

Statement before the House Armed Services Committee

***“IF THESE ARE SUCH GOOD IDEAS, WHY ARE
THEY SO HARD TO IMPLEMENT?”***

A Statement by

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Chairman Skelton, Congressman McHugh, Members of the Committee: I appreciate the opportunity to appear before you this morning and to offer my views on what promises to be very important legislation for this Committee and this Congress, the WASTE TKO bill.

I have a number of both general and specific comments on the bill, but I want to begin with some overall thoughts on acquisition reform. In these matters, I try to take the viewpoint of the practitioner, of the managers who have to operate within the defense acquisition system today. As many of you know, I have been involved deeply in many of the major acquisition reform efforts of the past thirty years, both in developing the recommendations and in trying to implement them, from the “Carlucci Initiatives” of 1981 and the Packard Commission in 1985-1986 through the Gansler Commission and my current work at the Center for Strategic and International Studies. My goal today is to describe ways to support the efforts of this Committee and the Congress as it tackles the critical questions of acquisition improvement. I note, however, that my comments here today are entirely my own and do not reflect the views of either CSIS or any other entity with which I am affiliated.

The Situation Today

Mr. Chairman, I want to share with you the latest thinking from our work at CSIS. We find that there are four powerful and somewhat contradictory dynamics that shape the defense acquisition situation today.

First, the overall environment for defense contracting is profoundly negative, with new reports of problems arising each day. For example, the stimulus bill, the American Reinvestment and Recovery Act of 2009, offers little for defense procurement, despite the ready availability of “shovel-ready” programs where current needs and funding shortfalls exist. The funding from supplemental appropriations since Fiscal Year 2002 and the cost overruns in major defense acquisition programs seem to have combined to produce a sentiment on Capitol Hill, in the media, and even in the executive branch that “defense already had their stimulus.”

The second dynamic is the unprecedented dependency of DoD on contractors. Since 1994, defense spending has doubled on procurement and tripled on services. There are many reasons for this dependency: reductions in the acquisition workforce, access to skills not available in the government, price advantages, bureaucratic or statutory caps on employment, wartime requirements, funding availability, and technology development are among them. Significantly, there is no quick or easy way to reduce that dependency. In addition, much of that dependency is under-recognized by military or civilian leadership, and DoD has no broad policy framework for deciding when to use contractors. This is an area where this Committee’s recently formed Panel on Defense Acquisition Reform can add value as it moves forward.

The third dynamic is one that gives some hope for change. Despite the negative overall climate on contracting and the high level of dependency by the government, there is also a general feeling that it’s time to do something to fix weapons acquisition. This broad agreement is reflected in the elements of your bill: rebuilding the government’s acquisition workforce capability in areas like cost estimating and systems engineering, improving the management of cost and schedule and contract performance, providing greater visibility and transparency to both

the process and the results. It is also reflected in the memorandum from the president of March 4 on government contracting and on the reviews initiated by that memo.

The fourth dynamic is that funding for defense contracts is facing significant contraction in the next few years, as the government works to reduce budget deficits. Several times in past decades when defense budgets have been capped or reduced, contracting has been a bill payer, as procurement of major systems have been cut to offset must-pay bills from operations and maintenance accounts. Secretary of Defense Robert Gates proposed some dramatic budget changes earlier this month, but they are not enough to fix defense budget problems. Under future budget pressures, acquisition programs will decline, which makes reform all the more critical but also makes it harder for the investments in restoring the acquisition workforce capability so critically needed.

Five Key Improvements

Taken together, these four dynamics make it more complicated to develop and implement acquisition improvements in DoD. The consensus behind the need to fix acquisition problems is, however, quite strong and widespread. Here are five key elements that in my view would lead to improvement in defense acquisition.

1. Restoring DoD's workforce capability is critical and will take sustained effort over time.
2. Competition is critical; we need to foster more of it.
3. Programs need clear requirements, better cost estimates, and more mature technology.
4. Requirements should not be locked in. Contract solicitations and negotiations need to focus more on tradeoffs of requirements, cost, and schedule. Secretary Gates' 75% solution, achieved faster and at less cost, demands flexible requirements. Achieving success also demands stronger negotiating teams needed on the government side, as well as a willingness to avoid taking the easy way out by picking companies who "buy in" to contract award.
5. It will take more time up front (for requirements, cost estimating, technology maturity, and negotiations) to do this better, but that will pay off in the long run.

In my view, if all of the above elements are present, the government could expect better performance at more predictable and stable prices. Said this way, such solutions can sound deceptively easy and simple.

Avoiding Past Pitfalls

There is a tendency to think of acquisition reform as an endless task that has never successfully been performed. From the Hoover Commission through the latest projects under Norm Augustine and David Walker, each time a body of experts assesses reform, the same recommendations often seem to be repeated. From a practitioner's viewpoint, many of the reforms have had benefits, but countermending pressures still produce cost and schedule overruns, poorly defined requirements, and the opportunity for fraud and waste.

Given that each new study references the many that have preceded it, Mr. Chairman, this committee can appropriately ask of the witnesses today the following question: If these are such good ideas, why are they so hard to implement?

To answer that question, we need to identify the pitfalls that have prevented success from past reform efforts. Here are the ones I see, based on my study and experience:

- Most past efforts have been too limited in their scope. For DoD to deal with better managing of cost and schedule and performance means real integration of requirements, programs and resources. In the past, the Under Secretary of Defense for Acquisition has had a focus that was narrower, particularly following the unsuccessful attempts by the first under secretary, Richard Godwin, to take a broader approach. Avoiding future pitfalls means that new efforts need to be DoD-wide, not just those actions which fall directly under the USD(AT&L).
- Past efforts paid lip service to a process that would not encourage buy-in by the Services, the programs, and the contractors. The reality is that buying-in is often rewarded within DoD, industry, and even the Congress.
- Most past efforts have not focused on the real needs of the government to do its roles properly and on any gap analysis of those needs or how they will be met. By that I mean that requirements are too often based on more than an acceptable risk level for specific mission accomplishments.
- Past efforts have not been patient enough in time or money. Doing acquisition right takes time and money up front but saves both in the long run. That “long run” is hard to defend, thus providing incentives to “buying in.”
- DoD, the Services, industry, and the Congress must work together on visible, identified common goals.

It is my belief that, taken together, the elements of success and the causes for previous pitfalls provide a framework for analysis that will enable this committee to assess the bill you introduced earlier this week. While that assessment effort clearly goes beyond today’s hearing, here are my preliminary thoughts on the bill before us. I draw on a number of CSIS studies and reports, on past studies on which I participated, and on my own experience and research.

The committee has tackled a worthy set of goals, a welcome addition and complement to similar language in Senate bill S.454. I also applaud your intention to mark up your bill outside defense authorization, because this will help these issues get the attention they merit.

The Packard Commission is in some ways the gold standard for acquisition reform efforts. Its recommendations started from the premise that rules, regulations, and statutes should support the basic principle that the Secretary of Defense should have the authority to manage and organize as he sees fit to accomplish his objectives, including authorities delegated to the Under Secretary of

Defense for Acquisition, now AT&L. I encourage the Committee to adhere to this principle as you move forward.

That said, perhaps the single most important change Congress can make is to reinforce incentives on the critical issue of rebuilding the acquisition workforce, at the leadership level, the level of the Office of the Secretary of Defense, and throughout the Department of Defense. The bill's emphases on increasing attention to and focus on cost estimating and systems engineering are useful elements of that focus, and I applaud them. I note, though, that the creation of new principal advisors under sections 101-104 need to be careful that the role of the Defense Acquisition Executive can still be sustained and not undermined. I attempted to draw an organization chart that would implement these sections, and I confess to struggling with that. There are also some potential overlap areas with other officials whose authorities were established by Congress in the past year or two, and those overlap areas need to be worked carefully. One such area is the performance measurement responsibility of the Deputy Chief Management Officer, which could usefully integrate with the proposed authorities in section 104. I would be happy to work with the Committee and its staff to clarify and strengthen these and other sections.

A second area on which Congress can make clearly valuable contributions is the emphasis on assessing and accounting for technology maturity in weapon systems milestone decisions and on making those assessments clearly visible. Section 105 strengthens the role of the Director of Defense Research and Engineering in this regard, which is a step that CSIS has supported in our past series of Beyond Goldwater Nichols reports.

The third area where the bill clearly adds value is in enhancing the role of the Combatant Commanders in defining requirements. Section 106 takes a preliminary step in the direction of full involvement of CoComs in the requirements-setting process, something that CSIS has supported in those same Beyond Goldwater Nichols reports. We have pushed for a stronger role for the CoComs and will continue to do so.

The bill also endeavors to support competition throughout the life cycle of major systems, to strengthen the certification requirements at and beyond major milestone decision points, and to control cost growth in major programs. In each section, there are elements of positive value. I would respectfully suggest, though, that much of the focus still produces better vision after the fact, when what is needed is better decisions based on better information and trade-offs, which are by definition before the fact. The question is, how can Congress do that?

I think the answer here lies in the way DoD sets requirements. For too long, DoD has treated requirements as a sacred text that cannot be changed except through a lengthy bureaucratic process. That view must change, and I believe that Congress may have an opportunity to contribute to that change. Here is what could happen:

Acquisition reform cannot happen without requirements reform. The best way to reduce and control the cost of major systems is for DoD to produce clear and precise requirements, but those requirements cannot be locked in place. Instead, they must be flexible enough to trade off against cost and schedule. This means that requirements will change, not to become even more

demanding, but less so. The DoD culture finds that hard to support, because the old way to reduce “risk” is to put into requirements a need for the most promising technology regardless of its readiness. In reality, though, demanding requirements that are technically challenging and then making them non-negotiable does not reduce risk, it actually increases risk.

Contract negotiations for major weapon systems need to be based on requirements that are flexible enough to change, based on cost and schedule impact, prior to finalizing the contract. This would enable DoD to move toward Secretary Gates’ call to acquire the “75 percent solution.” Such an approach would mean DoD can:

- Define requirements better.
- Run solicitations more effectively.
- Negotiate tradeoffs between costs and requirements.
- Set performance metrics, use those as contract evaluation criteria, and make contract awards accordingly.
- Provide proper funding for execution and management oversight.
- Reward high performance by DoD and industry.

If the government can do all that, weapon costs will go down, independent of contract type, because solicitations will be clean and focused and deliverables will have a greater chance to be on schedule and at projected costs.

Mr. Chairman, Congressman McHugh, and Members of the Committee, that concludes my remarks, and I await your questions.