



Vol. 6, No. 2 May/June 2001

2001 Defense Reform Conference Calls for New 'Action'

Key DoD, Defense industry, Wall Street and Congressional leaders convened in Washington, DC on 14-15 February to assess the current status of defense reform and address future initiatives in an effort to assist the Bush administration in setting its defense priorities and reform agenda. The 2001 Defense Reform Conference, sponsored by the American Institute for Aeronautics and Astronautics, BAE Systems, Boeing, Defense News, Lockheed Martin, Northrop Grumman, Raytheon and TRW, recommended specific reforms aimed at improving DoD budgeting and acquisition, and preserving a vital defense industrial base.

Ms. Darleen Druyun, the conference's executive chair and Principal Deputy Assistant Secretary of the Air Force for Acquisition and Management, got things started with a morning keynote address. "We truly are at a critical juncture in our defense posture," observed Ms. Druyun, due to the convergence of declining defense budgets, the end of the Cold War, and a new President and Secretary of Defense. Ms. Druyun's key objective for the conference was that attendees leave with "A Blueprint for Action."

The second keynote speaker, Mr. Vance Coffman, chairman and chief executive officer (CEO) of Lockheed Martin Corporation, said defense reform has reached a "pivotal moment" and "expectations are high" with a new administration

in Washington. Mr. Coffman said that in the past decade the Defense industry has been forced to "consolidate or evaporate." Mr. Coffman noted that we are now experiencing the result of a "procurement holiday" where investment in hardware is at such a pace that the average ship, tank or

"No amount of money will buy time...we don't build weapons for today's threats, but for tomorrow's," — Mr. Vance Coffman, Chairman and CEO, Lockheed Martin Corporation

aircraft will have to last roughly 54 years before being replaced. In this new environment, the nation has asked the Defense industry to integrate and produce fewer but more complex and powerful, weapons systems. Mr. Coffman offered eight suggestions for reforming the defense acquisition process:

1. Halt the turbulence in the acquisition process; need for funding and program stability.
2. Dismantle the 'military specifications' framework.
3. Encourage the use of commercial, off-the-shelf products and technology.

4. Embrace 'best value' procurement.
5. Apply 'Single Process Initiatives' and other 'lean' principles to the procurement process.
6. Streamline export control policies.
7. Bring back BRAC [Base Realignment and Closure Commission].
8. Change the procurement culture.

Finally, Mr. Coffman warned, "No amount of money will buy time. Sometimes I think that statement should be printed in capital letters at the top of every defense budget, as a reminder that we don't build weapons for today's threats, but for tomorrow's."

The two-day conference included a series of panel discussions from leading defense experts, beginning with "Assessing the Health and Viability of the U.S. Defense Industry: CEO Perspectives," which included senior executives of the top defense companies. The Defense industry currently faces many difficulties, the panel agreed, and depends on DoD support to preserve its industrial and technology base.

A second panel, "A Critical Look at Acquisition and Logistics Reform: Perspectives from Industry and the Pentagon," articulated support for reducing the timeline in developing and deploying new weapon systems, multi-year funding and spiral development approaches. Dr. Jacques Gansler of the University of Maryland and former Under Secretary of Defense for Acquisition, Technology and

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Purchase Cards Move to the Next Generation

When DoD buys low-cost commercial goods and services, it uses its credit card. The government purchase card is the Department's credit card, and is used to buy billions of dollars in goods and services each year. Initially called "IMPAC" cards, the government purchase card has had a significant effect in acquisition reform, and is now DoD's required method of acquiring and paying for "micro-purchases" (i.e., purchases \$2,500 or less).

Before the card came into use, anyone with a requirement — regardless of its dollar value — had to fill out a purchase request. Essentially, the purchase card provides a less costly, more efficient way for end-users in the field to get needed products and services directly from vendors, instead of going through the traditional acquisition process where paperwork and multiple approvals are the norm.

DoD set a goal of using the purchase card for 90 percent of the micro-purchases by Fiscal Year (FY) 2000. According to statistics from the DoD Purchase Card Program Management Office, DoD achieved this goal a year early, with purchase card use in FY '99 accounting for 91.6 percent of DoD micro-purchases (FY '94 was 16 percent), for a total value exceeding \$4.6 billion. Since the Federal Acquisition Streamlining Act of 1994 set the

micro-purchase threshold and ushered in greater purchase card use, DoD acquisition workers have witnessed an 89 percent reduction in the number of micro-purchases processed via the traditional procurement process. According to the General Services Administration (GSA), there are over 618,000 purchase cards government-wide, which are accepted by about 14 million businesses worldwide.

DoD has seen dramatic savings through purchase card transactions over the past seven years, saving over \$742 million on approximately 38 million transactions. DoD analyses show that the Department saves on average about \$20 per transaction using the purchase card, instead of a purchase order and check, for micro-purchases.

What's next for the purchase card? In the future, the goal is to increase the use of purchase cards as the method of payment with GSA Advantage, other Federal Supply Schedule or Service requirement contracts. Cardholders would be provided with ordering authority so that they may place verbal or electronic orders against existing contract vehicles.

The DoD Purchase Card Program also intends to further leverage the use of technology by providing many web-based services such as: account setup and maintenance, billing statements, reports,

surveillance, and an electronic certification and payment process.

For more information on purchase cards, go to <http://purchasecard.sarda.army.mil/>.

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Performance-Based Payments

DoD has had the authority to use performance-based payments (PBP) under sole source fixed-price contracts for several years, but they have not been used widely. Recently, the Federal Acquisition Regulation was changed to permit PBP use on research and development and competitively negotiated acquisitions. Prime contractors with cost type contracts also are allowed to use PBPs on fixed-price subcontracts. Federal Acquisition Circular (FAC) 97-16 details these changes. Go to <http://www.arnet.gov/far/facframe.html> and click on FAC 97-16 to download the PDE.

A 13 November 2000 memorandum from the Under Secretary of Defense for Acquisition, Technology and Logistics directed the Department to make PBP the primary and most commonly used form of contract financing. For fiscal year (FY) 2002, 25 percent of contracts valued at \$2 million or more must be PBP financed. By FY 2005, PBP should be primary form of fixed-price contract financing.

There are significant advantages to using PBPs instead of cost-based progress payments, including:

- Enhanced Technical and Schedule Focus
- Broadened Contractor Participation
- Reduced Cost of Administration and Streamlined Oversight
- Enhanced and Reinforced Roles of Program Managers and IPTs
- Cash Flow Advantages

The memorandum also directed the Deputy Under Secretary of Defense for Acquisition Reform to assist acquisition officers meet the PBP directive by developing guidance documents. A PBP guide has been developed, and a distance learning web-based module is being developed and is expected to be online in August 2001. To view the memo, the guide and other PBP information, go to <http://www.acq.osd.mil/ar/initiati.htm#pbc>.

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How to Reach AR Today

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Acquisition Workforce 2005 Task Force

Despite twelve years of downsizing and an impending retirement surge, the Acquisition Workforce 2005 Task Force believes DoD is currently presented with a unique window of opportunity to reshape its talented civilian acquisition workforce to meet future challenges. This reshaping process is long overdue, according to Keith Charles, the Task Force leader, and will require leadership commitment, new authorities and, most importantly, a cultural change in DoD's management of people.

Representing the joint efforts of DoD's acquisition and personnel communities, the Task Force released a final report in October 2000, entitled, "Shaping the Civilian Acquisition Workforce of the Future." In completing this report, the task force relied on input from industry, academia, other federal agencies, the acquisition workforce, and employee unions.

The report provides acquisition career management tools to assist managers in the orderly transition of the DoD civilian acquisition workforce to one that will meet the national security requirements of the 21st century. Mr. Charles believes DoD must begin to recognize its employee assets and then develop, plan and manage the civilian acquisition workforce. This requires DoD to treat recruitment and development as investments, rather than costs.

The report identifies new initiatives, ongoing initiatives and best practices. The initiatives fall into five broad themes: strategic planning, recruiting/hiring, career development, workforce management and quality of life. Of the 31 recommended

The principal foundation of many of the initiatives is laid out in the first initiative, "Develop and Implement Comprehensive, Needs-Based Human Resource Performance Plans for the Civilian Acquisition Workforce." Therefore, the Task Force believes this initiative should receive the highest priority.

initiatives, 27 can be implemented, in whole or in part, using existing legal authorities. The principal foundation of many of the initiatives is laid out in the first initiative, "Develop and Implement Comprehensive, Needs-based Human Resource Performance Plans for the Civilian Acquisition Workforce." Therefore, the Task Force believes this initiative should receive the highest priority.

With the report completed, the Task Force is now in the process of coordinating and overseeing

the implementation of approved initiatives. Implementation results will be evaluated to determine whether desired effects are being achieved.

With his continued outreach efforts, Mr. Charles is educating DoD and non-DoD acquisition-related organizations on the recommendations, drawing attention to and support for them. The task force invites the acquisition community to review the complete report at <http://www.acq.osd.mil/yourfuture/story.htm#reports>.

In addition, the Task Force focus is on the following:

- Continued partnership with the personnel community
- Component development of comprehensive, needs-based human resources performance plans
- Development of legislative proposals
- Public and private sector benchmarking
- Information sharing with military associations

America's security will depend — as it always has — upon an acquisition workforce that has the education, training, and broad experience necessary to function effectively in the demanding new business environment of the 21st century. "This program has got to deliver," Mr. Charles said.

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The New DoD 5000: An Overview

The new DoD 5000 series has been released! DoD 5000.1, Change One — The Defense Acquisition System; DoD 5000.2-R, Final Interim Regulation; DoDI (Instruction) 5000.2, Change One — Operation of the Defense Acquisition System; and DoDD (Directive) all were signed on 4 January 2001. What do these changes mean for acquisition as we know it? The objectives for the new 5000 are:

Reduce Cycle Time: In today's environment, technology is changing rapidly and is widely available. This means that long acquisition times simply will not meet warfighter's needs. One of the new 5000 key objectives is to reduce the time needed to introduce advanced technology into the hands of warfighters. The new 5000 emphasizes time-phased requirements and evolutionary acquisition. It begins with using proven technologies and focusing on system integration. It calls for increased reliance on commercial products and open systems whenever possible. This provides warfighters the best systems and allows for continual upgrades.

Affordability Across the Life Cycle: Acquisition must understand the value of a required capability to the warfighter. The new 5000 picks up the concept of addressing cost in operational requirements documents from Chairman of the Joint Chiefs of Staff Instruction 3170.01A and moves from head-to-head competition for a specific requirement to competition for alternate solutions to a mission need.

Interoperability and Supportability: The new 5000 incorporates an emphasis on interoperability. Each system is seen in a family of systems context, ensuring that they work together. The new 5000 also ensures supportability. Support is built into a design, with total support and operational sustainment paramount.

The revised documents introduce a new acquisition model that extends from science and technology phases through systems acquisition to operation and support.

The new model contains three distinct areas: Pre-Systems Acquisition, Systems Acquisition and Production Sustainment.

Under the new 5000 model, entry into the acquisition process takes place when you match a mission need requiring a material solution to available technology. The process can happen in one of three areas:

- Milestone A: Examine alternative concepts or mature key technologies.
- Milestone B: Systems architecture is known, technologies are mature, requirement and funding are in place.
- Milestone C: System is developed and provides military utility.

The new 5000 acquisition model meets warfighter needs by focusing on key objectives and giving program managers clear requirements with flexibility to meet those requirements.

For copies of the 5000 documents and more information, go to <http://www.acq.osd.mil/ar/library.htm#directives>.

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Defense Science Board Report Seeks to Preserve Competitive Defense Industry

America's defense industry is shrinking. DoD traditionally relied on a large defense-unique industrial base comprised of dozens of suppliers and technology leaders. Today, that defense industrial base is, essentially, entering a new era of rapid technological change, smaller production runs, and fewer new starts. In the 21st century, the Department must increasingly access the commercial marketplace, in which DoD competes for technology, investment, and human capital. In this new era, a "revolution in business affairs" is imperative to meet America's national security needs.

A Defense Science Board (DSB) Task Force comprised of individuals from industry and academia released, in November 2000, a report detailing how the Department can support the Defense industry's efforts to supply technologically advanced weaponry at affordable prices. The DSB report, entitled, "Preserving a Healthy and Competitive U.S. Defense Industry to Ensure our Future National Security," contends that while the Defense industry is not in "crisis," DoD nevertheless must take action now to support the following three objectives:

- Ensuring the continued technological excellence of defense weapons and equipment.
- Ensuring the future financial and competitive vitality of the defense industrial and technology base.
- Accelerating the transition to the new defense industrial and technology base paradigm.

Surprisingly, the DSB Task Force discovered that the 1999 combined market valuation of the 10 top aerospace companies was about equal to that of Procter & Gamble by itself, and less than one-fourth of the value of Microsoft Corporation. The DSB Task Force, which interviewed top executives of many defense companies as well as Wall Street analysts and investors, found that the traditional Defense industry is in a period of transition that is far from complete.

Many companies face challenging problems such as: fewer opportunities for growth, declining profitability, weakened cash flow, added debt due to consolidations, declining research and development (R&D) funding, and challenging human resource issues caused by changing workforce demographics. Defense companies are competing for human and financial resources with "new economy" companies.

A number of leading technology and industrial companies have left the defense marketplace, and those that remain compete for fewer major programs, limiting their growth potential and making each new program a "must win."

A senior executive of a company that left the defense market told the Task Force that, "the Defense industry became unattractive through a process like the death by a thousand cuts. There was no event that made business unattractive but eventually things were screwed down so tight that it was no longer providing attractive returns. Moreover, the business no longer provided attractive cash flows and a company could no longer get cash up front for a large project. The government took all the savings from any operational improvements so that many capital investments would have had a negative return to the company had we employed the capital to achieve them."

The DSB Task Force report provided the following findings on the current state of the Defense industry:

1. Many companies have excess capacity, costs remain high, and DoD policies do not adequately provide incentives for needed cost reductions.
2. A new DoD industrial base paradigm is needed.
3. The core technology base is at risk due to shrinking R&D and the competition for technical talent.
4. The national interest lies in a well-integrated commercial and defense industrial and technology base; DoD must therefore focus on achieving, not frustrating, that goal.
5. Despite improvement due to acquisition reform, the acquisition process continues to be overly risk averse, which inhibits innovation and access to creative, high technology solutions.
6. All defense-focused companies are suffering from Wall Street's concerns.

Given these findings, the DSB Task Force recommends both short-term and long-term actions to support the three objectives listed above. Among the DSB recommendations for "immediate action" are the following:

1. Revise policies and practices to enhance technical capabilities and access technical talent by removing barriers between the old defense and commercial industrial and technology bases — real civil-military integration.

2. Ensure that the U.S. industrial and technology base at the prime, sub, and component levels continues to be robust, competitive and technologically current.

Task Force recommendations to meet the objective of "ensuring the technological excellence of defense weapons and equipment" include:

1. Increase spending on R&D in areas designed to stimulate innovation and attract/retain top technical talent.
2. Increase investment in prototypes to provide a wider range of choice and maintain/strengthen design teams.
3. To assist in attracting technical personnel, DoD should develop a marketing plan to highlight innovative research and development being performed within the defense community.

Task Force recommendations to meet the objective of "ensuring the future financial and competitive vitality of the defense industrial and technology base" include:

1. Revise policies/practices to restore cash flow to traditional levels.
2. Provide incentives to cut costs and reward those companies that achieve significant savings.
3. Create an environment where high performing companies can achieve returns on capital comparable to commercial enterprises.

Finally, Task Force recommendations to meet the objective of "accelerating the transition to the new defense industrial and technology base paradigm" includes:

1. Attract commercial technology companies to undertake DoD contracts, revise regulations and policies regarding company funded intellectual property/technical data so that DoD practices adhere to best commercial practices.
2. Adopt key reforms in munitions export control policies and processes.
3. Implement change to the foreign military sales process to eliminate "double" negotiations.

The DSB Task Force believes DoD must implement near-term actions to reduce the possibility that the defense industrial and technology base will be weakened, less competitive and unresponsive to our nation's defense needs.

To obtain a copy of the DSB's report go to <http://www.ndia.org/resources/DSBHealthofDefReport.pdf>.

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Change Management Highlighted at Summits

More than 250 leaders from across the Department's acquisition community, as well as other federal agencies, converged on Fort Belvoir, VA, in December 2000 and February 2001 to learn how commercial best practices are revolutionizing the way the Department does business.

The Change Management Summits, held on 15 December 2000 and 13 February 2001, highlighted success stories and provided an opportunity for acquisition professionals to learn about the Department's Change Management Center (CMC). In addition, Summit participants brainstormed ways to achieve similar or better results in their organizations.

The December Summit highlighted the release of the 2000 report outlining the activities and results of the CMC over its first year. The day began with a press conference simulcast via satellite and Internet from the Pentagon. Outgoing Deputy Under Secretary of Defense for Acquisition Reform Stan Soloway announced the findings of a recent Inspector General's report confirming the success of the CMC's Strategic Supplier Alliances (SSA) initiative. SSA's are revolutionizing the way organizations such as the Defense Logistics Agency (DLA) are contracting with their key suppliers. Senior executives from major suppliers were on hand to answer questions from the press, along with Rear Admiral Daniel Stone, DLA.

At both Summits, participants were introduced to the commercially-proven, integrated resources offered by the CMC to affect change across the Department, including the Rapid Improvement Team process, knowledge management tools to create communities of practice, and innovative Action Learning programs. Each of the Summit sessions showcased successes achieved over the past year of the CMC's existence and provided opportunities for participants to apply these case studies to their own organizations.

Senior Department leadership attended each summit and reaffirmed a commitment to accelerating change. These officials outlined a vision for the CMC that includes a partnership with the Defense Acquisition University to create a corporate university approach to education, as well as future efforts to expand Department-wide access to the CMC.

Ms. Mary Margaret Evans, Director of the Change Management Center, closed the events by challenging the participants to go back to their organizations and apply the things they'd learned. "Look to the CMC as the 'go to' resource when you need help and we will be there to support you," Ms. Evans said.

For more information, contact cbeinfo@meridianksi.com or visit <http://cmckc.meridianksi.com>.

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Change Management Center Reports Successful First Year

In its first year, the Change Management Center (CMC) recorded significant achievements in accelerating change across the Department. These success stories are documented in a report, "Commercial Business Environment: Accelerating Change Through Enterprise Teaming," released at the December 2000 Change Management Summit.

Among the documented successes are:

1. Estimated savings of \$40.31 million (51%) by Defense Logistics Agency (DLA) customers over commercial catalog contract prices during the next 12 years as a result of the deployment of a Strategic Supplier Alliance model, as identified in a recent Inspector General report.
2. Development of a business process reengineering approach to the Department's current, fragmented and time-consuming Permanent Change of Station process, with an estimated \$1 billion potential cost savings/avoidance.
3. Implementation of the National Partnership for Reinventing Government Customer Satisfaction initiative, and development and implementation of an operational online customer response system.
4. Establishment of DoD roadmaps for knowledge management and deployment of operational knowledge management systems for DoD, DLA, United States Army and United States Marine Corps.
5. Fostering interagency cooperation at the federal level of reform by joint sponsorship of Rapid Improvement Teams to migrate the Federal Procurement Data System from a data collection system into a performance management system.

To access the complete Commercial Business Environment report or to learn more about the CMC, log on to <http://cmckc.meridianksi.com>.

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COSSI Aims at Lowering Costs

DoD is finding it increasingly necessary to retain many systems far beyond their anticipated service life, and, as this equipment ages, operations and support (O&S) costs rise dramatically. This creates a vicious cycle of old equipment, high O&S costs and less money for modernization.

The Commercial Operations and Support Savings Initiative (COSSI) is aimed at reducing O&S costs by leveraging private sector research and development and routinely inserting new commercial technology into fielded military systems. These technology insertions result in increased reliability and reduced O&S costs.

The COSSI program is jointly shared among the Services, with the Office of the Secretary of Defense (Director, Defense Research and Engineering) providing administrative oversight. The program's mission is to provide seed money for "the non-recurring engineering, testing and qualification needed to insert a commercial technology into a legacy system for the purpose of reducing operations and support costs." Initiated in 1997 at Defense Advanced Research Projects Agency, COSSI has exceeded expectations with:

- Projects undertaken so far: 60
- Funds provided by DoD: \$160 million
- Funds provided by industry: \$117 million
- Average DoD funding per project: \$2.7 million
- Estimated O&S cost reduction: greater than \$4 billion
- Contractors involved in the program: over 100—about one third are nontraditional DoD suppliers
- New projects selected for FY 2001: 20
- Funds Appropriated for FY 2001: \$51.9 million

The COSSI program incorporates a fast track solicitation, teaming, response, evaluation and award process. Stage I begins with a formal DoD solicitation for projects, and involves a company or a team of respondents — one of which needs to be a for-profit company.

A secondary COSSI objective is to attract companies who traditionally shy away from doing business with the DoD. This is accomplished by using Other Transaction Authority (*see story, page 6*), which provides for flexible contracting practices not bound by the Federal Acquisition Regulations.

A solicitation for projects to be conducted in FY 2002 is currently online. For more information on the solicitation process and the COSSI initiative, go to <http://www.acq.osd.mil/es/dut/>.

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2001 Defense Reform Conference

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Logistics, said spiral development is a way to reduce the development cycle time for new weapons. Dr. Gansler said that military requirements need to drive acquisition reform, rather than the other way around, and DoD must shift resources in four areas: 1) infrastructure — base closures, competition; 2) replace 20th century weapons with 21st century weapons; 3) operating support costs; and 4) logistics systems.

The third panel, "Setting New Defense Priorities: Perspectives from Capitol Hill," voiced concern over multi-year funding for acquisition programs because of broken commitments in past programs. The panel also agreed that another round of BRAC is likely, but it has high upfront costs and is always politically controversial. The fourth panel, "DoD and the Defense Industry Partnership: Perspectives from the Acquisition Community and Industry," expressed the view that contracting policies must be simplified in order to provide incentives for non-defense contractors to do business with DoD. Dr. Ken Oscar, Acting Assistant Secretary of the Army for Acquisition, Technology and Logistics said that DoD contracting decisions must be defined by performance specifications, rather than military specifications.

The fifth panel, "Financial Health of the Defense Industry in 2001: Perspectives from Wall Street," assessed the Defense industry's financial health and attractiveness to investors. Mr. Wolfgang Demisch, managing director of Wasserstein Perella Securities Inc., said the Defense industry must return to its historical position of being an engine of development of key technologies. The panel suggested the Defense industry could improve its Wall Street position by adopting more commercial practices and broadening its portfolio of non-defense businesses.

The sixth panel, "Emerging Defense Requirements: Perspectives from the Warfighter," included senior members of the military Services. One panel member voiced concern over not being fully integrated in the acquisition process, once requirements are established for a new program. The seventh panel, "Global Marketplace: Perspectives from Government and Industry," advocated a global Defense industry that will widen the marketplace. Dr. John Hamre, president and chief executive officer of the Center for Strategic and International Studies and former Deputy Under Secretary of Defense, said, "I believe nothing is more important than reforming export control policies, which have turned counterproductive. The current system fails."

The final panel, "Defense Reform Recommendations: Perspectives from the Reform Community," expressed support for reducing DoD infrastructure and program cycle times, increasing program stability, and emphasized the recent release of DoD 5000.1/2 as an enabler of reducing cycle time.

Conference attendees also heard from key members of Congress such as Representatives William "Mac" Thornberry (R-TX), Heather Wilson (R-NM), Howard Berman (D-CA), and Senator Chuck Hagel (R-NE).

Ms. Druyun acknowledged that defense reform is not easy. "The 'Blueprint' requires each of us to make necessary concessions — the prime characteristic of a true partnership. We must replace a system based on lethargy and slowed by bureaucracy with a system based on partnership, trust and accountability. . . I believe we know the challenge — and now is the time to roll up our sleeves and take serious action." For more information on the 2001 Defense Reform Conference, and a copy of "A Blueprint for Action," go to <http://www.defensereform.org>.

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New 'Other Transactions' Guide Provides Flexibility

An "Other Transactions" (OT) Guide for Prototype Projects was issued by a 21 December 2000 directive-type memorandum from the Under Secretary of Defense for Acquisition, Technology and Logistics and must be considered for solicitations issued after 5 January 2001. "Other Transactions" refers to authority (OTA) to enter into transactions other than contracts, grants or cooperative agreements.

The OT Guide includes requirements necessary for accountability, while maintaining maximum flexibility to negotiate terms and conditions appropriate for a particular prototype project. It encourages the use of OTA to pursue competitively awarded prototype projects that can be adequately defined to establish a fixed-price type of agreement and attract nontraditional defense contractors that participate to a significant extent in the prototype project. The OT Guide gives the format for the annual reporting on prototype projects required by statute. It also provides for data collection similar to the Department of Defense 350 reporting system for procurement contracts.

To access the memorandum and OT Guide, log on to <http://www.acq.osd.mil/dp/> and click on to "Defense Systems Procurement Strategies." The OT Guide also is available on the Defense Acquisition Deskbook at <http://web2.deskbook.osd.mil/default.asp?tasklist.asp>. Click on "Special Interest Items," then go to Section 3.B.

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UPCOMING EVENTS

Acquisition and Logistics Reform (A&LR) Week will be held in **Fall 2001**. For more information, consult your service acquisition website, the OSD Acquisition Reform website at <http://www.acq.osd.mil/ar>, or check future issues of *AR Today*.

The Program Executive Officers / Systems Command (PEO/SYSCOM) Commanders' Conference will be held in **Fall 2001**. Conference information can be found at <http://www.acq.osd.mil/dsac/peoconf.htm>.



Aeronautical Systems Center Gets Results with Reform

The Aeronautical Systems Center (ASC), U.S. Air Force has taken acquisition reform to heart with great results. They took the time to refine their processes and figure out where they're going in order to get there effectively and efficiently. By doing so, ASC has shortened lead times, saved money and done more with less – as today's defense business environment demands. The ASC provides several case studies on the practical use and achievements of acquisition reform initiatives.

B-1 Conventional Munitions Upgrade Program: In awarding three major upgrade contracts, the B-1B System Program Office (SPO) reduced program and contract lead times. The SPO decreased the number of contractually required Military Specifications and Standards, shortened the Contract Data Requirements List and worked with its prime contractor to streamline remaining documentation.

F-15 Projects Team: The F-15 Program Office implemented effectively the Active Electronically Scanned Array radar upgrade by making use of an Integrated Product Team (IPT) that established performance-based specifications and payments, a single integrated schedule and risk management plan and a streamlined payment process through Defense Finance and Accounting Services. The IPT's strategies saved \$15 million in data requirement and \$2.25 million in operational test. They also saved time, completing a 10-month flight test on time and preserving their production timeline. The program also met all Operational Requirements Document (ORD) thresholds and beyond by achieving 10 of the 17 ORD objectives.

Precision Attack Targeting System (PATS) Pre-Award Initiatives: The PATS program office team awarded a \$300 million contract 90 days after the Request for Proposal (RFP) release by maximizing industry involvement throughout the acquisition process. Industry involvement was achieved with four pre-award Industry Days, site visits to future system users and joint industry/ASC acquisition strategy meetings. Before formal release of the RFP, industry was given opportunities to review it and comment. Following the contract award, the winning contractor participated with the government team in a joint, IPT risk assessment. Another benefit of this process was that there were no contract protests.

F-22 Performance Based Payments: The F-22 SPO was challenged to field a better, faster and more cost-effective aircraft in its development contract. The SPO responded first by deleting roughly 80 percent of the contract's military standards and specifications. The SPO then converted its contractual agreement of acceptance of drawings to a performance-based contract accepting the development aircraft, allowing increased flexibility to demonstrate flight test capabilities on individual aircraft.

While ASC has its own success stories in acquisition reform, it also has been an effective supporter of Air Force-wide initiatives. The Air Force Materiel Command (AFMC) established a focused Product Support Business Area (PBSA) to develop, acquire and support aeronautical weapons systems for the Air Force. The ASC applied its existing management model, Value Chain Analysis, and adapted it for use in a PBSA environment.

ASC was selected by AFMC to establish pilot programs to test the feasibility of implementing their use of Activity-Based Costing (ABC), a process where managers can determine the actual cost of product development activities and use the information to effectively manage their operations. ABC now is being implemented command-wide.

ASC also has launched a Cycle Time Reduction Award Program to support its goal of 50 percent reduction in time, resources and costs expended center-wide. ASC's commander set aside a \$90,000 award pool and 44 teams competed in the initial award period.

ASC is improving its pre-award processes by including for every program an Early Strategy and Issues Session to screen preliminary acquisition strategy alternatives and review issues for every program. This session will often involve the Center's Senior Acquisition Team, the ASC commander's principal acquisition advisers and the ASC Acquisition Support Team (AST), a team of acquisition process experts. All ASC programs valued above \$10 million must use AST support.

ASC has developed numerous tools to better serve the warfighter through cost-effective acquisition of quality weapons systems. The Center has applied acquisition reform strategies for effective results.

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AR Online

The Office of the Deputy Under Secretary of Defense for Acquisition Reform (DUSD(AR)) and the Defense Acquisition University (DAU) have announced the availability of a distance learning course on DoD 5000. The course is designed to accelerate community understanding of the principles and practices associated with this recent major policy change.

Go to <http://dod5000.dau.mil/> for a comprehensive overview of all the new policies. The course takes only a few hours to complete and may be credited toward the DoD acquisition personnel biannual professional development requirement.

The Share-in-Savings Pilot Program provides incentive for contractors to save the Government money on information technology (IT) projects by allowing a portion of the savings generated by product improvements to be passed on to them. Find out if your project is eligible right online. The Federal Technology Service (FTS), General Systems Administration (GSA) has a project screening template that will let you know if your IT program is eligible for participation in the Share-in-Savings program. For more information on the program and to screen your project for eligibility, go to http://www.fts.gsa.gov/share_in_savings.htm.

To further the DoD move toward paperless contracting, SPS tools are available online. Featured products are the Procurement Deskbook – Defense (PD2), which supports one-stop contract documentation; AcquiLine, which facilitates online distribution of PD2 information; and SPS-I (Integration), which allows SPS to interact with other DoD areas. Log on to <http://www.dcmsa.mil/>, look under the heading "Procurement Info," and click on "SPS" to get started!

These and all web sites spotlighted in this column can be linked directly from our "Other AR Sites" page on the DUSD(AR) web site at <http://www.acq.osd.mil/ar>. It's the most comprehensive listing of AR-related sites anywhere on the web...

Bookmark it!

SPI Integrates Government and Commercial Processes

One of the most important developments in acquisition today is the expanded use of commercial items, operations and practices. Implemented in 1995 by Defense Contract Management Command, the Single Process Initiative (SPI), now supported by Defense Contract Management Agency (DCMA), has been a key component in bringing about Civil Military Integration (CMI). CMI eliminates the distinction between doing business with the military Services and the commercial sector.

SPI removes highly tailored or customer-unique requirements from contracts and adopts instead a single process proposed by the contractor. Contractors are able to lower their costs by eliminating expensive, redundant and unnecessary processes. In turn, the Department saves money. For example, if a contractor is allowed to use a single soldering standard (proposed by the contractor) at its facility, costs to all affected customers should be reduced. Quality is not compromised, since contractor employees do not have to be trained in

often untried, contract-specific processes. Because government agencies have their own unique set of requirements, a contractor can have several very similar systems or processes set up to accommodate each agency. Maintaining these many similar but not the same setups is inefficient and costly to both the contractor and the government.

In July 1999, a workshop was conducted to look at ways to streamline and refocus SPI as a key enabler of CMI. This workshop provided the impetus for the new "Escalation Policy for the Single Process Initiative" that was implemented by DCMA in August 2000. The objective of this new policy is to establish a defined and expeditious escalation process that will enhance SPI and further the goal of CMI. This is accomplished by outlining the escalation process for both internal component and cross-component disagreements on concept papers. The new process clearly defines who escalates, provides more realistic time frames for escalation and identifies the SPI Executive Council as the final arbiter for disagreements within DoD.

The DoD SPI Executive Council meets quarterly to provide insight into CMI/SPI successes and offers solutions to any challenges. The Principal Deputy Under Secretary of Defense for Acquisition and Technology chairs the Council. As addressed in the Department's 14 September 1999 memo, SPI also resulted in the formation of industry-initiated corporate councils by several companies designed to provide leadership for corporate-wide initiatives, strengthening the relationship with the Department, and elevating SPI proposals for corporate-wide endorsement and implementation. These corporate councils work closely with and feed into the SPI Executive Council in promoting CMI.

To learn more about the SPI process go to <http://www.dcms.mil/onebook/0.0/0.2/CMI.htm>. To read the SPI escalation policy, visit <http://www.acq.osd.mil/ar/doc/escal.pdf>.

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Defense Acquisition University Press
9820 Belvoir Road
Ft. Belvoir, VA 22060-5565

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