Acquisition Reform Acceleration Day, May 31, 1996

"The End of the Beginning"

Editor's Note: In a ceremony conducted in the Pentagon Courtyard, on May 31, Under Secretary of Defense (Acquisition & Technology) Paul G. Kaminski addressed the Department of Defense professional acquisition workforce as part of the day's events marking "Acquisition Reform Acceleration Day." The following text constitutes his remarks in their entirety.

Good morning everyone, and welcome. I want to thank you for participating in the Department of Defense's Acquisition Reform Day. I want to particularly thank Ms. Vancine Washington of the Naval Air Systems Command for that wonderful rendition of the National Anthem. And I would also like to thank our U.S. Marine Corps Band and the Joint Service Color Guard for presenting the colors and getting our Acquisition Reform Day off to a great start!

Today, across the entire Department, thousands of acquisition personnel are ceasing their normal operations and joining in a Department-wide discussion of institutionalizing our acquisition reform initiatives.

Theme

Throughout the acquisition community, commanders and managers are meeting with their team members to discuss the implementation of acquisition reform and to emphasize their commitment to getting best value for the warfighter.

Here in the Pentagon, we are also taking a day to put down our phones and push away from our desks and our in-boxes, so we can focus on acquisition reform—its past, its present, and its future.

We are at a point in our acquisition reform program that is not too much different than the situation faced by Winston Churchill during World War II when the United States entered the war. He observed that "This is not the end, or even the beginning of the end, but it is, I believe, *the end of the beginning*."

When you think about it, this is exactly where we are in our program of acquisition reform and the reason why I've selected "The End of the Beginning" as today's theme.

Two representatives of the Defense Systems Management College confer with senior acquisition leaders during the day's events. Pictured from left: DSMC Professor Ray Reig; Deputy Under Secretary of Defense for Acquisition Reform Colleen Preston; Principal Deputy Under Secretary of Defense for Acquisition & Technology R. Noel Longuemare; Under Secretary of Defense for Acquisition & Technology Paul G. Kaminski; DSMC Special Assistant for Quality Mary-Jo Hall.

Photos by Richard Mattox

Objectives

The Department has begun to make substantial progress in improving the way it procures equipment and services. Our success is real and visible. Many programs are experiencing cost avoidances and savings in the $100s of millions — a few in the billions of dollars. We are stripping away the onerous non-value added documentation and procedures and now have a foundation in place to move to 21st Century business practices.

This is good news, but I have gotten the sense that, due to the pressures of our daily work schedules and the sheer difficulty of communicating effectively across a broad and diverse organization, we need to do a better job of communicating and gaining a common vision of what we as a team can do to accelerate implementation of our acquisition reforms across our entire acquisition system — from C-17s to socks, from major defense acquisition programs, to base procurement.

We need to be sure that the word is getting out to every single member of our team. The message is too important not to be heard. That's why Emmett Paige, the Assistant Secretary of Defense for C^3I, and I called for the acquisition community to observe today as Acquisition Reform Day. Our Department-wide discussion today will be along three distinct but related communication paths:

The first communication path is *top-down*. The goal is to have the Department's acquisition leadership publicize the policy changes and many important acquisition reform initiatives now underway. Executives, commanders, and managers throughout the acquisition community must take responsibility to ensure that their personnel are aware of the acquisition reform initiatives and their part in implementing them. It is important to communicate that we mean what we say and then back that up with our actions — to not only "talk the talk," but "walk the walk."

The second path is *horizontal*. The goal here is to have our program managers, contracting officers, logisticians, financial analysts, and other career professionals share with each other their lessons learned, best practices, and front-line wisdom. There have been many truly significant accomplishments. I ask you to crow a little to your peers — share what has worked, and recognize outstanding performers on your team in the presence of peers.

And the third path is *bottom-up*. The goal here is to have the Department's acquisition workforce — the practitioners in the field — communicate new ideas up the chain of command. We need feedback from you and all of our people on what's working, what's not, and what needs improvement. We also need to know what barriers to effective implementation still exist and what your recommendations are to overcome these barriers. I want everyone to use both their internal management chains and the Defense Acquisition University's Acquisition Reform Communications Center to provide us feedback. We have provided feedback forms in your information packages. I want to support you, to empower you to do your job better — but I need your ideas to do so.

Today the Department's acquisition community joins together to take stock of its collective efforts to improve its processes and procedures. You need to realize that each of you can make a difference.

Institutional Framework In Place

I am very proud of your accomplishments thus far in acquisition reform. The energy, dedication, and commitment that everyone in the Department has brought to acquisition reform is a real tribute to the professionalism of our acquisition community. It also shows what we can do when we work together as a team dedicated to a *common* goal.

Indeed, one of the key factors in our success has been our ability to work together in teams. Process Action Teams (PAT) have been the foundation of our efforts. Our PATs have worked as integrated teams representing important interests across the Department and industry to develop solutions that aren't just *smart* but are also *achievable*.

We have teamed with the Congress to enact landmark statutory reforms. With the passage of the Federal Acquisition Streamlining Act of 1994, the Federal Acquisition Reform Act of 1996, and the Information Technology Act of 1996, the Department has been able to take three huge steps toward becoming a world-class buyer. Now, working with the Office of Federal Procurement Policy, the Department is fully implementing these groundbreaking statutes.

Some of the key statutory reforms include: providing greater opportunities for streamlining by setting the Simplified Acquisition Threshold at $100,000; giving the Department greater flexibility in implementing the Truth in Negotiations Act so that we can use our judgment in deciding where it is really necessary to obtain cost or pricing data;

expanding the definition of commercial items and making it easier to buy commercial items; and repealing the Brooks Act, which will significantly streamline the acquisition of automated information systems.

The Congress and the Department of Defense have been talking about acquisition reform for a very long time. More importantly, we are together now *doing* something about implementing real reforms — as a *team*.

But There is Still A Lot More To Do

We need to provide additional Title X statutory waivers for the defense acquisition pilot programs — eventually we need to change the statutes and make the reforms permanent. We need relief from provisions restricting defense contractors from supporting operational tests. We need a Dual Use Applications Program — one that is whole and viable — to help the Department leverage commercial technologies.

The reprogramming thresholds have not changed in over 20 years — we need to restore the original balance by doubling the $4 million and $10 million thresholds for reprogrammings within RDT&E and procurement accounts respectively. And we need additional flexibility to manage our financial affairs — why not give program managers some relief from the existing "color of money" restrictions between appropriations?

The Congress is continuing to provide the Department with additional flexibility. Both the House and Senate authorizing committees, for example, are giving favorable consideration to extending the Section 845 "Other Transactions" authority for the Defense Research Projects Agency to 1999, and providing this authority to the Secretaries of the Military Departments as well.

Together, the Congress and our team can continue to step up and *do* something real for the American taxpayer and our warfighters — equip U.S. forces with affordable tanks, ships, and planes that are second to none.

Reform of military specifications and standards is another landmark achievement. We have literally turned the entire MILSPEC world on its head. In the past, program managers had to seek waivers to use commercial specifications. Today, the shoe is on the other foot — anyone who wants to use a military specification must obtain a waiver.

Another important reform is the Single Process Initiative. Today, in many of our contractor's facilities, the contractor will have one manufacturing process for its commercial customers and perhaps several different ones imposed by various DoD programs. The single process initiative deals with this problem by reducing the number of different processes and relying on commercial practices as much as possible. Our objectives are: (1) save money; (2) obtain a better product; and (3) foster a more competitive industry.

So far, we have received over 100 concept papers from 41 contractors proposing to modify 177 processes. We have modified 34 processes at four different contractors. In one single block change with Raytheon, we affected 884 contracts at 16 separate facilities!

Another important initiative is our effort to streamline and simplify acquisition oversight procedures. Historically, the Department's oversight processes have been very burdensome, with the result that many of our program managers have spent more time dealing with the administrative hassles of the oversight process than actually managing their programs.

Today we have instituted a new approach, based on Integrated Product Teams. This approach facilitates identifying and resolving issues in a more timely manner. The key change is a move from after-the-fact oversight to early-and-continuous insight.

Yes, this insight approach is still relatively new, but we are starting to see results. For example, we have dramatically reduced the time from the day of the Defense Acquisition Board (DAB) meeting to the signing of the Acquisition Decision Memorandum, which averaged about 23 days in 1994, to two days.

Also, because our early-and-continuous insight process is helping resolve major issues, I have been able to cancel numerous formal DAB meetings. Since there were no issues, there was no need for a formal meeting. Last year, 26 DAB meetings were scheduled to occur, but I only had to convene eight of them.

The rewrite of the Department's 5000-series acquisition regulations is an excellent example of what integrated teams can achieve. On March 15, 1996, the Secretary of Defense approved the new policy and procedures, which are contained in DoD Directive 5000.1 and DoD Regulation 5000.2-R. The new regulations implement changes in the way the Pentagon has traditionally done business:

- Commercial practices and products are given special emphasis.
- Cost is treated as an independent — not a dependent variable.

Program managers and other acquisition personnel are empowered to use their professional judgment. Over 30 separate policy memos and report formats are canceled. The new policy documents themselves are almost 90 percent shorter than the old ones.

I have read the new regulations. I must admit that I tried many times to read the old 5000 documents without much success. These new documents are key to institutionalizing fundamental change in the defense acquisition process, and are a visible symbol of the Department's acquisition reform efforts. It is important that each of you are aware of this new institutional foundation — a foundation of policy documents and available training and support materials.

Successes

Now that we have an institutional base in place, we are beginning to see the benefits of acquisition reforms. The evidence is still mostly anecdotal — but we are seeing savings on major programs like the Joint Direct Attack Munition, the C-17,

and the SMART-T, and on thousands of small purchases of items like T-shirts and socks.

The Joint Direct Attack Munition, or JDAM program provides a good illustration of the savings possible by switching from the old ways to the new ways of doing business. A couple of years ago, the Department set out to convert tens of thousands of "dumb" gravity bombs into "smart" bombs that could be accurately guided. The key to doing this was to build a kit for each bomb that could receive navigation signals from existing Global Positioning System satellites. We started the program the old way and estimated in 1993 that we could get the cost of each JDAM modification kit down to about $40,000 by the time we converted our 40,000th unit.

Without the benefit of these reforms, we started the program by sending out a request for proposal that contained a 137-page work statement and 87 military specifications. Last year we sent out a new request for proposal. This time, we sent out a two-page performance specification — two pages about what we wanted the system to do, not how the contractor should go about doing it. And this time, we had no requirement for any military-unique specifications or standards.

As a result, we signed a contract early this year for JDAM kits that cost $18,000 each — starting with the first unit, not the 40,000th. When you are buying over 80,000 such kits, that amounts to a major savings — approximately $2.9 billion or about 50 percent of the original program cost. Those savings have now been applied to the Department's pressing modernization priorities in the President's fiscal year 1997 budget request.

The Department has been able to put tangible procurement reform into play on major programs like JDAM and on thousands of smaller purchases like T-shirts, socks, and Navy Chukka shoes. By scrapping the military specification for T-shirts and socks, the Defense Logistics Agency is now buying brand name commercial undershirts and socks for military clothing sales stores — offering superior quality at 10- to 20-percent discounts.

UNDER SECRETARY OF DEFENSE FOR ACQUISITION & TECHNOLOGY PAUL G. KAMINSKI ADDRESSES THE PROFESSIONAL ACQUISITION WORKFORCE AS PART OF ACQUISITION REFORM ACCELERATION DAY, PENTAGON COURTYARD, MAY 31, 1996.

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Summary

I want to conclude by thanking all of you again for your dedication and asking for your commitment to acquisition reform. Your participation in today's events means that you will be even better equipped with our new acquisition reform tools to really make a difference.

I also want to thank "Doc" Cooke for his assistance in permitting us to use the Pentagon Courtyard to set up our Acquisition and Technology "Camp Site." I want to note that Doc's people have obviously implemented acquisition reform — it only took *four hours* from start to finish to get the contractors on site to work out details for the tents we will be using today. This is clear evidence of the benefits of using commercial practices. Thanks, Doc.

I want to thank the individuals who will be leading discussion sessions today. Participants will be able to attend the session of their choice. Today, we have sessions on several important initiatives:

- The New 5000 documents
- Defense Acquisition Desk Book
- Cost as an Independent Variable
- OIPT and IPT Processes
- Streamlining Testing
- Single Process Initiative
- A&T Rotations and Training
- FASA/FARA Implementation
- ACTDs
- IG Acquisition Reform Initiatives
- Reducing Life Cycle Costs
- Commercial Acquisition and Practices
- Earned Value
- Specs and Standards
- IPPD

I want to thank Colleen Preston, the Deputy Under Secretary of Defense for Acquisition Reform, for all her hard work over the last three years to make acquisition reform a success.

Finally, I want to thank Irv Blickstein, Donna Richbourg, Rick Engel, Joe Ferrara, and Dan Dunmire for all their work to make this day a success.

Have an enjoyable, but productive day. And remember, this is not the end of our work in acquisition reform nor even the beginning of the end. I do think, though, *that today marks the end of the beginning.*