

Written Statement of Gordon England  
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HASC Panel on Acquisition Reform  
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Chairman Andrews, thank you for the opportunity to participate in this hearing before the Defense Acquisition Reform Panel of the Committee on Armed Services in regard to coordinating requirements, budgets and acquisition.

I particularly appreciate the opportunity to be here with my good friends and great Americans, Admiral Giambastiani and General Kadish.

During my commercial career, I participated in multiple DoD acquisition reform initiatives. I was the task leader for several Defense Science Board studies on acquisition and, over a period of 20-25 years, served on or supported numerous other studies and reviews. In government, as Secretary of the Navy and Deputy Secretary of Defense, I provided acquisition oversight, worked with the Department to improve acquisition processes and interfaced often with international partners on mutual acquisition programs.

My objective today is to add some factual clarity to what is too often a sensationalized topic, and to also make a few observations and suggestions for improvement.

By way of perspective, after being named Deputy Secretary of Defense, one of my very first actions was to commission a review of the prior 123 formal acquisition studies. This is not a new initiative! In addition to these prior studies by many well-informed and well-intentioned professionals, there have also been

innumerable reviews by the Department of Defense and by the GAO, supplemented by Congressional hearings and work by various independent think tanks.

Yet, by some accounts, the acquisition system seems impervious to improvement, and that has led to frustration and consternation in Congress, in the media and for some in industry.

Defense acquisition is not only highly regulated, but is also an extraordinarily complex enterprise. Defense acquisition programs cannot be easily compared to commercial products because weapon systems are purchased in modest quantities; rely on complex integration of sensors, fire control systems and dangerous warheads; must perform in extreme environments; are tested extensively in accordance with Congressional direction; and must be engineered for use by our all-volunteer, rotational force.

The defense acquisition process has many shareholders and competing interests, complicated by shifting world events, national priorities and politics. Single programs can typically span 10 to 20 years or even longer, encompassing many generations of technology, almost always with single-year funding, and with management and operational employees that change frequently. Rarely does anyone involved in the start of a program ever see the program fielded or even entered into production.

Technically, the trend is to integrate more and more multiple, separate, and complex systems into a single overarching capability. Conventional war is becoming even more technological and, in many respects, finding, identifying and waging war against terrorists is still more complex. Of course, time and money will always be important dimensions, but even the importance of these dimensions vary, depending on the threat.

This leads to my first observation. It may be that the broad Defense acquisition enterprise will never be able to achieve the “linear management model” that some seem to be seeking; that is, a manageable system with a high degree of certainty, predictability and stability. This may not be achievable in an inherently unstable environment.

However, there is always room for improvement. To improve, however, it is important that the broad topic of acquisition be parsed into manageable and actionable segments. The starting point is to understand the nature and size of the problem to be solved.

The GAO recently reported a \$296B cost growth on 96 DoD programs with the conclusion that “cumulative cost growth is higher than it was five years ago.” This has been widely reported and sensationalized in media around the world. To the GAO’s credit, they did comment, “DoD’s performance in some of these areas is driven by older programs as newer programs, on average, have not shown the same degree of cost and schedule growth.” Indeed, 41 of the 96 programs in the 2008 portfolio received initial milestone development approval prior to 2001, and these programs are responsible for \$189B of the reported \$296B of cost growth. Frankly, in many areas, mainly by omission, the report is highly misleading and not helpful in formulating a better way forward.

My recommendation is that the GAO be directed by the Congress to coordinate and correlate their baseline numbers, findings and conclusions with the DoD prior to publication. This will lead to better understanding by the Congress and the public – rather than the various parties talking past each other because of differing baselines of comparison.

My second recommendation deals with stability. Even in an inherently unstable environment, every effort needs to be made to

maintain stability in DoD programs. This includes stability in requirements, funding, personnel, schedule and all other factors that affect program performance. Requirements' stability is clearly the responsibility of the DoD, and AT&L leadership has made specific recommendations to the SECDEF. DoD also has some of the budget responsibility, and there is now a senior working board, designated the Deputy's Advisory Working Group – the DAWG - to provide continuous oversight of program status and budget planning.

However, each year, Congress must ultimately approve each program line item request by the DoD, and it is not unusual for Congress to modify these requests year-to-year. Even small funding changes can have an outsized impact on all aspects of program performance. Further, it is essential for these complex weapons programs to have management reserve in order to efficiently respond to changes and challenges during the execution year. However, the Executive Branch and the Congress frequently cut management reserve funds from program budgets – requiring perfect execution. Many have noted that the lack of a dollar at the right point in a development program can cost 3-5 dollars in later development stages and 8-10 dollars in the early production stages.

In this regard, greater budget flexibility would be helpful. Reprogramming has not kept pace with inflation and is not timely for efficient program execution. With an 18- month budget cycle, DoD is required to take added risk at program start. Otherwise the Department would be severely hamstrung in meeting and defeating quickly changing threats.

Regarding management and oversight, the acquisition structure is far too burdensome. Perhaps counterintuitive, as systems become more complex, managers need more flexibility. Across DoD, management structures and processes need to be simplified, and Congress needs to assist by relaxing documentation and reporting

requirements. A fundamental problem today is that our program managers spend the majority of their time defending the current budget request before four committees and staff, running cut drills regarding reductions in future outyear budgets, and producing documentation that does not contribute to program speed or success. We need to let program managers spend the majority of their time proactively managing programs.

In almost all production programs, cost decreases as rate increases. Unfortunately, many large DoD programs are executed at less than economic order quantities. This can result from too many programs chasing too few dollars or budget priorities shifting after a program is initiated. One recommendation is to change the multi-year criteria. Multi-year contracts provide stability by forcing program budget stability on the contractor, the DoD and the Congress. However, to obtain a multi-year award, a program today needs to identify savings.

I recommend that programs become candidates for multi-year award as a management approach to force stability into DoD programs. Frankly, we even need to consider multi-year development awards for needed weapon systems to provide funding stability.

Mr. Chairman, acquisition reform is a complex issue, and I have offered a few thoughts to hopefully stimulate thinking. My last recommendation is not to add another layer of oversight and reporting as that will have a negative result. Ultimately, the efficiency and effectiveness of any institution is about the quality of its people. I would concentrate on providing an environment for highly qualified and experienced people to work in defense acquisition.

Secretary Gates has called for increasing the size of DoD's professional acquisition workforce over time. The flexibilities inherent in the National Security Personnel System will allow him to facilitate that necessary expansion.

Mr. Chairman, thank you for the opportunity to express my views.