

RECORD VERSION

STATEMENT BY

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BEFORE THE

**COMMITTEE ON ARMED SERVICES
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ON

ACQUISITION REFORM

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Introduction

Chairman Thornberry, Ranking Member Smith, and distinguished Members of the Committee on Armed Services, thank you for this opportunity to appear before you today to address Army acquisition reform initiatives. With the continued advice and support of Congress, the Army remains fully committed to leveraging the bold and innovative reforms we have, to date, been provided to equip America's Army and its individual Soldiers with the weapon systems and equipment, they need, when they need them, to fight and win our Nation's wars. I hope to provide some insights on our approach to leveraging those reforms, identify some successes, present the emerging organizational and procedural structuring being taken, and identify potential enhancements which will strengthen our ability to execute within your original intent.

Army Priorities

The Army acquisition community is fully supportive of the Secretary of the Army's top priorities:

- **Readiness**, today, to ensure the Army's ability to deploy, fight, and win across the entire spectrum of conflict, including in a near peer competitor conflict;
- **Modernization** through continuous improvement and integration of existing capabilities while maintaining and expanding overmatch through aggressive application of innovative and inventive technologies establishing dominance and eliminating near peer status; and
- **Reform** by taking full advantage of those authorities we have been provided to improve the way we develop, acquire, and maintain weapon systems, services, and support through more commercial and efficient business practices.

As Secretary Esper has said, "today's modernization will be tomorrow's readiness." Acquisition reform is absolutely critical to our modernization program and the future readiness of the force. Our acquisition reform efforts will increase the Army's ability to

provide capabilities to Soldiers rapidly, while being fiscally responsible with taxpayer resources.

Top 6

The Secretary of the Army and the Chief of Staff of the Army have established six top priorities to contend with the full spectrum from existing and emerging threats.

- Long Range Fires
- Next Generation Combat Vehicle
- Future Vertical Lift
- Army Network
- Air and Missile Defense Capabilities
- Soldier Lethality

While our modernization efforts will focus on these six priorities, we will continue to invest to a lesser degree in technologies which are not directly related to combat effectiveness, but which enable those that are. Even in this area, advancements are possible and will be pursued in order to enable the priorities. To some degree, they may also provide efficiencies in sustainment and operations which may allow for greater investment in those priorities as well.

Modernization

The Army Modernization Strategy has one focus: make Soldiers and their units more lethal so they can fight and win our Nation's wars. It establishes a vision for the future Army in a complex threat environment by identifying the essential capabilities needed for the Army to accomplish its future mission, proposing conceptual organizations and processes, and providing the foundation for resourcing these capabilities. Yet, it must balance near-, mid-, and far-term investments in resources and activities of the Army's

science and technology, capabilities development, and acquisitions enterprise to create new capabilities while mitigating tactical, operational, and strategic risk.

To accomplish this, our acquisition system must shift from a linear, closed, industrial age model with unacceptably long timelines to align with modern industry practices in order to get cost-effective capability to our Soldiers fast.

We must adopt commercial products, standards, and methods while employing greater use of prototypes, spiral and incremental development, and modularity when appropriate. Our labs must be focused against challenges that are military unique, are more important to the military environment than the commercial, or advance commercial technologies that have military application and could be leveraged and matured by adversaries.

Prototyping provides an excellent method for managing cost while maturing both technologies and requirements. Spiral prototyping also allows for transitioning from basic analysis of capabilities to systems of systems analysis to resolve integration of capabilities with existing systems or platforms. Our laboratories, Research, Development and Engineering Centers, and arsenals offer excellent partners for industry and a solid foundation from which to produce, then, transition prototypes.

Intellectual Property (IP) management has been handled in such a way as to neither protect industry nor the government agency funding development or maturation. Because innovative companies risk losing their IP, they chose not to do business with the government and, by extension, the Army often does not benefit from the most creative minds. Through deliberate and commercially oriented IP management, greater innovation is possible while preventing the loss of military technologies to open sources which may benefit adversaries.

While not a panacea, modularity and open system architecture often allow more efficient upgrades as technology becomes available either through a program of record or in the commercial marketplace. It further is beneficial when a new threat emerges possibly allowing reapplication of existing systems. These approaches, to include IP

management, require proper and effective partitioning of design and function to ensure simplicity in truly implementing modular open systems architecture.

Strengthen Our Capabilities

The authorities provided by Congress are encouraging our review of existing programs of record, particularly Major Defense Acquisition Programs (MDAPs) to determine if these authorities offer new paths for more rapid fielding of new capability or upgraded equipment. In some cases, we are ensuring that our requirements documents, which drive acquisition, meet the emerging needs of the existing competitive environment and are informed by operational needs.

When balanced with resourcing, it is often necessary to modernize, rebuild, extend, or modify existing platforms and weapons to maintain readiness, today, while transitioning to more advanced technologies in development to ensure overmatch in the future.

Cross-Functional Teams (CFTs) and Requirements

The Secretary of the Army has laid out several acquisition reform efforts designed to promote unity of effort, unity of command, efficiency, cost effectiveness, and leader accountability. These include:

- The formation of a three-star-level task force responsible for mapping options to consolidate the modernization process under one command.
- Eight directives intended to improve our capability and materiel development process by refining how we generate requirements, improving how we educate the acquisition workforce, simplifying our contracting and sustainment processes, and evaluating our progress through metrics.

The intent of this effort is to bring highly experienced operational commanders together with technologists and acquisition professionals to gain a deeper look into the operational environment tempered with a realistic, yet, bold view of what technologies may be possible. Requirements, then, can be developed that provide a definable, achievable vision of the future, which allows for growth as technology matures.

Technologies which could maintain and expand overmatch can be advanced faster with focused development efforts in areas which will provide the greatest benefit to provide technological superiority.

Technology Development and Implementation

The Army no longer has the luxury of ignoring technology development in the commercial sector while remaining focused on its own developments. It is essential that the technical competencies of the Army, its battle labs, and laboratory/development systems be focused in two ways: first, to know what is being developed commercially which may benefit the Army and, second, what must be developed by the Army because of its unique military value.

As part of our acquisition reform, an extensive analysis of the programs under development were reviewed and over a billion dollars realigned to the six priorities of the Secretary and the Army Chief of Staff.

We have also adjusted our management of funds for Research and Development. Funds for basic and applied research, budget activities 6.1 and 6.2, tend to be 60 percent committed to clearly identifiable technologies of military utility. Forty percent can be applied at the director's discretion with greater flexibility and only a close relationship to potential application. Similarly, funding for more immediate development, advanced technology development and prototyping, budget activities 6.3 and 6.4, is allocated in an 80 percent, 20 percent split. The objective is to ensure clear focus for the majority of funds while allowing for breakthrough technologies. True innovation is not necessarily predictable, nor can it be planned.

We are instituting a method of tracking research programs which are not well suited to earned value programs. Using a method of "off-ramp" reviews based on program objectives encourages increased innovation and aggressive pursuit of technology.

To make the research tracking more effective, we are also instituting a process of "quickest path to failure." This is not to encourage failure but to move those parts of the effort which, if they cannot be made to work, would indicate failure for the approach.

This prevents a large expenditure only to discover the last, yet most critical step, is not possible. It is possible to cost more for the critical step than if left to the end, but, collectively, should lead to both time and financial savings.

The Army is working diligently to both advance our technical edge quickly while maintaining accountability.

RCO and Further Expeditious Procurement

To implement the opportunities in Section 804 of the National Defense Authorization Act (NDAA) for fiscal year (FY) 2016, the Army is expanding on the successes of the Rapid Capabilities Office (RCO) with the intent of leveraging its ability to develop rapid prototypes, conduct experimentation, and implement limited field testing and operational equipping.

Because the mission of the Rapid Equipping Force (REF) is to harness current and emerging technologies to provide immediate solutions to our Soldiers, the REF will also leverage the authorities in Section 804 of the FY16 NDAA.

It appears the initial objective of meeting both the prototyping and the fielding of the Army's full needs within five years can initially be met through the RCO; however, other opportunities to restructure these entities in order to gain greater capabilities remains nascent and, with full cooperation with Congress, will be modified to ensure the greatest advantage of the legislation is taken.

Top Technology Pursuits

The Secretary of the Army and the Army Chief of Staff have provided their priorities. An initial examination of the broadest underlying technologies essential to these priorities has been made but will continue, much like the idea that technology will evolve, often rapidly. To enable the modernization of the Army's Top 6, we must invest in technologies such as Directed Energy, Artificial Intelligence, ultra-secure communications – short haul, ultra-secure communications – long haul, robotics, quantum computing, virtual reality, internet of things, energetics, and ultra-designed

materials. These are not to be seen as limiting but focusing. Revision is continuously possible.

Rapid and Innovative Contracting

The Army is committed to streamlining the contracting process and reducing the time it takes to plan and award a contract. Contracting timelines for systems acquisition can take from one to two years, slowing the acquisition process and delaying the delivery of capabilities to Soldiers. It must be faster.

The Army Finance and Acquisition communities were recently granted authority by the Office of the Secretary of Defense (OSD) to reinstate a Pilot Program known as Supplier Self-Service (SUS), a module already within Army's Financial Management Enterprise Resource Planning System. The purpose of SUS is to streamline and improve the invoicing process for Army contracts funded by the General Funds Enterprise Business System (GFEBS). Our goals demonstrated by the pilot to date are faster payments to vendors (up to 20 day reduction or more on average over Wide Area Workflow (WAWF)), reduced payment processing costs, negligible interest penalties, zero late payment claims, reduced data errors, and improved data accuracy and payment processing efficiency. The pilot enables vendors to invoice directly in GFEBS, our primary accounting system, so that the accounting, payment, invoice, and contract data are exact matches, leading to speedier and accurate payments. We will continue collect data and share with OSD to demonstrate the efficiencies we have noted so far.

To streamline the overall acquisition process, expand technological innovation, and attract non-traditional contractors, the Army continues to emphasize the use of Other Transaction Authority (OTA). In FY17, the Army awarded \$1.5 billion under 361 actions, an increase of 61 percent in dollars and 71 percent in actions from the previous year. We are also in the process of establishing metrics to improve efficiency and effectiveness to include timeliness and quality of contracting. To gain the greatest opportunity and cost savings/avoidance, we need to change the culture of our nearly 8,000 contracting professionals at more than 300 locations worldwide.

Thoughts on Continued Improvements

Mr. Chairman, I applaud the distinguished Members of this Committee for your continued focus on acquisition reform. Your clear direction and strong support have made a substantial difference to the Army. Some of the great examples include the following:

- Enabling OTA use;
- Raising the simplified acquisition threshold from \$150,000 to \$250,000; and,
- Pushing MDAPs down to the Services;

Still, more can be done. With regard to "middle-tier" acquisition for rapid prototyping and rapid fielding addressed in Section 804 of the FY16 NDAA, we are significantly hampered by the requirement to "complete fielding" within five years, as opposed to achieving Initial Operational Capability (IOC) or a block upgrade. Our conventional acquisition process assumes that, at milestone C, we plan fielding of the same system for all of the Army which often takes up to 20 years. This is incongruent with reality. System enhancements, upgrades, and changes make it clear that five-year increments are more in line with practice. Therefore, it makes more sense to leverage Section 804 for IOC and Block Changes. This is actually a very powerful tool that can accelerate the Army's development and procurement process. Spirals of prototypes can result in spirals aligned with block fieldings. In some cases, cycles shorter than five years are possible, such as for software. However, this affords even major systems to be advanced through such a process. Such a small change in language is of great value for true acquisition reform.

Talent Management and Development

The Army Acquisition Workforce Human Capital Strategic Plan (HCSP) is our blue print for working together across organizations and agencies to enhance our work environment and focus our workforce on acquisition excellence.

Talent management is an Army enterprise-level effort to identify, grow, and develop our future military and civilian acquisition leaders to recognize opportunity, embrace new ideas, manage risk, and realize their true potential. It is also about recruiting and retaining top-notch acquisition professionals to sustain the workforce through time.

The Army is examining those things that are now stable due to the enactment of the Defense Acquisition Workforce Improvement Act, which stabilized the professional acquisition workforce. However, we are also examining the constraints of Defense Officer Personnel Management Act on offering full development of acquisition professionals.

Continued Reform

Mr. Chairman, the Army has benefited greatly from this Committee's ongoing emphasis and collaboration on reforming the defense acquisition system.

Through the FY16 NDAA, we reinvigorated the Army Requirements Oversight Council (AROC) to serve as the hub for enabling collaboration across the requirements, resourcing, and acquisition communities, establishing priorities to balance resources and requirements, and enforcing accountability, including concurrence with the Secretary of the Army and the Chief of Staff of the Army with Milestone A, B, and C cost, schedule, and performance trade-offs. With the assistance of Congress, we have strengthened the Army Acquisition Workforce by expanding hiring authorities and making the Defense Acquisition Workforce Development Fund permanent. Most importantly, we are grateful for your support for the delegation of program authority from the Office of the Secretary of Defense (OSD) to the Army, which allows the Army to exercise more influence over our programs.

In accordance with the FY17 NDAA, the Army has initiated greater transparency in our MDAPs, including the requirements for the Milestone Decision Authority to establish cost, schedule, and performance targets and provide an "Acquisition Scorecard" to the appropriate Committees of Congress 15 days after granting a major Milestone approval. In FY17, the Secretary of the Army and Army Chief of Staff reviewed and certified 19

programs. To comply with the FY17 NDAA, the Army designated that MDAPs initiated after January 1, 2019, must be designed and developed with a modular open system approach to the maximum extent practicable.

In the area of acquisition reform to reduce costs and gain efficiencies, the Army is using a firm fixed price development contract for our Mobile Protected Firepower program. This will limit the use of cost contracts that require expensive government unique processes to manage and focus on more commercial-like fixed price contracts.

Conclusion

I am grateful to the Members of this Committee for your efforts to improve the acquisition process to better serve our Army and ultimately our Soldiers. We know that the security challenges of tomorrow will be met with the equipment we develop, modernize, and procure today. We cannot allow our own process to hinder the agility we so desperately need to maintain our technological superiority and deliver affordable capabilities to our Soldiers faster. With your help, we will continue to field the best equipment to the best Army the world has ever known in the most expeditious and cost-effective way.

Mr. Chairman and distinguished Members of the Committee, thank you for your steadfast and strong support of the outstanding men and women of the United States Army, Army Civilians, and their Families. I look forward to your questions.