

**“Achieving National Security Effectiveness and Efficiency through Defense Acquisition Reform, in an Age of Austerity”**

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In the decade following the terrorist attacks of 9/11/01, the Department of Defense saw its appropriations skyrocket - - not only did the base budget essentially double, but a war-time “supplemental” (which reached an annual level of \$150 billion) was also added.

Now, the DoD is facing the need to cut at least \$500 billion over the next ten years, and (depending on “sequestration”) this cut could exceed \$1 trillion.

While the troops coming home from Iraq and Afghanistan will help, the equipment they used is worn out; and the nation’s budget problem will only grow worse over the coming years -- since every day, 10,000 Americans age into Social Security, and the DoD budget is, overwhelmingly, the largest potential source to meet this need. In addition, by 2014 the interest alone, on the federal debt, is projected to equal the defense budget; and, within the DoD budget, itself, costs for equipment, services, military and civilian labor, energy, medical costs, etc. all continue to rise - - and all of this against shrinking budgets.

Unfortunately, this problem is compounded by growing national security concerns: e.g. cybersecurity (DoD computers alone currently receive 6 million known “attacks” per day); tactical and strategic missile defense (over 100 nations now have ballistic missiles); proliferation (of biological, chemical and nuclear weapons, and their means of delivery); world-wide instabilities (e.g. the “Arab Spring”) which threaten to bring the U.S. in; threats to the sea lanes (from pirates, to “closing” of the Strait of Hormuz); terrorists (Al-Queda and its associates, who want to “get the great Satan” - - America - - here and abroad); and on up to “nuclear Armageddon”

All of this (i.e. increasing security needs, rising unit costs, and decreasing budget dollars) means that the DoD must be able to “do more with less” - - something that will clearly require

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changes in “the way it does its business.” To bring this about requires addressing “the four critical areas of the acquisition of goods and services for the DoD”: namely:

1. **What is bought:** i.e. effective and affordable weapons for likely 21<sup>st</sup> century security needs, (e.g. for “war among the people”, vs. Tank-on-tank battles.) This means a greater focus on: low cost robotics (unmanned systems for air, land, and water); modern, information-based “land warrior” systems for every soldier and marine; secure command, control, communications, and intelligence; systems-of-systems (vs. optimized individual platforms); interoperability (multiservice, and in coalition with allies); etc.
2. **How goods and services are bought:** i.e. full and effective implementation of “acquisition reform”, e.g. use of “best value” competition throughout the acquisition cycle (from competitive prototypes; through production competition with interchangeable products; to competitive support services); replacing regulations and “compliance” with industry and government “incentive and rewards” for higher and higher performance at lower and lower overall costs; and recognizing that over 50% of all dollars go to buying services, but all policies, practices, education, etc. are based on buying goods (which clearly are different e.g. buying an engineer is different than buying a missile).
3. **Who does the buying:** i.e. revising the trends (in recent years) to greatly undervalue the importance of “smart buyers” (in experience, seniority and quantity). The data here are overwhelming! (For example: The “Defense Contract Management Agency” had four General Offices in 1990, but had none in 2007; and, in that time, the Agency went from 25,000 to 10,000 – while the defense budget more than doubled.)
4. **From whom goods and services are acquired:** i.e. taking advantage of the high –tech, low-cost, high-volume benefits of utilizing both the commercial high-tech world and the global market - - while addressing appropriate legislative and regulatory “barriers” to reaching this broader supplier base (such as specialized cost accounting rules; prohibitions on exports and imports; barriers to integrated (“dual use”) civil and military operations, etc.). These barriers must be removed, if the DoD is to “get more capability for fewer dollars” in the coming years.

Unfortunately, DoD business Trends are in the wrong direction; for example:

- Greatly increased used of “Low Price, Technically Acceptable (LPTA)” awards – is actually more expensive in the long run (vs. “best value” buying)

- Large numbers of “winners” on IDIQ contracts, to take part in bidding on tasks (vs. 2 or 3 firms) is very expensive and ineffective
- Proposal to “compete all services after three years” – regardless of performance and cost trends – is a big disincentive to industry (vs. a follow-on reward for higher performance and lower costs)
- And, where big savings are possible (like 2<sup>nd</sup> engine on the F-35) the government refuses to have competition [in spite of “lessons learned” on “the Great Engine War”]
- Recent proposals for government to be the system’s integrator, and to split out the subsystems for them to compete and manage, is a very high risk (vs. assuring the prime competes the critical subsystem)
- Recent practice of competing ideas from unsolicited proposals discourages innovation
- In many cases today, award fees are being based on “compliance;” rather than results achieved.
- Export controls are often harmful to U.S. industry; without preventing technology spread (e.g. night vision leadership has been lost, due to export controls)
- Still basing “Requirements” on individual platform requirements (vs. on mission needs – that could better be satisfied by a system-of-system)

Reversing these trends will truly represent a “culture change”; and, naturally, these “culture changes” will be fiercely resisted (as Machiavelli predicted) by all of the existing institutions (that benefit - - or think they do - - from the current system); namely: the military, the defense industry, the government and industry unions, and the Congress. And the literature on achieving culture change is clear; it takes two things:

- 1) Widespread recognition of the need for change -- (which, in this case is driven by the shrinking budgets, and the recognition that the 21<sup>st</sup> century will be different (in geopolitics, economics, technology, and security concerns).
- 2) Leadership with a vision, a strategy, and a set of actions to achieve the needed changes.

**Successfully implementing this vision, strategy and appropriate actions is required for achieving effective and efficient national security in the coming age of austerity.**

In summary, this is a critical period; similar to the period following the launch of Sputnik or the fall of the Berlin Wall. Today the security world is changing dramatically—especially since 9/11/01 (geopolitically, technologically, threats, missions, war fighting, commercially, etc.) – and a holistic perspective is required (including STATE, DHS, and DNI, as well as coalition operations). Moreover, a decade of solid budget growth – which will almost certainly change – has deferred difficult choices (between more 20<sup>th</sup> Century equipment vs. 21<sup>st</sup> Century equipment); and severe resistance to the needed changes can be expected. And, the controlling acquisition policies, practices, laws, etc. and the Services’ budgets and “requirements” priorities have not been transformed sufficiently to match the needs of this new world (in fact, there is still an emphasis on “resetting” vs. “modernization”; and of “preserving” the industrial base, vs. “transforming” it). Clearly, leadership (from both the Executive and Legislative branches) is required in order to achieve the needed changes.

However, achieving the required “affordability” changes will take political courage and sustained, strong leadership – by both the Executive and Legislative branches (working together) – as well as “outside experts” (providing continuous pressure for change). This “leadership” must be demonstrated at multiple levels (OSD, JCS, Services, PM’s, industry, Congress, etc.). The American public, and particularly, our fighting men and women, deserve it – and the nation’s future security depends upon it.

**It won’t be easy, but I believe it can be achieved!**