

TESTIMONY
OF
JOSH HARTMAN
SENIOR ADVISOR
TO THE
UNDER SECRETARY OF DEFENSE
(ACQUISITION, TECHNOLOGY & LOGISTICS)
BEFORE
BEFORE THE UNITED STATES SENATE
SELECT COMMITTEE ON INTELLIGENCE

April 22, 2008

Chairman Rockefeller, Senator Bond, and distinguished members of the committee, thank you for the opportunity and the honor of appearing before you today to discuss acquisition policies, processes, and performance. This is a topic of tremendous importance and I look forward to working with you to achieve progress success in the acquisitions of our major systems.

Vision

In addition to discussing these important policies and processes, I would also like to share the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)), the Honorable John J. Young Jr's vision for drive the capability to defeat any adversary under any circumstance. Mr. Young has organized his approach into four strategic thrust areas, each of which has a guiding principle, desired outcomes, and specific initiatives with metrics or steps against which we can measure progress. These four strategic thrust areas are:

- Define Effective and Affordable Tools for the Joint Warfighter
- Responsibly Spend Every Single Tax Dollar
- Take Care of Our People
- DoD Transformation Priorities

In identifying both the problems the acquisition community faces, and the solutions the Department is seeking, we are committed to transparency throughout the acquisition process. We need to be clear, concise, and open with regard to what the

Department of Defense is seeking and the work it is completing. It is our responsibility as stewards of tax dollars to ensure complete openness, fairness, and objectivity in the acquisition process. We will be accountable to ensure the success of these initiatives.

We have charged the acquisition team to create an inspired, high-performing organization where:

- We expect each person must make a difference;
- We seek out new ideas and new ways of doing business;
- We constantly question requirements and how we meet them;
- We recognize that we are part of a larger neighborhood of stakeholders interested in successful outcomes at reasonable costs.

We live in an increasingly complex world. Our missions vary widely, so we need strategic resilience and depth; and must ensure our Nation has response options today and for the future with the appropriate capacity and capability to prevail at home and abroad.

I would like to highlight some specific concepts that we have begun to implement that capture this philosophy and are fundamental to transforming the acquisition process and workforce. They are:

1) Program Manager Empowerment and Accountability

Program managers play a critical role in developing and fielding weapon systems. We have put in place a comprehensive strategy to address improving the performance of program managers. Key to this are program manager tenure agreements for ACAT I and II program. It is the expectation that tenure agreements should correspond to a major milestone and last approximately 4 years. Another fundamental piece established is

Program Management Agreements—a contract between the program manager and the acquisition and requirements/resource officials—to ensure a common basis for understanding and accountability; that plans are fully resourced and realistically achievable; and that effective transparent communication takes place throughout the acquisition process.

2) Configuration Steering Boards (CSBs)

For major defense programs, we have directed the Military Departments to establish CSBs. This provides the program manager a forum for socializing changes that are affordable and executable. Boards will be in place for every current and future ACAT I program and will review all requirement changes and any significant technical configuration changes which potentially could result in cost and schedule changes. Boards are empowered to reject any changes and are expected to only approve those where the change is deemed critical, funds are identified, and schedule impacts are truly mitigated. We require every acquisition team member to fully engage the Planning, Programming, Budgeting, and Execution (PPBE) process thus creating an avenue for program managers to ensure they are funded to execute their responsibilities or alternately descope their programs to match reduced budget levels.

3) Defense Support Teams (DSTs)

To address the challenge of acquisition execution and assist both industry and Government program managers, we have expanded the use of these teams who are made up of outside world-class technical experts to address our toughest program technical

issues. We expect the teams to resolve emergent problems and help the Department successfully execute tough programs before problems develop.

4) Prototyping and Competition

We have issued policy requiring competitive, technically mature prototyping. This is designed to rectify problems of inadequate technology maturity and lack of understanding of the critical program development path. Prototyping employed at any level—component, subsystem, system—whatever provides the best value to the taxpayer.

5) AT&L Notes

Mr. Young also writes weekly notes to the acquisition workforce. These notes share lessons learned and provide leadership guidance on expected procedures, processes and behaviors within the acquisition workforce. These notes provide powerful training and motivational tools directly from the Under Secretary to the Acquisition Team.

In your invitation to testify with the committee, you asked for me to specifically address a few additional items. They are included below.

The State of Acquisition

I assess that we must significantly improve execution of major systems acquisitions to serve the nation properly. In Space and Intelligence, there are mission areas where as a whole we can point to success and stability: Communications, Signals Intelligence (SIGINT), and Launch. However, these successes are overshadowed by a collection past and current of overruns and schedule delays in Electro Optical (EO), Radar, Infrared (IR), weather, Precision Navigation and Timing, and Space Situational

Awareness. The sad reality of these problems translate to the delay of critical capabilities to intelligence customers and warfighters engaged in the today's and tomorrow's conflicts.

The Problems We Face

The key acquisition problems facing the community have plagued us for nearly 20 years and can be summed up in two words: Accountability and Discipline. For almost two decades, we have lacked accountability and discipline in our acquisition programs. I will focus on three areas: 1) Insufficient checks and balances in the oversight system; 2) An inadequately developed workforce; and 3) An improperly conditioned and nurtured industrial base.

First, over the course of the last two decades, our Space and Intelligence organizations operated autonomously, without sufficient oversight, visibility or attention. Without accountable oversight, the creative practices stagnated and discipline in the process disappeared. We intend to fix this. Compounding the problem, proper checks and balances have not been in place. Historically in the Space and Intelligence community, the acquirers and the overseers have had a role in both acquisition and advocacy. It is impossible for an organization to advocate for programs and requirements while making the tough, objective acquisition systems necessary to bring these programs in on cost and budget. We are currently rectifying this problem in the community's oversight structure.

Second, over this time, the development of critically skilled personnel in the areas of program management and engineering atrophied. This has been both a training deficiency and a leadership shortfall. Likewise, today, we face challenges with an aging workforce, due in large part to not recruiting these disciplines over the past ten to fifteen years. Our programs need technically smart people and accountable, disciplined leaders who can execute them properly.

Third, through this period, we failed to hold our industry partners properly or sufficiently accountable. We operated with ill-focused incentive structures that are inadequately linked to mission success and share risk disproportionately. We executed programs with undisciplined requirements processes that allowed floating baselines and disable our contractor performance measurement systems. We managed our programs with inadequate cost estimates, lacking necessary rigor and confidence, preventing us from success from the start of the program.

The Solutions

In the Department of Defense, and in concert with the Director of National Intelligence when appropriate, we are hitting these problems head on. In the area of personnel, we are building focused educational opportunities and professional certification systems for our space and acquisition communities. Additionally, we modified the personnel system to ensure military program directors stay in the same job

for a minimum of four years and established a better balance between encouraging civilian continuity and their movement for the purpose of breadth of experience.

In development efforts, we are pursuing greater investment in the science and technology efforts while encouraging the concept of competitive prototyping. We also are creating a greater link between the Science and Technology (S&T) world and our acquisition communities. This has the overall effect of nurturing the creative practices while driving down program risks by sufficiently maturing technology before it gets to a program office.

Within the program office, we are creating new incentive structures that eliminate base fees, tie awards to milestones and successful delivery of capability, are back-end loaded on the schedule, and force a more equal share of cost growth on cost plus contracts and therefore the associated risk. We encouraged Fixed-price or Fixed-price-like contracts whenever possible. Additionally, all programs must be fully funded through the Future Years Defense Program (FYDP) to the Cost Analysis Improvement Group (CAIG) independent estimates as a minimum, with encouragement to fund to an 80% confidence level that has a front loaded profile focused on systems engineering and risk reduction. With respect to managing requirement creep, all Acquisition Decision Memoranda mandate that any changes to requirements must come with sufficient resources or they may not be implemented and are managed directly by Mr. Young at the Under Secretary level.

With respect to general oversight, we have finished a new Memorandum of Agreement with the Director of National Intelligence (DNI) that will bring us much

closer together and solidifies a single process jointly run. The Deputy Director of National Intelligence/Acquisition (DDNI/AQ) and USD/AT&L will jointly chair milestone reviews and staff will conduct quarterly program reviews to monitor program status and progress. These assessments and reviews will form the basis for the tough acquisition decisions that we will have to make. They will allow us to determine when a program or an entire system of systems is on track or needs course correction. We will increase accountability in the system by ensuring that Milestone Decision Authority is executed at the appropriate management level and that the correct oversight mechanism and organizational constructs are in place with the necessary and proper right checks and balances.

The Space Industrial Base and a New Business Model

The problems that exist within the Space and Intelligence Acquisition community must be solved in partnership with industry. Within the Space industrial base there is much room for improvement and continued development. The current level of skills and the size of the workforce cannot meet the demands place upon them by the government. Additionally, sub-tier component and technology providers do not exist in sufficient number or breadth to create sufficient innovation or competition.

However, I believe many of the industrial base problems could be fixed if the government was a smarter buyer of space products and executed with a different model. In effect, we ask the Space industrial base to do things that are unwise and often

technologically impossible and we could see improvement if we pursued the confluence of government requirements and industrial capability..

We often attempt to buy large monolithic systems that produce a capability that is one size fits all, i.e. a single system that satisfies all customers. The reality is that one size does not fit all and all of our needs may not be satisfied from one orbit with one mega-sensor. Different customers require different amounts of different type data at different times and in different frequencies. The economy of a “one-size-fits-all” approach has not been proven and performance of our acquisition enterprise would suggest otherwise. Our architecture should be distributed, leverage different sensors and different sizes of space craft. The Tiered Architecture approach, as defined in the Integrated Collection Architecture (ICA) effort, is a great step forward and I believe should be applied to all mission areas beyond our attempts to apply it to EO.

A balanced architecture, with a foundational capability provided from medium or large systems, yet at the same time containing more small and agile, less complex systems would have multiple beneficial effects on the industrial base, the government workforce, and on the capability of our customers. First it would shorten cycle times allowing quicker fielding of assets, larger volume purchases, greater technology refresh rate, and a more stable workforce flow due to the synchronization of development time and mean mission duration—the importance of this synchronization may be the most important effect and should not be lost in our engineering processes or on its impact to the industrial base. Second, this new model would reduce overall program risk, allow an evolution of systems, raise confidence of delivery, and generate cost savings that our

current system does not produce. Third, due to shorter schedules, it would create a continuity of expertise and a sense of ownership of individual systems not experienced today by government and industry personnel.

I believe all of these changes can be phased in appropriately and they will produce results immediately. However, many of the problems I talked about are enmeshed in our culture and the culture must change to see lasting effects. Congress, I would argue, has a significant role to play in reinforcing that cultural change. Mr. Young and I, in partnership with the DNI, look forward to working with you toward that end.

Additional Initiatives

Tier II Imagery

The Integrated Collection Architecture constructed of a spectrum of capability evolving from tier to tier and stayed away from stovepiping specific systems into individual tiers. The capability recommended in the Tier II Analysis of Alternatives has the capacity to contribute to Tier II and Tier III, while the current exquisite systems have the capacity to contribute to the Tier I and Tier II capability. In general, the approach to develop this capability will be a time phased evolution and deployment of block capability. The Department under the Direction of the Deputy Secretary of Defense, set up a Joint Analysis Team, or JAT, to assess the business model and acquisition strategy for a block I capability and expect to deliver a decision in early May.

IR Joint Analysis Team

Another JAT was established in late calendar year 2007 to mitigate risk associated with a potential gap in Infrared (IR) coverage for missile warning and to develop a road map for transitioning from the Space Based Infrared System (SBIRS) program to a 3rd Generation System that would provide capability to missile warning, missile defense, technical intelligence, and battlespace characterization. This enterprise-wide group produced three major findings that provide the construct of the road map to mitigate short term risk, develop a transition to a 3rd Generation system, and develop technology vectors for the future systems. The JAT findings were provided to the community as the foundation of the Consolidated Overhead Non-imaging IR (ONIR) Architecture Modernization Plan, or COAMP, to assist in the development of their capabilities-based assessment of future Space IR architectures.

Conclusion

Again, thank you for your time to allow me to present the Department's current acquisition philosophy and efforts as well as the implementation of Mr. Young's vision for the organization.