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ARMED SERVICES COMMITTEE**

**TESTIMONY OF**

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**UNDER SECRETARY OF DEFENSE**

**(ACQUISITION, TECHNOLOGY & LOGISTICS)**

**BEFORE THE UNITED STATES**

**COMMITTEE ON ARMED SERVICES**

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## **Improvements and Excellence in Acquisition**

**The Honorable Kenneth J. Krieg  
Under Secretary of Defense  
(Acquisition, Technology and Logistics)**

Chairman Hunter, Congressman Skelton, and Members of the Committee:

Thank you for the opportunity to appear before you today to discuss acquisition excellence. I am committed to guiding change; to integrity, and to making objective fact-based decisions consistent with good governance and to maintaining a constructive dialogue with this committee. Today, I am providing additional insight into my philosophy and vision for improvements and excellence in acquisition, technology and logistics.

My primary focus in Acquisition, Technology and Logistics (AT&L) is on the customer – the warfighter of both today and tomorrow. Customers expect our acquisition community to deliver the capabilities they need to defend America and its interests, not only today, but into the future. In doing so, we must also provide timely information and analysis to assist Secretary Rumsfeld in his efforts to balance resources against requirements. As stewards of the American taxpayer, those of us in the acquisition community have a responsibility to wisely invest and manage the hard-earned tax dollars of our citizens to enhance and expand our National defense capability. To ensure that the American people stay informed, we must make sure that the Congress is well informed of our efforts.

## Acquisition Process

Our nation currently has warfighters in harms way and we can not definitively predict who our next adversary will be or when and where the next conflict will occur. As a result, we need an agile, capability-based acquisition system that provides our primary customer - the warfighter - with the means to achieve victory regardless of whom, when or where we fight.

As part of our Quadrennial Defense Review (QDR), the Secretary directed General Duncan McNabb and me to lead a review of our acquisition and other business processes to ensure they are capable of meeting customer needs. To improve our ability to acquire capability efficiently, I have identified a number of key principles I believe we must follow:

- First, we must understand and define success in terms of the customers' success. In other words, we must be successful in the customers eyes, not simply our own.
- Second, we must align authority, responsibility and accountability---all conceived in a joint context with associated standards. This will facilitate delegation of authority and decentralization of execution, while ensuring accountability consistent with identified standards.
- Third, we must base our decisions on authoritative data captured in a comprehensive management information approach linked not only to acquisition, but also to requirements, and the Planning, Programming, Budgeting and Execution system. This will help us to achieve insight and clarity, and honestly balance risks at the portfolio level to get the best value for the taxpayer.

- We must develop policy that allows even greater agility so we can acquire, mature, transition, and field advanced technology in ever shorter cycle times.

Finally, we must accept the fact that our acquisition environment is in constant change and our acquisition system must also change consistent with that dynamic. Change is not the exception; it is a constant that we must manage. History has proven to us that those that respond to changing conditions survive and succeed and those that don't will inevitably fail. I am very much aware of that fundamental lesson and will do all I can to develop an acquisition system capable of responding to the rapidly changing world we live in.

**“Big A” Acquisition:** Our intention, consistent with the principals I have just mentioned, is to enhance our strategic governance capabilities by clarifying lines of responsibility and accountability and by establishing a closer and more effective relationship among the key business processes in the department. These include our requirements generation system, the Planning, Programming and Budgeting system, and our tactical acquisition management policies all of which makeup “Big A” acquisition process. I should note too that we will be focusing our technology efforts to ensure we gain the greatest capability advantage from the investments we make and establish a closer relationship between our technology development “system” and the other principal department processes. Taken together, this “Big A” approach, will facilitate a more balanced and effective analysis of the capability issues we will face, help to focus our principal decision makers on the most important issues at the portfolio - or capability - level, and ensure that their decisions are supported and executed.

As I have mentioned, the Department's Planning, Programming, Budgeting and Execution process, or the PPBE, is key to ensuring efficient and effective acquisition. Budgeting for acquisition programs requires managers to continuously balance tradeoffs between cost, schedule, and performance until we can attain an acceptable level of risk and ensure affordable capabilities. Within the larger overall DoD PPBE process, acquisition programs must contribute to maintaining the balance sought through the DoD risk management framework. Unstable funding makes this balancing process elusive, and can result in schedule slips, less than optimum production rates, or other inefficiencies that result in cost over-runs. I believe we should strive to budget programs as realistically as possible. Doing so should, in the long run, result in less volatility and over-runs. However, we must also realize there are factors we cannot control, and we must remain flexible in order to balance risk so that our Nation's overall needs are met.

**“Little a” Acquisition:** The Department has taken important steps to improve the “Little a” acquisition process. By this I mean oversight of individual acquisition programs. Those steps include implementing policies aimed at improving acquisition while controlling cost. These policies are streamlined and flexible and based on an evolutionary or phased acquisition approach. The approach mandates clearly stated requirements, developed in conjunction with the warfighter and the acquisition community, a thoughtful analysis of available alternatives, mature technologies and independently assessed costs. My intent, now and in the future, is to enforce these important disciplines while preventing requirements creep and ensuring overall affordability. We are looking at ways to enhance the effectiveness of these policies as

well as improving our overall approach to lifecycle management and our ability to rapidly transition critical technology as part of the QDR review. Once we clearly establish our objectives I intend to track our progress in reaching them by specifying and closely monitoring appropriate metrics.

**“Joint Rapid Acquisition”** Near-term procurements to meet immediate warfighting needs for the War in Iraq are also a top priority for the Department. The insurgents we’re fighting in Iraq are adaptive, innovative and constantly improving the technologies of their Improvised Explosive Devices that kill or maim our service members, coalition partners and Iraqi civilians. On a daily basis, we deal with these challenges, working tirelessly to provide our soldiers with the weapons and counter-measures to defeat these devices, and to win a difficult fight. The Department attacks the problem of Improvised Explosive Devices in a comprehensive way, applying intelligence, training and technology to defeat the system that creates Improvised Explosive Devices, as well as defeating, or mitigating the effects, of these devices.

Within the Department, the Joint Rapid Acquisition Cell works closely with the Combatant Commanders and with the Joint Improvised Explosive Device Defeat Task Force. With the Task Force, the Joint Rapid Acquisition Cell has helped develop an aggressive acquisition strategy to significantly increase the effective jamming capability against enemy Improvised Explosive Devices. The Joint Rapid Acquisition Cell also works with all the Military Services on finding rapid materiel solutions. Once during the past year, the Secretary used the Rapid Acquisition Authority granted by Congress. The Congress provided \$10M in April, 2005, for the procurement of electronic devices, called

Scorpion jammers, to counter radio-controlled Improvised Explosive Devices. The Secretary invoked Rapid Acquisition Authority to initiate a procurement action on the devices within 15 days. Of course, existing laws already provide significant latitude and flexibility to quickly procure items, using provisions of the Federal Acquisition Regulations, and the Rapid Acquisition Authority further supplements these regulations. Congressional authorization and appropriation through the Iraqi Freedom Fund have also proven vital to quickly responding to the changing demands of the War and the Department's ability to rapidly meet requirements as they develop.

While most programs use the traditional acquisition process, we have also established several alternate methods for transitioning technologies to meet emergent needs. For example, the Quick Reaction Special Projects (QRSP) program supports the Combating Terrorism Technology Task Force (CTTTF) and funded initial development of the Yuma Arizona Joint Experimental Range Complex which is now used 24 hours per day. This test range provides a representative environment in which all technical and operational testing for the Department's improvised explosive device (IED) counter-measure development is conducted.

The Advanced Concept Technology Demonstration (ACTD) Program is helping to establish an agile, rapid, and adaptive acquisition process. This program partners with science and technology producers to rapidly insert technology into the appropriate phase of the deliberative acquisition process, with the goal of providing on-ramps for acceleration. The new Joint Capability Technology Demonstration Program (JCTD)

further this concept by developing and maturing technologies to support the unique needs of the joint community in an even more adaptive and responsive process.

Another example of ways the Department is improving and adapting the acquisition process is the Defense Acquisition Challenge (DAC) program, which is a FY 2003 congressionally directed program. One of the first DAC projects tested and successfully procured was the Mini-Combat trauma simulator for use in training medical corpsmen. More than 3,500 corpsmen and hospital personnel have been better trained to assist the combat wounded.

The acquisition process, with Congressional support, that makes all this possible does not just happen. To succeed, we rely on people working together in extremely complex processes. In today's environment, we need to build the capacity of our workforce – as both individuals and as groups to meet these demands.

### **Human Capital Planning**

As I participate in the Quadrennial Defense Review (QDR) and other reviews, I am convinced that an integrated, strategic focus on people is a necessary and important requirement for improving acquisition outcomes and processes. Workforce capability is a reflection of the right quantity and the right skills and competencies. I appreciate the support of the Congress to improve our existing workforce capabilities such as: improvements to the Defense Acquisition Workforce Improvement Act in Fiscal Year 2004 and we are already seeing positive results.

We currently face significant workforce challenges. First, workforce demands have increased significantly. Using 2004 constant dollars, contract dollars have increased



from \$118 billion in FY 1998 to \$241 billion in FY 2004, a 105% increase. Contracting actions over \$100,000, often our most complex, increased from 101,663 in FY 1998 to 160,388 in FY 2004, a 58% increase. Second, the average age of the workforce is 46.7 years. Third, it is difficult to overstate the effects of the 10 year post-Cold War downsizing during the 90's. I am very concerned about the talent gap associated with our relatively small mid-career workforce year groups that were hired during the workforce drawdown. We are developing strategies to address the depth of experience as well as the numbers gap resulting from the hiring freeze. Fourth, because of the average age of the DoD workforce and the bathtub created by the hiring freeze, the Department must develop smart strategies now to compete in today's market place with the private sector who also have high demands for the same talent.

In addition new and evolving demands such as, the global war on terror, contingency operations, and supply chain logistics, are continually placed on the workforce, and drive our need to reexamine competencies and skill-sets required. In order to better integrate all human capital initiatives, I have, therefore, consolidated all AT&L human capital planning, workforce initiatives, and training under the Defense Acquisition University President and directed two major efforts begin immediately.

First, we will put in place a consistent workforce capability assessment process that will ensure an effective, comprehensive, and recurring analytical process. This will provide an ability to track, understand, and shape appropriate people strategies. In addition, I have directed a comprehensive, near term review of the AT&L workforce. Our current effort includes gathering and analyzing information regarding workforce

capability and buying trends. I will put in place 120 days after the QDR report is submitted to Congress, a human capital strategic plan aligned with the QDR results and our analysis of the current AT&L workforce and evolving workload requirements (services, contingency operations, etc.).

Continued development of technology capability options requires innovation from a stable workforce of science, math and engineering (S&Es) skills. However, several trends show continued erosion of domestic S&E production to a point where the U.S. may no longer be the primary innovator in several areas crucial to national security. To shore up this shortage in home grown technical talent, the Department is actively engaged to institutionalize and expand the FY 2005 congressionally-directed Science, Mathematics and Research for Transformation Program. The expanded program, called the National Defense Education Program, should increase the pool of U.S. scientists, mathematicians and engineers eligible for security clearances, thereby building our future workforce and enhancing our future national security.

My initial effort will be to take full advantage of existing flexibilities to improve our recruiting and retention initiatives. As we complete our human capital planning process we will be in a better position to address rightsizing of the acquisition workforce. I do believe we need the flexibility and your support to make appropriate internal decisions about the right numbers of the right people with the right skills and in those areas where we need help, to request and seek your support in rightsizing the acquisition workforce.

## **Training**

Training is an essential element to ensuring our workforce has the right skill sets to meet the mission and is one area where I know we are best in class. The Defense Acquisition University (DAU) has fielded multi-dimensional training and performance support that reaches our workforce, 24/7, around the world when and where they need it. Since 2001 DAU has increased students trained from 46,000 to 109,000 per year. The DoD acquisition training program provided by DAU is recognized nationally and internationally as one of the best training programs of any public or private sector organization. The American Society of Training and Development recognized DAU as the number one corporate training university in America, and DAU has also been recognized by Training Magazine, Chief Learning Officer Magazine, and several other publications for their training excellence. I am very excited about our learning structure and the current learning strategy we have in place.

Despite our success, we must continue to strive for excellence. For instance, when we analyze our overarching learning structure, we see opportunities to improve the linkage between the competencies and skill sets that people need to do their jobs and the training offered. One such opportunity is to provide additional training courses on requirements generation. We are also using targeted training and action learning to help specific high priority acquisition programs with learning gaps and shortfalls and are also looking at how we use our learning assets to improve individual and organization learning and program outcomes.

I ask your continued support to ensure our training is properly resourced. In addition, to support the President's Management Agenda and because of our success and recognition, the Office of Management and Budget relocated the Federal Acquisition Institute to Defense Acquisition University at Fort Belvoir and established the DoD acquisition competencies as the competencies for the entire federal acquisition workforce. This provides opportunity to further leverage DAU to provide increased learning opportunities for the federal-wide sector, especially in the current environment as we start to look at national security issues that include teaming with other Federal Agencies. Fiscal Year 2006 National Defense Authorization legislation would enable DoD-contributions to the Service Acquisition Reform Act fund to be directly used by DAU for improved and additional training resources that we will strive to benefit not only the DoD but entire federal-wide acquisition workforce. I urge your continued support of this legislation.

### **Ethics**

Let me end my thoughts on workforce by saying that thoughtful human capital strategic planning and leadership development is critical for our future success. The foundation for all acquisition improvement efforts depends on a highly capable and qualified workforce that conducts the business of government in an atmosphere of transparency and integrity. To that end, I have initiated action to deploy performance management and multi-dimensional 360 degree feedback tools for the senior leadership team. Over 108,000 people have completed the online ethics module that we initiated this year and I have made it mandatory that the remaining members of the acquisition

workforce to complete this training before the end of the year. Ethical behavior is a function of leadership. I have already met with my senior Flag and Senior Executive Service officers to share my expectations and the expectations of the Secretary. As the Secretary stated in his September 7, 2005 department-wide memorandum entitled "Ethics and Integrity," "Ethical conduct and integrity must be modeled by the Department's leadership." I fully agree, and have sent this message to every member of the AT&L workforce.

### **Technology**

Our current force enjoys a huge capability advantage as a result of the Department's development of technologies such as night vision, the global positioning system, and stealth, but the pace of technology development globally continues to increase. A stable research and development program is necessary to maintain a technology. Over time, potential adversaries will develop technologies to counter the current U.S. advantage, so continued technology advancement is critical. To meet this need, the Department is refocusing its science and technology program to provide future disruptive and irregular capabilities, such as hypersonic flight and weapons, energy independence, and nanotechnologies, to name a few. The recently established Research and Engineering Goals provide the framework to mature technology in specific areas of emphasis and to field the disruptive technologies of tomorrow.

Technology maturity is a factor in reducing program risk, thereby reducing near and long-term program costs. We implemented Technology Maturity Assessments to assess if acquisition programs require more mature technology before entering the next

phase. In addition, we have increased the number of demonstrations and prototypes, further ensuring adequate technology maturity and military utility by “trying before buying.”

### **Services Contracting**

In order to more effectively manage the significant expenditures being made in contracting for services, my staff is reviewing all acquisition of services policy and oversight as well as specific data from services’ contracts valued at \$2 billion or more. At the conclusion of the review, we will assess the effectiveness of existing policy and develop any necessary changes.

We are working to ensure the sound use of performance-based acquisition approaches; pricing techniques; and schedule, cost and quality management. In addition, we are adopting a private sector “best practice” of applying a strategic approach to our contracts for services by developing a Defense-wide strategic sourcing process. Pilot test programs include administrative clerical support services; wireless services; and medical services. We believe the strategic approach to acquiring services will enable the Department to reduce total ownership cost, improve our ability to strategically address socio-economic goals, and employ more standard acquisition business processes.

We are also aggressively improving our management and control of service contracting in support of deployed forces. On October 3, 2005, I signed our instruction on Contractors Accompanying the Force, DODI 3020.41. This single document provides overarching policy and procedures for managing contractor personnel accompanying U.S. armed forces. The instruction is the result of extensive coordination across all key

stakeholders in the Department, including OSD, defense agencies, combatant commands, the Services, and the Joint Staff. Our intent is to improve planning, monitoring, and visibility of all contractors supporting the full spectrum of military operations and ensure those contractors fully comply with all U.S. laws and appropriate host nation requirements. As such, the policy is fully responsive to the requirements in Section 1205 of the FY05 National Defense Authorization Act.

### **Interagency Contracting**

The Department utilizes Interagency Contracting and assisting agencies (GSA, NASA, Interior, and Treasury) to meet many of our requirements for services and supplies. On October 29, 2004, the Department issued policy designed to ensure that its interagency contracting is properly accomplished.

The recent GSA IG and DoD IG review of GSA's "Client Support Centers" has provided numerous lessons learned to the entire Federal acquisition workforce in this area. In July 2005 the DoD IG issued the first in a series of reports on DoD purchases made through non-DoD activities. The report (No. D-2005-096) was made in accordance with the requirements of Public Law 108-375, section 802, entitled "Internal Controls for Department of Defense Procurements Through GSA Client Support Centers." The July report was critical of DoD's management and GSA's contracting officials. A second report is due in March 2006. Section 802 anticipated a phased approach to the IG review. The GSA IG and the DoD IG are collaborating on phase two of the review. The Department prefers the reviews contemplated by section 802 to be completed as planned before deciding whether further action is warranted.

On July 20, 2005, I issued a memorandum to the Military Departments and the Other Defense Agencies requiring them to assess their compliance with the policy issued in October 2004 and with the competition requirements for contracts for services mandated by section 803 of Public Law 107-107. Also, in accordance with section 854 of Public Law 108-136, the Department will evaluate the fees that it pays assisting agencies for their support. Regarding the proper use of interagency contracting, the Department now provides the Federal acquisition workforce with on-line training, on-site regional training in collaboration with GSA and the Defense Acquisition University, and a Community of Practice resource on the Defense Procurement and Acquisition Policy website (<http://www.acq.osd.mil/dpap/specificpolicy/index.htm>).

DoD relies on interagency acquisitions as a significant part of our overall acquisition strategy. We are committed to properly using interagency acquisitions to meet DoD requirements. The Department and the Assisting Agencies together must make sound business decisions, while complying with statute, regulation, and policy, in our mission to efficiently and effectively support the warfighter.

### **Industrial Policy**

U.S. defense systems lead the world and the U.S. industry that develops and builds them continues to be the most technologically innovative, capable, and responsive in the world. Although the American way of warfighting is evolving, the Department expects that U.S. industry leadership will continue into the foreseeable future. The Defense Industrial Base Capabilities Study (DIBCS) series of assessments, represent a strategic (15-20 years into the future) assessment that measures industrial base sufficiency against



a new warfighting focused, capabilities-based construct. The first round of DIBCS reports<sup>1</sup> identified 19 cases (less than 6 percent) where there was a potential U.S. industrial base insufficiency. My office now is reviewing the results of the assessments to determine how the Department can best address the issues raised by the DIBCS assessments.

The Department's primary focus is on ensuring that the U.S. warfighter has the most innovative, reliable, effective, and affordable defense products in the world. It owes the warfighter nothing less. Consequently, the Department sometimes relies on non-U.S. suppliers. A November 2004 report, *Foreign Sources of Supply: Assessment of the United States Industrial Base*, concluded, however, that the Department procures very few defense articles and components from foreign suppliers. In Fiscal Year 2003, less than one-half of one percent of all DoD contracts; and only about 1.5 percent of all DoD contracts for defense articles and components were awarded to foreign suppliers. U.K. and Canadian firms were the prime beneficiaries of these contracts, accounting for about 58 percent of the total. A March update reflecting Fiscal Year 2004 data reported about 2.0 percent of all DoD contracts for defense articles and components were awarded to foreign suppliers. U.K. and Canadian firms again comprised the majority totaling about 63 percent.

Future international cooperative programs like the F-35 may increase future foreign content in the subtiers. Non-U.S. products can offer important performance and cost advantages over U.S. products. For example, the F-35's performance depends

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<sup>1</sup> These reports can be downloaded at [www.acq.osd.mil/ip](http://www.acq.osd.mil/ip).

heavily on BAE Systems' and Rolls Royce's lift fan technology, three-bearing swivel device, and roll and reaction controls. But, the Department uses non-U.S. suppliers judiciously. When we do use a non-U.S. supplier, we use only reliable suppliers in countries with which we have enduring military and commercial relationships. The record indicates there has been no difference in reliability between the Department's U.S. and non-U.S. suppliers. In fact, the record of non-U.S. supplier support to U.S. warfighters during conflicts is exemplary.

In summary, concerns that the Department is acquiring military materiel overseas to the detriment of national security and the U.S. industrial base are misplaced. Focused analyses performed by the Department determined that relatively few non-U.S. suppliers have participated in DoD contracts and that use of those suppliers did not negatively impact the long-term economic viability of the national technological and industrial base.

### **Business Transformation**

We have recently delivered the Department's Business Enterprise Architecture and Transition Plan. These two documents establish a benchmark for the Department for achieving real and sustainable transformation of our business operations, from highly disparate functions to operations that are highly aligned and supportive of each other and geared toward being able to respond to warfighter requirements.

The Business Enterprise Architecture outlines the basic data standards the Department is concerned with at the highest tier of the organization while simultaneously allowing the Services and Agencies freedom to manage. This "corporate" focus on data will enable key capabilities such as uniform visibility into financial data with the

Standard Financial Information Structure, materiel visibility through Radio Frequency and Unique Identification Data Standards, and visibility into our acquisition data so we can achieve performance and spend analysis. Managing data, through the use standards is essential to ensuring that business operations can be integrated across the entire Department.

### **Conclusion**

As you know, there are two significant reviews underway that will certainly provide additional insights and recommendations that will guide acquisition change in the future. One - the Defense Acquisition Performance Assessment Project (DAPA) - was initiated by the Acting Deputy Secretary in June. This important review is being conducted through a Federal Advisory Committee and includes not only senior officials from government but also industry officials. Issues and solutions are being sought via public forums from a wide cross-section of interested parties, interviews with government and industry program managers, and collaborative teams of intermediate and senior members. The DAPA Director regularly briefs the Deputy Secretary, me, and the Service Acquisition Executives as well as Congressional staff members on the progress of the report. I look forward to reviewing the findings and recommendations when the report is submitted to the Acting Deputy Secretary on November 15, 2005.

As I mentioned before, I am part of the Quadrennial Defense Review (QDR) the Department is undertaking. We are trying to do something different with this QDR than we have done in the previous two or three. We were working, and I continue to work business practices as part of strategy development.

I should note that I was a junior member of the Packard Commission staff and I am ever mindful of his direction that we ensure a tight relationship between the three Department processes. I think what we have missed so far is the integration of requirements, acquisition and resources -- working together -- to permit early and regular trade-offs between cost, performance and schedule. I am working hard to ensure that an effective and complementary relationship amongst those processes is clearly and permanently institutionalized.

In closing Mr. Chairman, thank you for the opportunity to testify before the Committee about our acquisition policies and processes, our technology initiatives and Industrial Policy focus, our Services and Interagency Contracting efforts, and, especially, our people which are key to my Human Capital Planning undertaking. I would be happy to answer any questions you and the Members of the Committee may have.