



United States Senate

Committee on Homeland Security and Governmental Affairs

Chairman Joseph I. Lieberman, ID-Conn.

Transforming Wartime Contracting: Recommendations of the Commission on Wartime Contracting

Chairman Joe Lieberman

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AS PREPARED FOR DELIVERY

Good afternoon. I want to start by welcoming members of the Commission on Wartime Contracting in Iraq and Afghanistan, especially the co-chairs. Unfortunately, Co-Chairman Michael J. Thibault [Tee-bow] can't join us today. He is a former deputy director of the Defense Contract Audit Agency and has a long and distinguished career in contract management.

The other Co-Chairman, who is joining us today, is my friend and colleague from Connecticut, Congressman Chris Shays, who served as a senior member of the House Oversight and Government Reform, Financial Services and Homeland Security Committees.

I want to both thank and compliment you for the sustained bipartisan effort it took to produce this report that had the unanimous agreement of its eight members. That's the kind of cooperative effort we need more of in Washington.

The Commission on Wartime Contracting was created by legislation sponsored by Sens. McCaskill and Webb, whom we will hear from shortly, to investigate our reconstruction efforts in Iraq and Afghanistan. Last month the Commission issued its final – and disturbing – report that says that at least \$31 billion – and perhaps as much as \$60 billion – have been squandered in waste, fraud and abuse in Iraq and Afghanistan over the past 10 years.

I support the wars in Iraq and Afghanistan and also support aggressive rebuilding efforts in both those nations as a way to establish stable democratic governments that would be our allies.

The ultimate waste – not just of money but of the brave sacrifice made by our men and women in uniform – would be to walk away and let Iraq and Afghanistan fall back into the hands of dictators or Islamist fanatics.

The doctrine of “clear, hold, and build” articulated by General Petraeus– as the way to defeat insurgents-- is the right approach, and I know from my own visits to Iraq and Afghanistan that many of these projects are worthwhile.

Still, under our present budget pressures we just can't afford the sloppy spending identified by the Commission.

Some of the examples of waste are infuriating.

U.S. tax dollars paid \$300 million to build a power plant in Kabul that would supply the city with electricity around the clock and spur economic development. But the Afghan government couldn't afford the fuel to run the plant and instead contracted to buy electricity from Uzbekistan at a fraction of the price – and the power plant built with our money is now just an expensive backup generator.

U.S. tax dollars went toward building a \$40 million prison in Diyala Province of Iraq that the Iraqis said they didn't want and refused to take possession of. The project was not only never completed – it was abandoned with \$1.2 million worth of materials left at the site.

Much of the waste identified by the Commission stems from a lack of competition, which should be the cornerstone of government contracting because competition among vendors gets us the best prices.

The prime case in point is LOGCAP III – a key logistical contract to provide a variety of support services to our troops that was initially issued competitively to Kellogg Brown and Root – or KBR – but then ran another decade without being rebid. The Commission estimates that about \$3.3 billion was wasted due to this lack of competition.

One of the frustrations in reading the Commission’s report is that the underlying problems it identifies are not a surprise – we have known about them for years. We’ve undertaken a number of important reforms to address those problems and yet we still continue to see billions of dollars wasted.

For example, Senator Collins and I authored a provision, enacted into law in 2008, that mandated the creation of a Contingency Contracting Corps – a cadre of trained acquisition professionals who could deploy in contingency operations or disaster response.

Now three years later we have the Commission recommending creation of such a Corps as one of its key recommendations.

Senator Collins and I also sponsored a number of contract reform provisions that were passed through this Committee in 2007 and signed into law as part of the annual Defense authorization bills in 2008 and 2009.

For example, we enacted a new limit on the length of non-competitive contracts, we passed rules requiring more competition, we mandated new regulations on the use of cost-reimbursement contracts, and we severely restricted the award of large task and delivery order contracts to a single source – the type of contract that KBR had under LOGCAP III.

Implementation of some of these provisions has been slow, and waste flowing from lack of competition and reliance on cost-type contracts is amply documented by the Commission.

The Armed Services Committee has also enacted a number of reforms, including provisions to tighten use of private security contractors.

And Congress has created Special Inspectors General for Iraq and Afghanistan Reconstruction, and the Commission whose report we consider today. The Government Accountability Office has produced many reports on contracting associated with the two wars. And here in our own Committee, the problems with wartime contracting were a major impetus for my decision to create a special subcommittee to oversee federal contracting, which is ably led by Senator McCaskill.

I will add that there are many fine public servants in the agencies who have been working to clean up wartime contracting and we have two of them here today – Pat Kennedy, the Under Secretary for Management for the Department of State, and Dick Ginman [pronounced “Jinman”], the Director for Defense Procurement and Acquisition Policy at the Department of Defense.

But obviously our efforts have fallen short. As the Commission’s 15 recommendations show, there is no single solution. So I hope that today we can learn what more needs to be done, and how we can institutionalize reform so that we don’t keep making the same mistakes in the future.

Senator Collins.