

**PANEL ON DEFENSE ACQUISITION REFORM**

**HOUSE COMMITTEE ON ARMED SERVICES**

**JULY 21, 2009**

**TESTIMONY OF**

**LT. GENERAL LAWRENCE P. FARRELL, JR. (USAF RET)**

**PRESIDENT AND CEO**

**NATIONAL DEFENSE INDUSTRIAL ASSOCIATION**

Chairman Andrews, Ranking Member Conaway, I am Larry Farrell, President and CEO of the National Defense Industrial Association and on behalf of our 1560 corporate members, and just over 71,200 individual members, I am pleased to appear before the Panel on Acquisition Reform today to emphasize the importance of acquisition workforce reform from the defense industry point of view.

Earlier this year, the Secretary of Defense announced a program to improve the capacity and capability of the acquisition workforce by converting 10,000 contractor positions and hiring an additional 10,000 acquisition professionals by 2015. The President's budget request for fiscal year 2010 would fund approximately 4100 new acquisition positions. The Acting Deputy Under Secretary of Defense (Acquisition & Technology) testified a few weeks ago that this increased level of acquisition professionals would, when completed, restore the organic acquisition workforce to its 1998 levels of approximately 147,000 and address long standing shortfalls in the Defense acquisition workforce". This proposal would, in my opinion, certainly revitalize the Department's acquisition workforce; however, for this plan to succeed, a long term policy and funding commitment must be sustained. It is a complex task with no easy fix. And it is not just a question of "insourcing work". The major issue is there are too few government acquisition personnel with the right measure of critical skills such as

system engineering, program management, contract oversight, and cost estimating to name a few. It is important to add acquisition personnel in the most critical and under-resourced areas.

Replacing the depleted federal acquisition workforce continues to represent a real and practical challenge for all federal agencies. Insufficient and improperly skilled employees can impact the ability of agencies to meet their mission requirements. It has been estimated that over the next five years nearly 50% of the acquisition workforce will be eligible for retirement. These realities are already surfacing in many agencies. Resolving acquisition workforce shortfalls calls for enhanced recruitment processes, increased training, and amended retention priorities. We face a human capital crisis that must be met with immediate investment and revised policies along with adequate funds available to train the acquisition workforce. This could include a government-industry acquisition professional exchange program to broaden practical experience, gain critical skills and afford important exposure. In addition, the Defense Acquisition University located at Fort Belvoir, Virginia is well equipped to provide acquisition training at all levels.

NDIA supports efforts to institute human resources reform to meet the expanding acquisition workforce crisis and, among other things, allowing pay

for performance, career progression and promotion with a foundation based upon learning and organizational contributions, not time in grade. It is also important to ensure the pay and benefits of our acquisition workforce remain competitive with industry to draw the best and brightest into federal acquisition careers.

There are several steps that are critical to promoting a vigorous and responsive government acquisition workforce.

The first step in reforming the acquisition workforce is to determine exactly the current makeup of the Department's acquisition workforce in terms of skills, types, years of experience and retention prospects. I understand that DoD has been conducting an acquisition personnel audit for the past few years and is nearing completion. Once it is known what and where the shortages are, the next steps can be taken.

The next step will be to determine which acquisition functions should or should not be performed by industry contractors and which functions must be performed by the government. Government and industry are both ill served by the current failure to define the scope of the functions that government employees must, or should, perform, based on an ambiguous definition of "inherently governmental function" that then serves as a foundation for the even

more ambiguous term of “functions closely associated with inherently governmental functions” and an undefined term “commercially exempt activities.” Although a definition of “inherently governmental function” is contained in the Federal Acquisition Regulation, there is no consistently applied definition in the various Federal agencies, including the Department of Defense (DoD).

Last year, Congress mandated<sup>1</sup> that the Office of Management and Budget (OMB), in consultation with other agencies, develop a single, government-wide definition for inherently governmental functions and criteria for the identification of critical positions that government employees should fill. That process is on-going, a public hearing on this mandate was held on June 18<sup>th</sup> in which NDIA participated in conjunction with several other industry associations.

The Administration endorsed this approach as stated in President Obama’s March 4, 2009 memo to all Federal agencies. The President’s memo further directed OMB to accomplish the Congressional mandate by September 30, 2009.

The next step is to provide adequate, sustained funding for the acquisition workforce. Two years ago, the Committee included legislation<sup>2</sup> that created the

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<sup>1</sup> Section 321, Duncan Hunter National Defense Authorization Act for Fiscal Year 2009

<sup>2</sup> Section 852, National Defense Authorization Act for Fiscal Year 2008

Department of Defense Acquisition Workforce Development Fund to ensure that the DoD has the necessary funding to sustain an acquisition workforce that has the capacity, in both personnel and skills, needed to properly perform its mission, provide appropriate oversight of contractor performance, and ensure that the DoD receives the best value for the expenditure of public resources. The funding for this development fund is derived from a percentage reduction (0.5% in 2008 rising to a maximum of 2.0% after 2010) from all service contracts of the military services (except R&D and military construction). Clearly the cornerstone to rebuilding our workforce crisis is to quickly recruit and fill critical acquisition workforce vacancies and to build a robust professional environment that includes effective training with empowered leadership that rewards acquisition professionals. Only through sustained adequate funding can this objective be met. NDIA supports this concept as a crucial step in improving the acquisition workforce.

Recruiting qualified personnel will be a challenge for the DoD, especially in the short term to hire nearly 4100 next year and growing to 10,000 by 2015. A recent report<sup>3</sup> by the Wharton School, University of Pennsylvania, stated “the challenge now is not only whether you can get the bodies, but can you get the right bodies with the right skills”. Even in these difficult economic times, attracting qualified, clearable employees, especially low to mid level employees, will be a challenge

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<sup>3</sup> Wharton Aerospace & Defense Report, June 5, 2009

for DoD due to a negative perception of “government jobs”. Qualifications need to include a much higher percentage of acquisition professionals who also have scientific, mathematic and engineering backgrounds. If it is important enough to hire people with strong contractual and program management skills, it is also important to ensure that they have the technical skills to understand what a best value solution is and why one technology or solution is better than another.

DoD’s recruiting plans need to show prospective employees the benefits of long term government employment, especially the highly sought after technically trained workers who also have management skills. Consideration should be given to include the acquisition workforce in hiring programs that are also used to bring in highly trained technical workers so that pay scales are reasonable comparable to what these same workers could earn in civilian jobs. Otherwise, the cycle of bringing in advisory services contractors to provide that expertise will simply re-emerge in another form.

I should note that the Defense Contract Management Agency (DCMA), in an effort to establish improved practices to recruit and retain employees, has begun its “Human Capital Solutions Initiative”. This new program is aimed at improving DCMA’s workforce training, leadership development, succession

planning, and overall workforce planning. Any DoD plan to reform the acquisition workforce should take these initiatives under consideration.

The final point I would like to make is, I believe one of the, if not the most important issues for the long term viability of an effective acquisition workforce.

The U.S. is not producing enough graduates trained in science, technology, engineering, and mathematics (STEM) who qualify for security clearances. The graduates we do produce are not representative of the population of the US, reducing the diversity of the workforce that feeds innovation and creativity. The problem of a smaller, less diverse STEM workforce presents a serious risk for national security over the next decade, as Baby Boomers retire without an employable talent pipeline to replace them. Expertise has already been lost to some degree, and that trend is accelerating with every class of retirees.

The technical and mathematical literacy of the entire national security workforce has been falling for almost 20 years according to the National Academy of Sciences report<sup>4</sup> "Rising Above The Gathering Storm". This is a critical issue for government and industry. It is not just an issue of how many engineers are graduating from collage and how many are finding jobs, as recently reported in USA Today, it is about the level of technical and scientific understanding that our

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<sup>4</sup> National Academy of Sciences, National Academy of Engineering, and Institute of Medicine

entire workforce can bring to bear to solve our toughest national security challenges.

Ultimately, it is imperative that we increase the number of students who are prepared and excited to enter vocational, undergraduate and graduate programs in STEM fields. With industry, government, and community involvement NDIA believes this can be achieved and our national security workforce, government and industry, will be sustained and strengthened. To succeed, we as stakeholders in the national security of the United States must develop and support unique, exciting, and inspiring ways to encourage young Americans to pursue STEM careers and improve the level of STEM content and understanding at all educational levels.

In summary, the Defense Department confronts a work force problem that has taken many years to develop and will take many years to fix. The need is for government and industry to work on this together, balancing skills and needs on both sides. Ultimately, the production and acquisition of the most advanced world class weapons systems requires a world class acquisition system, robust and well-balanced in not only government but industry as well.

Mr. Chairman, thank you for the invitation to appear today, and thank you for your leadership and the efforts of the Armed Services Committee to recognize

the importance of this issue. NDIA stands ready to assist you and the Committee in any way we can. I would be pleased to answer any questions the Panel may have either today or in writing.