Cohen Reports to Vice President

DoD Year 2000 Acquisition Goals

As a participant in the National Partnership for Reinventing Government and a designated High Impact Agency, Secretary of Defense William S. Cohen reported to the Vice President April 2 on DoD's progress toward achieving Year 2000 Acquisition Goals. The report, second 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 second report, Cohen outlined the Department's three-year goals, actions taken, and progress to date. 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.

"We chose goals," Cohen stated in the report, "both consistent with the vision, strategy, and plan articulated in our Quadrennial Defense Review and established in our FY 1998 Annual DoD Strategic Performance Plan under the Government Performance and Results Act."

This excerpt from the report presents only the three-year goals and actions taken. To read about measuring DoD's progress to date, download the entire report at **http://www.acq.osd.mil/ar/vpreport4-99/default.htm** on the World Wide Web.

Delivering Great Service

We are becoming a world-class service provider! We are delivering weapons quicker than before. We are supplying our warfighters and peacekeepers better, cheaper, and faster. We are cutting bureaucratic red tape by using Government Purchase Cards for small purchases. And we are enhancing our skills by providing our DoD acquisition-related workforce knowledge, tools, and techniques through continuing education.

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New Weapons in Less Time

Our Three-Year Goal

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

In the past, we were more concerned with focusing on performance than about how long it took to field systems. During the Cold War era, the threat environment was stable and predictable, and thus program schedule received much less emphasis than system cost and performance.

We must buy our systems faster and field them sooner. The Cold War is over, and the threat environment is now unstable and constantly changing. Therefore, we need to be more flexible and responsive in meeting the needs of our warfighters by fielding new systems in much less time. We expect that shorter cycle time will reduce cost growth and accelerate our modernization efforts.

Our goal is to reduce the cycle time of new programs (i.e., the time between starting a new program and achieving initial delivery) by 25 percent. That means the average cycle time of new programs, which started since 1992, will be less than 99 months by the end of the year 2000 – a 25-percent reduction from the recent historical average of 132 months (based on average cycle time of currently active programs started prior to 1992).

Taking Action

Since 1992, we have employed acquisition reform such as the use of commercial items, and the latest computer technologies in the design, manufacturing, and management of our programs. They have helped us in reducing cycle time, but we plan to do much more in order to reduce cycle time by at least 25 percent. Therefore we will:

- Use shorter cycle time as a planning constraint in structuring new programs.

- Strictly enforce shorter cycle time in approving new programs.
- Closely monitor programs in the process of acquiring, programming, and budgeting to limit cycle time growth.

In addition, we are changing the way we manage our programs to achieve shorter cycle time. Specifically, we are emphasizing the urgency of near-time requirements and the availability of proven technologies as key criteria in authorizing new programs. This means that we can now satisfy warfighter needs incrementally – by infusing new technologies, as they become available with each subsequent delivery.

Better Logistics Supply 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.

Our primary job is to supply our customer – the warfighters – with the products they need, when they need them. Today, this job is not being done as effectively as world-class companies, which respond far more quickly to customer orders than we do.

Taking Action

Better logistics supply services are first and foremost about gathering and using information about our inventories far more effectively than before. To this end, we will integrate our existing information systems better and build new information systems when necessary.

With our important new DoD Total Asset Visibility program, we will have direct access to timely, accurate information on the status, location, and movement of units, personnel, equipment, and supplies. By November 2000, we will also have the ability to redistribute inventories on-time to where they are needed most.

We will also use information systems to reduce delivery times by relying on electronic, rather than paper, transactions with our vendors. We will further reduce 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. All of these steps will enable us to meet our customers' needs more rapidly, improving military readiness, while reducing inventory and delivery costs.

Similarly, we will encourage our vendors to process our orders quicker by adopting flexible manufacturing practices.

Simplified 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.

When we buy a product for less than $2,500, we call it a micropurchase. In the past, we treated micropurchases like all other purchases. When we wanted to order an inexpensive product, we used a form that required lots of review and approval. Needless to say, this bureaucratic work added significantly to the real cost of the product and to the time it took to receive the order.

Today, we don't use this inefficient process. Instead, we use the Government Purchase Card in much the same way the public uses commercial bank credit cards to purchase items. Our Simplifying buying of goods and services goal is to increase our use of the Government Purchase Card for micropurchases, while making our ordering and buying processes more efficient and cost effective.

The Army estimates that it saves $92 per transaction when supplies or services are bought with the Government Purchase Card. It just makes more sense to spend this money helping our warfighters, rather than on unproductive paperwork.

Taking Action

Last year, we started to remove bureaucratic roadblocks to using Government Purchase Cards for micropurchases except in a few special cases. We are working to limit these special cases to a bare minimum.

We are also reorganizing our traditional requisition and ordering system to match these new conditions. In 1997 alone, we used the Government Purchase Card for five million contracting micropurchases that used to rely on the traditional system.

Educating and Training the Defense Acquisition 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.

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. These practices are often very different from the way we performed our jobs in the past.

We offer quality education and training to help our buyers adjust to this new environment. This education and training includes not only a description of the new practices, but also an understanding of why these changes are being made.

To become a better acquisition workforce, we must continue our training 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.

Taking Action

We plan to meet our three-year goal of educating the defense acquisition workforce by having our people take a mandatory 40 hours of continuing education annually, or 80 hours over two years.

In the near term, most of this training will take 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 interactive environment of the Internet.

Our acquisition workforce also now takes training in other fields to expand their expertise and certifications. This opportunity will make them better rounded in their daily duties, as well as enhance their job satisfaction.

Fostering Partnership

We are reducing our costs by working more closely with our customers, the warfighters, and our local communities! We are using the savings to buy modern weapons. We are turning over land we don't need to local communities and getting out of the landlord business. We are using computers to eliminate excessive and time-consuming paper transactions. We are ever mindful of our environmental trust, and we are improving where we live and work by reducing the release of toxic chemicals.

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.

After the Cold War, we decreased defense spending dramatically. This reduction was particularly significant in the buying of new weapons and equipment. At the time, this made sense because our inventory of newer weapons was sufficient to meet the needs of our reduced troop levels. Older weapons and equipment were retired.

Over the intervening years, we further reduced our budget for buying new weapons by spending on unplanned events, such as regional conflicts, peacekeeping, and humanitarian missions.

Today, our defense inventory is showing its age with much now needing to be replaced. 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.

To meet our goal of Modernizing defense, we will increase our annual budget for new weapons and equipment to at least $54 billion in the year 2000 and $60 billion by the year 2001. This represents an increase of almost $10 billion over the 1997 budget.

"... WE WILL INCREASE OUR ANNUAL BUDGET FOR NEW WEAPONS AND EQUIPMENT TO AT LEAST $54 BILLION IN THE YEAR 2000 AND $60 BILLION BY THE YEAR 2001. THIS REPRESENTS AN INCREASE OF ALMOST $10 BILLION OVER THE 1997 BUDGET ... PRESERVING THE GOVERNMENT'S DRIVE TOWARD A BALANCED BUDGET."

Taking Action

We increased procurement funding by fully implementing the recommendations of our Quadrennial Defense Review and continuing with the Defense Reform Initiative. These senior-level reviews lead us to free more money for buying new weapons and equipment by:

- Better planning for operating and support costs.
- Further cutting our troop levels.
- Reforming our business practices.
- Streamlining our acquisition and logistics workforce.

Due to an emergent need to address near-term readiness concerns, the Department was only able to budget $53 billion for procurement in the year 2000, which is just short of the goal. The Department is on target, however, toward-sachieving its $60-billion goal ($61.8 billion is budgeted) in procurement funding in 2001.

Despite this shortfall, this goal has been a success story. The Department made great strides in reducing cost growth in the operations and maintenance accounts that causes the migration of funds from investment accounts. Throughout the last three years, the Department has consistently increased procurement funding such that we can begin modernization of our operating forces. During the goal timeframe (1997-2000), procurement funding has experienced a real growth of 14 percent.

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 are the nation's largest landlord. We own hundreds of military facilities and thousands of apartments and houses in the United States.

Today, we are getting rid 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 our troops.

On the recommendation of the bipartisan Base Realignment and Closure Commissions (1988 - 1995), 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. We are providing communities with technical assistance and grants to help them con-

vert these properties to sources of new jobs.

We also currently own about 300,000 family apartments and homes in the United States. More than 60 percent of these properties need to be renovated or replaced. We have invited the real estate industry to apply commercial practices to improve these properties and help us in saving the taxpayer some of the $20 billion these repairs would have traditionally cost.

Taking Action

Selling, leasing, and transferring government real estate isn't easy. We have overcome numerous legal, financial, and environmental hurdles to achieve our goal of Partnering with communities in three years. By partnering with our local communities, we are reusing excess government property more efficiently, redeveloping closed bases as centers for job creation and community activities, and producing cost savings that can be put back into force modernization and readiness.

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 worked out right. Moreover, we are reaching out to local communities to hear their concerns as we strive to reach this goal in partnership.

Decreasing Paper Transactions

Our Three-Year Goal

Decrease paper transactions by 50 percent through electronic commerce and electronic data interchange (EC/EDI).

Industry is rapidly moving away from paper-based business practices toward electronic commerce and electronic data interchange. While we have made some progress in this area, we are lagging behind industry.

To make up for lost time, we are:

- Setting up computer networks for all our people.
- Removing regulations and other barriers to exchanging information electronically.
- Improving our business practices to take advantage of information technology advancements.

The goal of Decreasing paper transactions is to accelerate our transition from paper to electronic transactions. This will cut down our paperwork and that required of companies doing business with us. Paperless transactions will improve efficiency and effectiveness, and reduce processing times and costs, while providing more timely insight.

Taking Action

Filling out paperwork required to do business with us can be burdensome. Too many forms, redundant questions, and requests for unnecessary information are leading reasons for some of the frustrations we feel.

The goal of Decreasing paper transactions is to:

- Limit paperwork.
- Provide timely payments.
- Minimize repeated requests for the same information.
- Make DoD information more accessible through electonic media.
- Improve data accuracy.
- Make communications with industry easier and faster.

We are continuing on our three-year effort to increase paperless electronic business transactions and improve business practices.

To move away from our paper-based system, we are capitalizing on electronic contracting, program management, and logistics support information. By doing this, we will reduce the time and cost to do our job and thereby provide better support to the warfighters.

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.

In 1994, we began to submit annual reports to the Environmental Protection Agency on our usage 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 these releases and shipments by 36 percent to 6.7 million pounds. We did this by adopting a strong pollution prevention program and reducing polluting activities.

By decreasing these toxic chemicals, we avoid spending money on extra paperwork, special handling, and disposal. Most importantly, we improve the environment for everyone. Our Reducing toxic pollution goal is to reduce the use of toxic chemicals a further 20 percent.

Taking Action

We are finding new products and processes that do not rely on toxic chemicals and are substituting them where possible.

We are working in partnership with industry to reduce or eliminate toxic chemicals used in manufacturing weapons. We are making it much easier for the defense industry to find alternatives to using toxic chemicals.

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.

DoD Internal Reinvention

We are changing the way we do business! We are developing an implementation strategy to better identify our costs to specific outputs. We are selling off unneeded stockpile materials and government-owned property, while cutting our supply inventories to match the current needs of our warfighters and peacekeepers.

Moreover, we are controlling cost growth in our major weapons programs. Our stewardship of defense resources is a public trust. We are tightening our belt to have a lean, empowered acquisition workforce and an effective fighting force for the 21st century.

Streamlining Our Workforce

Our Three-Year Goal

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

Since 1989, we have reduced our acquisition workforce by over 40 percent. We are streamlining our organizations further and reducing our workforce by an additional 15 percent by the year 2000. We are resizing our workforce to match our workload more efficiently for the 21st century.

Taking Action

We cannot accept any inefficiencies in our acquisition workforce, when money for our customer, the warfighter, is tight. We are reengineering our processes, eliminating redundant work and simplifying procedures. We are giving program teams more responsibility and cutting 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.

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.

One of the biggest obstacles we face in controlling and managing the cost of weapons and equipment for their entire useful life is the lack of a common, robust, cost accounting process. Our current systems do not communicate with each other effectively, nor do they add all of the costs of many activities in a manner that is most useful to management. As a result, they give us only limited insight into the total cost of buying, using, maintaining, and disposing of our inventories.

Our Providing effective cost accounting goal is to develop a plan for a new, DoD-wide cost accounting process by the year 2000.

Taking Action

We are working closely with outside consultants to assess current cost accounting initiatives. We are talking to our customers throughout the DoD to define common requirements for a new cost accounting process.

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.

After the end of the Cold War, we found ourselves with a huge inventory of materials and supplies that we no longer needed. By using up, selling, or otherwise disposing of this inventory, we are recovering and reducing costs by billion of dollars. We will use this money for military modernization, operations, and maintenance.

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. We can sell or otherwise dispose of excess inventory after we receive the proper authority from Congress. By law, however, we must try to avoid causing undue market disruption. Our goal is to dispose of $2.2 billion in excess stockpile inventories by the year 2000.

We are also working to reduce the amount of DoD property held by defense contractors. We often loan contractors government tooling or equipment to perform defense-unique tasks. Since the 1980s, the original value of our property in contractor hands has grown in spite of repeated efforts to curb growth. Our goal is to dispose of $3 billion worth by the year 2000.

Finally, we are looking to Reduce excess inventories to match the current needs of our reduced troop levels. From a 1989 high valued at $107 billion, we are now reducing from $68 to $56 billion by 2000.

Taking Action

We are aggressively marketing to sell our inventory of critical and strategic materials. We are working closely with Congress and industry to ensure that we receive a good price for our inventory without unfairly undermining the commercial market.

In the future, to reduce the amount of government property held by contractors, we will rely on commercial suppliers to use their own equipment.

To reduce our excess supply inventory, 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.

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 by achieving greater program stability.

Taking Action

To control the cost growth we are continuing to:

- Monitor major weapon programs quarterly for cost growth.
- Focus on cost growth when making programming and budgeting decisions.
- Look closely at how much money programs are asking for in the program acquisition process.

We are measuring our progress and studying additional actions to keep cost growth below 1 percent.