

National Defense Industrial Association
2014 Acquisition Reform Initiative

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Agenda

- Overview
- Timeline
- Process up to now
- Where are we headed?
- Selected proposals
- Small business process and proposal

NDIA Acquisition Reform Initiative

- When and why did we begin our process?
 - March 31 letter from HASC & SASC formalizing Jan. 7 Thornberry request made to the NDIA Procurement Division.
 - No one can provide the views of industry better than industry.
 - Coordinated with DoD, the Hill, and other defense industry associations.
 - AIA, PSC, ITAPS, TechAmerica, as well as the ABA, have already responded.
 - Deregulation.
 - Major focus area for Thornberry.
 - DPAP/AT&L: “List of 400” request.
 - Downward budgetary pressure forcing a review of the costs of the process.
- What have we tried to do differently?
 - We didn’t begin at the beginning—we began where we are TODAY.
 - Useful information and lessons from many past efforts: successes and failures.
 - Careful review of prior studies.
 - Tools emerging to enable more evidence-based policy decisions.
 - We sought input of NDIA members: two public meetings & nine working groups.
 - NDIA members also submitted individual issue papers and other written material.
 - We did not and do not want to simply rehash the same old complaints.
- Goal: Clearly actionable recommendations tied to specific findings.

Timeline

- ✓ April 11: Presentation to and discussion with NDIA Board of Directors.
- ✓ April-May: Identify list of themes, which include problem areas, root causes, and possible solutions.
- ✓ May 29: First event with NDIA members to discuss and finalize themes.
- ✓ June-July: Volunteer working groups research major themes.
- ✓ June-July: Meetings with Pentagon and Hill stakeholders.
- ✓ July 10: Interim response back to the HASC and SASC.
- ✓ July 29: Second event to discuss working group deep dives.
 - August-mid September: Draft report using deep dives, member input, and prior studies.
 - September 8: Briefing to NDIA Procurement Division.
 - September 9: Briefing to NDIA National Small Business Conference.
 - Mid September: Circulate briefing to NDIA Board, Divisions, carefully consider comments, edits, suggestions.
 - September 30: Draft report complete, review by SSG, others.
 - Mid October: Share the final report with NDIA members, and deliver it to Congress and the Pentagon.

Research Process Up to Now

- Two large group sessions.
 - First session was very illuminating about the problems and major concerns.
 - Second session was less illuminating.
 - No clear or consistent view expressed by participants.
 - Some working group proposals created controversy.
 - Everyone got to express an opinion, but only a few had to be accountable for developing recommendations (i.e., the working group leaders).
 - Lesson learned: a third large group meeting of this nature around a draft report would not likely be productive.
- Nine working groups.
 - Comprised of volunteers working on a very short timeline. Most overachieved.
 - The constraints of time and the informality of the working group process meant that most working group presentations were a start, not a finish.
 - The working group proposals have helped steer our further research efforts.
- Pentagon senior leader meetings.
 - Meetings with DAE, SAEs, other AT&L executives to hear their views.
- Prior studies: on the website.
- Individual papers: we reviewed everything provided to us.

Where Are We Headed?

- Three major thematic areas from our July 10 letter.
 - Authority and accountability.
 - Reduce management by compliance measurement.
 - Increase the measurable authority of individuals and organizations for the outcomes of the acquisition enterprise.
 - Matching requirements to resources.
 - Tailor process requirements to the actual capabilities of the workforce.
 - Increase (where appropriate) those capabilities and resources.
 - Evidence-based decision making.
 - Harvest data from emerging business process systems.
 - Increase automated analysis to the greatest extent possible.
 - Support improved concepts of value and insight into stakeholder incentives.
- Focus on the three congressional tools: legislation, funding, and oversight.
- Specific and actionable recommendations.
 - Match recommendations to the root causes of real problems.
 - Have the data to prove that an anecdotal problem really is a problem. If you don't have the data, recommend how to get the data.
 - Avoid reliance on increasing process costs and compliance burdens.
 - Provide details on exactly how to implement legislation, funding, or oversight.

Authority & Accountability

- Problem: Overly complex acquisition laws, regulations, and bureaucracy create unclear lines of authority and accountability.
- Root Cause: Perceived failures in the system have led to micromanagement through ever-increasing imposition of process compliance and reporting measures.
- Solution: Defense High Priority Program Pilot Authority (Defense Enterprise Programs Redux?)
 - DAE/SAE selects a limited number of high priority programs.
 - Senior program manager with highly relevant experience.
 - Program structured to limit duration from MDD through Milestone C. Emphasis is on timeliness.
 - Seek significant flexibility on legal, regulatory, budget, and policy requirements.
 - Milestone approvals are presumptive; affirmative disapproval only.
 - Direct authority to trade off requirements against life-cycle cost and schedule.

Questions & Discussion

Authority & Accountability

- Problem: The government acquisition process is growing less open to innovation from non-government funded research and development as well as emerging private sector ways of delivering capabilities.
- Root Cause: The acquisition workforce is not empowered or incentivized to make use of all available options for acquiring capabilities when making acquisition decisions. Acquisition processes are inflexible with respect to new technologies or emerging ways of acquiring capabilities.
 - Acquisition process structured and driven by narrow approach to measuring value (e.g., lowest price in a single transaction) that does not adequately account for industry profit and investment incentives.
 - Mandated inflexible acquisition procedures and Federal budget imperatives drive behavior.
 - Rule-based process combined with narrow value concept undercuts incentives for continuously re-evaluating options and approaches for acquiring capabilities across the system,
 - Dynamic private sector market, technologies and practices outstripping the capability of the current workforce to adapt to new ways of acquiring capabilities.
 - Government acquisition cycle remains longer and out of synch with private sector product cycles.

Questions & Discussion

Authority & Accountability

- Solution: Increase and incentivize commercial access at all levels.
 - Harvest existing data into analysis to measure and demonstrate the cost and benefits of acquisition approaches more holistically. (e.g. cost avoidance of government funded and contracted R&D, cost of administration of repeated commerciality determinations for the same items)
 - Identify and expand any existing Services programs that identify and use of “state of the practice” commercial items at the component level through the life-cycle of programs.
 - Streamline the process for commercial item determination by establishing a presumption of reliance on a single determination .
 - Reduce the government appetite for private intellectual property.
 - Repeal section 815 of the FY12 NDAA?
 - Give companies pricing credit for self-funded R&D.
 - Cross-rotational programs between government and industry.

Questions & Discussion

Requirements & Resources

- Problem: The layering of compliance and reporting requirements on the acquisition process inhibits improvements to the culture and to the system.
- Root Cause: Requirements imposed on the system to address transitory issues are not reviewed again for relevance or continuing value in any systematic fashion. This leads to legislative and regulatory sclerosis in the acquisition system over time.
- Solution: Establish a review process to bring community expertise to bear on compliance and reporting laws and regulation while keeping authorities permanent.
 - Add three year sunset clauses for the “List of 400.”
 - Apply a similar sunset clause to all new compliance legislation.
 - Include a review of the cost of the compliance requirement as part of the sunset review in order to balance value against cost.
 - Conduct sunset reviews topically in order to contextualize the review of what continues to be necessary and what does not.
 - Consider another “Section 800” type deregulatory commission.

Questions & Discussion

Small Business Working Group

- Co-chaired by David Hahn and Donna Huneycutt
- Put forward several outstanding, very well-crafted, and carefully thought out recommendations.
- Donna presented these recommendations at the second large group event.
- As everyone knows, the different tiers of defense industry see acquisition and procurement issues related to small business very differently, so uniting everyone behind a small business-related proposal is challenging.
- Due to that challenge, and based on what we heard after the second small meeting, we are presently considering one major proposal.

Requirements & Resources

- Problem: Current small business acquisition practices do not take advantage of one of small businesses' greatest assets: low overhead.
 - Root Cause: Many small business acquisition procedures are just as sclerotic as large business acquisition procedures.
 - Solution: Raise the Simplified Acquisition Threshold to \$500K and broaden it to include other than small businesses.
- OR**
- Solution: Raise the Simplified Acquisition Threshold with small business reserve from \$150K to \$250K and to \$500K for all businesses.

Questions & Discussion

Other issues we should pursue?

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Questions and final comments?

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