

Chairman Warner, Senator Levin, members of the Committee, thank you for the opportunity to appear before you today. This is a Committee that I greatly admire, with members whom I have come to know and to greatly respect after four years in Washington. I also thank the Committee for helping to provide our magnificent men and women in uniform with the equipment they need to protect and defend our great Nation. It is your oversight role that is critical in ensuring the continued confidence of the American people.

During my last appearance before this committee when seeking confirmation as the Deputy Secretary of Defense, I commented that ethical leadership is especially critical in the Department of Defense because trust and confidence define the strength of the link between a nation and her citizens and her military. While legal adherence is always necessary, ethical

behavior is absolutely essential. Actions by the Department of Defense must always be above reproach and, as this Committee has properly emphasized, when individuals do not meet the standards expected by the American people, they need to be held accountable.

It is vitally important that the Department have in place the effective processes with appropriate checks and balances to ensure that America's warfighters receive the equipment they need, when they need it, while at all times providing transparency and the greatest value possible for every single taxpayer dollar spent. We owe that to our troops who serve us so bravely, and we owe it to the American people who have entrusted us with this important task and who support us so generously.

Regarding the Inspector General's Accountability Review of the Boeing Tanker Program, many recommendations for corrective action and for better checks and balances in acquisition have been

assembled and proposed. Multiple organizations and interested groups including the Inspector General, the Defense Science Board, the Defense Acquisition University, the Industrial College of the Armed Forces, the General Accountability Office, studies internal to the Department of Defense and others have applied their expertise, talents and energies in evaluating the Tanker Recapitalization issue.

As a result of these recommendations, many changes have already been instituted within the Department of Defense. We have initiated a three-pronged approach:

First – restore primacy of the acquisition process through cancellation of the Leasing Panel, conformance to the DFAR and 5000 Series and implementation of the Defense Acquisition Guidebook. Second, strengthen Internal Controls to assure conformity to Process and Integrity. Finally, and most importantly, restore primacy of Integrity in Acquisition.

As a result of these recommendations, many changes have already been instituted within the Department of Defense to include changes to DOD Instruction 5002, changes to FARS and DFARS to clarify the Contracting Officer authority, restructuring the Defense Acquisition University curriculum, rewriting of the Commercial Item Handbook and many others.

I commend the efforts of everyone involved in this endeavor. In my judgment, all of these changes and proposals will be helpful as we go forward.

On the other hand, as we discussed during my confirmation hearing, the entire acquisition structure within the Department of Defense needs to be re-examined in great detail. As highlighted by Senator Lieberman during that hearing, there is a clearly growing and deep concern about the acquisition process within the Department of Defense in this Committee, and you know that I

share that concern. In my judgment, no single proposal that I am aware of, no “tweak”, no “silver bullet” should substitute for a comprehensive, end-to-end review and analysis of this extremely complex acquisition system. In order to meet our dual responsibilities of providing our fighting men and women with the very best they require and satisfy our charge as trusted stewards of the taxpayer, we can do no less.

While we have recently incorporated many individual corrective actions in our acquisition processes, the final answer to past problems may lie in a complete restructuring of the way the Department accomplishes acquisition for all of its goods and services. Senator McCain earlier stated this needs to be a comprehensive study, even going back and looking at the premises of Goldwater-Nichols. We will do that. We have started this effort.

I want to assure this Committee that we in DoD values our relationship with the Congress and with this Committee, and we will consult with you and will seek your advice and counsel, including enabling legislation, as we go forward. This Committee and the Department of Defense share a common goal, and that is to maintain the confidence and trust of our citizens while protecting and defending this great Nation.

Know that you have my personal commitment to manage the Department ethically and above reproach, to be forthright, honest and direct with everyone and in every circumstance and to expect the same from every DoD employee. I will work closely with you to restore and retain confidence, effectiveness and efficiency in the DoD acquisition process. Thank you for your support.