



**Testimony before the Committee on Armed Services
United States Senate**

***“ACQUISITION IMPROVEMENTS FOR 2015 AND
BEYOND”***

Written Statement by:

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Senate Armed Services Committee Hearing on Acquisition

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Introduction

Mr. Chairman, Senator Inhofe, and distinguished Members of the Committee, thank you for the invitation to appear before you this morning on such an important topic and in the company of my distinguished fellow panel members.

For the past six years, I have been honored to work at the Center for Strategic and International Studies (CSIS) here in Washington DC, where I am a senior vice president and the director of the National Security Program on Industry & Resources.

It is important to note that, as a bipartisan think tank, CSIS as an institution does not take positions on issues. As a result, the views in my statement and in my comments today are entirely my own.

In the invitation letter, you asked for my “assessment of the Weapon Systems Acquisition Reform Act (WSARA) and other acquisition reform measures adopted over the last decade.” You also asked that my testimony “consider the need for further improvements to the defense acquisition system.” My statement below responds to each of these areas.

Background

From 1981 through 1993, I worked at the Department of Defense. One of my first responsibilities as a Defense Department employee was to support the 1981 acquisition reform initiatives. Mr. Chairman, those initiatives were called the “Carlucci Initiatives”, led by the Deputy Secretary of Defense, Frank Carlucci. When he came to this committee in 1981, he had 31 initiatives. When he left, he had 32 – you added the 32nd initiative, on better use of competition. That addition led eventually to the Competition in Contracting Act of 1984, a statute that remains at the core of key contracting and acquisition decisions throughout DoD.

In 1985 and 1986, I was privileged to serve as the Executive Secretary of the President’s Blue Ribbon Commission on Defense Management, known as the Packard Commission. Many of that commission’s recommendations were incorporated into statute in the Goldwater-Nichols Defense Reorganization Act of 1986, including the creation of the Under Secretary of Defense for Acquisition, a position that remains the primary focal point for defense acquisition today (although the name has been expanded to include Acquisition, Technology, and Logistics).

Subsequently, I spent six additional years in DoD, helping to implement many of the Packard Commission and Goldwater-Nichols reforms.

For the past six years, I have been privileged to lead the research efforts on defense acquisition, programs, and contracting at CSIS. My comments this morning are partly informed by our CSIS research as well as by my direct experience and interactions with our colleagues.

The Goals of Defense Acquisition

The DoD Acquisition System is a set of means to help reach the ends of providing for the nation's common defense. Many government agencies use procurement to help enable them to reach their outside customers, clients, and target audiences. With the Defense Department, acquisition and procurement provides the core of DoD's own capabilities. In other words, DoD has to apply and use what it develops and acquires. To me, this creates an inherently strong need to get a number of processes right, from requirements through programs and budgets into the solicitation, award, and execution of contracts. It demands a capable and responsive industrial base with a global technology reach. It relies on a capable and resilient defense acquisition workforce, including military and civilian personnel with technical and analytical support. Finally, it depends on a strategy and policy framework on which the nation, not just DoD, agrees, as well as the necessary programmatic and budgetary support from the U.S. Congress.

Because of the characteristics I just described, it is important to look at the DoD Acquisition System as a key element of a larger set of activities and functions. These include the following four key elements:

- Requirements;
- The DoD Planning, Programming, Budgeting, and Execution System, or PPBES;
- The Acquisition System itself, from acquisition baselines and plans through contract execution;
- Recruiting, training, mentoring, retaining, and promoting an acquisition workforce of military and civilian personnel and the necessary technical, analytical, and administrative support.

I will touch briefly on each of these before addressing the Weapon Systems Acquisition Reform Act (WSARA) and other acquisition reform legislation.

Requirements

The Packard Commission placed great emphasis on the need to include requirements determination as part of the Acquisition System, and the Under Secretary for Acquisition, Technology, and Logistics has a role in the requirements process. There is a statutory structure of the requirements process as well as a legitimate debate over whether cost considerations should be part of the front end of the requirement process. However, ongoing program and budget cuts can drive real requirements changes during the execution of programs, changes that may not be made with adequate regard to the priority tradeoffs and impacts on other programs.

The DoD Planning, Programming, Budgeting, and Execution System

One of the great strengths of DoD is the fiscally-disciplined programming process, The DoD Planning, Programming, Budgeting, and Execution System (the PPBES). By producing an integrated Future Years Defense Program, or FYDP, it is possible for the Military Departments and other DoD components to predict and management time, money, and other resources to develop, acquire, and field goods and services throughout DoD. The DoD Acquisition System relies on a solid FYDP.

The DoD Acquisition System

An update to DoD Instruction 5000.02, titled “Operation of the Defense Acquisition System” (http://www.dtic.mil/whs/directives/corres/pdf/500002_interim.pdf) was issued last November as “Interim” guidance, and it is currently being finalized by DoD. The opening sections of the Interim Instruction provide detailed guidance, with examples, of ways in which program officials can tailor the application of acquisition processes and procedures to fit the needs and requirements of their particular program. This shows the flexibility that is built into statutory authority, as the Packard Commission recommended more than 25 years ago. Of equal interest, however, is Enclosure 1, Tables 2-9, beginning on page 44 of the document. For 28 pages, these tables lay out the statutory and regulatory requirements for programs. Taken together, the information in these tables illustrate both the breadth of past legislation and the opportunities for future improvements. I will return to this point below.

The Acquisition Workforce

Over the past five or six years, DoD has worked hard to rebuild its acquisition workforce, to hire and retain skilled civilian workers and to prepare for the eventual retirement of many in today’s workforce. The military services have increased their focus on better preparing and using military acquisition professionals, and if the Senate concurs, the Defense Contract Management Agency will soon have its first general officer as commander in a decade, a recommendation endorsed by this committee following the recommendations of the Gansler Commission (the Commission on Army Acquisition and Program Management in Expeditionary Operations). These workforce gains need to be protected, however, in the face of declining budgets, furloughs and government shutdowns, and hiring freezes.

The Defense Industrial Base

There is no DoD Acquisition System without a defense industrial base to deliver the goods and services DoD requires. That industrial base is supported primarily by DoD contract spending. In a report from CSIS that will be released next month, we will show that contract spending by the Defense Department has declined by 25% since the peak of 2008 and 2009, while non-contract spending by DoD has actually increased by more than 10%. In fact, a smaller number of military and civilian personnel is costing DoD more today, in constant dollars, than they were five years ago. If these trends continue, increases in defense spending for military pay and benefits and for Operation and Maintenance will eventually crowd out spending for modernization, including procurement and research & development, and for services contracts. DoD’s proposals for

curbing the rate of growth in personnel and health care costs are a modest step in the direction of preserving funds for acquisition programs.

Innovation and Technology Superiority

There is a second critical part of the U.S. industrial base, one that does not show up in the budget and therefore somewhat undervalued. For decades, U.S technological superiority has depended on investments by DoD directly or by defense firms themselves, whether reimbursed by the government or investing from their own funds. Those expenditures will remain important for the foreseeable future. Increasingly, however, CSIS experts are finding that it's also important to do a better job of incorporating innovation from the global commercial markets, not just from defense arenas and not just from within the United States. It is hard for the government to be fully aware of these innovations. Even harder, however, is that federal government cycle times for defining requirements, assembling and defending and appropriating budgets, and executing contracts can be far longer than the cycle times for new technology to be developed and deployed in the commercial sector. The future may require this cycle-time disconnect to be addressed. We need action to reconcile these cycle-time disconnects so that DoD can take better advantage of technology innovation in the global commercial markets.

The Weapon Systems Acquisition Reform Act of 2009

It is nearly the fifth anniversary of the passage of the Weapon Systems Acquisition Reform Act (WSARA) on May 22, 2009. That is sufficient time to make some judgments as to how well it is doing. From our analysis and observations, I draw a few key conclusions.

First, the creation of and reports from the office of Program Assessment and Root Cause Analysis, or PARCA, has illuminated root cause connections and correlations that were not apparent to even the keenest of observers. The 2013 DoD report "Performance of the Defense Acquisition System" draws in part from these PARCA analyses. (The report may be found at <http://www.acq.osd.mil/docs/Performance%20of%20the%20Def%20Acq%20System%202013%20-%20FINAL%2028June2013.pdf>)

Second, WSARA created the office of Cost Analysis and Program Evaluation, or CAPE, along with a director required by statute. The increased focus on and use of independent cost estimating from CAPE for DoD major programs seems to be helping. Even when acquisition executives decide to use a different estimate for program baselines, the additional attention and scrutiny driven by the independent cost estimate probably provides value.

Conclusion

Mr. Chairman, Senator Inhofe, Members of the Committee, the time is coming for congressional action that will help improve the DoD Acquisition System. I expect to see good input from the responses to the recent letters to industry from the chairman and ranking member of this committee, along with your House counterparts. A good first step could be to examine those 28 pages of statutory and regulatory requirements that I mentioned above, to harmonize reporting cycles and thresholds and to rationalize data requirements. It would be my hope that along the

way, we might even find some requirements that no longer return enough value for them to be continued.

The history of past reforms suggest that the ones with the most lasting value are not rushed to decision. Rather, reforms like those of the Packard Commission have several key elements of success, including sound and deep analysis by professional staff, a close alliance between the executive and legislative branches at the leadership level, and a recognition of the potential value of stand-alone legislation. I hope that some of what we discuss here today will help you on that path, and I thank you for the opportunity to appear here. I await your questions.