

**FOR OFFICIAL USE ONLY
UNTIL RELEASED BY THE
HOUSE COMMITTEE
ON ARMED SERVICES**

STATEMENT OF

**THE HONORABLE MICHAEL W. WYNNE
ACTING UNDER SECRETARY OF DEFENSE
(ACQUISITION, TECHNOLOGY, AND LOGISTICS)**

**BEFORE THE UNITED STATES HOUSE
COMMITTEE ON ARMED SERVICES**

June 24

**The Honorable Michael W. Wynne
Acting Under Secretary of Defense
(Acquisition, Technology and Logistics)**

Good morning Mr. Chairman, Mr. Ranking Member, and Members of the Committee. Thank you for the opportunity to discuss the role of contractors in the Department, particularly with the role of contractors that support the military forces. As I begin, I want to thank the contractors who support us abroad for their courage under fire and support of our national objectives. Numerous contractor personnel have died for their country, and we appreciate and remember their ultimate sacrifice.

Contractors on the Battlefield – A History

Contractors have historically been an integral part of our battlefield team in defending our nation. They have supported the military in every contingency since the Revolutionary War. General George Washington used contracted civilian wagon drivers to haul supplies. Vendors followed Union Troops and sold needed supplies to them during the Civil War. By WW II, civilian workers, hired either individually or through firms, provided support services in all the theaters of war. In the Korean War, contractors provided services ranging from stevedoring, road and rail maintenance to transportation. By Vietnam, contractors were becoming a major part of logistical capabilities within zones of operation providing construction, base operations, water and ground transportation, petroleum supply and maintenance/technical support for high-technology systems. During the Gulf War, there were contractor employees deployed in support of

U. S. Forces providing maintenance for high-tech equipment in addition to water, food, construction and other services.

The use of contractors in a theater of operation releases military units to concentrate on their core mission. Their partnership has allowed us to fill identified shortfalls and give the supported Combatant Commander an additional logistics option.

Current Defense Reliance Upon Contractor Support

Today, we depend upon government contractors to support myriad aspects of the Department's mission. Contractors play a direct role in the research and development of major weapons systems. They maintain both new and fielded weapons systems, and provide critical support in base maintenance and support services. Everything including high-tech, nano-engineering on classified programs, project planning and support, depot maintenance support for aviation platforms, and hauling away trash from our bases and offices can be, and is often, acquired via contract. In fact, in many cases, contractors provide critically needed service support in offices and programs across the Department.

Contractors are also involved with the Department in prosecuting the war on terrorism in every corner of the globe. The role of contractors within the Department is critical and it is certain that the Department, as currently staffed, needs contract support in order to carry out postwar stability and reconstruction work in Iraq. Contracting will have to continue if we are to be successful as a Department and as a country.

Why does the Department contract for support? Using the support provided by contractors extends the capability of the DoD civilian and military workforce and it allows the Department to focus upon its primary mission of defending the nation and

safeguarding our freedom. A key impetus for the Department's general reduction of internal resources has been extensive support of competitive sourcing initiatives which strongly encourage government activities to compete their commercial functions with industry. This is done with the goal of establishing a provider of a service that will enhance the quality, economy and productivity of the government. That provider can often be a government contractor.

Often, the Department contracts for support and capabilities where the Department either does not have the expertise or the organic resources. Contracting can enable the Department to access technology and capabilities that would have been unavailable to the Department, would take an inordinate amount of time to develop internally, or would be prohibitively expensive to develop. Accessing commercially available capability makes sense and ensures that we stay ahead of our adversaries.

In today's current environment the Department buys on a performance or outcome basis. We don't necessarily tell the contractor how to build something; we specify what we want as an outcome or result. Often, this can constitute a services contract requirement. For example, we want to be able to fly an aircraft with 99% availability. The contractor provides the necessary maintenance and support personnel to guarantee the aircraft's availability. Historically, we might have bought engines, spare parts, hourly labor and other consumable items. The contract would have largely been a hardware procurement. Further, on a number of information technology requirements, we contract for computer and connectivity service rather than computer hardware and software. We write the contract to require the contractor to keep us supported with the latest in

computer technology. How they accomplish this support is up to the contractor. In the same vein, we used to procure rockets and associated hardware to put satellites into space. The details and specifications to accomplish this were mind-boggling. Now, we put the responsibility on the contractor. We buy capabilities which may constitute a services contract. This is consistent with state-of-the-art commercial practices.

Even as we buy smarter, today's acquisition professionals must work harder than ever to manage rising funding requirements, to execute a growing number of contracting actions, and to administer an expanding range and volume of complex acquisitions, including performance-based contracting and services acquisition. The AT&L workforce, as defined and managed by the DoD, shrank by 10%, from 149,439 people in March 1998 (when it was first defined) to 134,431 people in September 2003. However, from a workload perspective, the investment account funding (*i.e.* RDT&E, Procurement, and Military Construction funds) increased 54%, from \$96.5B in FY 1998 to \$148.8B in FY 2003. Similarly, total number of contract actions exceeding \$100,000 (*i.e.*, those that require the vast majority of work by acquisition personnel) increased 57% from 120,560 in FY 98 to 189,140 in FY 2003. While the AT&L workforce has been shrinking, we continue to place greater demands on our workforce. To help meet this demand efficiently, we contract for project planning and support as specific needs arise. This is just one example of how the Department leverages contractor support to meet mission requirements.

The amount the Department spends on services further illustrates the growing dependence upon contracted support. In 2001 we spent \$153B on goods and services and

in 2003 we spent \$209B. Of that \$209B in 2003, we spent \$118.B on services including R&D and construction and \$91B on supplies or hardware. Of the \$118B, \$76B is for services excluding R&D and construction. In fact, over the past five years the Department has consistently spent more on services than on weapons, goods, supplies and equipment. Up until the most recent 5 years, the Department consistently spent more on supplies and equipment than on services.

Contracting with industry, prudently approached in the current environment, can be an effective means of leveraging the government's organic capability.

Guidance

Although policy, regulations, and laws exist relating to contractors on the battlefield, the Joint Staff and my organization are drafting overarching policy and procedures to address management of contractor personnel during contingency operations. These polices and procedures will not only provide new policy to address issues encountered during recent operations but will also serve as a "roadmap" to navigate through the existing policy and procedures available today. We also plan to issue new rules on the proper use of non-DoD contract vehicles that are often used to acquire contractor support during contingency operations.

First, we are developing a DoD Directive (and companion DoD Instruction) for the "Management of Contractor Personnel During Contingency Operations" since existing policy does not capture lessons from recent operations nor does DoD currently have a single directive (as recommended by GAO in GAO-03-695 of June 2003) to address the issues of contractor personnel management. Issues being addressed include:

better integration of contractors into planning; maintaining visibility; force protection; protective equipment; weapons; uniforms; medical, and mortuary coverage. Over 400 comments were received and resolved on the first draft of this directive. We plan to coordinate a final draft DoD directive and instruction through the Military Departments, the Combatant Commanders, and the Defense Agencies by the end of July. Barring any significant changes and after reconciling any final comments we hope to have an approved directive in October of this year.

Second, the resolution of policy issues must be consistent with a proposed Defense FAR Supplement rule on “Contractors Accompanying a Deployed Force,” which is simultaneously in process. Currently the procurement regulations do not have a standardized approach for addressing most issues that deal with contractors accompanying the forces engaged in contingency, humanitarian, peacekeeping, or combat operations outside the United States. Therefore, individual contracting offices deal with these issues on a contract-by-contract basis, negotiating unique terms and conditions for each contract. The rule is designed to ensure the uniform treatment of contractors that accompany a deployed force, and to enable combatant commanders to rapidly adjust contract requirements in response to changing conditions on the battlefield. There are a number of significant issues that surfaced through the public comment process. For example, there is significant controversy over the policy of whether contractors should carry weapons and under which circumstances the combatant commander can issue directions to contractors. Direction given by combatant commanders can create contractual problems, such as violation of the Anti-Deficiency Act if funds are not

available. We have established an ad hoc committee to resolve these issues as we proceed to publication of a final rule, which is planned also for October of this year.

DoD satisfies its wartime contractual needs in a number of ways. This includes the award of standalone contracts, orders issued under existing umbrella type contracts such as multiple agency contracts and General Services Administration Schedules. Recent experience highlights the need to properly use all of these methods and in particular non-DoD contract vehicles. In order to better ensure that non-DoD contract vehicles are the best solution to satisfy DoD needs and to ensure they are properly used, we plan to issue new guidance. Under the new guidance, DoD contracting officers will have to approve use of non-DoD contract vehicles. This will provide more oversight for requirements that currently may flow directly from the customer such as a program manager to a non-DoD entity such as GSA's Federal Technology Service. Also, the contracting officer will have to consider whether the requirement properly fits within the scope of the intended umbrella contract and whether it offers the best way to satisfy DoD requirements, considering schedule, fees, and other factors.

Conclusion

In closing, contractors are an integral part of the Defense team to meet the many missions of the Department. Besides providing critical weapon systems and supplies, the utilization of contractors to provide services releases military units to concentrate on their core missions. To improve on the management of contractors in the battlefield, we are developing overarching policies and procedures to address the issues associated with contractor personnel in the theater of operations. I appreciate the support the House

Armed Services Committee has provided for the Department's acquisition and technology programs and our soldiers, sailors, airmen, and Marines. I look forward to working with you to make our support to the warfighter even better. Thank you.