

Acquisition Reform: **Achieving 21st Century National Security**

The Honorable Jacques S. Gansler*
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Mr. Chairman, Members of the Committee,

Thank you for the honor of appearing before you at this critical period, and on such an important topic.

I need not tell you that the U.S., in the 21st Century, faces incredible National Security Challenges – brought on by dramatic world changes that require:

- A new, Holistic View of Security (e.g., DoD, State, DHS, DNI, etc.) - - utilizing both “hard” and “soft” power
- Addressing a Broad Spectrum of Security Missions - - with great unpredictability (from Terrorism to Nuclear Deterrence)
- Taking full advantage of Globalization (of Technology, Industry, etc.)
- Recognizing the long-term National Security implications of:
 - The global financial crisis
 - The impact of climate change
 - The need for energy security
 - The growing anti-globalization backlash
 - Worldwide pandemics
 - The challenging U.S. demographics
- **And to do all of this in a likely fiscally-constrained budget environment**

To address these challenges, four, highly – interrelated acquisition issues must be addressed (by the DOD and Congress):

- 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)

I wish I could tell you that there was a “silver bullet” to address the needed changes; but this truly requires a broad set of initiatives in each of the four areas - - if the nation is to achieve the required 21st Century National Security posture.

This need, for the four sets of broad changes, was emphasized in a recent Defense Science Board report; where they found:

- “DoD 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.”

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- “U.S. 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 DoD’s acquisition workforce, (particularly at the senior military and civilian levels), combined with the coming retirement and prior, large acquisition workforce reductions, significantly impedes the development, production, support, and oversight of the military capabilities needed for the 21st Century.”
- “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.”

So let me (very briefly) summarize the changes required in each of the four, critical (and interrelated) areas: [in priority order within each category]

What is Acquired:

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

1. Lower cost systems and services
2. Optimized, net-centric systems-of-systems (vs. individual “platforms”)
3. A “reserve” of resources to rapidly respond to Combat Commanders urgent needs
4. More “balanced” allocation of resources (to address “irregular” operations): C3 ISR, unmanned systems, Special Forces, “Land Warriors,” cyberdefense, etc; [and these resources must be moved from the Supplementals into the base budget]
5. Interoperability of “Joint” systems; and coalition systems
6. Planning, equipping, 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:

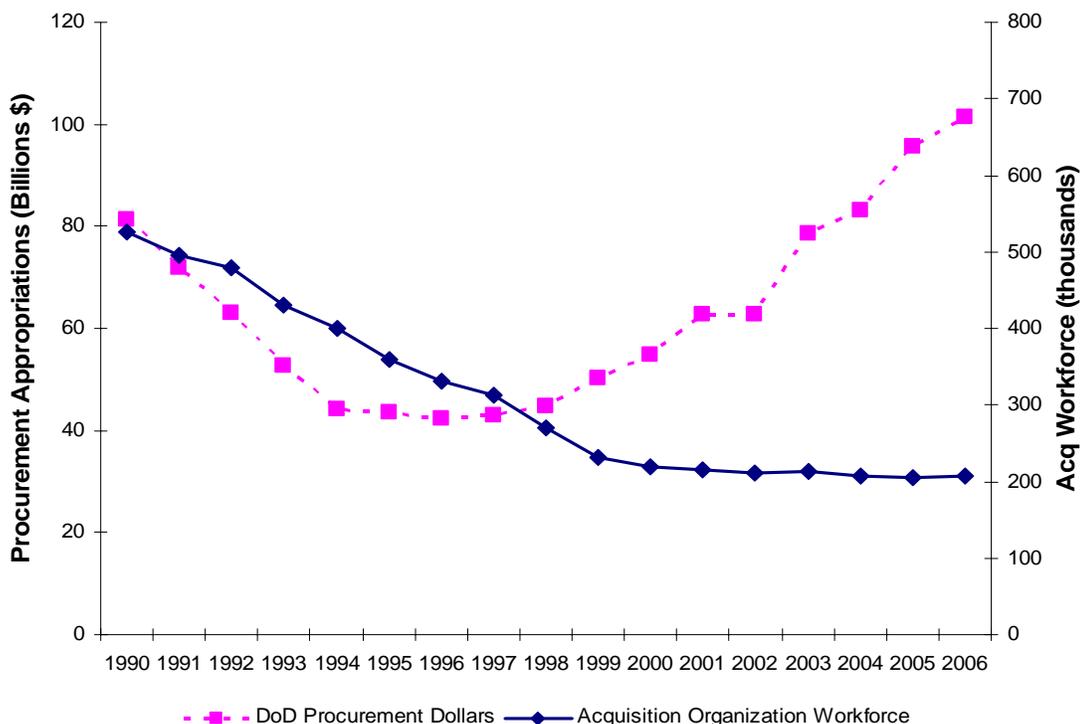
1. Require “cost” as a design/military “requirement” (because cost, in a resource-constrained environment, is numbers)
2. Provide viable, continuous “competition options” (as the incentive for higher performance at lower costs) e.g. competitive prototypes, competitive split-buys, etc.
3. Fully utilize “spiral development,” with demonstrated technologies (because it is lower cost, lower risk, faster to field; maintains the option of competition; avoids obsolescence; can respond rapidly to combat needs)
4. Make maximum use of commercial products and services (at all levels - - utilizing Other Transactions Authority (OTA); especially at lower tiers)
5. Institutionalize a “Rapid acquisition,” parallel process (to respond to COCOM urgent needs)

6. Create incentives for contractors to achieve desired results (in cost, schedule, and performance)
7. Implement modern, integrated, enterprise-wide IT systems (logistics, business, personnel, etc.) - - including linking Government and Industry
8. Address Conflict of Interest concerns (from LSI → Make/Buy → SETA); but don't reduce the value of relevant experience

Who Does the Acquiring:

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

This depends on both quantity and quality of senior and experienced military and civilian personnel (especially for expeditionary operations). In the last decade-plus, this “requirement” has not been met! In fact, the acquisition workforce declined on seniority and quantity even as procurement appropriations increased



Therefore, one of the nation’s highest priorities (not just in the DOD) must be to address the acquisition workforce.

- **The 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 they had zero.
 - In 1995, the Air Force had 40 General Officers in Acquisition, today 24; and in 1995, 87 SESs and today 49
 - The Defense Contract Management Agency (DCMA) (25,000 people in 1990 down to 10,000 today; and 4 General Officers to zero)

These reductions (due to the under valuing of the importance of the acquisition workforce) introduce “opportunities” for “waste, fraud and abuse” (e.g., 90 fraud cases under review from war zone; examples of poor acquisition process results, such as the Air Force Tanker, the Presidential Helicopter, etc.). These Government acquisition workforce issues must be addressed. I believe that President Obama, Congress, and Secretary Gates all agree on this (but it will take the priority attention of the Service Chiefs and Secretaries to make it a priority).

From Whom goods and services are acquired:

To quote, again, from the recent Defense Science Board study (on the desired 21st Century Defense industry):

“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.”

The “vision” for this 21st Century National Security industrial base (which appropriate government actions, i.e. acquisitions, policies, practices, and laws, must incentivize and facilitate) are:

1. Efficient, responsive, technologically advanced, highly-competitive (at all levels, including public and private sectors)
2. Globalized (utilizing “best in class”) - - requires significant changes to U.S. export controls (i.e., changes to ITAR, EAR, etc.)
3. Healthy (profitable); and investing in IR&D and capital equipment (rules should separate IR&D and B&P)
4. Includes commercial firms and equipment, and maximizes dual-use facilities and workforce (barriers must be removed)
5. “Independent” systems-of-systems architecture and systems engineering firms (to support the Government - - as the integrator)
6. Merger and Acquisition policy guidelines to be based on this vision
7. Strong Government-Industry Communications encouraged
8. All non-inherently-governmental work to be done competitively (public vs. private, for current government work)
9. Structural changes to eliminate appearance, or reality, of Conflict of Interest (C.O.I.) (regarding “vertical integration”) – but great care to assure relevant-experienced firms and people involved

In summary, I believe this is a critical period, perhaps 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). And, 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! All of the literature on “cultural change” (which this clearly must be) state that two things are required to successfully bring about the needed changes:

- **Recognition of the need (a “crisis”)**
In this case, I believe it is the combination of economic/budget “crisis,” the changing security needs, and the shortage of the senior acquisition-experienced personnel to address the needs; and
- **Leadership - with a “vision,” a “strategy,” and an “action plan.”** I believe that President Obama, Congress, and Secretary Gates support the needed changes. However, the changes can be expected to be severely resisted - - significant change always is!

I would start with the important role of the Service Chiefs and Secretaries in recognizing, and promoting senior acquisition personnel (military and civilian) in order to demonstrate their personal recognition of the critical nature of smart acquisition practices to American’s military posture in the 21st Century. And, as my second priority, I would emphasize the importance of weapons costs as a military requirement (to achieve adequate members of weapons in a resource-constrained environment) –which will require enhanced systems engineering (throughout both government and industry) and incentives to industry for achieving lower cost systems. Finally, as my third priority, I would emphasize the value of “rapid acquisition”, for both its 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” improvement – and with the option of effective competition (at the prime and/or sub level, if they are not continuously achieving improved performances at lower and lower costs).

Achieving these required changes will take political courage and sustained, strong leadership - - by both the Executive and Legislative branches (working together). I hope, and firmly believe, it can be achieved. The American public, and particularly, our fighting men and women, deserve it - - and the nation’s future security depends upon it.

Thank you.