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SENATE COMMITTEE
ON ARMED SERVICES**

TESTIMONY OF

MICHAEL W. WYNNE

PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE

(ACQUISITION, TECHNOLOGY AND LOGISTICS)

BEFORE THE UNITED STATES SENATE

COMMITTEE ON ARMED SERVICES

SUBCOMMITTEE ON READINESS

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Mr. Chairman and Members of the Committee:

Thank you for inviting me here today to talk with you about Acquisition Reform. We have many initiatives underway in the Department and our focus has moved from “Reform” to “Excellence.” We are continuing on the path of acquisition excellence that Congress charted with the enactment of the Federal Acquisition Streamlining Act and the Federal Acquisition Reform Act. A key to our progress has been our strong partnership with Congress. We value the support we receive from the Congress - most recently with the passage of temporary emergency procurement authority in the Fiscal Year (FY) 2002 National Defense Authorization Act – a great example of Congress enabling us to immediately improve our response to the war on terrorism.

The Department is moving from reform to excellence by focusing on changing the environment, reducing cycle time, improving processes including greater use of competition, linking human resources to requirements and monitoring progress with metrics. These focus areas directly support the President’s Management Agenda, which identified five Government-wide initiatives and support Secretary Rumsfeld’s goal to transform the military. For example,

consistent with the President's Management Agenda that identified strategic management of human capital as a goal, we are in the process of human capital strategic planning. Workforce planning and training is essential to ensure that we have the right skill mix and capabilities to meet tomorrow's changing missions. Because Defense Acquisition University (DAU) is the vital link to ensuring that we have a trained and highly qualified workforce, adequately funding DAU is critical, particularly given training requirements have increased by thirty percent and will grow with new people entering the workforce.

While changes are required to transform the way the military wages war, so too, must our business processes be transformed. The military can better reach their full potential by making the business side equally as agile, lean and focused. When Mr. Pete Aldridge, the Under Secretary for Acquisition, Technology and Logistics, appeared before Congress during his confirmation hearing, he outlined five goals for the Department necessary to transform the business side of Department of Defense (DoD). In my confirmation hearing, I stated my commitment to accomplish these goals. These goals are structured to provide a complete framework to move the Department from reform to excellence. We have numerous initiatives aligned to support attainment of these goals. And we have already achieved successes to date. For example to:

- Achieve credibility and effectiveness in the acquisition and logistic support process. We are reducing cycle times in weapons systems with the use of evolutionary acquisition/spiral development. We are committed to transitioning technology to our warfighters. Advanced Concept Technology Demonstrations (ACTDs) have clearly accelerated the technology transition.

- Revitalize the quality and morale of the DoD AT&L workforce. We are transforming the Defense Acquisition University by moving from purely classroom training to more web-based learning modules, by emphasizing critical thinking skills and case-based reasoning, and by moving from a training model to a performance support model for the University. We are on our second phase of human capital strategic planning to assess mid and long term needs regarding the size, shape and skill mix of the 21st century workforce.
- Improve the health of the defense industrial base. We are looking at better ways to finance and incentivize contractors. We restored the rate of progress payments for large businesses to 80 percent. We are revising our profit policy to provide incentives for contractor cost efficiencies and investments in independent research and development, and to reduce incentives for contractors to “make” rather than “buy.” And we are also encouraging the use of performance-based payments as a better way to link financing payments to performance.
- Rationalize the weapon systems and infrastructure with the defense strategy. With the help of Congress, we will have a new round of base closure and realignment in 2005. The Quadrennial Defense Review (QDR) and Defense Plans both provide information on shaping our future force structure using a capabilities-based approach. This strategy is still evolving as we learn from current operations in Afghanistan, and better understand the impact of Homeland Defense on our organization.

- Initiate high leverage technologies to create the warfighting capabilities of the future. We are aligning our S&T investments with desired capabilities as stated in the QDR, with increased emphasis on joint, transformational and combating terrorism technologies. The FY03 budget funds faster growth in science and technology with about \$1 billion over last year's request. Our S&T investment is increasing year after year as the overall defense budget baseline increases and we are continuing to pursue our goal of three percent of the total obligation authority for S&T.

We recognize we have more challenges ahead, specifically, in implementing legislation regarding contracts for services, implementation of spiral development and other techniques to shorten the weapon system development life-cycle, and minimizing the impact of continued downsizing of the acquisition workforce.

First, because of the magnitude we spend on services, we are developing a strategic approach to acquiring them. We are establishing a policy to ensure adequate oversight of acquisition of services that is responsive to Section 801 in the FY02 Authorization Act. Pursuant to law, we established Department goals for the use of performance based service acquisitions. To help achieve these goals we issued a DoD guidebook and are participating in an interagency working group to develop a government-wide guidebook. These efforts to increase performance based contracting are being incorporated into our training courses. In February 2002, we issued guidance to ensure all contractors are given a fair opportunity to compete for multiples award contracts for services and are developing regulations to implement Section 803. Increased competition on these procurements must be accomplished in an efficient and effective way.

Second, we are implementing policies to reduce systems acquisition cycle time by using evolutionary acquisition/spiral development. Spiral development allows us to get capability to our warfighters and at less cost, faster by producing and deploying systems based on mature technologies. When deployed, the first increment of capability (or block) will meet many, but not all, of the system's desired operational requirements. Subsequent blocks will incorporate new technologies that have matured as each block of capability is fielded. The series of blocks represent the "spirals" of increasing capability to the warfighter. Global Hawk, an unmanned aerial vehicle that has been the eyes for the soldiers in Afghanistan, will have increasing capability as technology becomes available. The Joint Strike Fighter is another good example as its performance will increase as technology is matured.

We have numerous other process improvements underway including: mandating the use of cost-as-an-independent variable for cost and performance trade-offs; requiring more realistic program cost estimating, and ensuring jointness and interoperability; fostering technology transition; improving the health and competitiveness of defense industry by integrating business practices across functional lines in areas such as interoperability where integration is occurring across traditionally stove-piped functions of engineering, contracting, etc; creating coalition and international partnering through export control reform and globalization; working e-business to make it a reality; and reducing the logistics footprint. We recently established the Missile Defense Agency (MDA) to take advantage of a streamlined, tailored acquisition approach. We wanted to give the MDA the most visibility and prestige for collaborative efforts within the Services. We emphasize this with the Senior Executive Council, made up of the Service Secretaries and chaired by the Deputy Secretary of Defense, acting as the Board of Directors overseeing the MDA.

Third, we are addressing the problems associated with the downsizing and aging of the DoD-wide Acquisition, Technology and Logistics workforce. This is critical because we are faced with 50 percent of our workforce being eligible to retire by 2005. While we are sensitive to retaining and attracting people with the appropriate skills, this doesn't mean there are not pockets of overstaffing as well as understaffing, within the Defense Department that are part of our planning efforts.

We first identified this problem to the Congress in October 2000 with our *Acquisition Workforce 2005 Task Force Final Report*. There are a number of initiatives ongoing including conducting human capital strategic planning; increasing participation in the acquisition workforce demonstration project, a contribution-based compensation system with streamlined classification and hiring attributes; and developing a marketing, recruitment, hiring, and retention program. The cornerstone of our efforts is the human capital strategic planning and management. We conducted a first round of strategic planning last year, are doing a second round this year, and intend to institutionalize the process. The process provides a way to develop plans that tie human capital and mission outcomes together, build the business case for personnel requirements, and identify barriers and gaps for appropriate action.

We are also transforming the DAU and the course curriculum that will accelerate implementation of our acquisition initiatives through improved classroom training and increased web-based training. Placing additional emphasis on DAU is crucial to accelerating implementation of Department's initiatives. A redefined acquisition, technology and logistics workforce has resulted in a 30 percent increase in training requirements. It is critical that we maintain funding for DAU to ensure training and education of the workforce as retirements increase. DAU is the model for many countries and agencies. For example Australia is

developing a similar University and the Office of Federal Procurement Policy is encouraging civilian agencies to take advantage of DAU's offerings.

Transforming the military is about more than building new high tech weapons, it is about transforming not only our armed forces, but also the Department that serves them. A major objective for DoD is to change our environment to conduct government more business-like. To accomplish this, we have streamlined the Defense Acquisition Board to include the Service Secretaries. This eliminated layers of oversight by involving the Secretaries directly. Additionally, we created the Business Initiative Council to improve business operations of the Department. This council, consisting of the Service Secretaries, the Vice Chairman of the Joint Chiefs of Staff, and chaired by the Under Secretary for Acquisition, Technology and Logistics, work collaboratively to make changes in business processes that save money. Preparing for the future will require us to think differently and, therefore, act differently.

We will continue to look for ways to improve our processes. In December, we released a Broad Agency Announcement that was open to the public for submission of ideas on combating terrorism. We purposely kept this unclassified because our industrial base is extremely talented and we wanted to attract the best ideas available throughout the entire industry. The Department received over 12,500 responses and while we are still evaluating many of these ideas, a few have progressed to the proposal stage. An area where we can use your help is in transitioning some of these great ideas and other technologies to the warfighter. Last year the Congress cut \$25 million that was budgeted for the Quick Reaction program. This program would have brought promising technologies rapidly forward. We need to work together to develop an approach that includes funding and an understanding of "faith in funding" – the recognition that not all

technologies will, nor should they, be transitioned to acquisition. ACTD programs are a great example but we need to do more to structure a way forward in technology transition.

Another area where we could use help from the Congress is in streamlining reports to Congress. We can appreciate Congress' Constitutional oversight role and the need for information, but we believe reports should come with a sunset provision so that the value of continuing a report will be periodically assessed. I look forward to working with you to identify other areas where we could use help.

In closing, I want to express how honored I am to work with the hardworking, patriotic, dedicated members of the Department of Defense. The events of September 11th reaffirmed the importance of what we do. I appreciate the support provided by Congress and look forward to working with this committee to realize our goals and best satisfy our security needs in the future.

Thank you for the opportunity to provide this statement for the record.