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THE HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF

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RESEARCH, DEVELOPMENT AND ACQUISITION
BEFORE THE
THE HOUSE ARMED SERVICES COMMITTEE
ON
ASSESSING MILITARY ACQUISITION REFORM

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Mr. Chairman, Ranking Member Smith, and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss acquisition reform efforts, recommendations for further reform, and requests for Congressional support to improve acquisition outcomes.

We in the Department of the Navy (DoN) succeed in acquisition when we work as part of a team that includes our acquisition workforce, our scientists and engineers, our resource professionals, and our men and women in uniform who identify what we need, and then test, train, and deploy with the resulting systems. That team cannot succeed, however, without the full participation of our industry partners and you in the Congress. No acquisition process can be successful without a true partnership by all stakeholders. And by partnerships I mean shared risk resulting in shared benefits. We must all be good stewards of our resources for the American taxpayers and leverage every tool and every approach at our disposal to ensure we provide our Nation with a Naval Force that can Compete, Deter and Win.

To deliver on this need for our Nation we have established four focus areas within the Navy-Marine Corps acquisition community: deliver lethal capacity for the Naval forces; increase agility; drive affordability; and lastly, build a workforce to compete and win. These support the 2018 National Security Strategy and the 2018 National Defense Strategy and will enable our forces to be more lethal, resilient and agile.

Additionally, recently enacted laws have offered new tools that will allow us to streamline how we develop and deliver necessary weapon systems, promote a healthy industrial base, and strengthen our acquisition workforce, and we thank you for these authorities.

The DoN has embraced recent acquisition reform efforts on multiple fronts to drive speed and cost. For example, we have developed and implemented an accelerated acquisition policy and established an Accelerated Acquisition Board that I co-chair with the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps. This policy improves our ability to leverage technological innovations by relying on rapid prototyping and fielding and hastens our ability to respond to urgent needs. It establishes two paths. For priority needs where a suitable material solution has been identified, the preferred path is through a Maritime Accelerated Capability Office (MACO) program. The DoN designated our first MACO Program - MQ-25 - as a Key Performance Parameter (KPP) Reduction Pilot Program, utilizing authority provided by Congress in the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017. Having just two KPPs allows the Department to better manage cost, schedule, and performance by focusing on MQ-25's most important capabilities - Carrier Suitability and Aerial Refueling. Other MACO programs include the Large Displacement Unmanned Undersea Vehicle (LDUUV), and the SM-2 Block IIIC active medium range missile.

For priority needs where a suitable materiel solution is not sufficiently developed, the preferred path is through a Rapid Prototyping, Experimentation and Demonstration (RPED) project. Current RPED projects include the Navy Laser Family of Systems and the Expeditionary Surveillance Towed Array Sensor System, and most recently an abbreviated acquisition program on the standard missile SM-6 Block IB, which will field initial capability up

to three years earlier than the previous programs of record. The DoN recently awarded a contract for High Energy Laser and Integrated Optical-dazzler with Surveillance system (HELIOS) as a part of the Navy Laser Family of Systems RPED effort. Contract award was made less than one year from initiation by the Navy's Accelerated Acquisition Board and two months ahead of the program's internal schedule.

The Marine Corps has also established a Rapid Capabilities Office (RCO) to exploit emerging technological opportunities for rapid prototype development, fielding, and operational assessment that will improve the lethality and survivability of Marine units. Projects initiated or planned include Ship-to-Shore Maneuver Exploration and Experimentation, Tactical Electro-Magnetic Signature Operations and Support, Long Range Precision Fires, and Unmanned Swarm Systems. I intend to work with Congress to seek support for flexible funding constructs and associated appropriations, alongside an agreed-upon framework of governance and oversight that will ensure the effective and efficient use of RPED/RCO funds for their intended purpose. All of these represent exciting new efforts that we are pursuing with vigor, but that also serve as case studies in action that allow us to measure, assess, and refine our approaches to gain even greater efficiency and effectiveness over time.

The DoN is accelerating capabilities to the warfighter not just in our large and enduring programs but throughout the enterprise. Our Sailors, Marines and civilians are utilizing technologies like additive manufacturing in laboratories, shop floors and deployed environments in direct support of the warfighter. For example, when a restricted flight on the Onboard Oxygen Generation System resulted in a T-45 Goshawk operational pause, the Naval Air Systems Command was able to use distributed additive manufacturing across multiple printers/locations to meet production timeline for a T-45 vent assembly, completing an initial production run in 10 days and enabling T-45 Instructor and Student Pilots to maintain currency and readiness.

The DoN also continues to leverage available tools to drive down procurement costs, which is imperative as we move towards a 355-ship Navy. We continue to refine our requirements, seek to maximize competition, capitalize on multiyear and block buy contracts, explore cross-program efficiencies, and manage our cost of doing business to ensure we obtain as much warfighting capability out of every dollar as we can. For enduring programs, such as the VIRGINIA Class Submarine, the Navy uses these approaches to manage costs and stabilize the industrial base, as well as explore proven strategies such as making appropriate use of block buys and multiyear procurements as we have in the past with various ship types (carriers, subs, etc.) when supported by thorough analysis. These kinds of authorities can result in substantial savings; we estimate they may be as much as \$5.4 billion for the Block V VIRGINIA Class Submarines Multiyear Procurement. The President's Fiscal Year 2019 budget requests multiyear procurement authority for the F/A-18E/F Super Hornet and the E-2D Advanced Hawkeye aircraft, as well as the SM-6 program.

Additionally, the DoN is developing agile policy and procedures aligned with commercial best practices to support our defense business systems (DBSs) and information technology infrastructure, eliminating many of the regulatory requirements and documentation

requirements that are not suitable for DBSs. By purchasing commercial-off-the-shelf solutions that satisfy the majority of our requirements, modifying our business processes to adopt the commercial product to the maximum extent possible, and only configuring the products where needed to meet our unique Naval requirements, DoN will minimize costly custom development and shift our resources from capital investment to operations and maintenance. Lastly, an appropriate cloud-based infrastructure will maintain a secure cyber posture, support flexibility and technology software updates, and reduce total ownership costs.

We are actively working to encourage small businesses and non-traditional companies to do business with the DoN. Last month I hosted a small business roundtable with the CNO where we discussed the increased use of Other Transaction Authority (OTA) that offers a great deal of flexibility in working with non-traditional suppliers. The DoN has delegated authority to utilize OTA to our major acquisition commands for projects under \$50 million, and is taking steps to ensure that highly trained contracting and acquisition personnel are assigned to DoN OTA projects. We will continue to develop new collaboration models such as SOFWERX, to enable more robust sharing of our capability gaps and allow earlier identification of potential existing commercial solutions from non-traditional suppliers.

The DoN is pursuing initiatives to capitalize on the new mid-tier acquisition and other acquisition authorities provided in the FY 2016 and 2017 NDAs. In the first application of the new authorities the DoN intends to develop a new increment of capability for the SM-2 program. In addition, the DoN continues to leverage important DoD Laboratory authorities, executing over 1,100 initiatives to make impactful improvements in critical technology areas as well as ensure we have the technical expertise we will need in the coming years. For example, the DoN is taking advantage of the authorities provided in Section 233 of the FY 2017 NDAA by delegating authority to the Naval Research Laboratory and Warfare and Systems Centers in the areas of business processes, rapid contracting, and R&D facilities upgrades, enabling more efficient and effective operations.

Taken as a whole, these new authorities provide the DoN many new and important tools which we can tailor to our specific needs. This tailored approach retains the required rigor and oversight but relieves us of the requirement to make every program and project fit into a traditional defense acquisition program model, increasing acquisition velocity and reducing fielding times. Through the use of these reforms, we are beginning to move the needle on our priorities and increase the readiness and lethality of our forces. While we have made progress, there is the potential for still more. As is described more fully below, we would welcome further adjustments in connection with assignment of milestone decision authority (MDA) to the Services, additional expansion of funding mechanisms for rapid prototyping and fielding initiatives that will increase our ability to operate within a budget cycle, and further autonomy in Defense Acquisition Workforce Development Fund (DAWDF) execution.

The FY 2016 NDAA directed that program oversight and MDA for major defense acquisition programs (MDAPs) be returned to the Services to speed decision making, improve efficiency, and ensure greater involvement of the Service Chiefs in acquisition programs. As the

DoN Service Acquisition Executive (SAE) I am currently the MDA for 40 Acquisition Category (ACAT) 1C MDAPs.

In addition, we worked with the Under Secretary of Defense for Acquisition, Technology and Logistics (now Acquisition and Sustainment) to delegate MDA for eight of our 10 ACAT 1D programs to the SAE. Meanwhile we are decentralizing and devolving authority within the Navy to push decision making to lower levels where appropriate. This ensures that the Program Executive Office and Program Offices most familiar with the issues are the organizations resolving key decisions. These authorities also allow us to differentiate and manage the scale differences and required oversight between mega programs and small programs. Every contract and action should not have the same bureaucratic oversight as a large ship or aviation program. Our current model must be flipped so that we can separate the programs and pull those that can tolerate more risk forward faster, and streamline processes.

None of these efforts will result in meaningful and sustainable change unless the people who carry them out are properly trained and incentivized. In January, we completed a DoN Acquisition Workforce Summit to identify key activities, actions, and measures of performance for the next year to ensure we are recruiting, selecting, developing, and retaining the talent needed for the future - an important step in implementing our Acquisition Workforce Strategic Plan. Our efforts to execute this plan have been enhanced by congressional extension of the Expedited Hiring Authority that streamlines recruiting selection and hiring processes for acquisition professionals. We appreciate Congress' extension and expansion of the successful Acquisition Demonstration Project in the FY 2018 NDAA, and your support of the DAWDF, which allows us to provide the appropriate training to our professionals and continue their development. DAWDF will be a key enabler for the Services to maintain effective oversight of acquisition programs in light of the Services' increased authority and responsibility.

While efforts have been made to better support the acquisition workforce, the DoN would like greater autonomy in our ability to target the areas of greatest need, develop and implement more efficient acquisition workforce development programs, reduce administrative burdens, and increase the rate of delivery of resources. DoN is also exploring the value of making greater use of rapid prototyping. We will work with our fellow Services, the Department, and the Administration as we consider the utility of current authorities and whether or not refinements to these authorities would be helpful.

Finally, and most importantly, meaningful acquisition reform will remain elusive until we can obtain timely, predictable funding. I cannot overstate how critical this is to our success. Resource predictability gives small businesses, second- and third-tier suppliers, non-traditional companies, as well as major prime contractors and suppliers, confidence to smartly invest in a skilled workforce, infrastructure improvements, and research and development to inform our future options. The DoN appreciates the bipartisan efforts establishing budget caps for FY 2018 and 2019 that will provide the resources and stability needed. All of this translates into delivering lethal capacity more efficiently - which in turn reduces time and cost, the goals all of us share.

The DoN would like to thank the committee for the significant efforts you have made to improve defense acquisition policy, our processes, and the people who conduct this critical work. The new authorities provided in the FY 2016, FY 2017, and FY 2018 NDAAs, the continued support of acquisition workforce development initiatives, and the return of acquisition program oversight to the Services have been important steps towards our common goal of improving the affordability and speed of acquisition outcomes for the Department. All of these changes are needed for the Navy-Marine Corps team to deter and defeat our adversaries and deliver the capabilities needed for the future. I appreciate the opportunity to testify before you today and look forward to your questions on how we might further work together to use agile acquisition authorities to successfully deliver critical warfighter capability.