

AU/AWC/157/1999-04

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DEPARTMENT OF DEFENSE ACQUISITION WORKFORCE:  
COLOR ME PURPLE?

by

John M. Lyle, Lieutenant Colonel, USAF

A Research Report Submitted to the Faculty

In Partial Fulfillment of the Graduation Requirements

Advisor: Colonel Michael Hogan

Maxwell Air Force Base, Alabama

April 1999

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## *Preface*

The size of the Department of Defense (DOD) acquisition workforce has been the subject of great debate between the acquisition communities of the DOD, the Services, and Congress for the last several years. In recent years, Congress has mandated cuts to the acquisition workforce despite DOD's reduction efforts. This paper goes "outside the box" to answer the question, how can the DOD acquisition workforce be reduced further without negatively impacting the acquisition mission? I've recommended a viable solution that could provide savings for modernization, which has been neglected for years. The recommendation is based on my research coupled with experience gained from working with senior government officials in the Pentagon and congressional staff members on this "tooth-to-tail" dilemma.

I wish to thank many people who helped me in completing this project. I thank Colonel Mike Hogan, my research advisor, for his guidance and assistance in keeping me focused on the "issue". I also appreciate the professional acquisition workers in the Pentagon especially Lieutenant Colonel Ralph DiCicco. He was my critical node in the Pentagon who not only provided outstanding advice but also directed my numerous electronic mail and phone messages to the right people. Moreover, I thank the senior government officials who took time out of their busy schedules to grant interviews and provide strategic guidance. Mr. David Oliver, Dr. Ken Oscar, Mr. Jon Etherton, and Mr. Christian Zur, I thank you for your patience and help.

### *Abstract*

In this paper, the author addresses a support force structure issue—the size of the DOD acquisition workforce. The last four National Defense Authorization Acts (NDAAs) have mandated cuts to this workforce. Zealots in Congress, mostly in the House National Security Committee, have targeted the acquisition workforce as low hanging fruit to fund modernization and readiness programs that have been neglected for years. Despite reductions the Services' have already achieved, reduction advocates in Congress believe the acquisition workforce should be reduced commensurate with the operational forces draw down. In essence, they view this as a tooth-to-tail dilemma—too much support compared to the war fighting capability.

The author used a variety of sources to address the DOD acquisition workforce size issue. Primary sources were published government documents such as public laws and defense reports. However, information from interviews with senior DOD acquisition leaders and selected congressional staff members, and pertinent guest lecturers at Air War College were used to complement the primary sources.

After presenting background information, the author evaluates four alternatives for reducing the DOD acquisition workforce. After presenting the pros and cons of each alternative, the author provides a viable option to reduce the size of the acquisition workforce without jeopardizing the acquisition mission.

## Chapter 1

### What is the Acquisition Workforce Issue?

*Reforming the Department's bureaucracy and the manner in which it conducts its business goes beyond just making the Department more efficient—it may represent the only viable option for retaining an adequate level of combat capability into the future.*

—Floyd Spence, Chairman, House National Security Committee

#### Introduction

The size of the defense acquisition workforce (AW) has been highly debated between DOD and Congress for the past several years. Simply put, the AW size issue is a “tooth-to-tail” dilemma. In an October 1997 press release, the Business Executives for National Security, Commission on Tail-to-Tooth, said the following:

Since the end of the Cold War, the Pentagon's tooth-to-tail ratio, the traditional measure of combat capability relative to support, has become skewed. The ratio has moved from roughly 50:50 to approach the point where almost 70 percent of defense spending is, devoted to support, leaving only 30 percent for military readiness and modernization. Meanwhile, as equipment procured during the defense build-up of the 1980s nears obsolescence, a new modernization program is essential if U.S. forces are to fulfill their commitments and remain the world's pre-eminent military. The defense procurement budget must increase by almost \$20 billion annually, yet today's political environment appears to preclude an increase in defense spending as long as no imminent threat looms on the horizon.<sup>1</sup>

Many members of Congress firmly believe the cut in war fighters (tooth) should result in a smaller AW (tail). DOD does not refute the need to reduce the size of the AW.

In fact, DOD has reduced the size of the AW by 42 percent since 1989.<sup>2</sup> However, considering Congress' actions to cut further, DOD's efforts seem to have fallen short. For example, some in Congress have targeted the DOD AW as low hanging fruit ready to be picked that will produce savings to fund a badly needed modernization program that has been neglected for years.

The purpose of this paper is to determine how the size of the DOD AW can be reduced without severely impacting the acquisition mission. There are many aspects to consider other than simply cutting to reduce costs. The reduction must produce net savings without negatively impacting the acquisition mission. In short, the acquisition workforce must be smaller but still be able to satisfy the requirements of the war fighters. The author will present alternatives, examine the pros and cons of each option, and recommend the most promising course of action. This paper will not address the quality of the AW or improvement measures such as education and training. Although the scope of the paper is primarily to determine how to directly reduce the size of the AW, when appropriate, it will address indirect methods, or enablers, such as acquisition reform, the Revolution in Business Affairs, and the Defense Reform Initiatives to reduce the size. Moreover, this paper does not address the acquisition process, recommend ways to reduce lead times, or suggest new reform initiatives. This paper is restricted to an organizational approach, or AW size issue only.

In the remainder of this chapter, the author will provide the necessary background relative to how the AW issue has evolved. In Chapter 2, the author will define the AW. The definition issue has been a key point of contention. After providing the groundwork in the first two chapters, Chapter 3 will evaluate four alternatives for cutting the AW by

examining the pros and cons associated with each one. The author will recommend a possible course of action in Chapter 4 and conclude in Chapter 5.

### **Congressional Interest**

DOD's authority to equip the Services, the DOD AW mission, is derived from the laws of Congress.<sup>3</sup> Consequently, congressional action has a direct impact on the size of the AW. Over the years, Congress has had an interest in making government more efficient and streamlining the AW is one way to achieve savings. Numerous studies have been completed on restructuring DOD acquisition organizations. The Packard Commission of 1986 followed by the Goldwater-Nichols Act paved the way for efficiency in acquisition operations. The next significant legislative tasking to streamline the AW was the 1995 Commission on Roles and Missions which recommended collocating similar programs where there is duplication across Service or agency lines.<sup>4</sup> Although the previously discussed legislation impacted the DOD AW, the last two congressional years—the 104<sup>th</sup> and 105<sup>th</sup> Congress, have specifically mandated reductions to the AW.

In 1994, Representative Kasich, an Ohio Republican, introduced House Resolution (H.R.) 1368<sup>5</sup>. This bill, entitled, "The DOD Acquisition Management Reform Act of 1995", proposed the creation of a joint Defense Research, Development and Acquisition Agency. In effect, it advocated the consolidation of the Services' separate acquisition commands into one DOD "purple" AW agency. It did not pass even though Senator Roth, Republican from Delaware, proposed a companion bill in the Senate, S.646.<sup>6</sup>

H.R. 1368 and S.646 were not the only legislation introduced to cut the AW in the 104<sup>th</sup> Congress. The fiscal year (FY) 1996 and 1997 National Defense Authorization

Acts (NDAAs) mandated reductions of 15,000 in each fiscal year and directed DOD to provide a plan on how to achieve an additional 25 percent cut.<sup>7</sup> Congress did not give up on the idea of reducing the size of the AW in the 104<sup>th</sup> Congress.

Not satisfied with DOD's plan or progress on achieving additional reductions, the House National Security Committee (HNSC), in the first session of the 105<sup>th</sup> Congress, continued efforts to reduce the AW by proposing H.R. 1778, The Defense Reform Act of 1997.<sup>8</sup> In his opening statement before a markup hearing on this bill, Representative Floyd Spence, Chairman of the HNSC, said, "H.R. 1778 will downsize the DOD bureaucracy and save \$15.5 billion over the next five years, and \$5 billion per year thereafter."<sup>9</sup> Part of the savings would be achieved by cutting the AW by 124,000 people in three years from the October 1, 1997 baseline number. The AW reduction portion of this legislation was incorporated into the House's version of the FY 1998 NDAA bill, H.R. 1119<sup>10</sup>.

The Senate's version of the FY 1998 NDAA did not include language to reduce the AW. Consequently, during the FY 1998 NDAA conference, the 124,000-person AW cut was changed to a maximum reduction of 25,000 by October 1, 1998 with a minimum reduction of 10,000. Secretary of Defense Cohen certified to Congress that DOD would reduce its AW by 20,096 in FY 1998.<sup>11</sup>

In the second session of the 105<sup>th</sup> Congress, the HNSC once again proposed further reductions to the AW despite the 20,096-person reduction DOD achieved in FY 1998. On the heels of the FY 1998 NDAA, H.R. 3616, the FY 1999 NDAA (as passed by the House) proposed a further reduction of 70,000 to the October 1, 1998 baseline by October 1, 2000.<sup>12</sup> As in previous years, the Senate's version of the NDAA did not

include reduction language. This was resolved in conference and resulted in a maximum reduction of 25,000 but not less than 12,500.<sup>13</sup>

During hearings on the FY 1998 and FY 1999 NDAs, senior DOD acquisition leaders opposed the House's language to reduce the size of the AW. They did not oppose the need to reduce the size of the AW. However, based on reductions already achieved as described below, they disagreed with the amount of cuts proposed.

### **DOD's Efforts**

Bright men and women lead the AW. They understand the political climate in Washington, D.C. and the need for efficiency in the post-cold war era. DOD has been seeking ways to right-size the AW since the mid-1980s. The following quote from DOD's Report to the United States Congress, as required by the FY96 NDA, Section 906 (Section 906 report), depicts DOD's position on the issue:

Achieving the optimum size as well as structure of the DOD acquisition workforce and infrastructure is a highly dynamic, iterative and deliberate process that must fully integrate numerous competing requirements and restrictions. The Department's ability to effectively right size the acquisition workforce, like Acquisition Reform, is a bottom-up initiative, supported by the empowerment of the Services and agencies. It is not a top-down mandate, specifically dictated reduction, or 'cookie-cutter' organization template applied to a laundry list of organizations accomplishing acquisition functions.<sup>14</sup>

There are specific examples of how DOD has taken actions to directly reduce the size of the AW. The Air Force formed the Air Force Materiel Command (AFMC) in FY 1992, by consolidating Air Force Logistics Command with Air Force Systems Command. AFMC also absorbed many of the functions previously performed by the former Air Force Communications Command. This restructuring action alone reduced the Air Force's AW by 12,000.<sup>15</sup>

In 1988, the Army initiated a program manager task force that created a streamlined program executive officer and program management office structure. This effort is expected to achieve a 41 percent reduction by the end of FY 1999.<sup>16</sup>

The Navy has also initiated restructuring efforts. They plan to reduce Naval Air Systems Command from 55,000 in FY 1992 to 33,000 by the end of FY 1999 by eliminating redundant oversight, realizing efficiency gains through decentralization, delegating authority, and eliminating layers of management.<sup>17</sup>

In addition to direct actions to become more efficient, DOD has and still is taking steps to indirectly reduce the AW. For example, the Deputy Secretary of Defense has introduced the Defense Reform Initiatives (DRI) and continues to supplement and fine tune them.<sup>18</sup> DRI aims to adopt private-sector best business practices to become more efficient. Other indirect reduction initiatives include Defense Logistics Agency's implementation of the Single Process Initiative, and DOD's planning activity for paperless contracting/electronic commerce. A final example of efficiency actions taken by DOD is in the area of research, development, test and evaluation (RDT&E). DOD is working with NASA to complete a business process reengineering initiative that should result in a 29 percent reduction in RDT&E personnel by FY 2001.<sup>19</sup> Although these programs do not directly reduce the size of the AW, they do provide an environment for, or enable the AW to become smaller.

The above summary of DOD's efforts to reduce the size of the AW is by no means comprehensive. Many of the initiatives introduced above were conceived during periods of base closure and realignment commission (BRAC) activity. When BRAC actions are included, the reduction efforts are even more significant. This summary of efficiency

efforts provides the necessary background to understand DOD's position that additional reductions are not required given current plans to reduce further and cuts that have already been achieved.

## Chapter Summary

This chapter has laid the foundation for the AW issue. Based on the information provided, the reader can see two opposing views. Although DOD and Congress do agree the size of the AW (tail) should be smaller given drastic reductions in war fighter (tooth) size, the disagreement is in the method, timing, and amount of reduction. DOD has already reduced the size of the AW and has started many initiatives that should enable additional reductions to occur. However, Congress wants bigger reductions now for savings to fund the modernization of aging weapon systems. Despite an increase in the FY 1999 defense budget, Congress has mandated that DOD cut the size of its AW by a minimum of 12,500 people by October 1, 1999. A key reason for the disagreement between Congress and DOD on the size of the AW has been the definition of AW. The next chapter addresses this important part of the AW issue.

## Notes

<sup>1</sup> Business Executives For National Security, Commission on Tail-to-Tooth, October 1997, available on <http://www.bens.org/pubs/PR1.html>.

<sup>2</sup> Secretary of Defense Report to Congress, "Section 912 Report", Required by Section 912© of the FY98 National Defense Authorization Act, PL 105-85, April 1998, 10, available from <http://www.acq.osd.mil/ar/912crpt.htm#3.4>.

<sup>3</sup> Responsibilities of the Under Secretary of Defense for Acquisition and Technology, Title 10, Section 133(b), United States Code

<sup>4</sup> Department of Defense, *Rightsizing the DOD Acquisition Workforce*, (Washington, D.C.: The Office of the Under Secretary of Defense [Acquisition & Technology], 28 January 1997), Required by Section 906 of the FY96 Defense Authorization Act, 10

## Notes

<sup>5</sup> H.R. 1368, *DOD Acquisition Management Reform Act of 1995*, 104<sup>th</sup> Congress, 1<sup>st</sup> session, Section 201, available from <http://thomas.loc.gov/cgi-bin/query/D?c104:1./temp/^c104IhfTod:e65317>:

<sup>6</sup> S.646, *DOD Acquisition Management Reform Act of 1995*, 104<sup>th</sup> Congress, 1<sup>st</sup> session, Section 201, available from <http://thomas.loc.gov/c...emp/^c104IhfTod:e65317>:

<sup>7</sup> Lt Col Ralph DiCicco, USAF, Chief, Air Force Acquisition Workforce & Policy Division, Pentagon, Washington D.C., interviewed by author, 15 October 1998.

<sup>8</sup> House, *Markup Hearing of H.R. 1778 before the full Committee on National Security*, Opening statement by Chairman Spence, 105<sup>th</sup> Congress, 1<sup>st</sup> session, 17 June 1997

<sup>9</sup> House, *Markup Hearing of H.R. 1778*, 17 June 1997

<sup>10</sup> H.R. 1119, *National Defense Authorization Act for Fiscal Year 1998*, 105<sup>th</sup> Congress, 1<sup>st</sup> session, Section 912, available from <http://thomas.loc.gov/c...mp/c105BQNLPh:e760839>:

<sup>11</sup> Lt Col Ralph DiCicco, USAF, interviewed by author, 15 October 1998.

<sup>12</sup> H.R. 3616, *National Defense Authorization Act for Fiscal Year 1999*, 105<sup>TH</sup> Congress, 2<sup>nd</sup> session, Section 901, available from <http://thomas.loc.gov/cgi...mp/c^105I4Ygf2:e313743>:

<sup>13</sup> H.R. 3616, Conference Report to the FY 1999 National Defense Authorization Act, 105<sup>th</sup> Congress, 2<sup>nd</sup> session, 22 September 1998, 191.

<sup>14</sup> Department of Defense, *Rightsizing the DOD Acquisition Workforce*, 3

<sup>15</sup> Department of Defense, *Rightsizing the DOD Acquisition Workforce*, 16

<sup>16</sup> Department of Defense, *Rightsizing the DOD Acquisition Workforce*, 16

<sup>17</sup> Department of Defense, *Rightsizing the DOD Acquisition Workforce*, 17

<sup>18</sup> Linda D. Kozaryn, “Hamre Updates Defense Reform Initiative”, *American Forces Information Services News Articles*, 21 Jul 1998, available on <http://www.defenselink.mil/news/Jul1998/n07211998>

<sup>19</sup> Department of Defense, *Rightsizing the DOD Acquisition Workforce*, 18

## Chapter 2

### Definition Evolution

*...You are never going to get the acquisition workforces to define themselves out of a job...*

—Representative Duncan Hunter

The definition of the AW is at the heart of the size issue and has evolved over the years. Without a universal definition, numerous definitions are applied inside and outside of DOD. This has sometimes caused confusion, misinterpretation, and misunderstandings between Congress and DOD.<sup>1</sup> Simply put, the AW could be defined as the total number of people conducting the acquisition mission. If this simple definition were applied, it would include both DOD (military and civilian) and contractor employees. An AW definition that includes contractors is too large and beyond the scope of this paper. This chapter will focus on the definition of the DOD AW.

DOD's 912 report to Congress, in response to section 912(b) of the FY98 NDAA, defines the AW as "the personnel component of the acquisition system."<sup>2</sup> However, there are five other popular more complete definitions that have evolved to identify the composition of the AW. They are listed and discussed separately below:

1. Congress
2. Department of Defense Instruction (DODI) 5000.58I
3. The Defense Acquisition Workforce Improvement Act (DAWIA)
4. The Defense Science Board (DSB) Report
5. Jefferson Solutions

## Congress

Congress has defined the AW in its reduction legislation. For example, H.R. 1778, the Defense Reform Act of 1997, and the FY 98 NDAA define defense acquisition personnel as follows: “The term ‘Defense Acquisition Personnel’ means military and civilian personnel (other than civilian personnel who are employed at a maintenance depot) who are assigned to, or employed in, acquisition organizations of the Department of Defense (as specified in Department of Defense Instruction numbered 5000.58 dated January 14, 1992).”<sup>3</sup> The acquisition organizations are listed in Appendix A.

This definition has some shortcomings. First, it does not define the civilian personnel excluded from the reductions. Second, it defines the military and civilian personnel as specified in DODI 5000.58 but does not include all functions that perform the acquisition mission. Moreover, it excludes a significantly large segment of the AW—those civilians employed at the depots. Finally, it does not differentiate between acquisition support and core personnel.

Because of these shortcomings, Congress tweaked their definition in the FY 1999 NDAA by introducing two new terms: core and support. The FY 1999 NDAA requires DOD to define the core components of the AW and ensure the core components are reduced proportionally no more than the non-core or support personnel. However, once again, Congress excluded the civilian personnel who are employed at a maintenance depot.<sup>4</sup> Despite the changes made to the AW definition in the FY 1999 NDAA, Congress’ definition is still incomplete for the reasons stated above.

## **DODI 5000.58I**

DODI 5000.58I identifies the acquisition functions, career fields, position categories and acquisition organizations. According to DODI 5000.58I, there are 7 acquisition functions, 12 career fields, and 14 position categories. When DODI 5000.58I is used to define the AW, it is synonymous with the following 14 positions (or acquisition duties): program management, program management oversight, communications, contracting, purchasing, industrial property, systems planning, test and evaluation, manufacturing & production, quality assurance, acquisition logistics, business/cost estimating, auditing, and education/career development.<sup>5</sup>

The DODI 5000.58I definition fails to include other functions performed by acquisition personnel such as computer and other engineering specialties. Therefore, this definition is incomplete.

## **DAWIA**

The Defense Acquisition Workforce Improvement Act (DAWIA) was signed into law in November 1990. It requires the Secretary of Defense, acting through the Under Secretary of Defense (Acquisition & Technology), to establish education and training standards, requirements, and courses for civilian and military members of the AW. DAWIA said the AW is comprised of the following 12 career fields: program management, communications-computer systems, contracting, purchasing, industrial property management, business/cost estimating and financial management, quality assurance, manufacturing and production, acquisition logistics, systems planning/research and development/engineering, test and evaluation, and auditing.<sup>6</sup> The DAWIA

definition, like the DODI 5000.58I definition, is not complete because it omits computer and engineering functions performed by the AW.

### **Defense Science Board**

On March 19, 1998, the DSB provided a report that examined acquisition organizations and functions with a particular emphasis on the implications for the AW. The report proposed the AW be staffed with a greater number of generalists who have broad base knowledge and experience in more than one part of the acquisition process. However, the DSB limited their definition to only the civilian component of the AW. Additionally, they limited their study to people performing functions in these four components: Research, Development, Test, and Evaluation (RDT&E), oversight, production support, and commodity support. Moreover, the DSB recommended supplementing the “generalists” with promising talent from industry with the promise they may return to industry.<sup>7</sup>

Like those discussed previously, the DSB definition is not complete. Although innovative and unique by including contractors, it is incomplete because it excludes military members. The DSB believes the military should be excluded because of the “significant cultural differences” among the Services.<sup>8</sup> The DSB definition is also incomplete because it only includes four functional components and excludes other functions such as contracting, financial management, etc. performed by the AW. Using FY 1998 as a baseline, the DSB definition, despite its omissions, results in a total DOD AW of 219,000 people.<sup>9</sup>

## **Jefferson Solutions**

In a April 8, 1997 hearing before the Subcommittee on Military Procurement of the House National Security Committee, DOD was asked to provide a better definition of what it means by “AW”, and to categorize this workforce in some way that is more understandable.<sup>10</sup> The Office of the Under Secretary of Defense for Acquisition and Technology contracted with Jefferson Solutions (Solutions) to define the AW. The Solutions team worked closely with DOD for over five months to develop a more accurate, useful and understandable definition of the AW.<sup>11</sup> Solutions provides the most complete definition available.

Solutions addressed the shortcomings of two definitions they felt to be the most common: DODI 5000.58I and DAWIA. They determined that there are 365,747 people (as of March 31, 1997) performing the 14 acquisition category functions identified in the DODI 5000.58 definition and other functions at acquisition organizations.<sup>12</sup> However, although the DODI 5000.58 definition overstates the number of people in the traditional acquisition organizations, it fails to account for those serving elsewhere in DOD. Solutions said contracting, purchasing and auditing specialists serving outside acquisition organizations are not included and should be. Yet the numbers are overstated in the DODI 5000.58 definition because it includes non-acquisition people such as doctors, firefighters, librarians, child care works, and security guards, simply because they are employed at acquisition organizations.<sup>13</sup> Unless the number of acquisition bases is reduced, the non-acquisition functions cannot be reduced at the same rate as the AW. While the DODI 5000.58I definition overstates the size of the AW, the DAWIA

definition is too limited. Using the DAWIA definition, Solutions determined there are 105,000 people.<sup>14</sup>

Solutions examined alternative approaches to determine the AW size and composition. After considering several approaches, they finally determined the Packard Commission model developed in the mid-1980s had the most promise. The Packard Commission model consisted of all personnel employed in certain acquisition occupations wherever they are located in DOD, plus those employed in acquisition support occupations only if found in acquisition organizations.<sup>15</sup> DOD's acquisition organizations are identified in Appendix A.

The acquisition occupations counted across DOD in the original Packard definition are as follows: contractor industrial relations, program management, logistics management, auditing, contracting, industrial property management, property disposal, and industrial specialists. In addition to these eight occupations, the Packard definition included the occupations at acquisition organizations such as general business and industry, various engineering functions and equipment specialists.<sup>16</sup> The complete original Packard definition of 47 functions are found at Appendix B.

Solutions applied the original Packard definition to the present DOD workforce using March 31, 1997 data, which resulted in a total AW of 154,732. Solutions determined that most of the people are employed in occupations located in acquisition organizations, as defined by DODI 5000.58I. In fact, 135,028 personnel are located in these organizations while the remaining 19,704 personnel are located elsewhere in DOD.<sup>17</sup>

Although the original Packard definition offers much more potential than any other method for defining the AW, Solutions found the original Packard definition of the mid-1980s to be obsolete in terms of its occupational analysis and compilation of acquisition organizations. Solutions worked with the Services to update and refine the original Packard approach resulting in a revised Packard definition, which equates to a total of 189,158 people. In this approach, all personnel employed in acquisition occupations are counted wherever they are located. It also counts those in acquisition support occupations if they are located in acquisition organizations.<sup>18</sup>

Solutions divided the functions between Group I and Group II. There are 21 occupations in the Group I list versus 8 in the original Packard definition. The newly added occupations include quality assurance, purchasing, and certain engineering occupations. It also includes computer-engineering functions that did not exist or did not contain significant numbers of people in the mid-1980s. Group II occupations are only counted if found in acquisition organizations. Moreover, Solutions expanded the DODI 5000.58I list of acquisition organizations. For example, the Defense Contract Audit Agency, the Defense Information Systems Agency, and the Army Corps of Engineers were added to the list. Another adjustment needed was to include clerical and administrative support personnel. This adjustment adds 11,545 people.<sup>19</sup> A complete listing of the Solutions' revised Packard definition is in Appendix C.

During discussions with senior acquisition leaders in the Pentagon and professional staff members on October 9, 1998, the author determined the Solutions definition has the most credibility and will probably become the official definition.<sup>20</sup> However at the time of this paper, final approval had not been granted—the definition continues to evolve.

## Chapter Summary

This chapter documented the complexity and evolution of the AW definition. Pending minor adjustments, DOD and Congress seem poised to accept the Solutions definition of the AW. Prior to the Solutions definition, many people on both sides of the Potomac thought the AW had close to 300,000 people. The Solutions definition has resulted in a number significantly less than 300,000. However, does this mean that DOD does not need to take any more action to reduce the size of the AW? The next chapter addresses this question.

### Notes

<sup>1</sup> Department of Defense, *Rightsizing the DOD Acquisition Workforce*, (Washington, D.C.: The Office of the Under Secretary of Defense [Acquisition & Technology], 28 January 1997), 3

<sup>2</sup> Secretary of Defense Report to Congress, "Section 912 Report", Required by Section 912(b) of the FY98 National Defense Authorization Act, P.L. 105-85, April 1998, 10, available from <http://www.acq.osd.mil/ar/912crpt.htm#3.4>.

<sup>3</sup> H.R. 1119, *National Defense Authorization Act for Fiscal Year 1998*, 105<sup>th</sup> Congress, 1<sup>st</sup> session, Section 912(c), available from <http://thomas.loc.gov/c...mp/c105BQNLPh:e760839>:

<sup>4</sup> H.R. 3616, Conference Report to the FY 1999 National Defense Authorization Act, 105<sup>th</sup> Congress, 2<sup>nd</sup> session, 22 September 1998, 191.

<sup>5</sup> Department of Defense Instruction 5000.58I, Paragraph F, January 14, 1992, 8-9

<sup>6</sup> Description of the Defense Acquisition Improvement Act (DAWIA), available at <http://www.acq.osd.mil/te/programs/se/dawia/index.html>.

<sup>7</sup> Defense Science Board, *Report of the Acquisition Workforce Sub-Panel of the Defense Acquisition Reform Task Force on Defense Reform*, March 1998, ES-9-ES-11.

<sup>8</sup> Defense Science Board, *Task Force on Defense Reform*, 1998, ES-9.

<sup>9</sup> Defense Science Board, *Task Force on Defense Reform*, 1998, ES-11

<sup>10</sup> 5

<sup>11</sup> Burman, et.al., *Review of the Acquisition Workforce*, 5-6.

<sup>12</sup> Burman et.al., *Review of the Acquisition Workforce*, 3.

<sup>13</sup> Burman et.al., *Review of the Acquisition Workforce*, 3.

<sup>14</sup> Burman et.al., *Review of the Acquisition Workforce*, 4.

<sup>15</sup> Burman et al., *Review of the Acquisition Workforce*, 6

<sup>16</sup> Burman et al., *Review of the Acquisition Workforce*, 7

<sup>17</sup> Burman et.al., *Review of the Acquisition Workforce*, 8.

<sup>18</sup> Burman et.al., *Review of the Acquisition Workforce*, 9

## Notes

<sup>19</sup> Burman et.al., *Review of the Acquisition Workforce*, 9

<sup>20</sup> Mr. David Oliver, Principal Deputy Under Secretary of Defense (Acquisition & Technology), Mr. Jonathon Etherton, Professional Staff Member, Senate Armed Services Committee, interviewed by author, 9 October 1998.

## Chapter 3

### Reduction Alternatives

*The Department of Defense should be able to operate effectively with as many shoppers as there are U.S. Marines.*

—Representative Duncan Hunter

As documented in Chapter 1, the HNSC has been the most active proponent of a smaller AW. Specifically, Representative Duncan Hunter, Republican from California, HNSC member, and Chairman of the Subcommittee on Military Procurement, has had the loudest voice for additional cuts. According to HNSC Professional Staff Member, Christian Zur, Congressman Hunter is trying reduce the DOD “tail”. Mr. Zur conceded in an interview on August 24, 1998 that DOD may be nearing the end of mandated cuts—based on current organization structures of separate Service acquisition commands. He went on to say future defense budgets will continue to be austere and Congress and DOD must work together to find creative ways to fund the modernization efforts.<sup>1</sup> Mr. Jonathan Etherton, Senate Armed Services Committee (SASC) Professional Staff Member, agrees that despite the increase in FY 1999 defense dollars, the future budget environment may dictate changes to how DOD sizes its AW.<sup>2</sup>

Given the past budgetary climate and need for DOD to become more efficient, the author has identified four alternatives to reduce the size of the AW:

1. Proceed with programmed cuts only.
2. Arbitrarily cut the AW.
3. Competitively source the acquisition functions.
4. Consolidate the Services' AW.

The pros and cons of each alternative are discussed separately below.

### **Proceed With Programmed Cuts Only**

This alternative means DOD should not take any action (other than already planned and being implemented) to directly reduce the size of the AW. The pros and cons of this alternative follow:

#### **Pros**

Given reductions already achieved as identified in Chapter 1, this appears to be the most appealing alternative to DOD. The Solutions definition of AW discussed above revealed an AW of less than 200,000 people. This is an automatic savings of about 100,000 people compared to previous estimates by both DOD and Congress. Proceeding with programmed cuts only preserves current DOD/Service organizational doctrine for its AW. Organizational doctrine is defined below:

Organizational doctrine is defined as basic beliefs about the operation of a particular military organization or a group of closely linked military organizations. It attempts to bring the abstractions of fundamental and environmental doctrine into sharper focus by leavening them with current political realities, capabilities, and cultural values. It discusses roles and missions of an organization, current objectives, administrative organization, force employment principles as they are influenced by the employment principles, the current situation, and, in some cases tactics.<sup>3</sup>

This alternative allows DOD to operate in the status quo which is always more acceptable than change. Current organizations and structures are retained which allows continuity of procedures. Moreover, this alternative allows DOD to further implement

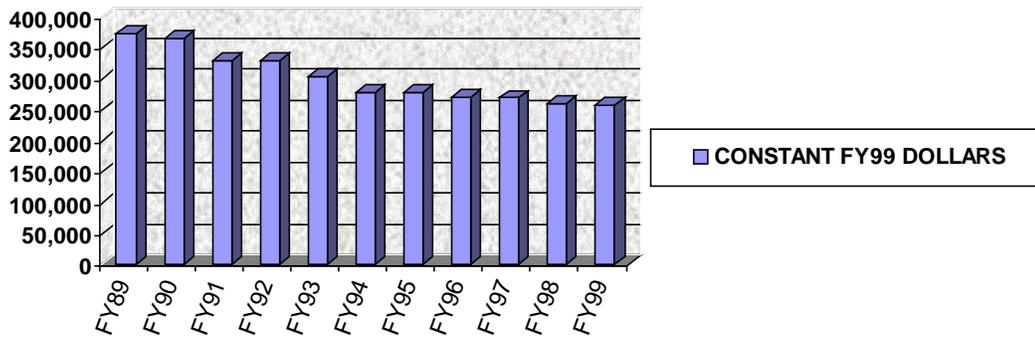
indirect reduction initiatives such as the Defense Reform Initiatives and the Revolution in Business Affairs. The efforts by the Joint Chiefs to increase the DOD budget have been accepted by the President as evidenced in the September 23, 1998 New York Times article. This article reported that President Clinton has committed to a \$10 to \$20 billion increase by FY2000.<sup>4</sup> Given the increase in the FY 1999 defense budget and potential for future increases, which may negate the need for further cuts, this alternative is appealing to proponents of the status quo defense acquisition organization structure.

### **Cons**

As stated previously, Congress may not tolerate a “business as usual” approach and proceeding with current programmed cuts only is “business as usual.” Proceeding with currently programmed cuts only may not produce the savings required to help fund the badly needed modernization efforts. The Thursday, September 3, 1998, *Early Bird*, quotes Dr. Gansler as follows:

The Pentagon has become trapped in a “death spiral” that can only be stopped by “unpopular” actions now—including the termination of existing acquisition programs. If we don’t begin to break out soon from this death spiral it will be impossible to do so later. The required actions I admit are both unpopular and extremely difficult but I believe we have no choice...The dilemma we face right now is in the budget area. We have unlimited demands for limited resources. We simply can’t afford to buy all the things we’d like to have and if we continue on our present path we are not going to be able to afford to buy the things we have to have.<sup>5</sup>

Dr. Gansler’s concerns about limited funds for modernization are illustrated below:



**Source:** National Defense Budget Estimates for FY 1999, Office of the Under Secretary of Defense (Comptroller), March 1998 (000,000 omitted).

**Figure 1. DOD’s Declining Budget Authority**

Because of this decline in budget authority, the Secretary of Defense and the Joint Chiefs of Staff asked President Clinton for an increase in the defense budget on September 15, 1998.<sup>6</sup> A distinguished lecturer to Air War College (AWC) on September 14, 1998 told students the increase was needed in areas the Services can plan on for modernization. Another distinguished lecturer to AWC reinforced this on September 17, 1998, by stating the DOD budget has a top line of fixed expenses that limit the dollars we have for modernization.<sup>7</sup>

The Joint Chiefs’ efforts resulted in an increase in the FY1999 defense budget. But will this be the first year of increased spending or is it simply an aberration? Despite President Clinton’s plans to increase defense spending over the next six years, the jury is still out on the outcome—there are those who will probably oppose the increase. The *Wall Street Journal* on September 14, 1998, said Franklin Spinney, a Pentagon budget analyst, vehemently opposed the budget boost. Spinney said, “The dinosaurs in the bureaucracy are trying to protect a broken system.”<sup>8</sup> Moreover, a professional staff member on the House Budget Committee agrees future increases will meet opposition from some members of Congress.<sup>9</sup> Likewise, the January 21, 1999 edition of the Norfolk

Virginian-Post article, “Planned Budget Increase Merely Whets Appetites”, reports General Shelton, Chairman of the Joint Chiefs of Staff, as saying, “There is nearly a \$40 billion gap between President Clinton’s new six-year program and the outlays he and service chiefs believe are needed to fully defend the nation.”<sup>10</sup> Consequently, badly needed modernization programs will be delayed again.

In summary, proceeding with currently programmed reductions only to further reduce the AW may not be a viable option. DOD’s defense budgets have steadily decreased since 1989 leaving limited dollars to fund modernization. Efforts by the Joint Chiefs did result in a larger defense budget for FY 1999 and potentially larger budgets for the next six years; however, the FY 1999 increase only helped fund selected programs and the President’s six-year plan still falls short on needed modernization funds. Therefore, to obtain the necessary funds for modernization, Congress may mandate another round of arbitrary cuts—currently programmed reductions would not prevent this.

### **Arbitrary Cut**

In this alternative, the DOD AW would be cut by some number. In Chapter 1, the author discussed the HNSC’s proposed reductions of 124,000 in FY98 and 70,000 in FY99 after mandating reductions of 15,000 in FYs 1996 and 1997. The HNSC did not explain how the significant reductions proposed in FYs 1998 and 1999 were established. Representative Hunter offered only one explanation: the DOD AW should not be larger than the Marine Corps--170,000 people.<sup>11</sup> Given this background what are the pros and cons of arbitrarily cutting the AW?

## **Pros**

The most appealing advantage of an arbitrary cut is reduced costs. Regardless of the number of reductions (large or small), the result should be savings for modernization or readiness. Considering the HNSC's desire to make the AW the same size of the Marine Corps, the size of a possible arbitrary cut could be 19,158 (total DOD AW of 189,158 [Solutions definition] minus 170,000 as proposed by Representative Hunter). According to Jeannette Deshong, a Congressional Budget Office (CBO) analyst, the average annual cost of a DOD civilian in FY 1999 is \$54.9 thousand (includes salary and benefits) while the average cost of a DOD military officer is \$78.3 thousand (includes base pay, housing and subsistence).<sup>12</sup> Based on the CBO information, what savings could result from a cut of 19,158?

Congress does not specify the type (military or civilian) of reduction when it mandates a cut. For illustrative purposes, the author used the Solutions definition of AW to determine the percentage of military members compared to civilians. It would be inaccurate to apply a simple average because there are significantly more civilians than military members in the DOD AW. However, there are not enough enlisted members in the AW to include in this analysis. Using the Solutions definition, 4.8 percent of the AW are military officers (189,158 divided by 9,034) and 95.2 percent are civilians.<sup>13</sup> Based on the aforementioned percentages, a cut of 19,158 would equate to 18,238 civilians and 920 military officers. By applying these reductions to the CBO data, a reduction of 19,158 could reduce costs by about \$1,073,302,200. From this simple example, it is easy to see why the HNSC advocates an arbitrary cut. A billion dollars would certainly help fund some modernization and readiness efforts.

However, reducing costs by arbitrarily cutting the AW could result in higher net costs to the government. For example, an arbitrary cut too large could prevent the AW from effectively performing its mission and result in a return to the days of \$600 toilet seats and \$100 screws.

## **Cons**

As discussed in the introduction to this alternative, the HNSC has not explained how they determined the arbitrary reductions—the cuts are not based on any analysis. A reduction of 19,158 is simply the reduction required to reach parity with the Marine Corps. An arbitrary cut by this number, or any other number not based on some analysis/logical reason, is irrational and could seriously impact the DOD acquisition mission. For example, an arbitrary cut could force significant disruptions to normal business processes including operations with contractors. During an interview with a member of the Consolidated Defense Industry Association (CODSIA), it was revealed that DOD AW reductions over the years have been so disruptive at times there has been no one to answer the phone in some DOD offices. The CODSIA representative requested that any DOD AW reduction effort in the future not impair defense contractors' ability to accomplish their mission.<sup>14</sup>

Another con of an arbitrary cut, depending on the magnitude, is the impact on the personnel system. Current draw down programs for civilians include the following: retraining, priority placement, voluntary early retirement incentive/separation incentive pay (VERI/VSIP) options until FY 1999, and involuntary separation. Military draw down tools include retraining, voluntary separation incentive pay/special separation benefits (VSIP/SSB) options until FY 2003, and involuntary separation.<sup>15</sup> Therefore,

options exist to handle the resulting draw down from an arbitrary cut, but civilian unions would certainly oppose significant cuts that resulted in involuntary separations. Additionally, civilian reductions implemented after FY 1999 would require legislative action to extend the VERI/VSIP program.

According to Mr. Peter Levine, SASC Professional Staff Member, cuts to the AW may reduce costs but not necessarily result in net savings—it could increase total costs.<sup>16</sup> In other words, an AW reduction that goes too far could actually increase total costs because not having enough people could foster an environment that contributes to \$600.00 toilet seats and other pricing problems.

In summary, an arbitrary cut could result in savings and provide dollars that could be applied toward modernization. However, to achieve savings at the expense of the mission is not acceptable.

### **Competitive Sourcing**

Competitive sourcing ultimately requires involvement of contractors. The author consulted with some major defense contractors and defense contractor associations to obtain their feedback on the AW size issue. The author asked Boeing, Lockheed Martin, Northrop Grumman, and Raytheon 10 questions. The questions and their responses are summarized below (to protect their confidentiality, the name of the contractor is not identified with the response; one of the contractors did not respond):

**Table 1. Contractor Response to Retrieval Instrument**

Question	Response A	Response B	Response C	Response D
Impact of AW reductions?	Positive	Positive	Positive	No Response (N/R)

Level of impact?	Question skipped	Question skipped	Question skipped	N/R
Year most impacted?	Question skipped	Question skipped	Question skipped	N/R
Functions negatively impacted?	Question skipped	Question skipped	Question skipped	N/R
Additional cuts required? If so, what functions?	Unsure	Yes, acquisition reform will reduce numbers in all functions	No	N/R
Conduct business with multiple agencies?	Yes	Yes	Yes	N/R
Rather conduct business with consolidated/purple AW?	No	No	No	N/R
PERFORM DODI 5000.58I FUNCTIONS MORE EFFICIENT THAN DOD?	Yes, all because industry is more efficient	Yes, all except inherently governmental functions	Yes, all except inherently governmental functions	N/R
Recommend procedure for reducing AW workforce?	No, company workforce based on need and timing	No	No	N/R
Vision for future reductions?	No	No	No	N/R

Source: See Appendix D

It is interesting to note the responses are very consistent. Those that responded viewed reductions resulting from acquisition reform to be positive. However, when trying to determine if they had recommendations for consolidation, contractor representatives said they would not get in the middle of the AW debate between Congress and DOD. They said they support the status quo because this is what their customer, DOD, wants.<sup>17</sup> This helps explain why the contractors responded the way they did to the

questions about consolidation and the need for additional cuts. Moreover, the respondents said they could do all non-inherently governmental acquisition functions more efficiently than DOD. Determining which organization, contractor or government, is more efficient requires a competitive process be conducted under Office of Management and Budget Circular A-76 known as competitive sourcing or the A-76 process.

According to the Office of Federal Procurement Policy (OFPP), DOD cannot compete inherently governmental functions. Appendix 5 of OFPP Policy Letter 92-1, defines inherently governmental functions as follows: “A function that is so intimately related to the public interest as to mandate performance by Government employees. These functions include those activities that require the exercise of discretion in applying Government functions which normally fall in two categories: (1) the act of governing, i.e., the discretionary exercise of Government authority, and (2) monetary transactions and entitlement.”<sup>18</sup> Although a more indepth legal interpretation would be required, some of the acquisition functions listed in Appendix C appear to fall in the category of inherently governmental. However, OFPP Policy Letter 92-1 does allow contractors to assist the government in managing inherently government functions.<sup>19</sup> Therefore, although contractors may not be able to perform all of the acquisition functions, they could perform some and assist in all of them.

Given this background on competitive sourcing, the author will present the pros and cons next.

## **Pros**

Competitive sourcing is consistent with DOD's current business strategy and policy. Deputy Secretary of Defense Hamre has announced that DOD will continue to compete government jobs with private industry and government employees must become more efficient to save their jobs.<sup>20</sup> Moreover, Bingman and Pitsvada, in their article say privatization (competitive sourcing) enhances the ability of the government to improve efficiency and effectiveness through the private sector.<sup>21</sup> Along with this, Brower, in his article, says, "Privatization and outsourcing will be the purest expression of the sentiment to support those industries by slashing, among other stakeholders, DOD's indigenous workforce."<sup>22</sup> Competing the acquisition functions would also result in direct reductions to the DOD AW if contractors win the competition. If contractors are more efficient, there is no need to retain government employees displaced by contractors.

Competitive sourcing reduces costs. The Report of the Commission on Roles and Missions says, "The primary path to more efficient support is through 'meaningful competition' which typically lowers costs by 20 percent for the types of commercial activities that DOD routinely reports to Congress. Twenty percent savings from outsourcing commercial-type workload would free over \$3 billion per year for higher priorities such as equipment modernization required in the next decade."<sup>23</sup> To further illustrate the savings, Bingman and Pitsvada say contracting out can reduce the size of the civil service workforce, reduce the public budget, and even add taxes on its profits.<sup>24</sup>

Congress supports competitive sourcing. The 105<sup>th</sup> Congress passed S.314 and President Clinton signed it into law in November 1998.<sup>25</sup> This law requires the federal government to procure non-inherently governmental goods and services from the private sector. To determine compliance, the law requires government agencies to identify and

report which activities currently performed by the government could be performed by the private sector and establish a schedule for converting these activities to private entities.<sup>26</sup>

DOD is currently performing a review of its functions to comply with the law. The acquisition functions are not exempt from this review. It stands to reason that activities deemed to be inherently governmental will be scrutinized for compliance with the law.

Finally, when reviewing the acquisition functions listed in Appendix C, many of them could be competed because they fit in the commercial category and are not inherently governmental. In fact, there are only two inherently governmental acquisition functions: source selection (selecting the winning contractor) and signing the contract (obligating funds on behalf of the government).<sup>27</sup> According to Mr. David Oliver, Principal Deputy Under Secretary of Defense (Acquisition & Technology), the most appealing commercial-like acquisition functions are the general business functions. Mr. Oliver especially thinks the computer and information technology functions are attractive candidates. Bottom line: regardless of who wins (government or contractor), the result should be reduced costs through efficiency and competition. Competing the acquisition functions would also result in direct reductions to the DOD AW if contractors win the competition. If contractors are more efficient, there is no need to retain government employees displaced by contractors.

## **Cons**

Competitive sourcing may not provide net savings. Shifting the workload from DOD to contractors is a “shell game” which may not result in true savings. For example, if contractors assumed this workload, they may have to hire additional people, which would increase contract costs. The House Government Reform and Oversight

Committee, Civil Service Subcommittee, has also questioned the amount of savings attributed to competitive sourcing. A Civil Service Subcommittee Professional Staff Member has said Congress is very interested in knowing if competitive sourcing actually results in net savings. In discussions with the author in the summer of 1998, the staffer indicated that Congress would probably hold hearings in the future to determine if DOD's projected savings are realized.<sup>28</sup> Therefore, if pursued, DOD will need to document savings and justify why competitive sourcing is a viable option.

Political pressure is another potential roadblock to competitive sourcing. According to Deputy Secretary Hamre, government workers have linked the A-76 process to base closures, complained to Congress and Congress voted to deny DOD authority for two more rounds of base closures.<sup>29</sup> As such, Congress may oppose competing some acquisition functions if enough government employees (constituents) are impacted despite passing S.314.

Competitive sourcing is a lengthy process—another con. According to Ms. Annie Andrews, Chief of the Air Force's Competitive Sourcing Branch, it takes about two years to complete a cost analysis and determine the most efficient organization.<sup>30</sup> It would take even longer to realize the savings.

As a minimum, a thorough study to include a legal interpretation should be conducted to determine which functions are the best candidates. Should all functions except the two inherently governmental functions be competed? If not all are competed, which ones should be? What happens to the DOD employees displaced by shifting the work to contractors? Who is responsible for the work contractors assume (are contractors held responsible for decisions previously made by the government)? Are current draw

down tools sufficient to handle the number of people displaced? These are just some of the difficult questions that would need to be addressed in such a study.

In summary, the competitive sourcing alternative has merit for a number of reasons. The A-76 process should result in efficiency regardless of who wins. If private industry wins it would result in a reduction to the AW. However, these efficiencies must be carefully balanced with the increased contractor costs to ensure they result in net savings.

### **Consolidate the Services' AW**

This alternative explores the possibility of consolidating the separate buying commands of the Services. There are many pros and cons that must be considered in this alternative.

#### **Pros**

As discussed earlier in this paper, consolidating the AW is not a new concept. The SASC staff in their report dated October 16, 1985 evaluated this concept. The SASC staff said, "The theoretical benefits of a consolidated acquisition agency are relatively apparent. There would presumably be common policies, common contract administration, greater coordination of department research efforts, greater flexibility in staffing, and other similar related benefits which should arise from having one procurement agency."<sup>31</sup> Even though this report was written in 1985, the benefits of consolidation still apply today.

Along with theoretical benefits, consolidation should result in reduced costs by eliminating redundancy. Earlier in this chapter, Figure 1 illustrated how defense budget

authority has declined from 1989 to 1999. The Commission on Roles and Missions Report says,

The procurement portion of the budget fell 55 percent from FY 1988 to FY 1994 (\$99 billion to \$46 billion). The DOD acquisition workforce declined 25 percent during this period while the private sector undertook large-scale reorganizations, mergers, and divestitures to accommodate the decreased workload. However, there has been no corresponding reduction in the number of DOD acquisition organizations. The Military Departments continue to maintain redundant staffs and facilities for many types of common support activities. Further the existence of separate Service-unique acquisition organizations encourages Service-unique programs at the expense of promising joint approaches. We recommend collocating similar program offices and consolidating those particular acquisition support activities where there is the widest duplication across Service and/or agency lines, the highest potential savings, and the greatest opportunity to encourage cooperation.<sup>32</sup>

Consolidation could be achieved in a flexible manner over a wide range of options from a total “purple” acquisition corps to a partial consolidation. The largest savings would result from a total consolidation of the Services’ acquisition commands because it would eliminate redundancy at virtually every layer of the acquisition structure. However, a partial consolidation implemented in a series of pilot programs would have the best potential for acceptance. For example, the DSB, in their March 1998 report, recommends collocating the Army’s Communications-Electronics Command; the Navy’s Space and Naval Warfare Command, and the Air Force’s Electronic Systems Center into a single installation.<sup>33</sup> Currently, all the Services’ have separate command, control communications, computers, and intelligence (C4I) departments. The DSB report says, “Consolidating the development and acquisition of tactical radios, theater communications systems, satellite communications, surveillance, sensors, and other imbedded C4I systems would facilitate closer coordination in developing the linkages

necessary to achieving C4I interoperability while maintaining war fighting focus and fiscal responsibility.”<sup>34</sup>

Why stop with collocation? Based on an interview with Mr. David Oliver, Principal Deputy Under Secretary of Defense (Acquisition & Technology), and author of this DSB recommendation, collocation intentionally falls short of consolidation because collocation retains separate Service reporting relationships and culture. In addition to closer coordination associated with collocation, consolidation of the C4I units would result in savings due to the need for fewer people by eliminating redundancy. The consolidation of the Air Force’s AFSC and AFLC into AFMC (discussed in Chapter 1) is one documented case of how consolidation provides savings. If the C4I consolidation is tested and successful, it could be followed by additional examples such as the consolidation of all fixed-wing and rotary-wing aircraft acquisition.

Dr. Ken Oscar, Assistant Secretary of Army (Procurement) proposed another less obtrusive consolidation during an interview on October 9, 1998. Dr. Oscar said the Services have a significant amount of redundancy in four separate acquisition commands. For example, the Army and Navy both buy rotary-wing aircraft while both the Air Force and Navy buy fixed-wing aircraft. Along with this, he said both the Army and Navy buy ships. Dr. Oscar proposed eliminating this redundancy by consolidating all requirements for a specific product to the single Service that does the best job of buying a particular item.<sup>35</sup> Dr. Oscar’s proposal is a unique form of consolidation that would be more acceptable than a total consolidation. Requirement consolidation retains Service bureaucracy, reporting relationships, and doctrine.

The author asked a distinguished lecturer visiting AWC if he thought a consolidated AW was possible. He said consolidation was possible if there was a model to follow.<sup>36</sup> There are some specific examples of consolidation DOD could use as a model. Based on discussions with AWC class of 1999 international students, the author determined that an overwhelming majority of the 63 countries represented in AWC have a consolidated acquisition agency. When asked why they have consolidated, the answer is, “Our country cannot afford separate acquisition commands in each Service.” The United Kingdom (UK) and France have the best-documented examples. The following excerpt from the UK’s homepage describes their program:

Procurement of defense equipment is an important and specialized task. It is the responsibility of the Procurement Executive (PE) in the Ministry of Defense (MOD) and is overseen by the Minister of State for Defense Procurement. The PE is led by the Chief of Defense Procurement (CDP) who is accountable to Parliament for the spending of money voted for equipment procurement and logistic support. This Accounting Officer responsibility covers not only the PE but also the expenditure of the three single-Service logistics, which procure a wide range of stores and consumables for in-service equipment.

The PE has recently undergone a series of major organizational changes designed to create a slimmed-down, fully integrated, more efficient organization.

In the new structure CDP has two deputies Operations and Support. Operations has responsibility for managing the procurement of equipment, with each of his Directors General taking responsibility for different systems or types of defense equipment. Within each of these areas, the job of managing procurement projects rests with Project Managers, who head integrated management teams incorporating technical, contracts, quality control, and logistic support expertise.

The Support deputy deals with procurement and contract policy, resource management within PE, contractual matters, and technical services including accountancy, quality assurance and intellectual property rights.<sup>37</sup>

The MOD implemented this consolidation to get the best value for the taxpayer. Prior to this consolidation, the UK had separate Service buying commands. The MOD anticipates saving about 20 percent by 2001/02 by implementing this consolidation.<sup>38</sup>

There is Congressional support for consolidation. As stated in Chapter 1, H.R. 1368, The DOD Acquisition Management Reform Act of 1995, proposed the creation of a joint Defense Research, Development and Acquisition Agency. In effect, it proposed a total consolidation of the Services' separate acquisition commands into one DOD "purple" AW agency. Senator Roth, Republican from Delaware, proposed a companion bill in the Senate, S.646. More recently, in an interview with SASC staff member, Mr. Jonathon Etherton, who has had primary responsibility for the AW size issue in the Senate since 1982, stated, "Given time and a thought out recommendation by DOD, consolidation is a viable option."<sup>39</sup> Mr. Etherton's counterpart on the HNSC staff, Mr. Christian Zur, believes the time for consolidation is now. Both Mr. Etherton and Mr. Zur believe that if DOD proposed consolidation, the SASC and HNSC (recently renamed the House Armed Services Committee) would support it. Therefore, consolidation does have the support of some key people in Congress.

## **Cons**

The SASC staff study of 1985 identifies some drawbacks to consolidation. The most significant concern is documented in their study as follows: "Each of the buying commands of the Services is presently an exceedingly large organization, and there is a real and serious question about whether a consolidated command would be manageable. It remains to be seen whether such extreme centralization would have more advantages than disadvantages."<sup>40</sup>

Another significant roadblock to consolidation is Service/DOD opposition. For example, when Congress introduced H.R. 1368 in 1994 (introduced in Chapter 1), it did not pass partly because of stiff opposition from DOD. In the September 1994, edition of National Defense Magazine, Dr. Jim McMichael, director of the Pentagon's acquisition career development office, was interviewed. When asked about the concept of a "purple" AW, he said, "Such an organization is not a good idea and it is not going to happen."<sup>41</sup> Further evidence that DOD was not ready for a purple AW in 1994 is provided by Dr. McMichael's additional comments in the interview. He said, "Colleen Preston and John Deutch, Deputy Defense Secretary, are intent on having the Services retain their acquisition roles."<sup>42</sup> This opposition is still evident today.

As mentioned earlier in this chapter, the Services have an established culture and buying doctrine. To change it would not be easy as documented during recent interviews with senior DOD acquisition leaders. Mr. Oliver and Dr. Oscar both vehemently opposed consolidation during interviews on October 9, 1998. Mr. Oliver said he didn't think the Services' culture would allow consolidation.<sup>43</sup> Dr. Oscar went even further by stating he knew of no examples of how consolidation has been successful.<sup>44</sup> The desire for the Services to maintain current acquisition doctrine is summarized in this quote by a retired senior government official visiting AWC, "The military can't change. We're locked into our own stupid way of doing things and we use doctrine as the cement that keeps us in place."<sup>45</sup>

The DOD programming and budgeting system poses another potential cultural problem to consolidation. Currently, the operational commands (users) identify a need that, if validated, ultimately gets documented in a mission needs statement and given to

the acquisition commands to satisfy. The acquisition staffs often get called upon to advocate funding for the program. In a consolidated acquisition structure, the advocacy function currently performed by the respective Service acquisition leaders may get neglected. For example, Air Force acquisition leaders support and advocate funding for the F-22 program but not the Navy's F/A-18 program. If Air Force and Navy acquisition commands were consolidated into a single command, who would be the advocate for the Service's programs? It is possible the operating commands could take a more active role in funding advocacy, but this would require changes to the current culture/procedures for programming and budgeting.

Just as Congress could be an ally for consolidation, Congress could also oppose it. For example, it would be almost impossible to collocate or consolidate the Services AW without BRAC authority. As stated earlier, Congress voted to disallow additional rounds of BRAC. Moreover, Mr. Jonathon Etherton, SASC Professional Staff Member, said during an interview that some Senators are concerned about pricing problems if the AW is cut too far and too fast.<sup>46</sup> Some Members of Congress do not want the AW cut so far that it causes \$600.00 toilet seats and \$100.00 hammers to be a problem again.

Regarding models to follow, Dr. Oscar says foreign consolidation examples do not apply because the DOD acquisition system and budget is larger than all the other countries' budgets combined.<sup>47</sup> This is further documented in the book, *Downsizing Defense* that says total NATO defense expenditures in 1990 were about \$337 million. Of this total, the United States portion was \$249 million.<sup>48</sup>

Lauren Holland, in her *Acquisition Review* article, "The Weapons Acquisition Process, The Impediments to Radical Reform", says there are two possible reasons why

the acquisition system resists change. She states, “There are few incentives for key actors in Congress, the Pentagon, and the defense industry to alter conventional patterns of behavior which have served their interest.”<sup>49</sup> Besides lack of incentive to change, Ms. Holland’s other reason for resistance follows: “Streamlining reforms are inherently risky because they are incompatible with an American political system not designed to be efficient, and an American political culture committed to popular control, accountability, and equity.” She goes on to say radical change can succeed only if it adjusts to political, strategic and economic inflexibility.<sup>50</sup> Consolidation is considered one of those “risky” reform initiatives that meets significant resistance.

## **Chapter Summary**

There are legitimate advantages and disadvantages to consolidation. The overriding question, however, given past history of reduced budgets and need for modernization, is can the United States continue to afford separate buying commands? This question applies today despite the increase in FY 1999 defense spending and potential increases over the next six years. As stated previously, despite the increases there is still not enough money to fund badly needed modernization programs. Consolidation definitely poses a way to reduce costs. Considering the 55,000-person cut the DOD AW will achieve by the end of FY 1999 (beginning in FY 1996), the current DOD acquisition organization structure will not facilitate further cuts if Congress directs them. DOD needs a better plan.

## **Notes**

<sup>1</sup> Christian Zur, House National Security Committee Staff, interviewed by author, August 28, 1998.

## Notes

<sup>2</sup> Jonathan Etherton, Senate Armed Services Committee Staff, interviewed by author, September 29, 1998.

<sup>3</sup> Dennis Drew and Don Snow, *Strategy, Doctrine and Air Power, Course Reader AY 1999*, "Military Doctrine", (Air War College, Maxwell AFB, AL: Air University Press, 1998), 42

<sup>4</sup> Steven Lee Myers, "Clinton Seeks More Money for Military Readiness", *New York Times*, September 23, 1998.

<sup>5</sup> Quoted in Thursday, September 3, 1998 Current News Early Bird, "Gansler: DOD In a 'Death Spiral,' Program Terminations Likely", in *Defense Daily*, article, same title, by George Cahlink, September 3, 1998, 1

<sup>6</sup> Distinguished Lecturer, Air War College, Maxwell AFB, AL, September 14, 1998

<sup>7</sup> Distinguished Lecturer, Air War College, Maxwell AFB, AL, September 17, 1998

<sup>8</sup> Thomas E. Ricks, "Cohen, Joint Chiefs Plan to Ask Clinton for Major Increase in Defense Budget", *The Wall Street Journal*, September 14, 1998, Section A, 4

<sup>9</sup> House Budget Committee Staff Member, interviewed by author, September 22, 1998.

<sup>10</sup> Dale Eisman, "Planned Budget Increase Merely Whets Appetites," *The Norfolk Virginian-Pilot*, January 21, 1999, 1, internet resource, available on <http://ebird.dtic.mil/Jan1999/e19990121planned.htm>.

<sup>11</sup> House, *Defense Department Restructuring, 1998: Hearing before the National Security Committee*, 105<sup>th</sup> Congress, 2<sup>nd</sup> Session, 11 March 1998

<sup>12</sup> Jeannette Deshong, Congressional Budget Office, interviewed by author, 24 September 1998.

<sup>13</sup> Burman et.al., *Review of the Acquisition Workforce*, 40

<sup>14</sup> Anonymous Member of the Consolidated Defense Industry Association, interviewed by author on September 22, 1998.

<sup>15</sup> Ms Jean Breeden and Mr. David Davenport, Air Force Directorate of Personnel Resources, Pentagon, Washington, D.C., interviewed by author, 13 October 1998.

<sup>16</sup> Mr. Peter Levine, Senate Armed Services Committee Professional Staff Member, Minority Counsel, interviewed by author 18 Oct 1998.

<sup>17</sup> Consultant Information Retrieval Instrument, 1 September 1998, discussions with respondents on 24 September 1998

<sup>18</sup> "Office of Federal Procurement Policy (OFPP) Policy Letter 92-1, Inherently Governmental Functions", Circular A-76 Supplement, Appendix 5, September 23, 1992: on-line, internet October 1, 1998, available on <http://www.ehitehouse.gov/WH/EOP/OMB/html/circulars/a076/a076sa5.html>.

<sup>19</sup> OFPP Policy Letter 92-1, page 8 of 9.

<sup>20</sup> Kozaryn, Linda D.: "Hamre Updates Defense Reform Initiatives", *American Forces Information Service, News Articles*, 21 July 1998, On-line, Internet, 15 August 1998. Available from [http://www.defenselink.mil/news/jul1998/n07211998\\_9807214.html](http://www.defenselink.mil/news/jul1998/n07211998_9807214.html)

<sup>21</sup> Charles Bingman and Bernard Pitsvada, "The Case for Contracting Out and Privatization", *Challenge*, November-December 1997, 114.

## Notes

<sup>22</sup> J. Michael Brower, "Outland: The Vogue of DOD Outsourcing and Privatization", *Acquisition Quarterly Review*, Fall 1997, 385.

<sup>23</sup> Department of Defense, *Report of the Commission on Roles and Missions of the Armed Force: Directions for Defense*, (Washington, D.C.: U.S. Government Printing Office, 24 May 1995, 3-2, 3-3

<sup>24</sup> Bingman & Pitsvada, 115.

<sup>25</sup> Major Warner Meadows, USAF, Air Force Legislative Liaison Officer, interviewed by author, 3 December 1998.

<sup>26</sup> S.314, *Freedom from Government Competition Act of 1997*, 105<sup>th</sup> Congress, 2<sup>nd</sup> Session, Signed into law by the President.

<sup>27</sup> Guest Lecturer to Air War College seminar on Acquisition & Logistics Management, 26 October 1998.

<sup>28</sup> Civil Service Subcommittee Professional Staff Member, House Government Reform & Oversight Committee, interviewed by author 8 June 1998.

<sup>29</sup> Kozaryn, Linda D.: "Hamre Updates Defense Reform Initiatives", 21 July 1998

<sup>30</sup> Annie Andrews, Chief, Air Force Competitive Sourcing Branch, Pentagon, Washington, D.C., interviewed by author, 1 October 1998.

<sup>31</sup> Senate Armed Services Committee Staff Report, *Defense Organization: The Need For Change*, Report No. 99-86, 16 October 1985, Washington D.C.: U.S. Government Printing Office, 1985, 549.

<sup>32</sup> DOD, *Report of the Commission on Roles and Missions of the Armed Forces*, 1995, 3-16, 3-17.

<sup>33</sup> Defense Science Board (DSB), *Report of the Acquisition Workforce Sub-Panel of the Defense Acquisition Reform Task Force on Defense Reform*, March 1998, ES-4.

<sup>34</sup> DSB, *Report of the Acquisition Workforce*, March 1998, II-6

<sup>35</sup> Dr. Kenneth Oscar, Deputy Assistant Secretary Army (Procurement), interviewed by author, 9 October 1998.

<sup>36</sup> Distinguished Lecturer to AWC, interviewed by author, 16 September 1998.

<sup>37</sup> Ministry of Defense Organization Structure, Defense Procurement, On-line, Internet, available from <http://www.mod.uk/aboutmod/org/org-man/procurem.htm>.

<sup>38</sup> Strategic Defense Review, *Changes in Defense Procurement*, Undated, no author

<sup>39</sup> Jonathon Etherton, Professional Staff Member, Senate Armed Services Committee Staff, interviewed by author, 9 October 1998.

<sup>40</sup> Senate Armed Services Committee Staff Report, 16 October 1985, 548.

<sup>41</sup> "Acquisition Work Force Facing Era of Upheaval", *National Defense*, September 1994, 38.

<sup>42</sup> *National Defense*, September 1994, 40.

<sup>43</sup> Mr. David Oliver, Principal Deputy Under Secretary of Defense (Acquisition & Technology), interviewed by author 9 October 1998.

<sup>44</sup> Dr. Kenneth Oscar, Deputy Assistant Secretary Army (Procurement), interviewed by author, 9 October 1998.

<sup>45</sup> Distinguished Lecturer to Air War College, 30 October 1998.

<sup>46</sup> Jonathon Etherton, Senate Armed Services Committee Staff Member, interviewed by author, 9 October 1998.

## Notes

<sup>47</sup> Dr. Kenneth Oscar, 9 October 1998.

<sup>48</sup> Ethan B. Kapstein, Editor, *Downsizing Defense*, (Washington, D.C.: Congressional Quarterly Inc., 1993), 141.

<sup>49</sup> Lauren Holland, "The Weapons Acquisition Process, The Impediments to Radical Reform," *Acquisition Review*, Spring 1998, 236

<sup>50</sup> Lauren Holland, "The Weapons Acquisition Process", 236

## Chapter 4

### Recommendation

*Another source of economy will be the pooling of facilities and personnel in localities where at present both Services have to operate, but where from the nature of circumstances, facilities and personnel are not fully used.*

—President Harry S. Truman, Message to Congress, 1945

### Preface

When starting this research project, the author believed consolidation of the Services' separate acquisition commands into a single “purple” agency would be the best alternative to provide necessary savings for modernization. However, after completing the research, the author now believes there are too many considerations to recommend an immediate total consolidation.

The external environment is different now than when this research project was initiated. For example, the FY 1999 NDAA has become law and it prevents disproportional cuts to the “acquisition core.” Although the exact effect of this language is unknown, it may end up helping prevent adverse arbitrary cuts to the DOD AW in the future. The FY1999 NDAA Conference Report says the intent of this language is to prevent drastic cuts to the AW that would be inconsistent with the cost-effective management of the defense acquisition system to obtain best value equipment and with ensuring military readiness.<sup>1</sup>

Another area where the climate has changed is the United States budget. At the outset of this project, there was no discussion of increasing the defense budget nor was a budget surplus reported. The Secretary of Defense and Joint Chiefs of Staff requested an increase and received \$9 billion in additional funds for the FY 1999 defense budget. The *USA Today* on 22 October 1998, said the increase in defense spending reverses a 14-year decline and provides dollars for readiness of selected programs and national missile defense.<sup>2</sup> Along with an increased defense budget, a huge budget surplus of \$1.6 trillion has been reported.<sup>3</sup> Moreover, another distinguished lecturer during a speech to the AWC on October 21, 1998, said the defense budget might get increased over the next four to five years because of the current surplus and concerns about readiness. The lecturer went on to say that politicians learned during the 1970s that military readiness problems must be solved fast because a military that is not ready scares the American people. Modernization can be delayed for a while, but readiness issues must be dealt with swiftly as a matter of national security.<sup>4</sup> Finally, President Clinton, in his January 19, 1999 State of the Union address, committed to “sustained increases over the next six years for readiness and modernization...”<sup>5</sup>

The combination of increased defense spending and a budget surplus may, in the near term, take the heat off the need to reduce the size of the AW to reduce costs and fund modernization/readiness programs. However, despite an increased defense budget in FY 1999 and potential increases over the next six years, as stated in Chapter 3, there is evidence that future budgets still do not adequately fund needed modernization programs. Therefore, a viable recommendation must be flexible enough to meet specific criteria.

## **Recommendation**

In addition to the changed environment, the key criteria to consider in a responsible recommendation are political considerations, Service culture, DOD policy, and impediments to change based on information presented in Chapter 4. Having established the ground rules, the author recommends the DOD AW reduce redundancy (and ultimately its size) by implementing a dual approach of competitive sourcing and incremental consolidation.

### **Competitive Sourcing**

In Chapter 3, the author suggested a study be completed to determine which acquisition functions are best suited for competitive sourcing. Competitively sourcing all the acquisition functions excluding the two inherently governmental acquisition functions (source selection and contract signing) seems too excessive and beyond the bounds of reason. Pending a completed study of what could be competed, the author believes, based on discussions with Mr. David Oliver, Principal Deputy Under Secretary of Defense (Acquisition & Technology), the most appealing commercial-like acquisition functions to competitively source are the general business functions. Mr. Oliver especially thinks the computer and information technology functions are attractive candidates. Using this background and the acquisition functions identified in Appendix C as a reference point, a complete list of possible non-program office functions that could be competed follows: logistics management, the engineering functions (materiel, civil, mechanical, electrical, computer, electronics, and chemical), industrial specialists/relations, and property management.

The program office (PO) functions should not be competed because POs perform oversight of contractors and act as stewards of taxpayer dollars. As stated earlier, competing everything may not provide net savings. Net costs could increase due to pricing problems (\$100 hammers, etc.) and programmatic decisions made by profit-motivated contractors may not be in the best interest of the government. Moreover, the author does not advocate delegating total responsibility to contractors for functions competitively sourced to them--contractors should not be given responsibility for stewardship of taxpayer dollars. Regardless of what functions contractors assume, a government manager needs to be in the loop to ensure decisions are made in the government's interest and not the contractor's. This along with motivating contractors to incorporate government considerations in their decisions should help prevent short-run savings from contractor buy-in and facilitate long-term results. One method of motivating contractors in this way is to include award fees in contracts to reward decisions that show how the government's interests are considered instead of only the bottom line.

The competitive sourcing portion of the recommendation should be easily implemented. It complies with DOD policy, procedures are in place to follow, it is consistent with Service culture, and it should not be considered a "risky" reform initiative as defined by Lauren Holland in Chapter 4. The second part of the recommendation, incremental consolidation, should be implemented concurrently with competitive sourcing.

## **Incremental Consolidation**

Any proposed consolidation must utilize existing Service expertise and culture. For example, the Navy's mission requires its acquisition personnel have specialized knowledge of carrier operations. It is inconceivable that Air Force acquisition personnel could have the experience or knowledge necessary to meet Navy requirements. Moreover, the Army could not possibly have the expertise to buy aircraft carriers. Service cultures are learned and developed over years of experience. However, as discussed in Chapter 4, separate acquisition commands may no longer be affordable. So, how can the benefits of Service acquisition culture and expertise be maintained yet become more efficient? Jointness is the answer. But how can it be achieved?

The author finds Dr. Oscar's consolidation of requirements proposal appealing because it retains Service culture while obtaining efficiencies. Using this concept as the foundation, the author recommends consolidating requirements of major defense acquisition programs assigned to a Program Executive Officer (PEO) in three pilot programs as follows:

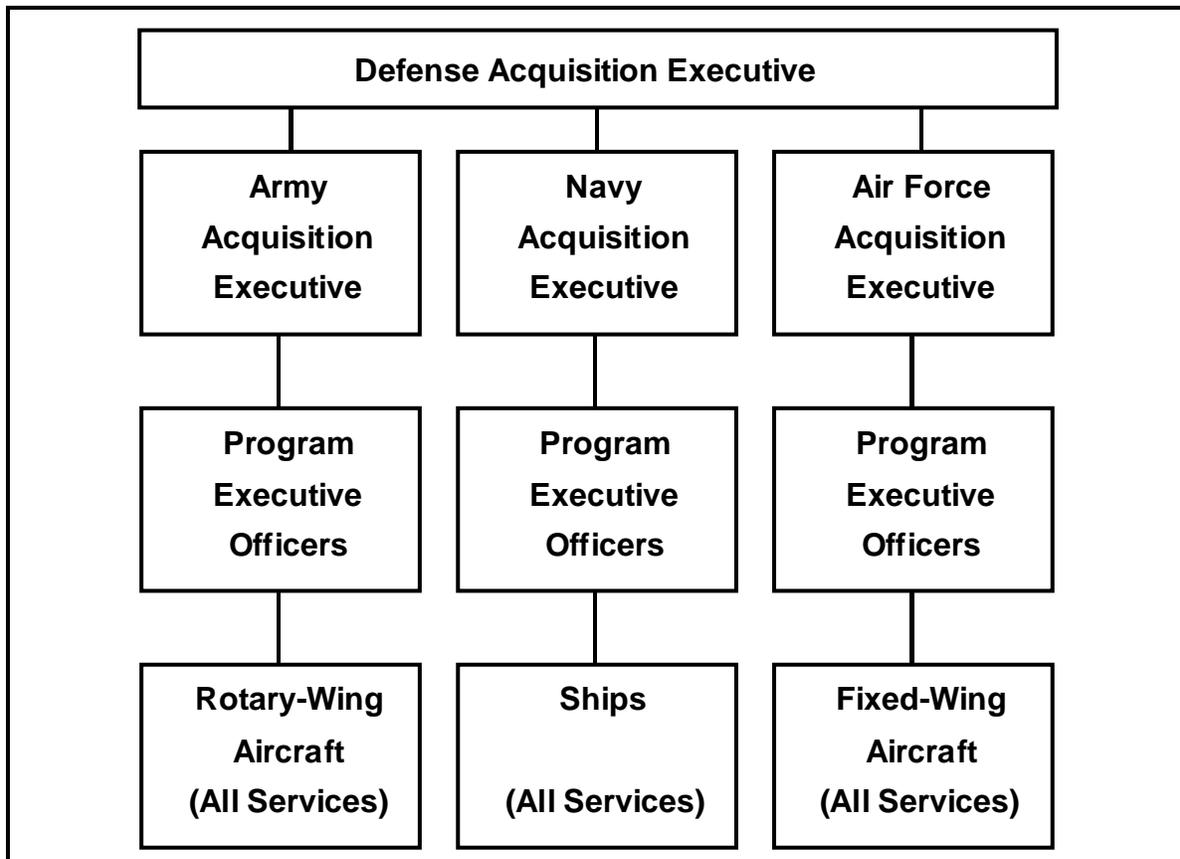
1. Fixed-wing aircraft. Currently, both the Navy and Air Force buy fixed-wing aircraft.<sup>6</sup> Because the Air Force has the preponderance of fixed-wing assets<sup>7</sup>, resources and an established doctrine, all fixed-wing aircraft should be jointly purchased by the Air Force and Navy reporting to the Air Force Service Acquisition Executive (SAE).
2. Ships. Currently, both the Army and Navy buy ships.<sup>8</sup> The Navy has the preponderance of assets and historical precedence in ship buying.<sup>9</sup> Therefore, the Navy should buy all ships jointly with Army reporting to the Navy SAE.
3. Rotary-wing aircraft. Currently, all three Services buy rotary-wing aircraft.<sup>10</sup> All three Services should jointly buy rotary-wing aircraft reporting to the Army SAE because the Army has the preponderance of assets,<sup>11</sup> resources and requirements.

The three pilot programs should be initiated simultaneously but in three phases to facilitate acceptance and implementation.

**PHASE I.** Establish integrated process teams (IPT) comprised of representatives from the Services and the Office of the Secretary of Defense (OSD) staff. The IPT in coordination with the SASC and HNSC staffs, by the end of FY 2000, should establish plans, policies, training plans and procedures to facilitate the realignment of these acquisition programs. In other words, this phase would include all activities to prepare for a realignment but stop short of the actual realignment—it is a realignment in place. This preparation phase would expand the concept of jointness to the Services. Involving the SASC and HNSC staff early rather than reacting to language at the end would facilitate a smoother, more congenial legislative process. Consolidating acquisition requirements will necessitate a change in reporting relationships; however, today's technology, such as electronic mail, video teleconferencing, and telephone conferencing capabilities, prevents the need for personnel moves. For example, using this technology, Navy acquisition personnel located at Naval Air Systems Command in Maryland buying fixed-wing aircraft can remain in their current location but be linked to the Air Force SAE at the Pentagon. By keeping personnel in their current location, acquisition personnel retain contacts with their Service culture while at the same time avoid the need for a BRAC.

The Joint Strike Fighter (JSF) program has established this reporting arrangement. In this joint program, the SAE rotates between the Air Force and Navy and the program director reports to the Defense Acquisition Executive through the opposite SAE.<sup>12</sup> The JSF program has been hailed by many in DOD as a model. The joint reporting relationship is working.

**PHASE II.** Implement the Phase I realignment plans by the end of FY 2001. The realignment in place will facilitate a smooth transition. For fixed-wing aircraft, the Navy acquisition personnel would report to the Air Force SAE through their current Navy PEO chain. The same alignment would apply to the other two consolidation pilot programs. For rotary-wing aircraft, the current Navy and Air Force acquisition personnel would report through their current PEOs to the Army SAE, while for ships, the Army personnel would report through their current PEOs to the Navy SAE. Service PEOs would retain day-to-day leadership and oversight responsibility; however, the PEOs would report to the SAE having jurisdiction over the equipment being purchased. The illustration below depicts the proposed requirements consolidation organization structure.



**Figure 2. Requirements Consolidation Organization Structure**

**PHASE III.** Evaluate the consolidation and report results to Congress by the end of FY 2003. DOD should report to Congress the progress of the consolidation to include impacts/problems with reporting relationships and recommendations for further consolidation. If Congress authorizes another round of BRAC before FY 2003 and the budget situation worsens which demands further reductions, DOD could collocate the acquisition assets of the pilot programs and report the results to Congress. The report should include the AW reductions or projected reductions based on eliminated redundancy and recommend how the pilot programs should be collocated.

This incremental approach should help break down Service cultural barriers to consolidation and help make future, deeper consolidations more acceptable if budgets demand it. Existing personnel draw down tools should be sufficient to handle employees displaced by this recommendation. However, if existing tools are not available and legislative relief is needed, DOD could include this in the Phase III report and recommend solutions to Congress. If the consolidation pilot programs are successful, it could open the door to a total consolidation of the Services' acquisition commands into a single agency.

On the other hand, if budgets increase enough to fund modernization and the surplus remains, implementation can stop at Phase I. This recommendation has the flexibility to allow total or partial implementation. Therefore, like the competitive sourcing portion of the recommendation, incremental consolidation also meets the criteria established in the preface: it addresses Service cultural differences, allows for political input, and facilitates a gradual shift in established doctrine.

## Notes

<sup>1</sup> H.R. 3616, Conference Report to the FY 1999 National Defense Authorization Act, 105<sup>th</sup> Congress, 2<sup>nd</sup> Session, 22 September 1998, 191.

<sup>2</sup> *The USA Today*, “New Budget Has Something For Everybody”, 22 October 1998, available on <http://www.usatoday.com/news/washdc/ncswed02.htm>.

<sup>3</sup> John Scott, Montgomery, Alabama, FM Radio station WLVF, 89.1, news broadcast, 0600, 8 Oct 1998.

<sup>4</sup> Distinguished Lecture, Air War College, Maxwell AFB, AL, 21 October 1998.

<sup>5</sup> President Clinton, State of the Union of Address except, *Washington Post*, January 20, 1999, internet resource, available at <http://ebird.dtic.mil/Jan1999/e19990120fellow.htm>.

<sup>6</sup> Dr. Kenneth Oscar, Assistant Secretary Army (Procurement), interviewed by author, 9 October 1998.

<sup>7</sup> Mr. Christian Zur, House National Security Committee, Professional Staff Member, interviewed by author, 27 October 1998.

<sup>8</sup> Mr. Christian Zur, interviewed by author, 27 October 1998.

<sup>9</sup> Dr. Oscar, interviewed by author, 9 October 1998.

<sup>10</sup> Dr. Oscar, interviewed by author, 9 October 1998.

<sup>11</sup> Mr. Christian Zur, interviewed by author, 27 October 1998.

<sup>12</sup> Joint Strike Fighter Single Acquisition Management Plan, Annex C, Joint Advanced Strike Technology Charter, 12 August 1994.

## Chapter 5

### Conclusion

*The benefits derived from it [the War Office], I flatter myself will be considerable though' the plan upon which it is first formed may not be perfect. This is like other great works in its first Edition, may not be entirely free from Error. Time will discover its Defects and experience suggest the Remedy, and such further Improvement as may be necessary; but it was right to give it a Beginning.*

—George Washington  
Creation of the War Office, 1776

In Chapter 1, the author defined the AW issue as a “tooth-to-tail” dilemma. The drastic reduction in war fighters (tooth) has prompted Congress to mandate reductions to the AW (tail) over the last four years. The defense budget has historically been reduced which has forced DOD to become more efficient. Reducing redundancy from the support tail, in theory, should reduce costs and provide savings that could be used to fund high priority modernization and readiness programs.

DOD must be proactive in solving this tooth-to-tail dilemma. Despite an increase in the FY 1999 defense budget and potential increases over the next six years, it is unlikely future budgets will be increased enough to prevent the need for further reductions. Today's budget surplus may turn into tomorrow's budget deficit. If the economy sours and deficits return, and DOD does not propose a plan to reduce the size of its AW, Congress will be forced to propose further arbitrary reductions. Now is the time to act and the author's recommendation provides a flexible, viable course of action.

Competitive sourcing and incremental consolidation is one possible way to produce savings to fund higher priority programs such as modernization and readiness without negatively impacting the acquisition mission

## Appendix A

### DOD Acquisition Organizations

- Under Secretary of Defense (Acquisition & Technology)
  - Army:
    - Army Acquisition Executive (AAE)
    - Army Materiel Command (AMC)
    - Army Strategic Defense Command (SDC)
  - Navy:
    - Assistant Secretary of the Navy (Research, Development & Acquisition)
    - Naval Sea Systems Command (NAVSEA)
    - Naval Air Systems Command (NAVAIR)
    - Naval Supply Systems Command (NAVSUP)
    - Naval Facilities Engineering Command (NAVFAC)
    - Space and Naval Warfare Systems Command (SPAWAR)
    - Office of the Chief of Naval Research (CNR)
    - Navy Program Executive Officer/Direct Reporting Program Manager Offices
    - USMC Systems Command
  - Air Force:
    - Assistant Secretary of the Air Force (Acquisition)
    - Air Force Materiel Command (AFMC)
    - Air Force Program Executive Officer (PEO) Organization
  - Defense Agencies:
    - Defense Logistics Agency (DLA)
    - Ballistic Missile Defense Organization (BMDO)
    - Defense Contract Audit Agency\*
    - Defense Information Security Agency\*
    - TRICARE Support\*
    - Special Operations Command (Acquisition Center only)<sup>1</sup>
- \* Added to the DODI 5000.58 list of organizations by Jefferson Solutions

#### Notes

<sup>1</sup> Allan V. Burman, Nathaniel M. Cavallini, Kisha N. Harris, *Review of the Department of Defense Acquisition Workforce*, DASW01-97-M-1847, (Washington, DC: Jefferson Solutions, September 1997), 15

## **Appendix B**

### **Original Packard Definition**

#### **Occupations counted across DOD**

(Civilian occupation series number in parenthesis):

1. Contractor Industrial Relations (246)
2. Program Management (340)
3. Logistics Management (346)
4. Auditing (511)
5. Contracting (1102)
6. Industrial Property Management (1103)
7. Property Disposal (1104)
8. Industrial Specialist (1150)

#### **Occupations counted only if located in an Acquisition Organization identified in Appendix A**

(Civilian occupation series number in parenthesis):

1. Computer Specialist (334)
2. Budget Analyst (560)
3. General Engineering (801)
4. Surveying Technician (817)
5. Engineering Drafting (818)
6. Nuclear Engineering (840)
7. Biomedical Engineering (858)
8. Naval Architecture (871)
9. Ship Surveying (873)
10. Agricultural Engineering (880)
11. Ceramic Engineering (893)
12. Welding Engineering (894)
13. Industrial Engineering Technician (895)
14. Industrial Engineering (896)

15. General Business & Industry (1101)
16. Chemistry (1320)
17. Hydrology (1315)
18. Metallurgy (1321)
19. Geology (1350)
20. Oceanography (1360)
21. Cartography (1370)
22. Operations Research (1515)
23. Mathematics (1520)
24. Statistician (1530)
25. Computer Science (1550)
26. Health Physics (1306)
27. Physical Science Technician (1311)
28. Meteorology (1340)
29. Equipment Specialists (1670)
30. Quality Assurance (1910)
31. Production Control (1152)
32. General Physical Science (1301)
33. Physics (1310)
34. Geophysics (1313)
35. Supply Program Management (2003)
36. Storage Management (2030)
37. Packaging (2032)
38. Transportation Specialist (2101)
39. Traffic Management (2130)<sup>1</sup>

#### **Notes**

<sup>1</sup> Allan V. Burman, Nathaniel M. Cavallini, Kisha N. Harris, *Review of the Department of Defense Acquisition Workforce*, DASW01-97-M-1847, (Washington, DC: Jefferson Solutions, September 1997), 20-21

## **Appendix C**

### **Revised Packard Definition**

#### **Group I Occupations Counted Across DOD**

(Civilian Occupation Series Number in Parenthesis)

1. Contractor Industrial Relations (246)
2. Program Management (340)
3. Logistics Management (346)
4. Auditing (511)
5. Materials Engineering (806)
6. Civil Engineering (810)
7. Environmental Engineering (819)
8. Mechanical Engineering (830)
9. Electrical Engineering (850)
10. Computer Engineering (854)
11. Electronics Engineering (855)
12. Aerospace Engineering (861)
13. Chemical Engineering (893)
14. Contracting (1102)
15. Industrial Property Management (1103)
16. Property Disposal (1104)
17. Purchasing (1105)
18. Procurement Clerical & Assistance (1106)
19. Property Disposal Clerical (1107)
20. Industrial Specialist (1150)
21. Quality Assurance (1910)

#### **Group II Occupations Counted in Acquisition Organizations Only**

(Civilian Occupation Series Number in Parenthesis)

1. Geography (150)
2. Computer Specialist (334)

3. Financial Management (505)
4. Budget Analysis (560)
5. General Engineering (801)
6. Engineering Technician (802)
7. Surveying Technician (817)
8. Engineering Drafting (818)
9. Nuclear Engineering (840)
10. Biomedical Engineering (858)
11. Naval Architecture (871)
12. Ship Surveying (873)
13. Agriculture Engineering (880)
14. Ceramic Engineering (893)
15. Welding Engineering (894)
16. Industrial Engineering Technician (895)
17. Industrial Engineering (896)
18. General Business & Industry (1101)
19. Production Control (1152)
20. General Physical Science (1301)
21. Physics (1310)
22. Geophysics (1313)
23. Supply Program Management (2003)
24. Space Science (1330)
25. Chemistry (1320)
26. Hydrology (1315)
27. Hydrology Technician (1316)
28. Metallurgy (1321)
29. Geology (1350)
30. Oceanography (1360)
31. Cartography (1370)
32. Cartography Technician (1371)
33. Operations Research (1515)
34. Mathematics (1520)
35. Statistician (1530)
36. Computer Science (1550)

## **Group II Organizations**

### **Army**

AMC  
AAE  
SDC  
Army COE\*

### **Other DOD**

USD(A&T)

### **Navy**

CNR  
NAVAIR  
NAVSUP  
NAVSEA  
NAVFAC  
PEO/DRPM's  
SPAWAR  
ASN(RDA); USMC Systems Command

## Group II Organizations (Continued)

### Other DOD (continued)

USSOCOM (SOAC only)  
BMDO  
DCAA  
DISA  
TRICARE Support Office  
DLA

### Air Force

AFMC  
ASAF(A)  
PEO

\* 15,024 personnel considered acquisition personnel at the Army Corps of Engineers are included in this workforce.<sup>1</sup>

### Notes

<sup>1</sup> Allan V. Burman, Nathaniel M. Cavallini, Kisha N. Harris, *Review of the Department of Defense Acquisition Workforce*, DASW01-97-M-1847, (Washington, DC: Jefferson Solutions, September 1997), 37-39

## Appendix D

### Contractor Feedback Retrieval Instrument

This instrument was sent to Raytheon, Northrop Grumman, Boeing, and Lockheed Martin. The feedback is incorporated into Table 1.

Dear Defense Contractor Representative:

September 1, 1998

Attached is the instrument I talked to you about recently. Thank you very much for agreeing to complete and return it to me by September 30, 1998 for my research project. As discussed on the phone, I plan to use the feedback in my research paper entitled, Acquisition Workforce—What’s the Right Size? I selected your company to participate in this instrument because of the long-standing relationship it has with the Department of Defense (DOD). Writing a research paper is a requirement for graduation from Air War College (AWC) and I appreciate your willingness to help me.

By way of background, DOD’s acquisition workforce has been significantly reduced since its employment high of about 426,000 in Fiscal Year (FY) 1989. In FY 1996, DOD reduced the acquisition workforce by 15,000 people; an additional 42,000-person cut occurred in FY 1997; and an additional 20,000-person reduction is planned in FY 1998. DOD plans an overall reduction of almost 50 percent, or 288,800 from 1989 to 2000. Despite DOD’s plans for reductions, Congress has forced additional cuts each year since 1995. In FY99, the House National Security Committee has asked for an additional 70,000-person cut over three years. Information from this survey will be used to help determine if additional cuts are required.

This instrument was provided to other major defense contractors. However, information resulting from the instrument will be kept confidential and not provided to other companies. If any instrument information is included in the research paper, the identity of the company will remain confidential by referring to companies as “Company A”, “Company B”, etc.

Thanks again for your help and I look forward to receiving your completed feedback by September 30, 1998. If you have any questions, you may contact me through the AWC student locator, at (334) 953-2119, or you can reach me by e-mail at the following address: “jlyle@max1.au.af.mil.”

Sincerely,

signed  
JOHN M. LYLE, Lt Col, USAF  
Air War College Student

Attachment: Feedback Retrieval Instrument

## CONTRACTOR FEEDBACK RETRIEVAL INSTRUMENT

***DISCLAIMER:*** *This feedback retrieval instrument was developed by the author and the questions and/or thoughts contained in this survey do not reflect the position of DOD, the United States Air Force, or the Air University. The research effort is not at the request of any DOD agency and the survey is solely for the purpose of academic research. Participation in this survey is voluntary and at no cost to the government.*

Your candid response to this two-part instrument is important. Part I, questions 1 through 8, is designed to help determine how past acquisition workforce reductions have impacted your company's ability to perform its mission and determine how additional reductions could be achieved. Part II, questions 9 & 10, pertain to your company's policies/procedures for rightsizing its acquisition/procurement workforce.

***Please mark your answers to the retrieval instrument questions directly on the instrument itself.***

### PART I

Acquisition reform initiatives such as elimination of many specifications and standards, drastic reduction in contract data requirements lists, and replacement of detailed statements of work with performance objectives may have improved your company's ability to accomplish its mission. However, there may be areas that have suffered simply due to fewer DOD acquisition people to do the job.

1. How have DOD acquisition workforce reductions impacted your company's ability to accomplish its mission of selling to DOD? Place a check mark beside the best answer and follow the instructions.  
Negatively impacted\_\_\_\_\_      No change\_\_\_\_\_      Positively  
Impacted\_\_\_\_\_      (Go to question #5)      (Go to question #5)  
(Go to question #2)
2. Place a check mark below that best describes the level of impact (level defined by percentage of business functions impacted):  
A lot\_\_\_\_\_      Some\_\_\_\_\_      A little\_\_\_\_\_  
(75% or greater)      (25% to 74%)      (24% or less)
3. Place a check mark beside the year (or years) that your company was impacted the most:

1990 \_\_\_ 1991 \_\_\_ 1992 \_\_\_ 1993 \_\_\_ 1994 \_\_\_ 1995 \_\_\_ 1996 \_\_\_ 1997 \_\_\_ 1998 \_\_\_

4. Place a check mark beside the area that best describes how your company has been negatively impacted due to a smaller acquisition workforce. More than one area may apply; mark all that apply:

Contract award process  
     Solicitation(s) of poor quality  
     Negotiations delayed or prolonged  
     Contract approval delayed  
 Contract administration process  
     Payment/financial problems  
     Property/industrial management problems  
     Production/manufacturing/quality assurance  
 Other (please specify in the space provided below this line and on the back if necessary)

For questions 5 and 6 below, please use the following list of acquisition functions, as defined by DODI 5000.58I, Defense Acquisition Workforce and Improvement Act, and the Packard Commission, to explain/support your answers: contracting, engineering, computer specialists, logistics management, general business and industrial relations, auditing, quality assurance, physical sciences, procurement clerks, budget analysis, production control, supply management, purchasing, math and statistics, industrial specialist, property disposal & management.

5. Given your company's knowledge of the size of DOD's acquisition workforce and answers provided to questions 1 through 4 above, does your company agree additional reductions are required? Place a check mark beside the appropriate answer below:

Yes \_\_\_\_\_ No \_\_\_\_\_

Please explain why you answered the way you did in the space provided here and on the back if necessary. If your company agrees additional cuts are required, please identify which functional area (from the list above) could be cut and why. Conversely, if your company believes a certain functional area should be increased, please specify which area and describe why here and on the back as necessary.

6. Does your company conduct business with more than one DOD acquisition organization/agency? For example, do you have contracts with the Air Force, Navy, Army, Ballistic Missile Defense Office, Defense Logistics Agency, and/or Special Operations Command?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. If you answered yes to question 6, would it be more efficient/better for your company to conduct business with one "joint/combined" defense acquisition command? (Note: Combining the acquisition workforce of the Air Force, Army, Navy, and defense agencies into one command would create a "Joint/combined" defense acquisition

command. A simple example could be combining all command, control, and communications acquisition functions of the Army, Navy, and Air Force into one single agency. However, a more drastic consolidation could include combining all DOD acquisition offices into one joint command.)

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please explain below why it would be more efficient/better for your company to conduct business with one defense acquisition command here and on the back if necessary. If consolidating to one defense acquisition organization is not necessary, please specify which defense organizations could consolidate and why?

8. Could your company do any of the acquisition functions listed above more efficiently than DOD?

Yes \_\_\_\_\_ No \_\_\_\_\_. If you said yes, please identify which functions and why (please use the back of this paper as necessary):

## **PART II**

DOD's drawdown and budget cuts have forced the defense industrial complex to become more streamlined through staff reductions and acquisitions and mergers. Therefore, this part of the survey is designed to use your company's experience gained from acquisitions and mergers to help achieve additional reductions in DOD's workforce.

9. Does your company use a method or procedure for establishing the size of its acquisition/procurement workforce?

Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, describe the process below. Use the back if additional space is required. (Please provide copies of company policies/procedures if available.) Go to question #10

10. If you have a vision for the future of your company's procurement/acquisition workforce, please describe what that is here and how it could be applied to the DOD workforce. Use the back of this paper as necessary.

Please complete the administrative information below and mail the completed instrument in the envelope provided; or reply via e-mail to "jlyle@max1.au.af.mil". THANK YOU!

NAME \_\_\_\_\_ TITLE \_\_\_\_\_

COMPANY \_\_\_\_\_ PHONE # \_\_\_\_\_

E-MAIL ADDRESS \_\_\_\_\_

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