# DEFENSE REFORM INITIATIVE REPORT

William S. Cohen
Secretary of Defense

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Table of Contents

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# Leading Change in a New Era

Having inherited the defense structure that won the Cold War and Desert Storm, the Clinton Administration intends to leave as its legacy a defense strategy, a military, and a Defense Department that have been transformed to meet the new challenges of a new century.

Our strategy will ensure that America continues to lead a world of accelerating change — shaping the emerging security environment and responding to crises that threaten our interests. We will execute the strategy with superior military forces that fully exploit advances in technology by employing new operational concepts and organizational structures. And we will support our forces with a department that is as lean, agile, and focused as our warfighters.

The Defense Reform Initiative addresses the third element of this DoD corporate vision: igniting a revolution in business affairs within DoD that will bring to the Department management techniques and business practices that have restored American corporations to leadership in the marketplace. For 18 years as the chairman/ranking member of the Senate Oversight of Government Management Subcommittee and a member of the Armed Services Committee, I devoted myself to bringing competition and best commercial practices into the business of government and, especially, defense. During my confirmation hearing ten months ago, I pledged to make this a priority as Secretary.

To understand the importance and imperative of succeeding in this task, it is necessary to review the first two elements of our departmental corporate vision: our new defense strategy and the transformation of our military forces.

## Defense Strategy

In May, the Department of Defense completed perhaps the most fundamental and comprehensive review ever conducted of our defense posture, policy, and programs. The Quadrennial Defense Review (QDR) examined the national security threats, risks, and opportunities facing the United States today and out to 2015. Based on this analysis, we designed a defense strategy to implement the defense requirements of the President's *National Security Strategy for a New Century*. Our defense strategy has three central elements:

- ***Shape*** the international security environment in ways favorable to US interests by promoting regional stability, reducing threats, preventing conflicts, and deterring aggression and coercion on a day-to-day basis.

- ***Respond*** to the full spectrum of crises that threaten US interests by deterring aggression and coercion in a crisis, conducting small-scale contingency operations, and fighting and winning major theater wars.

- ***Prepare*** now for an uncertain future through a focused modernization effort, development of new operational concepts and organizations to fully exploit new technologies, and efforts to hedge against threats that are unlikely but which would have disproportionate security implications — such as the emergence of a regional great power before 2015.

This is not mere rhetoric. It is the basis for what our defense policy planners and military forces do every day. Since the QDR was undertaken:

◆ We have shaped the international security environment by moving to enlarge NATO, enhancing the Partnership for Peace, establishing the NATO-Russia Founding Act and the NATO-Ukraine Charter, revising the US-Japan Guidelines for Defense Cooperation, initiating a trilateral US-Japanese-South Korean security dialogue, establishing a defense dimension to the ASEAN Regional Forum, and normalizing defense cooperation with Latin American democracies.

◆ We have responded to crises around the globe, participating in the Stabilization Force in Bosnia, evacuating noncombatants from western Africa and Albania, fighting fires in Indonesia, and containing Saddam Hussein.

◆ We have accelerated preparations for the future by enhancing our efforts to defend against asymmetric threats, such as chemical or information attacks, and by conducting warfighting experiments to test new systems and operational concepts.

But executing this strategy requires a defense posture that balances the demands of meeting present requirements around the globe with the imperative to invest for the future. This balance can be achieved only if resources are reallocated from overhead and support activities to our fighting forces.

## Transforming our Military

The programs we are pursuing to exploit the potential of information and other advanced technologies will transform warfighting and lead to forces that are different in character. Quality people, ready forces, and superior doctrine and technology will continue to be hallmarks of our military. But new ways of organizing and employing joint military forces will make possible new levels of effectiveness across the range of conflict scenarios.

The conceptual framework for how US forces will fight in the future is *Joint Vision 2010*, which charts a path to ensure that US forces will be able to conduct decisive operations in any environment. *Joint Vision 2010* describes this goal as "full spectrum dominance."

At the heart of *Joint Vision 2010* is the ability to collect, process, and disseminate a steady flow of information to US forces throughout the battlespace, while denying the enemy ability to gain and use battle-relevant information. This Revolution in Military Affairs promises to enable our forces to attack enemy weaknesses directly throughout the battlefield with great precision (and therefore with fewer munitions, less lift, and less collateral damage); to better protect themselves from enemy attack during deployment, maneuver and combat; and to receive the right supplies in the right place at the right time, thereby reducing support requirements. The result will be forces that are more deployable, agile, and lethal.

These capabilities for transforming our military forces are attainable — but the extent and pace of this transformation depends upon the availability of resources to invest in the necessary research, development, testing and procurement. Reducing overhead and support structures by bringing the Revolution in Business Affairs to DoD will be critical to achieving the Revolution in Military Affairs.

This is not just a matter of freeing up resources, however. Robust support has long been one of the great advantages of US forces in combat, but it has tended to succeed on the strength of its overwhelming mass. To be effective in the future, support operations will rely increasingly on speed and agility. Absent a concomitant revolution in the

support activities of defense, the Revolution in Military Affairs will quickly outrun the ability of logistics, personnel, medical and other systems to support it.

## Defense Reform Initiative

To carry out our defense strategy into the 21st century with military forces able to meet the challenges of the new era, there is no alternative to achieving fundamental reform in how the Defense Department conducts business.

DoD's current organization, infrastructure, legal and regulatory structure, and business practices were developed over the course of the Cold War, often through accretion. The Cold War was an era of great danger but relative stability. In contrast, the new era is one of rapid change and unpredictability. Our military forces and our private sector defense industry have made great strides in adjusting to this dynamic new world, becoming more agile and responsive. But much of the rest of our defense establishment remains frozen in Cold War structures and practices.

DoD has labored under support systems and business practices that are at least a generation out of step with modern corporate America. DoD support systems and practices that were once state-of-the-art are now antiquated compared with the systems and practices in place in the corporate world, while other systems were developed in their own defense-unique culture and have never corresponded with the best business practices of the private sector. This cannot and will not continue.

This Defense Reform Initiative reflects the insights of numerous business leaders who have restructured and downsized their corporations and not only survived but thrived in a rapidly changing marketplace. One major corporation whose top leadership team generously spent an afternoon with Deputy Secretary Hamre and our defense reform task force has adopted the motto "Strength with Speed," emphasizing that winning in the new era depends as much on the ability to respond quickly to new threats and opportunities as on the ability to overpower competitors head-on. US military forces have learned the same lessons, but they will not reach their full and necessary potential unless the business side of DoD marches in lock-step.

The collective experience shared by these corporate executives can be distilled into a common set of principles for reform:

- focus the enterprise on a unifying vision
- commit the leadership team to change
- focus on core competencies
- streamline organizations for agility
- invest in people
- exploit information technology
- break down barriers between organizations

These are the principles that have guided us in shaping this Defense Reform Initiative, and in applying these principles we have defined a series of initiatives in four major areas. We will:

- Reengineer: Adopt modern business practices to achieve world-class standards of performance.
- Consolidate: Streamline organizations to remove redundancy and maximize synergy.
- Compete: Apply market mechanisms to improve quality, reduce costs, and respond to customer needs.
- Eliminate: Reduce excess support structures to free resources and focus on core competencies.

## Maintaining the Reform Momentum

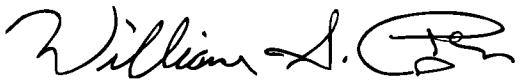
The Defense Reform Initiative will require continuous and sometimes difficult effort. At the time the QDR report was released, I noted that DoD needed to slough off excess pounds built up during the long winter of the Cold War. Losing weight successfully requires not a one-time diet, but a permanent change in lifestyle.

To ensure that the initiatives detailed in this report are faithfully and expeditiously carried out, and to maintain the momentum of change, I am establishing the Defense Management Council. Chaired by Deputy Secretary Hamre and consisting of the Vice Chairman of the Joint Chiefs of Staff, the four Under Secretaries of Defense, the three Service Under Secretaries and the four Service Vice Chiefs, the Defense Management Council will serve as my internal board of directors for management. In addition to charging the Council to ensure implementation of the reform decisions announced today, I am also directing the Council to examine similar reforms for each of the Services and to negotiate an annual performance contract with the director of each defense agency.

I will also be turning to my external board of directors — the Congress — for support in implementing these reform initiatives. Some will require legislation, others will require political support. Given the strong encouragement Congress has given to this effort in the abstract, I trust that it will continue to receive support now that concrete decisions have been made.

America begins the new millennium as the world's sole superpower, the indispensable nation. The responsibilities are heavy and the choices difficult. But with those responsibilities and choices come enormous opportunities and benefits for our Nation and our people.

Our defense strategy and the National Security Strategy it supports will enable us to seize those opportunities and reap those benefits — if we have the right assets to execute our strategy. This Defense Reform Initiative, and a commitment to continual reform, are essential to ensuring that our defense enterprise and military forces are fully modern, in every sense, and fully capable of executing their elements of the strategy.



# Table of Contents


Message from the Secretary ..... i

Chapter 1: Adopting Best Business Practices ..... 1
*Electronic Business Operations* ..... *1*
*Prime Vendor Contracting* ..... *8*
*Consolidating Logistics and Transportation* ..... *10*
*Travel Reengineering* ..... *11*
*Household Goods Transportation* ..... *12*

Chapter 2: Changing the Organization ..... 15
*Philosophy of Reform* ..... *16*
*Shaping the Future* ..... *18*
*Improving OSD Support to the Secretary* ..... *22*
*OSD, JCS and CINC Staff Relationships* ..... *24*

Chapter 3: Streamlining Through Competition ..... 27
*Competition for Commercial Activities using OMB Circular A-76* ..... *28*
*Competition for Depot Maintenance* ..... *34*

Chapter 4: Eliminating Unneeded Infrastructure ..... 37
*Base Closure* ..... *37*
*Putting Bases to Productive Reuse* ..... *39*
*Close Unneeded Bases* ..... *40*
*Consolidation, Restructuring, and Regionalization* ..... *40*
*Revitalizing Housing and Utilities with Private Sector Capital* ..... *41*

Appendix A ..... 45
*Defense Agencies* ..... *45*
*DoD Field Activities* ..... *47*
*Defense Support Activities (DSA)* ..... *48*
*Miscellaneous Support/Operating Activities* ..... *48*

Appendix B ..... 49
*Selected Acronyms* ..... *49*

Appendix C ..... 53
*Appendix C-1 Policy Secretariat* ..... *54*
*Appendix C-2 $C^3I$ Secretariat* ..... *58*
*Appendix C-3 Acquisition & Technology Secretariat* ..... *61*
*Appendix C-4 Personnel & Readiness Secretariat* ..... *65*
*Appendix C-5 Finance Secretariat* ..... *68*
*Appendix C-6 Other OSD Staff Offices* ..... *70*
*Appendix C-7 JCS Staff and Chairman-Controlled Activities* ..... *72*
*Appendix C-8 CINC Headquarters* ..... *75*
*Appendix C-9 Impact on Defense Agencies, DoD Field Activities, and Defense Support Activities* ..... *77*

# Chapter 1: Adopting Best Business Practices

Over the past decade, the American commercial sector has reorganized, restructured, and adopted revolutionary new business and management practices in order to ensure its competitive edge in the rapidly changing global marketplace. It has worked. Today, American business is the envy of the world and productivity is at an all-time high. Now the Department of Defense (DoD) must adopt and adapt the lessons of the private sector if America's Armed Forces are to maintain their competitive edge in the rapidly changing global security arena.

### *Highlights — Best Business Practices*

The Revolution in the Business Affairs of the Department of Defense includes adopting and adapting the best business practices of the private sector to the business of defense. That means:

- By January 1, 2000, all aspects of the contracting process for major weapons systems will be paper free.
- By FY 2000, 90 percent of DoD purchases under $2500 will be made using the government-wide IMPAC purchase card (almost one half of all purchases).
- DoD will expand the use of electronic catalogs and electronic "shopping malls" to put buying decisions into the hands of the people who need the products.
- Creating paper free systems for weapons support and logistics.
- By July 1, 1998, DoD will discontinue volume printing of all DoD-wide regulations and instructions and will make them available exclusively through the Internet or CD-ROM.
- By January 1, 1999, prime vendor contracts for maintenance, repair, and operating materials will be available for every major installation in the United States.
- Reengineering the travel system, incorporating state-of-the-art business procedures and techniques.
- Replacing the traditional military "just-in-case" mindset for logistics with the modern business "just-in-time" mindset.
- Reengineering the DoD system for moving household goods, making streamlined procedures available to all military personnel.

Applying the lessons of the business world to the business of defense is a centerpiece of the Department's reform plan.

## Electronic Business Operations

Today, DoD's business operations are literally awash in paper. Indeed, paper is not only driving the business culture of DoD, it is choking many essential systems. Figure 1a graphically represents today's paperbound contracting process. As many as 13 copies of a contract are printed, which are sent to multiple offices. In FY 1996, for example, the Defense Finance and Accounting Service (DFAS) Center in Columbus, Ohio, processed over 5.6 million contractor invoices, made payments against 387,000 major high-dollar contracts, and disbursed over $84 billion. Over the years, this paperbound system has created some 15 miles of paper files at our Columbus Center.

Electronic commerce and related technologies, including the Internet and World Wide Web, will allow DoD to drastically reduce the amount of paper received, processed, and stored in places like the Columbus Center and to realize much greater efficiency and economy in our business practices. In fact, DoD is actually a pioneer in new uses of

electronic commerce and related technologies. From procurement to weapons program management, we are making strong progress in moving towards a paperless environment for many of our critical business functions — but more is needed. We believe that a full commitment to electronic business operations will not only result in tangible savings, but will also change DoD's business culture, forcing managers to think differently and act more efficiently.

### *Contract Administration and Finance*

Only a few years back, the entire DoD contracting process was largely paper-based. Today, while key phases of our contracting process remain too dependent upon paper, electronic commerce technologies such as Electronic Document Access, Electronic Document Management and Electronic Data Interchange have given us real hope for reducing this burden. These technologies give us the ability to electronically create, store, and retrieve documents and to share them with DoD users and trading partners needing access to them. Full implementation of these technologies will allow DoD to acquire and pay for goods and services faster and more cheaply.

The Secretary has decided that all DoD contracting for major weapons systems will be paper- free by the turn of the century. This initiative will include all phases of the contracting process, including contractor selection, contract writing, administration, payment and accounting, auditing, and contract reconciliation and close out. Right now there are over 31 different computer systems in DoD that conduct these various functions. To realize our goal of paper-free contracting, we are accelerating our efforts to reduce legacy systems, implement standard procurement and payment systems, and develop electronic linkages between all phases of the acquisition process. For the near term, the contracting system cannot be 100 percent paper free. A small number of paper documents will be required to satisfy legal requirements until validated electronic authentication procedures are in place (see box, "Security in Cyberspace").

The Department is also expanding its ability to provide online access to financial and other information to industry partners and the public, including a procurement database that will include past performance information and technical documentation such as drawings, specifications, and standards.

Another essential component of paperless contracting will be the full use of the capabilities offered by Electronic Funds Transfer (EFT). The electronic receipt and payment of transactions reduces manual input, disbursement costs, and backlogs while improving accuracy, speed, and overall customer service. We have already made real progress. In FY 1996, 57 percent of payments made under DoD's major contract payment system were made electronically, representing 81 percent ($54 billion) of the total contract dollars disbursed.

## *The Bottom Line*

"Over the past decade, the American commercial sector has reorganized, restructured, and adopted revolutionary new business practices in order to ensure its competitive edge in the rapidly changing global marketplace. It has worked. Now the Department must adopt and adapt the lessons of the private sector if our Armed Forces are to maintain their competitive edge in the rapidly changing global arena.

"The Department has made much progress already. . . . However, we need to go much further and deeper, and we need congressional support."

*Secretary of Defense William S. Cohen*
*The Report of the Quadrennial Defense Review*
*May 1997*

*Figure 1a.*

## Today's Environment: Contracting Community

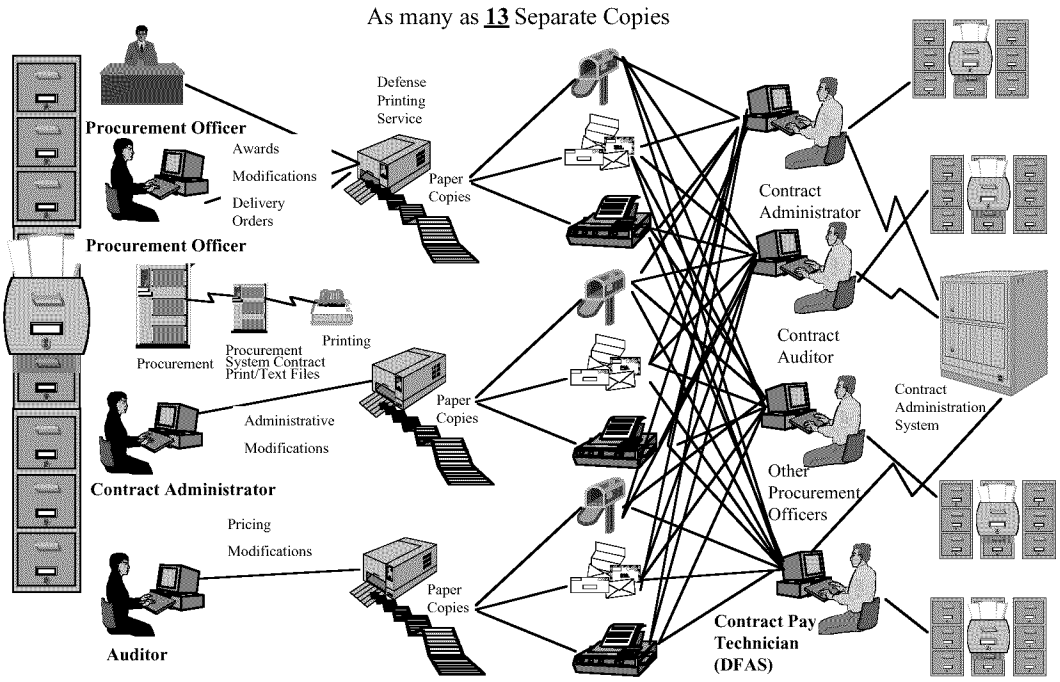



*Figure 1b.*

## Toward Paperless Contracting

### Current System Interface Environment

| | | REQUIREMENTS → | CONTRACT WRITING → | ADMINISTRATION → | FINANCE & ACCOUNTING → | AUDIT |
|---|---|---|---|---|---|---|
| ARMY | Base | | | | | |
| | Spares | ★ | ★ | ★ | | |
| | Systems | | | | | |
| NAVY | Base | | | | | |
| | Spares | | ★ | | | |
| | Systems | | | | | |
| AF | Base | ★ | | | | |
| | Spares | ★ | | | | |
| | Systems | | | | | |
| DLA | Base | | | | | |
| | Subsistence | | | | | |
| | Spares | | ★ | | | |
| | Fuels | | | | | |

Paper Handoff ★ Electronic Handoff

***SECDEF REFORM DECISION: By January 1, 2000, all aspects of the contracting process for major weapons systems will be paper-free.***

*Figure 1c.* **Paper-free Contracting Implementation Status**

| | Volume | Electronically Available Today | Target Date 100% Electronically Available |
|---|---|---|---|
| Major Contract Payment System* | | | |
| Contracts | 151K | 40% | Dec 1998 |
| Contract Mods | 192K | 10% | Dec 1998 |
| Invoices | | | |
| – Progress Pay | 31K | 40% | Jun 1999 |
| – Commercial | 813K | 18% | Dec 1999 |
| Payments | 960K | 60% | Dec 1998 |
| Vendor Payment Systems** | | | |
| Contracts/Mods | 8.4M | 10% | Dec 1998 |
| Invoices | 14.0M | 5% | Oct 1999 |
| Payments | 6.6M | 17% | Dec 1998 |

*MOCAS
**CAPS/SRDI, SAMMS, AVEDS, STARS-1 PAY, DISMS, AFES, IAPS/IPC, SAVES, IPC

EFT is also allowing DoD to realize other efficiencies beyond contracting administration. For instance, thanks to EFT more than 91 percent of DoD's more than five million civilian employees, service members and military retirees now have their pay directly deposited into their accounts. More than 70 percent of all travel payments are made electronically. By January 1, 1999, all DoD disbursements, with limited exceptions, will be made electronically.

### *Using Commercial Credit Cards*

One of the most promising breakthroughs in moving towards paper-free finance is the introduction of the government purchase card — the IMPAC card. The IMPAC card is a commercial VISA card issued to individual government offices and organizations for official purchases. The IMPAC card provides a less costly and more efficient way for DoD and other US Government organizations to buy goods and services directly from vendors instead of processing requests through government procurement offices (i.e., preparing requisitions, sending them to the procurement office, waiting for the procurement office to issue a purchase order, waiting even longer for delivery, and preparing receiving reports). Studies have shown that internal costs are often cut by more than half when an IMPAC card is used instead of a purchase order. And a Navy study found that delivery time was reduced from 30 or more days to only six days.

Just a few years ago, DoD's use of the IMPAC card was minimal. Even so-called "micro-purchases" under $2500 (which account for almost half of DoD's purchases) were processed with all the paperwork and scrutiny of big ticket items. But between FY 1994 and FY 1996, use of the IMPAC card for micropurchases has risen from 16 percent to 40 percent. The Defense Logistics Agency's (DLA) Defense Supply Center in Columbus, Ohio,

for example, can now purchase all items in its parts catalogs using the IMPAC card and get discounts of between 20 and 40 percent when doing so. In fact, last year DoD employees used the IMPAC card for purchases totaling $2.2 billion (more than all other US Government departments and agencies combined) and saved the taxpayers $285 million dollars in the process.

Today, DoD offices use the IMPAC card to buy office supplies, tools, equipment, periodical subscriptions, and a variety of services. By FY 2000, DoD's goal is for the IMPAC card to be used for 90 percent of our micropurchases. IMPAC use is also being expanded by allowing its use to pay for goods and services exchanged between different governmental organizations and to pay for some commercial contracts. We anticipate that expanded use of the IMPAC card, together with other initiatives such as electronic catalogs and prime vendor contracts, will allow retail-level inventories to be reduced from $14 billion in FY 1996 to $10 billion in FY 2001.

### *Internet-Based Commerce*

In the future, DoD — like American business — intends to conduct much of its commercial contracting and purchasing through Internet technology.

Computer-based purchasing represents the ultimate "democratization" of the acquisition process — buying decisions are made by the people who need the products. With improvements in technology, particularly the Internet and the World Wide Web, computer users are now able to access information and data on products, often directly from the company itself, and agencies are able to develop interactive electronic catalog systems.

Thus, in the future, DoD acquisition professionals will establish broad purchasing arrangements and negotiate favorable contract terms and prices with vendors. Those vendors' items will then be made available online so that purchasers can browse through a vendor's electronic catalog or enter an electronic "mall" that provides "one-stop" shopping, with access to multiple catalogs and the capability to compare products, services, prices, delivery, and payment options.

For example, in the very near future, an office manager or a motor pool noncommissioned officer (NCO) will not have to go to a procurement office to buy a part or component, initiating a complex contracting process. Instead, that manager or NCO will simply call up a list of available sources on a computer terminal in his or her office and buy the item directly, with all of the conditions and discounts pre-negotiated. And in order to avoid a second bureaucratic process involving payment through a government finance office, all purchases through the electronic catalog will incorporate direct payment through the IMPAC card, avoiding the expense of traditional finance office operations. This process will save the Department huge processing costs while providing vendors on-the-spot payment.

DoD has already begun to realize this vision and is actually pioneering the use of electronic catalogs and electronic "shopping malls." DLA, for example, recently established an electronic commerce mall called "Emall." DLA's initial Emall, now online, provides "one-stop shopping" for DoD customers. Payment for supplies and services is done through normal billing processes or by use of a credit card. Starting in January 1998, the Emall will offer integrated search capability with a single online registration and ordering process. Customers will be able to order over four million DLA managed items and hundreds of thousands of commercial items from vendor catalogs, corporate contracts, and the Navy's information management technology catalog. Shoppers will be able to look for the best value, comparing quality, prices, and availability. The initial focus will be on base facility support items. Future enhancements will include adding more vendors and catalogs and integrating an easier search capability as we seek to continually improve logistics support to DoD customers. Preliminary estimates of net savings are tens of millions of dollars annually.

***SECDEF REFORM DECISION: By July 1, 1998, every DoD electronic catalog and electronic "mall" will permit on-line payment via the government purchase card. By January 1, 2000, government credit card payment will be mandatory.***

## Security in Cyberspace

Like every element of the private sector, the Defense Department is becoming increasingly "interconnected" through electronic networks. Four decades ago, there were only about 5,000 computers in the United States. We did not have any fax machines. We did not have any cellular phones. Today, we have 180 million computers in the United States, 40 million cellular phones and 14 million fax machines. There are now 1.3 million local-area networks in this country. During Operation Desert Storm, DoD sent an average of 100,000 electronic messages every day.

This increasing use of computers and computer networks presents both opportunity and risk. Obviously, this is a cornerstone of the tremendous productivity surges in the private sector as we learn more efficient ways to use information to make more informed and expeditious decisions. But electronic operations also pose a threat. Decision makers must have complete confidence that the information brought before them and used by their staffs is accurate and has not been manipulated by an adversary to present a false impression. Computer users must have complete confidence that all other individuals using the larger network are authorized to do so and can be positively identified from remote locations by system operators.

Taken as a whole, the Department must have "information assurance" as we increasingly depend on electronic-based information and systems.

Two things are required in such an environment. First, computer systems must use software that encrypts the information that is sent over public networks so that unauthorized individuals cannot read or manipulate this information. Second, the Department must have a means to confirm the identity of individuals on the network who are sending and reading encrypted information. Fortunately, mathematicians have developed techniques for both encryption and identity assurance. Utilizing a system of so-called encryption keys, each operator on the network will have a unique and fool-proof digital "dog-tag." That digital signature will give us the confidence to make better use of otherwise unsecure commercial computer networks. Other operators will always have a means to confirm the authenticity of the other operators on the network. And should an unauthorized outsider (or insider) try to attack that network, the faked dog-tags of the intruder can be quickly checked against a databank of identification.

Data security (through encryption) and information assurance (building on key management) are indispensable components in the future security of Defense Department computer systems. Starting on January 1, 1999, we expect all new security systems for our computer networks will require digital signature and encryption.

### *Paper-free Weapons Systems Support*

As information technologies have revolutionized the business world and allowed many corporate activities and functions to become paper-free, DoD's task has been to determine which of our own activities and functions are most ripe for paper-free operations. In other words, where do we get the most "bang for the buck" in moving to a paper-free environment? One area that readily emerged from this inquiry is our management of the technical data supporting weapons systems. Thus, DoD is now in the process of creating a paperless environment for this technical data, including drawings, computer-aided design

models, bills of materials, manufacturing information, engineering changes, and interactive electronic technical manuals.

Today 63 percent of DoD technical manuals and 48 percent of technical drawings are provided electronically. By January 1, 2000, we expect those amounts to reach 85 percent and 80 percent, respectively. Technical data is managed and stored at multiple repositories and can be accessed electronically to support the acquisition and manufacture of weapons systems components. DoD employees from different functional communities (acquisition, logistics, maintenance, etc.) and from different geographic locations can access the relevant information and work collaboratively, increasing productivity and efficiency. By integrating paperless technical data management with electronic commerce for business information, DoD will eventually be able to support all major weapons systems in a paperless environment, from the initial design phase through production, operation, and maintenance.

This strategy is now being implemented widely throughout DoD, and we are starting to see real benefits. For instance, the Joint Strike Fighter Program Office now operates in a paperless environment and all business with that office now takes place digitally using Internet capabilities. And the Program Manager for Combat Mobility Systems reports that cycle time for production contract awards has been reduced from 18 months to 4 months, the time to review drawings has been reduced from 2 to 3 weeks down to 3 to 12 minutes, and contract data requirements lists have been cut 81 percent resulting in an overall estimate of net cost avoidance of $1 million per year through 2004.

### *Internet-based Publishing*

The Department has one of the largest printing budgets in the world, exceeding $440 million last year alone. We also spent an additional $170 million for paper, often printing large numbers of documents and forms and distributing them to everyone, whether they needed them or not. Periodically, replacement editions of publications are printed and distributed, even when only a few paragraphs need to be updated. To accelerate our move to paper-free business operations, DoD will increasingly rely on the concept of Internet-based publishing for many of its publications. Rather than printing and distributing numerous copies of documents, large and small, many of our publications will instead be posted on the Internet and "printed on demand" by the users that need them. This new approach will save DoD money and be more convenient for the users of the publications.

For example, the Department used to print a 15 volume, 70,000 page compendium of financial regulations. This summer DoD discontinued these publications and in the future they will be made available only through the Internet. If a local office needs a printed copy of a specific regulation or instruction they will print a copy using the office's own computer. The user will also have greater assurance that the regulation is current since updated editions are immediately available.

Real progress is already being made. This past year, for example, almost all DoD Directives and Instructions were posted on the World Wide Web. DoD procurement regulations, the largest body of DoD regulations, are also available on the Web and provide a link to the Federal Acquisition Regulations at the General Services Administration.

***SECDEF REFORM DECISION: By July 1, 1998, the Defense Department will discontinue volume printing of all DoD-wide regulations and instructions. After that date, such regulations and instructions will be available exclusively through Internet or CD-ROM.***

By July 1, 1998, DoD will make all DoD-wide regulations and instructions available only through Internet or CD-ROM and discontinue mass paper printing.

DoD has also moved to electronic forms for 50 percent of all DoD forms (and 100 percent of government-wide forms used by DoD). Blank forms are no longer printed, but are available on the Web instead. They can be completed and processed, without ever having to be printed on paper.

The Public Affairs secretariat of OSD is leading the way to demonstrate the economies of Internet publishing. Starting January 1, 1998, the Current News and Research Service, the branch of Public Affairs that publishes the Early Bird, will discontinue answering research inquiries that can be readily satisfied by using online commercial news and research services. Printing and distribution of the Current News Supplement to the Early Bird and Radio-TV Dialogue will also be discontinued. Instead, the Early Bird will contain a page noting defense-related stories that are available on the Internet. Public Affairs will also discontinue publishing and distributing paper copies of *Defense Magazine* and *Defense Issues*, both of which are now available on the Internet.

The military services and defense agencies are also moving towards a paperless environment. For example, the Air Force recently conducted a review of its policies, regulations, and directives, reducing some 47,000 hard-copy pages of policy and procedures to 14,000 pages available exclusively on the Internet and CD-ROM.

Despite the considerable progress DoD is making in moving towards a paperless environment across a vast array of functional areas, much more is needed. Ultimately, our biggest challenge may not be technical, but psychological. Old habits are hard to break. Many of us still want something in our hand to read. But just as most of us have dispensed with our old typewriters and learned word processing, we in DoD are now learning to think, create, and manage in the new era of paperless operations — and reaping the corresponding gains in productivity and efficiency.

## Prime Vendor Contracting

Following the pattern developed by industry, the Department has adopted an entirely new approach to the procurement of readily available items, such as medicines and food products. In the past, DoD would buy huge stocks of medical supplies and store them at individual hospitals and clinics. Under this system, we not only spent a great deal of money buying the stocks in the first place, we also had to pay considerable handling and storage costs. Invariably some of the stocks would not be used before their expiration dates were reached, resulting in further inefficiencies and losses. Starting in 1993, DoD began shifting over to a so-called "prime vendor" process where, for example, hospitals are given a list of products available from local vendors that have pre-negotiated terms and prices. Items ordered one day are delivered the next, eliminating the need to maintain stocks and the cost of managing warehouses.

The prime vendor process takes full advantage of private sector distribution capabilities and electronic data processing to supply DoD customers. A single vendor (the prime vendor) buys inventory from a variety of suppliers and the inventory is stored in commercial warehouses. The customer orders supplies from the prime vendor, using electronic ordering systems. The supplier then ships directly to the DoD component, as needed, within a specific geographic area. This process reduces delivery time to the customer and, by using the private sector's storage and distribution system, reduces the Department's inventories and associated warehousing and redistribution costs.

We are already reaping the benefits of prime vendor contracting in some key areas. For example,

***SECDEF REFORM DECISION: By January 1, 1999, prime vendor contracts for maintenance, repair and operating materials will be available for every major installation in the United States.***

using commercial practices such as the prime vendor concept for pharmaceutical and medical/surgical supplies, food and food service supplies, and equipment and construction supplies, DLA has eliminated $1.6 billion in inventory since 1993. Purchase, storage, and distribution costs have been reduced by over $700 million and response time is 75 to 90 percent faster. Specific examples of the benefits of prime vendor contracting include:

- Delivery times for pharmaceutical and medical items have been reduced from about one month to one day.
- Medical prime vendor costs for the 16 highest selling pharmaceutical items in 1995 were $37.7 million lower than 1993 prices of the same items issued from stock.
- Walter Reed Medical Center reduced its medical on-hand inventory by 83 percent, closed six warehouses, and reported over $7 million in recurring annual savings.
- Fort Lee reduced food inventory by $553,000 and closed a warehouse.
- Camp LeJeune eliminated over $750,000 in food inventory and canceled construction of a cold storage warehouse.
- Fort Rucker reduced food inventory by $264,000.

When the prime vendor program is used in combination with the Internet and the IMPAC card, there is the potential for even greater efficiencies. DLA recently established a prime vendor concept for maintenance, repair, and operating (MRO) materiel support. Now, instead of placing requisitions and receiving shipments from a DoD warehouse, orders will be placed over the Internet directly to the vendor with delivery within 72 hours. This initiative has captured the "best in class" industry standards for delivery, returns for excess material, surge capabilities and customer service. The MRO program will allow DoD to reduce base level inventories and contracting workload and to shift resources to the facilities maintenance mission. The program incorporates the use of the IMPAC card and will, therefore, also save substantial financial processing costs. This initiative will be implemented regionally and by the middle of FY 1999 will be available nationwide.

To date, some 90 percent of all pharmaceutical supplies are purchased through prime vendor contracts. In addition, 95 percent of CONUS subsistence for dining halls, both ashore and afloat, are purchased through such contracts. DLA is now extending use of the prime vendor concept to office supplies and facilities maintenance supplies. DoD is also examining ways to extend the concept to automotive supplies, such as tires, batteries, and hardware. The goal is to increase the use of prime vendor contracts from 32 percent to 40 percent of DLA's sales (to DoD and other federal agencies) by FY 2000.

The prime vendor program is key to achieving the following DoD goals:

- adopting best practices.
- relying on the commercial infrastructure whenever possible.
- improving responsiveness to the needs of the warfighters.
- attaining overall savings to the taxpayer.

## Consolidating Logistics and Transportation

Logistics is another functional area where DoD stands to realize great benefits from reengineering.

Logistics has long been the linchpin of a nation's military capabilities. Identifying a force's logistical needs and devising and executing a strategy for meeting those needs is often the crux of how effective that force will be in combat. Today, our Military Services are well on the way to building 21st century weapons. But the overall effectiveness of our forces will be severely constrained if they remain immobilized by a sclerotic arterial network of a 20th century, paperbound logistics system.

Again taking our lead from the private sector, DoD is in the process of applying the latest advances in information technology to the business of supplying our troops. Key to our new system is the concept of "just-in-time" logistics. Pioneered by private industry, just-in-time delivery results from merging many warehousing and transportation functions, which eliminates the need for stockpiling raw material or finished subcomponents. Instead, established relationships with vendors and transportation companies allow products to be delivered just-in-time for when they are needed, instead of being stored by the customer just-in-case.

Just-in-time logistics is revolutionizing the private sector and can do the same for DoD. The Department has made a commitment to provide total visibility into its equipment, supplies, and spare parts, all the way from the warehouse in the United States to the foxhole in a distant theater. Utilizing modern inventory and transportation-monitoring equipment and techniques, we plan to have in place a system that will track every piece of equipment, every supply shipment, and spare parts requisition on a continuous basis. Electronically linking logistics data from the Services and various DoD components, the system will provide full, remote visibility of supplies in-storage, in-process, and in-transit. Forward-deployed logisticians need no longer place duplicate orders for equipment, or stockpile needless supplies fearing a lack of critical supplies at the key moment. The result will be fewer duplicate requisitions, bottlenecks, and unnecessary purchases. Prototyped in Bosnia, this new system of total asset visibility will permit greater efficiency in scheduling transportation,

### *Commercial Standards for Acceptance of Goods*

Currently, DoD requires nearly 200,000 separate stock items to be inspected at the factory by government inspectors prior to accepting delivery of goods. While "source acceptance" is an important element of the Department's quality assurance program, it necessitates significant expense and requires government-unique business systems and practices. Commercial business procedures for source acceptance, by contrast, are significantly less expensive with no apparent loss in effectiveness. Government source inspection should be the exception rather than the rule, especially in cases when we have good quality history for the vendor producing the material.

The Department is currently undergoing a review to revalidate those items in the supply system that require source inspections. The Military Departments, Defense Agencies and DoD Field Activities have been tasked to review all supply items to be bought in FY 1998 and FY 1999 that presently require source inspection acceptance and eliminate the requirement for those items that do not need it. By March 31, 1998, this review should be completed for 30 percent of these items. By December 31, 1998, 60 percent should be completed, and 100 percent should be completed by March 31, 1999. This effort also includes a comprehensive review of source acceptance policies and procedures, with the goal of adopting a reengineered process, which incorporates best business practices.

smaller inventories of supplies and spare parts, and greater confidence by warfighters that critical supplies and spare parts will be in-theater on time. In wartime it will also enable the right supplies to get to the right troops more quickly and enable supplies en route to one theater to be redirected to a second theater, if needed. This program has been fielded to EUCOM, CENTCOM and ACOM and is scheduled to become fully operational in 2000.

## Travel Reengineering

In 1994, a DoD task force found that the Department's official business travel system served neither the customer nor the Department well, but cost the taxpayer plenty. The process was severely fragmented and paper based, characterized by multiple levels of approval and control. With 230 pages of travel regulations, the seven million trips made per year by DoD personnel were very expensive to process. The nearly ten million vouchers processed government-wide in 1995 produced as many as 390 million copies of travel related paper documents, costing millions of dollars to produce and store. Compounding the problems, office procedures for travel included up to 25 separate steps taking hours of time for each traveler (see Figure 1d). The administrative cost for DoD to process these vouchers constituted 15 to 30 percent of the direct cost of travel, wasting hundreds of millions of dollars.

Starting next year the Department will adopt a new process for business travel that incorporates state-of-the-art business procedures and techniques (see Figure 1e). This new process draws on lessons learned from some 25 pilot projects over the past year designed to test this new approach. These pilot locations were carefully monitored to develop a performance and cost baseline. After six months of operation under the new test system, the performance and cost of these pilots were measured and compared to the baseline, with enormously promising results. Customer satisfaction improved dramatically, while improvements in individual key areas (easier rules, quicker payment, greater respect for customers, and less administrative burden) averaged close to 90 percent. At the same time, costs fell 65 percent.

*Figure 1d.*

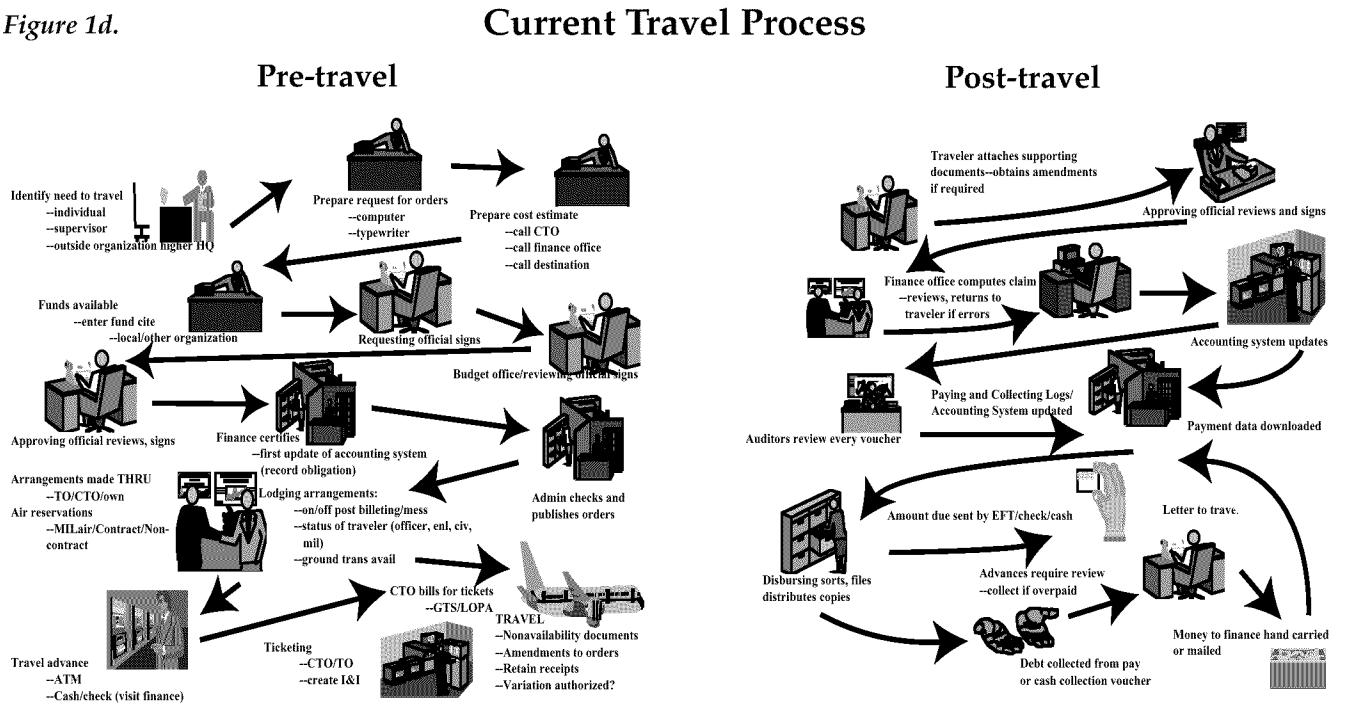


*Figure 1e.*

## Envisioned Travel Process

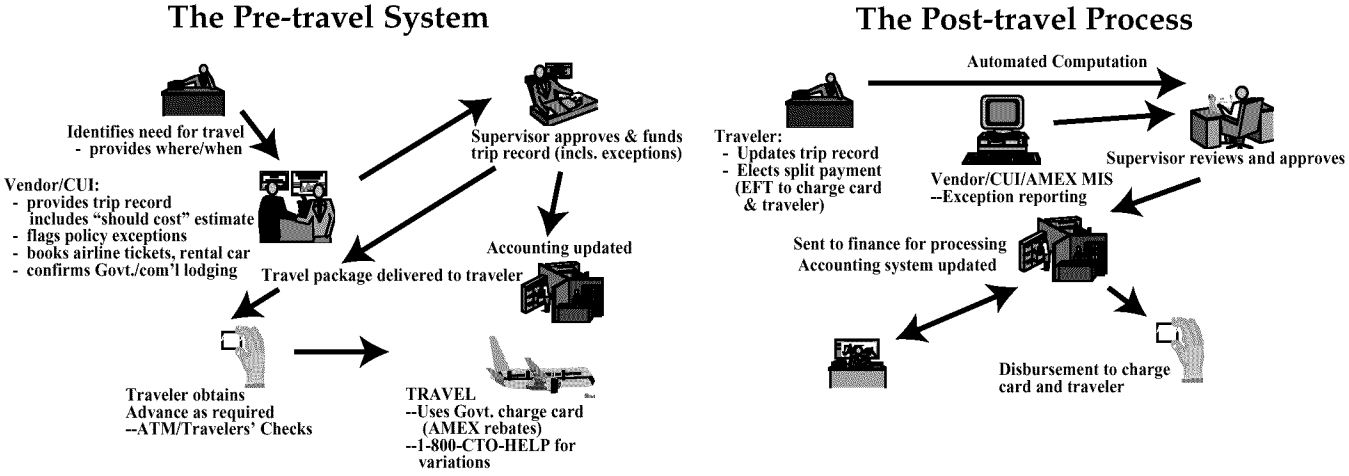



*Figure 1f.*

## Travel Reengineering Pilot Results

- **Data Reflects Major Improvement:**

| | |
|---|---|
| Average Process Steps | Down 48% |
| Average Process Time | Down 63% |
| Average Labor Cost | Down 56% |
| Average Cycle Time | Down 48% |

- **Customer Satisfaction Scores:**

| | |
|---|---|
| Fair and equitable travel system | Up 113% |
| Quick payment of travel vouchers | Up 90% |
| Easy travel rules | Up 90% |
| Easy to complete travel orders | Up 67% |

The new system simplifies the rules, decentralizes authority to approve travel and claims, and builds internal controls into customer-friendly software. The 230 pages of arcane and often opaque regulations have been reduced to 17 pages of plain English. The software creates a single trip record for approving travel, making travel arrangements, and paying and accounting for claims. Implementation of the new defense travel system for temporary duty travel will begin in April of next year and is scheduled to be implemented throughout DoD by October 2000.

Official travel — and getting reimbursed for it — is something that almost every DoD employee experiences during the work year. The new and completely paperless travel system emulates the best business practices of the private sector and will go far towards eliminating the often byzantine procedures that employees were subjected to in the past. It also has the potential to save several hundred million dollars annually.

## Household Goods Transportation

The Defense Department has extensive requirements to move military and civilian personnel every year. Last year DoD paid to move almost 800,000 military families, at an estimated cost of $2.8 billion. Yet despite the fact DoD moves more household effects than any US corporation, the system we have created to do the moving has given our personnel some of the worst service in the nation. Of all DoD moves, 25 percent end up with damage claims, compared to 10 percent of moves undertaken for the private sector. Best-in-class movers have customer satisfaction rates of 75 percent, compared with a 23 percent satisfaction rate for DoD member moves.

These gross discrepancies are a direct result of the "lowest bidder" system which does not allow for quality or past performance to factor into the selection system. Hence, the system rewards the

contract to the lowest bidder, but too often rewards the customer with booby prizes: delayed pickup and delivery, gross incompetence, damaged goods, and a complicated and ineffectual claims process. Horror stories abound throughout the Services: the serviceman who had his furniture sawed in half on his front lawn to make it fit into the moving van; the Army family on vacation in between postings who discovered their household effects for sale in a flea market; the Army Colonel whose sofa which was supposed to be in storage while he was posted overseas, but instead was in the motorpool drivers' lounge for two years.

*Figure 1g.* **Moving Household Goods: Problem Diagnosis**

- Not an Integrated System
- Not Customer Oriented
- Responsibilities & Delivery Systems Fragmented & Stovepiped
- Not "Best in Class"
- Highly Regulated and Legislated
- Award Process for Personal Property Shipments Not Performance Based or Best Value

We must do better. Having a fair, customer-oriented moving system is an important quality of life issue for DoD. Service members and their families deserve and expect the same quality of moving service enjoyed by private citizens. There is no reason why they should not have it. Consequently, the Department is in the process of reengineering the system for the movement of personnel and their household goods. We need to improve service, simplify the process, and reduce overall costs to the Department. The reengineered process will be based on best business practices and moving companies will be carefully evaluated according to a variety of factors, including past performance.

Two specific initiatives that will help us achieve our goals are Member-Arranged Moves and an improved process for Do-It-Yourself (DITY) moves.

Member-Arranged Moves will allow service members to select from a list of local carriers instead of the present practice of assigning a carrier based on a rotating list. Offering the members this choice will provide them with a move that better fits their

*Figure 1h.* **Movement of Household Goods: Commercial vs DoD**

| Category | Best Commercial Practice | DoD Current Practice |
|---|---|---|
| Movement of Household Goods (method) | Relocation Service | Multiple Moving Companies at Each Location |
| Acquisition Strategy | Best Value (cost + performance) | Lowest Cost |
| Damage Claims | 1 in 10 | 1 in 4 |
| Claims Settlement | Relocation Company | Member with Local Military Lawyer |
| Reimbursement for Claims | Replacement Value (100%) | 60% of Depreciated Value (max. limit: $1.15 x weight allowance) |
| Customer Satisfaction | 75% Satisfied* | 77% Dissatisfied |

**Using Relocation Company*

***SECDEF REFORM DECISION: The Department will ask Congress for the authority to streamline the DoD system for household goods transportation so that by January 1, 1999, simplified procedures for "do it yourself" moves will be available to every service member and that by January 1, 2000, every service member will have the option to select member-arranged movement of household goods.***

specific needs, gives them more control over the move process, provides a better quality move, and reduces damage and claims. Features of the program include: fair payment for quality service, a toll-free help line, in-transit visibility, a pager provided to service members so they can be notified of delivery, payment via IMPAC card, full replacement cost protection, direct claim settlement with the carrier, and tailored counseling. Customer surveys will evaluate carriers for on-time pickup, on-time delivery, loss, damage, and overall customer satisfaction.

Military personnel are authorized to move their own household goods under the DITY move program. While some 150,000 military personnel utilize the DITY program every year, the system is encumbered by frustrating rules and procedures. If a soldier wants to use this program, he or she first must go rent a truck, drive that truck empty to a public weighing station, confirm its empty weight, drive home and load up the household goods, return to the weighing station to weigh the now-filled truck, return to base to the travel office to present the weight tickets, and then drive to the local finance office to be reimbursed. To make matters worse, the soldier is then reimbursed only 80 percent of the cost the government would have expended to move the same cargo. In other words, military members who are willing to move themselves and save the government money are discouraged by frustrating procedures and inadequate financial incentives.

The Secretary has ordered a streamlining of these procedures to eliminate needless bureaucratic steps. A thorough streamlining will require minor legislative changes. To encourage more DITY moves, the Department intends to increase the reimbursement rate to 95 percent.

## *Conclusion*

For too long, DoD has labored under support systems and business practices that are at least a generation out of step with modern corporate America. DoD support systems and practices that were once state-of-the-art are now antiquated compared with the systems and practices in place in the corporate world. Other systems grew up in their own defense-unique culture and never did correspond with the best business practices of the private sector. This cannot and will not continue.

The security environment of the 21st century demands that we reengineer, leveraging the opportunities provided by information technologies to build a Department that is every bit as lean, efficient, and responsive as American corporations.

# Chapter 2: Changing the Organization

American business has learned that reengineering business practices requires the concomitant reengineering of the business headquarters. The Department of Defense intends to learn from those experiences and seize the opportunity to prepare the Department for the challenges of the 21st century. There are three central principles guiding the changes: Department headquarters should be flexible enough to deal with future challenges; the Office of the Secretary of Defense (OSD) should focus on corporate-level tasks; and operational management tasks should be pushed to the lowest appropriate level. As a result, all headquarters structures should be thinned, flattened and streamlined, both to avoid the temptation to take on new non-core responsibilities, and to provide the resources to organizations receiving the devolved functions.

To implement these changes the Secretary of Defense has made a series of decisions to reduce and reorganize DoD headquarters elements, beginning with those headquarters elements nearest the Secretary of Defense — the OSD staff, the Defense Agencies, the DoD Field Activities, the Defense Support Activities and the Joint Staff. Several of these decisions require additional statutory or Presidential authority, which the Department will seek. OSD and associated activities will emerge better able to focus on corporate tasks and better able to address the challenges facing the Department in the 21st century.

### *Highlights — Reorganization*

As a result of reorganization to focus on core activities:

- OSD and associated activities personnel will be reduced 33% from FY 1996 levels over the next 18 months.
- Defense Agencies personnel will be reduced 21% over the next five years.
- Personnel in DoD Field Activities and other operating organizations reporting to OSD will be reduced 36% over the next two years.
- The Joint Staff and associated activities personnel will be reduced 29% from FY 1996 levels by the end of FY 2003.
- All other headquarters elements, including the headquarters of the Military Departments and their major commands, will be reduced 10% from their FY 1998 levels by the end of FY 2003.
- The headquarters of the Combatant Commands will be reduced by 7% by the end of FY 2003.

In addition these actions will:

- Reduce Presidentially Appointed, Senate-confirmed positions in OSD by 9%.
- Eliminate the entire category of Defense Support Activities.
- Reduce the number of non-intelligence Defense Agencies by 8%.
- Reduce the number of DoD Field Activities by 22%.

## Definitions

### *Defense Agencies, DoD Field Activities, and Defense Support Activities*

In order to understand the reforms proposed in this chapter it is important to differentiate among the three types of organizations that support the Secretary of Defense:

***Office of the Secretary of Defense (OSD)***
This is the core staff that provides advice and support to the Secretary. It consists of the direct staff elements in OSD, as well as the Defense Support Activities that perform technical and analytical support. It consists of approximately 3,000 personnel, including OSD's "hidden staff" who effectively work for OSD but traditionally have been attributed to other elements of the Department.

***Defense Agencies***
These organizations provide supplies or services that are common to more than one Military Department. There are currently 13 Defense Agencies (not including three intelligence agencies) employing nearly 130,000 civilian and military personnel. (The Department of Defense Educational Activity, although formally a DoD Field Activity, is included in this category for this initiative because its size and function are more closely aligned with Defense Agencies.)

***DoD Field and Related Activities***
These are supporting organizations that provide common supplies or services to a more limited portion of the Department than the Defense Agencies, and are generally smaller. There are currently 13 DoD Field and Related Activities employing over 8,000 civilian and military personnel. Also included in this category for this initiative are the miscellaneous support and other operating activities such as the Defense Acquisition University and the Defense Technical Information Center.

See Appendix A for a listing of DoD Field Activities, Defense Agencies, and Defense Support Activities, and a brief description of their respective missions.

## Philosophy of Reform

OSD originally was established to provide the Secretary of Defense with a personal civilian staff that could assist him in carrying out his duties and responsibilities under the National Security Act of 1947. Since its inception, the primary mission of the OSD staff has been to provide policy advice to the Secretary of Defense and to perform a range of staff functions supporting the Secretary's management of the Department. The following core functions of OSD remain necessary to fulfilling the Secretary's statutory responsibilities:

- Provide policy guidance to Department components.
- Develop long-range plans for the Department.
- Monitor and evaluate program performance.
- Allocate resources among the programs and components of the Department.
- Execute the Department's legislative program.

However, the duties and responsibilities of the Secretary have evolved and expanded over time in response to various legislative changes to the National Security Act of 1947. The organization and character of the OSD staff have likewise changed, not only in concert with the evolution in the

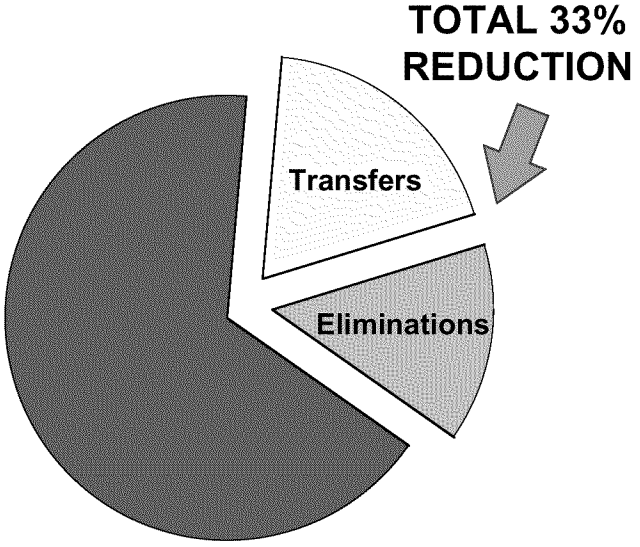
Secretary's duties and responsibilities, but also in response to the different managerial styles of successive Secretaries of Defense.

The result of this evolution is that increasingly, OSD has become involved in activities — program management, the exercise of direct control over functional activities, and the management of an expanding number of centralized services organized into defense agencies and field activities — beyond the scope of its core functions. This expansion of OSD's functions has occurred incrementally over a long number of years, for often sensible purposes. But in today's environment of limited fiscal resources, and drawing on the lessons of how American business has transformed itself in the last two decades, the Department now must set out to reverse this trend and return the focus of OSD, as much as possible, to its historical core functions. Restoring this focus is critical to concentrating the time and intellectual resources of the Secretary's staff on the issues and security challenges that confront the Department.

Therefore, the underlying principle of OSD reorganization is to refocus the office on corporate-level tasks concerning the higher purposes and priorities of the Department and the oversight (as opposed to day-to-day management) of its many operating components. In particular, we want to improve the staff's support for the Secretary in his role as the leader and communicator of the Department, and for the Deputy Secretary in his role as the chief operating officer, with responsibility for management and internal control. To accomplish this change of focus, we have developed an agenda of organizational changes that will:

- Position the Department of Defense to face future challenges.
- Relieve the OSD staff of responsibility for operational and program management functions and from the day-to-day management of subordinate activities.
- Weed out unnecessary overlap, complexity and redundancy.
- Strengthen OSD's focus on long-term strategic, program, and financial planning.

*Figure 2a.* **OSD Personnel Reductions**




In recent years, a wide variety of proposals for reform have emerged from study groups both within and outside the Department, and from the Congress. The time for further study and deliberation now has passed. We are at the point where we need to jump-start the reform process by committing to a series of initiatives that flow from the principles outlined above. From among the many proposals that the Secretary and Deputy Secretary have considered, the Department is committed to the organizational initiatives described below.

### *Reshape Support Activities to Meet New Challenges*

Consolidate and improve organizational arrangements for selected Defense Agencies, DoD Field Activities, and other departmental-level organizations.

### *Realign OSD Offices to Improve Support to the Secretary*

Realign OSD's offices to eliminate redundancy and consolidate related functions, eliminate obsolete functions, and devolve operational and program management functions to operational activities. In addition, OSD's "hidden staff" will be eliminated by reducing, transferring, or absorbing into OSD those organizational components that directly support OSD operations, but, in the past, have not been acknowledged as being part of its formal organizational structure, or reported in its personnel strengths. Among other things, this will result in the complete elimination of an entire category of organizations currently known as Defense Support Activities.

### *Strengthen Alignment of OSD and JCS Staffs. Streamline CINC headquarters*

Clarify staff relationships, promote integration of respective activities, and eliminate unnecessary duplication.

These changes will generate immediate savings, and are expected to pay long-term dividends in increased savings and improved organizational performance in the years ahead. Moreover, they will set the example for reform of subordinate organizations within the Department of Defense, such as the headquarters staffs of the Military Services.

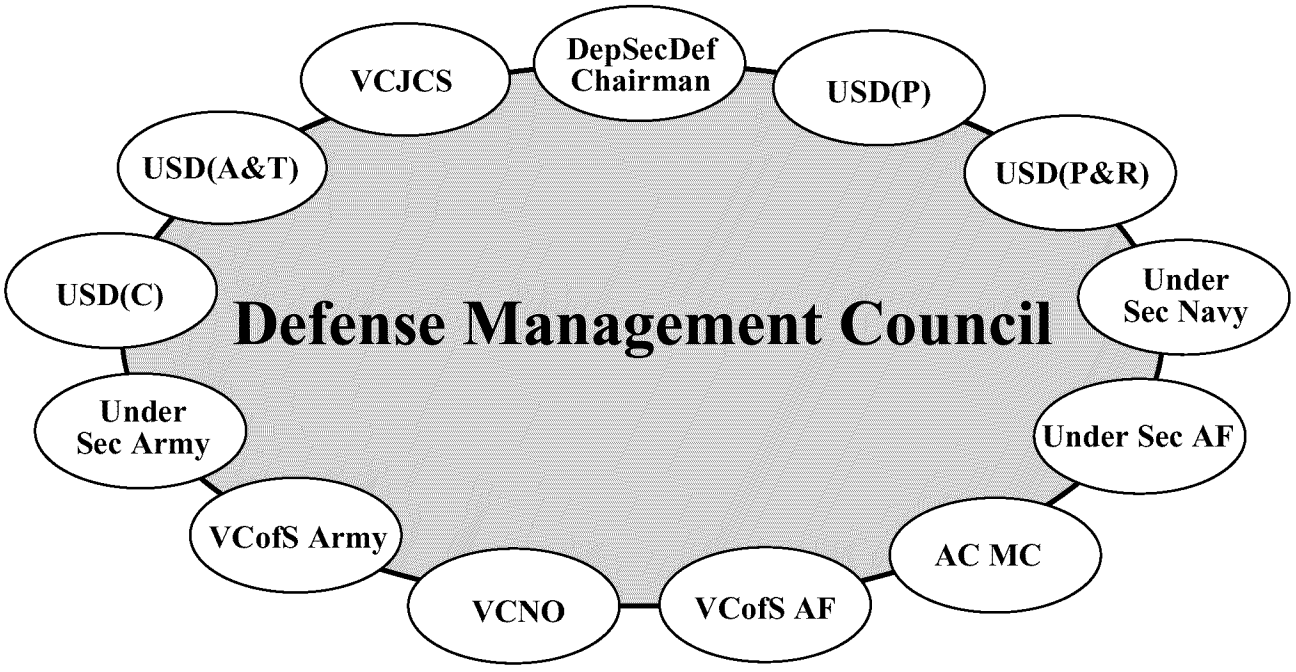
## Shaping the Future

### *Defense Management Council*

The Defense Management Council (DMC) will be the Secretary's primary mechanism for ensuring that the reform initiatives borne from this effort are carried out. The DMC will be responsible for recommending to the Secretary major reforms still needed, ensuring the implementation of those already identified, and the continuing oversight of our Defense Agencies. DMC will be led by the Deputy Secretary and will include the officials identified in Figure 2b.

*Figure 2b.*

Defense Management Council



## *SECDEF REFORM DECISION: Establish a Defense Management Council to serve as the Board of Directors for the Defense Agencies and to oversee the continued reengineering of DoD.*

The Defense Management Council will fill a long recognized need for stronger Departmental oversight and increased accountability for the Defense Agencies and will provide the impetus to propel the Defense Agencies to adopt new, innovative, and more efficient ways of accomplishing their missions. The Defense Agencies consist of nearly 130,000 civilian and military personnel and collectively spend over $10 billion annually, but there has been no institutional mechanism for effectively overseeing their activities in a coordinated fashion. To avoid creating yet another management layer, this action is being accompanied by the immediate elimination of 22 existing boards and committees in the Department. The Department has over 550 boards, commissions and working groups. A comprehensive review will be conducted this winter to prune these back even further.

### *Duties of the Defense Management Council*

- To negotiate performance "contracts" with the heads of the Defense Agencies and to monitor performance against those contracts.
- To monitor progress with the business practice changes outlined in this white paper.
- To monitor progress with the A-76 competitive evaluations.
- To examine follow-up opportunities for consolidation of management activities in the Military Departments and Defense Agencies.
- To consult with business leaders to seek new solutions to management problems, re-engineer business practices and streamline operations.

## *SECDEF REFORM DECISION: Establish a Threat Reduction and Treaty Compliance Agency to carry out programs designed to reduce proliferation and counter threats posed by weapons of mass destruction.*

### *Threat Reduction*

Complex new challenges require organizations to adjust their institutional focus. Of the challenges facing the Department of Defense in the future, none is greater or more complex than the threat posed by weapons of mass destruction. To address these challenges, the Department is committing to the establishment of a Threat Reduction and Treaty Compliance Agency charged with managing activities pertaining to counterproliferation, the Cooperative Threat Reduction Program, and the Partnership for Peace program, and with monitoring compliance with arms control treaties. The new agency will also be

responsible for providing expertise on weapons of mass destruction (to include supporting related technical force protection requirements of the Chairman, JCS), nuclear weapons stockpile support, and weapons of mass destruction research, operational support, and threat reduction. These highly specialized technical skills will enable this new agency to effectively carry out its responsibilities and to support the Under Secretary of Defense for Acquisition and Technology (USD (A&T)), to whom it will report.

This new agency will be formed by consolidating three existing agencies: the On-Site Inspection Agency, the Defense Special Weapons Agency, and the Defense Technology Security Administration. In addition, functions of the OSD staff currently associated with managing associated programs would also devolve to the new Agency. This includes a small program management staff from USD (Policy) and the Deputies for Threat Reduction, Nuclear Treaty Programs, and Counterproliferation from the Office of the Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Defense Programs), which we intend to eliminate. Consolidating these agencies and offices will help to break down barriers between their staffs, offering the benefits of synergy among the varied talents that will be brought together.

### *World-class Education*

The American military has proven itself to be the finest fighting force in the world. Thus, it is with good reason that the Department considers itself to be a world-class organization. But it is a world-class organization despite rendering second-rate education, training, and professional development to its civilian employees. Among the lessons of corporate America is that every successful organization finds its people to be its most important asset, and reflects their importance in a strong, corporate-sponsored program of continuous training and professional development. DoD has many educational programs and institutions, but their quality is mixed. Only one-fifth of OSD sponsored educational institutions are accredited by a recognized academic accreditation association, and only five of 37 educational and professional development programs have at least some courses certified for college credit by the American Council on Education. Faculties are often not challenged, and students are not inspired.

A world-class organization must aspire to world-class educational standards. Accordingly, the Department will establish a Chancellor for Education and Professional Development to develop and administer a coordinated program of civilian professional education and training throughout the Department; establish standards for academic quality; eliminate duplicative or unnecessary programs and curriculum development efforts; and ensure that DoD education and training responds to valid needs, competency requirements, and career development patterns. In particular, the Chancellor will be charged with ensuring that by January 1, 2000, every DoD institution will be accredited or actively pursuing accreditation and no educational program or course will be taught unless it is fully certified by recognized accreditation authorities for each respective field. To achieve this goal, one of the Chancellor's first initiatives will be to institute a system of performance evaluation for every faculty member, course, and program.

***SECDEF REFORM DECISION: Establish a Chancellor for Education and Professional Development to raise the quality of civilian training and professional development to world-class standards and ensure that by January 1, 2000, no course is offered to DoD civilian employees unless certified by a recognized accreditation authority.***

The Chancellor will operate through a consortium of DoD institutions offering programs of professional development (similar to the approach currently used by the Defense Acquisition University). Membership in the consortium will be mandatory for DoD institutions offering training and professional development programs; however, the initial focus will be on those elements of professional education under the cognizance of OSD staff offices. At the same time, the Chancellor will seek to open in-house programs to competition by the private sector to ensure that DoD training and professional development programs offer value to the Department, as well as quality.

Since these are managerial as distinct from policy-making functions, the Chancellor for Education and Professional Development will not be assigned to OSD, but to the National Defense University. However, he or she will operate independently of the President of the University and will report to the Secretary of Defense through the Under Secretary of Defense (Personnel and Readiness), who is responsible for exercising overall policy oversight of military and civilian training and professional development throughout the Department.

### *Domestic Emergencies*

The Department manages its overall response to domestic emergencies through the Army's Director of Military Support (DOMS). DOMS supports the Secretary of the Army's responsibility as Executive Agent for managing DoD responses to requests from civil authorities for military assistance in civil emergencies (i.e. natural and man-made disasters). When domestic emergencies require a military response, an overwhelming percentage of the forces engaged in relief efforts are drawn from the National Guard. To improve the planning for and employment of National Guard and other Reserve component forces in response to domestic emergencies, the Department is committed to restructuring DOMS to shift more day-to-day responsibility to the National Guard.

Under the new arrangement, the Deputy Director of DOMS, responsible for its day-to-day operations and command center, will be a general officer from the National Guard Bureau, and up to

## *Helping Americans in Distress*

From the earliest days of the Colonies, the Armed Forces and especially the National Guard have played crucial roles in helping Americans in time of distress.

- When Hurricane Andrew came crashing ashore in Florida, destroying thousands of homes and leaving tens of thousands homeless, the United States Armed Forces, including National Guard and Reserve, were on the scene within hours, setting up tent cities, pumping clean and safe water, delivering food and medical supplies, and otherwise helping to bind together the torn community.

- Extensive flooding in the Mississippi River valley back in 1995 left tens of thousands stranded. Entire communities were encircled by the surging river. Army National Guard helicopters and heavy ground equipment came to the aid of beleaguered cities, towns, and farms, delivering vital supplies and rescuing the stranded.

- When riots broke out in Los Angeles, the Governor of California called on the National Guard to complement local law enforcement authorities and help restore a sense of security and calm in the city.

Every year the National Guard and other elements of the Armed Forces of the United States are called in to help Americans in danger or distress. To this end, the Department of Defense maintains extensive peacetime relations with the Federal Emergency Management Agency and with the Governors to provide emergency assistance. The Department coordinates these relief efforts through the Department of the Army's Director of Military Support (DOMS). Acting on behalf of the Secretary of Defense, the Secretary of the Army coordinates all relief activity through DOMS.

***SECDEF REFORM DECISION: Enhance the role of Reserve Components in domestic emergency response by establishing a General Officer National Guard position as Deputy Director of Military Support Operations (DOMS) and increasing the number of Reserve personnel on the DOMS Staff.***

half of the staff positions will be assigned to Reserve Component officers. This new arrangement will reflect the reality that America is guarded every hour by its Guard and Reserve forces as well as Active forces and the fact that responses to domestic emergencies will usually be provided by National Guard assets. None of these changes will affect the command and control arrangements between DOMS and the Joint Staff, and the Secretary of the Army will continue as the civilian executive agent overseeing DOMS.

## Improving OSD Support to the Secretary

OSD has evolved over the past 50 years and now is organized around five primary secretariats: policy; acquisition and technology; finance; personnel and readiness; and command, control, communications and intelligence. While the basic structure is sound, there are many internal inconsistencies. Further, OSD has numerous organizations that reflect a specific initiative once, but no longer, important, yet the organization remains. Additionally, while the primary responsibility of OSD is to develop policy and to oversee activities on behalf of the Secretary, many OSD elements, in fact, manage programs on a day-to-day basis.

This section outlines the larger initiatives to remove these inconsistencies and streamline the OSD secretariats. Detailed changes for each directorate are contained in Appendix C to this white paper.

### *Policy Secretariat*

The Under Secretary of Defense for Policy (USD (Policy)) is the principal OSD staff assistant for formulating national security and defense policy and for integrating and overseeing DoD policy and plans to achieve national security objectives. Currently, the Policy secretariat includes four assistant secretaries of defense (ASD) as follows:

ASD (International Security Affairs)
ASD (Strategy and Resources)
ASD (International Security Policy)
ASD (Special Operations and Low Intensity Conflict)

This organization needs updating to reflect changes in the international security environment in the past five to eight years. The disintegration of the Soviet Union has created a significantly more complicated environment for existing and prospective arms control arrangements. Proliferation concerns have exploded in the face of the spread of ballistic missile technology and chemical and biological weapons. Finally, a good deal more of United States security policy involves so-called "operations other than war" — counterterrorism, counter-drug efforts, humanitarian assistance, and peacekeeping operations.

In order to better address the complex evolving security environment, the Policy secretariat is being restructured with three ASDs:

ASD (International Security Affairs)
ASD (Strategy and Threat Reduction)
ASD (Special Operations and Humanitarian Assistance)

ASD (International Security Affairs) will operate with modest changes consistent with other actions being taken in the Policy secretariat. ASD (Strategy and Threat Reduction) will be the Department's focus for counterproliferation, threat reduction activities and treaty compliance policy issues, and security relations with Russia, Ukraine, and other Newly Independent States. It will also provide civilian advice to the Secretary on national security strategy, defense strategy, war plans, and defense programs to ensure they are consistent with overall strategies. The ASD (Special Operations and Humanitarian Assistance) will be responsible for counterterrorism activities, counter-drug activities, humanitarian assistance, peacekeeping policy, and security relations with Latin American states.

A more comprehensive discussion of these changes is contained in Appendix C, along with the other changes outlined for the Policy secretariat.

### *$C^3I$ Secretariat*

The ASD (Command, Control, Communications and Intelligence) ($C^3I$) is the principal OSD staff assistant for the development and oversight of DoD policies and programs relating to command, control, communications and intelligence. In addition, the ASD ($C^3I$) serves as the Chief Information Officer of the Department.

When ASD ($C^3I$) was created 12 years ago, information technology systems were new and complex and merited a unique management structure. Today, information technology systems are incorporated into every weapons system and business application. Information systems are no longer dedicated, stand-alone systems. Rather, they are embedded in virtually every other system.

Reflecting these changes, we have decided to transfer the acquisition functions associated with $C^3I$ to the USD (A&T) and the ASD ($C^3I$) secretariat will become an ASD (Intelligence) secretariat. Coincident with these changes, the $C^4I$ Integration Support Activity (CISA), a Defense Support Activity currently reporting to the ASD ($C^3I$), will be disestablished. CISA functions, personnel, and associated resources will follow the restructuring of ASD ($C^3I$) itself. The USD (A&T) will be designated the Chief Information Officer, strengthening that role in the Department.

A more comprehensive discussion of these changes is contained in Appendix C, along with the related changes scheduled for the $C^3I$ secretariat.

### *Acquisition and Technology Secretariat*

The Under Secretary of Defense for Acquisition and Technology (USD (A&T)) is the principal OSD staff assistant for all matters relating to the DoD acquisition system, research and development, advanced technology, test and evaluation, production, logistics, military construction, procurement, and environmental issues.

A number of important changes will take place in the A&T secretariat. As noted above, USD (A&T) will receive the acquisition functions associated with $C^3I$ and the CISA.

In addition, program management and operational activities of the Assistant to the Secretary of Defense (Nuclear and Chemical and Biological Programs) (ATSD (NCB)) will be transferred. Chemical demilitarization will be transferred to the Army. Other programs and activities will be transferred to the new Threat Reduction and Treaty Compliance Agency or others. As such, the ATSD (NCB) position is no longer needed and the residual policy duties can be assigned to the Director of Defense Research and Engineering who will assume responsibilities to serve as the principal technical OSD staff advisor on nuclear matters, to include serving on the Nuclear Weapons Council and as the DoD point of contact with the Department of Energy.

Those staff elements in the A&T secretariat that currently serve to promote armaments cooperation with allied countries will be transferred to the Defense Security Assistance Agency. USD

(A&T) will continue to maintain Department-wide responsibilities to promote international armaments cooperation and will work accordingly with DSAA to support that critical mission.

These changes are discussed in greater detail in Appendix C, along with other important changes taking place in the Acquisition and Technology secretariat.

### *Personnel and Readiness Secretariat*

The Under Secretary of Defense for Personnel and Readiness is the principal OSD staff assistant for Total Force management, readiness, health affairs, quality of life, and National Guard and Reserve component affairs.

The major change proposed in this area is to shift out of this secretariat those staff in the ASD (Health Affairs) office that manage elements of the Defense Health Program. These staff members will be assigned to the TRICARE Support Office. We also will disestablish the Defense Medical Program Activity and transfer its functions to the TRICARE Support Office.

These changes are discussed in greater detail in Appendix C, along with other changes taking place in the Personnel and Readiness secretariat.

### *Finance Secretariat*

The Finance secretariat is composed of the Office of the Comptroller/Chief Financial Officer and the Director of Program, Analysis and Evaluation. The USD Comptroller is the principal OSD assistant for budgetary and fiscal matters, including financial management, accounting policy and systems, budget formulation and execution, and contract audit administration and organization. The Director, Program Analysis and Evaluation, conducts the annual program review.

Only minor changes are proposed in this secretariat, and they are discussed in Appendix C.

## OSD, JCS and CINC Staff Relationships

As part of the Secretary's review of the management of the Department, the Chairman directed a review of the Joint Staff, Chairman-controlled activities, and CINC staffs, which together number about 18,000 personnel.

### *The Joint Staff and Chairman-Controlled Activities*

The role of the Joint Staff is to support the Chairman of the Joint Chiefs of Staff in his role as senior military advisor to the President and the Secretary of Defense, and to support the other members of the JCS. The Joint Staff comprises about 1,400 personnel, with another 1,200 in Chairman-controlled activities, which report to the Joint Staff. The review of the Joint Staff concluded that the Chairman required strong staff support to carry out his core areas of responsibility established in Title 10:

- Provides independent military advice to the Secretary of Defense, the National Security Council, and the President.
- Assists the President and the Secretary of Defense in providing for the strategic direction of the Armed Forces.
- Develops doctrine for the joint employment of the Armed Forces.
- Guides the establishment of warfighting requirements for acquisition programs.
- Provides leadership for the Services and CINCs in finding joint solutions to common problems.

As with OSD, the basic structure of the Joint Staff is sound, but issues have arisen as the Joint Staff has taken on additional responsibilities since the enactment in 1986 of the Goldwater-Nichols Act.

Some of these additional responsibilities resulted in Joint Staff growth while others resulted in the creation of Chairman-controlled activities. Numerous parallel functions also exist in the Joint Staff and OSD. In some cases, such redundancy is warranted; however, in many cases it is not.

As a result of restructuring, the Joint Staff will eliminate or transfer approximately 170 billets. Functions that parallel those of OSD will be rationalized, eliminating duplication. In addition, most of the Chairman-controlled activities will be transferred to the CINCs, Services or Joint Agencies.

A more comprehensive discussion of these changes is contained in Appendix C.

### *The Headquarters of the Combatant Commands*

The Joint Staff and the Combatant Commanders (CINCs) were established by the National Security Act of 1947; since then Congress has modified their responsibilities and numbers several times by changes to Title 10. The most significant changes were made by the Goldwater-Nichols Act of 1986, which greatly expanded the responsibilities of the Chairman of the Joint Chiefs of Staff and the CINCs and strengthened their supporting staff functions. Currently, there are nine CINCs: five with regional responsibilities — USCINCPAC, USCINCCENT, USCINCSO, USCINCEUR and USCINCACOM; four with functional responsibilities — USCINCTRANS, USCINCSOC, USCINCSPACE and USCINC-STRAT.

These joint headquarters staff total approximately 15,500 personnel. The review examined all components of the joint headquarters staff: common functions, unique functions, and offices funded from outside agencies. The review concluded that a number of unique functions now reporting to CINC headquarters should be reduced, competed with the private sector, or transferred to lower echelon organizations. In addition, the CINCs Joint Intelligence Centers will be reduced and reductions will be made in the individual CINC headquarters. A more comprehensive discussion of these actions is contained in Appendix C.

## *Conclusion*

These organizational changes will enable the Secretary of Defense to fulfill his responsibilities to the President and the American people. They will improve oversight of the Department and ensure civilian control while enhancing civilian-military relationships in the Department. The reforms will empower managers at lower levels and free policymakers from operational responsibilities. They will free up resources to meet new challenges and ensure that we continue to have quality civilian and military personnel who are well prepared to respond to the changes of the future. Through these reforms the Department of Defense will continue to man, train and equip the finest military force the world has ever seen.

# Chapter 3: Streamlining Through Competition

Competition is the driving force in the American economy. It forces organizations to improve quality, reduce costs, and focus on customers' needs. Continuously spurred by these forces, American firms are now global leaders in innovation, cost performance, and technological development.

Competition offers these same benefits to DoD and plays a critical role in our reform effort. Our bases and forces require support in a number of service areas. Buildings must be maintained, equipment must be repaired, checks must be written. Many of these activities are now performed by uniformed personnel or civilian government workers. Often, there is no reason why this work cannot be performed by the private sector. In such cases, following the example of America's leading firms, DoD will benefit greatly by introducing the dynamic forces of competition into the procurement of support activities.

Competition between the public and private sectors is not new. We have conducted such competitions in the past, typically saving at least 20 percent of the contract cost as a result. Many states and local communities have also begun using competition to take advantage of its benefits. They too have found that competition improves services and lowers cost. As the growing body of experience demonstrates, competition leads both the public and private sectors to find new ways to improve service and lower cost.

We do not seek to replace government workers with private sector contractors. Our DoD civilian employees are dedicated, skilled, and hardworking. We fully expect – and our own experience has shown – that the government sector will win a significant portion of these competitions. But when it does, it will be because it provides the best service at the best price. The Department will benefit, as will the American taxpayer and our fighting forces.

To ensure that competitions between the public and private sectors occur on a level playing field, the government has established a formal process, outlined in Office of Management and Budget Circular A-76 and its revised Supplement (see box on A-76). The Supplement sets forth detailed, "how-to" procedures for conducting cost comparisons to determine whether commercial activities should be performed in-house, or by the private sector. The process mandates competition

### *Highlights — Streamlining Through Competition*

DoD will increasingly rely on the competitive powers of the marketplace to help us become more efficient. This means:

- By 1999, DoD will evaluate our entire military and civilian workforce to identify which functions are commercial in nature and could be opened up for competition under the A-76 process. In particular, the Department is looking at competing the following functions: civilian pay, military retiree and annuitant pay, personnel services, disposal of surplus property, national stockpile sales, management of leased property, and drug testing laboratories.
- DoD will continue to pursue public-private competitions for depot maintenance work to the full extent allowed by law.

## Office of Management and Budget Circular A-76

The Office of Management and Budget (OMB) Circular A-76, "Performance of Commercial Activities," has its roots in the Eisenhower Administration with Budget Bulletin 55-4, January 1955, which stated: "It is the general policy of the Federal Government that it will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels."

OMB Circular A-76 was first published in March 1966, with subsequent updates in 1979 and 1983. It continued the Federal Government's preference of relying on the private enterprise system to supply its commercial needs. It also allows the government provider the opportunity to reengineer its activities to form a "Most Efficient Organization" that can best compete with the private sector.

In March 1996, OMB revised the A-76 process providing for streamlined cost comparisons, fixed overhead rate for in-house cost estimates, and several technical changes to standardize work so that we can compare like units to each other. This given amount of work could be done by any mix of full-time and part-time personnel. By describing the work in standard terms, i.e., Full Time Equivalents (FTEs), a fair comparison can be made. FTEs are equal to one work-year for a given job. We compete based on FTEs instead of positions in order to standardize the amount of work we expect to be accomplished by the given job and to control for work that is regularly done part-time or with overtime.

between the government organization currently doing the work and the private sector. As part of the process, the public sector organization is able to re-form into a "Most Efficient Organization" to compete. In order to win a competition, a private sector bid must be at least ten percent lower than the public sector bid.

From 1979 to 1996, DoD competed functions involving over 90,000 Full Time Equivalents (FTEs) under the A-76 rules. As a result of these competitions, DoD now saves $1.5 billion a year. About half of these competitions were won by government organizations. The competitions have reduced the annual operating costs of the functions involved by about 30 percent. FY 1983 represented the historical high point with functions involving over 10,000 FTEs competed. This past year, DoD initiated studies of functions involving over 34,000 FTEs, which will be completed between FY 1997 and FY 2000. We expect to announce a similar level of studies over each of the next few years.

Depot maintenance or repair on weapons and major components involving workloads in excess of $3 million is statutorily exempt from the A-76 process. DoD and the Military Departments therefore have established specific procedures to structure fair competitions for these workloads. These procedures are being updated and improved in anticipation of future competitions.

## Competition for Commercial Activities using OMB Circular A-76

Within the Department of Defense, experience demonstrates that competition has yielded both significant savings and increased readiness for each of the Military Departments. Between 1979 and 1994, DoD conducted over 2000 competitions using the A-76 process. Government organizations and private firms each won about half of these

competitions. But regardless of who won, the results have been positive. As Figure 3a indicates, annual operating costs were reduced by 31 percent, resulting in cumulative savings of $1.5 billion a year.

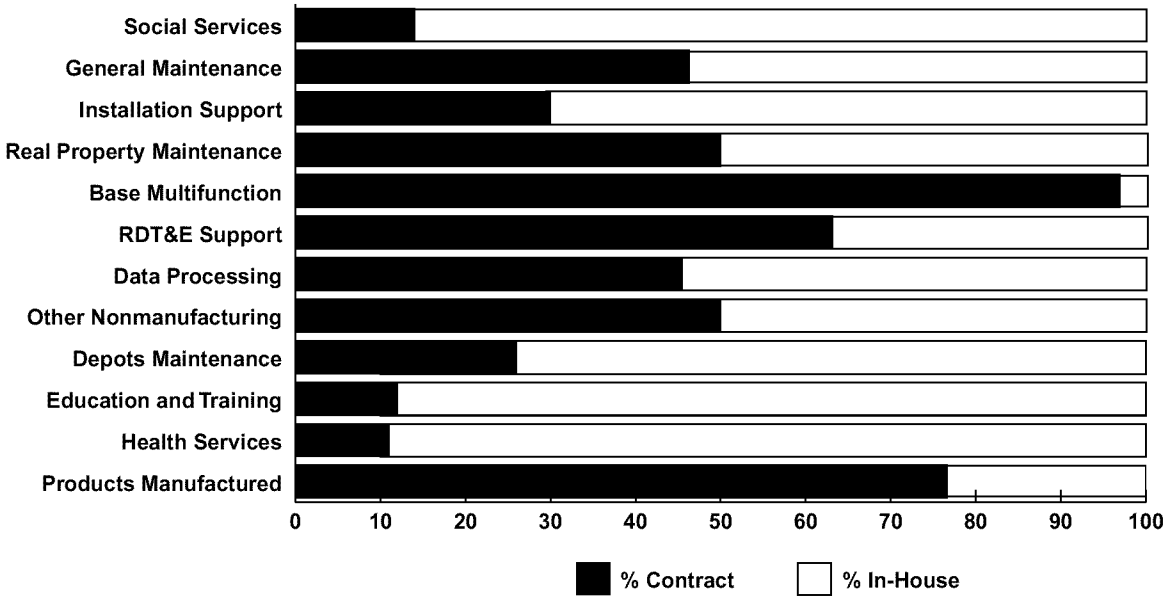
The savings we have achieved highlight the potential benefits of opening up even more of our support activities to competition. The extent to which commercial activities are performed in-house varies by activity, as shown in Figure 3b.

*Figure 3a.* **Competition Yields Significant Savings**

| | Competitions Completed | Average Annual Savings ($M) | Percent Savings |
|---|---|---|---|
| Army | 510 | $ 470 | 27% |
| Air Force | 733 | $ 560 | 36% |
| Marine Corps | 39 | $ 23 | 34% |
| Navy | 806 | $ 411 | 30% |
| Defense Agencies | 50 | $ 13 | 28% |
| Total | 2,138 | $ 1,478 | 31% |

*Results of A-76 Cost Comparison: 1978-1994*

*Figure 3b.* **Private and Public Sector Performance of Commercial Activities**



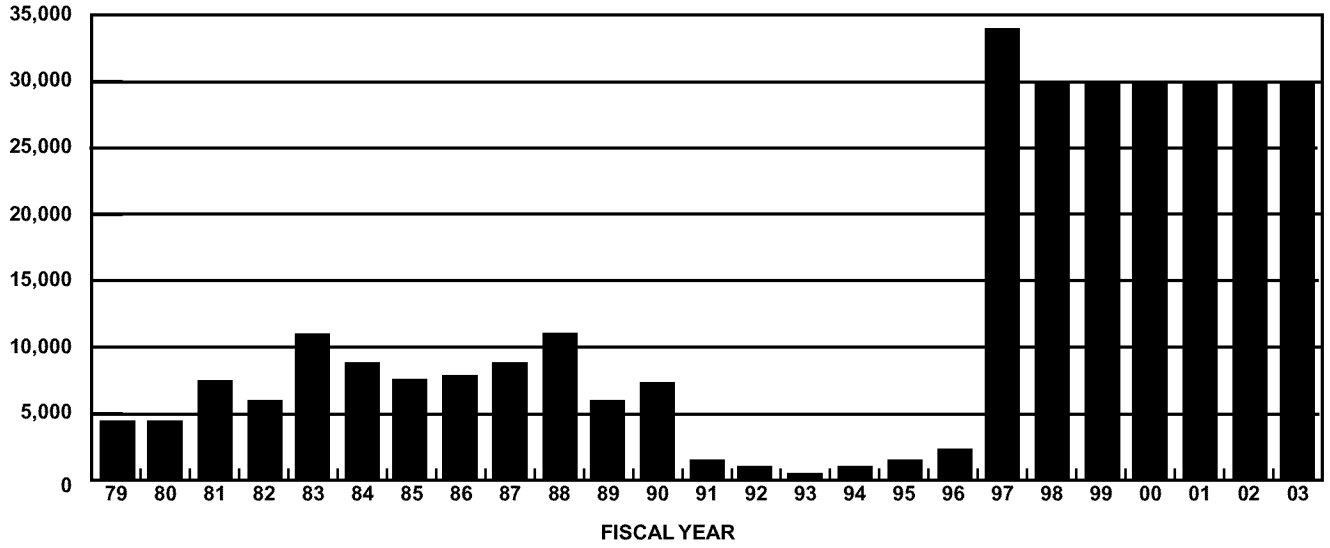
This year, the Department of Defense is increasing significantly the number of functions that will be competed. Already, the Military Departments and Defense Agencies announced that they will conduct A-76 competitions involving more than 34,000 positions. Figure 3c illustrates that these competitions cut across a wide array of functions.

In addition, the Department's components will conduct A-76 competitions for functions involving 30,000 FTEs in each of the next five fiscal years for a total of approximately 150,000 FTEs. As shown in Figure 3d, this annual effort represents more than a threefold increase over any year in the previous two decades.

*Figure 3c.* **A-76 Studies Initiated in FY 1997**

| Functions | # FTEs |
|---|---|
| Social services | 2,331 |
| General maintenance and repair | 6,460 |
| Installation support | 5,868 |
| Real property maintenance | 5,168 |
| Base multifunction services | 9,223 |
| Data processing | 751 |
| RDT&E support | 743 |
| Other nonmanufacturing | 2,817 |
| Education and training | 569 |
| Health services | 350 |

*Figure 3d.* **A Commitment to Competition**

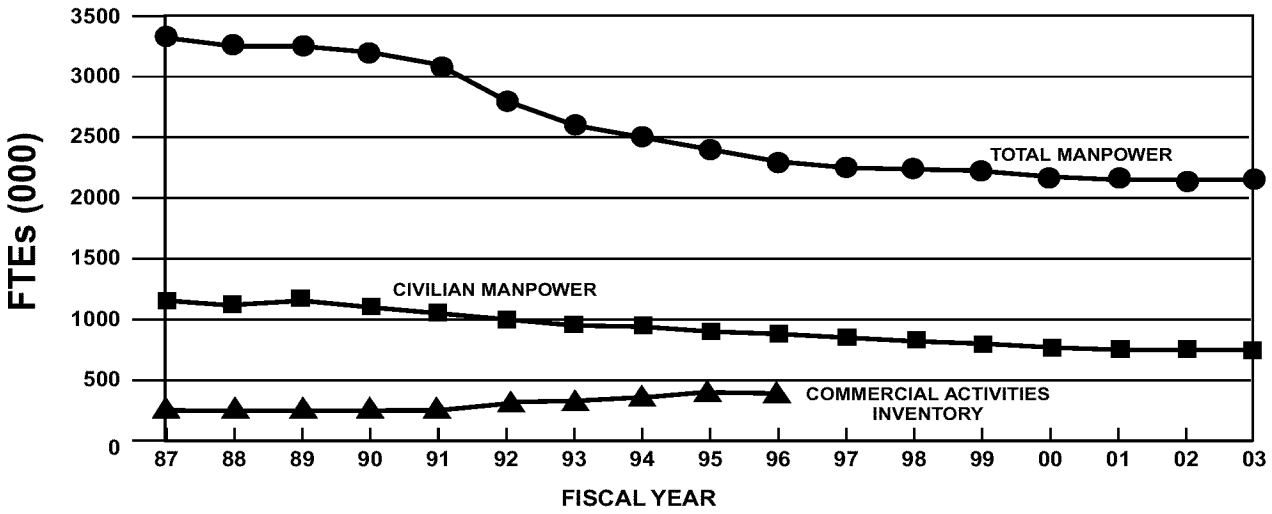



The above chart shows the number of full-time equivalents (FTEs) studied for A-76 competition each year.

Based on historical experience, we expect to save (and will include in our FY 1999 budget) approximately $6 billion over the next five years, with annual recurring savings thereafter of $2.5 billion as a result of these studies.

We believe that we can, and must, look beyond these numbers to other areas where competition can improve performance and lower cost. Currently, as shown in Figure 3e, only a small percentage of DoD's total personnel is in positions classified as commercial activities subject to A-76 competition.

*Figure 3e.* **Workplace and Commercial Activities Inventory**




These classifications have been made over time, often on an ad hoc basis. To standardize our classification system, the Department will begin a review of all functions performed by its civilian and military personnel to identify which functions must be performed by government employees and which are commercial in nature and could be competed. This process is likely to increase candidates for A-76 competitions beyond the current levels.

## *Examples of A-76 Successes*

In 1980 Fort Gordon, Georgia, used the A-76 process to compete installation logistics functions and its public works functions were competed in 1986. In 1990, the logistics and public works functions were combined into a Directorate of Installation Support whose work was competed and awarded to Johnson Controls. This resulted in annual contract savings of $916,000 and in-house savings, from elimination of duplicate logistics/public works staffs, of $225,000. Additional advantages of the combined contract include having a single contractor point of contact for installation customers and managers, and standardization of management, contract surveillance, and contractor-performance evaluation procedures.

Another important A-76 success has been the reengineering of the administrative and logistical support functions of the Defense Finance and Accounting Service (DFAS) facilities. In May 1997, DFAS completed the first ever multifunction, multi/location study in the government, involving all five of the major DFAS centers located around the country. The study involved such functions as mail, engineering, maintenance, and property management. In this competition, the in-house work force won by producing an annual savings of $4.1 million over the previous cost of completing the work. They accomplished the savings by streamlining operations, identifying opportunities for operational efficiencies, and reducing waste. This study was completed under schedule, in less than 26 months, instead of the allowed 48 months.

***SECDEF REFORM DECISION: By 1999, the Department will evaluate DoD's entire military and civilian workforce to identify which functions are commercial in nature and could be competed under the A-76 process.***

Additionally, we are already examining a range of other activities, many within Defense Agencies, to identify other potential candidates for competition including:

- Civilian Pay – Including employee data, time and attendance data, leave accounting, pay computation, all reporting and disbursing (e.g., tax, savings bonds, allotments), and pay delivery for the approximately 800,000 DoD civilians; development, maintenance and operation of the data processing system and all feeder systems, such as personnel, accounting, and management information systems.

- Military Retiree and Annuitant Pay – Including data maintenance, pay computation, entitlement determination, reporting and disbursing (e.g., taxes, allotments) and pay delivery for the approximately 2.2 million military retirees and annuitants; development, maintenance and operation of the data processing systems, and feeder systems, such as military pay, personnel, accounting, and management information systems.

- Personnel Services – Including operation of automated personnel processing services, personnel data maintenance, injury compensation claims processing and data maintenance, selected education and training for military and civilian personnel, recruiting and support functions, and information management for personnel benefits and services.

- Disposal of Surplus Property – Currently, the Defense Reutilization and Marketing Service (DRMS) disposes of the vast majority of DoD surplus property, with projected sales for FY 1997 of approximately $167 million. DRMS has 164 offices worldwide. DRMS is currently conducting limited A-76 studies. The Department will now expand the A-76 process across the DRMS operation.

- National Stockpile Sales – The value of our inventory of stockpiled metals is now worth about $5.4 billion, but only $44 million of this is needed to meet projected security emergencies. DoD officials currently perform sales, market research, quality assurance, stockpile maintenance, and security functions. Congress has now given us disposal authority for over $3 billion of the $5.4 billion in inventory. We will pursue opportunities for appropriate stockpile reductions.

- Management of Leased Property — DoD currently leases approximately 64 million square feet at a cost of about $938 million. Most of these leases are managed at the local level. We will examine competing leasing functions such as requirements definition, space acquisition, and lease administration.

- Drug Testing — DoD conducts an extensive military drug-testing program. Over three million samples from active duty personnel are tested each year, at a cost of $35 million. Currently, active duty and Air National Guard testing is conducted at government laboratories. Testing of recruits is already conducted through a commercial contract, at an annual cost of $3.3 million for 300,000 test samples. Drug tests for the Army National Guard are also done through a commercial contract.

# National Defense Stockpile

Congress created the National Defense Stockpile of Strategic and Critical Materials (Stockpile) after World War II because the United States' heavy dependence on imports of raw materials had made the nation vulnerable to enemy attacks on cargo ships. During the Cold War, the Federal Government acquired large stocks of basic structural materials such as lead, nickel, zinc, tin, bauxite, fluorspar, and rubber, as well as the high technology materials titanium, beryllium, and cobalt used in aerospace applications. These stockpiles were designed to meet military, industrial and essential civilian needs in case of a three-year global war involving the total mobilization of the US economy. At the height of the Cold War, Stockpile requirements as determined by the Federal Emergency Management Agency were valued at over $15 billion and inventories acquired toward those requirements were valued at over $12 billion.

DoD was given responsibility for the Stockpile program in 1988. While initially planned around a yearlong global war, requiring total mobilization of the US economy, today we estimate the strategic materials needed for two simultaneous Major Theater Wars in Korea and the Persian Gulf with very short warning. In this situation, war damage to our overseas suppliers and shipping losses during import to the United States are greatly reduced. Today, DoD estimates that we only need Stockpile inventories valued at $44 million out of a total inventory still worth $5.4 billion.

DoD began a large disposal program for Stockpile inventories in 1993. The Congress has built many safeguards into the disposal process to avoid undue disruption of domestic and world materials markets and to ensure that we are constantly monitoring national security requirements for possible changes in needed Stockpile inventories. For each commodity, we must get special disposal authority legislation from Congress. Then we must consult an interagency Market Impact Committee composed of experts in domestic and world materials markets from the Departments of Interior, Energy, Agriculture, State, and Treasury. Once this committee has given us advice on appropriate sales levels to avoid undue market disruptions, we submit an Annual Materials Plan to the Congress which must be approved before sales can occur. As a result, sales in the early 1990s averaged only $200 to $300 million annually. However, Congress has now given us disposal authority for over half the $5 billion inventory and annual sales have reached $400 to $500 million per year.

DLA manages the Stockpile sales program and uses a variety of sales methods that are appropriate to the world market for each material. For example, tin is sold on a daily spot-market basis with the price set to the daily world price. Other materials such as cobalt are sold on a competitive bid basis with DLA having the flexibility to reject bids that are so low that they would cause undue market disruptions. Some of the materials such as asbestos and thorium nitrate have environmental hazards associated with them and will not be sold into commercial markets.

## Competition for Depot Maintenance

DoD depots are currently performing maintenance on planes, vehicles, and other weapons systems – much of which our military leadership believes could also be reliably performed in the private sector. For this work, as for the commercial activities described above, competition between public teams and private firms will sharpen the performance and lead to better value for the Department.

As mentioned above, depot maintenance work is largely excluded by statute from the A-76 process. To ensure fair competition, DoD has established a set of rules and procedures to compare public and private sector bids. Currently, the amount of workload performed in-house by the Services ranges from 63 percent to 72 percent. The Department will continue to pursue public-private competitions to the extent allowed by law.

The amount of work the Military Departments are able to subject to competition depends both upon DoD's own risk analysis and statutory limits on outsourcing.

It is important to note that the Defense Department will continue to need organic depot maintenance activity to meet core warfighting requirements. No automatic nor arbitrary goal should constrain what must be a careful case-by-case evaluation for work undertaken in depots or in the private sector. The recently conducted C-5 maintenance competition between public depots and the private sector demonstrated, however, that competition is a powerful incentive to both sides to lower costs. The taxpayer saved $190 million and avoided millions more in facilities costs through that one competition. Competition brings out the best in everyone.

*Figure 3f.*

### Depot Maintenance Workloads
**(FY 1999 in $ Millions)**

| | Army | Navy | Air Force* |
|---|---|---|---|
| **Total Program** | **1205** | **5892** | **4210** |
| **Public Workload** | **763** | **3770** | **3011** |
| **Public/Total Workload** | **63%** | **64%** | **72%** |

**Computed without Interim Contractor Support or Contractor Logistics Support.*

## *Conclusion*

Competition between the public and private sectors offers us a way to infuse our defense support activities with the dynamism of the market. It will also make the Department more agile and efficient.

We know competition between the public and private sectors works. We see its fruits every day in the better service it gives our troops and the better balance it gives our ledgers. It empowers workers, both public and private, challenging them to provide higher quality and lower cost.

Our challenge today is to seize the opportunities in front of us and to think anew about what additional DoD functions stand to benefit from competition. We need to realize that the benefits of competition are not a luxury, but a necessity, as we seek to maintain the world's premier military force as we enter the 21st century.

# Chapter 4: Eliminating Unneeded Infrastructure

The Department is encumbered with facilities we no longer need. These facilities drain resources that could otherwise be spent on modernization. To this end, we believe that a three-pronged strategy is required: close excess infrastructure; consolidate or restructure the operation of support activities; and, demolish unneeded buildings.

During the 1980s, American corporations from automobile and computer manufacturing to consumer retail reduced their plant and office space as part of their effort to reorganize, restructure and reform their business practices to stay competitive in the global marketplace. The Department needs to make similar infrastructure reductions.

### *Highlights — Eliminating Infrastructure*

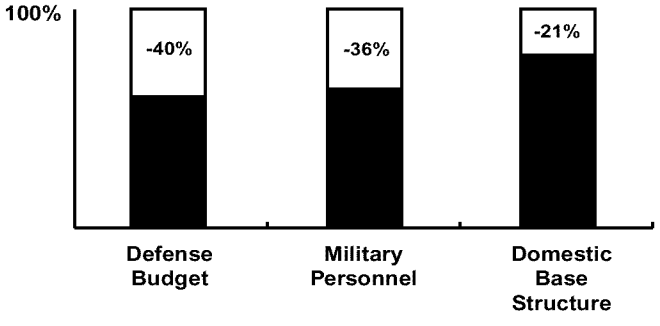
The Department must stop the drain on resources caused by excess Cold War infrastructure. That means:

- DoD will seek congressional authorization for two additional rounds of BRAC in 2001 and 2005.
- DoD will consolidate, restructure and regionalize many of its support agencies to achieve economies of scale.
- DoD will seek permanent legislative authority to privatize family housing construction.
- By January 1, 2000, DoD will initiate privatization of all utility systems except those needed for unique security reasons or when privatization is uneconomical.
- Within six months the newly renamed Defense Energy Management Center shall outline a blueprint for three regional demonstrations of integrated energy management, to include supply and demand management.

## Base Closure

During the post-Cold War military drawdown, DoD reduced both the Defense support structure and the force structure. But infrastructure reductions — including military bases, facilities, and buildings — have lagged behind force reductions. As shown in Figure 4a, force structure has fallen 32 percent since 1989 and will decline to 36 percent by 2003 as a result of the QDR. At the same time, after four rounds of base realignments and closures, our worldwide base structure has declined only 26 percent and domestic base structure has declined only 21 percent. This relative disparity between base structure and force reductions wastes limited resources on maintaining unneeded bases.

*Figure 4a.* **Relative Drawdown**




We close bases for a number of important reasons — to reduce our annual operations and maintenance expenses, consolidate our forces, and improve readiness and modernization by directing more resources to forces rather than bases.

Since 1988, DoD has only closed bases after first going through a rigorous process generally referred to as Base Realignment and Closure (BRAC). This process was adopted by Congress to create a fair, timely, thorough, independent, and publicly open review of base closures, the recommendations of which must be accepted or rejected in whole first by the President, then by Congress (see box on BRAC).

## *BRAC — Making Base Closure Independent, Open & Fair*

Efforts to close Department of Defense bases historically have met with a great deal of congressional concern about the well-being of local communities.

To address their concerns, Congress adopted legislation entrusting the process to an independent commission to develop and recommend an entire slate of closings and realignments. That slate could not be modified by the President or the Congress, but rather approved or disapproved in total. This "all or nothing" provision avoided individual deal making over proposed closings.

The BRAC process works as follows: DoD carefully evaluates and ranks each base according to the published criteria, which include military value, return on investment, environmental impact, and economic impact on the surrounding communities. The Secretary of Defense then recommends to the BRAC Commission bases for closure and realignment. The Commission reviews the DoD recommendations independently, holds public meetings, and presents its recommendations to the President. The Congress and the President must then either accept these recommendations in total, or reject the entire package.

By making the process as open and independent as possible, Congress and the Department have attempted to close the right facilities, conduct the process fairly, and reduce unnecessary defense expenditures. The Department does not, however, consider its role in the process to be limited to closing a base. By providing extensive assistance to communities to facilitate reuse, the Department seeks to help communities rebound, achieve economic growth, and even become more robust than before base closure.

In the previous four rounds of BRAC (1988, 1991, 1993, and 1995) the Department made substantial progress in eliminating unneeded infrastructure. These rounds involved the closure or realignment of 152 major installations and 235 smaller installations.

The Department will invest approximately $23 billion to implement these recommendations — and will save approximately $36.5 billion. FY 1996 was the crossover year in which annual BRAC savings exceeded costs — so we are saving money. Recurring savings after FY 2001 will amount to approximately $5.5 billion each year. Costs and savings are detailed in Figure 4b.

*Figure 4b.*

**BRAC Costs and Savings**
**($ Billions)**

| | Major Closures | Major Realignments | Costs ($) | Savings by FY2001 ($) | Annual Savings after FY 2001 ($) |
|---|---|---|---|---|---|
| **BRAC 88** | **16** | **4** | **2.8** | **6.5** | **0.7** |
| **BRAC 91** | **26** | **17** | **5.4** | **12.4** | **1.5** |
| **BRAC 93** | **28** | **12** | **7.9** | **11.5** | **2.0** |
| **BRAC 95** | **27** | **22** | **6.9** | **6.1** | **1.4** |
| **Total** | **97** | **55** | **23.0** | **36.5** | **5.6** |

While some have questioned our performance, independent experts have confirmed our savings. In 1997, the Congressional Budget Office reported that "DoD is carrying out BRAC procedures and decisions effectively," and further concluded that "BRAC actions will result in significant long-term savings." The future forces of the military will require steadily increasing investments for modern systems, new technologies, and new weaponry. To afford these investments, we must eliminate unneeded infrastructure.

## Putting Bases to Productive Reuse

Communities are often concerned that a base closure may create dislocation, but our experience shows that after an initial adjustment, the closure often becomes an engine for economic growth. Across the country, base closure communities have found that their facilities are often very attractive sites to private sector businesses. The Department, along with other Federal agencies, has worked closely with communities to facilitate their reuse planning. We will maintain this commitment to economic revitalization as we move forward.

We provide grants and transition assistance to help communities plan for reuse. DoD awards an average of $1 million (and up to as much as $3.5 million) in planning grants to each base closure community. We are also streamlining the process for property transfer and environmental cleanup. As a result, BRAC 95 sites are closing in two-thirds the time it took to close BRAC 88 bases. Closing bases faster puts these properties back to work sooner, creating jobs more quickly and delivering more savings to DoD and to the taxpayer.

Most importantly, we are helping to create new civilian jobs. At those former bases which have been closed a year or more, the job-replacement rate has already reached 65 percent.

A number of success stories stand out. Pease Air Force Base in New Hampshire is now the Pease International Tradeport, employing 1,219 people at a brewery, a consular center, an airfield, and a steel manufacturer, among others – where only 400 civilians were employed when the base was active. The Sacramento Army Depot closed in 1994, with a loss of slightly over 3,000 federal jobs. It is now the home of Packard Bell which employs over 4,000 people. That number is expected to grow to 10,000 in three years. Ratoul, Illinois, has successfully brought in over 40 commercial and industrial tenants, providing over 2,200 new jobs at the former Chanute Air Force Base, where only 1,035 DoD civilians had been employed.

With good planning and appropriate support, communities can thrive in the wake of a local base closure.

***SECDEF REFORM DECISION: DoD will seek congressional authorization for additional rounds of Base Realignment and Closure in 2001 and 2005.***

## Close Unneeded Bases

Despite progress with previous rounds, the Department still operates facilities that it no longer needs and cannot afford. Our analysis is based on comparisons of aggregate drawdown figures and specific force reductions. By comparing aircraft to air bases, ships to pier space, brigades to maneuver facilities, we know that we have too many bases. Eliminating this excess infrastructure and consolidating our forces at fewer bases would permit the Department to spend its resources more wisely on forces and equipment, which are critical to a ready and modern force. The QDR found that there is enough excess capacity in the Department's infrastructure to warrant two rounds of closure and realignment similar in size to those conducted in BRAC 93 and 95.

The two rounds would provide significant savings, as described in Figure 4c.

We will therefore submit to Congress a request for two additional rounds of BRAC, the first in FY 2001 and a second in FY 2005. The four-year interval between the two rounds provides the Military Departments with more time to implement any closure and realignment decisions. It will also enable DoD to better assist local communities put closed facilities to productive reuse.

*Figure 4c.* **Estimated Future BRAC Savings**
**($ billions)**

| | BRAC 2001 | BRAC 2005 |
|---|---|---|
| Total Investment to Closure | 6.1 | 6.0 |
| Gross Savings during Closure | 8.6 | 5.9 |

*Each round will provide $1.4 billion in savings each year after closure is completed.*

## Consolidation, Restructuring, and Regionalization

Many current DoD activities can be made significantly more efficient by consolidating or restructuring operations. It is relatively more expensive to operate and maintain many small facilities than it is to run a few number of larger ones. Prime candidates for consolidation are the Defense Information Systems Agency (DISA), Defense Finance and Accounting Service (DFAS), laboratories, and test & evaluation facilities. Demolition is related to consolidation, because only by divesting ourselves of buildings that are no longer needed can we fully accrue the benefits of limiting our number of facilities. Finally, regionalization of base support services provides another important avenue of reform.

### *DISA Megacenters*

DISA provides common command, control and telecommunications services to DoD activities, including data processing, software development, and maintenance services. DISA is reducing information technology costs and eliminating excess facility capacity through a DoD-wide consolidation of data processing centers. DISA has already reduced the number of its facilities from 194 to 16. However, best industry practice indicates that further consolidation of data centers will reduce costs and position the Department to support common data processing requirements across the Services. The Secretary has directed DISA to further consolidate its current operations into six large facilities.

### *DFAS Operating Locations*

DFAS was created to eliminate redundancy in financial accounting and bill paying activities throughout DoD by consolidating these functions into a single organization. DFAS will continue its efforts to consolidate and streamline its operations, standardize business practices, modernize support operations, improve customer service, and ensure the integrity of the Department's financial and accounting systems. DFAS has already reduced the number of its offices from 332 to 26. DFAS will now eliminate another eight facilities.

### *Labs/Test & Evaluation Facilities*

Each of the Military Departments operates laboratories to develop military technology and test & evaluation facilities to demonstrate and validate the capabilities of new technologies and equipment. The performance and cost of these facilities can be improved through a combination of improved management, internal restructuring, and increased inter-Service support. The Secretary also has directed each of the Military Departments to review laboratories and test & evaluation facilities to identify restructuring opportunities.

### *Regionalization*

In areas of heavy concentration of installations, we can save funds by sharing infrastructure and services across commands, bases, and the Services. For example, the Navy will regionalize many of its own activities at its fleet concentration centers — Norfolk, San Diego and Mayport. The Joint Staff is now analyzing regionalization across all Services in Hawaii.

### *Demolition of Excess Buildings*

This past summer, the Services surveyed their installations and found that they no longer need 8,000 buildings totaling 50 million square feet. Disposing of these buildings will both cut costs and improve safety. We are increasing funding for demolition in order to be able to eliminate all these buildings by 2003. As our consolidation and restructuring initiatives are implemented, we will continue to look for additional candidates.

## Revitalizing Housing And Utilities With Private Sector Capital

Constrained budgets have forced DoD to make tough budget choices. Over a number of years, our infrastructure has deteriorated. Capital requirements for revitalization far exceed the funds available. Two particularly acute issues for the Department that affect the quality of life of our military personnel and their families and the operations of our bases are family housing and utilities. In both of these areas, Congress has provided us with the tools to leverage private sector resources and speed revitalization. Specifically, we can now convey houses and utilities to private sector entities who can invest their own resources to provide better services to our military communities.

### *Housing*

Housing is a critical element of the quality of life of our military personnel and their families. Inadequate housing reduces our ability to retain our top-notch professional force and thereby affects our overall readiness. DoD already relies on the private sector to house about two-thirds of our military families. The other one-third live in some 300,000 DoD-owned housing units. Due to neglect over many years, approximately 200,000 of these units are below an acceptable standard. With our current and foreseeable housing budget, our traditional approach would require some 30 years and perhaps as much as $20 billion to bring these houses up to an acceptable standard.

To address this problem, Congress recently provided the Department with important new authority to enter into arrangements with the private sector. Specifically, the Department can now provide direct loans and guarantees to private developers. We can convey or lease property and facilities to private firms in order to stimulate their own efforts in areas where we need housing. Private firms can now develop, build, finance, manage, maintain and own quality, affordable housing used by our service members. Using these new tools, we will be able to speed the revitalization and replacement of military housing. To implement the program, DoD created a Housing Revitalization Support Office (HRSO). Joint site teams composed of HRSO and Military Department personnel have visited more than 30 sites to determine the feasibility of privatization.

So far, we have awarded two projects, accounting for over 400 units at Naval Air Station Corpus Christi, Texas, and almost 200 units at Everett, Washington. We are in source selection for projects at Fort Carson, Colorado, and Lackland Air Force Base, Texas. We are developing proposals for housing at a number of other bases, including Robins Air Force Base in Georgia, Camp Pendleton in California, Marine Corps Logistics Base Albany in Georgia, and Fort Hood in Texas.

Over fifty other projects around the country are currently being reviewed for possible privatization. This new legislation contains a five year test period for the privatization initiative, which means that during that five years, DoD must request permanent legislative authority from Congress if the Department is to continue this

***SECDEF REFORM DECISION: Seek permanent legislative authority to privatize family housing construction.***

*Figure 4d.* **Improving Housing Through Privatization — Status**

| | | | | |
|---|---|---|---|---|
| NAS Corpus Christi, TX | 404 units | Navy | Project Awarded | |
| NAVSTA Everett, WA | 185 units | Navy | Project Awarded | |
| Fort Carson, CO | 2,600 units | Army | In Competition | |
| Lackland AFB, TX | 285 units | Air Force | In Competition | |
| Camp Pendleton, CA | 700 units | Marine Corps | } Developing Proposals For Competition | |
| MCLB Albany, GA | 180 units | Marine Corps | | |
| Robins AFB, GA | 700 units | Air Force | | |
| Fort Hood, TX | 5,825 units | Army | | |

***SECDEF REFORM DECISION: By January 1, 2000, the Department will privatize all utility systems (electric, water, waste water and natural gas) except those needed for unique security reasons or when privatization is uneconomical.***

program. Based on experience and lessons learned in the first two years of the program, the Department expects to privatize about 3,500 units by FY 1998, 15,000 units by FY 1999, and 30,000 units by FY 2000. In these next few years, as DoD continues to make strides toward privatization, we will request permanent legislative authority from Congress. With these new tools, we are seeking to eliminate all inadequate housing by 2010 – nearly two-thirds faster than otherwise possible.

### *Utilities*

Utilities provide a similar challenge. The Department's utility systems provide the electricity, water, steam, and sewers critical to the operation of our installations. Many of these systems are old and in need of significant repair. Here, too, the required funding exceeds the Department's current and anticipated resources. Local utilities and other entities, by contrast, do have the resources to invest in these systems and the expertise to maintain them appropriately.

For this reason, the Department is now embarking on an ambitious program to transfer ownership, operation, and maintenance of its utility systems, dependent on life-cycle economics and mission readiness. So far, 25 systems have already been privatized, and some 45 are in the process of privatization. Additionally, the Services have begun studies of an additional 150 systems, with some 500 remaining for review.

In the past, progress in privatizing utilities has been slow, because the Department was obligated to seek special approval from Congress for each transaction with the private sector. In an effort to speed the process and capture the benefits of privatization, the Department proposed and Congress recently approved broad-based authority to pursue utility privatization more expeditiously.

By shedding excess utility infrastructure, other benefits will also accrue to DoD. The Department spends over $2.2 billion a year on energy facilities. This large buying power potentially gives us great leverage in the market. But we fail to take advantage of it because we are too busy managing power infrastructure rather than managing energy. One of the key lessons learned by industry in the last 20 years is that a business does not need to own or manage power infrastructure in order to manage

*Figure 4e.* **Privatizing Utilities — Current Project Status**

| | Electric | Water | Waste Water | Natural Gas |
|---|---|---|---|---|
| Privatized | 4 | 2 | 5 | 14 |
| Retained In House | 9 | 10 | 9 | 4 |
| Privatization In Progress | 15 | 9 | 8 | 13 |
| Under Study | 45 | 44 | 42 | 16 |
| To Be Studied | 185 | 132 | 133 | 56 |
| TOTAL | 258 | 197 | 197 | 103 |

***SECDEF REFORM DECISION: DoD should manage energy, not power infrastructure. The renamed Defense Energy Management Center shall outline in six months a blueprint for three regional demonstrations of integrated energy management, to include supply and demand management.***

energy. Indeed, managing the infrastructure often blinds managers to the true task, which is to minimize overall energy costs.

Too often the organizational subdivisions in the Department constitute insurmountable roadblocks in this area. An Air Force base and a Navy facility next door to each other are denied the opportunity of joint purchasing power because each installation is forced to operate inside Service channels. Yet energy is overwhelmingly a regional commodity. Opportunities to optimize the supply must be handled on a regional basis as opposed to an organizational basis.

In order to facilitate a revolution in business in this area, the Secretary has directed that the Defense Fuels Supply Center (renamed the Defense Energy Management Center) establish an "Enterprise Office" that will work with various installations in a geographical region to create wider management arrangements to maximize savings.

## *Conclusion*

The need for the Department of Defense to rid itself of unneeded infrastructure in order to free up resources for future investment is a familiar Washington story of the past few years, and one that many are tired of hearing. Yet, rather than going away, it will in fact grow more urgent and compelling in the coming years.

We are weighed down by facilities that are too extensive for our needs, more expensive than we can afford and detrimental to the efficiency and effectiveness of our nation's Armed Forces. Equally tragic, we are losing opportunities to transition these facilities to more productive private and public uses at a time of relative national economic prosperity. We have learned much during recent years about how to best promote base reuse. While the transition is never easy, many communities have learned that the results can be positive, providing greater long-term economic growth and security.

At the same time, we must better manage key assets on our remaining bases, particularly housing and utilities. Providing quality housing is not only the right thing to do for our service members and their families, it is essential to attracting and retaining quality people to serve in our military forces.

The fastest and least expensive way to meet our housing needs is by taking advantage of opportunities to work with the private sector. Likewise, we can better meet our utility needs by relying on the private sector for the infrastructure and focusing our managers on questions of use and cost.

# Appendix A

## *Functions of DoD Operating Agencies and Activities*

*Defense Agencies and DoD Field Activities*

Title 10 U.S.C. provides that: "Whenever the Secretary of Defense determines such action would be more effective, economical, or efficient, the Secretary may provide for the performance of a supply or service activity that is common to more than one military department by a single agency of the Department of Defense." Although Defense Agencies and DoD Field Activities perform similar support functions, in general, DoD Field Activities are smaller and serve a more limited portion of the Department than Defense Agencies. The ability to combine common services and supplies has proven beneficial in reducing redundancy among the military departments and conserving scarce resources through centralized management.

There are currently 15 Defense Agencies and 9 DoD Field Activities as described below:

## Defense Agencies

### *Ballistic Missile Defense Organization (BMDO)*

BMDO is responsible for managing and directing the DoD Ballistic Missile Defense acquisition programs, which include theater missile defense and national missile defense for the United States. In addition, it is responsible for the continuing research and development of follow-on technologies for long-term ballistic missile defense.

### *Defense Advanced Research Projects Agency (DARPA)*

DARPA is the central research and development organization of DoD with a primary responsibility to maintain US technological superiority over potential adversaries by pursuing innovative research and development projects.

### *Defense Commissary Agency (DeCA)*

DeCA is responsible for providing a world-wide system of commissaries for the sale of groceries and household supplies to members of the Military Services, their families, and other authorized patrons.

### *Defense Contract Audit Agency (DCAA)*

DCAA is responsible for performing all contract audits for the Department of Defense. It also provides accounting and financial advisory services regarding contracts and subcontracts to all DoD Components that are responsible for procurement and contract administration.

### *Defense Finance and Accounting Service (DFAS)*

DFAS is responsible for finance and accounting and for directing the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems within DoD.

### *Defense Information Systems Agency (DISA)**

DISA is responsible for planning, developing and supporting command, control, communications, and information systems that serve the needs of the National Command Authority under all conditions of peace and war. It supports the Office of the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, the Combatant Commanders, and the Defense Agencies.

### *Defense Intelligence Agency (DIA)**

DIA is responsible for satisfying military and military-related intelligence requirements for the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, other Defense components, and, as appropriate, non-Defense agencies.

### *Defense Investigative Service (DIS)*
DIS conducts all Personnel Security Investigations for the DoD components and, when appropriate, for other US Government activities and manages the major industrial security programs.

### *Defense Legal Services Agency (DLSA)*
DLSA is responsible for providing legal advice and services for the Defense Agencies, DoD Field Activities, and other assigned organizations.

### *Defense Logistics Agency (DLA)**
DLA is responsible for world wide logistics support for the missions of the Military Departments, Combatant Commands, other DoD components, and certain authorized Federal agencies, foreign governments, and international organizations.

### *Defense Security Assistance Agency (DSAA)*
DSAA is the DoD focal point and clearinghouse for the development and implementation of security assistance plans and programs, and develops and manages the security assistance program to promote the foreign policy and national security objectives of the United States.

### *Defense Special Weapons Agency (DSWA)**
DSWA supports DoD and other Federal agencies on matters concerning nuclear weapons and other special weapons matters.

### *National Imagery and Mapping Agency (NIMA)**
NIMA's mission is to provide imagery, imagery intelligence, and geospatial information in support of the national security objectives of the United States.

### *National Security Agency/ Central Security Service (NSA/CSS)*
NSA/CSS executes signals intelligence (SIGINT) and information systems security activities and conducts related activities, as assigned by the Secretary of Defense, including managing and providing operational control of the US SIGINT System.

### *On-Site Inspection Agency (OSIA)*
OSIA is responsible for managing and coordinating on-site inspections to monitor various arms control treaties.

*Denotes a "Combat Support Agency." Combat Support Agencies provide direct support to the Combatant Commands during wartime or emergency situations and are subject to evaluation by the Chairman of the Joint Chiefs of Staff.

## DoD Field Activities

### *American Forces Information Service (AFIS)*

AFIS manages DoD internal information programs, visual information activities, and the Armed Forces Radio and Television Service.

### *Department of Defense Education Activity (DoDEA)*

DoDEA is responsible for providing education to eligible DoD military and civilian dependents from preschool through grade 12 at sites both in the United States and overseas.

### *Defense Medical Programs Activity (DMPA)*

DMPA is responsible for programming and budgeting for the Defense Unified Medical Program and the Military Health Services System.

### *Defense Prisoner of War/Missing Personnel Office (DPMO)*

DPMO provides centralized management of prisoner of war/missing personnel affairs within the Department of Defense.

### *Defense Technology Security Administration (DTSA)*

DTSA is responsible for reviewing the international transfer of defense-related technology, goods, and services consistent with US foreign policy and national security objectives.

### *DoD Human Resources Activity (DHRA)*

DHRA is responsible for providing program support, information management, and administrative services to the DoD components on human resources matters.

### *Office of Economic Adjustment (OEA)*

OEA is responsible for managing DoD economic adjustment programs for communities adversely affected by DoD realignment actions.

### *TRICARE Support Office (TSO)*

TSO is responsible for providing operational support for the Military Services in the management and administration of the TRICARE program and administering CHAMPUS.

### *Washington Headquarters Services (WHS)*

WHS is responsible for providing administrative support to specified DoD activities in the National Capital Region. This support includes personnel management, financial management, personnel and information security, information technology support, and facilities management.

## Defense Support Activities (DSA)

DSAs perform technical and/or analytic support functions for specific organizations within OSD. These functions are distinct from the normal OSD functions of developing policy, managing resources, and evaluating and overseeing programs. There are currently two DSAs.

### *$C^4I$ Integration Support Activity (CISA)*

CISA supports the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence.

### *Plans and Program Analysis Support Center (PPASC)*

PPASC supports the Director of Program Analysis and Evaluation.

## Miscellaneous Support/Operating Activities

### *Defense Airborne Reconnaissance Office (DARO)*

DARO is responsible for managing and directing the development and acquisition of all joint Service and DoD-wide airborne reconnaissance capabilities. DARO currently is under the direction of the USD (A&T).

### *Defense Acquisition University (DAU)*

DAU is responsible for the professional education and training of DoD personnel in the defense acquisition system. It operates as an educational consortium that includes appropriate DoD component education and training institutions. The DAU currently is under the direction of the USD (A&T).

### *Director of Military Support (DOMS)*

DOMS supports the Secretary of the Army's role as Executive Agent for managing DoD responses to requests from civil authorities for military assistance in domestic emergencies. It operates under the direction of the Army's Deputy Chief of Staff for Operations.

### *Defense Technical Information Center (DTIC)*

DTIC is responsible for collecting, storing, and providing information on defense-related research to DoD officials, US Government agencies, and their contractors. DTIC currently operates under the direction of the Director, Defense Research and Engineering.

### *National Defense University (NDU)*

NDU is responsible for educating selected military officers and civilian officials in national strategy and national security policy, force generation, joint and combined operations, and resource management. It also performs research and policy analysis for the Secretary of Defense and Chairman, Joint Chiefs of Staff (CJCS). NDU operates under the direction of the CJCS and is administratively supported by the Department of the Army.

Further information on these and other DoD organizations and activities may be found by accessing the World Wide Web at http://www.defenselink.mil

# Appendix B

## Selected Acronyms Found in this Report

### *Office of the Secretary of Defense:*

| | |
|---|---|
| Office of the Secretary of Defense | OSD |
| Secretary of Defense | SECDEF |
| Deputy Secretary of Defense | DEPSECDEF |
| Under Secretary of Defense | USD |
| Under Secretary of Defense (Acquisition & Technology) | USD (A&T) |
| Under Secretary of Defense (Comptroller) | USD (C) |
| Under Secretary of Defense (Personnel & Readiness) | USD (P&R) |
| Under Secretary of Defense (Policy) | USD (P) |
| Deputy Under Secretary of Defense | DUSD |
| Assistant Secretary of Defense | ASD |
| Assistant Secretary of Defense (Command, Control, Communications, & Intelligence) | ASD ($C^3I$) |
| Assistant Secretary of Defense (Force Management Policy) | ASD (FMP) |
| Assistant Secretary of Defense (Health Affairs) | ASD (HA) |
| Assistant Secretary of Defense (Legislative Affairs) | ASD (LA) |
| Assistant Secretary of Defense (International Security Affairs) | ASD (ISA) |
| Assistant Secretary of Defense (International Security Policy) | ASD (ISP) |
| Assistant Secretary of Defense (Public Affairs) | ASD (PA) |
| Assistant Secretary of Defense (Reserve Affairs) | ASD (RA) |
| Assistant Secretary of Defense (Special Operations & Low-Intensity Conflict) | ASD (SO/LIC) |
| Assistant Secretary of Defense (Strategy & Requirements) | ASD (S&R) |
| Assistant Secretary of Defense (Strategy & Threat Reduction) | ASD (S&TR) |
| Assistant Secretary of Defense (Special Operations & Humanitarian Assistance) | ASD (SO&HA) |
| Assistant to the Secretary of Defense | ATSD |
| Deputy Assistant Secretary of Defense | DASD |
| General Counsel | GC |
| Inspector General | IG |
| Director, Defense Research and Engineering | DDR&E |
| Director, Administration & Management | DA&M |
| Director of Net Assessment | Dir, NA |
| Director, Program Analysis & Evaluation | Dir, PA&E |
| Chief Financial Officer | CFO |
| Chief Information Officer | CIO |
| Principal Deputy | PD |

## *Joint Elements:*

Joint Chiefs of Staff ..... JCS
Chairman, Joint Chiefs of Staff ..... CJCS
Vice Chairman, Joint Chiefs of Staff ..... VCJCS
Director, Joint Staff ..... DJS
Manpower & Personnel Directorate ..... J-1
Intelligence Directorate ..... J-2
Operations Directorate ..... J-3
Logistics Directorate ..... J-4
Strategic Plans & Policy Directorate ..... J-5
Command, Control, Communications & Computer Systems
Directorate ..... J-6
Operational Plans & Interoperability Directorate ..... J-7
Force Structure, Resources, & Assessment Directorate ..... J-8

## *Combatant Commands:*

**Regional Commander in Chiefs:**
Atlantic Command ..... ACOM
Central Command ..... CENTCOM
European Command ..... EUCOM
Pacific Command ..... PACOM
Southern Command ..... SOUTHCOM

**Functional CINCs:**
Special Operations Command ..... SOCOM
Space Command ..... SPACECOM
Strategic Command ..... STRATCOM
Transportation Command ..... TRANSCOM

***Other:***

| | |
|---|---|
| Assistant Commandant of the Marine Corps | ACMC |
| Association of South East Asian Nations | ASEAN |
| Civilian Health and Medical Program of the Uniformed Services | CHAMPUS |
| Commander in Chief | CINC |
| Continental United States | CONUS |
| Defense Management Council | DMC |
| Defense Revitalization and Marketing Service | DRMS |
| Department of Defense | DoD |
| Director of Military Support | DOMS |
| Do-It-Yourself | DITY |
| Electronic Fund Transfer | EFT |
| Fiscal Year | FY |
| Full Time Equivalent | FTE |
| International Merchant Purchase Authorization Card | IMPAC |
| Maintenance, Repair and Operating | MRO |
| Most Efficient Organization | MEO |
| Mechanization of Contract Administration Services | MOCAS |
| North Atlantic Treaty Organization | NATO |
| Noncommissioned Officer | NCO |
| Office of Management and Budget | OMB |
| Quadrennial Defense Review | QDR |
| Research, Development Test & Evaluation | RDT&E |
| Vice Chief of Staff of the Army | VCofS Army |
| Vice Chief of Naval Operations | VCNO |
| Vice Chief of Staff of the Air Force | VCofS AF |

# Appendix C

The appendices listed below provide further discussion of the decisions described in Chapter 2. The goals of the organizational changes are to eliminate redundancy and consolidate related functions, eliminate obsolete activities, and devolve operational and program management functions to operational activities. The Secretary's intent is that the actions will be completed over the next 18 months. As the Defense Management Council, led by the Deputy Secretary, moves to implement the specific decisions, it may adjust, or add to some of the specific decisions identified in the following appendices.

### *List of Chapter 2 Appendices*


*Appendix C-1 ..... Policy Secretariat*

*Appendix C-2 ..... $C^3I$ Secretariat*

*Appendix C-3 ..... Acquisition & Technology Secretariat*

*Appendix C-4 ..... Personnel & Readiness Secretariat*

*Appendix C-5 ..... Finance Secretariat*

*Appendix C-6 ..... Other OSD Staff Offices*

*Appendix C-7 ..... JCS Staff*

*Appendix C-8 ..... CINC Headquarters*

*Appendix C-9 ..... Impact on Defense Agencies, DoD Field Activities, and Defense Support Activities*

# Appendix C-1
# Policy Secretariat

The Under Secretary of Defense for Policy, (USD (Policy)), is the principal OSD staff assistant for formulating national security and defense policy and for integrating and overseeing DoD policy and plans to achieve national security objectives. As indicated in Figure C-1a, the Office of the USD (Policy) is currently organized under four Assistant Secretaries of Defense, (ASDs): International Security Policy (ISP), Strategy & Requirements (S&R), International Security Affairs (ISA), and Special Operations & Low Intensity Conflict (SO/LIC); and the Director of Net Assessment.

To streamline and realign this organization to more effectively deal with the challenges of the post Cold War period, the Department is taking the following actions.

***Create a three-ASD Structure in the Office of the USD (Policy): International Security Affairs, Strategy and Threat Reduction, and Special Operations and Humanitarian Assistance.***

To meet the new defense policy issues confronting the Nation, reduce the USD (Policy)'s span of control, and to achieve a more effective use of personnel resources, the functions of the Assistant Secretaries in the Office of the USD (Policy) will be aligned as follows:

◆ The ASD (International Security Affairs) (ASD (ISA)) will continue to formulate and coordinate international security strategy and policy, to include political-military policy on issues of DoD interest that relate to foreign regions and nations, their governments and defense establishments, and oversight of security assistance and foreign military sales programs. The ASD will also direct DoD activities to promote civilian control of the military and of standards of military professionalism respectful of human rights throughout the world.

◆ The ASD (Strategy and Threat Reduction) (ASD (S&TR)) will be responsible for national security strategy, defense strategy, review of war plans, and DoD requirements in the context of the Revolution in Military Affairs functions formerly assigned to the ASD (S&R). The ASD will also be responsible for the following functions formerly assigned to the ASD (ISP): reducing and countering nuclear, biological, chemical, and missile threats to the United States and its forces and allies; arms control negotiations, implementation, and verification policy; denuclearization, threat reduction, and nuclear safety, security, and dismantlement in the states of the former Soviet Union; counterproliferation; policy and strategy for US nuclear weapons and selected advanced conventional weapons; technology transfer; and relations with Russia, Ukraine and other Newly Independent States.

◆ The ASD (Special Operations and Humanitarian Assistance) (ASD (SO&HA)) will be responsible for the overall supervision of special operations and low intensity conflict activities within the Department of Defense. Additionally, the ASD will be responsible for peacekeeping and humanitarian assistance affairs, functions formerly assigned to the ASD (S&R); and our broader security relations with Latin America, formerly assigned to the ASD (ISA).

◆ In addition, responsibility for preparing the Programming Guidance portion of the Defense Planning Guidance will be transferred from the ASD (S&R) to the Director, Program Analysis and Evaluation, under the USD (Comptroller).

### *Transfer Space Policy functions from the Under Secretary of Defense (Acquisition and Technology)*

Currently, the Deputy Under Secretary of Defense for Space, (DUSD (Space)), in the Office of the USD (Acquisition &Technology), is responsible for developing and overseeing the implementation of space policy, overseeing DoD participation in government-wide space architectures and space acquisition programs, assessing future space requirements, and recommending changes to technology goals. In order to ensure that space policy decisions are integrated more closely with overall national security policy considerations, the functions of the DUSD (Space) relating to national security policy goals and linkages, national security policy making and coordinating processes, and government-wide community planning will be shifted to the USD (Policy). Responsibility for management of technical development and acquisition programs and activities concerned with space systems and space integration will devolve to the Military Departments and other DoD activities responsible for the implementation of those programs.

In addition to the above realignments, the following offices engaged in performing what are primarily operational and program management functions will be transferred from the USD (Policy) staff to operating activities elsewhere in the Department.

### *Transfer the Net Assessment Directorate to the National Defense University.*

The Director of Net Assessment is responsible for the development and coordination of net assessments for the standing, trends, and future prospects of US military capabilities and provides objective analyses and advice regarding policy, doctrine, strategy, goals, and objectives. Transferring the Net Assessment Directorate to the National Defense University (NDU) places these functions in an organization that has compatible responsibilities for strategic research and associated educational activities. (The Institute for National Strategic Studies, for example, is a component of the University.) The Director will report to the President, NDU, but will operate with a great deal of professional and technical independence in carrying out his responsibilities. The Director will receive taskings from USD (Policy) and work directly with clients in OSD.

### *Transfer the National Security Education Program Directorate to the National Defense University.*

The National Security Education Program (NSEP) was designed to develop a national capacity to educate US citizens about foreign cultures. Its objective is to enhance international cooperation and security and to strengthen US economic competitiveness by providing grants to outstanding undergraduate and graduate students to study abroad in world areas critical to US interests and by granting awards to US institutions of higher education in order to develop and strengthen their capabilities to educate US citizens in critical languages, foreign areas, and international fields. Transferring the NSEP to the NDU strengthens the program by placing it in an institution deeply involved in national security and foreign area studies and familiar with other institutions of higher learning throughout the world that excel in related academic disciplines. The Director, NSEP, will report to the President, NDU, under this arrangement.

### *Transfer the Secretary of Defense Strategic Studies Group and the Secretary of Defense Fellows Program Support Staff to the National Defense University.*

The Secretary of Defense Strategic Studies Group (SDSSG) and the Secretary of Defense Fellows Program (SDFP) consist of a select group

totaling 16 military officers chosen for their high flag and general officer potential. Officers in the SDSSG are assigned for a ten-month detail to study issues selected by the Secretary of Defense. Officers in the SDFP are assigned for a ten-month detail in a private business corporation or a public sector institution to gain insights regarding operational and organizational change, and how these changes may influence the culture and operation of DoD. Moving administration of these programs under the President of NDU places them in an educational institution where they can benefit from collocation with related professional development and academic activities, the availability of world-class research facilities and related resources, and access to both resident and visiting scholars. As the Department moves to improve its management practices now and in the future, these programs will play an important role in translating these practices to our future military leaders.

***Transfer USD (Policy) Humanitarian Assistance and Humanitarian Demining program management functions to the Defense Security Assistance Agency.***

Humanitarian Assistance and Humanitarian Demining Programs are currently assigned to two organizations in the Office of the USD (Policy). The DASD (Peacekeeping and Humanitarian Assistance), currently under the ASD (S&R), is responsible for developing, coordinating, and overseeing the implementation of policies, plans and programs related to the participation of the US Armed Forces and other DoD components in United Nations and other international peace operations. The DASD (Policy and Missions), under the ASD (SO/LIC), is responsible for developing and administering the Humanitarian Demining Program. A substantial portion of these organizations, however, is engaged in program management and program implementation functions. Transferring these latter functions to the Defense Security Assistance Agency will free the USD (Policy) staff to concentrate on corporate level policy, planning, and oversight. In addition, it will consolidate program management and resources for humanitarian assistance and humanitarian demining under a single program manager and capitalize on the extensive experience of the Defense Security Assistance Agency staff with respect to managing and coordinating cooperative arrangements and carrying out fiscal control activities in support of security programs. Policy oversight of these activities will be consolidated under the ASD (SO&HA).

***Open the Drug Demand Reduction functions of the DoD Counter-drug Program to competition with private sector providers.***

In order to satisfy the President's National Drug Control Strategy goal to reduce the health and social costs of illegal drug use, the Drug Interdiction and Counter-drug Activities Program was established under the DASD (Drug Enforcement Policy and Support), ASD (SO/LIC) to manage the Department's demand reduction efforts. The program primarily supports drug testing programs for military personnel and demand reduction education and training activities performed at DoD installations worldwide. As there are many private organizations that are involved in drug education and testing (civilian drug testing, for example, is already performed under contractual arrangements), the DASD will be instructed to conduct a formal study to determine the feasibility and cost/benefit implications of securing all or a substantial portion of the demand reduction activities (military drug testing, anti-drug training and education) of the counter-drug program from private sector providers. If the private sector can provide these services at reduced cost, at the same or enhanced level of quality, this effort could result in a substantial savings in the counter-drug effort.

When all of the changes described above are implemented, the USD (Policy) organization will be structured as shown in Figure C-1b.

*Figure C-1a.*

## *USD (Policy) – Before*

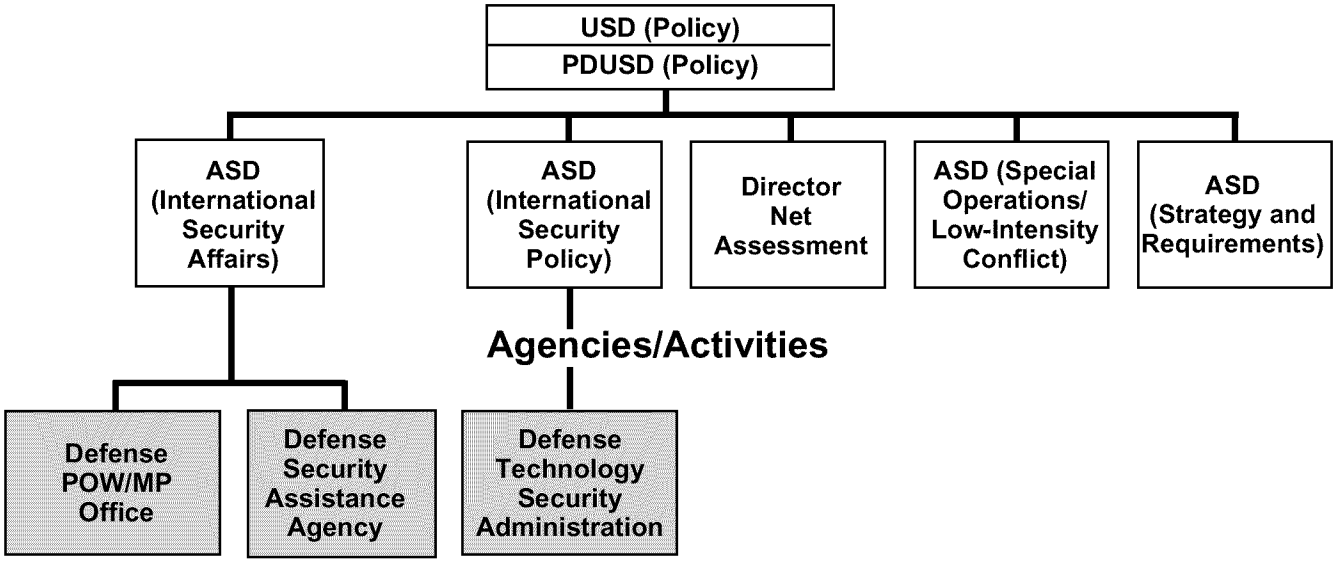
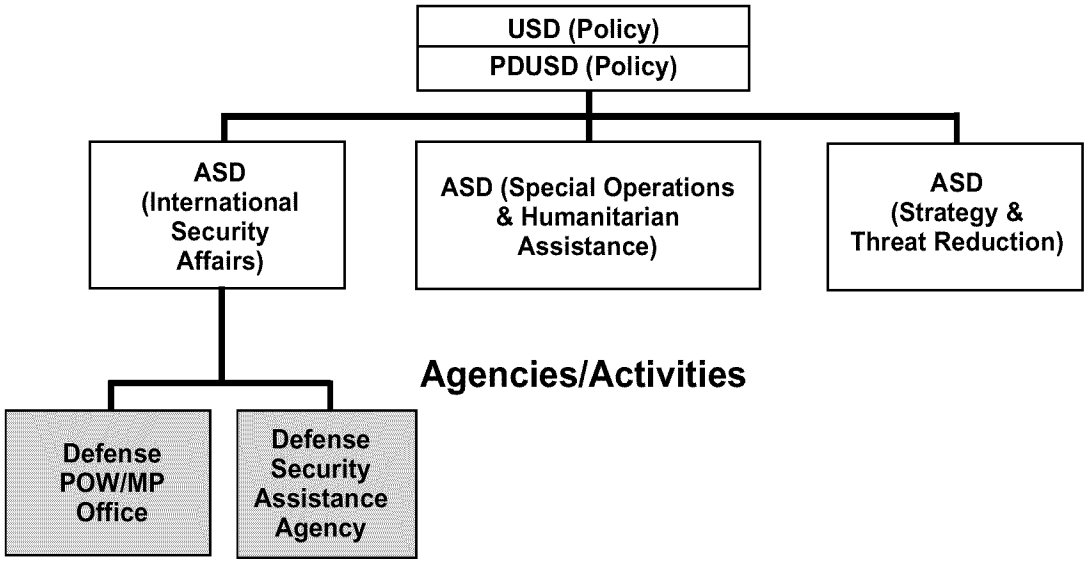



*Figure C-1b.*

## *USD (Policy) – After*



# Appendix C-2
# $C^3I$ Secretariat

The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), (ASD ($C^3I$)), is the principal OSD staff assistant for the development and oversight of DoD policies and programs relating to command, control, communications ($C^3$), counterintelligence, security countermeasures, information operations, information management, warning, reconnaissance, intelligence, and intelligence-related activities conducted by the Department. In addition, the ASD ($C^3I$) serves as the Chief Information Officer of the Department. As shown on the organization chart at Figure C-2a, the Office of the ASD ($C^3I$) currently consists of four DASDs: $C^3$, $C^3I$, Acquisition, Intelligence & Security, and Plans & Resources.

The current $C^3I$ organization focuses on $C^3$ and intelligence policy, program oversight, and resource allocation matters. It is also involved in program management and acquisition of the tools used for these activities. It is important for the Secretary to have an organization devoted exclusively to the development of intelligence policy and oversight of related plans and programs. Thus, the Department as part of its effort to remove all non-core functions from OSD and to better support the Secretary will institute the following changes:

***Disestablish the ASD (C3I); transfer its intelligence functions to a newly established ASD (Intelligence); transfer $C^3$ and acquisition functions to the USD (Acquisition and Technology); and realign the personnel and resources of the $C^4I$ Integration Support Activity.***

The current Office of the ASD ($C^3I$) will be disestablished, and its intelligence functions and associated resources will be transferred to a newly established ASD (Intelligence), (ASD (I)). The office will report directly to the Secretary of Defense, with responsibility for intelligence, counterintelligence, security countermeasures, and information operations; warning, reconnaissance, intelligence, and intelligence-related activities conducted by the Department; and other functions to be determined by the Secretary. The ASD (I) will also oversee the Defense Intelligence Agency, the National Security Agency, the National Imagery and Mapping Agency, the National Reconnaissance Office, and the Defense Security Service.

Responsibility for $C^3$ and information management, and for the development and acquisition of $C^3$ and intelligence, surveillance, and reconnaissance systems, is being transferred to the Under Secretary of Defense (Acquisition and Technology) (USD (A&T)) and organized under a DUSD ($C^3$ Systems). Furthermore, the USD (A&T) will be designated as the Chief Information Officer of the Department, with the DUSD ($C^3$ Systems) serving as the Deputy Chief Information Officer and providing the requisite staff support. In addition, the Defense Information Systems Agency (DISA) will report to the USD (A&T) through the DUSD ($C^3$ Systems).

Coincident with these changes, the $C^4I$ Integration Support Activity, (CISA), a Defense Support Activity currently reporting to the ASD ($C^3I$), will be disestablished. CISA personnel and associated resources that support intelligence, counterintelligence, security countermeasures, and information operations functions, will be realigned within the Office of the ASD (I). Those supporting $C^3$, information management, and acquisition-related functions will be realigned within the Office of the USD (A&T) under the DUSD ($C^3$ Systems).

This initiative provides a more effective organizational arrangement for the execution of both OSD intelligence and $C^3$ functions. In addition, it strengthens and enhances the Chief Information Officer function by assigning it to the USD (A&T). It also appropriately places $C^3$, intelligence, surveillance, and reconnaissance systems development and acquisition in the Acquisition secretariat.

At the same time, a staff component of the ASD ($C^3I$) will be eliminated, as follows:

***Transfer the United States Nuclear Command and Control System Support Staff from OSD to the Commander, Strategic Command.***

The Nuclear Command and Control System (NCCS) Support Staff was established in 1988, with the ASD ($C^3I$) designated as the Director on an additional duty basis. The NCCS Support Staff develops plans to assess and monitor the nuclear command and control system, proposes initiatives to improve weaknesses, and prepares an annual report to the Secretary of Defense on mission performance. In addition, it coordinates nuclear command and control research, development, and acquisition activities. The NCCS Support Staff is concerned with operational control systems and is not involved with corporate level policy-making or oversight. It can most effectively carry out its functions by being integrated with the US Strategic Command. Its functions and resources are being transferred to the Commander, Strategic Command.

In addition, the following changes will be made to one of the Defense Agencies currently reporting to the ASD (C3I).

***Integrate the DoD Polygraph Institute, the Personnel Security Research Center, and the DoD Security Institute within the Defense Investigative Service (DIS) and redesignate the DIS as the Defense Security Service (DSS).***

The DoD Polygraph Institute, the Personnel Security Research Center, and the DoD Security Institute currently function as separate and independent organizational elements of the DIS. These organizations will be functionally integrated into the DIS organizational structure and combined, as appropriate, with existing activities in support of the overall DIS mission of providing security services for the Department. This change will enable the functions of these activities to be performed at an enhanced level of effectiveness while achieving reduction in personnel requirements. In addition, DIS will be redesignated as the Defense Security Service in recognition of the broader nature of the Agency's mission and functions.

The new ASD (I) organization will be structured as shown in Figure C-2b.

*Figure C-2a.* *ASD (C³I) – Before*

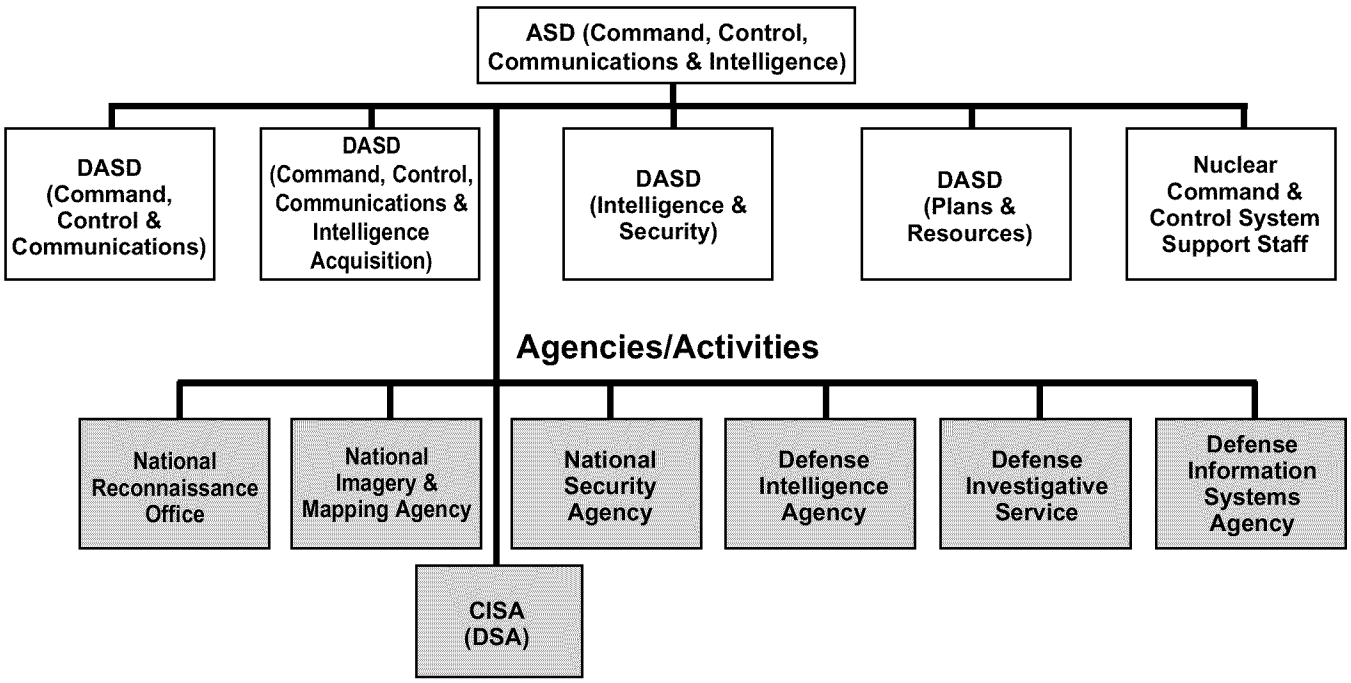
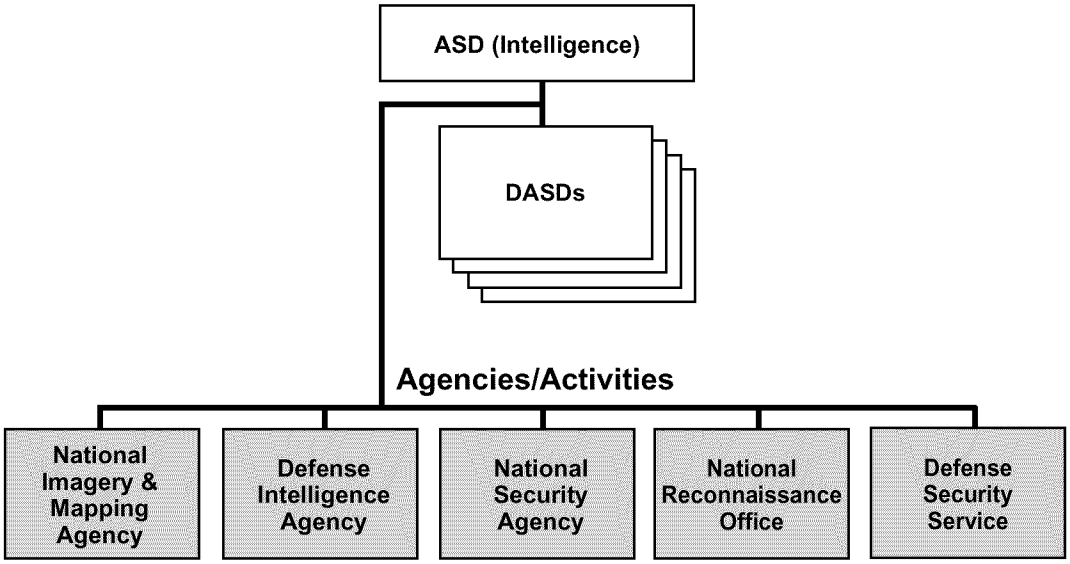



*Figure C-2b.* *ASD (I) – After*



# Appendix C-3 Acquisition & Technology Secretariat

The Under Secretary of Defense (Acquisition and Technology) (USD (A&T)) is the principal OSD staff assistant for all matters relating to the DoD acquisition system, research and development, advanced technology, test and evaluation, production, logistics, military construction, procurement, and environmental issues. As indicated in Figure C-3a, the Office of the USD (A&T) is currently composed of a Principal DUSD, a Director of Defense Research and Engineering, an ATSD for Nuclear and Chemical and Biological Defense Programs, and seven Deputy Under Secretaries of Defense (DUSDs): Advanced Technology, Acquisition Reform, Space, International and Commercial Programs, Logistics, Environmental Security, and Industrial Affairs and Installations.

The reality of downsized Armed Forces and limited development and procurement funding make it essential that the Department streamline and realign the USD (A&T) secretariat to more effectively develop and procure technologically advanced weapons. Accordingly, the Department is taking the following actions.

***Realign the internal structure of the Office of the USD (A&T) to strengthen the DDR&E.***

Research and engineering is especially critical in an era where funds for initiating new weapons systems development and acquisition are becoming increasingly limited. Therefore, it is essential that the Director of Defense Research and Engineering (DDR&E) play a more prominent role in such matters.

The DDR&E currently is responsible for developing and overseeing policies, plans and programs pertaining to the DoD Science and Technology (S&T) program, including all S&T activities supported by funds for research, exploratory development, and advanced development. In order to consolidate policy development for advanced technology programs, the functions and associated resources of the DUSD (Advanced Technology) will be realigned under the DDR&E, where they will be combined with those of the DDR&E's Advanced Technology Directorate. This will eliminate redundancies in policy making for advanced technology.

The DDR&E will assume responsibilities for the corporate-level policy functions currently assigned to the Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs, (ATSD (NCB)). These include: serving as the principal advisor on nuclear technology matters and on the nuclear, chemical, and biological survivability of DoD materiel; serving on the Nuclear Weapons Council; serving as the DoD point of contact with the Department of Energy; and overseeing the transmission of information to the Congress, as required by the Atomic Energy Act of 1954. Since these responsibilities are being assumed by the DDR&E, the separate Presidentially Appointed, Senate-confirmed position of ATSD (NCB) will no longer be required. In its place, a Deputy DDR&E for NCB Matters will be established to provide support to the DDR&E for these matters.

Another action affecting USD (A&T) described elsewhere is the decision to transfer Space Policy functions from the USD (A&T). This initiative returns designated space policy functions to the USD (Policy), where they resided prior to 1995 and where they can be effectively integrated with related national security policy considerations.

In addition to these realignments, those A&T secretariat offices engaged in performing functions that are primarily operational and program management functions will be transferred to operating activities elsewhere in the Department, as indicated below.

***Transfer the program management functions formerly assigned to the ATSD (NCB) to the Defense Treaty Compliance and Threat Reduction Agency and the Department of the Army.***

Within the current Office of the ATSD (NCB), the Deputies for Cooperative Threat Reduction, Nuclear Treaty Programs, and Counterproliferation Programs are primarily engaged in managerial activities and overseeing the implementation of operational programs, as distinct from corporate-level policy, planning, and oversight. Except for chemical demilitarization program management which will be transferred to the Department of the Army, these functions and associated resources will be transferred to the new DTC&TRA, which will report to USD (A&T).

***Transfer USD (A&T) international armaments cooperation program management activities to the Defense Security Assistance Agency (DSAA).***

The DUSD (International and Commercial Programs), (DUSD (I&CP)), within the Office of the USD (A&T), is responsible for the development and oversight of DoD policies and programs relating to economic reinvestment, dual-use technology programs, international cooperative development and production programs, and the Defense Export Loan Guarantee program. In addition, the DUSD (I&CP) reports to and advises the Deputy Secretary of Defense on acquisition matters affecting small business. A substantial component of the work performed by that organization, primarily in the Offices of the Assistant DUSDs for Armaments Cooperation and Export Finance, involves program management and associated operational functions. Accordingly, those organizations and their associated resources are being transferred to the DSAA. This places international armaments cooperation programs, formerly performed on the OSD staff, within an agency which is responsible for the management and implementation of security assistance plans and programs, to include weapons sales, technology transfers, and associated financial matters. Remaining DUSD (I&CP) functions will be appropriately realigned and consolidated with other organizations within the Office of the USD (A&T).

***Transfer management of the Defense Acquisition University (DAU) and the Defense Systems Management College (DSMC) to the National Defense University (NDU) with oversight by the new Chancellor of Education and Professionial Development.***

The DAU provides professional education and training for DoD civilian and military acquisition personnel by coordinating DoD acquisition education and training programs throughout the Department to meet the career development requirements of the acquisition community. The DAU includes the DSMC, which conducts advanced courses of study, and conducts research and studies, in defense acquisition management. The DAU and DSMC are organizationally located in the Defense Logistics Agency for administration and support. The President, DAU reports to the USD (A&T), who exercises managerial control and supervision through the Director for Acquisition Education Training and Career Development (AET&CD). The Commandant, DSMC reports to the President, DAU.

In accordance with the effort to remove operational functions from OSD and in keeping with the establishment of a Chancellor for Education and Professional Development at the NDU, the DAU, the DSMC, and the Director (AET&CD) are being transferred to the NDU. The duties of the President, DAU and the Director, AET&CD will be consolidated, and the incumbent of this new position will report to the Chancellor.

### *Transfer USD (A&T) Electronic Commerce functions and associated resources to the Defense Logistics Agency (DLA) and create a combined DLA/Defense Information Systems Agency (DISA) Electronic Commerce Program Office.*

As the Department moves to put more of its operations on the Internet and to engage in paper-free operations, a single office that manages the acquisition aspects of electronic commerce is necessary. This will also require the transfer of other offices that handle related functions. Specifically, the functions and resources of the Assistant DUSD for Logistics Business Systems and Technology Development and the Director, Life-Cycle Information Office will be transferred to DLA. It will be consolidated with the DLA elements currently engaged in Electronic Commerce/ Electronic Data Interchange activities. The Director, DLA and the Director, DISA, using these and other electronic commerce resources within their respective organizations, will form a joint Electronic Commerce Program Office. This new office will be responsible for accelerating the application of electronic business practices and associated information technologies to improve DoD acquisition processes and supporting sustainment life-cycle practices.

### *Transfer oversight of the Defense Technical Information Center (DTIC) to the Director, DISA.*

The DTIC collects, stores, and provides information on planned, ongoing, and completed defense-related research to DoD officials, US Government agencies and their contractors. DTIC is organizationally located in the DLA. However, it reports to and receives day-to-day supervision from DDR&E. In order to both remove an operating function from direct OSD oversight, and place DTIC in an organization better suited to nurture its continued transition to electronic storage and dissemination of information, DTIC will be transferred from DLA to DISA it will be placed under the supervision and management control of the Director, DISA. In addition, the Director, DISA will be instructed to conduct a formal study to determine whether additional efficiency improvements could be realized by opening DTIC functions to competition with the private sector.

Taking all these changes into account, the resulting organization of the OUSD (A&T) will be as shown in Figure C-3b.

*Figure C-3a.*

## USD (A&T) – Before

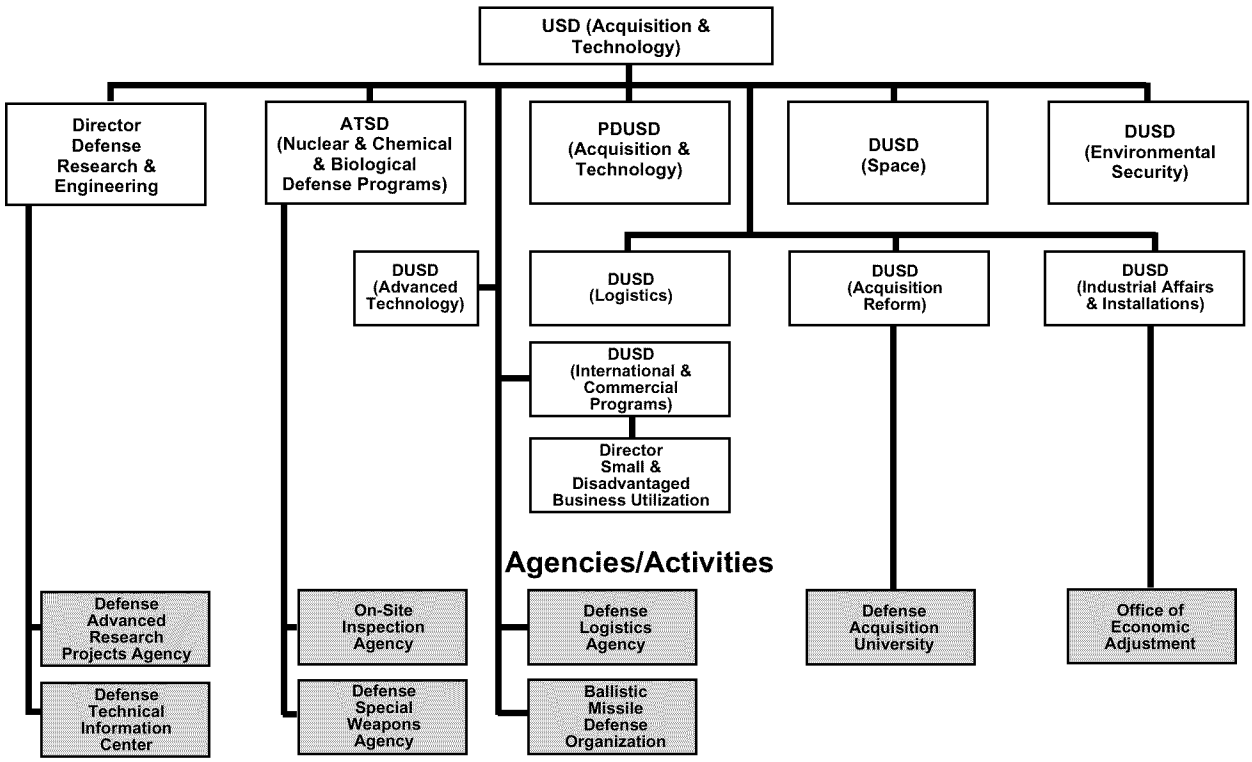
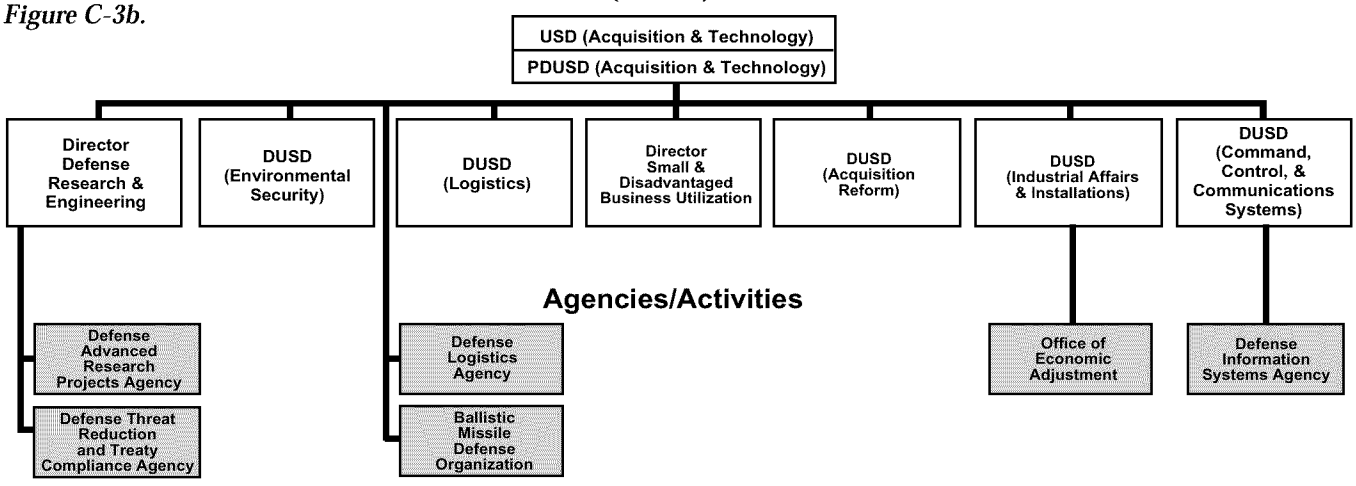



*Figure C-3b.*

## USD (A&T) – *After*



# Appendix C-4
# Personnel & Readiness Secretariat

The Under Secretary of Defense (Personnel and Readiness) (USD (P&R)) is the principal OSD staff assistant for Total Force management, readiness, health affairs, quality of life matters, and National Guard and Reserve component affairs. As shown on the organization chart at Figure C-4a, the current organization consists of two DUSDs (Readiness and Program Integration) and three ASDs (Force Management Policy, Reserve Affairs, and Health Affairs).

It is essential that the Department streamline the P&R secretariat to more effectively deal with the issues we are encountering with recruiting, training, and maintaining our human resources in today's environment. Accordingly, the Department is taking the following actions.

The establishment of a Chancellor for Professional Education & Development has already been discussed. This major new initiative will fall under the policy cognizance of the USD (P&R), who is responsible for overall policy oversight of military and civilian training and professional development throughout the Department.

In addition, the following offices engaged in performing primarily operational and program management functions will be transferred from the USD (P&R) to operating activities elsewhere in the Department.

***Transfer Health Care program management functions from the Assistant Secretary of Defense for Health Affairs (ASD (HA)) to a DoD Field Activity.***

The ASD (HA) is the principal OSD staff assistant for the development and oversight of policies, plans, and programs pertaining to the Department's medical mission. That mission is to provide medical services and support to members of the Armed Forces during military operations and to provide medical services and support to members of the Armed Forces, their dependents, and others entitled to DoD medical care. Because of the immense importance of this function and the extremely difficult problems the Department has had to deal with in recent years, the ASD (HA) staff has expanded to include a large number of personnel engaged in managerial matters, as distinct from corporate-level policy and oversight. These personnel and their associated functions are being transferred from the OSD staff to an operating activity under the cognizance of the ASD (HA). This will enable the ASD (HA) staff to concentrate its time and attention on major issues and initiatives that require the personal attention of the Secretary of Defense or the OSD staff.

Coincident with this transfer, two DoD Field Activities under the cognizance of the ASD (HA), the TRICARE Support Office and the Defense Medical Programs Activity, are being consolidated into a single organization, thereby streamlining the ASD (HA)'s oversight responsibilities. The functions being transferred from the ASD (HA) staff will be integrated within this new organization, as appropriate, and redundancies eliminated.

### *Transfer all administrative and operating support for USD (P&R) advisory groups to the DoD Human Resources Activity.*

The staff of the USD (P&R) contains organizational elements that provide administrative and operating support to four standing Federal Advisory Committees: the Reserve Forces Policy Board, the Armed Forces Chaplains Board, the Quadrennial Review of Military Compensation, and the Defense Advisory Committee on Women in the Services. Each of these staffs report to the chairperson of their respective advisory group and provides no support to the USD (P&R) or USD (P&R) staff. These clearly are functions that are not integral to the operation of the P&R secretariat and which should be performed elsewhere. Accordingly, these staffs are being transferred to the DoD Human Resources Activity, a DoD Activity under the cognizance of the USD (P&R), and will continue to report to their respective chairperson who will provide supervision, direction, and management control.

The responsibility of the P&R secretariat staff for exercising operational oversight of subordinate organizations outside of OSD will be reduced by the consolidation of the TRICARE Support Office and the Defense Medical Programs Activity.

### *Transfer oversight of the Defense Commissary Agency (DeCA) to the Secretaries of the Military Departments.*

DeCA provides a non-pay compensation to military personnel and retirees by operating approximately 300 commissaries in the U.S. and overseas. The commissaries sell products at acquisition cost, plus a five percent surcharge, resulting in patrons receiving a direct savings of up to 25 percent below the typical market basket. The agency reports approximately $6 billion in sales annually and is funded through two sources: an appropriation in the defense budget and the surcharge collections. The Director, DeCA, reports to the USD (P&R) through the ASD (Force Management Policy), who is assisted in oversight functions by a Defense Commissary Board.

Operating the commissaries is essentially a business enterprise and, as such, is not a function that requires close day-to-day supervision from an OSD staff official. At the same time, the commissary benefit is important to military personnel and retirees, and every effort must be made to make it responsive to their needs. In view of these considerations, day-to-day supervision of DeCA will be devolved to the Secretaries of the Military Departments, who will exercise oversight as a corporate body. This places management oversight closer to the user, an arrangement that should result in resource trade-offs, capital development decisions, and long-range planning that are more responsive to the needs of military personnel, retirees, and their families. Consistent with Title 10, the USD (P&R) will continue to exercise overall supervision, will ensure that DoD policies provide an environment that permits the commissaries to operate efficiently and effectively, and will ensure that there is no erosion of the commissary benefit.

When all of the changes described above are implemented, the P&R secretariat will be structured as shown in Figure C-4b.

*Figure C-4a.*

## *USD (P&R) – Before*

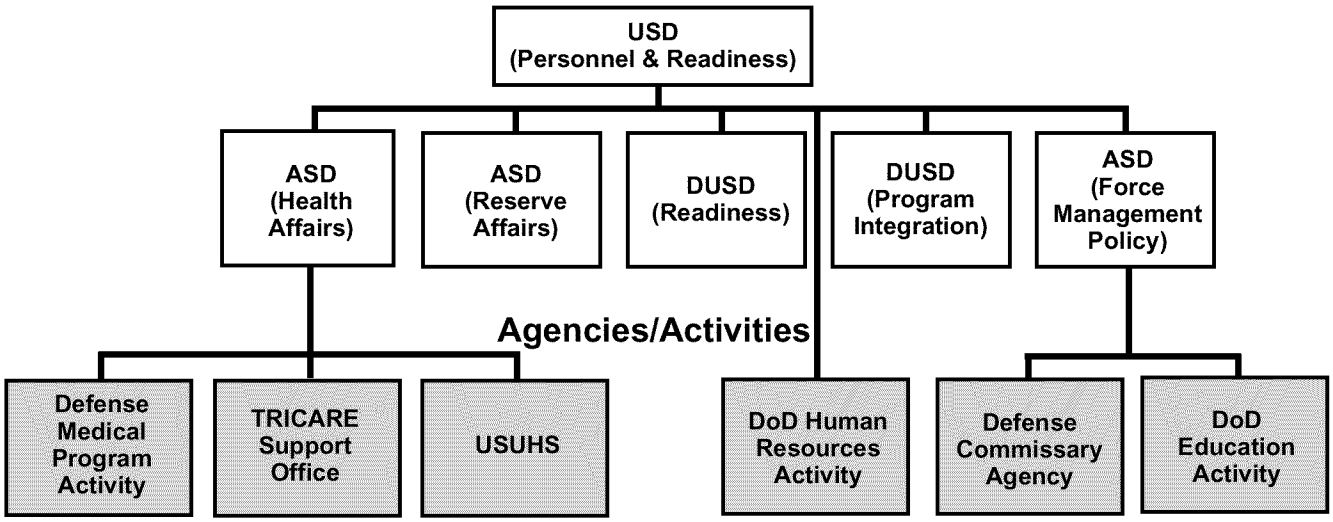
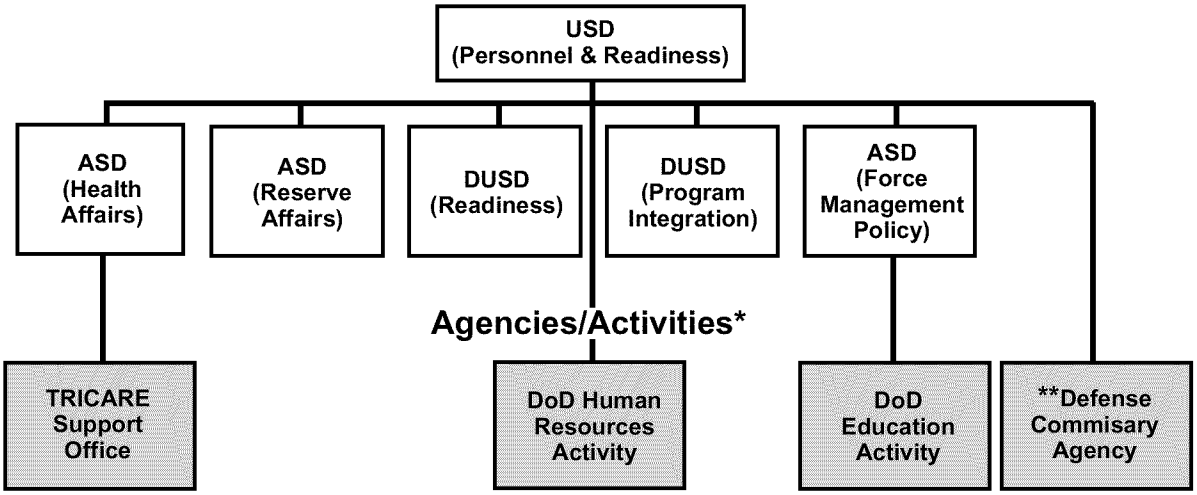



*Figure C-4b.*

## *USD (P&R) – After*




**USUHS will be transferred to the supervision and management of the Surgeons General.*
***Day-to-day supervision performed by the Secretaries of the Military Departments.*

# Appendix C-5
# Finance Secretariat

The Under Secretary of Defense (Comptroller) (USD (C)), is the principal OSD assistant for budgetary and fiscal matters including financial management, accounting policy and systems, budget formulation and execution, and contract audit administration and organization. As shown in the organization chart at Figure C-5a, the Office of the USD (C) currently consists of a PDUSD (C), the Director, Program Analysis and Evaluation (PA&E), the Deputy Chief Financial Officer (DCFO), and the Deputy Comptroller (Program Budget).

The Office of the USD (C) will divest itself of program management and operational functions by transferring a number of operational and program management functions to operating activities elsewhere in the Department, as indicated below.

### *Transfer Overseas Military Banking Operations to the Defense Finance and Accounting Service (DFAS).*

Banking services located on overseas military bases are provided by financial institutions, as defined in contract arrangements through the Overseas Military Banking Program. Management oversight for the program historically has been provided by the USD (C). This is a managerial function, which was placed in OSD at a time when there was no operational activity within the Department with the technical expertise necessary to administer a banking program. The Department now has DFAS, established as a Defense Agency in 1990, which possesses the requisite expertise. Accordingly, management of the Overseas Military Banking Program, along with its associated resources, will be transferred to the Director, DFAS. This change removes an operating function from OSD and places the Overseas Military Banking Program in an organization with resources to achieve much needed management improvement initiatives.

### *Transfer Defense Property Accountability System (DPAS) implementation to DLA.*

DPAS is an automated system for improving accountability for DoD-owned property. DPAS is currently being implemented by a number of DoD organizations and is targeted for department-wide implementation during 1999. This program was developed under the auspices of the USD (C); however, supervision of its implementation is fundamentally an operational function. Accordingly, administration of DPAS implementation, along with associated resources, will be transferred from the USD (C) to the DLA. This change removes a management function from OSD and places DPAS in the organization best suited to resolve the logistical issues associated with its implementation.

In addition, the following initiative will be undertaken to eliminate a support organization reporting to the Comptroller secretariat.

### *Disestablish the Plans and Programs Analysis Support Center (PPASC) and realign its functions and resources to the Director, PA&E, USD (Policy), and USD (A&T).*

The PPASC is a Defense Support Activity (DSA) reporting to the Director, PA&E. Its mission is to develop, modernize, maintain, and operate computer-based simulation models, data bases, and other sophisticated analytical tools in support of studies and analyses conducted by the Director, PA&E and, to a lesser extent, by the USD (Policy) and USD (A&T). DSAs were originally conceived as an organizational device to provide technical and analytical support to the OSD staff. However, over

time, the distinction between OSD and DSA functions became blurred and DSAs are now viewed as little more than extensions of the OSD staff. For this reason, they have been systematically disestablished and their functions and resources either eliminated or returned to the OSD staff, as appropriate. The PPASC is one of only two remaining DSAs and the other, the C4I Integration Support Activity, will be eliminated under a separate initiative described earlier. Accordingly, the PPASC will be disestablished and those functions and associated resources that are essential to the accomplishment of PA&E, Policy, and A&T functions will be integrated within those offices. The remainder will be eliminated. This change will simplify USD (C) organizational arrangements, increase management flexibility, and provide proper accountability for what, in effect, have been OSD resources.

When all of the changes described above are implemented, the Finance secretariat will be structured as shown in Figure C-5b.

*Figure C-5a.* ***USD (Comptroller) – Before***

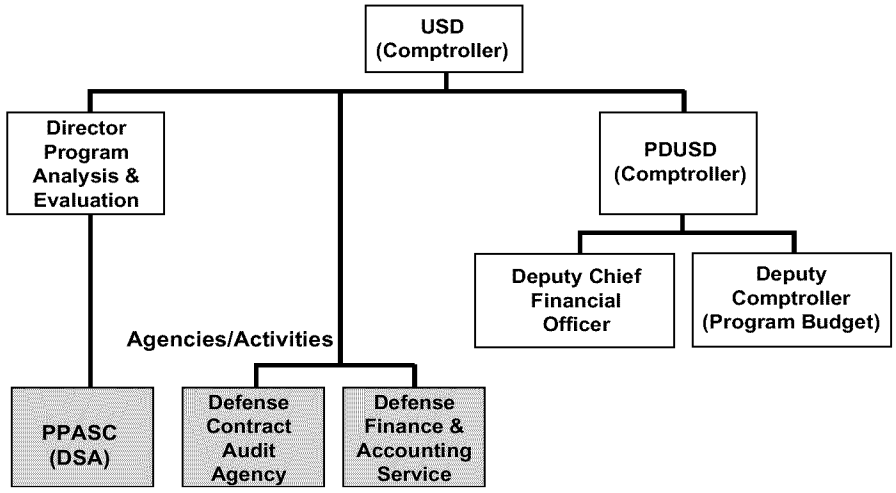
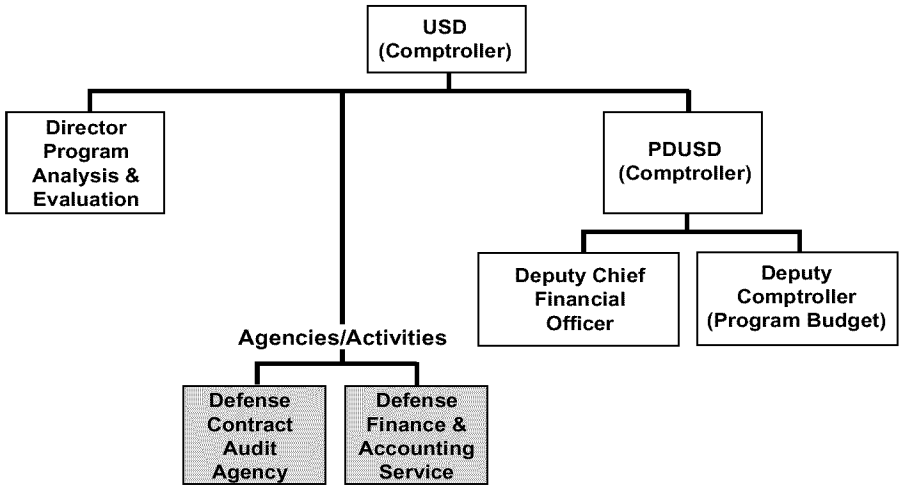



*Figure C-5b.* ***USD (Comptroller) – After***



# Appendix C-6
# Other OSD Staff Offices

***Transfer the Directorate for Freedom of Information and Security Review from the ASD (Public Affairs) (ASD (PA)) to Washington Headquarters Services.***

The Directorate for Freedom of Information and Security Review, within the Office of the ASD (Public Affairs), reviews and approves for public release material prepared by DoD officials (including congressional testimony) and by other sources outside of the Department. In addition, it administers the Freedom of Information program for the OSD, the Joint Staff, and the Combatant Commands, and other assigned activities. While important, these are administrative functions that do not directly support the Secretary of Defense in executing his corporate-level responsibilities. Accordingly, the Directorate for Freedom of Information and Security Review is being transferred from OSD staff to the Washington Headquarters Services (WHS). WHS is an operating organization that provides a wide variety of administrative support to DoD activities in the National Capital Region, including the OSD staff, as well as administering a number of DoD-wide programs. This is yet another step in enhancing OSD's focus on its core functions.

***Expand the scope of American Forces Information Service (AFIS) activities that are open to competition with private sector providers.***

The American Forces Information Service (AFIS) is a DoD Field Activity under the supervision of the ASD (PA). It is responsible for managing DoD internal information programs, developing policies and standards for the management of DoD visual information activities programs, overseeing management of Armed Forces Radio and Television Service (AFRTS) outlets and activities, and providing print, radio, film, and television materials for use in the internal information programs of the Military Departments and other DoD organizations. In addition, AFIS manages the Defense Information, Defense Visual Information, and Defense Photography Schools. AFIS currently competes a number of its functions with the private sector, to include a substantial segment of its depository services. However, there are a large number of additional functions that potentially could be provided by the private sector. Accordingly, the ASD (PA) will be directed to conduct a formal study to determine whether additional efficiencies and improvements could be realized by opening some or all of the functions performed by the following components to competition with the private sector: American Forces Radio and Television Broadcast Center, Print Media Directorate, Current News Analysis and Research Service, Television-Audio Support Activity, school operations and additional depository functions.

***Transfer the Defense Privacy Office from the Director, Administration and Management, OSD, to WHS.***

The Defense Privacy Office, in the Office of the Director for Administration and Management, is responsible for supporting Defense Privacy Board deliberations on privacy issues that affect DoD personnel. The Defense Privacy Board is composed of the Director, Administration and Management, and other senior officials representing the DoD components and is the primary entity responsible for ensuring that the requirements of the Privacy Act are carried out in the Department.

When originally established, the Defense Privacy Office was placed in the OSD to provide high-level visibility for the Privacy Program in order to ensure its implementation by the DoD components. Since that time, the privacy guidelines have become thoroughly integrated into all personnel systems, data collection and record management systems. The Defense Privacy Office is now primarily oriented toward compliance review and the provision of administrative and operating support to the Privacy Board. These are operating functions that need not be performed at the OSD level. Accordingly, the Defense Privacy Office will be transferred to WHS. The membership, functions, and authorities of the Defense Privacy Board will remain unchanged.

# Appendix C-7
# Joint Staff and Chairman-Controlled Activities

The actions described below will restructure the Joint Staff (JS) and Chairman-controlled activities to clarify staff relationships with OSD, promote integration of respective activities, and eliminate unnecessary duplication.

The Joint Staff comprises about 1,400 personnel, with another 1,200 in Chairman-controlled activities, which report to the Joint Staff. The role of the Joint Staff is to support the Chairman of the Joint Chiefs of Staff (CJCS), in his role as senior military advisor to the President and the Secretary of Defense, and to support the other members of the JCS. The review of the Joint Staff concluded that the Chairman required strong staff support to carry out his core areas of responsibility established in Title 10 legislation:

- Provides independent military advice to the Secretary of Defense, the National Security Council and the President.
- Assists the President and the Secretary of Defense in providing for the strategic direction of the Armed Forces.
- Develops doctrine for the joint employment of the Armed Forces.
- Guides the establishment of warfighting requirements for acquisition programs.
- Provides leadership for the Services and the Combatant Commanders (CINCs) in finding joint solutions to common problems.

The review discovered that since the Goldwater-Nichols Act, the Joint Staff has taken on many additional responsibilities and corresponding staff increases for joint functions. The additional functions have been in many areas: operations, logistics, policy, communications, joint exercises, and joint requirements. Some of the additional responsibilities have been assigned to directorates within the immediate Joint Staff. Other responsibilities have been accomplished by the creation and assignment of Chairman-controlled activities, which are separate organizations reporting directly to the Joint Staff. These additional responsibilities were reviewed carefully. Some are being retained, others transferred to other organizations, and some eliminated.

In addition, the review determined that there are numerous parallel functions that exist in the Joint Staff and OSD. OSD/JS processes were reviewed to ensure that they were complementary, not duplicative. Several instances of overlap were resolved.

The Joint Staff will eliminate or transfer approximately 11 percent of its current strength and about 50 percent of the personnel in Chairman-controlled activities will be transferred.

***Organizational: Realign Chairman-controlled activities to operational staffs, departments or agencies.***

Nine Chairman-controlled activities report to the Joint Staff. They range from large organizations such as the National Defense University, to small entities such as the Inter-American-Defense Board. The review carefully considered the validity of the

function and the appropriateness of Joint Staff supervision of each. In all cases, the Chairman-controlled activities were found to be carrying out valid functions. However, most of them were providing support at the tactical and operational levels. It does not make sense for them to report to the Joint Staff, a strategic-level organization. The following Chairman-controlled activities are therefore proposed to be transferred to CINCs or other departments or agencies:

- Joint Communications Support Element
- Joint Command and Control Warfare Center
- Joint Warfighting Center
- Joint Battle Center
- Joint Warfighting Analysis Center

These centers carry out functions in the areas of joint training, joint doctrine and operational concept development, joint warfighting support (including information operations), and joint communications support. In these areas the Joint Staff will maintain a policy, resource allocation, and monitoring role, but the centers will report to lower echelon organizations for operation and supervision.

### *Personnel: Realign J-1 and USD (P&R) military personnel policy functions.*

The DASD (Military Personnel Policy) (DASD (MPP)), under the USD (P&R), is responsible for DoD-wide military manpower and personnel policies, plans, and programs. Since 1982, there has been a Director, J-1, on the Joint Staff responsible for assisting the Chairman by providing plans, policy, and guidance on CINC and other joint personnel issues, providing manpower management for the Joint Staff and joint activities reporting to or through the Chairman, and administering Joint Staff personnel programs and the Joint Duty Assignment Management Information System (JDAMIS). In recent years, the J-1 has also become increasingly involved in quality of life and social issues, such as pay and allowances, housing, sexual harassment, adultery, and fraternization. These latter issues are primarily the responsibility of the Services and fall under the policy oversight of the DASD (MPP). Accordingly, the J-1 staff will divest itself of staff responsibility for leading the resolution of quality of life and social issues, while retaining responsibility for managing the Joint Manpower system and for administering Joint Staff personnel programs and the JDAMIS. This will eliminate duplicative staffing between the Joint Staff and OSD in the affected personnel areas.

### *Policy: Eliminate J-5 coordination on technology transfer issues.*

There currently is a substantial duplication of effort between the J-5 and the USD (Policy) in staffing technology transfer cases. The USD (Policy) is responsible for the development and oversight of DoD policies and activities related to international technology transfer, and currently exercises authority, direction, and control over the Defense Technology Security Administration (DTSA). DTSA coordinates technology transfer issues with the Military Departments and the Joint Staff. Within the Joint Staff, the J-5 regional offices review these issues, coordinate with their counterparts in the Military Departments, and develop a recommended position for the Director, Joint Staff, who then coordinates on each case. While monitoring technology transfer is becoming increasingly important in the information and technology age, it is unnecessary to have these two organizations performing essentially the same tasks. The Joint Staff needs to be informed of technology transfer issues, but the J-5 will divest itself of staffing responsibility and the Director, Joint Staff, will no longer be required to formally coordinate on technology transfer actions.

### *Finance: Formalize Relationship between J-8 and the USD (C) for contingency cost management.*

The J-8 and the USD (C) staffs are both called on to determine the costs of proposed contingency military operations. The two staffs maintain informal contact to identify and coordinate the difficult issues involved in estimating the costs of such operations. Extensive coordination with Service comptrollers is also required. This ad hoc arrangement does not provide an institutionalized arrangement for ensuring the best use of information from the military commands and the Military Departments on projected contingency operations costs and cost reporting, or the timely identification and resolution of issues involved in financing contingency operations. Therefore, the two organizations will establish a joint Contingency Operations Costs Working Group made up of representatives from the J-8 Program and Budget Analysis Division and the USD (C) Operations and Personnel Directorate. This will establish a single source for projected costs of contingency military operations, which are key inputs into major policy decisions.

### *Physical Security: Eliminate unnecessary physical controls in JCS spaces in the Pentagon.*

Access to most Joint Staff areas of the Pentagon historically has been restricted and is controlled by perimeter security posts. This arrangement was instituted in part as compensatory protection at a time when Joint Staff vault space did not meet the standards required under departmental and Defense Intelligence Agency physical security guidelines. However, a recent review indicated that structural modifications could be made at a relatively moderate cost that would properly safeguard these areas and allow elimination of much of the restricted area. Upon completion of the required structural modifications, which are currently underway, the security posts that control entry into the Joint Staff restricted area will be eliminated. This action is another step to ensure close coordination between the Joint Staff and other elements of the Department.

As a result of the transfers and reductions highlighted above, the total number of personnel reporting to the Chairman will be reduced by about 750, or 29 percent. The Joint Staff will remain capable of performing core functions defined by the Goldwater-Nichols Act.

# Appendix C-8
# CINC Headquarters

The actions described below are designed to streamline Headquarters of the Combatant Commanders (CINCs) and focus them on core functions.

The Joint Staff and the CINCs were established by the National Security Act of 1947. Since then Congress has modified their responsibilities and numbers several times. The most significant changes were made by the Goldwater-Nichols Department of Defense Reorganization Act of 1986, which greatly expanded the responsibilities of the Chairman of the Joint Chiefs of Staff and the CINCs and strengthened their supporting staff functions. Currently there are nine CINCs: five with regional responsibilities — USCINCPAC, USCINCCENT, USCINCSO, USCINCEUR, and USCINCACOM; four with functional responsibilities — USCINCTRANS, USCINCSOC, USCINCSPACE, and USCINCSTRAT. As a part of the Secretary's review of the management of the department, the Chairman directed a review of the Joint Staff, the Chairman's-controlled activities, and the CINC staffs. Together these headquarters staffs comprise about 18,000 personnel.

The review examined all components of the joint headquarters staffs:

- Common functions: normal activities of all major staffs, such as personnel, operations, logistics, plans and policy, communications, and program and budget.

- Unique functions: activities carried out at specific commands, such as the Marshall Center which reports directly to USCINCEUR headquarters; Joint Task Force Full Accounting, which reports directly to USCINCPAC headquarters; Defense Courier Service, which reports directly to USCINCTRANS headquarters.

- Externally controlled functions: offices funded from outside agencies, such as the Joint Intelligence Centers (JICs) funded under the General Defense Intelligence Program and foreign military sales staff funded by the Defense Security Assistance Agency.

The review was conducted using principles established by the Secretary of Defense. Headquarters should concentrate on their core functions of planning and providing for the unified and efficient direction of the Armed Forces. Tactical staff actions, program management, and the delivery of services should be accomplished by subordinate staffs and organizations.

As a result of the review, reductions will be made throughout the joint headquarters staffs:

***CINC Headquarters staff will be reduced by approximately 1,000 billets. The functions associated with those billets will be eliminated, consolidated, or assigned to other organizations.***

Many unique functions now reporting directly to CINC headquarters will be reduced, competed with the private sector, or transferred to lower echelon organizations.

Examples of these actions include: USCINCSOUTH Center for Treaty Implementation will be eliminated; the USCINCPAC and USCINCEUR Stars and Stripes Offices, will be transferred to the American Forces Information Service; many of the communications system functions at USCINCSTRAT will be opened to competition by the private sector; and the Defense Courier Service at USCINCTRANS will be reduced and transferred to the Air Force.

As discussed in Appendix C-7, approximately 600 personnel in five Chairman-controlled activities will be transferred to CINC staffs and there will be additional transfers between CINC staffs.

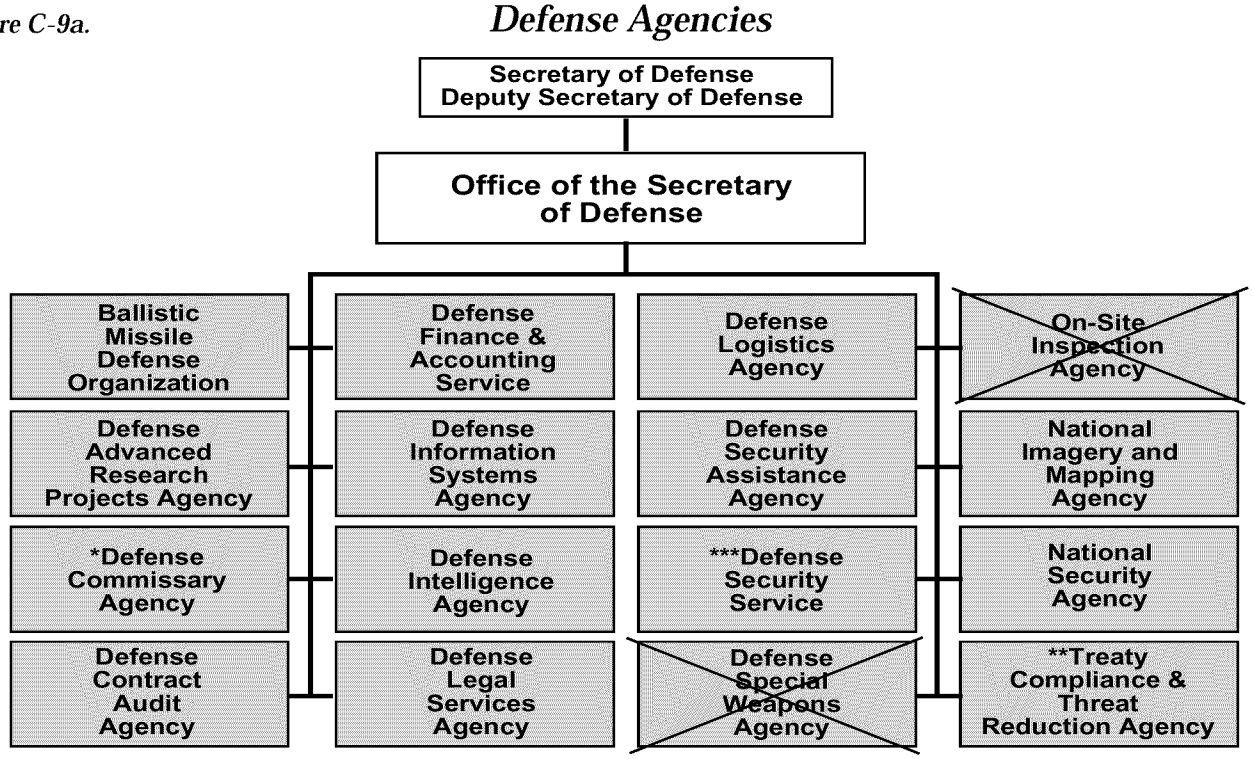
***The CINCs' Joint Intelligence Centers (JICs) will be reduced by 400 billets, or about 10 percent.***

* * *

The net result of these reductions and reorganizations will be more than a 10 percent reduction of the 18,000 personnel assigned to joint headquarters staffs.

# Appendix C-9: Impact on Defense Agencies, DoD Field Activities, and Defense Support Activities

*Figure C-9a.*




**Retained as Defense Agency but day-to-day oversight to be provided by a Board consisting of the Secretaries of the Military Departments.*

***New Defense Agency*

****Revised title; formerly Defense Investigative Service*

*Figure C-9b.*

## *DoD Field Activities*

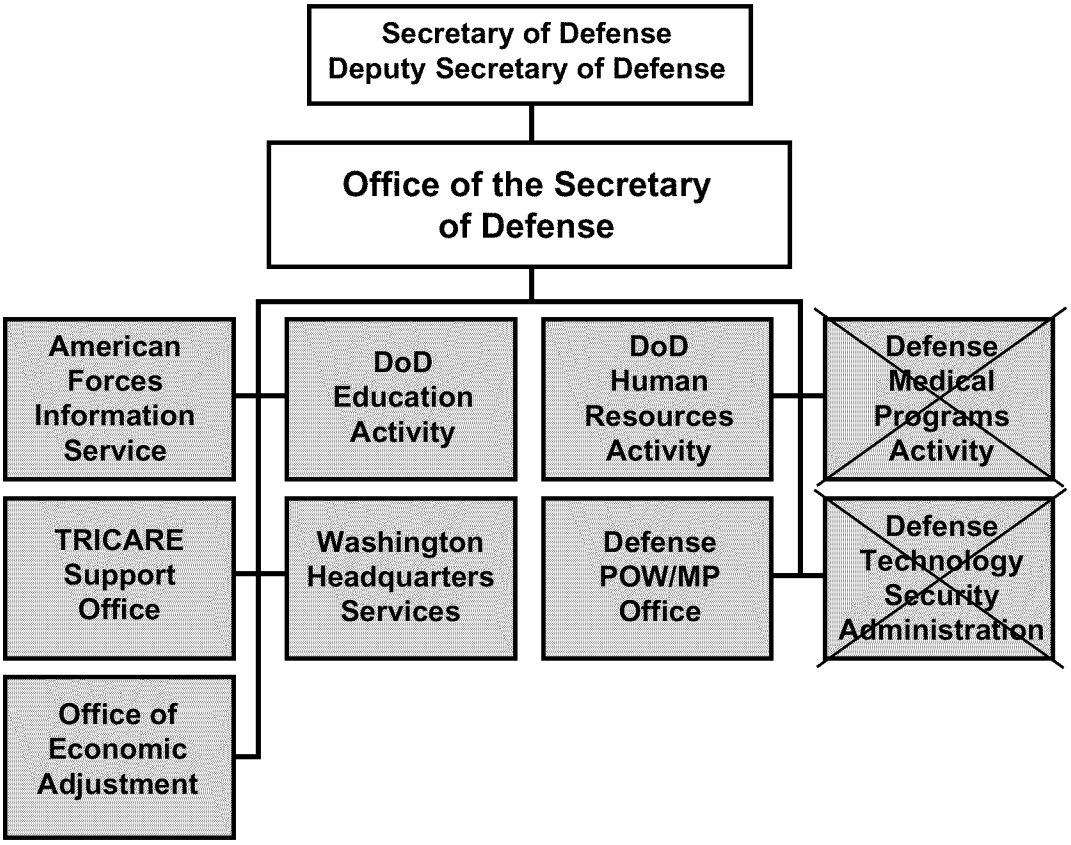
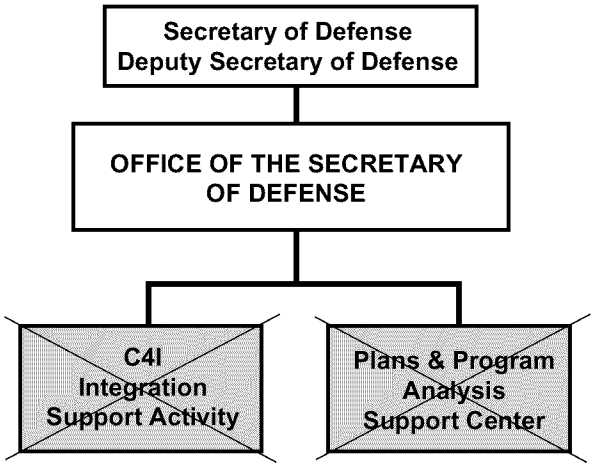



*Figure C-9b.*

## *Defense Support Activities*