

Castle Continues Push to End Egregious Defense Contracting Practices -- June 20, 2006

Castle amendment would cut down on "award fee" spending waste, potentially to the tune of \$8 billion

Washington, D.C. -- Delaware Congressman Mike Castle today successfully continued his push to expose and end egregious practices concerning Defense contracts, which have resulted in cost increases, late deliveries, and significant performance shortfalls by attaching an amendment to the Fiscal Year 2007 Defense Appropriations Bill. Castle's amendment passed by voice vote despite significant opposition from groups who would benefit from such contracts.

Specifically Castle's amendment cuts down on defense spending waste by prohibiting funding for certain defense contractor "bonuses" if the contractor does not fulfill DOD's expectations by meeting the basic requirements of their contract. Over a four-year period the Government Accountability Office (GAO) estimates that \$8 billion in taxpayer money has been paid out in award and incentive fees, regardless of whether the desired outcome is achieved.

This amendment builds on Castle's amendment to the Fiscal Year 2007 Defense Authorization Bill requiring DOD to develop a strategy for linking incentives to specific outcomes, such as meeting cost, schedule and capability goals. It would ensure no funding would be used to continue these wasteful practices.

An April GAO report found that DOD has paid out billions of dollars in incentive fees for defense contracts, regardless of whether the acquisition outcomes met the Department's expectations. Castle served for eight years on the House Intelligence Committee where he first became concerned about these practices, especially contracts in the intelligence community which are classified and have even less transparency.

"Unfortunately, while there is no doubt that U.S. weapons programs continue to be the best in the world, the Department's acquisition process has at times run into problems such as dramatic cost increases, late deliveries, and significant performance shortfalls -- wasting billions of dollars in critical funding. This amendment would build on my

efforts to improve the Department of Defense's strategy for using incentives to motivate performance, by ensuring no funding can be used to continue the wasteful practice of bonus payments when contractors are clearly not meeting the conditions of a contract.

"Cost increases and business management weaknesses damage our government's ability to provide our men and women in the military with the resources that keep us safe. We must make certain that incentives are being used to maximize return on investment and provide soldiers with needed capabilities at the best value for the taxpayer. This has not been happening. Now that my amendment has passed the House, I am focused on making certain that these provisions are included in the Senate's legislation and in the final version of the bill, which eventually will be signed by the President."

Some Examples Include:

- Comanche Reconnaissance Attack Helicopter: \$202.5 million award paid despite 41.2% or \$3.7 billion cost increase over original baseline and 33 months time increases.
- F/A-22 Raptor tactical fighter aircraft: \$963.7 million award paid despite 47.3 percent or \$10.2 billion cost increase over original baseline and 27 months time increase.
- Joint Strike Fighter: \$529.8 million award paid despite 30.1 percent or \$10.1 billion cost increase over original baseline and 11 months time increase.
- Space-based infrared system: \$160.4 million award paid despite 99.5 percent or \$3.7 billion cost increase over original baseline and 12 months time increase.