

DEPARTMENT OF THE AIR FORCE
PRESENTATION TO THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: ACQUISITION REFORM

STATEMENT OF: LIEUTENANT GENERAL DONALD J. HOFFMAN
MILITARY DEPUTY, OFFICE OF THE ASSISTANT
SECRETARY OF THE AIR FORCE (ACQUISITION)

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BY THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss Acquisition Reform. Our nation's Airmen are the best in the world. However, they can only be effective as the tools and equipment we give them. The Air Force appreciates all the support this committee has provided in support of the warfighter and the ongoing operations around the world.

The Air Force understands that the challenges of the 21st century must be met by continued exploitation of our nation's technological leadership and by the ability to respond quickly to the demands of a rapidly changing world. World-class leadership in research and development, procurement, and sustainment of future weapons systems depends upon the integrated team actions of acquisition professionals including program managers, scientists, engineers, contracting officers, financial managers, logisticians, and the test and evaluation community. Everything we do in Air Force acquisition is dedicated to getting an operationally safe, suitable, effective, and best value product to the warfighter in the least amount of time.

The Air Force is emphasizing a back to the basics approach in how we do acquisition. Our goal is to field today's technology today, not yesterday's technology tomorrow. The Air Force has identified several root-cause factors that lead to poor program execution. These factors include constantly changing requirements and funding, inadequate systems engineering, and faulty cost estimates. By getting a handle on these challenges and improving discipline, our intent is to bring back stability and credibility to our recapitalization and modernization efforts.

The Air Force has embraced the concept of Evolutionary Acquisition that DoD has identified as the preferred approach to satisfying operational needs. Evolutionary Acquisition is an acquisition strategy that rapidly acquires and sustains a supportable capability for the

warfighter and incrementally inserts technology or additional capability through spirals to meet the warfighter's final requirements. Because some programs are too complex or expensive to do in one step, spiral development processes work toward getting a "core capability" into the warfighter's hands as quickly as possible, while continuing development during subsequent increments to add capability after the system is fielded. The Air Force has codified this Evolutionary Acquisition approach in recent updates to Air Force Policy on acquisition, requirements development, and test. Additionally, these policies address intelligence integration to ensure early, and continuous threat analysis that defines the immediate and future environment in which the system will operate.

In order to make all of this happen, we need to ensure discipline is maintained in the funding and requirements processes to see these Evolutionary Acquisition strategies through to completion. Perturbations in funding or requirements can cause the best-made plans and acquisition strategies to fail. High Performance (Integrated Product) Teams with members from all stakeholder organizations were formed to work on these efforts, synchronizing policies and ensuring that timelines, performance, cost, and credibility are emphasized.

Program cost and schedule growth have drawn widespread criticism and undermined stakeholder confidence in the defense acquisition process. In 2001, the average weapon system acquisition program experienced a 36 percent cost overrun and two-year schedule delay. A recent GAO study of 26 DoD weapon systems reports that average unit costs have grown by 50 percent and schedules have stretched an average of 20 percent to nearly 15 years, despite numerous attempts at reform. Various reasons contribute to cost overruns, however, one of the more significant reasons is the common industry misperception that we only award to the lowest bidder. This causes contractors to be overly optimistic in their bids and in many cases they

significantly underbid the government's independent cost estimate, leading to future program cost overruns. Once a bid is received, the present policy requires that the funding be aligned with the bid rather than the government's cost estimate. To address suspect cost estimates, we have implemented a mandatory procedure in Air Force Federal Acquisition Regulations Supplement to assign a risk rating to the cost/price evaluation factor to characterize cost risk as part of the source selection process.

Given that the acquisition community will continue to operate in an environment of constrained resources and high operational activity, we are refining our processes to be more responsive to warfighter needs and operate more efficiently. In December 2004, the Air Force formed the Acquisition Transformation Action Council. This group, composed of general officer and senior executive service representatives from the product centers, labs, air logistics centers and headquarters, have been given a mandate to take Air Force acquisition from its present state into that of an *Agile Acquisition Enterprise*. The goals of Agile Acquisition include shortened acquisition process time and improved credibility with both internal and external stakeholders. Achieving these goals will be critical to making the delivery of war-winning capabilities faster, more efficient, and more responsive.

As recommended by the Acquisition Transformation Action Council, several pilot transformation initiatives have already begun. Among these are improvements in the conduct of Acquisition Strategy Panels, how to meet immediate warfighter needs, how to create the appropriate contractor incentives, and how to streamline the oversight process. Our short-term focus is on incremental improvements and eliminating non-value-added processes. A more comprehensive strategic plan for acquisition transformation, due in early 2006, will detail not only where the near-term changes fit into the big picture of acquisition reform, but also the

longer-term actions that need to be taken. By tracking each proposed change in the acquisition process to the objectives of Agile Acquisition, we seek to create a coherent, consistent, and actionable strategy for meaningful change in how we do business as an acquisition enterprise.

We also have a series of ongoing transformations in Air Force Contracting. These initiatives will enable agile sourcing by developing, evaluating, integrating and communicating innovative strategic processes and policies to support acquisition. This includes the development and implementation of the Enterprise Architecture for Procurement, the consolidation of MAJCOM Federal Acquisition Regulation Supplements, institutionalization of the strategic sourcing process, and the assessment of current contracting organizational alignments to ensure that they fully enable effective and efficient processes.

To keep pace with these acquisition transformation initiatives, we are also shaping the workforce. Many years of reductions have left acquisition workforce with a talent and experience drain. We estimate roughly 50% of our “seasoned veterans” were the ones who left during the FY89 – FY01 drawdown (workforce reduced 42% during this period). To repair this situation, we have focused on workforce shaping and improving our skill balance. We are continuing to work with the Office of the Secretary of Defense for Acquisition, Technology and Logistics to understand the demand for our acquisition personnel and to appropriately size our workforce. Our objective is to have the right mix of acquisition professionals (government civil service and military), including critical oversight and business management roles, with the appropriate education, experience, and training.

So far, we’ve had some success attracting and retaining talent through intern programs and utilizing existing Air Force recruitment, retention, relocation and pay-setting authorities. It is important to do all we can to transfer the expertise and process knowledge of our “seasoned”

acquisition professionals to those coming behind them, through stronger mentoring programs and tools such as our web-based “communities of practice” and knowledge management centers.

To strengthen the leadership and acquisition competencies of our current workforce, we are implementing a more deliberate, requirements-driven approach to force development. Dedicated Development Teams comprised of senior acquisition leaders, provide vectors for individuals technical and leadership training, education and experience to meet their career goals. By more consciously balancing the needs of the Air Force with individual career goals, we are maximizing training, education, and career broadening opportunities for our acquisition professionals to ensure a robust acquisition workforce to meet future challenges.

With trained and empowered professionals applying their trade with renewed discipline, we fully expect to see improvement in execution of our critical acquisition programs. We also look forward to additional initiatives to emerge from the Defense Acquisition Performance Assessment currently being conducted. This effort, which provides a critical examination of acquisition processes across the Department of Defense, will influence and complement the reforms we have already initiated.

We are working towards institutionalizing the changes we believe are necessary to achieve the vision of an effective process with appropriate checks and balances that provide transparency and the greatest value for every single taxpayer dollar spent. Rest assured, the men and women of the Air Force acquisition community are committed to restoring public confidence and credibility in its acquisition processes and products. I look forward to a continued and productive dialogue with this Committee.



BIOGRAPHY

UNITED STATES AIR FORCE

LIEUTENANT GENERAL DONALD J. HOFFMAN

New photo pending.

Lt. Gen. Donald J. Hoffman is the Military Deputy, Office of the Assistant Secretary of the Air Force for Acquisition, the Pentagon, Washington, D.C. He is responsible for research and development, test, production, and modernization of Air Force programs worth more than \$23 billion annually.

General Hoffman is a graduate of the U.S. Air Force Academy. He was commissioned in 1974 and has served in various operational and staff assignments in Europe, the Middle East and continental United States. He has commanded at the flight, squadron, group and wing levels, and has served on the staffs of U.S. Central Command, U.S. European Command, Air Education and Training Command, and Headquarters U.S. Air Force.

General Hoffman is a command pilot with more than 3,400 flying hours in fighter, trainer and transport aircraft.



EDUCATION

1974 Distinguished graduate, Bachelor of Science degree in electrical engineering, U.S. Air Force Academy, Colorado Springs, Colo.

1975 Master of Science degree in electrical engineering, University of California, Berkeley

1978 Distinguished graduate, Squadron Officer School, Maxwell AFB, Ala.

1986 Distinguished graduate, Air Command and Staff College, Maxwell AFB, Ala.

1992 National War College, Fort Lesley J. McNair, Washington, D.C.

1998 National Security Management Course, Syracuse University, Syracuse, N.Y.

ASSIGNMENTS

1. June 1974 - June 1975, graduate student, Air Force Institute of Technology, University of California, Berkeley
2. June 1975 - January 1977, student, undergraduate pilot training, Williams AFB, Ariz., and pilot instructor training, Randolph AFB, Texas
3. January 1977 - June 1981, T-37 instructor, check pilot and squadron executive officer, 89th Flying Training Squadron, later, life support officer, 80th Flying Training Wing, Sheppard AFB, Texas
4. June 1981 - April 1982, student, F-16 upgrade training, MacDill AFB, Fla.
5. April 1982 - July 1985, F-16 pilot, flight lead, instructor pilot, flight commander and assistant operations officer, 10th Tactical Fighter Squadron, Hahn Air Base, West Germany
6. August 1985 - June 1986, student, Air Command and Staff College, Maxwell AFB, Ala.
7. June 1986 - April 1989, air staff officer and executive officer, Directorate of Avionics and Electronic Combat, Office of the Assistant Secretary of the Air Force for Acquisition, Headquarters U.S. Air Force, Washington, D.C.

8. April 1989 - June 1991, T-37 instructor and squadron commander, 98th Flying Training Squadron, Williams AFB, Ariz.
9. July 1991 - June 1992, student, National War College, Fort Lesley J. McNair, Washington, D.C.
10. August 1992 - June 1994, Chief, Aviation Section, Office of Military Cooperation, U.S. Central Command, Cairo, Egypt
11. June 1994 - October 1995, executive officer to the Commander, Headquarters Air Education and Training Command, Randolph AFB, Texas
12. October 1995 - February 1997, Commander, 14th Operations Group, Columbus AFB, Miss.
13. February 1997 - December 1998, special assistant to the Supreme Allied Commander Europe, Supreme Headquarters Allied Powers Europe, Mons, Belgium
14. December 1998 - March 2000, Assistant Chief of Staff for Operations, Headquarters Allied Air Forces Northwestern Europe, NATO, Royal Air Force High Wycombe, England, and Deputy Commander for NATO affairs, Headquarters 3rd Air Force, RAF Mildenhall, England
15. March 2000 - May 2001, Commander, 52nd Fighter Wing, Spangdahlem AB, Germany
16. May 2001 - October 2002, Commander, 31st Fighter Wing and 31st Air Expeditionary Wing, Aviano AB, Italy
17. October 2002 - August 2005, Director of Requirements, Headquarters Air Combat Command, Langley AFB, Va.
18. August 2005 - present, Military Deputy, Office of the Assistant Secretary of the Air Force for Acquisition, the Pentagon, Washington, D.C.

FLIGHT INFORMATION

Rating: Command pilot, master parachutist
Flight hours: More than 3,400
Aircraft flown: F-16, T-37, T-38 and C-12

MAJOR AWARDS AND DECORATIONS

Distinguished Service Medal
Defense Superior Service Medal
Legion of Merit with oak leaf cluster
Defense Meritorious Service Medal
Meritorious Service Medal with three oak leaf clusters
Combat Readiness Medal

EFFECTIVE DATES OF PROMOTION

Second Lieutenant June 5, 1974
First Lieutenant June 5, 1976
Captain June 5, 1978
Major Aug. 1, 1985
Lieutenant Colonel May 1, 1989
Colonel Jan. 1, 1993
Brigadier General Feb. 1, 2000
Major General June 1, 2003
Lieutenant General Nov. 1, 2005

(Current as of November 2005)