ACQUISITION REFORM:

MAKING IT A REALITY

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It is certainly my pleasure to address you in this inaugural issue of the Defense Acquisition University (DAU) journal, Acquisition Review Quarterly (ARQ). *Nothing is more critical to our efforts to reform the acquisition process than our efforts to ensure the acquisition career field is recognized as the profession it is. The* ARQ *is a welcome addition to that process.*

INTRODUCTION

Before discussing our acquisition reform efforts to date, I would like to explain the approach I hope to take, under the direction of the Secretary, Deputy Secretary, and Under Secretary, to reengineer the acquisition system. My office, the focal point for development and implementation of a coherent and practical step-by-step plan for reengineering every segment of the acquisition system, purposefully is being kept small. I am chairing an Acquisition Reform Senior Steering Group composed of representatives from appropriate organizations within DOD. The Steering Group recommends change, coordinates proposed actions within their organizations, identifies participants for process action teams (PATs) and ensures implementation within their organizations.

However, the majority of my efforts and that of my office will be in leading and assisting integrated decision teams or PATs, which I believe are the key to successful acquisition reform. The PATs, will be cross-functional, cross-service, and cross-agency, and will be responsible for:

- Analyzing a current practice;
- Identifying the costs (money, time, personnel) associated with that practice;
- Identifying the alternative approaches consistent with the principles of the new acquisition system;

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- Identifying incentives to make changes to the new practice;
- Recommending the best option for addressing the issue;
- Developing any new legislative, regulatory, or administrative changes required to implement proposed options;
- Developing measures of success in making the changes so DOD can track progress;
- Developing specific implementation plans, including training of DOD personnel; and
- Developing a process for follow-up to ensure the changes have been institutionalized (in particular to identify incentives and other mechanisms to ensure change to, and compliance with, the new processes and procedures).

The PATs will include operational experts and staff advisors (identified by the Senior Steering Group) from OSD, the Military Departments, and the Defense Agencies. The teams will also seek advice from other Federal agencies, congressional offices, and industry, as appropriate.

While we examine ways to reengineer DOD's business processes, other DOD components will continue to pursue changes in policies, practices, and regulations to make the existing system function more effectively. These efforts will be coordinated with me, either directly or through their steering group member, to ensure changes are consistent with the approaches being pursued by my office.

My sincere belief is that hundreds, if not thousands, of people within the Department of Defense know what could or should be done to change our practices and make them more efficient, while protecting the public interest and furthering the social objectives of our great nation. I want to provide the forum for your ideas to come to the forefront and be considered. You are the experts! I know I also speak for Deputy Secretary of Defense William J.Perry and Under Secretary of Defense (Acquisition and Technology) John M. Deutch when I say we look to you for guidance as we face the challenging times ahead. As you read through this somewhat detailed summary plan of action, think about how you might participate in this effort.

WHY CHANGE IS NECESSARY

The post-Cold War era poses new world-wide political, economic, and military security challenges for the United States. By fiscal year 1997, defense spending will have been reduced in real terms by more than 40 percent compared to 1985.

At the same time, the Administration is committed to maintaining a strong, effective force capable of deterring aggression against the United States and its allies and responding to threats anywhere our national interests are at risk. In order to meet the new challenges to national security and the requirements of national domestic policy, acquisition reform is imperative.

The DOD acquisition system is a web of laws, regulations, and policies adopted for laudable reasons over many years. The intent of the system was to ensure standardized treatment of contractors; prevent fraud, waste, and abuse; ensure that the government acquisition process was fair; check the government's authority and its demand on suppliers; and, enhance socioeconomic objectives. While the intent of these provisions is laudable, combined, the result is a cumbersome system which takes too long to satisfy customer requirements. In addition, the system places administrative burdens on both DOD and our suppliers that adds cost to the product procured. We can no longer afford these costs and meet mission requirements within current fiscal constraints.

THE SOLUTION

The world in which DOD must operate has changed beyond the limits of the existing acquisition system's ability to adjust or evolve. It is not enough to improve the existing system. There must be a carefully planned, fundamental reengineering of each segment of the acquisition system so we can respond to the demands of the next decade. In order to meet the national security requirement of the post-Cold War world and comply with national domestic policy, we must be able to procure state-of-the-art technology and products, rapidly, from reliable suppliers who utilize the latest manufacturing and management techniques; assist United States companies now predominantly dependent on DOD business to transition to dual-use production; aid in the transfer of military technology to the commercial sector; and, preserve defense-unique core capabilities.

We have begun the process of reform by targeting segments of the acquisition system that promise to yield immediate and substantial improvements. These actions will lead to reduced costs while ensuring that we maintain our technological superiority and sustain a strong, globally competitive national industrial base that can support the nation's future defense needs.

To assure that we have a department-wide focus in the reform effort, I chartered a "three-star" level Acquisition Reform Senior Steering Group to aid in establishing and prioritizing our planned initiatives and provide experts from the field to staff the various process action teams working on reform. Acquisition reform priorities will continue to evolve as we work through the Senior Steering Group as well as interface with other organizations and entities conducting related efforts, such as, Vice President Al Gore's National Performance Review (NPR), the National Economic Council (defense conversion), and the Defense Science Board Task Force on Acquisition Streamlining.

Many DOD initiatives will require coordination with, and support from, other agencies, such as the Department of Labor, the Small Business Administration, and various interest groups, such as industry, labor unions, and minority business groups. In addition, many of the initiatives could affect the entire federal government. We will work with the Office of Management and Budget (OMB), the Office of Federal Procurement Policy (OFPP), and, in particular, federal agencies with major procurement responsibilities, including National Aeronautics and Space Administration (NASA), General Services Administration (GSA), and Department of Energy (DOE) to ensure that acquisition reform initiatives are applied consistently throughout the government.

The first reform initiative was to develop a DOD position on all of the recommendations for legislative change contained in the 1800 page "Section 800" Acquisition Streamlining Panel Report. The Panel was chartered in accordance with provisions in Section 800 of the National Defense Authorization Act for Fiscal Year 1991, Public Law 101-510. We placed particular emphasis on two Section 800 proposals: the removal of impediments to the acquisition of commercial products by waiving all government-unique legislative requirements; and, streamlining the acquisition process by increasing the small purchase threshold to $100,000, and raising to $100,000 other thresholds in legislative provisions that apply only to federal contractors. The remainder of the recommendations fall within the following categories: Contract Formation; Contract Administration; Major Systems and Testing Statutes; Defense Trade and Cooperation; Intellectual Property Rights; Service Specific Acquisition Laws; and, Standards of Conduct.

After reaching a consensus internally, we began working with OMB, OFPP, GSA, and the NPR staff. The working group developed proposed legislation expanding the Section 800 recommendations to include all government agencies and incorporated NPR legislative proposals relating to acquisition. During this time, the Senate developed a proposed acquisition reform bill. To avoid confusion, the Administration decided not to introduce its bill. Instead, the Administration working group developed a "line-in-line-out" of the Senate bill, S.1587 (The Federal Acquisition Streamlining Act of 1993), that incorporated proposed Administration changes to the bill. Time did not permit consideration of the proposed changes during the last session of Congress. Congress is expected to begin hearings on this and other acquisition reform legislation in early February.

In addition to working on the formulation of the Administration position on the Section 800 recommendations, we submitted to OMB a legislative proposal to waive statutes relating to seven pilot programs. (Congress had requested the submission of pilot program candidates in Section 809 of the National Defense Authorization Act for Fiscal Year 1991, Public Law 101-510.) The pilot programs would "jump start" acquisition reform by allowing us to immediately buy certain commercial and commercial-like items using commercial practices. The candidates proposed are: Commercial Derivative Aircraft (CDA); Com-

mercial Derivative Engines (CDE); certain troop support items at the Defense Personnel Support Center (DPSC); Joint Primary Aircraft Training System (JPATS); Joint Direct Attack Munitions (JDAM); Fire Support Combined Arms Trainer (FSCATI); and Global Grid. The proposed pilot program bill, due to its inclusion of waivers to many socioeconomic statutes, proved controversial within the Administration and agreement on its provisions was not reached in time to be considered as part of the FY 94 National Defense Authorization Act.

We will continue to pursue action on the draft pilot program bill in early February 1994. It is essential that we continue to press for adoption of the pilot program authorization. The proposed bill asks for legislative relief unique to the systems acquisition process, and has not been considered to the extent of other recommendations (these laws were not reviewed by the Section 800 panel). Finally, even if the Section 800 reform package is enacted, it will take some time to revise regulations and train personnel. In the meantime, we are reviewing all recommendations for regulatory relief to assist programs in utilizing commercial products and processes. Putting the pilot programs in place now will achieve savings earlier, while keeping the momentum for change.

The DOD also participated in the NPR effort by developing a strategy and action plan relating to its early priority issues as part of the Defense Performance Review. That report is awaiting White House approval and printing.

Finally, we formed two PATs, composed of a cross-functional, cross-service, and cross-agency mix of individuals. The first PAT developed a time-phased plan for a 6-month, 12-month, and 24-month implementation of a standard Electronic Commerce/Electronic Data Interchange (EC/EDI) system for DOD small purchases. The plan provides for "one face to industry," and uses commercially available software for processing contract actions under the small-purchase threshold. This system will allow vendors to connect with commercial Value Added Networks that access the entire DOD system at one primary and one backup site, and receive data on all planned purchases. It will also enable the vendor to provide a quote and the government to make an award electronically. Individual systems already in place in the Services and DLA have shown tremendous improvements in productivity, lower item prices, and greater small business participation. A DOD-wide implementation began in January 1994. I am also co-chairing the government-wide EC/EDI team established by the President's October 26, 1993 Executive Memorandum. This will assure DOD and other federal agency EC/EDI efforts are accomplished in a complementary fashion.

The second PAT is addressing the issue of military-unique product and process specifications and standards. This issue is one of the most difficult and complex issues facing the Department. The team was tasked to analyze why government specifications and standards continue to be preferred despite the current (3-year old) policy preference for commercial standards. Also, they were to develop a plan to implement a preference for commercial and performance

standards and specifications except in cases where a government-unique product specification or process standard is the only practical alternative to ensure a product or service meets user needs. The PAT's draft report, which includes a detailed and forward thinking plan of action, is being circulated within DOD for comment. The initial report should be issued by mid-February. Additional PATs will be formed throughout 1994 to address other issues critical to acquisition reform.

HOW CAN YOU PARTICIPATE?

We know there a lot of people in the acquisition system with terrific ideas about how to change the process. Some of you have been successful in implementing these initiatives in your organizations. We need to hear about your ideas and proposals, along with concrete plans for implementing them. We also need summaries of initiatives you have implemented and have proven successful. We want to "share best practices." I encourage you to provide any information of this nature, including comments you have about the plans for acquisition reform, with or without attribution, to my office. The address is:

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In addition, as in any time of change, many rumors and misunderstandings are generated. I will be happy to respond to any questions you may have related to the acquisition reform process.