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ON ARMED SERVICES**

TESTIMONY OF

MR. DAVID G. AHERN

DIRECTOR, PORTFOLIO SYSTEMS ACQUISITION

**OFFICE OF THE DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)**

BEFORE THE UNITED STATES HOUSE

COMMITTEE ON ARMED SERVICES

SEAPOWER AND EXPEDITIONARY FORCES SUBCOMMITTEE

June 26, 2007

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INTRODUCTION

Chairman Taylor, Ranking Member Bartlett, and Members of the Committee, thank you for the opportunity to discuss the Marine Corps' Expeditionary Fighting Vehicle (EFV) and the Nunn-McCurdy certification process. As you know the Marine Corps is a vital element of our land forces capability. The Marine Corps is undergoing change, not only relative to the structure of the force and personnel, but also to the equipment and systems that are necessary to support our 21st century national security goals and missions related to ground mobility. A critical piece of the ground mobility strategy is the Expeditionary Fighting Vehicle – it will provide our nation with a substantial capability for high-speed amphibious assault. On June 5, 2007 the Under Secretary of Defense for Acquisition, Technology, and Logistics certified a restructured EFV program to deliver that capability to the Marine Corps. Successful execution of the certified program, however, is contingent upon EFV receiving the full amount of funding requested in the Fiscal Year 2008 President's Budget.

Turning now to the specific questions directed to USD (AT&L):

1. EFV NUNN-McCURDY REVIEW PROCESS

The Secretary of the Navy notified Congress in February 2007 that the EFV program experienced a critical Nunn-McCurdy breach. Poor vehicle reliability, cost estimating problems, procurement quantity reductions, and reductions in the planned production rate were the significant contributors to the program cost growth.

The Nunn-McCurdy review process for EFV included the stand-up of four teams, aligned with each of the following certification requirements of Section 2433 of Title 10 United States Code:

1. Such an acquisition program is essential to the national security;
2. There are no alternatives to such acquisition program which will provide equal or greater military capability at less cost;
3. The new estimates of the program acquisition unit cost or procurement unit cost for such program are reasonable; and
4. The management structure for such acquisition program is adequate to manage and control program acquisition unit cost or procurement unit cost.

The Joint Staff led the team assessing whether the EFV is essential to National Security. Surface amphibious assault, in conjunction with air assets, enables joint forces to execute forced entry operations. The Joint Requirements Oversight Council (JROC) reviewed the joint capability area of amphibious assault and its essential characteristics, explored the systems that could provide amphibious assault capability, and reviewed the requirements for the EFV. The JROC validated the characteristics that provide the Joint Force Commander with an effective amphibious assault capability. This team provided the input that the capabilities of the EFV are essential to national security.

The Alternatives team identified a number of approaches to providing the needed capability, ultimately necking down to analyzing the cost and capability

associated with a restructured EFV program, a new start initiative to deliver comparable required capability, and an upgrade to the current Amphibious Assault Vehicle (AAV). This team concluded that there are no alternatives to the restructured EFV alternative which will provide equal or greater military capability at less cost. Initiating a new program would deliver capability later, increasing operational risk. Pursuing an upgraded AAV, while entailing lower costs, would provide less military capability due to the slow water speed of the AAV.

The Cost team, led by the Department's Cost Analysis Improvement Group, developed an independent estimate of the Research, Development, Test and Evaluation (RDT&E), procurement, and military construction costs and resource requirements for the restructured EFV program. The CAIG provided an independent cost estimate of the Program Acquisition Unit Cost and Average Procurement Unit Cost for the restructured program.

The Management team reviewed a broad spectrum of EFV program management and oversight practices including program execution, contract performance, systems engineering processes, organization and staffing, engineering risks, test planning, cost management, and acquisition planning. The team explored contributing factors and root causes of the Nunn-McCurdy breach. During its 8 weeks of effort, the team visited the contractor's facility, met with the program office on numerous occasions, and conducted detailed reliability, systems engineering, and Earned Value Management System assessments.

The restructured program was reviewed in depth and a risk assessment was conducted and risk burn down plan prepared. In addition to ensuring that the management structure is adequate to manage and control program and unit costs the team also developed information supporting the contributing factors documentation for Nunn-McCurdy certification. Recommendations were developed for actions to address program risks and a set of oversight, monitoring,

and reporting mechanisms were developed to ensure successful management of the program. These recommendations included:

- a. Establishing additional EFV acquisition decision points prior to the Low-Rate Initial Production Decision (Milestone C) aligned with the Preliminary Design Review and the Critical Design Review. Design review information, combined with an updated USMC assessment of any available trade-space in the EFV required performance characteristics will support these potential EFV acquisition “off-ramps”.
- b. Implementing an effective Earned Value Management (EVM) process to manage and control program cost, schedule and performance and reflect actual program progress. Additionally, in accordance with Department of Defense policy, the Defense Contract Management Agency (DCMA) will conduct an Earned Value Management System Compliance Review of General Dynamics Land Systems – General Dynamics Amphibious Systems.
- c. Instituting rigorous systems engineering processes with clear design review expectations, configuration baseline management, and design analysis and prediction tools.
- d. Establishing advisory bodies with subject matter experts to provide the Program Manager with assessments on planning, execution, and data analysis for EVM, test, and design processes and events.

The USD (AT&L) has signed out an Acquisition Decision Memorandum that directs these, and other, changes for managing the restructured EFV program.

2. EFV NUNN-McCURDY OUTCOME

On June 5, 2007 the Under Secretary of Defense for Acquisition, Technology and Logistics certified to Congress a restructured EFV program in accordance with Section 2433 of Title 10 United States Code. Additionally, the Under Secretary briefed the staff directors on his Nunn-McCurdy decisions on June 5. The certification is based on a review of the program reflected in the Selected Acquisition Report for 2006.

The restructured EFV program extends System Development and Demonstration to resolve the reliability issues with the EFV design. A second set of EFV prototypes will be built and tested, delaying the Low-Rate Initial Production decision by roughly four years to 2011. The restructured program will deliver 573 vehicles for the Marine Corps.

The Joint Requirements Oversight Council affirmed the need for a high-speed amphibious assault capability. There is risk, however, in acquiring the defined capability within the newly proposed timeframe and available resources. Maintaining the cost and schedule established with the restructured program is critical.

While a series of thorough, independent reviews indicate the reliability challenges can be overcome, neither the Marine Corps nor the contractor has performed well over the life of this program. Mindful of this history, and the remaining program risks, we are implementing a specific set of oversight, monitoring, and reporting mechanisms targeting contract performance and systems engineering, to aid in successful management of the program.

Successful execution of the certified program requires funding to the Cost Analysis Improvement Group estimate and is contingent upon EFV receiving the full amount of funding requested in the Fiscal Year 2008 President's Budget.

3. NUNN-McCURDY LESSONS LEARNED

The USD (AT&L) took the Nunn-McCurdy certification process very seriously. His decisions were based on a rigorous review process addressing each certification question. The Department is processing the lessons from this last “season of Nunn-McCurdys” by identifying ways to execute the certification process more effectively, exploring how the programs got to a critical Nunn-McCurdy breach, and, most importantly, identifying initiatives that will lessen the probability of future Nunn-McCurdy breaches.

The certification process involved a very significant staff effort by multiple disciplines from across the Department, with significant involvement by the Joint Staff and the Services. The effort included actions to establish the facts surrounding the root causes of the breach; to review and confirm the operational capability requirements; to identify and evaluate alternative decision paths; and to detail solutions and actions needed for certification. A critical Nunn-McCurdy breach requires a major investment of time and resources by the Department-- therefore identifying ways to target problem programs early for attention prior to a breach is prudent.

The Department is pursuing a number of initiatives to avoid similar Nunn-McCurdy breaches in the future. The Department will be conducting a rapid review of our major acquisitions to identify any problem programs for early attention. Additionally, we are working to frame markers for earlier program intervention.

Department initiatives reported in the February 2007 Defense Acquisition Transformation Report to Congress (John Warner National Defense Authorization Act Fiscal Year 2007, Section 804), will also aid in precluding Nunn-McCurdy breaches. The Concept Decision initiative will help in aligning the acquisition, requirements, and resources communities for a corporate commitment across the department’s business processes before starting a new acquisition program. From

this “Big A” acquisition perspective, starting programs with a corporate alignment of our business processes will aid tremendously in establishing a stable, executable baseline. This approach will be strengthened by emphasizing incremental delivery of capability to support time certain acquisition. The Department will also evaluate current programs for consideration of incremental delivery of capability to aid in addressing requirements growth considerations.

Our revitalized Defense Acquisition Executive Summary efforts will help track and monitor program progress and will utilize tripwires to target attention to programs early. A number of Department initiatives address ways to improve our insights to contractor performance. The Earned Value Management process, with current, valid contract data, will help us identify and track metrics for leading indicators to provide early warnings of contract performance cost and schedule growth. We have established a central data repository for contract performance data, and data fidelity and integrity in contractor reporting is improving.

The Department continues to strongly support improving systems engineering across the enterprise to ensure that the necessary rigor for system development is programmed in and supported through all acquisition phases. Additionally, Program Management Agreements are being developed to establish a “contract” between the program manager and the acquisition, requirements, and resource officials for a common basis for understanding and accountability for specified resourced and achievable acquisition plans.

The Department will continue to review the lessons of the Nunn-McCurdy certification efforts to date. Acquisition initiatives that help reduce the risk in acquiring defined capability within programmed timeframes for the available resources are vital to precluding future Nunn-McCurdy breaches.

CONCLUSION

In closing, the Department has certified a restructured EFV program to acquire the high-speed amphibious assault capability needed by our Marine Corps. Clearly, there are acquisition risks that require Department, Service, program office, and contractor attention to deliver the required capability within the newly proposed timeframe and available resources. Maintaining the cost and schedule established for the restructured EFV program is critical.

The rigorous Nunn-McCurdy certification process itself was insightful. The ability of the Department to frame the markers for early intervention for programs, prior to breaches, is paramount. Initiatives to improve our acquisition processes continue to be a Department priority.

I thank the committee for their time today, and their leadership in addressing the Marine Corps operational needs. This committee has consistently provided our men and women in the Armed Forces with the systems and support they need. Thank you for your unwavering support to our warfighters, and I would happy to take any questions.