I will continue to review whether additional adjustments are needed.

Defense Laboratories

220. What is your view on the quality and relevance of the DOD laboratories as compared to the DOE national laboratories, federal laboratories, academic laboratories and other peer institutions?

During my career, I worked with many of these institutions and in general, I have found them to be staffed with competent scientists and engineers who are dedicated to their work and performing important missions for the DOD or the nation. A key issue going forward is how to operate these Laboratories as an enterprise to meet the needs of the Department effectively. The ASD(R&E) is working with the Services on this assessment.

221. What metrics will you use, if confirmed, to evaluate the effectiveness, competitiveness, and scientific vitality of the DOD laboratories?

If confirmed, I will evaluate the DoD labs primarily based on their success in developing and transitioning new technologies to warfighters, the quality of their technical workforce, and the results of external reviews of their effectiveness and innovation. As Acting USD(AT&L), I have begun the process of putting in place mechanisms to assess the productivity of DOD's acquisition institutions and if confirmed I will continue that process.

222. What steps if any will you take, if confirmed, to increase the mission effectiveness and productivity of the DOD laboratories?

If confirmed, I will continue to work closely with the ASD(R&E) to ensure that DoD labs operate at maximum efficiency and productivity. As Acting USD(AT&L), I have begun the process of putting in place mechanisms to assess the productivity of DOD's acquisition institutions, including laboratories, and if confirmed I will continue that process.

223. Do you see value in enhancing the level of technical collaboration between the DOD laboratories and academic, other federal and industrial scientific organizations?

Yes. Technical collaborations across the laboratory system are essential to success. Much cooperation already exists. Together with the ASD(R&E), I am examining additional incentives to increase teaming and partnering such as exchange programs, joint technology programs, and participation in cross-agency reviews. In particular, I am working with Department of Homeland Security and the Department of Energy on areas in which cooperation can be expanded. If confirmed, I will continue these efforts.

224. Do you believe that past investments in research equipment; sustainment, repair and modernization; and facility construction at the DOD laboratories have been sufficient to maintain their mission effectiveness and their standing as world-class science and engineering institutions?

I am not certain of the answer to this question. The Services are currently not reporting any deficiencies in the DoD laboratory infrastructure necessary to carry out leading-edge research efforts of which I am aware. However, I do have some questions about the overall state of DOD's laboratories. Consequently, I have asked the Assistant Secretary of Defense for Research and Engineering to conduct a comprehensive review of DoD labs in the context of the entire national laboratory system. This review should provide insight into the state of the labs. If confirmed, I will use the results of this review to determine whether additional investments are needed.

225. In your view, have the DOD laboratories struck an appropriate balance between investments in near-term technology programs that are tied to current battlefield needs and investments in longer term, higher risk, and revolutionary capability development?

Yes. DoD's laboratory system is a balance of corporate research labs (e.g., Naval Research Lab, Army Research Lab) that maintain basic science as their primary focus, and engineering centers such as the Navy Warfare Centers and the Army's Research and Engineering Development Centers that maintain the Department's in-house development and engineering expertise. The Services align approximately one-third of their basic science budgets to in-house programs. A recent review of the labs' basic science program was conducted by the Defense Science Board (DSB) and the DSB concluded that the in-house basic research program was technically strong and healthy. While not a laboratory per se, DARPA does focus much of its work in higher risk high payoff technology. In general I think the Department has a reasonable balance, however if confirmed I will continue to assess this balance to determine if adjustments are needed.

226. Do you believe that this balance is likely to change with the completion of our withdrawal from Iraq and our ongoing drawdown in Afghanistan?

I expect the balance between near-term and longer-term research will not change dramatically as a result of these events, but the portfolio of research topics will shift to support the Department's recently released strategic guidance, particularly toward any emerging threats.

Section 219 of the National Defense Authorization Act for Fiscal Year 2009 authorizes the directors of a defense laboratory to use up to three percent of the total funds available to the laboratory to fund innovative research, technology transition activities, and workforce development.

227. What is your understanding of the extent to which the Department has implemented section 219?

Each of the Services has implemented Section 219 programs. Though the statute gives authority to lab directors to utilize up to 3% of all available funds for this program, the actual amount to date has been in the 1-2% range. The Department submits a Section 219 status report annually to Congress to detail the related investment.

228. Do you believe that the funding flexibility provided by section 219 has been appropriately utilized by the Department?

Yes. So far, I believe the flexibilities provided by Section 219 have been used appropriately by the Department. Lab directors have appropriately balanced Section 219 investments with other programs and procurements. If confirmed, I will continue to monitor the use of this flexibility by lab directors.

229. Do you believe that it would be feasible or appropriate for the Department to use the authority of section 219 to adjust the balance between investments in near-term technology programs and longer-term, higher-payoff investments?

Yes, however, I believe that the current program authorities and structure are adequate and are being used appropriately, and recommend no changes at this time.

DARPA

230. What is your understanding of the relationship between the DARPA and the ASDR&E?

By DoD Charter the Defense Advanced Research Projects Agency (DARPA) is established as an Agency of the Department of Defense under the direction, authority, and control of the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) and the Assistant Secretary of Defense for Research and Engineering (ASD(R&E)) who reports to the Under Secretary. DARPA also recommends to the Secretary of Defense, through the ASD(R&E), the assignment of research projects to DARPA.

231. In your view, has DARPA struck an appropriate balance between investments in near-term technology programs that are tied to current battlefield needs and investments in longer term, higher risk, and revolutionary capability development?

Yes. The ASD(R&E) completed a comprehensive review of the DARPA science and technology program last August and reported that the DARPA investment appeared to be properly balanced between near-term and long term, higher risk technology and capability development. If confirmed, I will continue to review DARPA's balance of investments, however one of the most important characteristics of DARPA is that it has more independence to invest in high risk high payoff technologies than other DOD institutions and I believe this should continue.

232. Do you feel that DARPA has adequately invested in the academic research community?

Yes, however this is a very subjective assessment. DARPA basic research investment, which largely goes to academic institutions, has more than doubled since 2007, from \$150M per year to the current FY13 request of \$349M. This investment has expanded DARPA and academic interaction. If confirmed, I will continue to monitor DARPA's investment in academic research.

233. What are the major issues related to DARPA investments, management and workforce, and research outcomes that you will seek to address?

DARPA has been, and will continue to be at the center of DoD-funded innovation, particularly for addressing difficult problems in creative and often non-traditional ways. Areas I will focus on if confirmed include DARPA's cyber investments and potential game-changing technologies applicable to emerging threats. If confirmed, I will continue to support DARPA's efforts to attract an exceptional technical workforce.

234. Do you feel that DARPA is adequately transitioning its programs to the Services and Defense Agencies? If not, how will you address that challenge?

DARPA's success in this regard has been mixed, and the transition of technologies in some cases could be more effective. I recently discussed this issue with the departing DARPA Director who indicated that some relationships with the Military Departments could be stronger. If confirmed, I will work with the Service Acquisition Executives and the Assistant Secretary of Defense for Research and Engineering to strengthen transition for the entire R&E enterprise, including DARPA.

235. Do you believe that there has been an appropriate level of interaction between DARPA and its intelligence community analog, IARPA, given the overlap in many research areas?

I do not have any information that would suggest otherwise, and my belief is that there has been appropriate interaction between DARPA and IARPA.

Test and Evaluation

The Department has, on occasion, been criticized for failing to adequately test its major weapon systems before these systems are put into production.

236. What are your views about the degree of independence needed by the Director of Operational Test and Evaluation in ensuring the success of the Department's acquisition programs?

I believe that the independence of the Director of Operational Test and Evaluation is an important aspect of ensuring the Department's acquisition programs are realistically and adequately tested in their intended operational environment. I am aware of concerns that testing can be perceived as creating additional cost and delays in delivering capability, especially in the context of pressing real world operations. If confirmed, I will continue to meet regularly with and seek the advice of the DOT&E on testing and evaluation issues as a partner in the acquisition process, while allowing for the necessary independent viewpoints. I have great respect for the professionalism, dedication, and integrity of the current DOT&E, whom I have known for many years. If confirmed, I will continue to welcome his insights on program performance and other issues. DOT&E's independence is of great value in the acquisition process and is appropriate.

237. What are your views about the role of the Director of Developmental Test and Evaluation in ensuring the success of the Department's acquisition programs?

The role of the DASD (DT&E) is to advise the Secretary of Defense and The Under Secretary of Defense for Acquisition, Technology and Logistics on all matters relating to developmental test and evaluation within the Department. In this role, the DASD (DT&E) mission includes helping to improve acquisition outcomes through early and continuous engagement with Program Offices in order to verify system performance meets requirements and to identify the need for corrective actions as early as possible. DT&E also provides confirmation that a system is mature enough to proceed to IOT&E. The DASD (DT&E) provides support to Program Offices and the DoD T&E community, assists with test planning and data analysis, and identifies and shares best practices. Additionally, the DASD(DT&E) provides an independent assessment to advise milestone decision authorities and the component acquisition executives of any risks prior to entering production or initial operational test and evaluation. As the Milestone Decision Authority for Major Defense Acquisition Programs, I particularly rely on the DASD(T&E) for advice on the demonstrated maturity of designs to enter initial production and on the adequacy of planned test programs at the beginning of Engineering and Manufacturing Development. If confirmed, I will continue to rely heavily on the DASD(T&E) for support to these decisions.

238. Are you concerned with the level of test and evaluation conducted by the contractors who are developing the systems to be tested?

I only have anecdotal evidence at this point that this is a concern. I believe that there needs to be Government led DT&E supported by contractor testing and that the best mix of government and contractor testing varies from program to program based on a variety of factors. If confirmed, I will continue to assess this balance to determine if adjustments should be made. The ASD(DT&E) is currently reviewing all developmental test infrastructure, both government and contractor. If confirmed I will use the results of that assessment to determine if changes are warranted.

239. What is the impact of rapid fielding requirements on the standard testing process? If confirmed, how will you work to ensure that all equipment and technology that is deployed to Warfighters is subject to appropriate operational testing?

The assessment process for capabilities provided in response to the warfighter's urgent operational requirements must be appropriately tailored to ensure that the warfighter receives critical capabilities that are reasonably safe, perform their basic functions successfully, and are provided on a timeline that meets the warfighter's expectation. This generally implies initial test regimes prior to first fielding of rapid acquisition programs that accept more risk than the normal acquisition process. The Department is currently revising DODI 5000.02 which governs the operation of the Defense Acquisition System to include a provision for rapid fielding procedures. Those procedures will provide additional guidance on the testing required for rapid acquisition programs. If confirmed, I will complete this effort and make adjustments as the Department learns from its experience with testing for rapid acquisition programs.

240. Do you believe that the operational and developmental testing organizations in DOD and the military services are adequate to ensure an appropriate level of testing, and testing oversight, on major defense acquisition programs?

Yes, I believe there are adequate resources to ensure an appropriate level of testing and testing oversight on major defense acquisition programs. That said, however, I am a firm believer in continuous improvement, and I have no doubt that the Department can improve its performance. Problems that I have identified include the need for earlier definition of test requirements so that program planning and budgeting are stable, and the need to shift more emphasis to early developmental testing to reduce the likelihood of late discovery of design or production issues. If confirmed, I will continue to work with the DOT&E and DASD(DT&E) to ensure the Department conducts effective and efficient developmental and operational testing to improve acquisition outcomes.

Section 102 of the Weapon Systems Acquisition Reform Act established a new Director of Developmental Testing to help address this problem. Section 835 of the National Defense Authorization Act for Fiscal Year 2012 built on this provision by establishing new

organizational and management requirements for developmental testing on major defense acquisition programs.

241. What steps has the Department taken to date to implement these two provisions?

As Acting Under Secretary of Defense for Acquisition, Technology and Logistics, I have approved a DOD Instruction (DODI 5134.17) which assigns responsibilities and functions and prescribes relationships and authorities for the DASD (DT&E). We are issuing guidelines for implementing the requirements of Section 835 of the National Defense Authorization Action for Fiscal Year 2012, and I am in the process of including those requirements established in an update to the Defense Acquisition System Instruction (DODI 5000.02).

242. What steps remain to be taken?

If confirmed, I plan to complete the update of the DODI 5000.02 that incorporates the requirement in the National Defense Authorization Action for Fiscal Year 2012. I will work with the Services to resolve any unique issues they have with the implementation. I will monitor the progress of the Services in implementing this new requirement and have DASD (DT&E) report the status in the FY 2012 Annual report to Congress.

243. What additional steps will you take, if confirmed, to ensure adequate developmental testing on major weapon systems?

If confirmed, I will continue to emphasize the importance of having early and continuous engagement with the Program Offices. I will work collaboratively with the Component Acquisition Executives and Program Offices to develop adequate test programs, assist with test planning and data analysis, and identify and share best practices to help improve acquisition outcomes.

Some have argued that testing takes too long and costs too much. Others contest this view pointing out that testing and evaluation is an essential tool to assist in the development of weapon systems and ensure that they perform as intended. The Armed Services Committee has expressed concern that problems with weapons systems have been discovered during operational testing and evaluation that should have been discovered during developmental testing and corrected during subsequent development.

244. Do you believe that major defense acquisition programs are helped or hurt by cutting tests budgets and reducing the time available for developmental testing?

In general, they are more likely to be hurt. There is a natural tendency, exacerbated by tight budgets, funding cuts, and poor execution, to cut corners in test planning (both time and resources) to save time and money. In my experience, this is usually a mistake that is corrected by reality in the form of more schedule and cost overruns. I am strongly committed to ensuring that the Department has development programs with appropriate timelines and well resourced, realistic testing. I believe the

Department should be continuously looking for ways to improve the efficiency and effectiveness of our test programs to save time and money, but the Department should not be cutting test budgets and reducing test activities without a sound specific plan to achieve those savings.

- 245. What steps if any will you take, if confirmed, to ensure that the program management community and the testing and evaluation community work collaboratively and effectively in a way that maximizes the likelihood that developmental testing and evaluation will detect and identify problems timely in software and hardware to provide opportunities to correct them before production and before operational testing and evaluation begins?**

My goal is to ensure that the Department discovers deficiencies early in programs in order to take corrective action as early in development as possible in order to minimize program disruption and save time and money. Early identification of problems will also increase the probability of programs being found effective and suitable in Initial Operational Test and Evaluation (IOT&E). If confirmed, I will continue my efforts to ensure that the program management community, the systems engineering community, and the testing and evaluation community work collaboratively and effectively throughout the acquisition process, but particularly at the earlier stages of program planning.

Ballistic Missile Defense

When it was created in 2002, the Missile Defense Agency (MDA) was exempted from normal acquisition rules and processes in order to field an initial set of missile defense capabilities on an expedited basis. That fielding has now taken place, although numerous upgrades and corrections are being implemented. Each of the elements of the Ballistic Missile Defense System (BMDS) would normally meet the criteria for a Major Defense Acquisition Program (MDAP), but none of them has been managed as an MDAP. Furthermore, for most of MDA's existence, all its programs were funded with Research, Development, Test, and Evaluation (RDT&E) funds, even for non-RDT&E activities. Currently, BMDS acquisition programs are overseen by the Missile Defense Executive Board (MDEB), chaired by the USD (AT&L).

- 246. What management and acquisition changes or improvements if any do you believe are warranted for the ballistic missile defense programs?**

As Acting Under Secretary I have chaired three Missile Defense Executive Board meetings and attended a number of others, and through the oversight and insight developed during these meetings and the preparation for them, I believe that the current management and acquisition approach is reasonably effective. I would like to have more experience with this management approach, however, before recommending any changes.

247. Do you believe that the Under Secretary of Defense for Acquisition, Technology, and Logistics should have the same responsibilities relative to the ballistic missile defense acquisition programs as for all other MDAPs?

The Under Secretary of Defense for Acquisition, Technology, and Logistics, has the same responsibilities, within the current departmental guidance, for the ballistic missile defense programs as for all MDAPs, with the exception that early acquisition decisions, including entry into Technology Demonstration and entry into Engineering and Manufacturing Development, have been delegated to the Director of the Missile Defense Agency. In general, I see no reason why these responsibilities should be different than those for other MDAPs.

248. If confirmed, what steps if any would you plan to take to ensure that the ballistic missile defense programs of the Department of Defense follow sound acquisition and management practices and processes?

The Missile Defense Executive Board (MDEB) has been the forum since 2007 for senior Departmental review of Missile Defense Agency activity. If confirmed, I will continue to review the MDEB efforts, to maintain regular oversight of the MDA acquisition and management practices, program progress, and issue resolution. The MDEB includes essentially the same membership as the Defense Acquisition Board that oversees MDAP programs. If confirmed, I will continue to rely on the independent advice of these staff offices, as I do for MDAPs, to ensure sound decisions are made.

For many years the Department of Defense and Congress have agreed on the principle that major weapon systems should be operationally effective, suitable, survivable, cost-effective, affordable, and should address a credible threat. These elements are all consistent with the Ballistic Missile Defense Review (BMDR) of February 2010.

249. Do you agree that any ballistic missile defense systems that we deploy operationally must be operationally effective, suitable, survivable, cost-effective, affordable, and should address a credible threat?

Yes.

250. If confirmed, what steps if any would you take to ensure that the BMDS and each of its elements meet these criteria?

Rigorous and realistic testing of missile defenses is imperative. The Missile Defense Agency presently is executing a plan, which includes the use of a Development and Operational Testing approach that allows the U.S. Strategic Command warfighter community (which includes all Combatant Commanders) and all the Service Operational Test Agencies to be integral parts of the test program. If confirmed, I will maintain these test activities as an integral part of ballistic missile defense program

planning, and execution priorities, and review the plans and the proposed test activities to determine whether additional steps or other emphases are necessary or appropriate.

For many years, Congress and the Department of Defense have agreed on the principle of “fly before you buy,” namely demonstrating that a weapon system will work in an operationally effective, suitable, and survivable manner before deciding to acquire and deploy such systems. This demonstration requires rigorous, operationally realistic testing, including independent Operational Test and Evaluation (OT&E), to provide an accurate assessment of how weapon systems will perform in combat conditions. The Director of Operational Test and Evaluation (DOT&E) has expressed concerns that the testing of the Ground-based Midcourse Defense (GMD) system has not been sufficient to provide confidence in its operational capability.

251. Do you agree that ballistic missile defense testing needs to be operationally realistic, and should include Operational Test and Evaluation, in order to assess operational capabilities and limitations of ballistic missile defense systems, prior to making decisions to deploy such systems?

Yes.

252. If confirmed, what steps if any would you take to ensure that the BMDS, and each of its elements, undergoes adequate independent operational test and evaluation?

The BMDS Integrated Master Test Plan serves as the Departmental contract to perform comprehensive developmental and operational independent testing. If confirmed, I will work with the Missile Defense Agency and the Director, Operational Test & Evaluation (DOT&E) to continue the evolution of BMDS testing to ensure that adequate tests are conducted.

The Missile Defense Agency has developed ballistic missile defense systems and capabilities and procured the initial inventories of missile defense element weapon systems. However, the military departments are notionally intended to procure, operate, and sustain operational missile defense systems.

253. What do you believe is the appropriate role for the military departments in the procurement, operation, and sustainment of ballistic missile defense systems, and at what point do you believe these systems should be transitioned and transferred to the military departments?

I believe that at some point for each program, responsibility for operation and sustainment should be transferred from MDA to a military department. Production may be transferred as well, but this will vary from system to system on a case-by-case basis. The Deputy Secretary of Defense issued guidance in June 2011, providing direction for Missile Defense Agency and Military Department life cycle responsibilities and a process to define and schedule management and funding responsibility transfer points. If confirmed, I will oversee the execution of the

guidance as the BMDS elements mature and I will review and recommend changes as appropriate. If confirmed, I will work with the Missile Defense Agency and the Military Departments to ensure processes and policies are in place to accomplish the transition and transfer in a timely and effective manner.

The Missile Defense Agency (MDA) and the Army have reached tentative agreement on transferring Army ballistic missile defense programs to MDA.

254. What do you believe are the appropriate roles for the Army and MDA, respectively, in the development, management, and funding of Army ballistic missile defense programs, and what risks do you see, if any, from transferring such programs to MDA?

Defining this relationship is still a work in progress, so my views at this time may not be final. That said, I generally support a model that is similar to the model used by MDA and the Navy in which the military department retains responsibility for overall system performance and is the technical authority for the total system while MDA provides defined products for integration into the Army's system. The two organizations must work closely together to address integration issues and define interfaces and requirements, but I believe this arrangement provides the most effective management approach. The Patriot system is the only specific system for which this is an issue to my knowledge and Aegis is the comparable Navy system that uses this model.

Nuclear Weapons Council

If confirmed as USD(ATL), you will chair the Nuclear Weapons Council (NWC).

255. In your view, what are, or should be, the highest priorities of the NWC?

In my view, the highest priorities of the NWC are to ensure the continued safety, security, and effectiveness of our nuclear weapons stockpile and to ensure the Nation can field an effective nuclear deterrent.

256. What improvements, if any, do you believe should be made to the operations of the NWC?

If confirmed, I will work the Secretary of Defense and the Deputy Secretary of Defense, as well as members of the NWC, to identify improvements, if any, that would strengthen the partnership with the Department of Energy in ensuring a safe, secure, and effective nuclear stockpile and a modern supporting infrastructure. As Acting Under Secretary, I have chaired several NWC meetings and at this point, I believe that it is functioning as intended.

257. What role do you expect to play, if confirmed, in the development of the Nuclear Posture Review?

If confirmed, I will continue to support the Administration's ongoing implementation of the 2010 Nuclear Posture Review.

The 1251 report that accompanied the New START Treaty set forth a robust plan for modernizing the nuclear weapons complex and the triad of nuclear delivery vehicles.

258. Do you support that plan and agree that modernizing the nuclear triad and replacing critical infrastructure such as the Chemistry and Metallurgy Research Replacement (CMRR) at Los Alamos and the Uranium Processing Facility (UPF) at Y-12 should be National Security priorities and that they should be built in a timely manner?

The Department of Defense has fully supported the Department of Energy's efforts to sustain the nuclear weapons stockpile and to modernize the supporting infrastructure. Today's austere budget environment, however, will delay key warhead life extension programs and infrastructure modernization relative to the timelines reflected in last year's Section 1251 Report. Although UPF construction will proceed mostly as planned with some changes in scope, the DOE's current plan is to defer construction of the CMRR facility for at least five years as a result, using existing facilities to meet plutonium needs. Over the coming months, the DoD and DOE will work together to firm up cost data on key programs, providing a basis to inform alternative approaches to mitigate the risk of program delays and further advance the President's commitment to safe, secure, and effective nuclear forces.

259. Do you share the Department of Defense's view regarding the need for establishing a capability to produce 50 to 80 pits per year as asserted in Congressional testimony by DoD and NNSA witnesses?

Given current stockpile requirements, I support the DoD view regarding the need for the capability to produce 50-80 pits per year.

Logistics and Readiness

260. If confirmed as USD(ATL), what steps if any would you take to ensure that life cycle maintenance requirements and sustainment support are considered in the acquisition process for new DOD systems?

Several steps are underway to ensure life cycle requirements are addressed in the acquisition process for new DOD systems and if confirmed I would continue those steps and look for other opportunities to integrate life cycle cost considerations into the acquisition process. Under the Better Buying Power initiatives, each new program is required to establish a sustainment cost cap that is intended to drive design trades and investment during development to ensure the program is affordable throughout the life cycle. In addition, Core maintenance determinations are now defined at Milestone A and refined at Milestone B to include detailed workload estimates. These estimates are used as the basis for determining the level of investment required to establish a viable

repair capability at our organic activities and are included in the acquisition program baseline. Additionally, programs are now required to complete a Life Cycle Sustainment Plan and Systems Engineering Plan in which specific sustainment development, production, and operating resource requirements are fully identified and reflected in the respective Services' budget submissions. Finally, data from recent studies indicate strongly that in many cases Performance Based Logistics has been effective at reducing life cycle costs and if confirmed I will look for appropriate opportunities to expand the use of this approach. If confirmed, I intend to continue these initiatives and to look for additional opportunities to drive life cycle cost down.

The National Defense Authorization Act for Fiscal Year 2009 requires the Department of Defense to conduct life-cycle cost analysis for new capabilities including the fully burdened cost of fuel during the analysis and evaluation of alternatives in the acquisition program design trades.

261. Do you believe that the fully burdened cost of fuel is an appropriate factor for the Department to consider in the evaluation of acquisition alternatives?

Yes. Fully Burdened Cost of Energy estimates for acquisition programs is a useful component of the total life cycle cost estimating process. This process helps the Department understand the full long term expenses the Department is signing up to when it commits to a new system. While Total Ownership Cost is a long-term estimate based on steady-state usage, the Fully Burdened Cost of Energy is scenario-based. The Fully Burdened Cost of Energy provides a useful operational cost perspective and helps decision-makers differentiate between the fuel and logistics demands of competing system concepts DoD is considering.

Operational Energy

The National Defense Authorization Act for Fiscal Year 2009 created the position of the Assistant Secretary of Defense for Operational Energy Plans and Programs.

262. If confirmed as USD(AT&L), how would you work with office of the Assistant Secretary of Defense for Operational Energy Plans and Programs to advance the objectives of that office?

The Assistant Secretary of Defense for Operational Energy reports to the USD(AT&L). Energy is a fundamental enabler for the Department's mission. I have been and will continue to take steps, through and in support of the Assistant Secretary of Defense for Operational Energy Plans and Programs, to improve the efficiency of our use, the range of energy alternatives available to our forces, and energy planning for our future force. This office is an important part of the AT&L enterprise, and, if confirmed, I will continue to expand and further its efforts.

With persistent combat operations in Iraq, Afghanistan, and around the globe, combat service support units are constantly at risk when transporting supplies.

263. What role do you believe the USD(ATL) should play in developing strategies to reduce the logistical footprint of deployed units operating in hostile environments?

I believe the USD(AT&L), in conjunction with US Transportation Command, the Defense Logistics Agency, the Joint Staff, and the Military Services, must ensure that the Department obtain the best possible sustainability, maintainability, reliability, and fuel efficiency for our deployed weapon systems and contingency bases, as a way of lowering the logistical footprint needed to maintain them. If confirmed, my office will continue to provide guidance and oversee the development of technologies and strategies that focus on managing the logistics footprint required to sustain the force safely in any theater of operation. If confirmed, I will also continue to emphasize the logistics implications of new programs as a major factor in decisions about which programs to pursue.

264. What is your view of the role that the USD(ATL) should play in developing and pursuing alternative energy sources for the Department of Defense?

I believe AT&L has a lead role to play in pursuing alternative energy sources, both for operational forces through the Assistant Secretary of Defense for Operational Energy Plans and Programs, and for facilities energy through the Deputy Under Secretary of Defense for Installations and Environment.

265. Do you foresee a significant role for the use of solar and wind energy systems with deployed units operating in remote environments?

As DoD builds a more agile force, the Department is finding that improvements in our energy use, including the use of renewable energy, can increase our combat effectiveness. In particular, studies and deployed experience indicate that solar technology has promise for supplying energy for deployed units, though it depends on the mission and the environment. Solar technologies are proving most beneficial at the tactical edge, where they can reduce re-supply needs, can integrate with batteries, and diminish the noise and heat signature of U.S. forces. Wind energy systems for expeditionary units have not been deployed because of low average wind speeds in current operational environments, but they could be useful in some remote deployment situations, particularly as technologies for small, low-wind systems improve.

Base Realignment and Closure

The Secretary of Defense has indicated that the President's budget request will include a request for two future rounds of Base Realignment and Closure (BRAC), one in 2013 and the other in 2015. As you know, the most recent round of BRAC has just been completed and we are awaiting various reports outlining lessons learned and quantifying savings. Early indications, however, are that the 2005 BRAC failed to achieve the cost savings originally forecast.

266. What is your understanding of the Department’s rationale for requesting two additional rounds of BRAC?

The Department has formulated new military strategy guidance and a FY 13 budget intended to implement that guidance. This strategy and budget include force structure changes that will produce excess capacity. The Department’s rationale is essentially that these changes should be accompanied by a corresponding reduction in the supporting infrastructure including military bases that are no longer needed and which impose wasteful costs on the Department.

267. Are you aware of any analysis has been conducted to justify the request for two additional rounds of BRAC?

No specific analysis has been conducted yet. With the 2013 timeline in mind, the Department has started the initial preparatory work regarding internal governance for a BRAC process—inventorying our property and evaluating the extent to which the Department needs to update its analytical tools. These efforts will allow the Department to proceed expeditiously if Congress authorizes BRAC. After congressional authorization, the BRAC process begins with a certification that BRAC is needed and will produce savings. Specifically, the Department prepares a 20-year force structure plan and a comprehensive installation inventory. Using those documents, the Department prepares a report for Congress in which it: describes the infrastructure necessary to support the force structure, identifies areas of excess, conducts an economic analysis of the effect of closures and realignments on the excess capacity, and certifies that BRAC is needed and will generate savings. Only then is the Secretary authorized to proceed with the commission itself.

268. What is your view on the argument that we should close excess installations overseas before new rounds of BRAC are authorized?

I would agree that both should be examined, and the Department has already begun the process of reviewing its overseas bases, particularly in Europe. This does not require a BRAC authorization. However, in my view it makes sense to look at our domestic and overseas bases at the same time so that the two reviews can inform one another.

269. What changes if any would you recommend to the BRAC statute, if confirmed, to ensure a more efficient and effective BRAC process?

I would not recommend any changes to the BRAC statute. BRAC is a fair, objective, and proven process for closing and realigning installations.

Environmental Security

If confirmed, you will be responsible for environmental security for the Department of Defense.

270. What do you see as the most significant challenges facing the Department in the area of environmental security?

The greatest challenge will be maintaining and improving the Department's level of environmental security performance in a difficult budget environment. If confirmed, I will continue to look for ways to find efficiencies without undermining performance.

271. Assuming you are confirmed, what plans if any do you have for addressing these challenges?

If confirmed, my approach will continue to be twofold. First, I will continue the aggressive oversight of environmental programs, with the goal of minimizing management costs and making our organizational structure and performance contracts as efficient and effective as possible. Second, I will continue to emphasize the power of strategic R&D investments to lower the costs associated with environmental security.

While the military departments have made considerable progress addressing environmental contamination at military installations, there remains a substantial amount of work to be done, including the remediation of discarded munitions and Unexploded Ordnance (UXO), at current and former DOD sites. The military departments have managed to maintain reasonable level funding for these cleanup programs over the past several years; however, many of these clean-ups will take years to complete and, in the current budget environment, the restoration accounts will come under pressure.

272. What steps, if any, do you believe are needed to ensure that the DOD remediation programs receive adequate funding and make meaningful progress, particularly in the detection and clearance of discarded munitions and UXO?

I believe that the Department needs to continue its existing remediation programs as requested in the FY13 budget and that it also needs to continue the programs that are developing technologies that have high promise of making the remediation programs more cost effective. A decade of investment by the Strategic Environmental Research and Development Program (SERDP) and the Environmental Security Technology Certification Program (ESTCP) has yielded technologies that can discriminate between UXO and harmless metal objects with a high degree of reliability. This is a remarkable achievement provides the potential to dramatically accelerate the pace of remediation for UXO within available funds. If confirmed I will continue to support these programs and work to ensure that they are adequately funded and effectively executed.

273. How might the Strategic Environmental Research and Development Program (SERDP) help with the overall progress of the Defense Environmental Restoration program, particularly in view of the current fiscal environment?

SERDP is DoD's environmental science and technology program; its mission is to address high priority cross-service environmental requirements and develop solutions to the Department's most critical environmental challenges. SERDP is an R&D program that is aimed directly at reducing DoD operating costs. SERDP has allowed Department to avoid spending billions of dollars for environmental cleanup, environmental liability and weapons system maintenance. If confirmed, I will continue to support this high payoff investment.

Congressional Oversight

In order to exercise its legislative and oversight responsibilities, it is important that this Committee and other appropriate committees of the Congress are able to receive testimony, briefings, and other communications of information.

274. Do you agree, if confirmed for this high position, to appear before this Committee and other appropriate committees of the Congress?

Yes.

275. Do you agree, if confirmed, to appear before this Committee, or designated members of this Committee, and provide information, subject to appropriate and necessary security protection, with respect to your responsibilities as the USD(ATL)?

Yes.

276. Do you agree to ensure that testimony, briefings and other communications of information are provided to this Committee and its staff and other appropriate Committees?

Yes.

277. Do you agree to provide documents, including copies of electronic forms of communication, in a timely manner when requested by a duly constituted Committee, or to consult with the Committee regarding the basis for any good faith delay or denial in providing such documents?

Yes.