

Another Dose of Reform

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If Congress doesn't like what the Bush Administration says on defense procurement, it will not wait long to act on its own. Strong medicine may be prescribed, whether the patient needs it or not.



Washington, D. C. The defense management team from the Bush Administration may not have long—a couple of months perhaps—to stake out its position on defense procurement reform. If

the administration's opening pitch is unconvincing, Congress is likely to take matters into its own hands.

Over the past twenty years, the defense acquisition process has been studied, investigated, and reformed more times than anyone can remember. Congress, however, is still far from satisfied, and it plans to tackle the problem with fresh vigor in the new session about to begin.

Some of the discontent stems from allegations last summer that industry consultants were privy to inside information, which their clients then used to unfair advantage in securing defense contracts. Even before that, though, Congress felt that the Pentagon had been slippery and evasive in implementing procurement reform measures.

Critics on Capitol Hill charge the Department of Defense with failure to streamline and police the acquisition process sufficiently, and they fault DoD for reluctance to consolidate control in the hands of a powerful "acquisition czar." They chastise the Department for allowing the services to push more programs than reduced budgets can support.

For their part, the services and the

Defense Department contend that they have made significant changes in the full spirit of reform. They want a legislative cease-fire and time for the accumulated adjustments to settle. There is virtually no chance that this argument will succeed. Congress is in no mood to back off, not even temporarily.

That's unfortunate, because the reforms already in place are working pretty well. Reporting channels for program managers have been simplified. Cost overruns on major systems—increasing at a rate of fourteen percent a year in 1981—have practically disappeared. Freestyle tinkering with system design in mid-development, once a common practice, is no longer tolerated.

Nevertheless, diagnosticians in and out of government prescribe strong medicine, so it may be forthcoming whether the patient needs it or not.

All sorts of proposals are kicking around. One idea would remove the military services from the procurement process and create an independent acquisition agency to buy weapon systems for the entire Department. Another scheme would pull the Defense Inspector General out of the regular chain of command to give the fraudbusters a freer run. Some activists want to shut the "revolving door" between the Defense Department and industry. They believe the conflict of interest is insurmountable if military officers and civilian officials with procurement authority can accept—or return to—jobs with defense contractors when their government tours end.

Moderates in and out of Congress, however, warn that these are radical measures and unwise. Such proposals make interesting speeches, but there is not much chance that they will find their way into legislation this term. A more likely issue for action—arcane as it may sound to the general public—is the role of the Under Secretary of Defense for Acquisition.

This position was the brainchild of the Packard Commission on Defense

Management in 1986. Congress embraced the concept enthusiastically, envisioning a strong acquisition czar with power to deal with intramural squabbling over resources.

Richard Godwin was the first person to hold the new position. He quit, saying he had not been given the authority he needed to do the job. The tenure of his successor, Dr. Robert B. Costello, has been less stormy, but he does not exercise enough power to satisfy Congress either. In introducing an acquisition reform bill last October, Sen. Jeff Bingaman (D-N. M.) accused the Defense Department of "making the Under Secretary dominant in approving programs, but providing others with the primary responsibility for addressing the funding of those programs."

(A compounding factor was that while both Mr. Godwin and Dr. Costello had some background in defense work before they came to the Pentagon, neither of them brought along a recognized reputation in the systems-acquisition field. This limited their effectiveness, even on matters where their authority was not at issue. A better-known veteran of the procurement wars might have been able to squeeze more clout from the charter.)

One interesting indication of progress is that the focus of acquisition reform has shifted. Today, the central issues are organizational, concerned with streamlining the hierarchy and ensuring that it is squeaky clean. A few years ago, the problems lay closer to the bone. Cost overruns were eating the services alive. Baseline discipline was loose. So many people were inserting change orders into the process that some systems were almost reinvented at the same time they were being acquired. The time it took to convert concepts into working weapons was increasing, too. Major steps in the recovery, everyone agreed, were to stabilize the process and eliminate some of the micromanagement.

The situation—at least the part of it that the Defense Department can control—has improved in nearly all of these respects. Acquisition officials

readily admit that the process isn't perfect, but they also reject the charge that sweeping change is necessary to correct fundamental flaws.

"There isn't any other acquisition community anyplace in the world that's providing better equipment," says Gen. Robert T. Herres, Vice Chairman of the Joint Chiefs of Staff. "There isn't any that's providing equipment as good for the same price. So all those critics who say we aren't doing very well need to keep in mind: compared to what?"

Secretary of Defense Frank C. Carlucci adds that "in DoD, we have made the term 'cost overrun' disappear. For the last two years, acquisition costs on major systems have been going down—not up. Those in a hurry to overhaul our system need to reflect on the fact that we now have *cost underruns*."

The military establishment further points out that reform was supposed to involve Congress as well as the services. While the services may have fallen short here and there, Congress has imposed no real changes at all upon itself. If anything, congressional micromanagement is worse than it was before.

The amazing thing is that a process so laden with "oversight" works at all. Industrialist-philosopher Norman R. Augustine says that defense procurements are "controlled by 4,000 laws and 30,000 pages of regulations, issued by seventy-nine offices and watched over by more than 26,000 people in the audit and oversight process, and by twenty-nine congressional committees with fifty-five subcommittees. In a typical year, the Pentagon responds to 720,000 inquiries from Capitol Hill."

A staple of the reform movement has been to remove middlemen from the acquisition chains in the services. Program managers now report directly to Program Executive Officers (PEOs), who, in turn, are straight-wired on program matters to their service's single acquisition executive. In Air Force Systems Command, the commanders of the product divisions (Aeronautical Systems Division, for example) are the PEOs for most programs.

Gen. Bernard P. Randolph, AFSC Commander, is PEO for a handful of big programs, including the National Aerospace Plane. The next level up from the PEO is the acquisition executive—in the Air Force, the Assistant Secretary for Acquisition. Any program manager who feels a need to talk directly with the acquisition executive is free to do so.

Except for matters central to their system acquisitions, though, program managers and PEOs are still responsible to Systems Command. That bothers some reform advocates who would like to further reduce the organizational layering by putting the acquisition commands, such as AFSC, out of business. Their favorite example is that of the controversial John Lehman, former Secretary of the Navy, who abolished the Navy Materiel Command several years ago. The Navy feels that it is getting along just as well without it.

The Air Force, on the other hand, has felt that its Systems Command provides much worthwhile support

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and management to the program offices. AFSC's acquisition strategy panels, for instance, are available teams of experts in contracting, testing, product assurance, software, competition, technology, financial management, manpower, and other areas. Beware, insiders warn, of streamlining this specialized talent and assistance away from the program manager. In any case, Air Force Systems Command has its own list of achievements to point to in the age of reform.

AFSC has cut its headquarters manning by seventeen percent. It is experimenting with a "reduced oversight" initiative, in which contractors assume functions previously handled by Air Force personnel assigned to the plants. If this works with the three contractors chosen for the test, Sys-

tems Command looks forward to reducing oversight by fifteen percent or more.

In another action, AFSC is trying to speed up the source selection process. In the past, ten months or more might elapse between the release of a Request for Proposal and the eventual signing of the contract. This interval now averages 140 days, and the goal is to get it down to 120. In the best chest-thumping case so far, AFSC moved the Medium Launch Vehicle II through source selection in 114 days. In aid of this, the command now limits the size of the documents it sends out and says it will accept no proposal that exceeds 100 pages.

Moreover, the Air Force has led all of the services on baseline discipline. Once the basic concept and configuration of a program is decided, everybody signs up to it. It is not impossible to change the baseline after that, but neither can it be done so casually as it once was.

Acquisition discipline is also tighter at the top Pentagon levels. Here, acquisition reform gets a boost from the Defense Department reorganization directed by the Goldwater-Nichols bill of 1986. That legislation created the position of Vice Chairman of the Joint Chiefs, the job General Herres now holds. In that capacity, he is well situated to narrow the gap between requirements and resources.

Most work on acquisition at the Joint Chiefs-Defense Department level is conducted by three major bodies: the Joint Requirements Oversight Council (JROC), the Defense Acquisition Board (DAB), and the Defense Resources Board (DRB). The JROC was created several years ago to validate and clean up requirements before a proposed system moved into the acquisition cycle. General Herres chairs the JROC, whose members are the vice chiefs of the services.

If a requirement passes muster, the JROC sends the Mission Need Statement on to the DAB, where system acquisitions are approved or disapproved. The Under Secretary for Acquisition chairs the DAB, and General Herres is the vice chairman. The services have representatives, as do relevant staff agencies in DoD. If an acquisition czar is going to exercise clout, the DAB is the place—barring more change in charters and organization—where he's going to do it.

Whenever requirements and programs exceed the money available to fund them—which is always—the action moves to the DRB, to decide on funding priorities. This board has

grown from an original membership of five to a present total of about twenty, with still others participating by invitation from time to time. It is chaired by the Deputy Secretary of Defense.

In his October remarks, Senator Bingaman cited "artificial distinctions between program approval and funding" in the Defense Department. General Herres and others believe that the Pentagon, coordinating the work of the JROC, the DAB, and the DRB, has made real progress in scrubbing requirements and programs and in aligning them with resources. If Congress wants to reshape those connections, the change would fall somewhere in the makeup and relationship of these three bodies.

● *Stretchouts vs. Cancellations.* Conventional wisdom in the acquisition world says that bad things happen when the military gets into a resources bind and stretches procurement out over time. Generally, this leads to inefficient rates of production, which drive up costs. The classic example is the initial purchase lot of F-15 fighters. Procurement was stretched out from the planned six years to nine, adding \$2 billion to the cost—which, at the time, would have bought another 760 airplanes.

William Schneider, defense advisor to the Bush campaign, made quite a ripple, therefore, with his statement in October that a Bush Administration response to smaller budgets would emphasize system stretchouts rather than cancellations. He said that economical production rates are possible in a stretchout if funding is stable. "The problem that has killed the industry has been the annual appropriations cycle and the unpredictability of the annual buy," he said.

The key to an economical stretchout, he declared, is multiyear procurement. Even if the annual buy were lower than program officials might prefer, the size of it would be known and would not change. In support of Mr. Schneider's point, multiyear procurement has done great things when the Defense Department has been allowed to use it. The problem is getting Congress to approve.

"I think Congress is more comfortable with multiyear procurements now than it has been in the past, especially if there's a better consensus over resource aggregates," Mr. Schneider said. "When multiyear procurements were initiated in the early 1980s, there was concern about whether the administration was using [them] as a way of getting a weak program started and having the Con-

gress irrevocably committed to it."

● *The Burro Factor.* Deciding who should be involved in the process is a problem of perspective. Micromanagement is committed by others, usually at some higher level. One's own actions are sensible oversight. If things go wrong, the first question is sure to be: "You mean nobody except the program manager was watching this?"

Almost everyone who has a hand in micromanagement has some legitimate—or legitimate-sounding, anyway—reason for their involvement. Deputy Secretary of Defense William H. Taft IV explains: "There are reviews and reviewers concerned with competition, with exotic technologies, with operational testing, with the industrial base, with specific features of military strategy and doctrine, and with a score of other genuinely important matters—not to mention the purely political interests of the 535 members of Congress."

staying in our DoD acquisition staff.

"The trade-off for unnecessarily tight career restrictions on acquisition officials may well be quality and expertise available to our nation's overall defense effort. Yes, we should study the adequacy and enforcement of rules governing the career movement of people between DoD and the defense industry. At the same time, we should realize that what some call the 'revolving door' in fact benefits both DoD and the defense industry and advances America's national security.

"DoD gains tremendously when we are able to recruit defense industry professionals. They bring to us valuable business experience and in-depth knowledge to help us be a demanding buyer of defense industry products. Industry and our nation gain when military and civilian professionals leaving government continue to apply their expertise in building a stronger US military."

A few months after Mr. Carlucci

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The acquisition process, he says, "visits and revisits . . . decisions month after month and year after year, making a program's forward progress depend repeatedly on favorable alignment of every independent-minded star in the governmental galaxy."

Rep. Jim Courter (R-N. J.) was on the mark in 1986 when he said that single-issue advocates persist in bogging programs down with "extraneous provisions concerning how best to resettle homeless burros." So long as the policymakers insist that all federal actions reflect due concern for homeless burros or other special issues, micromanagement is likely to continue.

● *The Revolving Door.* Secretary of Defense Carlucci, arguing against the radical reformers and even some officials in his own Department, put it this way in testimony to the Senate Armed Services Committee: "As we discuss restrictions on officials leaving government service to join the defense industry, we must consider whether such restrictions will discourage good people from joining or

said this, the new administration was reportedly unable to persuade some industrialists it had wanted to accept Pentagon posts, since service there might block their return to industry later. It has been noted also that under the "revolving door" rules touted by some, "Mr. Reform" himself, David Packard, might not have served in the Defense Department.

● *Fraud and Misconduct.* The scope of the effort to find and eliminate fraud in defense procurement has been in high gear since the early days of the Reagan Administration. It may be the most thorough investigation of internal problems ever undertaken by the federal government. It has uncovered some fraud—but it has also confirmed that fraud is by far the exception rather than the rule in defense contracting.

As one former official with top credentials in these matters says, "The crooks and the acquisition process are separate problems."

The reformers will be better pleased with their results if they can keep that in mind. ■