

NOT FOR PUBLICATION UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF

THE HONORABLE JOHN J. YOUNG, JR.
ASSISTANT SECRETARY OF THE NAVY
(RESEARCH DEVELOPMENT AND ACQUISITION)

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

ON

ACQUISITION IN THE DEPARTMENT OF DEFENSE

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THE ASSISTANT SECRETARY OF THE NAVY
(RESEARCH, DEVELOPMENT AND
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Mr. Young was nominated on 24 June 2001 by President George W. Bush to serve as the Assistant Secretary of the Navy for Research, Development and Acquisition. Mr. Young was then sworn in on 17 July 2001.

As the Navy's Senior Acquisition Executive, Mr. Young has implemented a wide range of innovative organizational and business practices to increase the effectiveness and efficiency of Navy and Marine Corps procurement and research programs. He has sought to stabilize programs and control cost through emphasis on milestone-based incentive fees, control of change orders and requirements, multi-year procurement contracts, and creation of competitive and joint programs.

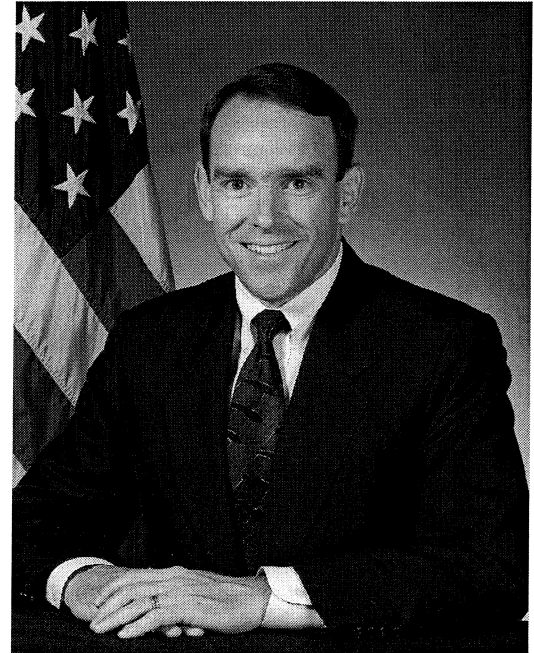
In support of President Bush's efforts on missile defense, Mr. Young worked with Admiral Clark and General Kadish to accomplish the transfer of the USS Lake Erie to the Missile Defense Agency. This transfer led to accelerated procurement of the SM-3 missile and modification of DDG-51 destroyers in order to provide initial sea-based ballistic missile defense capability for the nation. Our nation's sea-based air defense capability will be significantly enhanced through his leadership in creating the SM-6 missile, placing the highly capable AMRAAM seeker on the Navy's Standard Missile.

Working to improve the Navy's shipbuilding program, he negotiated the unprecedented swap agreement that shifted DDG-51 and LPD-17 ships between two shipyards. Further, Mr. Young led the exceptional effort to renegotiate the USS Eisenhower carrier refueling contract, successfully shifting to event-based incentives to control growing cost. Finally, working with the Congress, the Navy gained approval on the first Virginia Class submarine multi-year contract – a contract that includes specific incentives to reduce cost and meet schedule.

Under his leadership, the Navy acquisition team has successfully changed our acquisition approaches through programs like Operation Respond and the Littoral Combat Ship (LCS). In response to the urgent needs of the U.S. Marine Corps, he led the department's urgent acquisition efforts under OPERATION RESPOND – a team established to rapidly meet the technological and material requirements generated from deployed warfighters serving in Iraq. Operation Respond efforts ensured that the Marine Corps had needed items ranging from vehicle armor to helicopter survivability equipment to ballistic goggles. LCS was defined through collaborative work with the CNO and naval fleet leadership, leading to a keel laying in roughly three years after program initiation. During his tenure, the Department has also successfully made major contract awards on the DDX destroyer, the Multi-Mission Maritime Aircraft, the T-AKE auxiliary ship, the VXX Presidential helicopter, and LCS. Mr. Young has also pursued greater jointness on many efforts, including his successful merger of the Air Force and Navy Joint Tactical Radio System (JTRS) clusters and the Distributed Common Ground Station (DCGS).

During his tenure with the Committee, he served as the staff analyst for Department of Defense procurement, research, development, test and evaluation (RDT&E) programs. Prior to leaving the Committee, he was responsible for reviewing all DoD aircraft procurement programs as well as the activities of the Ballistic Missile Defense Organization (BMDO) and the Defense Advanced Research Projects Agency (DARPA). He also evaluated the science and technology program budgets for the Navy, Air Force, and OSD.

Participating in the cooperative engineering education program at Georgia Tech, Mr. Young worked with what is now Lockheed Martin Tactical Aircraft Systems in Fort Worth, Texas. Under this program, he worked in eight different engineering groups primarily supporting the F-16 program and advanced fighter technology efforts. Mr. Young next worked at the BDM Corporation in Huntsville, Alabama, providing engineering support of Army missile defense interceptor programs.



After receiving a Master's degree in Aeronautics and Astronautics from Stanford University, he joined the technical staff at Rockwell Missile Systems Division in Duluth, Georgia. He became a member of the Technical Staff at Sandia National Laboratories in 1988 where he worked on hypersonic weapon designs and maneuvering reentry vehicle aerodynamics as well as standoff bomb concepts. While at Sandia, he was selected as an American Institute of Aeronautics and Astronautics (AIAA) Congressional Fellow. He served his AIAA fellowship with the Senate Defense Appropriations Subcommittee and then joined the Committee's Professional Staff.

Mr. Chairman, distinguished members of the Committee, thank you for this opportunity to discuss the Department of the Navy's position concerning acquisition issues.

I would like to begin by addressing two overarching tenets for acquisition reform that I and other senior Department of the Navy (DON) leaders have been espousing for some time. The first is that real change in our ability to develop and acquire major weapons systems in accordance with reasonable, planned performance schedules and cost estimates will only be possible if we expand the scope of what has traditionally been addressed as acquisition reform. Much of the focus of acquisition reform initiatives over the last 15 or so years has been on the way acquisition programs themselves are conducted, or on subsets of the traditional acquisition process, such as procurement. Taken as a whole, these initiatives have significantly increased acquisition process efficiencies, enabling us to continue to meet warfighter requirements despite the significant reductions to the acquisition workforce we have experienced since 1989. For the most part, however, these initiatives have not focused on many of the major causes of overruns and late performance in acquisition programs because these causes lie outside the "acquisition" sphere. Instead, they are associated with budgeting, funding, and the developing and setting of requirements. In short, we must expand the scope of what is addressed under the rubric of "acquisition reform" to include these other areas if we are to make a serious dent in eliminating cost and schedule problems in the development and acquisition of weapons systems.

The second overarching tenet is ensuring that any efforts we make to improve the acquisition process are in the taxpayers' best interests. Goldwater-Nichols created an effective mechanism for balancing requirements against cost and risk through empowerment of a Service Acquisition Executive and acquisition team. This system of checks and balances must be maintained and enhanced as we go forward. We should also be careful not to add more process

oversight and time to an already cumbersome process at a great expense to the taxpayer and ultimately, the warfighter.

Consistent with the need to expand the scope of acquisition reform, improving the requirements process should be a top priority. The current process takes too long and doesn't incorporate adequate consideration of factors that have a direct bearing on whether a subsequent acquisition program can be executed. Participation by acquisition personnel in the early stages of the requirements generation process would enable improved understanding of technology readiness and other acquisition risks as requirements are being developed. Assigning relative values to specifically identified capability requirements would enhance trade-off analyses among capabilities, thus facilitating improved programming and budgeting decisions. We also should seek to identify ways to provide the Services with real incentives to leverage existing programs or systems, including those of other Services or those available in the commercial marketplace. This will require the Department of Defense and the individual Services, during the requirements development phase, to have in-depth understanding of existing systems or the goals of other Services' acquisition programs, and to recognize the benefits to be gained by accepting requirements that differ somewhat from what they would like to have. In this regard, it's critically important that OSD and the Services make the hard decisions that distinguish between what they would like to have and what they truly need, taking into consideration what they can afford.

Also consistent with expanding the scope of traditional acquisition reform, there is great need to improve program stability. While there are numerous reasons that programs do not get executed in accordance with plans, a key factor undermining program stability is the lack of funding stability. We need to prioritize and fund programs in accordance with leadership decisions. Acquisition programs that are executing in accordance with applicable plans, including their acquisition program baselines, generally, should not be subject to annual funding

adjustments. For example, the Department has paid hundreds of millions more dollars to buy the required T-45 inventory solely because we were unable to make priority choices to fully budget for approved priority requirements. This lack of hard decision-making is unfair to the taxpayer. In addition, to improve the likelihood that programs will be executed efficiently, they should be priced based on their "most probable costs" rather than their "most optimistic costs".

Determination of most probable costs should include consideration of costs associated with major risk occurrences. Again, acquisition participation early in the programming process can improve the likelihood that program cost estimates are accurate and reflect factors that impact acquisition program performance.

A third priority should be to balance the acquisition portfolio by aligning the requirements, programming, budgeting and acquisition processes. A key enabler of such alignment would be a strategic portfolio management system that allows senior leaders to view fully integrated requirements, programming, budgeting, and acquisition data from multiple perspectives. Since we do not have such a system currently, we need to establish this capability. It would provide our senior leaders a consolidated way to assess the overall portfolio and to make decisions based on more complete understanding of the facts. This system would also facilitate tracking budget and requirements decisions.

A fourth major focus of acquisition reform efforts should be simplifying the process. There is little question that many of our current process requirements are replete with steps that add no real value for our warfighters or for the American taxpayers. Within the DON acquisition community, we have initiated a concerted effort to use Lean/Six Sigma techniques to make our processes far more efficient than they are today. On a broader DoD-wide level, there are many opportunities for improvement; we understand that DoD and the other Services are pursuing their own process improvement initiatives. The following are some suggestions for simplifying the process: (i) DoD currently has separate acquisition management oversight

structures for major weapons systems and major information technology (IT) programs. These should be combined and the thresholds for decision-making authority and applicability of process requirements should be the same for all programs. (ii) Consideration should be given to delegating additional milestone decision and program execution authority for more major acquisition programs from the Under Secretary of Defense (Acquisition, Technology and Logistics) to the Service Acquisition Executives, with OSD's management involvement mostly on a "by exception" basis. (iii) While the need for effective policies is clear, decisions to promulgate new policies should be based on clearly identified needs and a thorough understanding of what the impact of the policy will be. In the past, the biggest impact of policy changes was often limited to the way individuals performed certain functions. Today, there is a much greater likelihood that policy changes will impact IT systems, with the possibility of significant programming changes required. Before new policies are issued, then, the equivalent of a business case should be required. (iv) Acquisition documentation requirements also should be reduced. For example, there is a documented case where a program office spent approximately \$3.4 million on labor costs to prepare documentation required for a Full Rate Production milestone review. This does not include the costs paid to the prime and subcontractors to provide all the necessary data or the manpower costs expended throughout DoD as part of the review and approval process. We are convinced that the number of acquisition documents and their content can be reduced without impacting our ability to adequately manage our programs. Therefore, within the Navy and Marine Corps Team, we have established a goal to reduce the number of acquisition documents and their length by 50%. In our view, the thrust of what should be included in acquisition documents is only that information that is needed to create a record of what the program manager, the decision authority, and other interested parties agree is going to be done. Details with respect to how this is going to be executed are not needed; under the current system, this mentality results in many people who can

say no but who are not accountable. (v) We should also consider streamlining periodic reporting requirements imposed by statute and regulation on acquisition programs by focusing on programs' performance against their acquisition program baselines. In general, if a program is not breaching or projecting a breach of its baseline thresholds, routine program reporting requirements should be limited.

Finally, DoD cannot run corporations. However, we can carefully and effectively use the profit and incentive structures in our contracts to promote positive industry behavior and motivate performance. We must pay far greater attention to the initial planning of a program, recognizing and incentivizing the critical path tasks which will result in success. Further, these incentive provisions give DoD program managers the necessary tools to manage in an environment where we are increasingly dependent on a limited number of contractors, often in sole source situations.

Improved policies, procedures, and tools can play a big role in improving our acquisition processes. Ultimately, however, the success of acquisition reform initiatives and, perhaps more importantly, the conduct of our acquisition programs, depend on the members of our acquisition workforce. Therefore, ensuring we have the right number of acquisition employees with the right skills is imperative. As is the case throughout the Federal Government, the Navy and Marine Corps acquisition workforce is aging and we face serious issues associated with renewing it. We are continuing efforts to improve processes used to identify acquisition position requirements in order to ensure incumbents are prepared and qualified to perform their duties effectively and efficiently and to support plans for optimizing future workforce size and skill mix. We are paying particular attention to systems engineers and contracting officers due to their critical roles in delivering increasingly complex systems. In addition to these overarching human resource strategies, we need to do more to truly empower the members of our acquisition workforce. When they are on the frontlines working to execute acquisition programs, they

should be able to adapt most processes to meet the needs of the situation. This doesn't mean they should be able to ignore prescribed process and procedures that have been established for a particular purpose. What it does mean is that we should recognize that "one-size fits all" solutions often reflect suboptimized solutions in any given case, and that we should trust our workforce to make adjustments to optimize a process when appropriate under the circumstances.

One final topic I would like to address is our Executive Committee (EXCOMM) process. By way of background, the acquisition process for major systems can go several years between milestone decisions. Resource and requirements changes during these periods can impact program execution by causing "requirements creep", programmatic delays, and funding instability. To address these kinds of issues, the Assistant Secretary of the Navy (Research, Development & Acquisition) instituted an EXCOMM process. Under this process, EXCOMMs, made up of participants tailored to the specific topic to be discussed, meet periodically. EXCOMM meetings provide a structured forum for senior DON decision makers and stakeholders to fully address critical issues associated with major DON programs or enterprise-wide initiatives (e.g., open architecture) that require programmatic direction or funding. We have found EXCOMMs to be an effective mechanism for keeping senior decision makers and stakeholders informed and for addressing program issues.

In closing, Mr. Chairman, thank you for the opportunity to testify before the Committee about the Department of the Navy's thoughts on acquisition reform. I would be happy to answer any questions you and the Members of the Committee may have.