

Testimony before the House Armed Services Committee
on
Reform of Major Weapons System Acquisition and Related Legislative
Proposals

Statement of
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Mr. Chairman and Members of the Committee it is a privilege to appear before you again, on this occasion to testify regarding my experience with Independent Cost Estimates during the period I served as Director and then Assistant Secretary of Defense for Program Analysis and Evaluation (1981-93). I should emphasize that this testimony represents my personal views, and does not necessarily reflect any position or set of findings by my present employer.

I joined Secretary Weinberger's team at the Department of Defense at a time when the Deputy Secretary, Frank Carlucci, had decided to give particular attention to management issues. You may recall that he promulgated a series of points, or initiatives, one of which was to give greater weight to Independent Cost Estimates—not just in the acquisition process, but in the programming and budgeting processes of the Department. One feature of that decision was to support preparation of a group of "issue papers" on such management issues during the programming review. Two in particular were important to the role of Independent Cost Estimates: one on "Budgeting to Most Likely Cost", and a second on "Efficient Production Rates".

I should acknowledge that the issues raised by these papers were typically controversial. Budgeting to Most Likely Cost usually implied more resources for a program in the near years. Likewise, moving to more efficient (typically, higher) production rates often meant additional resources would be required in immediate budgets, even if they might reduce unit costs. Those unit cost savings were not normally enough to offset the added quantities immediately involved, although they were expected to reduce total budget requirements over the life of the program.

The reallocation of funds to favor a program in the immediate budget, when faced by a fixed budgetary topline, means that other programs must be reduced. While in principle there might be widespread support for the both the realism of Independent Cost Estimates, and the benefits of more efficient production rates, in practice the search for the best way to finance the changes they implied through reductions in other programs understandably triggered vigorous debate within the Department.

Secretary Carlucci's initiative was reinforced in that period by actions of the Congress. The Armed Services Committees inserted a provision in Title 10 requiring that Independent Cost Estimates be considered at each major milestone for the largest programs. The Department was required to report to the Congress on the issues raised by the Estimates, and how it dealt

with those issues. Satisfied by the progress achieved by the Department of Defense, Congress revoked the reporting requirement some years later.

To the extent that Independent Cost Estimates were successfully employed during this period, I believe it is important to emphasize their larger role, beyond their use in the acquisition system itself. That they played a significant role in the budgetary deliberations of the Department ensured that they informed the then-administration's President's Budget recommendations to the Congress. And that significant role sent a strong signal to the acquisition process regarding the Deputy Secretary's intent, to the benefit of the deliberations by what is now known as the Defense Acquisition Board.

While it is tempting to prescribe specific structures through which the Department might conduct such deliberations in the future, normally the Congress has followed the principle of giving the Secretary of Defense considerable latitude in how he organizes the Department, especially the principal officers reporting to him and his Deputy. Likewise he is normally afforded considerable latitude in the structure of decisionmaking processes, recognizing that the circumstances of each era differ, as do the styles of each Secretary and Administration. I believe those principles continue to have great merit. As I understand Deputy Secretary Lynn has testified, ultimately there is no real substitute for good people, good discipline and good sense in securing the programmatic outcomes we all seek for the future benefit of the United States.

Oversight, of course, is part of good discipline. I note that one provision of H.R. 2101 would resurrect reporting on Independent Cost Estimates by the Department of Defense. Provided this can be done in a manner that reinforces their independence (rather than limiting it), such a provision could indeed create the climate—and the reality—that I believe the Congress is seeking.