

## How the “procurement mess” will fix itself –Lexington Institute suggestions

08:18 GMT, January 4, 2011 The decade just ended **was a disaster for U.S. defense procurement.** Most of the Army’s major development programs were canceled. The Air Force saw its top-of-the-line fighter and future bomber killed while failing to get a new tanker into production for ten straight years. The Navy walked away from two of the three next-generation surface combatants it was planning to buy. And many of the joint networking initiatives begun under the rubric of military transformation bit the dust. In other words, the Pentagon wasted more money on failed warfighting systems over the last ten years than most countries spent on their entire security establishments.

The **biggest culprit in this depressing chronicle was the Pentagon’s baroque acquisition system,** which seems to be populated by people who have no organic concept of efficiency. It’s common to hear government bureaucrats blaming industry for waste, but when you’re the only customer in a sector you have almost unlimited power to dictate terms and conditions. So if you don’t like what you’re getting from your suppliers, a bit of self-examination may be in order. With that in mind, I’d like to suggest five New Year’s resolutions for the defense acquisition corps and the policymakers who oversee it. If they just adhere to these five precepts in the years ahead, most of what they don’t like about the current “procurement mess” will fix itself.

Simplify the process.

**The current approach to buying weapons is too complicated.** It requires a vast workforce to administer -- so vast that the Pentagon has proposed hiring 20,000 new acquisition workers even though the government is in the midst of a fiscal crisis. Each step in this byzantine system from requirements generation to cost estimating to developmental testing has spawned a bureaucratic constituency that jealously guards its turf and lengthens the time needed to get new weapons to warfighters. Since there is no evidence that introducing additional steps into the process has made it more effective, policymakers ought to focus on streamlining it. A worthwhile goal might be to cut the time required to field new systems by 25 percent. If the Army can get new mine-resistant vehicles to war zones in a few fiscal quarters and the Navy can develop a Littoral Combat Ship in half the normal time, then why should warfighters have to wait 15 years for a new fighter?

Stick with a plan.

**The Pentagon is notorious for revising its weapons goals with each new budget, shifting funds and modifying schedules in ways that make long-term planning nearly impossible for contractors.** This inevitably drives up costs, because labor forces and material supplies optimized for a given level of activity end up being utilized inefficiently. In the rare cases where military services and defense agencies actually stick with a weapons production plan for several years -- as in the case of the Virginia-class attack submarine -- unit costs typically decline over time due to the increasing efficiency of production processes. But because the Pentagon seemingly wants to change its goals every year, the cost of buying the same plane, ship or satellite tends to rise steadily for reasons unrelated to military requirements. For instance, policymakers have recently launched an “efficiency drive” that will probably waste money rather than save it by changing plans already in place, requiring costly adjustments that will barely be implemented before the next crop of appointees once again changes the plans.

Educate the bureaucracy.

Government agencies need a workforce to function. However, when that workforce doesn’t understand basic concepts like how to allocate scarce resources or how to incentivize suppliers, the results of their efforts can be mediocre no matter how hard they work. **There is extensive evidence that the current acquisition workforce is not adequately trained to achieve best results.** For example, why do government negotiators continue to demand the same detailed cost data they sought under cost-plus arrangements now that the system is migrating to fixed-price contracts? Is it really necessary to waste customer and contractor time ascertaining the cost basis of charges when companies have already assumed the risk of guaranteeing a price? More generally, federal acquisition personnel seem to have little grasp of how weapons contractors must finance their operations, manage production facilities, and absorb overhead costs generated by regulatory impositions. The incentive structures the government fashions thus frequently fail to reflect factors driving contractor behavior, and consequently do not generate desired results.

Bring in users.

The only reason the government has a defense acquisition system is to equip warfighters with the tools they need to prevail. It follows that the end users of new weapons systems should have some say in how they are developed. In the current acquisition system, **though, users tend to be missing in action once requirements are generated. That gives self-serving bureaucratic interests too much latitude to**

**introduce steps** into the process that raise costs and slow delivery. A case in point is the developmental testing bureaucracy, which drives up the cost of new warfighting systems by insisting on thousands of superfluous tests without hardly any input from users. It's a great system for keeping professional testers employed, but as long as we're trying to figure out how weapons will fare in the real world, wouldn't it be helpful to give actual warfighters a bigger role in the process? (Insidedefense.com has an interesting report today about the gulf between Army acquisition officials and warfighters.)

Get an industrial strategy.

The "arsenal of democracy" that won World War Two is rapidly disappearing as manufacturing facilities move offshore. Yet Pentagon acquisition officials act like America is still an industrial colossus that can sustain virtually any level of military production without careful planning or preparation. Policymakers were surprised to discover when they sought to ramp up output of mine-resistant armored vehicles that such basic items as heavy tires and high-strength steel were in short supply, **but they haven't assimilated the larger lesson that America's industrial economy is not what it was.** So they routinely make decisions that destroy thousands of skilled jobs and force the closure of facilities without thinking through how that might narrow military options in the future. The cost of disbanding and reconstituting specialized industrial capabilities for rocket motors, military aircraft, radiation-hardened circuits and a host of other military items is astronomically expensive, but much of the time the Pentagon seems oblivious to the industrial consequences of its weapons decisions. Here again, the acquisition bureaucracy wastes money and harms preparedness when it could be helping the nation's economic recovery.