Testimony of
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Before the United States Committee on Armed Services

Improvements and Excellence in Acquisition

Chairman Warner, Senator Levin, and Members of the Committee: Thank you for the opportunity to appear before you today to discuss acquisition excellence. During my confirmation hearing before this committee, I stated my commitment to guiding change; to integrity and to making objective, fact-based decisions consistent with good governance; and to maintaining a constructive dialogue with the committee. Today, I am providing additional insight into my philosophy and vision for improvements and excellence in acquisition, technology, and logistics.

My primary focus in acquisition, technology, and logistics (AT&L) is on the customer—the warfighter of both today and tomorrow. Customers expect our acquisition community to deliver the capabilities they need to defend America and its interests, not only today, but into the future. In doing so, we must also provide timely information and analysis to assist Secretary Rumsfeld in his efforts to balance resources against requirements. As stewards of the American taxpayer, those of us in the acquisition community have a responsibility to wisely invest and manage the hard-earned tax dollars of our citizens to enhance and expand our national defense capability. To ensure that the American people stay informed, we must make sure that all Members, including this committee, are well informed of our efforts.

People

As I participate in the Quadrennial Defense Review (QDR) and other reviews, I am convinced that an integrated, strategic focus on people is a necessary and important requirement for improving acquisition outcomes and processes. Workforce capability is a reflection of the right quantity and the right skills and competencies. We have previously expressed our concerns about statutory reductions to the AT&L workforce. Workforce demands have increased significantly. Using 2004 constant dollars, the contract dollars have increased from $118 billion in FY 1998 to $241 billion in FY 2004, a 105 percent increase. Contracting actions over $100,000, often our most complex, increased from 101,663 in FY 1998 to 160,388 in FY 2004, a 58 percent increase. The increasing use of interagency acquisitions has added further complexity. We need flexibility to have the right numbers of the right people with the right skills to support current and future warfighters. We will exercise these flexibilities to ensure resources are used wisely, with integrity, and with effective accountability.

Shortly after assuming my position, I immediately focused on improving our workforce initiatives. I am fostering a more integrated and strategic approach to AT&L workforce human capital planning, workforce initiatives, and training. I have initiated a comprehensive review of the AT&L workforce and will soon have in place (120 days after the QDR) a human capital strategic plan incorporating the National Security Personnel System (NSPS) and aligned with the QDR results and our analysis of

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the current AT&L workforce and evolving workload requirements (services, contingency operations, etc.).

The problem of an aging workforce is still very real and needs to be addressed. The average age of our civilian workforce is 46.7 years old, and the number of workforce members with 30-plus years of experience continues to increase. We face losing a significant amount of corporate knowledge, experience, and capability. I also have a specific concern about the impending talent gap created by a 10-year workforce drawdown. I am personally engaged and pushing hard to define processes and tools to assess workforce capability; and to tactically recruit, develop, and retain the right talent, with emphasis on smart execution and implementation.

Let me end my thoughts on workforce by saying that thoughtful human capital strategic planning and leadership development are critical for our future success. The foundation for all acquisition improvement efforts depends on a highly capable and qualified workforce that conducts the business of government in an atmosphere of transparency and integrity. To that end, I have initiated action to deploy performance management and multi-dimensional 360-degree feedback tools for the senior leadership team. Over 100,000 people have completed the online ethics module that we initiated this year, and I have made it mandatory that the remaining members of the acquisition workforce complete this training before the end of the year. Ethical behavior is a function of leadership. I have already met with my senior flag and Senior Executive Service officers to share my expectations and the expectations of the secretary [of defense]. As the secretary stated in his Sept. 7, 2005, department-wide memorandum entitled *Ethics and Integrity*, "Ethical conduct and integrity must be modeled by the department's leadership." I fully agree, and have sent this message to every member of the AT&L workforce.

Acquisition Process

Our nation currently has warfighters in harm's way, and we can not definitively predict who our next adversary will be or where the next conflict will occur. As a result, we need an agile, capability-based acquisition system that provides our primary customer—the warfighter—with the means to achieve victory regardless of whom we fight or where we fight.

I believe the Department has taken important steps to achieve that objective by implementing policy aimed at reducing acquisition cycle time while controlling cost. These new policies are streamlined and flexible and based on an evolutionary or phased acquisition approach. That approach mandates clearly stated requirements, developed in conjunction with the warfighter and the acquisition community; a thoughtful analysis of available alternatives; mature technologies; and independently assessed

costs. My intent, now and in the future, is to enforce these important disciplines while preventing requirements creep and ensuring overall affordability.

I should note as well that we have taken important steps that will help us to produce improved capability on time and within budget by re-energizing our approach to systems engineering. This critical discipline has always contributed significantly to effective program management at every level and will receive sustained emphasis during my tenure.

However, more must be done in the larger context of acquisition if we are to achieve success in the uncertain conditions we will face. Consequently, as part of our Quadrennial Defense Review, Acting Deputy Secretary [Gordon] England has directed me to review our acquisition and other business processes to ensure they are capable of meeting customer needs. While doing that, I have identified a number of key principles I believe we must follow to be effective that I would like to share with you.

- First, we must understand and define success in terms of the customer's success. In other words, we must be successful in the customers' eyes, not simply our own.
- Second, we must align authority, responsibility, and accountability—all conceived in a joint context—with associated standards. This will facilitate delegation of authority and decentralization of execution, while ensuring accountability consistent with identified standards.
- Third, we must base our decisions on authoritative data captured in a comprehensive management information approach linked not only to acquisition, but also to requirements and the planning, programming, budgeting, and execution system. This will help us to achieve insight and clarity, and honestly balance risks at the portfolio level to get the best value for the taxpayer.
- We must develop policy that allows even greater agility so we can acquire, mature, transition, and field advanced technology in ever shorter cycle times.
- Finally, we must accept forever the fact that our acquisition environment is in constant change, and our acquisition system must also change consistent with that dynamic. Change is not the exception, it is a constant that we must manage.

History has proven to us that those who respond to changing conditions survive and succeed, and those who don't will inevitably fail. I am very much aware of that fundamental lesson and will do all I can to develop an acquisition system capable of responding to the rapidly changing world we live in.

Interagency Acquisition

Besides QDR, there are several examples of the department examining its processes for interagency acquisi-

tions and acquisition of services. The department relies on "Interagency Acquisitions" and the assisting agencies (General Services Administration (GSA), National Aeronautics and Space Administration (NASA), Interior, Treasury) to meet many of our requirements for services and supplies. The department's recently issued policy in the area of interagency acquisitions is designed to ensure that interagency acquisitions are properly accomplished. The recent GSA Inspector General (IG) and DoD IG review of GSA's "Client Support Centers" has provided numerous lessons learned to the entire federal acquisition workforce in this area.

I recently issued a memorandum to the military departments and the other defense agencies requiring them to assess their compliance with the policy, and specifically with Section 803 of the Fiscal Year 2002 National Defense Authorization Act (NDAA) (competition requirements for contracts for services). The department will also evaluate the fees that we pay assisting agencies (Section 854, FY 2005 NDAA) for their support. We have developed online training, conducted on-site regional training with GSA and Defense Acquisition University, and established a Community of Practice online at <http://www.acq.osd.mil/dpap/specificpolicy/index.htm >.

We are committed to properly using interagency acquisitions to meet DoD requirements.

Services Contracting

In order to more effectively manage the significant expenditures being made in contracting for services, my staff is reviewing individual service acquisitions valued at $2 billion or more. At the conclusion of the review, we will assess the effectiveness of existing policy and develop any necessary changes.

We are working to ensure the sound use of performance-based acquisition approaches; pricing techniques; and schedule, cost, and quality management. In addition, we are adopting a private sector best practice of applying a strategic approach to our contracts for services by developing a defense-wide strategic sourcing process. Pilot test programs include administrative clerical support services, wireless services, and medical services. We believe the strategic approach to acquiring services will enable the department to reduce total ownership cost, improve our ability to strategically address socio-economic goals, and employ more standard acquisition business processes. For example, this approach to administrative clerical support services is resulting in a strategy that is 100 percent set aside for small business with contracts planned to be available for use in early 2006.

Technology

Our current force enjoys a huge capability advantage as a result of the department's development of technologies such as night vision, the Global Positioning System, and stealth; but the pace of technology development globally continues to increase. A stable research and development program is necessary to maintain a technology. Over time, potential adversaries will develop technologies to counter the current U.S. advantage, so continued technology refresh is critical. To meet this need, the department is refocusing its science and technology program to provide future disruptive and irregular capabilities such as hypersonic flight and weapons, oil independence, and nanotechnologies, to name a few. The recently established Research and Engineering Goals provide the framework to mature technology in specific areas of emphasis and to field the disruptive technologies of tomorrow.

Technology maturity is a factor in reducing program risk, thereby reducing near- and long-term program costs. We implemented Technology Maturity Assessments to assess if acquisition programs require more mature technology before entering the next phase. In addition, we have increased the number of demonstrations and prototypes, further ensuring adequate technology maturity and military utility by trying before buying.

While most programs use the traditional acquisition process, we have also established several alternate methods for transitioning technologies to meet emergent needs. For example, the Quick Reaction Special Projects (QRSP) program, which demonstrates technologies within one year and, most important, is able to respond to technological surprises encountered in the field. For instance under QRSP, the Urgent Testing and Evaluation Alternative Materials for Small Arms Protective Inserts (SAPI) production identified, developed, and evaluated additional qualified materials to allow manufacturers to increase their production rate for SAPI and enhance the warfighters' Interceptor Body Armor System.

The QRSP also supports the Combating Terrorism Technology Task Force (CTTTF) and funded initial development of the Yuma Arizona Joint Experimental Range Complex, which is now used 24 hours per day. This test range provides a representative environment in which all technical and operational testing for the Department's counter improvised explosive device (IED) countermeasure development is conducted.

The Advanced Concept Technology Demonstration (ACTD) program is helping to establish an agile, rapid, and adaptive acquisition process. This program partners with science and technology producers to rapidly insert technology into the appropriate phase of the deliberative acquisition process, with the goal of providing on-ramps for acceleration. The new Joint Capability Technology Demonstration Program (JCTD) furthers this concept by developing and maturing technologies to support the

The F-117A Nighthawk Stealth Fighter attack aircraft was developed by Lockheed Martin. The Nighthawk is the world's first operational stealth aircraft.

Photograph courtesy Lockheed Martin.

Air Force Lt. Col. Rob Ament inspects his night-vision device in Jackson, Miss., before a rescue flight. The devices include night-vision goggles, a helmet mounting system, and a battery pack. Rescuers on HH-60G Pave Hawk helicopters used the equipment to locate people in New Orleans stranded by Hurricane Katrina.

U.S. Air Force photo by Senior Master Sgt. Elaine Mayo.

Army Staff Sgt. Lorenzo Johnson, Bravo Company, 2nd Battalion, 112th Armor, 56th Brigade Combat Team, 36th Infantry Division, examining his Global Positioning System receiver during a route reconnaissance patrol of Alternate Supply Route Boston in Iraq, on May 6, 2005. *DoD photograph by Cpl. Brian A. Jaques, USMC.*

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Secretary Rumsfeld Publishes

Top Legislative Priorities for FY 2007

(Oct. 8, 2005)

Flexibility in Preparedness

- Optimizing the Force to win the Global War on Terror
- Obtaining the best equipment available in the most expeditious manner to enhance readiness and capabilities
- Providing the Secretary of Defense with additional flexibility to structure our people (military, civil servants, and contractors) to meet emerging threats
  - —Eliminating organizational redundancies
  - — Streamlining management of the Department of Defense

Procurement Efficiency

- Rationalizing the Research and Development (R&D) and acquisitions processes to focus on emerging science and technologies
- Harnessing effective private-sector practices
- Controlling cost overruns
- Speeding the development and production of weapons
- Removing administrative requirements that impede the procurement process

Flexibility in Fiscal Management

- Obtaining enhanced ability to transfer funds in response to urgent needs

Efficiency in Information-Sharing with Congress

- Reducing burdensome, extraneous Congressional reporting requirements

Empowering Alliances

- Enhancing partnerships with federal agencies and states in order to prosecute the global war on terror and secure the Homeland
- Building partnership capacity of military or security forces to combat terrorism or engage in stability operations

unique needs of the joint community in an even more adaptive and responsive process.

ACTDs demonstrated their ability to rapidly insert technology in recent use by U.S. Northern Command (NORTHCOM) in responding to the Hurricane Katrina relief effort. NORTHCOM deployed products from two ongoing ACTDs: the Homeland Security/Homeland Defense Command & Control communication van. The communication van and an online information-sharing system provide a seamless voice and data communications capability between coordinating authorities. The communications suite can relay phone and video communications via satellite, providing immediate voice, data, and teleconferencing capabilities almost anywhere. On September 21st, the communication van was redirected and pre-positioned for needs arising from Hurricane Rita. Although the ACTD does not complete until FY 2006, the spiral development of this communication van is already transitioning, providing critical capabilities that might take years longer in the normal acquisition process.

Continued development of technology capability options requires innovation from a stable workforce of science, math, and engineering (S&E) skills. However, several trends show continued erosion of domestic S&E production to a point where the U.S. may no longer be the primary innovator in several areas crucial to national security.

To shore up this shortage in home grown technical talent, the department is actively engaged to institutionalize and expand the FY 2005 congressionally directed Science, Mathematics, and Research for Transformation program. The expanded program, called the National Defense Education Program, should increase the pool of U.S. scientists, mathematicians, and engineers eligible for security clearances, thereby building our future workforce and enhancing our future national security.

Industrial Policy

U.S. defense systems lead the world, and the U.S. industry that develops and builds them continues to be the most technologically innovative, capable, and responsive in the world. Although the American way of warfighting is evolving, the department expects that U.S. industry leadership will continue into the foreseeable future. The Defense Industrial Base Capabilities Study (DIBCS) series of assessments represent a strategic (15-20 years into the future) assessment that measures industrial base sufficiency against a new warfighting-focused, capabilities-based construct. The first round of DIBCS reports < http://www.acq.osd.mil/ip > identified 19 cases (less than 6 percent) where there was a potential U.S. industrial base insufficiency. My office is now reviewing the results of the assessments to determine how the department can best address the issues raised by the DIBCS assessments.

The department's research and development, acquisition, and logistics processes result in funding decisions that are normally sufficient to establish and sustain those industrial capabilities needed to secure the nation's defense. DoD research, development, and acquisition, and associated policies and program decisions, play the major role in guiding and influencing industry transformation by focusing market demand across a broad spectrum of industry segments to meet emerging and projected DoD requirements. First, the Department's weapons system acquisition policies and decisions shape the technological and programmatic focus of industry. Second, decisions made on defense firm mergers and acquisitions involving defense firms continue to shape the financial and competitive structure of the industry. Third, DoD evaluations and assessments of sectors or specific industry issues help identify future budgetary and programmatic requirements. Finally, the department incorporates industrial base policies into its acquisition regulations and strategies to promote competition and innovation.

The industrial base supporting defense, which includes an increasing number of nontraditional suppliers, is generally sufficient to meet current and projected DoD needs. Nevertheless, there are and will always be, problem areas that the department must address. The Annual Industrial Capabilities Report to Congress summarizes those industrial issues of most importance to the department and discusses DoD plans and actions to address those problems.

Conclusion

As you know, there are two significant reviews under way that will certainly provide additional insights and recommendations that will guide acquisition change in the future. One—the Defense Acquisition Performance Assessment Project (DAPA)—was initiated by the acting deputy secretary in June. This important review is being conducted through a federal advisory committee and includes not only senior officials from government, but also industry officials. Issues and solutions are being sought via public forums from a wide cross-section of interested parties, interviews with government and industry program managers, and collaborative teams of intermediate and senior members. The DAPA director regularly briefs the deputy secretary, the Service acquisition executives and me, as well as congressional staff members on the progress of the report. I look forward to reviewing the findings and recommendations when the report is submitted to the acting deputy secretary on Nov. 15, 2005.

As I mentioned before, I'm part of the Quadrennial Defense Review the department is undertaking. We're trying to do something different with this QDR than we've done in the previous two or three.

USD(AT&L) KEY PRINCIPLES

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Duncan McNabb, who is currently serving on the Joint staff in J-4, is co-chairing QDR business practices with me. We are working business practices as part of strategy development. The work that Duncan and I have under way encompasses five broad business areas: (1) supply chain; (2) medical readiness and performance; (3) acquisition—not little "a," or how you procure, but big "A," thinking through demand and supply and then tying it to logistics over time; (4) strategic process integration, or tying planning to resource allocation and execution management; and finally, (5) corporate governance.

I should note that I was a junior member of the Packard Commission staff and am ever mindful of [David Packard's] direction that we ensure a tight relationship between the three department processes. I think what we have missed so far is the integration of requirements, acquisition, and resources—working together—to permit early and regular trade-offs between cost, performance, and schedule. Duncan and I are working hard to ensure that an effective and complementary relationship amongst those processes is clearly and permanently institutionalized.

In closing Mr. Chairman, thank you for the opportunity to testify before the Committee about our acquisition policies and processes, and, especially, our people. I would be happy to answer any questions you and the Members of the Committee may have.