

DSMC Hosts Sixth Semiannual PEO/SysCom Commanders/PM Conference

Our Job is to Give the Qualitative Edge to the Warfighters”

TERRY W. BAIN • DR. DANNY L. REED

“There’s nothing really hard about reducing costs...,” according to Paul Hooper, who delivered the Conference Theme and Objectives presentation to the Sixth Semiannual Program Executive Officers/Systems Command Commanders/Program Managers (PEO/ Sys-Com Commanders/PM) Conference. “It’s easy: you just stop spending money. The problem is, you don’t get anything...when you do that...”



JOINED BY HIS WIFE, JULIE, AND PERSONAL STAFF, ACTING UNDER SECRETARY OF DEFENSE FOR ACQUISITION & TECHNOLOGY, R. NOEL LONGUEMARE, RECEIVES THE DAVID PACKARD AWARD FOR ACQUISITION EXCELLENCE FROM DEPUTY SECRETARY OF DEFENSE JOHN HAMRE. PICTURED FROM LEFT: ARMY COL. JIM ETSCHECHURY, SENIOR MILITARY ASSISTANT; AIR FORCE LT. COL. JOE PRICE, MILITARY ASSISTANT, LONGUEMARE; WIFE, JULIE; MADDY ALDRICH, CONFIDENTIAL ASSISTANT; HAMRE.

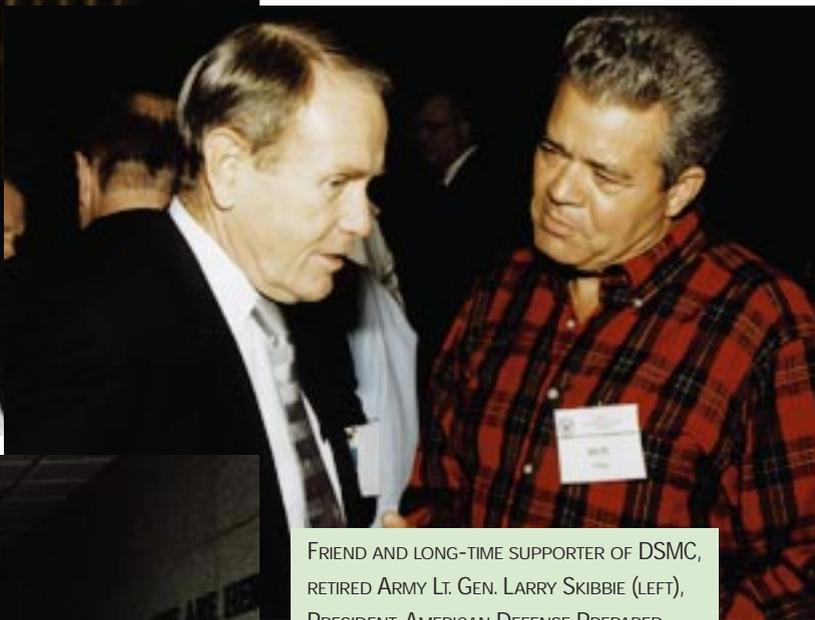
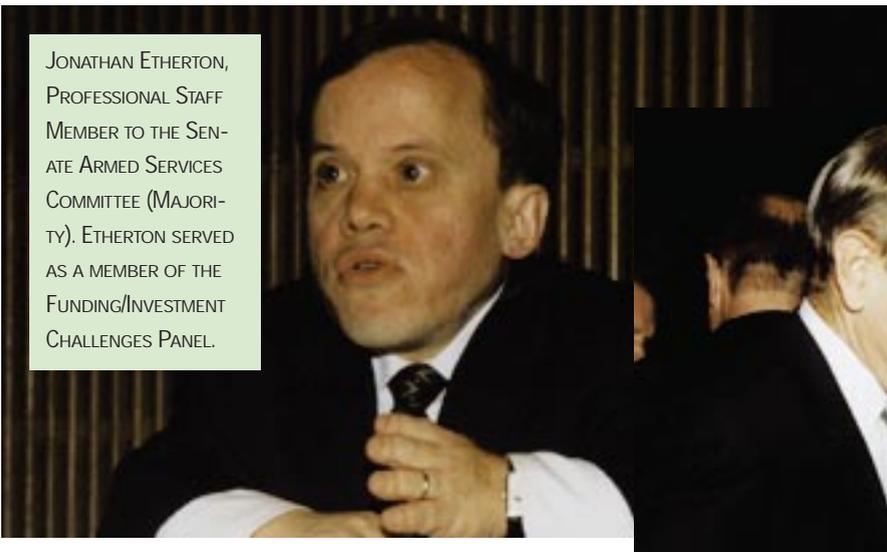


DURING A PANEL DISCUSSION, GEORGE SCHNEITER, DIRECTOR, STRATEGIC AND TACTICAL SYSTEMS, OFFICE OF THE UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY) HOLDS UP A COPY OF DSMC'S PUBLICATION, *JOINT LOGISTICS COMMANDERS GUIDANCE FOR USE OF EVOLUTIONARY ACQUISITION STRATEGY TO ACQUIRE WEAPON SYSTEMS*. SCHNEITER SAID THE PUBLICATION CONTAINED THE BEST DEFINITION OF EVOLUTIONARY ACQUISITION THAT HE COULD FIND.



Bain is a freelance writer with 22 years of professional writing experience. Currently under contract with Program Manager, Bain's experience includes technical writing, editing, computer software, and electronic graphics support for several government agencies and defense industries. He holds a B.S. in Social Science from the University of Southern Indiana and an Indiana Secondary Education Certification. Reed is a member of the Research Staff, Institute for Defense Analyses, Alexandria, Va.

JONATHAN ETHERTON, PROFESSIONAL STAFF MEMBER TO THE SENATE ARMED SERVICES COMMITTEE (MAJORITY). ETHERTON SERVED AS A MEMBER OF THE FUNDING/INVESTMENT CHALLENGES PANEL.



FRIEND AND LONG-TIME SUPPORTER OF DSMC, RETIRED ARMY LT. GEN. LARRY SKIBBIE (LEFT), PRESIDENT, AMERICAN DEFENSE PREPAREDNESS ASSOCIATION, SPEAKS WITH ROY WILLIS, ACTING DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS).



DEPUTY SECRETARY OF DEFENSE JOHN HAMRE (CENTER) IS GREETED BY ARMY BRIG. GEN. RICHARD A. BLACK, DSMC COMMANDANT, AND DONNA RICHBOURG, ACTING DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM) AS HE ARRIVES AT SCOTT HALL, DSMC MAIN CAMPUS, FORT BELVOIR, VA., SITE OF THE SIXTH SEMIANNUAL PEO/SYSCOM COMMANDERS/PM CONFERENCE ON OCTOBER 17.

mandant, DSMC, Hoyer's remarks set the tone for the conference.

Tough Decisions

"Our job," Hoyer began, "...is to give the qualitative edge to the warfighters. That's what we really need to do, and it's within that context that we have to reduce Total Ownership Costs.

"What we're facing now is a situation where, if we can't reduce Total Ownership Costs, we won't just be looking at a list of priorities where we can always afford the top priorities for things we really need. We may find ourselves, in the future, trying to figure out which essentials we can eliminate. With your help, you who are here today, in this conference, I hope that we may never see that day..." Hoyer said.

Hoyer reminded attendees that the Single Process Initiative concept grew out of comments raised during one of the breakout sessions in the fall 1995 meeting. He presented a brief history of the first five conferences, including the following topics covered during those conferences:



TOM CREAN, PRESIDENT, DEFENSE ACQUISITION UNIVERSITY (LEFT) SPEAKS WITH RICH REED, PROVOST AND DEPUTY COMMANDANT, DSMC. REED BECAME DSMC'S PROVOST AND DEPUTY COMMANDANT EFFECTIVE OCTOBER 1.

The theme for the conference, held October 16-17, 1997, at the Defense Systems Management College (DSMC) main campus at Fort Belvoir, Va., was "Reducing Total Ownership Costs — Opportunities and Dilemmas." Over 350 attendees took part in the conference. Following the conference opening by retired Air Force Lt. Gen. Tom Ferguson and a brief welcome by Army Brig. Gen. Richard Black, Com-

- March 1995 – Specifications and Standards, Barriers to Cost Reduction, Cost As an Independent Variable (CAIV), Integrated Product and Process Development (IPPD), Integrated Product Teams (IPT)
- October 1995 – CAIV, IPTs, Acquisition Reform (AR), Acquisition Legislation, Best Practices
- March 1996 – Enhanced Understanding of the Integrated Acquisition Team with special emphasis on the Controller, Requirements/Users, and Contracting/Procurement parts of the Team
- October 1996 – Assess AR Progress, Select Key Focus Areas, Identify Implementation Ideas
- April 1997 – Reducing Total Ownership Costs

“...if we can’t reduce Total Ownership Costs, we won’t just be looking at a list of priorities where we can always afford the top priorities for things we really need. We may find ourselves, in the future, trying to figure out which essentials we can eliminate.”

Hoeper reminded attendees that, “The ‘C’ in CAIV is Life Cycle Cost, not just acquisition cost,” prior to the first conference panel presentation – “Cost as an Independent Variable (CAIV).”

Panel – CAIV

Dr. Spiros Pallas, Principal Deputy Director of Strategic and Tactical Systems served as the panel’s moderator. CAIV was established in December 1995, according to Pallas. Several Flagship Programs (similar to AR Pilot programs) have been established, which fall into two categories: New Starts and Retrofits.

Daniel Porter, who is the Department of Navy Acquisition Reform Executive addressed Navy Strategic Cost Management. He observed that there are not many available CAIV Tools at this time.

Dr. Herbert Fallin, Jr. is the Director of Assessment and Evaluation, Office of the Assistant Secretary of the Army (Research, Development, and Acquisition). The Army’s goal, according to Fallin, is to obtain cost reductions of 20 percent.

Air Force Col. Carl “Ben” Overall, Program Director, Intercontinental Ballistic Missile (ICBM) Systems Program Office (SPO) stressed the importance of balancing acquisition and life-cycle costs.

After making individual presentations, the panel fielded questions from the audience. Fallin noted that CAIV was not just about reducing cost, but also achieving the best value. He noted that over 50 percent of total program costs were not from procurement, but were attributable to support costs.

AR Implementation – An Industry Survey

Following the CAIV panel, Charles Adams, Managing Associate at Coopers & Lybrand Consulting addressed “AR Implementation – An Industry Survey.” According to Adams, the least implemented AR change element is “Streamlined Government Property Management,” while the highest implementation element was the “Use of Past Performance/Best Value Evaluation Criteria” for contracting. The change element with the highest significant outcome result was the use of “Open Systems” approaches.

Adams indicated that the most significant barrier reported was that the “Government decided not to implement” the particular AR change element. In summary, the survey indicates significant progress and impacts for AR initiatives, while indicating a need for continued education and training.

Program Stability

Dan Czelusniak, Director, Acquisition Program Integration, OUSD(A&T), presented a “Program Stability Update.” He noted that funding instability fundamentally manifests itself as resource migration. This falls into two categories: investment migration to operations and support (by far, the largest category); and the second type is an internal migration across investment accounts.

According to Czelusniak, there is significant financial risk in the current Future Years Defense Plan; specifically \$10 to \$12 billion per year. Continuing migration at this level threatens to overwhelm much of the benefits of AR savings. He recommends more realistic planning and programming, noting that efforts to date have only addressed about \$2 billion of the \$10 to \$12 billion-per-year problem.

Internal migration, the second category type, is a program response to technical risks. In an effort to maintain program schedules, program costs increase and destabilize other programs. New starts squeeze out existing programs. Czelusniak’s recommendations: manage risk rather than react to it, and establish reserves.

AR Week/ACAT ID IPT Survey Results

Skip Hawthorne, Senior Program Analyst, OUSD(A&T), presented “AR Week/ACAT ID IPT Survey Results.” The survey documented that IPT effectiveness is improving over time. Respondents indicated, however, that 20-30 percent of IPTs are not yet working effectively. Too many layers of hierarchy still retard IPT decision maker empowerment.

New DoD Initiative on Sub-tier Competition

Martin Meth, Director, Industrial Capabilities and Assessments, OUSD(A&T), presented “New DoD Initiative on Sub-tier Competition.” Meth said recent extensive industry mergers and consolidations have increased vertical integration. The total number of firms has been reduced, but their capabilities have been retained. Studies of specific situations are continuing.

New Attack SSN —

Reducing Total Ownership Costs

The luncheon speaker was Katherine Hegmann, Senior Vice President, Navy Systems, at Lockheed Martin Federal Systems. Her presentation, “New Attack SSN — Reducing Total Ownership Costs” highlighted some of the benefits of utilizing Commercial Off-the-Shelf (COTS) software. According to Hegmann, COTS enabled a 4:1 savings in support costs as well as providing reduced program development time.

Panel — Integrating Acquisition and Logistics Throughout the Life Cycle

Dale Adams, Principal Deputy for Acquisition, U.S. Army Materiel Command, served as panel moderator for “Integrating Acquisition and Logistics throughout the Life Cycle.”

Bradley Cheney is the Project Leader for the AN/PPS-5 Ground Surveillance Radar System at the U.S. Army Communications-Electronics Command. He developed the concept of upgrading the AN/PPS-5 through non-developmental items (NDI) at one-tenth the cost of replacement systems, while improving system performance. From Research and Development to implementation for his system upgrades took only two years.

Army Col. Stephen Kee, Project Manager for the Apache Attack Helicopter Program noted that it’s a challenge to encourage and manage change. Kee said that bad parts are often viewed as merely a supply challenge (i.e., get more, keep those shelves stocked!). He suggested viewing “bad parts” as something that should be fixed to reduce Total Ownership Costs.

Air Force Col. Stan Shinkle is the Program Director for the Predator Unmanned Aerial Vehicle (UAV) Program. This system was fielded “Combat Capable” within 18 months, and avoided 10 years of development costs. Predator’s 30-day demo in Bosnia became a two-year operational mission. Shinkle recommends being prepared to be a success. Lack of support, spares, and operators is a result of this

extremely rapid system deployment. He cautions that “Battlelabs” require realistic user expectations.

Roy Willis, Acting Deputy Under Secretary of Defense (Logistics) noted that “If it doesn’t break much, it doesn’t cost much to own.” According to Willis, “One in every three enlisted men is a mechanic.” In his view, the two main program cost drivers are “Force Structure” requirements and “Mean Time Between Failure.” Placing a stronger up-front emphasis on reliability in new programs and major modifications could pay great dividends in less supply system load and reduced personnel.

Panel — Applying AR to Mods and Upgrades

The next panel, “Applying Acquisition Reform to Mods and Upgrades,” was moderated by Navy Capt. Joseph Haddock. He is the Acting Program Executive Officer, Air ASW, Assault and Special Mission Programs.

Navy Capt. Walter Massenburg, Program Manager, Maritime Surveillance Aircraft (PMA-290), presented an overview of a major avionics upgrade to the P-3C aircraft. NDI/COTS were used to the maximum extent possible using IPPD/Integrated Product Teams. He concluded with “Lessons Learned” and stated that Integrated Product Teams do work well when properly managed.

Army Col. Tom Harrison, Program Manager, Utility Helicopter observed that all the Services use Blackhawks, which reduces costs across the board. As “Team Hawk” resulted in commonality going up, costs have come down — at program start, commonality was only 40 percent. To illustrate increased commonality, Harrison displayed a picture of the Blackhawk production line. The shot had several intermixed helicopters, in production, destined for different Services, with civilian versions mixed-in.

Robert McCaig, Technical Director, Lockheed Martin Federal Systems shared his experience with COTS products. Traditionally, COTS products

made up about 10 percent of an acquisition. Current implementation requirements at Lockheed Martin may mandate 75 percent COTS. According to McCaig, modification of COTS components drives up costs and voids the vendor’s warranty. He thus noted that, “Off-the-Shelf COTS” is not redundant.

Panel — How Do We Make Evolutionary Acquisition the Norm?

The evening session panel was “How Do We Make Evolutionary Acquisition the Norm?” The panel moderator was Army Lt. Gen. Paul Kern, Military Deputy to the Assistant Secretary of the Army (Research, Development, and Acquisition). Panelists included: Ronald Orr, Assistant Deputy Chief of Staff for Installations and Logistics, Headquarters, U.S. Air Force (HQ USAF); Lee Frame, Deputy Director, Conventional Systems, Office of the Director, Operational Test & Evaluation, HQ USAF; Air Force Lt. Gen. David McCloud, Director for Force Structure, Resources and Assessment, J-8, Joint Staff; Dr. George Schreiber, Director, Strategic and Tactical Systems, Office of the Under Secretary of Defense (Acquisition and Technology) (OUSD[A&T]); Air Force Maj. Gen. Kenneth Israel, Director, Defense Airborne Reconnaissance Office; Irv Blickstein, Assistant Deputy Chief of Naval Operations, Resources, Warfare Requirements, and Assessments; and Dave Welp, President, Raytheon TI Systems, Inc.

The panel discussed the following key issues:

- The definition of evolutionary acquisition is not clear.
- The requirements process should keep the number of key performance parameters to a minimum.
- Use IPTs to prepare mission needs statements and operational requirements documents.
- The longer a program exists, the greater the opportunity for instability.
- Industry often uses a focus on cycle time as the strategic driver. DoD should also!?

Panel — Funding/Investment Challenges

The second day of the conference began with a panel discussion concerning “Funding/Investment Challenges,” moderated by Dr. Nancy Spruill, Deputy Director, Acquisition Resources, OUSD(A&T). Panel members included: Alice Maroni, Acting Under Secretary of Defense (Comptroller); Jonathan Etherton, Professional Staff Member to the Senate Armed Services Committee (Majority); Army Maj. Gen. Randall Rigby, Director, Program Analysis and Evaluation Office, Chief of Staff, Army; Navy Rear Adm. Daniel Murphy, Jr., Director, Surface Warfare (N86); Air Force Brig. Gen. Richard Reynolds, Program Executive Officer, Airlift and Trainers; Robert Bott, Vice President, Aircraft and Missile Systems, Boeing/McDonnell Douglas; and John Stenbit, Executive Vice President and General Manager, TRW Systems Integration Group.

The “Funding/Investment Challenges” panel focused on the following key issues:

- Importance of dealing with incentive issues.
- Higher operations and support (O&S) costs versus acquisition costs.
- Importance of setting goals for Life Cycle Cost early.
- Importance of simpler cost accounting.

Keynote Address

Deputy Secretary of Defense Dr. John Hamre delivered the conference keynote address. “It’s going to be a tough year...,” according to Hamre. He said that there will be no additional money for Congress to add for other programs that are not requested. Hamre asked all PEOs and PMs to work hard at getting their programs priced as properly as possible. Following the keynote address, Hamre presented the Acting Under Secretary of Defense (Acquisition and Technology) (USD[A&T]), R. Noel Longuemare with the David Packard Award for Acquisition Excellence.

Panel — Incentives

Arthur Money, Assistant Secretary of the Air Force for Acquisition served as moderator for the “Incentives” Panel. Panelists were Judy Stokley, System Program Director of the AMRAAM Joint Program Office, Aeronautical Systems Center, Air Force Materiel Command; and Kenneth Brockel, Principal Assistant for Specifications and Standards Acquisition Reform, U.S. Army Communications-Electronics Command.

Judy Stokley presented the AMRAAM story of how Acquisition Reform could be used successfully in an older (18 years) program wherein the Government infrastructure absorbs approximately 50 percent of the program dollars. A “Vision 2000” plan was initiated to show what and how the program picture of today would evolve into in the future. With the future “state” defined, a series of actions were begun; e.g., price-based procurement philosophy, partner with industry, streamline contracts, incentives, etc.

The plans are all in-work and being tracked toward significant results.

Brockel presented the “Value Management Workshop” program plan on Specs and Standards Acquisition Reform (SSAR). These Workshops are designed to show how to apply a Performance Based Philosophy: utilize current technology, use modernization through spares, maximize creativity of IPTs, and rely on the commercial marketplace. Ten Workshops were conducted in fiscal 1997, and 24 are planned for fiscal 1998.

Reduced Maintenance Costs — By Design

The luncheon speaker, Dr. Earl Weener, Director of Systems Engineering, Boeing Commercial Airplanes, presented “Reduced Maintenance Costs — By Design.” Examples of Boeing 737 aircraft design changes to lower operational costs included replacing technically advanced composite material engine cowlings with aluminum cowlings.

According to Weener, 737 spares were becoming prohibitively expensive and

lifetime costs were high. Based on the design changes that were incorporated, his company now offers a guaranteed 15-percent maintenance cost reduction, which equals \$150,000 savings-per-plane, per year. Weener said actual maintenance cost reductions could be even greater.

SAE Panel

The conference ended with the three Service Acquisition Executives — Dr. Ken Oscar, Acting Army SAE; John Douglass, Navy SAE; Art Money, Air Force SAE — participating in a Question and Answer (Q&A) panel discussion, led by the Acting USD(A&T), R. Noel Longuemare as the session moderator.

Key issues raised through Q&A and discussed by the SAEs follow:

- Research efforts are less focused since cessation of the Cold War.
- Alignment within the OSD and Services on *all* initiatives is needed.
- Accounting changes are needed to provide detail and insights into O&S costs.

In Closing

In closing, Longuemare stated that only three years ago, at the first PEO/SysCom Commanders Conference, cost reduction concepts such as CAIV were still unknown. Today, although all of the concepts of AR are admittedly, still not fully understood or fully implemented, significant progress and benefits have already been attained. Efforts such as this Sixth Semiannual PEO/SysCom Commanders/PM Conference, however, go a long way toward giving defense acquisition leaders better solutions/options than to “...just stop spending money.”

The spring 1998 Defense Systems Affordability Council (DSAC) Seventh PEO/SysCom Commanders/PM Conference has been set for April 28-29, 1998. Conference information and presentations are available at the DSAC Website on the World Wide Web: <http://www.acq.osd.mil/dsac>