

STATEMENT OF  
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BEFORE THE  
SUBCOMMITTEE ON READINESS

OF THE  
HOUSE ARMED SERVICES COMMITTEE

ON  
THE ROLE OF CONTRACTORS SUPPORTING MILITARY FORCES

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Mr. Chairman, distinguished members of the Subcommittee, thank you for this opportunity to discuss the Department of the Navy's policies on contractor support to the warfighter, and our practices in overseeing those contractors.

The Navy and Marine Corps Team is unique among the Services in that our mission, being expeditionary in nature, is focused on operating independently, and our operating culture is based on being able to sustain operations organically in an isolated environment, independent of sustained contractor support. We are often called upon to operate in areas where access may be restricted by friends, withheld by neutrals, or denied by adversaries. Naval Forces must be capable of initiating and sustaining combat operations by sea, land, and air without being limited by a lack of logistics or host nation support. The Navy does not carry a large cadre of contractors aboard ship, and the Marines do not typically take contractors ashore to support their landing forces.

Throughout the history of the Naval Services, we have relied to some degree on the support of contractors to effectively and successfully carry out our mission. As a matter of fact, the first Navy supply officer, Mr. Tench Francis, was a civilian contractor hired to conduct purchasing and supply operations on the Navy's behalf. Additionally, since the Navy and Marine Corps Team must always be ready to protect United States interests worldwide on short notice, we maintain fleet units deployed at all times, and have contract support arrangements, commonly called husbanding contracts, in place at ports around the globe, in lieu of establishing an organic Navy presence in every port we might need to visit. These arrangements are put in place in advance, so that they are

available when needed to re-supply our ships and to support in-port operations, on an on-call basis.

Historically, the Navy and Marine Corps relied on an organic capability to sustain operations. We designed and built our own ships and submarines in Naval Shipyards. We acquired, stocked, and distributed millions of individual spare parts, necessitating maintenance of an extended logistics supply chain from warehouses, to depots, to transportation points, to the fleet. During the past century, we came to rely on the shipbuilding industry to design and build our ships and submarines for us. In addition, over the past 10-15 years, we have been moving away from being our own logistics support agent to relying on contractors to perform that function.

In the current environment, our industry partners are supporting our forward deployed military forces primarily in the area of specific weapon system support, either under a contracted logistics support arrangement such as Performance Based Logistics or Contractor Logistics Support, or under a field technical services contract. The performance of the work is monitored by the assigned organization – either the Defense Contract Management Agency or the Navy or Marine Corps end-user at the site where the field technical support is performed. In either case, verification of successful performance of the work is a necessary prerequisite for contractor payment.

The only other major industry partner support we use is in the construction arena. The Naval Facilities Engineering Command (NAVFAC), in 2000, awarded a competitive five-year Emergency Construction Capabilities, Worldwide (CONCAP) contract. The CONCAP contract is a Cost-Plus-Award Fee, Indefinite Quantity/Indefinite Delivery

contract which provides the Navy an immediate response for construction and construction related engineering services in support of contingency and emergency situations. In 2003, CONCAP provided support to the Marine Expeditionary Group and the Seabees for work in Kuwait for construction of retrograde facilities and material logistic support valued at approximately \$14.6 million. This contract was also used for emergency response for detention facilities at Guantanamo Bay, Cuba, valued at approximately \$110 million and typhoon and hurricane response for approximately \$62 million over the past two years.

NAVFAC maintains the organic capability and capacity to manage and oversee all its construction work, either through its Resident Officer-in-Charge of Construction (ROICC) organization or through the assignment of Navy Technical Representatives in locations where a ROICC isn't available. Contractor payment is handled through this contract administration structure, again with payments authorized only after confirmation that the work has been satisfactorily completed.

Finally, in response to growing concerns regarding the acquisition of services, and in implementation of Section 801 of the National Defense Authorization Act for Fiscal Year 2002, we developed and implemented a Management Oversight Process for the Acquisition of Services, and I am the approval authority for the largest acquisitions.

Mr. Chairman, in summary, our industry partners provide essential support to the deployed military forces that enables our forces to focus on their core national defense mission. The Navy and Marine Corps acquisition team is continuing to provide our warfighters the support they need, consistent with responsible management and

stewardship. Effective acquisition planning, timely contract execution, and responsible management and oversight have provided the Navy and Marine Corps Team the contractor support needed to accomplish the mission. We are doing everything it takes to make sure our Sailors and Marines are provided with the safest, most dependable, and highest performance equipment available within fiscal constraints, together with the logistics and material support necessary to ensure performance wherever and whenever they are needed.