

## DEFENSE BUSINESS BOARD



# Linking and Streamlining the Defense Requirements, Acquisition, and Budget Processes

April 19, 2012

# Briefing Agenda

- Task Group Overview
- Research Methodology
- Background
- Findings
- Recommendations



# Task Group Overview

## Task Group Focus

- Review the current Joint Capability and Integration System (JCIDS).
- Recommend business practices that allow the prioritized needs of the warfighter to be met on a timeline that can impact near to midterm operations.
- Recent initiatives by the VCJCS led the Task Group to focus on integrating the defense acquisition system (requirements, acquisitions, and budgets) into a single streamlined process.

## Task Group Members

General Arnold Punaro USMC (Ret), Chairman

Mr. Bill Phillips

Dr. Dov Zakheim

Admiral Vern Clark USN (Ret)

General Mike Carns, USAF (Ret)

General Paul Kern, USA (Ret)

Colonel Jack Curran, USA, DBB Military Assistant



# Research Methodology

- Analyzed Past Studies
  - Reviewed over 300 past studies on requirements, budget, and acquisition reform for findings and recommended changes.
  - Included GAO, CRS, CBO, BENS, FFRDCs, Defense Business Board, Defense Science Board, and many think-tanks and commissions.
- Conducted Interviews
  - Conducted over 221 interviews over nine and a half months with many past and present senior officials to obtain observations and opinions from their differing perspectives.
  - Included Office of the Secretary of Defense, Joint Staff, Military Departments, Executive Branch, Congress, Industry, and White House.
  - Interviewed subject matter experts from previous studies including members and staff from the Packard Commission.
- Examined Outcomes & “Lessons Learned”

**The Task Group findings and recommendations are generally consistent with recent studies and with the thoughts of the vast majority of interviewees**



# Background

- The Department of Defense's (DoD) acquisition system continues to take longer, cost more, and deliver fewer quantities and capabilities than originally planned. \*
- The DoD, Congress, think tanks, industry, GAO, and multiple outside organizations have conducted over 300 studies and commissions since the Packard Commission's conclusions in June 1986. The Packard recommendations were included in the 1986 Authorization law which created the Under Secretary of Defense for Acquisition. The fundamental recommendation in Packard was for "strong centralized policy implemented through highly decentralized management structures."
- Despite multiple efforts by Congress and the Department to improve the system, the end result is still three stovepipes, each of which is a multi-layered bureaucratic process that is not linked to the others.
- The reduction of open dialogue between DoD and industry has further exacerbated the problem.

\*A similar conclusion is found in Department of Defense's own FY 13 budget report which states: "DoD is not receiving expected returns on its investments in weapon systems. Programs continue to take longer, cost more and deliver fewer quantities and capabilities than originally planned. "



# Background

## Scope of Activities in the Big “A” Acquisition

- DoD Annual Base Budget
  - FY 2012 **\$530 Billion**
  - FY 2013 **\$525.4 Billion (request)**
- Supplementals/OCO
  - FY 2012 **\$118 Billion**
  - FY 2013 Request **\$ 88 Billion**
- Procurement, RDT&E, Goods and Services **\$400 Billion**
- Amount of Annual Cost of Growth in Major Weapons Systems **\$135 Billion (GAO)**
- Number of People involved in Acquisition alone **151,608**
- Number of Contractors Supporting the three Processes – no verifiable numbers available.

### Volumes of Regulations, Instructions, and Documentation

DFAR	1903 pages
FAR	2013 pages
3170 CJCSI (JCIDs)	40 pages
3170 instructions	80 pages
Acquisition officer's handbook	962 pages

# Background: Big “A” Defense Acquisition

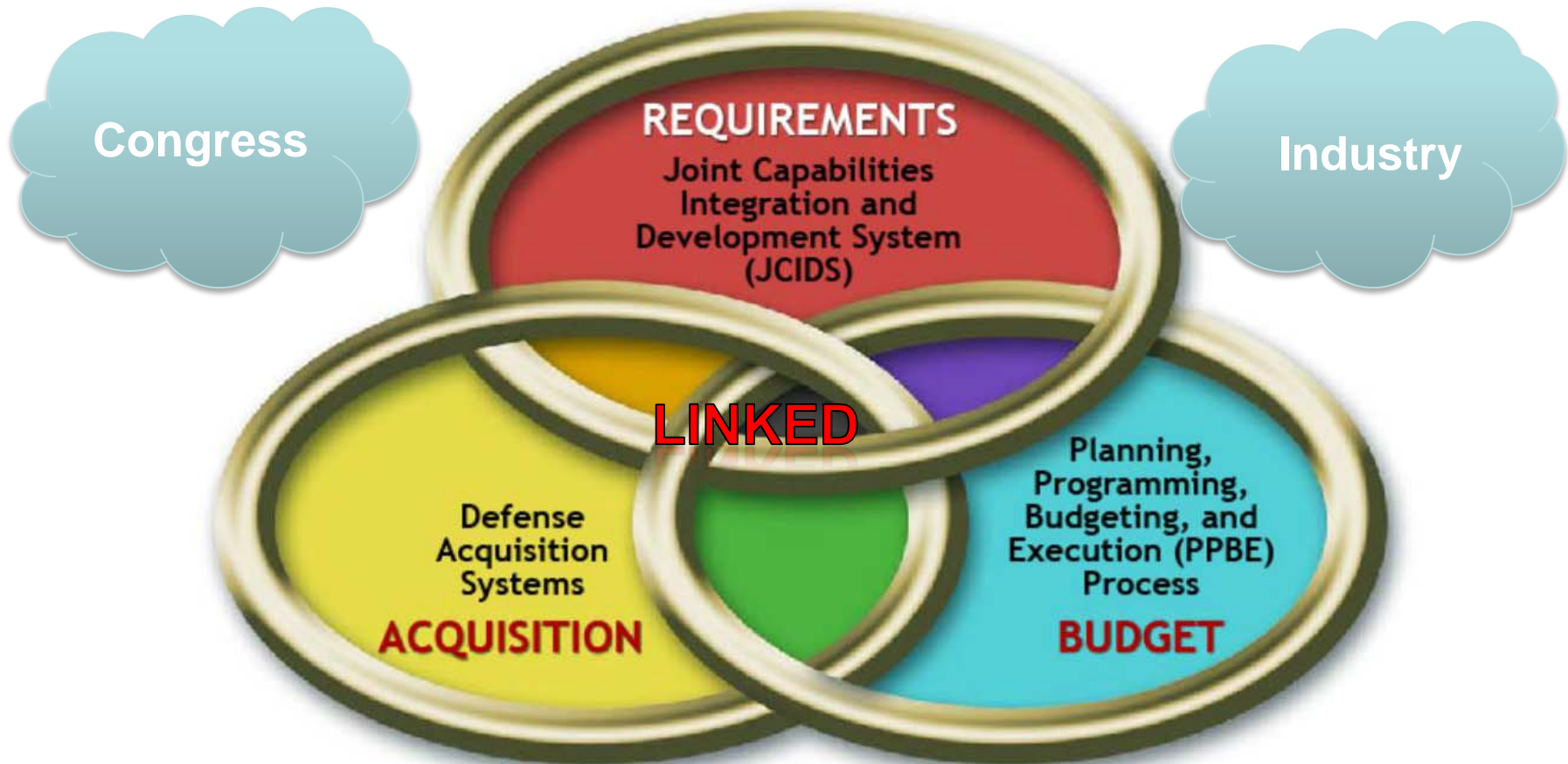
## (Includes Requirements, Budgeting, and Acquisition Processes)

- The acquisition process encompasses the design, engineering, construction, testing, deployment, sustainment, and disposal of weapons or related items purchased from a contractor.
- DoD purchases goods and services from contractors to support military operations.
- Any purchase of a good or service by DoD is defined as a “procurement”.
- In contrast, the term “defense acquisition” is a broader term that applies to more than just the purchase, or procurement, of an item or service.



# Background

## Defense Acquisition System: In Theory



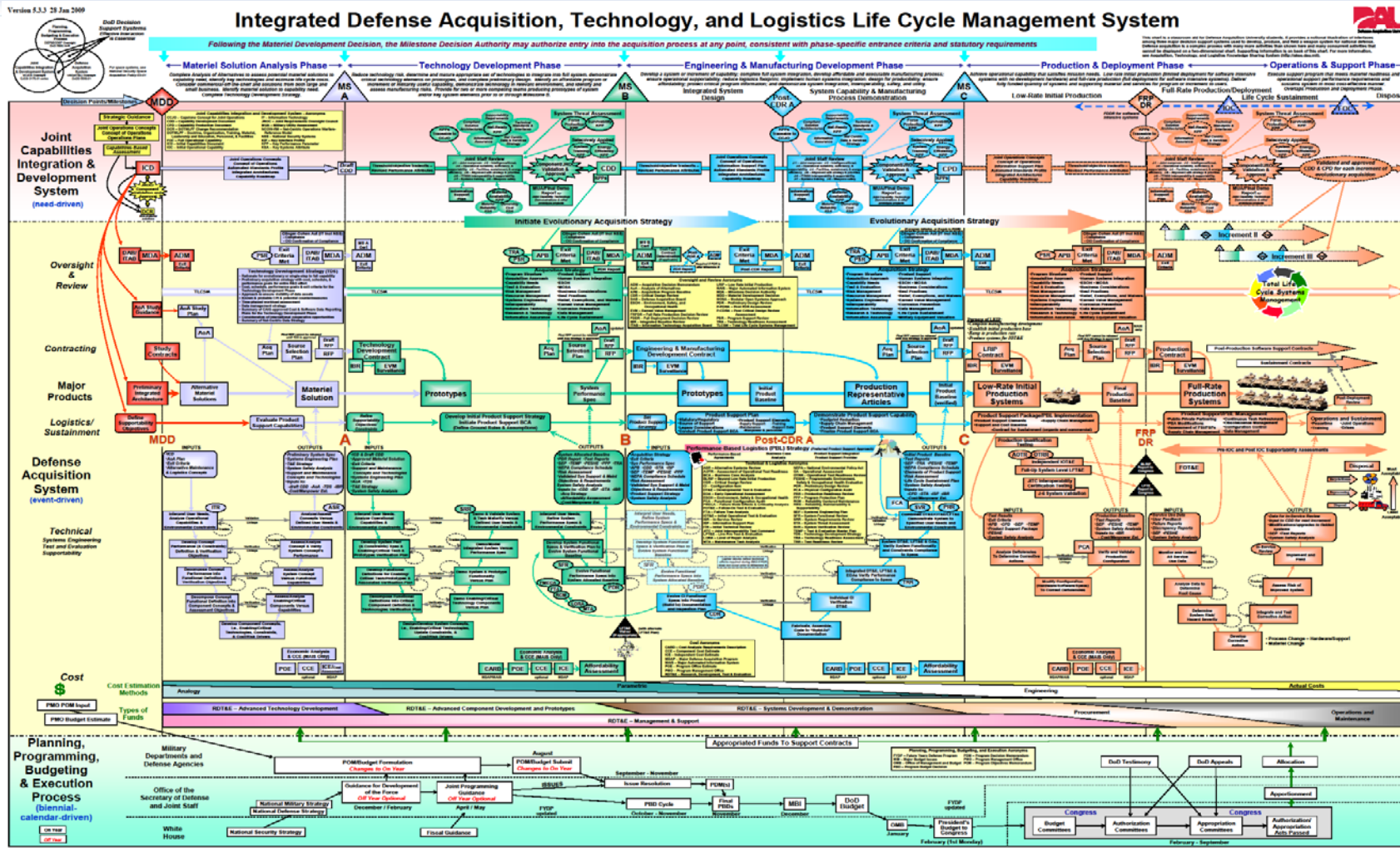
**Linked and Streamlined**





# Background

## Defense Acquisition System: In Reality



NOT Linked and Streamlined



# Background

## Comments and Testimony: U.S. Senate Floor Speech by SEN John McCain

“If you think you heard a lot of the same words about each of the programs I discussed, you would be right. Those words describe root causes of why big programs fail: aggressive promises for ‘revolutionary’ capability; poorly understood or fluid requirements; unrealistic initial cost estimates; overly optimistic schedules and assumptions; unreliable manufacturing and integration risk assessments; starting major production with an immature design or unproven critical technologies; and poorly performing government and industry teams. **The disruption from those root causes has been exacerbated by a shocking lack of any accountability.**

So, over time, we have been left with a defense procurement (Acquisition) system that has actually incentivized over-promising and underperformance.

In the face of the military-industrial-congressional complex, the taxpayer and the warfighter have not stood a chance.” -- SEN. John McCain, Dec. 15, 2011



# Background

## Significant Positive Developments

- Under the leadership of Secretaries Gates and Panetta, Deputy Secretary Carter, and Under Secretary Kendall, a large number of positive changes have been put in place with both short-term results and long-term potential.
  - The Department adjusted to a rapid response for urgent operational needs such as IEDs, MRAPs, and logistical support.
  - Initiated the Better Buying Power Initiative to improve outcomes and instill cost controls.
- Began effort to rebuild the acquisition workforce and improve training and quality.
- Implemented CAPE's new responsibilities and enhanced CAPE's role in independent assessments and costing.
- Required affordability production caps and required sustainment cost caps.



# Background

## Significant Positive Changes in JCIDs/JROC

Vice Chairman ADM Sandy Winnefeld recently instituted a series of changes in the Joint Capabilities Integration and Development System (JCIDS) and the Joint Requirements Oversight Council (JROC) with the objective of eliminating excessive paperwork, reducing bureaucracy, and accelerating decision making. Components of the new approach to requirements include:

- Limit the audience so determinative discussion/decisions can be made.
- Conduct the Joint Requirements Oversight Council more like the Joint Chiefs Tank decisions.
- Convene a much smaller informed group of decision makers instead of the stadium audiences of the past. Reduced the JROC attendance to a Service Vice plus one supporting individual. COCOMs should have the same personnel restrictions.
- Mandate constant upfront analysis of alternatives from JSJ7 (already working).
  - Review of Analysis of Alternatives (AoA) prior to Milestone A.
  - Limited page length of required supporting documents greatly reducing documentation.
  - Highlight non-materiel approaches as alternative or in conjunction with materiel solutions leveraging existing materiel coupled with mature technology or remission a current unit to perform the required capability.
  - Functional Capability Board Chair tees up the appropriate debate.



# Findings

1. The three stovepipes in the Big “A” acquisition system are too complex.

The defense acquisition system comprised of the three stovepipes of requirements, acquisition and budgets (PPB&E) processes is too complex, too bureaucratic, too paper-laden, too lengthy and costly while disconnected and uncoordinated in both initiation and execution. Multiple layers of legislation and DoD internal reforms have had the unintended consequence of orienting the processes to avoiding mistakes rather than timely delivery of warfighter capabilities at a reasonable cost.

2. Coordination between the requirements and acquisition processes is inadequate.

A wall has emerged between military controlled requirements and civilian-controlled acquisition processes to the overall detriment of the outcomes resulting in a reduction of accountability. The service chiefs are insufficiently involved in the acquisition stovepipe.



# Findings

## 3. The CAPE's increased role is a positive improvement.

CAPE is now playing an increased role in independent assessments and costing, particularly in the early phases of requirements and acquisition decisions. CAPE and the VCJCS have improved coordination between these activities and the JROC. These efforts are helping the DoD consider affordability and life-cycle costs at key milestones. The principle of "Cost as an Independent Variable" is increasingly important.

## 4. The acquisition workforce has atrophied. Steps are underway to improve the situation.

DoD leadership agrees on the need to improve the quality and training of the acquisition workforce, including better integration of operational experience.

- The acquisition workforce has inadequate understanding of operational needs.
- The management of the military acquisition workforce by the civilian acquisition community outside of the normal military personnel systems results in officers being at a disadvantage in terms of career opportunities and promotion potential.
- The military acquisition workforce not being promoted at same rates, as required by law.
- The Department is not meeting their goals for tenure of senior program managers.





# Findings

## 5. DoD has insufficient organic systems engineering capability.

The Department lacks the organic system engineering capability that is essential to the inherently-governmental evaluation of technical feasibility, cost, and schedules. The shortfall in system engineering hinders DoD's ability to assess technical, cost, schedule, and viable alternatives. Industry is frustrated as they believe that the best customer is an educated customer.

## 6. Cyber and IT requirements drive the need for an accelerated process.

CYBER and IT modernization cannot succeed under the current system due to the accelerated advances of technology and rapidly changing threats to those technologies. Cyber and IT modernization cannot succeed because the cycle times or "spins" within Cyber and IT are far shorter than the time scale used by defense processes.



# Findings

## 7. DoD and industry need to restore a two-way partnership.

Government needs to engage suppliers sooner on cost, schedule realism and technical feasibility related to requirements and alternatives. The same applies to acquisition. This means changing the nature and rules of the partnership with industry. DoD needs to add predictability to its relationship to industry. This is consistent with the commercial best practice of greater integration of key suppliers in integrated planning and design. Increasingly narrow legal interpretations have undermined the beneficial dialog that used to exist between industry and DoD.

## 8. The Executive Branch and Congress have both added significant roadblocks to the recruitment and appointment of political appointees in acquisition.

The experience and skills of civilian political appointees in the acquisition field have deteriorated over the last 20 years as the executive branch and Congress have both added significantly more difficult roadblocks to recruitment and appointment.





# Recommendation 1

## Streamline Processes, Change Incentives, Reduce Complexity

- Zero base the entire system, including all directives and regulations. The burden of proof should be on those who argue to retain something vs. those who argue to remove it.
- Train our acquisition professionals along with supporting agencies in the identification, quantification, management, and mitigation of risk. Managing the high cost, high risk, high technological items within the system will help to ensure the estimates are value added to the acquisition, performance trade-off, and budgeting effort.
- Realign the three systems with common documentation throughout the process and substantially reduce the number of pages and reviews.
- Freeze requirements early after cost, schedule, and technical feasibility trade-offs.
- Requirements should only be changed upon approval of senior leadership and only if funding is identified and programmed.
- Continue using CAPE initial cost estimate in programming and budgeting.



# Recommendation 2

## Break-down the Barriers/Link the Processes

- Widespread agreement that Service Chiefs need to be more engaged and accountable in the acquisition process.
  - The acquisition process is a continuous process, running from requirements through program execution.
  - Just as OUSD(AT&L) input is critical in the requirements process in order to ensure that affordability and technological capability are considered, Service Chief involvement is critical in the acquisition process in order to ensure that military needs are met.
  - DoD needs to create a partnership across budget, requirements, and acquisition leaders to create a linked and streamlined process.



# Recommendation 3

## Include CAPE Cost Estimates at Critical Decision Points

- CAPE cost estimates should be presented, when relevant, at Functional Capability Boards, Joint Capability Boards, and as part of JROC discussion.
- Consistent with the Weapon System Acquisition Reform Act.
  - CAPE initial cost estimates should be the basis of programming decisions, recognizing that USD(AT&L) can decide to use Service cost position instead.
  - Services should leverage CAPE's total ownership cost estimates in developing their POMs.
- DoD should emphasize principles of “cost-as-an-independent variable” and “design-to-cost.”



# Recommendation 4

## Ramp Up the DoD's Investment in Human Capital

- The Service Chiefs, in collaboration with senior acquisition leaders, should be accountable for the career path management, training, education, and particularly promotions and equal promotion rates of military acquisition personnel, as required by law.
- Develop specific plans for civilian acquisition personnel to strengthen the implementation of the Title 10, Section 1722 responsibility of the USD(AT&L) for ensuring the development of appropriate career paths.
- Reinstitute a dual tracking system of primary and functional/secondary career fields for officers and NCO's serving in Acquisition positions.
- Place incentives in the system that attracts, not disadvantages, officers and NCOs who serve in acquisition as a functional area or secondary MOS. Look at awarding constructive joint credit for officers who serve in acquisition billets so that doing so does not impact their career timelines.
- Institute a tour with Industry as part of their professional development prior to being a program manager. Consider expanding programs like the Defense Fellows Program with industry.



# Recommendation 5

## Focus on Systems Engineering Decision Making

- Establish a human capital strategy for developing qualified system engineers capable of effective oversight and decision-making.
- Prioritize near term needs and reassign system engineers to meet them.
- Increase the quality and capability of military and civilian engineers in the acquisition process and increase the sharing of resources across commands.



# Recommendation 6

## CYBER/IT Approach needs to be Accelerated

- The DoD needs to adopt an approach for Cyber and IT that matches the acceleration of technology and advancing threats.
- Consideration should be given to permitting title 10 Cyber operational missions to emulate the pattern of title 50 intelligence mission solutions.
- Congress should support USD(AT&L) decision to “establish a fast-track acquisition process that would enable it to develop new cyber warfare capabilities within days or months if urgently needed.” -- (From report to Congress 11 April 2012)
- The critical importance of CYBER and IT acquisition and the enormous scope of the topic to all systems warrants further analysis.



# Recommendation 7

## Break Down Walls Between Industry and DoD

- Establish a two-way partnership with industry.
- Bring suppliers in earlier during the requirements process to help scope technological achievability and schedule.
- Include outreach to smaller firms with innovative technical solutions.
- Increase the use of 1:1 discussions with interested suppliers at all tiers in the acquisition process.
- Conduct limited objective experiments where industry solutions can be tested in a controlled operational environment.
- Promote ongoing discussions between senior government officials and senior management from segments across industry.



# Recommendation 8

## Streamline the Recruitment and Confirmation Process and Eliminate Barriers

- The Executive and Legislative branches should adopt changes that include:
  - Streamlining the process, reducing paperwork, and using “common procedures” in executive and legislative branches.
  - Minimizing financial disincentives, limiting recusals, allowing true blind trusts, providing tax incentives and longer divestitures in adverse markets.
  - Reassessing the post-government prohibitions in order to shorten the time period and limit the scope of coverage to specific programs.





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## Questions?

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