

Cohen Reports to Vice President

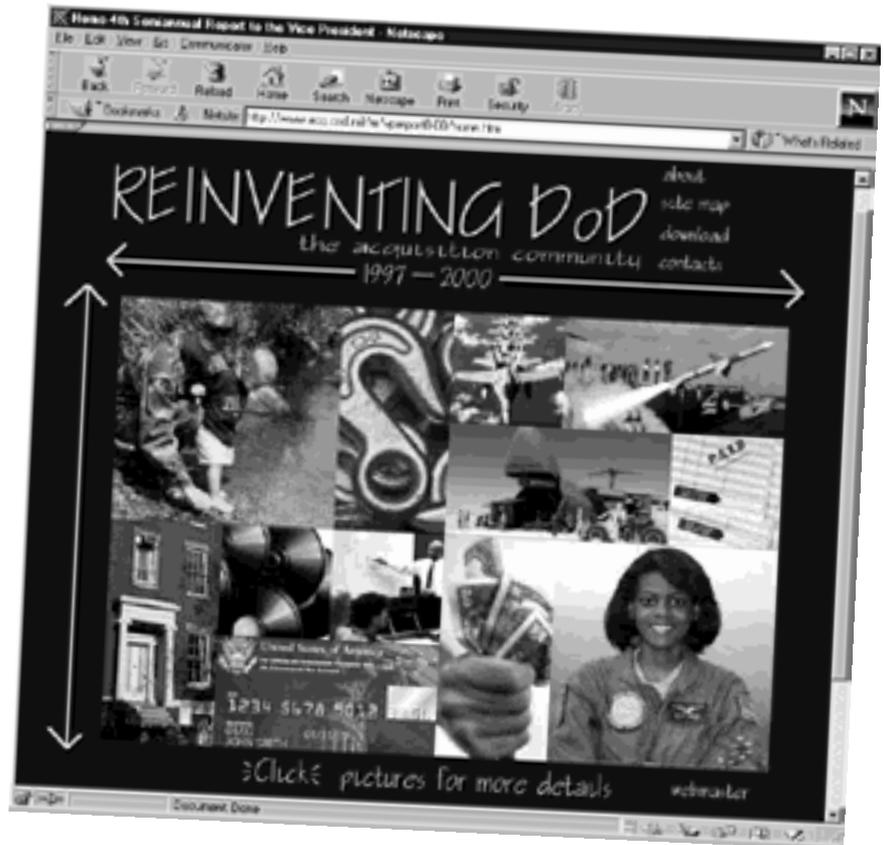
DoD Year 2000 Acquisition Goals

Secretary of Defense William S. Cohen reported to the Vice President Aug. 8 on DoD's progress toward achieving Year 2000 Acquisition Goals. The report, fourth in a series of six semiannual reports, was written in plain language to provide the American public a clear picture of progress in reinventing Defense Acquisition.

In his fourth report, Cohen outlined the Department's three-year goals and actions taken. The three-year goals were founded on the objectives of *Delivering Great Service*, *Fostering Partnership*, and *Internal Reinvention* that the Administration set forth in the Blair House Papers. Cohen's report reflected a Department that is continuing to modernize its forces, use its resources more efficiently, and supply the nation's warfighters and peacekeepers with the goods and services they need — better, faster, and cheaper.

"As requested by our warfighters in 1996, we have enabled the Department to spend \$60.3 billion in 2001 to modernize its forces. This funding was made possible by our more efficient use of resources. As we enter the new millennium, we are proud of our achievements and rededicate ourselves to further achievements in the years to come."

These excerpts from the report present only the three-year goals and actions taken to date. To view the accompanying charts that measure DoD's progress, download the entire report at <http://www.acq.osd.mil/ar/vpreport8-00/summary.htm>.



DELIVERING GREAT SERVICE

New Weapons in Less Time

OUR THREE-YEAR GOAL

Deliver new major defense systems to the users in 25 percent less time.

We are delivering major new defense systems to the warfighter in 27 percent less time, exceeding our goal of 25 percent.

During the Cold War, the threat environment was stable and predictable. We often let program schedules slip to spread out system costs or to further enhance system performance. Today, the threat environment is more fluid and we have adapted by becoming much more flexible to meet warfighter needs faster. By fielding new systems in less time, we are providing our warfighters with the

systems they need, when they need them, and at reduced cost.

To achieve this reduction, we structure programs from their inception for shorter acquisition cycle times (i.e., the time between starting a new program and making initial delivery). We then closely monitor cycle time performance at every stage, from program approval and budgeting to delivery to the warfighters. We emphasize near-term requirements and the availability of proven technologies when authorizing new programs. This allows us to satisfy warfighter needs incrementally, infusing new technologies as they become available.

Our goal is to reduce the cycle time of new programs by 25 percent starting

from a 1992 baseline of 132 months (the average cycle time of currently active programs started prior to 1992).

Better Logistics Support Services

OUR THREE-YEAR GOAL

To achieve visibility of 90 percent of DoD materiel assets while resupplying military peacekeepers and warfighters and reducing average order-to-receipt time by 50 percent.

We are actively tracking 94 percent of DoD materiel assets and have reduced average order-to-receipt time for new purchases by 61 percent.

Our primary job is to supply the warfighters with the products they need, when they need them. To this end, we have improved our management of logistics information and inventories. We have integrated existing logistics information systems with new information systems. These systems give us access to timely, accurate information on the status, location, and movement of units, personnel, equipment, and supplies.

We are using information systems to reduce delivery times by relying on electronic, rather than paper, transactions with our vendors. We are further reducing delivery times by using commercial practices, such as contracting with vendors to provide direct support, and using faster transportation services to respond more quickly to customer orders. These steps have enabled us to meet the warfighters' needs more rapidly, improving military readiness, while reducing inventory and delivery costs.

Simplifying Buying of Goods and Services

OUR THREE-YEAR GOAL

Simplify purchasing and payment through use of purchase card transactions for 90 percent of all DoD micropurchases while reengineering the processes for requisitioning, funding, and ordering.

We have simplified purchasing and payment through the use of purchase cards for 92 percent of all DoD small purchases, while reengineering our business processes for requisitioning, funding, and ordering.

Only by continuing our education can we avoid creating a new [acquisition and procurement] system as rigid as the old.

In the past, when we wanted to order a product for less than \$2,500 (micropurchases), we used a form that required several rounds of review and approval. This bureaucratic work added significantly to the real cost of the product and to the time it took to receive the order.

Today, we use the Government Purchase Card in much the same way the public uses commercial bank credit cards to purchase items. Our goal is to increase our use of the Government Purchase Card for micropurchases, thus making our ordering and buying processes more efficient and cost effective.

The Army estimates that it saves \$92 per transaction when supplies and services are bought with the Government Purchase Card instead of a purchase order. This money can be used to equip our warfighters rather [than] to do unproductive paperwork.

We removed bureaucratic roadblocks to using Government Purchase Cards for micropurchases in all but a few special cases. We are working to limit these special cases to a bare minimum. We reorganized our traditional requisition and ordering system to match these new conditions. In 1997, we used Government Purchase Cards for 5 million micropurchases. We increased that to over 7 million in 1998, and to just short of 9 million in 1999.

Educating and Training the Defense Acquisition and Technology Workforce

OUR THREE-YEAR GOAL

Create a world-class learning organization by offering 40 or more hours annually of continuing education and training to the DoD acquisition-related workforce.

We are creating a world-class learning organization by offering 40 hours or more of continuing education and training to the DoD acquisition and technology workforce every year.

In the last few years, we have undergone dramatic changes in how we buy goods and services. We made these changes to facilitate better, cheaper, and faster support to the warfighters. Many of these changes are based on best commercial practices. To help our buyers adjust to this new environment, we offer quality education and training that includes not only a description of the new practices, but also an understanding of why these changes are being made. Such training must continue throughout our careers to ensure that we stay current with best commercial and government practices. Only by continuing our education can we avoid creating a new system as rigid as the old.

We plan to meet our goal by having our people take 40 hours or more of continuing education annually. Currently, most of this training takes place in traditional classrooms. We are, however, rapidly expanding our use of computing and telecommunications technology to provide more cost-effective and timely training via satellite and the Internet. Our acquisition and technology workforce also now takes training in other fields to expand their expertise and certifications in the commercial business environment. This opportunity will make them better rounded in their daily duties, as well as enhance their job satisfaction.

FOSTERING PARTNERSHIP

Modernizing Defense

OUR THREE-YEAR GOAL

With no top-line budget change, achieve annual defense procurement of at least

\$54 billion toward a goal of \$60 billion in 2001.

With no top-line budget change, we have increased funding for defense modernization by 24 percent above the FY 1997 baseline of \$44.3 billion with the appropriation of \$55 billion for procurement in FY 2000.

After the Cold War, the dramatic reduction in defense spending had a particularly significant impact on the buying of new weapons and equipment. At the time, our inventory of newer weapons was sufficient to meet the needs of our reduced troop levels and older weapons and equipment were retired. Over the intervening years, our budget for buying new weapons was further reduced by spending on unplanned events such as regional conflicts, peacekeeping, and humanitarian missions.

Today, our defense inventory is showing its age. As the level of technology used by our potential adversaries increases, we need to continue fielding new weapons and equipment to maintain our military edge. By fully implementing recommendations from the Quadrennial Defense Review and continuing with the Defense Reform Initiative, we were able to substantially increase procurement funding. These recommendations included better planning for operation and support costs; further cutting our troop levels; reforming our business practices; and streamlining our acquisition and logistics workforce.

To meet our goal of \$54 billion in annual procurement funding, we have made great strides in reducing cost growth in our operations and maintenance accounts. This has increased the money available for modernization investments.

Over the last few years, we have consistently increased procurement funding dedicated to the modernization of our operating forces.

Partnering with Communities

OUR THREE-YEAR GOAL

In the spirit of fostering partnerships and community solutions, DoD will

complete disposal of 50 percent of the surplus property baseline and privatize 30,000 housing units.

We have divested 123,727 acres of surplus real estate and privatized 3,672 housing units, while minimizing potential disruptions by fostering partnerships and community solutions.

As the owner of hundreds of military facilities and thousands of apartments and houses in the United States, we are the nation's largest landlord. Today, we are divesting ourselves of land we no longer need and are inviting private companies to build and operate our housing units. These actions will save money and rebuild our local and base communities while improving the quality of life for all concerned.

On the recommendation of the bipartisan Base Realignment and Closure Commissions, we are closing 97 major military bases and restructuring 55 major bases. We have already saved \$14 billion from these and related actions. We are working closely with local communities to minimize the negative consequences of these closures by redeveloping closed bases as centers for job creation and community activities and by providing communities with technical assistance and grants to convert these properties to sources of new jobs.

We have overcome numerous legal, financial, and environmental hurdles to achieve our goal of transferring excess real estate. We are continuing to work with Congress to write new laws to ease this task in the future. We regularly review past property transfers to make sure they were successful. Moreover, we are reaching out to local communities to hear their concerns. Through this partnership, we are reusing excess government real property more efficiently, and producing cost savings that can be put back into force modernization and readiness.

We currently own about 300,000 family apartments and houses in the United States, of which more than 60 percent are in need of renovation or replacement.

We have invited the real estate industry to apply commercial practices to help us to improve these properties while saving the taxpayer some of the \$20 billion these repairs would have traditionally cost.

In the coming years, we will continue our efforts to cut our excess land holdings in half and privatize thousands of apartments and houses.

Decreasing Paper Transactions

OUR THREE-YEAR GOAL

Decrease paper transactions by 50 percent through Electronic Commerce and Electronic Data Interchange (EC/EDI).

We have surpassed our goal for electronic commerce and electronic data interchange by decreasing paper contracting transactions by 63 percent.

By increasingly relying on electronic transactions, we are reducing the cost and burden of paperwork; providing more timely payments; minimizing repeated requests for the same information; making DoD information more accessible; improving data accuracy; and making communications with industry easier and faster.

We are integrating our electronic contracting, program management, and logistics support systems to achieve further efficiency benefits. These systems are helping us reduce the time and cost to do our job and thereby provide better support to the warfighter. In addition, the business efficiencies of digital transactions will significantly reduce the total costs of owning, operating, and maintaining our weapons and equipment.

Reducing Toxic Pollution

OUR THREE-YEAR GOAL

Reduce total releases of toxic chemicals by a further 20 percent.

We have surpassed our original goal and decreased our total release of toxic chemicals by 43 percent since 1995.

In 1994, we began to submit annual reports to the Environmental Protection Agency on our use of a number of toxic

chemicals. In 1994, we released or shipped from military bases 10.6 million pounds of these chemicals. In 1995, we reduced this amount by 36 percent to 6.7 million pounds. We did this by adopting a strong pollution prevention program and by reducing polluting activities.

We found new products and processes that do not rely on toxic chemicals and substituted them where possible. We worked in partnership with industry to reduce or eliminate toxic chemicals used in manufacturing weapons. And we made it much easier for the defense industry to find alternatives to using toxic chemicals.

By decreasing these toxic chemicals, we improve the environment for everyone. Moreover, we avoid spending money on the extra paperwork, special handling, and disposal that using toxic chemicals necessitates. Minimizing the use of toxic chemicals in manufacturing weapons also reduces the use of toxic chemicals on military bases that operate, maintain, and repair the weapons.

We surpassed our original goal to reduce our 1995 baseline from 6.7 million pounds by 20 percent to 5.4 million pounds in the first year of the effort. As a result, we revised our year 2000 goal to 3.4 million pounds, a 50 percent reduction from the 1995 level.

DOD INTERNAL REINVENTION

Streamlining Our Workforce

OUR THREE-YEAR GOAL

Eliminate layers of management through streamlined processes while reducing the DoD acquisition-related workforce by 15 percent.

Streamlining our processes has made it possible for us to eliminate layers of management and reduce the DoD programmed acquisition workforce by 19 percent, exceeding our goal of 15 percent.

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We reengineered our processes, eliminating redundant work and simplifying procedures. We have given program teams more responsibility and [cut] unnecessary reviews and oversight. As a result of these changes, we are less bureaucratic and more professional, and we are continuously looking for additional opportunities to do business better, cheaper, and faster with fewer people.

Since 1989, we have reduced our acquisition workforce by over 50 percent.

Providing Effective Cost Accounting

OUR THREE-YEAR GOAL

Define requirements and establish an implementation plan for a cost accounting system that provides routine visibility into weapon system life cycle costs through activity-based costing and management. The system must deliver timely, integrated data for management purposes to permit understanding of total weapon costs, provide a basis for estimating costs of future systems, and feed other tools for life cycle cost management.

We have developed plans and are now implementing these plans for a cost accounting process that provides routine visibility into weapon system life cycle costs through activity-based costing and management.

The lack of a common, robust cost accounting process is one of the biggest obstacles to controlling and managing the cost of weapons and equipment for their useful life. Current accounting systems do not communicate with each other effectively, nor do they organize program information in a way that is most useful to management. As a result, they provide only limited insight into the total cost of buying, operating, maintaining, and disposing of our inventories.

Our goal was to develop a plan for a new, DoD-wide cost accounting process by the year 2000. To do this, we worked closely with outside consultants to assess current cost accounting initiatives. We talked to our customers throughout the DoD. The process must deliver timely, integrated data for management purposes to permit understanding of total weapon costs, provide a basis for estimating costs of future weapon systems, and feed other tools for life cycle cost management.

Our military departments and defense agencies have prepared implementation plans for the directed new cost accounting process. The plans have been approved and implementation of the new process began at the start of FY 2000.

Reducing Excess Inventory

OUR THREE-YEAR GOAL

Dispose of \$2.2 billion in excess National Defense Stockpile inventories and \$3 billion of unneeded government property while reducing supply inventory by \$12 billion.

We have disposed of over \$1.9 billion in excess National Defense Stockpile inventories and \$4.69 billion of unneeded government property, and are on track to reduce supply inventories by \$12 billion.

After the end of the Cold War, we found ourselves with a huge inventory of ma-

materials and supplies that we no longer needed. The National Defense Stockpile is a large inventory of strategic and critical materials set aside for a national emergency. The market value of the 1997 stockpile was \$5.3 billion. By using up, selling, or otherwise disposing of this inventory, we are recovering and reducing costs by billions of dollars that can be used for military modernization, operations, and maintenance.

Once proper authority from Congress is received, our goal is to dispose of \$2.2 billion in excess stockpile inventories by the end of the year 2000 without causing undue market disruption. Already, we have lowered the inventory by selling \$1.9 billion worth of excess stockpile items.

We have also reduced the amount of DoD property held by defense contractors. Government tooling or equipment is often loaned to contractors to perform tasks unique to defense work. Since the 1980s, the original value of this property has grown in spite of repeated efforts to curb growth. Our goal to dispose of \$3 billion worth by the end of the year 2000 was achieved one year ahead of schedule when we had disposed of \$4.69 billion worth of equipment. In the future, we will rely on commercial suppliers to

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use their own equipment to reduce the amount of government property held by contractors.

Finally, we are realigning our supply inventories to match the current needs of our reduced troop levels. From a 1989 high valued at \$107 billion, we expect to reduce inventory levels by 48 percent to \$56 billion by 2000 or by \$12 billion since 1996. To reduce our supply inventory further, we are being more selective in what we buy and how we buy it. We are improving equipment reliability, decreasing order and delivery times, and bypassing government warehouses.

Minimizing Weapons Cost Growth

OUR THREE-YEAR GOAL

Minimize cost growth in major defense acquisition programs to no greater than one percent annually.

We are working hard to minimize cost growth in major defense acquisition programs to no greater than one percent annually.

Historically, we have overspent our original budgets for major new weapons. Some of this cost growth was necessary to deal with changes in technology. Schedule slips and inaccurate estimates of the original cost have caused additional cost growth. Our goal is to minimize cost growth during the development and production of major new weapons through greater program stability.

To ensure success in this area, we have taken a number of actions to control cost growth. We monitor major weapons programs on a quarterly basis with a focus on cost growth when making programming and budgeting decisions. We look closely at how much money programs are asking for in the program acquisition process. Finally, we measure our progress and study additional actions to keep cost growth at or below one percent.

DAU EXECUTIVE BOARD MEETING AT THE PENTAGON

Several members of the DAU Executive Board confer at their September 8, 2000 monthly meeting. The Executive Board, which replaced the Defense Acquisition Career Development Council, is the senior policy oversight body for DAU.

From left to right: Dr. Jerry Smith, Chancellor for DoD Education and Professional Development; Dr. Jim Edgar, representing the Army Service Acquisition Executive; Mrs. Donna Richbourg, PADUSD (AR), Chairperson, DAU Executive Board; Ms. Marty Evans, representing the Air Force Service Acquisition Executive; Dr. Diane Disney, Director of Defense Civilian Personnel Policy, representing the Assistant Secretary of Defense for Force Management Policy; Mr. William Hauenstein, representing the Navy Service Acquisition Executive; and Air Force Brigadier General Frank J. Anderson, Jr., DAU Vice President and DSMC Commandant.

