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HASC Panel on Acquisition Reform
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Chairman Andrews and Ranking Member Conaway, thanks for inviting me to participate in this important hearing on "Coordinating Requirements, Budgets, and Acquisition" before the Committee on Armed Services Defense Acquisition Reform Panel.

It feels like old times again being able to testify along with my former shipmates and great Americans Gordon England and LtGen Ron Kadish. The last time the three of us appeared together on this subject was September 2005 before the Senate Armed Services Committee. Both Secretary England and I were new in our jobs, he as the Deputy Secretary and I as the Vice Chairman of the Joint Chiefs of Staff. General Kadish had already retired from active duty and was working on his report titled "Defense Acquisition Performance Assessment" at the time.

I'm very pleased that you and your panel are focusing on the three legs of the acquisition "stool" so to speak – "Requirements, Budgets and Acquisition". My 41 years in uniform, my new experiences in the commercial world delivering defense capability and my continued public service on Federal Advisory panels dealing with acquisition reform have reinforced time and time again the importance of addressing all three legs in a coherent and integrated fashion from program inception through life cycle management through to equipment disposal. Unfortunately over the years, I've found that all too often organizations, managers, panels and reviews focus almost exclusively on one or two of the legs only to find out that it takes an integrated approach to ultimately achieve success.

A fundamental premise on which our success will be based is a consistent, coherent and well-informed risk management approach to

requirements, budgets and acquisition. In each of these three "legs of the stool", I would emphasize – and then re-emphasize – affordability, stability and simplicity.

Let me speak to Requirements first.

The development and validation of military requirements is a process I have been personally involved with since my first command on Submarine NR-1 and has been an aspect of my work as a naval officer and as a Joint and Allied Commander ever since. Getting the Requirements right up front is, in my opinion, at least 50% of the way to success in an acquisition program. And affordability(cost), stability and simplicity are essential to an executable set of requirements.

On the affordability front, we need to give the military officers who are tasked with defining the requirements more and better insights into the cost drivers in the requirements they are defining. As Chairman of the Joint Requirements Oversight Council, working with my colleagues from the Services, we established and insisted on a "cost driver analysis" whenever we validated the requirements for a major new program, when we revisited a program for a major acquisition milestone review, and when we conducted the statutory Nunn-McCurdy reviews. Additionally, after I became Vice Chairman, I instituted the following cost related requirements reviews in all JROC approval documents: "Should the __XXX_____ encounter costs exceeding ten percent of the approved acquisition program baseline (Program Acquisition Unit Cost/Acquisition Procurement Cost), they shall return to the JROC prior to reprogramming or budgeting additional funding into the program." These actions allowed us to see where the fiscal "handles and levers" were in the program and, where necessary, we could "dial back the cost rheostat" without sacrificing what was crucial to the warfighter. Now it's important to recognize that these costing features were not built into the requirements process prior to 2006.

I learned this early on in my tenure as Vice Chairman when we had to revisit and scale back the requirements for the Joint Tactical Radio System (JTRS) and the National Polar-orbiting Operational Environmental Satellite System (NPOESS). Working with our acquisition professionals, we quickly identified the key cost drivers and then worked with the warfighters and others outside the Department of Defense to re-craft the requirements to meet not all but a good portion of their capability needs in a more affordable fashion.

On the stability front, it should not be news to anyone here that setting unrealistic requirements during program definition and subsequent "requirements creep" are major causes of failing programs. Let me state up front, that, in almost all cases, I believe that delivering the 80 or 90% solution on time, with a life cycle maintenance plan allowing for future growth, is far superior to attempting to deliver a 100% or 120% solution (which varies over time and in many cases is based on immature technologies at best) at some more distant – and usually continually receding - point in the future. Establishing realistic requirements in consultation with the warfighter and industry at program inception is absolutely essential for success. In a nutshell – don't let the perfect be the enemy of the good – because you will never get the "perfect" program. More on this in a moment.

Stabilizing requirements is tough – we all see how a program could be better if only we could incorporate the latest technology or some additional capacity. And in many cases, the levers driving "requirements creep" are well below the "radar horizon" of senior leaders. Simply stated, responsible leaders such as those on the JROC and those developing service requirements must be ruthless in holding the line on requirements growth over the life of a program. Otherwise acquisition program managers are at the mercy of constantly moving goalposts.

Which leads me to my last point of simplicity. We have done best, in my view, in programs which started simple, got the basic platform right and built in the capacity for organic growth over the program life cycle.

Examples abound: F/A-18 E/F/G; the F-16 series; the DDG-51 ARLEIGH BURKE Class destroyer; the LOS ANGELES Class and the VIRGINIA Class Submarines — each of which progressively incorporated more capable flights or blocks into the programs based on maturing technologies. And finally, I would cite the Advanced Rapid COTS Insertion Program (ARCI), which built in technology and software refreshes on periodicities to match commercial IT development cycles. In each of these programs, we got needed capability NOW and we built in the ability to enhance those capabilities FOR THE FUTURE. So, start as simply as you can and plan to build in more sophisticated capabilities as technological opportunities emerge from concept development, from a capable technology insertion program and from military experimentation.

On the Budget and Resources leg of the stool, stability of funding is the paramount virtue.

Stability reduces risk. Stability incentivizes industry innovation, investment in facilities and R&D. Stability allows purchases in economic order quantities. Stability produces a "virtuous circle" of good industry and government behaviors that result in acquisition success. And this stability must be maintained at every level of decision-making – from the Service Chief, through the Secretary of Defense and the President to the Congress. It also requires greater use of multi year buys and other appropriations techniques in the Congressional budget process that emphasize stability. We have a saying in the Pentagon that I learned many years ago—"budgets don't have memories". In order to add a memory to the process, multi year buys are important risk reduction techniques for both the government and industry. And more importantly, a way for the taxpayer to save in the long run while delivering the capability the warfighter needs. I recognize these techniques are not always popular on Capitol Hill, but they are crucial to program success. Stability is important.

I would also laud the virtue of affordability, but from a different perspective. In my view, instability in budgets in many cases is a result of improper pricing. We almost always underestimate program costs in the Future Years Defense Program, so we can fit more programs inside a constrained top-line. This turns out to be penny wisdom and pound foolishness. In all of the Services and in OSD as well, we now can benefit from a cadre of cost estimators – or what I like to call "cost engineers" – who can price out a program with an increasingly accurate level of fidelity and granularity. As the Director of Submarine Warfare and as the Navy's chief budgeteer and programmer, I insisted that programs be costed at the "cost engineer's" baseline – not at the Program Manager's projections. It was painful up front, but it allowed stability over the long haul, and that was worth the investment.

Let me finish with a few words on the Acquisition leg of the stool. I think we have developed some fabulous tools to monitor and review acquisition programs as they mature and I think we need to build on them. Again, affordability, simplicity and stability are key.

In our reviews of acquisition programs over the years, we can now assess key "readiness levels" of the acquisition community and the industrial base well before a program moves from requirements development to acquisition execution. In particular, I have found assessing "technology readiness levels" and "manufacturing readiness levels" and then basing both requirements and acquisition decisions on these assessments to be roads to success. If any of these levels are too low, then you need to either dial back the "requirements rheostat" OR invest in risk mitigation R&D up front OR identify "acquisition off-ramps" to pre-approved programmatic variants if your risk mitigation strategies fail. To do otherwise raises the overall program risk - meaning time and money - to unacceptable levels.

A healthy continuing conversation up front on these issues between the acquisition community and the military requirements generation community generally produces the optimum acquisition strategy – and

helps allow for stability and affordability in that strategy. Oftentimes this conversation is best held in a rigorous Concept Development phase in the acquisition life cycle, where all of these “readiness levels” can be tested and pushed and prodded on one side – and where military concepts of operations and the requirements that flow from them can be modified in sensible ways to generate affordable capabilities through executable programs.

Thank you again for the opportunity to share some of my thoughts on this critical topic. I look forward to working with the committee regarding your recently passed legislation. If I can leave you with a three-word mantra to guide your continuing deliberations and your eventual recommendations regarding the “three legged stool”, it would be affordability, stability and simplicity.