

**Oral Testimony – Robin “Pug” Gutridge
on
The Department of Defense and Industry: Does DoD Effectively Manage
its Industrial Base and Match its Acquisition Strategies to the Marketplace?**

Good morning, Chairman Andrews and Ranking Member Conaway, my name is Pug Gutridge and I am President of Cherokee Information Services. I am a retired U.S. Coast Guard acquisition professional and pilot, and have spent the last 13 years in the private sector. Cherokee is an IT services provider to the Department of Defense (DoD) and other civilian agencies, and I am honored to be here today to represent TechAmerica¹ and provide you with our thoughts on the acquisition of technology at DoD.

The most important point I want to make to you today is that the Department of Defense – and the rest of the U.S. Government for that matter – has moved away from the tenets Congress adopted in the last 10-15 years to make acquisition of commercial and COTS items easier and more affordable. Now agencies are moving toward an environment that is increasingly government-unique in both the requirements placed on the products and services being acquired, and in the terms and conditions under which the acquisition can occur. If we continue down this path, the Government will find it increasingly difficult to attract and retain commercial IT and technology providers, and, subsequently, to unearth and utilize the kinds of innovation we see in the commercial market today.

One of the main reasons for this is because the DoD role in the global IT marketplace is diminishing, which leads to decreased competition. Currently, DoD accounts for less than .1%, so incorporating the government-unique requirements I mentioned previously will only make it more difficult for a company to enter the DoD market or sustain a presence.

¹ TechAmerica is the leading voice for the U.S. technology industry, which is the driving force behind productivity growth and jobs creation in the United States and the foundation of the global innovation economy. Representing approximately 1,500 member companies of all sizes from the public and commercial sectors of the economy, it is the industry’s largest advocacy organization and is dedicated to helping members’ top and bottom lines. It is also the technology industry’s only grassroots-to-global advocacy network, with offices in state capitals around the United States, Washington, D.C., Europe (Brussels) and Asia (Beijing). TechAmerica was formed by the merger of AeA (formerly the American Electronics Association), the Cyber Security Industry Alliance (CSIA), the Information Technology Association of America (ITAA) and the Government Electronics & Information Association (GEIA). Learn more at www.techamerica.org.

Another reason is because DoD acquisition of technology takes significantly longer than the commercial product lifecycle, and is vastly different from the commercial buying process. Because technology refreshes at a minimum of every 18-24 months, a commercial acquisition best practice is to identify the products and/or services, buy them, and deploy them in less than 24 months. This time frame is feasible because market research, due diligence, and pre-solicitation processes are much more open to dialogue and establishing trusted relationships than the federal acquisition process.

The current buying practices of the Department also disguise its presence in the commercial marketplace. Although DoD spends a considerable amount of its budget on IT, the average contract action size has reduced from nearly \$2.5M in 2000 to \$204K in 2007. So this fragmented buying practice, coupled with the increased risk for commercial companies and the rising cost of winning and sustaining contracts, has diminished the attractiveness of the DoD market.

We also have significant concerns that the erosion of the acquisition workforce is making DoD less able to keep pace and deploy innovative solutions. We have seen an increasing ratio of contract transaction numbers and size to the number of employees, but we have also seen a significant decline in the numbers of that workforce who have the adequate skills to understand complex information systems. Attracting the best and brightest workforce is crucial to the development of adequate requirements, which leads to the creation of effective technology systems and enterprise-wide solutions.

The last point I wanted to note is that the increasingly risk-adverse environment under which we are currently contracting only leads to decisions by government personnel based largely on avoiding risk. We believe that acquisition practices should be aligned to reward actions to acquire IT services or products in a timely, cost-effective manner. We must find a way back to a more open environment that creates incentives and rewards for the acquisition workforce and the contracting community to produce outcomes based upon best value for the Warfighter and the taxpayer.

Thank you again for the opportunity to provide our perspective on the Department of Defense and industry, and we hope that you find our particular perspective on the technology and IT sector informative to your efforts on the Panel. I would be happy to answer your questions.