Acquisition "Reforms" for the New Administration

"Creating a 21st Century Transformation"

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Changes Driving Security Transformation

- **Holistic View of Security – World-wide terrorism; pandemics; weapons proliferation; rogue nuclear states; energy dependence; insurgencies; environment; mass migration; regional conflicts; transnational threats; resource access (i.e., water, critical materials)**
- **New Missions – Homeland defense; missile defense; counterinsurgency; stability and reconstruction; civilian cybersecurity; non-kinetic situational influence of operations**
- **Unpredictability – Requiring agility, rapid responsiveness, broad-based capability**
- **Defense Budget Changes – From Equipment to Personnel, O&M and Homeland Security; frequent changes cloud spending outlook and planning**
- **Technological Changes – Info. tech, biotech, nano-tech, robotics, high-energy lasers, etc. - and every warfighter and platform a "node" in a system-of-systems**
- **Warfighting Changes – Net-Centric Warfare; Asymmetric warfare (bio, cyber, IEDs); Systems-of-Systems; Joint and coalition operations; evolving doctrine requiring frontline decision-making**
- **Intelligence Changes – Integrated data; open-sources; Language and culture understanding; real-time intel flow between soldier/sensors and command structure**
- **Industrial Changes – Horizontal & vertical integration; commercial high-tech advances; open networked innovation; off-shore manufacturing**
- **Globalization – Technology and industry are globalized; geo-politics and scope of threats requires security coalitions; DoD no longer the leader in all military technologies; global financial markets enable borderless investing**
- **Isolationist/Protectionist Moves – "Buy-American"; Berry Amendment; ITAR, export controls; restrictions on foreign scholars, students, and S&T workers**
- **China – Future adversary, Economic Competitor, or Global "Partner"**
- **Domestic Economics – Health care; demographics; budget and trade deficit**
- **Government Workforce – Aging; wrong skill mix; rules vs. judgment; "managers" vs. "doers"; difficult to attract and retain top people**
- **Industry Workforce – Aging, eroded systems engineering skills; difficult to attract and retain top S&T people**
- **Congressional Reaction to "need to reform" – From personal abuses and poor performance all leading to risk averse behavior**

National Security Challenges

Dramatic World Changes:

- ➡ Holistic View of Security (e.g., DoD, State, DHS, DNI, etc.) - - utilizing both "hard" and "soft" power
- ➡ Broad Spectrum of Security Missions - - with great unpredictability (from Terrorism to Nuclear Deterrence)
- ➡ Take advantage of Globalization (of Technology, Industry, etc.)
- ➡ Recognize the long-term National Security implications of:

- **The global financial crisis**
- The need for energy security
- Worldwide pandemics
- The impact of climate change
- The growing anti-globalization backlash
- The challenging U.S. demographics

And do all of this in a likely fiscally-constrained budget environment

Top-Level Changes Required

1. A restructured "National Security Council" (including Homeland, Intel, State, Treasury, Energy, and Defense) [The National Security Advisor, Gen. Jim Jones, has initiated]
2. A broad, 21st Century "National Security" Strategy (from the White House) [The Director of National Intelligence's, Adm. Dennis Blair's, recent statements indicate a growing focus]
3. Then, a fiscally-constrained DoD long-term Budget and force structure/weapons/Intel. to match the strategy [The Secretary of Defense, Bob Gates, has initiated]
4. A major thrust for "Acquisition Reform" - - to get greater mission effectiveness with fewer dollars [The Administration and Congress are both initiating]

Four Big (interrelated) Acquisition Issues for DoD

- What goods and services to buy (the "requirements" process)
- How to buy them (acquisition reform)
- Who does the acquiring (the acquisition workforce)
- From whom is it acquired (the industrial base)

Recent Defense Science Board Report Findings Regarding These Four Issues

- Current "policies, processes, and management of the Defense Acquisition Enterprise (broadly defined) **impede** the transition to an **effective, agile, and affordable** overall, **joint military force** for the 21st Century"
- "US Government policies, practices, and processes **do not facilitate** the development, deployment, and support of the **innovative affordable, and rapidly acquired weapons, systems, and services** needed for the 21st Century Forces."
- "The **absence** of many of the **needed skills**, e.g., experienced program management, systems engineering, biotech, advanced IT, in the **National Security acquisition workforce** (particularly at senior military and civilian levels), combined with the coming retirement and the prior large acquisition workforce reductions, **significantly impedes** the development, production, support, and oversight of the capabilities needed for the 21st Century Security."
- "Government **acquisition policies** and **Industry trends** (e.g., further horizontal and vertical consolidations) **will not produce** the required **competitive, responsive, efficient and innovative National Security Industrial Base**."

What is Acquired?

To meet the wide range of challenges, within a resource-constrained environment, we must focus on:

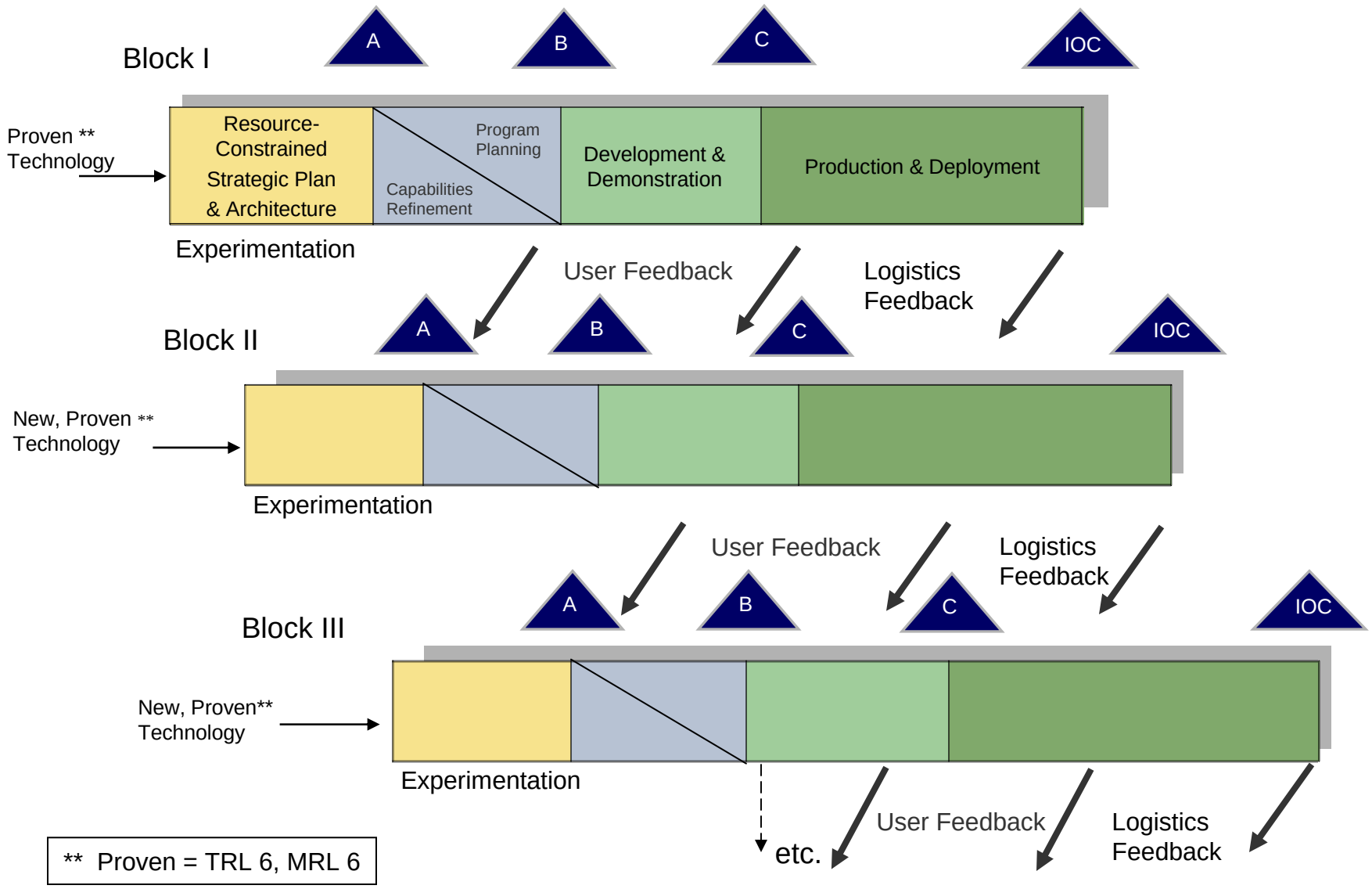
1. Lower cost systems and services
2. Optimized, net-centric systems-of-systems (vs. individual "platforms")
3. More "balanced" allocation of resources (to address "irregular" operations): C^3 ISR, unmanned systems, Special Forces, "Land Warriors," cyberdefense, etc.
4. Interoperability of "Joint" systems; and coalition systems
5. Planning and exercising "as we'll fight": with allies, multi-agencies, and contractors "on the battlefield"

How Goods and Services are Acquired

To achieve higher performance at lower costs and faster:

1. Require "cost" as a design/military "requirement" (because cost, in a resource-constrained environment, is numbers)
2. Provide viable, continuous "competition options" (as the incentive for higher performance at lower costs) e.g. competitive prototypes, competitive split-buys, etc.
3. Make maximum use of commercial products and services (at all levels - - utilizing Other Transactions Authority (OTA); especially at lower tiers)
4. Implement modern, enterprise-wide IT systems (logistics, business, personnel, etc.) - - including linking Government and Industry
5. Institutionalize a "Rapid acquisition," parallel process (to respond to COCOM urgent needs)
6. Create incentives for contractors to achieve desired results (in cost, sched., and performance)
7. Minimize Conflict of Interest concerns (from LSI → Make/Buy →SETA)
8. Fully utilize "spiral development" (because it is lower cost, lower risk, faster to field, maintains option of competition, avoids obsolescence, can respond rapidly to combat needs)

Spiral Development



(Defense Science Board Task Force on Defense Industrial Structure for Transformation, 2008)

A Special Issue—Bid Protests

- Perception of more protests is likely a result of an increase in high-profile/high-impact protests.
- In general, bid protests are not a large problem within the context of all DoD contracting.
  - The number of bid protests not increasing as rapidly as the total dollars contracted.
  - Rate of merit protests - - particularly those that are sustained) - - is decreasing, especially when the total dollars contracted are considered.
  - For those programs affected, however, impacts can be significant.
- Costs (as combination of programmatic costs and schedule delays) for bid protests, particularly those that have merit, are high.
- When the stakes are high, bid protests are likely, no matter what, especially for complex, long-term and high-value contracts**—there is no disincentive to try for another bite at the apple**.
- May be driving some agencies to approve more contractors for ID/IQ contracts—in one example the Army awarded 142 awards (PEO STRI Press Release, Jan 29, 2009).

Initial Congress and Administration Focii

Draft Levin-McCain (and House) Bill highlights

- Would establish within DOD a **Director of Independent Cost Assessment**
- Requires the Secretary to ensure that each MDAP acquisition plan **includes measures to maximize competition** at both the prime contract and subcontract level, throughout the MDAP's life cycle (or maintain an option)
- Would require the Secretary to terminate (or certify) an MDAP that meets or exceeds its critical cost growth threshold (Nunn-McCurdy)
- Would direct the: (1) Under Secretary **to address organizational conflicts of interests** by contractors in the acquisition of major weapon systems; and (2) Secretary to establish within DOD the **Organizational Conflict of Interest Review Board**

President Obama's Agenda

- **"…we have turned over too much of the public missions of defense and foreign policy to private firms interested primarily in profit."** Reforms would reduce the number of contractors
- **"The days of giving defense contractors a blank check are over,"** reforms would end "unnecessary" no bid, cost-plus contracts
- **Resistance** (especially from Congress) to "competitive sourcing"

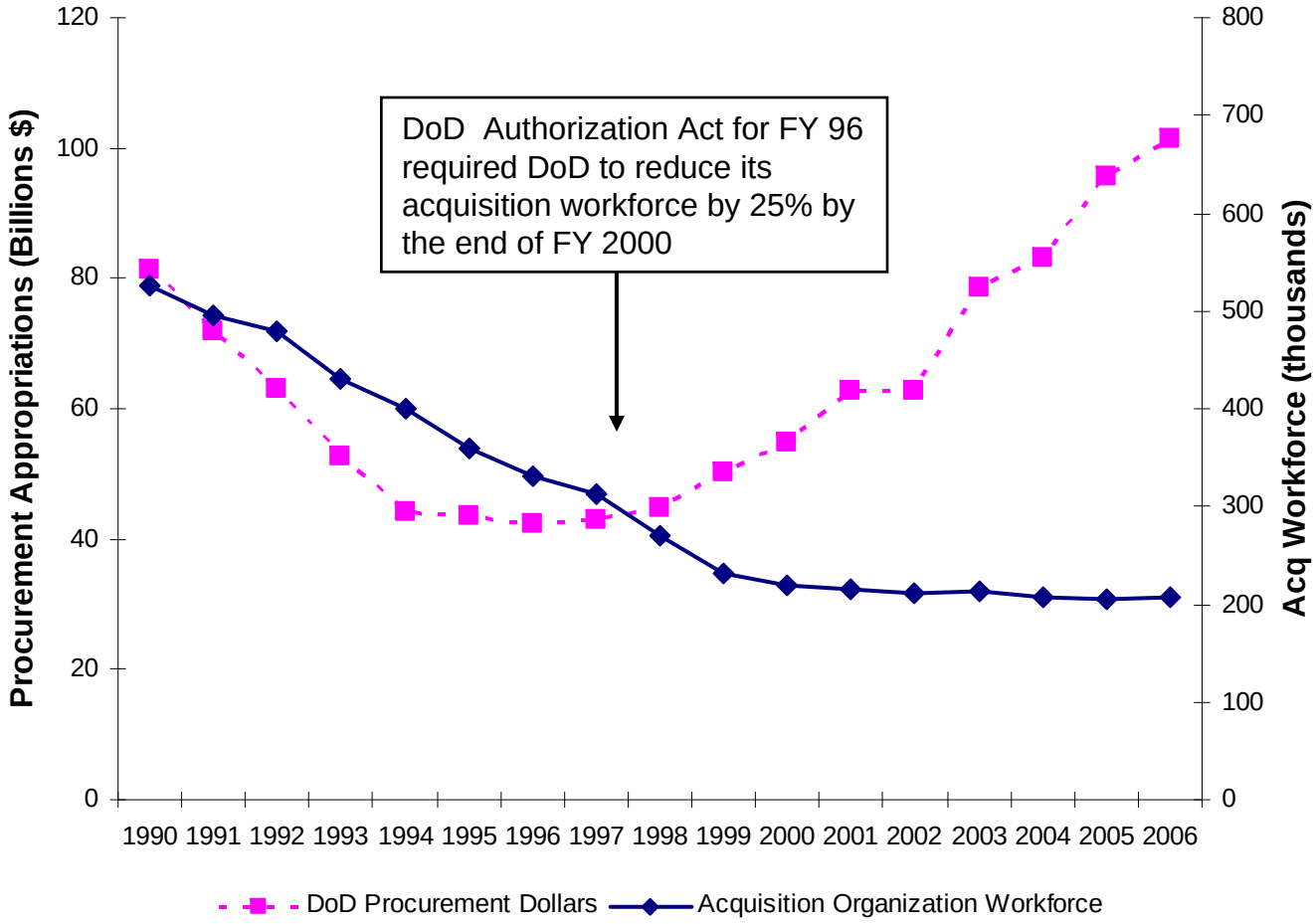
Who Does the Acquiring?

A flexible, responsive, efficient, and effective acquisition program (for sophisticated, hi-tech goods and services) requires "smart buyers."

1. This requires both quantity and quality of senior and experienced military and civilian personnel (especially for expeditionary operations)

2. In the last decade-plus, this "requirement" has not been met!

Acquisition Workforce Declined Even as Procurement Appropriations Increased



Source of workforce data: DoD IG Report D-2000-088 Feb 29, 2000 & DoD IG Report D-2006-073 April 17, 2006

Source of budget data: Annual Defense Reports, available at http://www.dod.mil/execsec/adr_intro.html. Procurement supplementals for FY2005 and FY2006 not yet reflected in Annual Defense Reports were obtained from Congressional Research Service Reports. (Defense Science Board, 2008)

Acquisition Workforce – Across the Federal Government – is a critical concern

- Aging workforce (across the government) - and few younger hires
- DoD, especially, has an acquisition workforce problem:
  - Greatly reduced senior officers and SESs

    - In 1990 the Army had 5 General Officers with Contract background; in 2007 had 0.

    - In 1995, the Air Force had 40 General Officers in Acquisition, today 24; and 87 SESs and today 49

    - DCMA (25,000 down to 10,000; 4 General Officers to 0)
- Introduces "opportunities" for "waste, fraud and abuse" (90 fraud cases under review from war zone; examples of poor acquisition process results, e.g. Tanker, President Helicopter, etc.)
- Government acquisition workforce issues must be addressed: both Obama and Congress agree (but it will take time)

From Whom Goods & Services Are Acquired

"The last two decades have seen a consolidation of the Defense Industry around 20th Century Needs – The next step is DoD leadership in transforming to a 21st Century National Security Industrial Structure."

(DSB Report on 21st Century Defense Industry, 2008)

- **A vision of a 21st Century National Security Industrial Base is required:**

1. Efficient, responsive, technologically advanced, highly-competitive (at all levels, including public and private sectors)
2. Globalized (utilizing "best in class" - - requires changes to export controls)
3. Healthy; and investing in IR&D and capital equipment
4. Includes commercial, and maximizes dual-use facilities and workforce

cont. →

From Whom Goods & Services Are Acquired

(continued)

5. "Independent" systems-of-systems architecture and systems engineering firms (to support Government)
6. M&As to be based on this vision
7. All non-inherently-governmental work to be done competitively (public vs. private, for current government work)
8. Strong Government-Industry Communications encouraged
9. No appearance, or reality, of Conflict of Interest (C.O.I.) (regarding "vertical integration")

This is a Critical Period

- Similar to the period following the launch of Sputnik or the fall of the Berlin Wall
- Today the security world is changing dramatically—especially since 9/11/01 (geopolitically, technologically, threats, missions, warfighting, commercially, etc.) – and a holistic perspective is required (including STATE, DHS and DNI, as well as coalition operations)
- Moreover, a decade of solid budget growth – which will almost certainly change – has deferred difficult choices (between more 20th Century equipment vs. 21st Century equipment)
- However, the controlling acquisition policies, practices, laws, etc. and the Services' budgets and "requirements" priorities have not been transformed sufficiently to match the needs of this new world (in fact, there is still an emphasis on "resetting" vs. "modernization")

Leadership is required to achieve the needed changes!

Further Strategic "Surprises" Can be Expected

In the first 270 days of the last 8 Presidencies

- Eisenhower – Iranian revolution
- Kennedy – Bay of Pigs
- Johnson – Gulf of Tonkin Incident
- Nixon – Escalation into Cambodia and Laos
- Carter – Korea troop reductions/Singlaub relief
- Bush I – Panama Invasion
- Clinton – World Trade Center bombing
- Bush II – Chinese Downing of the Navy Reconnaissance Aircraft and the terrorist attacks of September 11

For "Culture Change" Two Things Are Required

1. Recognition of the need (a "crisis")

   [In this case, the combination of the economic/budget conditions and the acquisition workforce issues]

2. Leadership - with a "vision," a "strategy," and an "action plan"

   [Obama, Congress, and Gates support the change - - now we need to wait for the key implementors to be in place and to initiate actions]

There will clearly be actions. The big issue is will they be the ones that result in satisfying 21st Century need—with higher performance at lower costs and with greater agility and speed

My Top 5 Priorities

1. **Acquisition Workforce -** Service Chiefs and National Security Secretaries and Directors must recognize and promote senior acquisition personnel (military and civilian) in order to demonstrate their personal recognition of the critical nature of smart acquisition personnel and practices to American's military posture in the 21st Century
2. **Emphasize the Importance of Weapons Costs as a Military Requirement –** (to achieve adequate numbers of weapon systems, in a resource-constrained environment) which will require early and enhanced systems engineering (throughout both government and industry) and incentives to industry for achieving lower cost systems.
3. **Emphasize the Value of "Rapid Acquisition"** - for both the military and economic benefits – which will require the full use of "spiral development" (with each "block" based on proven/tested technology, and continuous user and logistician feedback, for subsequent "block" improvements – and with the option of effective competition (at the prime and/or sublevel, if incumbents are not continuously achieving improved performance at lower costs).
4. **Balance Resources -** to emphasize 21st Century needs (e.g. systems-of-systems; Intelligence; unmanned systems; etc.)
5. **Take full advantage of the potential benefits of globalization** (while not ignoring the potential vulnerabilities)

Achieving these required changes will take political courage and sustained, strong leadership - - by both the Executive and Legislative branches (working together).

The American public, and particularly, our fighting men and women, deserve it - - and the nation's future security depends upon it.

It Can Be Achieved!