

DoD Secretary Gates Releases Budget Recommendations Which Include Contracting Cuts

Defense Secretary Gates released his recommendations for the Pentagon's fiscal 2010 budget, which include cuts for various weapons systems.

Secretary Gates- Budget Press Briefing Monday, April 6, 2009 **FY 2010 DoD Budget Recommendations**

Three Goals:

- 1) Stop programs that significantly exceed their budget
- 2) Terminate programs where the technologies required were not reasonably available to affordably meet the programs' cost or schedule goals
- 3) Estimate program costs, adequately staff the government acquisition team and provide disciplined and constant oversight.

Acquisition Reform Recommendations:

- 1) The budget request will increase the size of defense acquisition workforce, converting 11,000 contractors and hiring an additional 9,000 government acquisition professionals by 2015 – beginning with 4,100 in FY10.
- 2) The budget request reduces the number of support service contractors from the current 39 percent of the workforce to the pre-2001 level of 26 percent and replace them with full-time government employees. The goal is to hire as many as 13,000 new civil servants in FY10 to replace contractors and up to 30,000 new civil servants in place of contractors over the next five years.

Click here to view Secretary Gates DoD Budget Recommendations:

<http://www.defenselink.mil/speeches/speech.aspx?speechid=1341>

Copied below is a Washington Post article on DoD Budget Recommendations:

Contracting Boom Could Fizzle Out
Jobs Would Return to Pentagon

By Dana Hedgpeth
Washington Post Staff Writer
Tuesday, April 7, 2009; Page A01

The recent surge in the Washington area's defense-contracting workforce would begin to ebb

under Defense Secretary Robert M. Gates's latest budget proposal as the Pentagon moves to replace legions of private workers with full-time civil servants.

The budget would reverse a contracting boom, beginning after the 2001 terrorist attacks, in which the proportion of private contractors grew to 39 percent of the Pentagon's workforce. Gates said he wants to reduce that percentage to a pre-Sept. 11 level of 26 percent.

The government said it would hire as many as 13,000 civil servants to replace contractors in the coming year and up to 39,000 over the next five years.

Roughly 7.5 percent of metropolitan Washington's labor force -- about 291,000 jobs -- is tied to Pentagon contracting. Defense analysts and government contracting experts said Gates's move could affect companies such as CACI and SAIC, which do [large](#) amounts of government contracting work, offering technical services, administrative support, database outsourcing and contract management.

Local giants Lockheed Martin and General Dynamics also run substantial government-support operations and would see some weapons projects cut, while other programs would receive budget increases.

"The reduction of nearly one-third of the contractor workforce at the Pentagon is going to be a mortal blow to companies that have built their businesses through outsourcing," said Loren Thompson, a defense consultant. The Obama administration wants "more of the skill in the government rather than contracting out."

In particular, the proposed budget would sharply reduce the number of contractors who help the Pentagon oversee and manage its vast weapons-buying apparatus following a string of reports chronicling cost overruns and other problems. Of the 13,000 private contractors to be replaced in the coming year, 2,500 of them would be in the acquisition workforce. Of the 39,000 workers over five years, 20,000 would be in acquisitions. "We are right-sizing the defense acquisition workforce so we can improve our contract oversight and get a better deal for the taxpayers," said Shay Assad, the Pentagon's director of defense procurement and acquisition policy.

"Federal acquisition has atrophied," said Stan Z. Soloway, president of the Professional Services Council, a trade group for government contractors. "This is a targeted shifting. The government does need to rebuild its position, so it has these critical, core skills of acquisition support, engineering and technical support."

But Soloway cautioned that finding such skilled workers can be a challenge because such workers are often in high demand by better-paying companies in the private sector.

A CACI executive said the company is waiting for further details before commenting.

The Arlington company has 12,300 employees, half of whom are in the D.C. region. Ninety-five

percent of its \$2.4 billion in revenue last year came from federal contracts for technical services and information technology and contracting oversight for the Army and Navy, as well as such Pentagon offices as the Defense Advanced Research Projects Agency and the Missile Defense Agency.

Overall, the budget Gates proposed calls for major cuts to the weapons programs of some of the largest contractors. But Wall Street appeared to mostly take it in stride, bidding up defense-company stocks because the cuts were not as deep as some had feared.

"You saw some relief," said Peter Arment, managing director at Broadpoint AmTech in Greenwich, Conn.

One of the hardest-hit defense firms was Boeing.

The Chicago company's \$150 billion Future Combat Systems, a family of Army vehicles linked by high-tech communications, came under criticism from Gates for being costly and plagued by development problems. He proposed canceling the \$87 billion vehicle part of the system -- a move that would hurt Boeing, SAIC and their subcontractors, BAE and General Dynamics.

Gates also proposed canceling some of Boeing's missile defense programs, including one to equip a modified 747 aircraft with a laser that can shoot down missiles soon after they're launched, saying the program "has significant affordability and technology problems and the program's proposed operational role is highly questionable."

Boeing would also be hurt because it makes one-third of the F-22 fighter jet and the Pentagon plans to stop ordering additional aircraft. Gates would also cancel the Air Force's program to build a new search-and-rescue helicopter, which had been awarded to Boeing. And it would not order more of Boeing's C-17 cargo planes. Boeing could also see a military satellite program, known as TSAT, end.

Boeing said in a statement that it would be "studying Secretary Gates' announcement for potential impact" to the company.

Lockheed Martin, of Bethesda, the biggest defense contractor in the world, also took hits on several of its major programs.

Gates said he would kill the company's bid to build the presidential helicopter, known as the VH-71, citing the fact that the program is six years late and has gone from initial estimates of \$6 billion to \$13 billion. That could affect the company's production line in Owego, N.Y., analysts said.

Lockheed was also hit by the move to not order more F-22 fighter jets. Perhaps hoping for support in Congress, the company has taken out newspaper ads explaining how its F-22 supports roughly 25,000 jobs around the country.

But the Pentagon proposed ordering more of Lockheed's F-35 known as the Joint Strike Fighter,

and it would increase from two to three the number of littoral combat ships being built by Lockheed and General Dynamics to patrol near enemy coastlines.

Lockheed Martin spokeswoman Cheryl Amerine said the company was "assessing the impact" of Gates's proposed cuts and increases on their weapons programs.