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STATEMENT BY

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ON

OUTPACING CHINA:
EXPEDITING INNOVATION TO THE WARFIGHTER

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I. Introduction and Background

Chairman Rogers, Ranking Member Smith, and distinguished Members of the House Armed Services Committee, thank you for the opportunity to testify today on Department of Defense (DoD) acquisition and the transition of technology at scale.

I am here representing the Department's acquisition and sustainment workforce of nearly 187,000 dedicated military and civilian professionals who deliver capability to the warfighter quickly and cost effectively at scale. Every day, I am proud of and impressed by the work of these dedicated professionals to pace the challenges we face as a nation in an increasingly complex security environment.

The DoD remains steadfast in its commitment to the 2022 National Defense Strategy (NDS) and its central tenets. Since the NDS was written, the geopolitical landscape has evolved. While the People's Republic of China (PRC) remains our pacing challenge, the United States and our allies are also actively and concurrently providing security assistance in two theaters where opposition forces are largely supplied by the PRC, Russia, and Iran. Our focus on enhancing military readiness, strengthening alliances, and reforming business practices is more pronounced than ever.

As we look to maintain our strength and preserve an international order where all democracies, regardless of size or strength, are able to defend their sovereignty, we must provide capabilities at the speed and scale required for the U.S. military to deter conflict, and if necessary, prevail in a near-peer conflict.

II. Speed and Scale

Moving fast is necessary but not sufficient to deter and, if deterrence fails, to defeat the PRC. Delivering state-of-the-art capabilities at speed *and* scale is critical to securing our enduring military advantage.

In recent years, DoD redesigned and reissued its acquisition policies to improve responsiveness to warfighter requirements. The Adaptive Acquisition Framework (AAF) comprises six "pathways," each tailored to the unique characteristics and risks of the capability being acquired and reflecting modern business practice. We are actively reviewing lessons learned from our initial AAF implementation and determining both where policy updates may

be needed as well as where workforce development efforts can be bolstered to ensure comprehensive understanding and application of the AAF pathways' flexibilities.

However, a clear acquisition pathway to production at scale is fundamental. Simply stated, if a technology is not in production, we are not providing our warfighters the capabilities they need.

The ongoing conflicts in Ukraine and Israel have been a wake-up call. We are certainly seeing true innovation on the battlefield: new combinations of technologies and concepts being developed and implemented, and the cycle from idea to prototype to a warfighter's hands collapsed to months, if not weeks. But these current events have also exposed significant challenges in both domestic manufacturing and international supply chains, illuminating the absolute necessity of a strong, secure, and resilient industrial base to build the enduring advantages identified in the NDS.

The National Defense Industrial Strategy (NDIS), which my office published last month, is the first-ever strategy of its kind and is intended to guide the Department's engagement, policy development, and investment in the industrial base over the next three to five years.

With the end of the Cold War, consistent investments in a robust defense industrial base decreased dramatically. With less anticipated demand, the traditional defense industrial base restructured itself, shrinking production capacity and causing defense companies to consolidate significantly. Between 1985 and 2021—even accounting for the conflicts in Afghanistan and Iraq—the Department's investments in traditional defense manufacturing and production decreased. This reduction brought with it contractions of defense-oriented companies and a reduction of the associated workforce by nearly two-thirds. The submarine and shipbuilding sector alone will need to hire thousands of skilled workers to continue the production cadence of all three Navy nuclear platforms, including the COLUMBIA Class and VIRGINIA Class submarines.

As the NDIS makes clear, our industrial base is hampered by these workforce challenges, brittle supply chains, a lack of excess industrial capacity, and inconsistent demand signals from the DoD. The current state of the industrial base is the result of decades of policy decisions and will not be changed in one or two years. Just as our military adapts to new

threats, we must enable the creation of a modernized defense industrial ecosystem. Urgent action is required now, and accordingly, the NDIS focuses on four strategic priorities:

1) Resilient supply chains that can securely produce the products, services, and technologies needed now and in the future at speed, scale, and cost.
2) Workforce readiness that will provide a sufficiently skilled, and staffed workforce that is diverse and representative of America.
3) Flexible acquisition that will lead to the development of strategies that strive for dynamic capabilities while balancing efficiency, maintainability, customization and standardization in defense platforms and support systems.
4) Economic deterrence to promote fair and effective market mechanisms that support a resilient defense industrial ecosystem among the U.S. and close international allies and partners.

We remain challenged by the tyranny of lead time. Producing nearly any modern capability—such as a Javelin, Stinger missile, or Guided Multiple Launch Rocket System (GMLRS)—still takes two to three years, and their complex production lines cannot simply be turned on or off based on the requirements of the day. Industry also reasonably remains reluctant to build additional capacity "at risk" until they have a clear, consistent demand signal from DoD, often with specific procurement quantities for multiple years.

To ensure we pace the threats facing the United States, we cannot continue the "feast or famine" behavior we've typically employed as each crisis comes and goes. We are working to better incentivize the private sector to be more prepared to scale production and meet emergent national security needs. The FY23 NDAA authorized streamlined multiyear procurement (MYP) contract authorities for 20 munitions programs and investments in the industrial base to create the stability those suppliers need to accelerate procurement. Currently, the Department is executing four FY23 multi-year procurements for 155mm artillery round components. Additionally, the FY24 NDAA authorized a special method to contract for multiple years of munitions requirements under a single contact. This type of language enables the Department to enter more economical procurements from suppliers and more efficient production as compared to a series of annual contracts.

My office also stood up the Joint Production Accelerator Cell, or JPAC, to empower more proactive, forward-looking decision-making to identify how to ramp production up and

down more rapidly in the future. The JPAC is exploring new, innovative approaches to production as well as approaches to bring new, innovative suppliers into the defense industrial base. By leveraging that innovation to enable flexibility and responsiveness, we can stabilize the industrial base and ensure we are delivering the capabilities needed by the warfighter and our allies and partners.

To streamline proposal pricing for contracts over $50 million, the Department continues to lead a program to pilot scalable and tailorable processes called "TINA Lite." Once approved for pilot participation, contracting officers may strategically establish the extent, structure, and level of detail for cost and pricing data required to establish price reasonableness. "TINA Lite" participation affords contracting officers the opportunity to make smart business decisions on aspects such as contract type and profit to maximize contractor performance and achieve the optimal outcome with respect to schedule, cost, and requirements.

Traditional cost or pricing data consists of all facts that a prudent buyer would expect to affect price negotiations; for follow-on production contracts, often the most meaningful subset of traditional cost or pricing data is the historical actual cost. Leveraging historical actual cost data in lieu of all traditional cost or pricing data has yielded time savings of up to 70% for multiple follow-on production contracts. The Department continues to capture lessons learned and best practices of "TINA Lite" participants spanning 14 programs across all Services to-date – with eight contracts successfully awarded.

Likewise, immediately upon enactment of the Fiscal Year 2023 (FY23) National Defense Authorization Act (NDAA), the Department issued Class Deviation 2023-O0003 that enables DoD contracting officers to execute Ukraine-related requirements using Section 1244(a) flexible procurement authorities to rapidly acquire munitions, equipment, and support for Ukraine as well as to replenish DoD stocks. This has been expanded to support Israel, Taiwan, and other allies. Such flexibilities include use of other than competitive procedures, Special Emergency Procurement Authorities (SEPA), Undefinitized Contract Actions (UCA), temporary exemption from certified cost or pricing data requirements, and delegation of some sole source justification approvals. The results have been extraordinary; contracts that used to take months are being awarded in a matter of weeks and the cumulative effect is the rapid acceleration and sustainment of critical systems and munitions, to include M142s High Mobility Artillery Rocket Systems (HIMARS) and 155mm rounds. These authorities have

already been used by the Army and Air Force, and we anticipate additional use throughout the period extended through 2026.

III. Innovation and Integration

However, as we continue to drive the cultural shift to embrace flexible acquisition and contracting authorities granted by Congress in recent years, we also recognize that innovation does not happen in a vacuum. Being able to capitalize on innovation and integrate emerging technologies into existing capability is critical.

Adversaries pose creative and resourceful challenges in this threat landscape, unbounded by specific missions or Service structures. Consequently, trading additive and closed capabilities for a new joint force of integrated system-of-systems capabilities has become one of our highest priorities. This requires efforts across the Department to be holistic and aligned, looking more broadly across the entire "three-legged stool" that comprises enterprise acquisition to solve these challenges: requirements development through the Joint Capabilities Integration and Development System (JCIDS), resourcing through the Planning, Programming, Budgeting, and Execution (PPBE) process, and program management through the Defense Acquisition System (DAS).

A year ago, my office stood up the Acquisition Integration and Interoperability, or AI2, Office that is focused on aligning disconnected, Service-specific system acquisitions to better inform requirements and resourcing needs. This team is translating portfolio management gaps into joint system-of-systems technical solutions and acquisition strategies. Driven by the new era of strategic competition and building upon the AAF reforms of the DAS, AI2's efforts are aligning and delivering key joint capabilities by closing seams between requirements and institutionalizing tools and processes such as Competitive Advantage Pathfinders (CAPs) and Integrated Acquisition Portfolio Reviews (IAPRs).

Established by the Deputy Secretary of Defense in February 2022, CAPs are demonstrating challenges and solutions to barriers in capability fielding by illuminating disconnects among the three "legs." In its first year, Sprint I (six pathfinders) demonstrated several early successes in both accelerating capability delivery and identifying scalable reforms. Sprint II (seven pathfinders) is likewise stimulating discussion on known and anticipated challenges for rapid capability delivery. These pathfinders have highlighted

innovative approaches across the Department that yield actionable recommendations to institutionalize lessons-learned and enduring policy reforms, while also accelerating the capability deliveries by an average of two to four years. In most cases, these programs are executing without any additional funding, instead focusing on modular, open systems approaches to enable acceleration through streamlined development and cross-Service integration. Each CAP effort drives not only process efficiencies, but truly forces stakeholders across the Department to solve problems in innovative ways and identify how the new solution can be scaled to benefit similar missions.

An example of the tangible benefits enabled by CAPs is a capability called Pegasus. Pegasus is the miniaturization of Medusa, a Navy capability that provides vital situational awareness and electronic attack functions to degrade and deny adversary anti-access/area denial capabilities. Previously, this capability has been too large for planes and helicopters to use in highly contested environments. However, the Navy and Air Force are developing this new capability that compacts the ship-based system into a size, weight, and power that is suitable for aviation platforms. When deployed, Pegasus will significantly reduce risk to ship and aircraft during critical missions such as air anti-submarine warfare, mine warfare, combat search and rescue, expeditionary troop movement, strike, counter air, defensive counter air, and anti-surface warfare. Leveraging the CAPs approach, the time from funding availability through development completion is estimated to be 18 months – three years ahead of schedule. This pathfinder has shown that the wide array of DoD platforms with this antenna configuration are immediate candidates to benefit from this capability, ultimately delivering situational awareness and electronic attack functions at scale to benefit our warfighters.

Additionally, CAPs have proven that cross-Service use of technologies shortens the development cycle and takes advantage of existing investments. When the Army started investigating improved electronic warfare (EW) technologies, they didn't have to start at the design or development stages; rather, the Army entered at the demonstration stage by partnering with the Navy. From ship to shore, modularity of Navy shipboard EW components enabled their nearly direct use on Army vehicles and successful demonstration with minimal hardware, software, or firmware changes. The EW capability provides the ability to deny/degrade adversary sensors for both Navy and Army missions from the same set of equipment.

We also recognize that cultural reform and partnership is critical to institutionalizing CAPs across the Department. Defense Acquisition University (DAU) is developing educational resources and courses to increase awareness and utilization of the many tools and approaches that CAPs have illuminated. Through the CAPs initiative, my office is working closely with the Office of the Under Secretary of Defense for Research and Engineering (OUSD(R&E)) on their Rapid Defense Experimentation Reserve (RDER) program as well as with the Defense Innovation Unit (DIU).

For example, A&S, R&E, and DIU are working together to deliver the Joint Fires Network (JFN) capability to United States Indo-Pacific Command (INDOPACOM). R&E is utilizing RDER as an experimentation environment to develop the JFN prototype, into which DIU is helping facilitate warfighter input, while A&S works in parallel to transition the capability to an acquisition program that can scale and sustain the JFN. The A&S JFN CAP team is breaking the mold and established an early acquisition strategy for JFN that will lay out a model for all future Combined Joint All-Domain Command and Control (CJADC2) programs to follow. Furthermore, the A&S and R&E team used the CAP effort to shorten the three-year requirements process to just a couple of months – which included drafting and obtaining approval of the first-ever Software Initial Capabilities Document for JFN.

To truly identify and address interdependencies and critical risks, we continue to build, refine, and align capability portfolio management approaches across the Department through Integrated Acquisition Portfolio Reviews (IAPRs). These holistic reviews assess both portfolios and missions to prioritize static portfolio requirements and risks associated with dynamic mission-based requirements. By bringing together stakeholders across the Office of the Secretary of Defense and the Service Acquisition Executives to look at a specific mission thread—such as nuclear command, control, and communications (NC3); cyberspace operations; or integrated air and missile defense, for example—IAPRs strengthen the synchronization of warfighting concepts, requirements, technologies, and program execution to directly align decision-making with operational needs.

At their core, IAPRs and the mission engineering mindset they are built upon foster collaboration across DoD to deliver integrated suites of capabilities that are collectively stronger together than the sum of their parts. In 2023, we conducted five IAPRs focused on sustainment, NC3 situation monitoring and conferencing, air and cruise missile defense of the

homeland, cyber hardening of priority defense systems, and tactical air capabilities for air-to-air and air-to-ground missions. Executing IAPRs continues to illuminate the need for greater integration and interoperability across systems and portfolios as threats increasingly require the development of more complex warfighting capabilities spanning multiple Services, systems, and operating domains.

Recently, Deputy Secretary Hicks signed DoD Directive 7045.20 – Capability Portfolio Management that established the policy for using capability portfolio management across the Department to advise senior leadership on capability investment, divestment, and management. It also aligns the Joint Staff's Capability Portfolio Management Reviews (CPMRs) and R&E's Technology Modernization Transition Reviews (TMTRs) to support IAPRs. The Department will be looking at Counter-Command, Control, Computing, Communications, Intelligence, Surveillance, Reconnaissance, and Targeting (C-C5ISRT) as the initial pilot to align each of these capability portfolio reviews.

IV. Commercial Technology

Where the Department does not possess the state-of-the-art or can achieve capability leveraging commercial technology, DoD must accelerate commercial acquisitions. Protracted timelines to acquire these capabilities harm DoD's ability to access technological advancements in a timely manner. The Department is tailoring its acquisition approach for individual programs' unique characteristics and leveraging flexible contracting authorities such as Other Transactions (OT) and Commercial Solutions Openings (CSO) to afford access to innovative companies and technologies.

Over the past seven years, DoD's use of OT agreements for prototype projects has increased from $620 million in FY15 to over $15.5 billion in FY23. In July 2023, we published an updated DoD OT Guide to address recent changes in statute and regulation, and to address DoDIG and GAO recommendations. DAU has likewise increased dedicated resources to educate acquisition professionals on best practices for OT use, including the introduction of the OTA Credential, training courses, and focused webinars. A&S is also partnering with DIU to create an advisory board focused on better facilitating transitioning prototype OT projects into production OTs to enable greater delivery at scale.

Additionally, I would like to thank Congress for enacting Section 803 of the FY22 NDAA to provide DoD with permanent authority to use CSOs to competitively select proposals received in response to a general solicitation based on review by scientific, technological, or other subject-matter expert peers. The authority was used in the Federal COVID-19 response (FCR) to procure quantities of therapeutics worth more than $20B in obligations since the FCR CSO was stood up in the summer of 2020. In FY23, the Department executed 163 actions with an aggregate value of $1.86 billion under the CSO authority.

V. Impacts of Continuing Resolutions (CRs) on Acquisition and Procurement

While we continue to make progress, the Department needs predictable, adequate, sustained, and timely funding. We are hopeful Congress can reach a funding agreement on the full-year funding bill before the end of this short-term continuing resolution. Since 2011, the Department has operated under a CR for a total of four years. This is time we cannot buy back. The PRC is not waiting. CRs directly impact our acquisition and sustainment efforts by limiting our ability to execute new or additional procurements and production of critical equipment and systems; they also inhibit our ability to partners in industry a consistent and reliable demand signal. The longer we operate under a CR, the broader and more severe these effects become across our Industrial Base.

Specifically, from the A&S perspective, a continuing resolution would significantly slow down our ability to provide our warfighters, allies, and partners with critical munitions, including production increases of the Conventional Prompt Strike missile system; Guided Multiple Launch Rocket Systems (GMLRS); Tomahawks; Amphibious Combat Vehicles; Advanced Medium Range Air-to-Air Missiles (AMRAAM); and MK-48 Torpedoes. Additionally, in the Navy and Marine Corps alone, a CR cancels 26 new-start military construction projects, including three child development centers. Timely enactment of appropriations allows the Department to spend taxpayer dollars in the most efficient and effective manner to implement the NDS.

V. Conclusion

The Department's ability to gain and sustain warfighting advantage against the pacing challenge depends upon a flexible, responsive, and innovative acquisition system that delivers

capability at speed and, most importantly, at scale. Innovation must be partnered with integration, and established defense procurement must be partnered with commercial technology, where appropriate.

Delivering on the NDS cannot be an either-or dynamic between design, development, and production. In close partnership with OUSD(R&E) and the Defense Innovation Unit, we remain focused on ensuring sufficient, balanced investment and effort into each. Acquisition strategies and prototyping efforts must have clear paths to production from the onset, and sustained funding must be aligned against that production. We look forward to building on recent momentum to continue delivering innovative, integrated capabilities for the future fight.