



**Statement before the
House Armed Services Committee**

***“SHORTENING THE DEFENSE
ACQUISITION CYCLE”***

A Testimony by:

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Chairman Thornberry, Ranking Member Smith, thank you for inviting me to testify today. I am Andrew Hunter, Director of the Defense-Industrial Initiatives Group at the Center for Strategic and International Studies. It is truly a pleasure for me to appear here to testify on “Shortening the Defense Acquisition Cycle.” As a former staff member of this committee, and having worked closely with the Chairman Ike Skelton and Representatives Rob Andrews and Mike Conaway to support the Committee’s one-year Panel on Defense Acquisition Reform, in my mind there is no better venue than this one for tackling this important subject.

My research at CSIS focuses closely on the defense acquisition system and the industrial base. Given the clear priority of this committee and your counterpart, the Senate Armed Services Committee on acquisition reform, I have spent the last year holding a series of working sessions with experts both inside and outside the current system, together with Hill staff, to explore opportunities for improvement of the acquisition system. These sessions will inform my testimony today.

Our hearing topic brings to mind an adage that is common in acquisition, and which remains profoundly true. It goes like this: “faster, better, cheaper ... pick any two.” In other words, acquisition is about balancing priorities to generate investment outcomes that are responsive to warfighter needs. In order to optimize the defense acquisition system for one or two of these three outcomes, the third must inevitably be treated as a lower priority. As expressed mathematically by our current Secretary of Defense, Dr. Ashton B. Carter, in his former capacity as the Under Secretary of Defense for Acquisition, Technology, and Logistics, one of these has to be the independent variable that is allowed to fluctuate while the others are held constant.

Over the course of time the prioritization of these outcomes can and has shifted. In the face of the Soviet threat in the Cold War, there were many times in which “better” was the predominate priority, and cost and schedule were lesser priorities. The B-2 stealth bomber is an example of a program where cost was a secondary consideration, at least in the program’s formative stages, and where schedule was also sacrificed (the program was

delayed at least two years by a major mid-stream design change). In that case, “better” was the priority because the B-2’s revolutionary technological advances were considered essential to counter a serious threat from advances in Soviet air defenses. Not incidentally, the program was sharply curtailed when that threat collapsed.

More recently, during the wars in Iraq and Afghanistan, the priority has been placed squarely on “faster” and with good results. A variety of game changing capabilities were successfully fielded in a matter of months, not years. One example is the force protection advances achieved through rapidly fielding thousands of MRAPs, and associated efforts to add under body protection to a range of other vehicles. Another example is the advances in intelligence, surveillance, and reconnaissance capabilities generated by adding and integrating together highly modern new sensor systems on a wide variety of existing or commercially purchased air platforms. The rapid acquisition experience of the last decade shows the deep importance of having the ability to move quickly when warfighter requirements demand it. And make no mistake, our acquisition system is fully capable of doing so when properly tasked and incentivized.

At the same time, the current security environment is one where the United States’ historical technological advantage is being eroded for a variety of reasons, many of which are examined in a CSIS report called “Keeping the Technological Edge: Leveraging Outside Innovation to Sustain the Department of Defense’s Technological Advantage.” This development is a growing source of concern for senior Department of Defense leaders as this committee has heard. The erosion in U.S. technological superiority necessitates developing a range of “better” capabilities that can address areas where the U.S. lead has been erased if not reversed, which is the objective of the Department’s Defense Innovation Initiative.

And of course, as the recent veto of the National Defense Authorization Act (NDAA) for Fiscal Year 2016 demonstrates, we are also struggling to emerge from a sharp and severe down cycle in defense spending. That suggests that, for many programs there is much merit in prioritizing the acquisition of “cheaper” capabilities, particularly capabilities that

are cheaper to sustain. The choice of which priority, or which two priorities, to emphasize must differ from capability to capability, even in the same year, depending on the nature and function of the system being acquired.

This hearing's focus on "faster" is an important priority for a range of capabilities required to address urgent and emerging DoD requirements. I'd like to relate to you some lessons that I learned from my experience as the Director of the Joint Rapid Acquisition Cell at DoD from 2013-2014. In this capacity, I supported the Deputy Secretary of Defense in leading efforts to field capability in response to urgent warfighter needs. As part of shortening the defense acquisition cycle, this committee should work closely with DoD to ensure that the Department retains and institutionalizes the capability for rapid acquisition. Last week, former Secretary of Defense Robert Gates delivered powerful testimony to the Senate Armed Services Committee and addressed this issue at length, emphasizing the challenge he faced in getting the acquisition system to move faster. Ultimately, through extraordinary leadership and force of personality, Secretary Gates succeeded in pushing MRAPs and other rapidly fielded capabilities through the system. As he mentioned in that testimony, Secretary Gates correctly understood that it was important for future Secretaries to institutionalize the capacity to field responses to urgent and emergent operational needs. For an excellent explanation for how this can be done, I recommend you consult the article by Dr. Ashton B. Carter in the January/February 2013 issue of Foreign Affairs magazine entitled "Running the Pentagon Right, How to Get the Troops What They Need."

I will focus my testimony on a few key insights that I believe have broad applicability. The first key to institutionalizing rapid acquisition is flexible funding. The Department of Defense's Planning, Programming, Budgeting, and Execution System (PPBES), together with the appropriations process that complements it, can be a major impediment to rapid acquisition. In the normal operation of PPBES, it takes at least two years from the moment that a new priority is identified until significant resources can be allocated to begin to address it. This timeline can be shortened through use of reprogramming authority, but that requires the identification of lower priority programs from which

funding can be taken. In most cases, the obstacle to successful execution of the reprogramming process surrounds the source of the funds rather than the destination. Getting over this hurdle in the last several years was substantially assisted by the existence of flexible funds created by Congress such as the MRAP Transfer Fund, the Joint IED Defeat Fund, and the Iraqi Freedom Fund that were designed to help the Department in addressing urgent operational needs. Even when these funds were at their largest, the Department still exercised its general reprogramming authority extensively to enable rapid acquisition. A significant issue for institutionalizing rapid acquisition is the fact that most of these flexible funding mechanisms have been ended or sharply scaled back. While the reduction in these mechanisms makes sense given the drawdown in operations, it is nonetheless vital that some of these mechanisms not be terminated completely.

Another key to institutionalizing rapid acquisition is the importance of senior leadership involvement and shortened lines of authority. This concept is succinctly expressed in this year's revised DoD Instruction 5000.02 Enclosure 13, "Rapid Fielding of Capabilities." Enclosure 13 formalizes many of the techniques developed for rapid acquisition, and it directs that: "Approval authorities for each acquisition program covered by this enclosure will be delegated to a level that promotes rapid action." Rapid acquisition succeeds when senior leaders are involved in ensuring that programs are able to overcome the inevitable hurdles that arise during acquisition, and empower those responsible with achieving the right outcome with the authority to get the job done while minimizing the layers in between.

For clarity, let me explain how I believe this relates to the debate in this year's NDAA over milestone decision authority for major defense acquisition programs. I believe it is appropriate for the Secretary of Defense to delegate milestone decision authority for MDAPs in the execution phase to levels of the acquisition management chain in the military services, consistent with the program's complexity. Milestone B, however, comes at the end of the planning and risk reduction phase, prior to program execution, and is the point at which the critical investment and strategy decisions are made. For

MDAPs, these decisions require significant commitment from the entire DoD enterprise, and the Secretary and his principal staff assistant for acquisition, the Under Secretary of Defense for Acquisition, Technology, and Logistics, are best positioned to ensure these commitments are sound. For this reason, I believe it is most appropriate to leave the discretion to delegate or retain milestone decision authority at milestone B within the Office of the Secretary of Defense for MDAPs. In this construct, rapid acquisition is essentially a special case because the fundamental decision to proceed with a program (the investment decision) is made when a requirement is designated as an urgent operational need.

In my view, the real power in shortening lines of authority for acquisition programs lies much more in streamlining the workload of documentation and coordination within all elements of the acquisition system rather than in excluding elements of the system. In fact, my experience in rapid acquisition is that speed is best accomplished when everyone is included in the process, along with senior leadership, so that decisions made are rapidly disseminated to all elements of the system and program execution can proceed accordingly.

The last key to institutionalizing rapid acquisition is ensuring constant communication with the operational and intelligence communities. Rapid acquisition is fundamentally an ongoing dialogue between the acquisition and operational communities about what the real needs of the warfighter are and what the art of the possible is in addressing them. In rapid acquisition particularly, this means continually updating the operational community on what capability can be delivered on what time frame, and staying continuously in touch with how threats are evolving. This dialogue is the area where the parts of DoD that do best at rapid acquisition, such as the Special Operations Command, the ISR Task Force, and the Joint Improvised-Threat Defeat Agency (formerly JIEDDO) excel and provide their greatest value. In rapid acquisition, testing is included as part of this dialogue. Rapidly fielded capabilities are tested to the point where the warfighter is willing to accept them for use, rather than to a separate measure of effectiveness and suitability.

I want to be clear that rapid acquisition is not a panacea for acquisition. As I've outlined, "faster" is not the top priority for every system, and certain of the methods employed in rapid acquisition wouldn't be applicable to certain major investment program. However, the key principles I've outlined as critical to rapid acquisition are also applicable in many ways more generally. Indeed, in this testimony, I have endeavored to frame these key principles in a way that best lends itself to broader application in the acquisition system by moving back from particular instances, e.g. the specific details of working reprogramming requests for urgent operational needs, to the more general importance of financial flexibility, shorter lines of authority, and continuous dialogue between operators and the acquisition system. Not only are these points important where "faster" is the primary objective, they can have relevance when other outcomes are the priority. Having an appropriate degree of financial flexibility and shorter lines of authority can also help to reduce costs when "cheaper" is the priority, for example, by reducing the likelihood that the standing army of engineers associated with weapons programs in development are idled waiting for a change in the budget to allow them to proceed with program execution. Similarly, financial flexibility and continuous dialogue between operators and the acquisition system can enhance the ability to rapidly incorporate emerging technologies when "better" is the priority by enabling programs to capitalize on unexpected technology developments.

Increasing financial flexibility was not a major focus of the acquisition reform provisions in the latest NDAA and I believe it should be a focus for upcoming legislation. The exact approach for how to increase financial flexibility in the acquisition system while maintaining budget discipline is a matter of ongoing debate in the working group discussions that CSIS has been hosting. I would be happy to update the committee on these recommendations when they have reached a more mature state of development. I believe many of the changes adopted in the pending NDAA can help to shorten lines of authority for acquisition. It is important to note, however, that these statutory changes will be for naught if they are not associated with significant revisions to the documentation requirements in regulation. Following up on whether corresponding changes are made in regulation should be an important area of examination for the

committee in the coming year. I also believe that the decision to increase the role of the service chiefs in the acquisition process is a valuable step in promoting the dialogue between operators and acquisition that I've described as a key to rapid acquisition. However, effective dialogue at working levels that facilitate decisions made by senior leaders is where the real key to unlocking the potential of this approach lies.

Ultimately, there is a significant degree to which shortening acquisition cycles requires a willingness to consider new paradigms, for example with regard to highly adaptable systems. An example is the Predator/Reaper/Gray Eagle system (hereinafter referred to as Predator), which has probably incorporated more technology and fielded more new capability to the battlefield than any other platform in the last decade. Predator has been modified over and over again in response to warfighter needs, and its capability has been enhanced greatly as a result. Due to this increased capability, it remains a central platform for operations such as the current counter-ISIL campaign. Predator has never fit neatly or naturally into the mainstream defense acquisition system and I have come to believe that capabilities like this probably should not be forced to fit into the traditional system. It is practically impossible to properly evaluate programs such as Predator in the usual approach taken by oversight processes such as Selected Acquisition Reports, Nunn McCurdy, and other related mechanisms.

I believe that the Department should explore using the new authorities of the pending NDAA, particularly the "Middle Tier" authority provided in Section 804, to pilot a new approach to these kinds of highly adaptable systems that rapidly incorporate new technologies. In doing so, it may be necessary for the committee to work with DoD to make some small modifications to this authority in future legislation. On the negative side, the cost growth penalties included in Section 828 of the pending NDAA are particularly problematic for adaptable systems. Section 828 imposes a recurring annual penalty on the military services for any capability growth added to a system baselined after mid-2009, which Sec. 828 rigidly regards as cost growth irrespective of the reason for the decision to increase the program. True utilization of adaptable approaches to acquisition may be effectively precluded by this provision. For a more detailed

discussion of the characteristics and advantages of adaptable systems, I recommend review of the 2011 Defense Science Board report entitled “Enhancing Adaptability of U.S. Military Forces.”

It appears likely, and is much to be hoped for, that an increasing number of adaptable systems will come forward for approval in the next few years. The Long Range Strike Bomber, whose contract is likely to be awarded later today, is conceived by the Air Force as an adaptable system, and my understanding is that the Air Force also plans an adaptable approach to the nascent JSTARS replacement program. The Navy’s UCLASS program would certainly be a candidate for an adaptable approach. In many ways, the Navy’s Acoustic Rapid COTS Insertion program, which is still working to upgrade the combat systems on Navy attack submarines, is the prototype for adaptable system acquisition approaches.

In summary, Mr. Chairman, I commend the committee for tackling the question of how to shorten defense acquisition cycles. I believe the committee can make significant progress on this question by institutionalizing rapid acquisition processes, applying some of the central lessons learned from rapid acquisition to the acquisition system generally where applicable, and by encouraging (and not inhibiting) the development of adaptable systems. Thank you again for the opportunity to testify.