

Margaret Boatner
Vice President for National Security Policy
Aerospace Industries Association

“Clearing the Path: Reforming Procurement to Accelerate Defense Innovation”
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Chairman Timmons, Ranking Member Subramanyam, and members of the subcommittee, thank you for the opportunity to testify before you today on how we can reform the defense acquisition and procurement processes to accelerate defense innovation. My name is Margaret Boatner, and I serve as the Vice President for National Security Policy at the Aerospace Industries Association (AIA).

Who We Are and What We Do

For over 100 years, AIA has advocated for America’s aerospace and defense (A&D) companies and the more than two million American men and women workers who are the backbone of our industry. AIA serves as a convener, bringing people together to find consensus on important topics like effective federal investments and strategic policy frameworks that will unleash the full potential of our defense industrial base (DIB) for the 21st century and beyond.

Today, AIA represents hundreds of American A&D companies ranging from family-run businesses to multinational corporations, operating up and down the supply chain. Our membership includes aircraft and engine manufacturers, ship and submarine builders, and companies that design, build, and supply parts for cutting-edge military and dual-use technologies. Our members have a worldwide reputation for global technological leadership rooted in a world-class workforce that is unparalleled in its imagination and ingenuity.

More broadly, the A&D industry is a key contributor to the nation’s job market, economic prosperity, and national security. The industry employs more than two million Americans and supports jobs representing approximately 1.4 percent of the nation’s total employment base. More than 58.7 percent of employment comes from the shared A&D supply chain, which is an extensive network of suppliers composed of thousands of small and medium-sized businesses located across all 50 states. Despite the residual impact of inflation, the industry’s workforce generated \$955 billion in sales in 2023, a 7.1 percent increase from the prior year. These economic contributions have an outsized impact on the U.S. economy – contributing 1.6 percent to U.S. gross domestic product in 2023.¹

Not only does this industry contribute to the nation’s economic wellbeing, but it represents a key strategic advantage for our warfighters and our country. The A&D industry is a powerhouse of innovative research and development (R&D), driving innovation across the commercial and defense sectors. In 2022, the most recent data year available, aerospace manufacturers spent

¹ [AIA Facts and Figures](#)

\$35.4 billion on R&D.² These investments in the defense sector span warfighting portfolios, including aviation, naval vessels, combat vehicles, missiles, and electronic warfare capabilities and directly contribute to and strengthen our national security.

While the contributions of the A&D industry are clear, the role and composition of the DIB are often misunderstood. The DIB is a sophisticated network of companies that has changed in size and scope over the last few decades. Today, it is a diverse ecosystem, with companies of all sizes playing distinct, yet complementary roles in delivering capabilities for the warfighter. Small companies bring speed and innovation to the ecosystem. Prime contractors bring scalability, advanced capabilities, cash flow, and a large and talented workforce with extensive experience. Companies up and down the supply chain ensure parts and components are always available. New entrants bring with them fresh perspectives and unique ways of doing business.

The strength of today's DIB is a result of this collective effort, and those who participate in it are all driven by the same objective: to provide cutting-edge, innovative solutions that enhance the effectiveness, resilience, and success of our warfighters and our nation.

Unique Challenges of Doing Business with the Department of Defense (DOD)

To successfully fulfill this mission, the DIB relies upon several conditions, including clear demand signals from Congress and the Executive Branch, sufficient federal investment, and an acquisition system that promotes both innovation and adoption. Absent these conditions, we find ourselves working within a system that is not optimized to deliver capabilities to the warfighter at the pace they need.

Perhaps the most significant challenge to the DIB is the budgetary environment in which it operates. The DIB is largely shaped by a single customer – the federal government – and, as such, depends on federal investment to help ensure the overall health and resilience of the marketplace. However, historically, neither Congress nor the DOD have provided industry with predictable and reliable funding. Flat defense budgets, combined with the annual reliance on short-term continuing resolutions, and the persistent threat of government shutdowns have created instability and an uncertain business environment. Furthermore, abrupt programmatic changes and shifting priorities create conditions that disincentivize long-term investments required to maintain production lines, support a skilled workforce, and develop innovative, new technologies that ensure our asymmetric advantage. The aggregate effect of these challenges undermines our nation's ability to strategically invest in the deterrence necessary to keep pace with evolving threats.

The defense acquisition system presents another significant challenge. The system – first instituted in the Cold War era and fundamentally designed to eliminate risk – is byzantine in nature, involves many stakeholders, and mandates sequential, and often duplicative, reviews with multiple levels of approvals required. This creates a lengthy and rigid system which does not enable the flexibility or speed required by today's geopolitical environment. As evidence of this, a 2024 study found that the average amount of time for major defense acquisition programs to

² [Contribution of the Aerospace Industry to the US Economy in 2023 \(June 2025\)](#)

deliver capability is 11 years.³ Based on data compiled in 2022, the median procurement lead time, or time from agency solicitation to contract award, for contracts over \$50 million was 255 days – nearly 8.5 months.⁴

These lengthy timelines can be directly attributed to the maze of burdensome statutes, regulations, and policies by which the DOD and the DIB must comply. For example, the Federal Acquisition Regulation (FAR), which governs the federal procurement process, alone spans more than 2,000 pages. When coupled with the DOD’s supplementary regulation – known as the Defense Federal Acquisition Regulation Supplement (DFARS) – it comprises more than 5,000 pages. This page count does not include additional supplements issued by other organizations across the DOD, including the Army, Navy, and Air Force. Moreover, contractors must also comply with thousands of additional pages of requirements contained within various DOD and military department policies, guides, and manuals. As a result, companies across the DIB – many of whom work with multiple military departments and agencies – must comply simultaneously with overlapping and often redundant requirements, driving up the cost and complexity of doing business with the federal government. While these regulations were well-intended and aimed at mitigating specific risks, the cumulative effect of these requirements has created a framework that itself poses an even greater, endemic risk: stifling innovation, diminishing the supplier base, driving up costs, and delaying delivery of critical materiel and services to the warfighter.

These factors have engendered an acquisition system that is not responsive to the nation’s most pressing needs. It no longer supports the adoption of critical technology for the warfighter in a timely manner, it is not designed to serve the taxpayer by keeping costs down, it does not enable rapid innovation, and it forces companies into irrational and counterproductive business models.

Impact on the Defense Industrial Base

These challenges have had a corrosive effect over time on the health of the industrial base. In some cases, these challenges have driven companies to stop participating in the DIB. For commercial companies used to working quickly, the delays in awarding contracts and executing agreements are a strong disincentive to contracting with the DOD. Small businesses often cannot maintain sufficient cash flow over a long horizon, causing them to exit the DIB. From 2011 to 2020, there was a more than 40 percent decline in the number of small businesses receiving contracts from the DOD.⁵ Mid-tier suppliers are overburdened with mandatory, often irrelevant requirements that are shared across the supply chain. The result of this exodus is reduced competition, lost manufacturing capacity, and constrained innovation.

Companies of all sizes that choose to remain in the defense marketplace amid these challenges face additional struggles. Inconsistent demand signals make it difficult for large businesses to justify long-term investments in manufacturing that would enable surge capacity. Small and medium-sized businesses struggle to attract and retain a skilled workforce given the extended

³[GAO-25-107003, DOD Acquisition Reform – Military Departments Should Take Steps to Facilitate Speed and Innovation](#)

⁴[GAO-24-106528, Defense Contracts – Better Monitoring Could Improve DOD’s Management of Awards Lead Times.](#)

⁵[GAO-22-104621 Small Business Contracting – Actions Needed to Implement and Monitor DOD’s Small Business Strategy.](#)

and unpredictable contract award timelines. New entrants struggle to attract capital as they cannot reasonably predict the defense business landscape over the next 5-10 years.

These companies also must contend with the multitude of laws and regulations that are cost- and time-prohibitive, disrupt established supply chains, and require implementation of costly new systems, processes, and procedures. While a particular barrier to entry for small businesses and new entrants, these requirements are also burdensome for prime contractors, who often are competing for the DOD's largest contracts and are thus subject to the most stringent requirements.

Congress and the DOD have correctly recognized the need to expand the DIB and reduce the barriers to entry. Despite this recognition, however, new laws and regulations continue to be added every year before properly assessing current processes and policies and the cumulative impact on the health of the DIB.

How We Win

To achieve a resilient and thriving industrial base and ensure cutting-edge capabilities can be delivered to the warfighter, significant reforms will be needed. We recognize that conditions are ripe to tackle fundamental reforms that will significantly alter the statutory and regulatory framework that the DIB must operate in. We applaud these efforts and ask that government leaders keep several things in mind as reforms are contemplated:

All-of-the-Above Acquisition Reform

To deter, defend against, and, if necessary, defeat our adversaries, the United States government must take an all-of-the-above approach to the defense ecosystem. This approach recognizes that the contributions of the whole industrial base – primes, new entrants, suppliers, and commercial providers of all sizes – are required to meet the warfighter's needs. By broadly addressing the characteristic needs of all segments of the industrial base, we will be better able to meet the threats facing us today. We will be able to move at speed, expand production capacity, strengthen supply chains, and develop the workforce that is critical to success. These efforts should include finding new ways to empower new entrants in the market, streamlining access for small and mid-sized businesses, and addressing the systems and policies that inhibit the success of the U.S. government's long-standing partners in industry. Streamlining compliance systems and accelerating the delivery of innovation are important goals for all companies in the DIB.

As Congress considers reforms to achieve these goals, we recommend consideration of several specific areas to lower barriers to entry, ease burdens, and unleash innovation for all companies across the DIB. These areas include:

1. Streamlining the Cost Accounting Standards (CAS) to bring them into conformance with commercial standards, which was required in Section 820 of the Fiscal Year 2017 National Defense Authorization Act (Public Law 114-328) but has not been implemented. CAS places significant requirements beyond the generally accepted accounting principles and, therefore, requires separate and costly accounting systems to maintain. While CAS was intended to bring oversight and transparency

to government-specific contracts, the standards have not been meaningfully updated in decades.

2. Streamlining the process by which commercial products and services are procured. Many companies throughout the defense supply chain offer both defense-specific and commercial products but are hampered by the DOD's burdensome processes to classify a product as commercial. Making this determination process easier would not only attract more commercial entities into the defense marketplace but would allow the DOD to better tap into the innovative commercial products and services offered by companies already operating in the DIB.
3. Examining the application of certified cost and pricing data requirements, which require companies to provide exorbitant amounts of data and are one of the most particularly cumbersome regulations for companies of all sizes.
4. Reassessing statutory thresholds, many of which have not been increased in line with inflation rates in recent years. As a result, these thresholds are frequently surpassed – even by relatively low dollar value contracts – and additional requirements are levied. Specifically, increasing the certified cost and pricing data requirements threshold, Simplified Acquisition Threshold, the micro-purchase threshold, the Federal Funding Accountability and Transparency Act threshold, and the CAS threshold would simplify requirements for both small and large businesses without reducing the government's oversight on the largest and most important contracts.

Right-Sized Regulatory Regime

Congress and the DOD should focus on right-sizing the regulatory regime to encourage new entrants and support companies of all sizes within the DIB. This will require a focused and comprehensive review to harmonize and streamline the layers of compliance requirements, while ensuring appropriate oversight mechanisms remain in place. Government and industry collaboration will be crucial in identifying those most onerous compliance requirements. In May 2025, to help shape broader deregulation efforts, AIA developed a list of roughly 50 regulatory requirements identified by our member companies as the most burdensome. While the list is not exhaustive of all changes worthy of being explored, it highlights numerous areas where regulatory requirements present significant obstacles to companies of all sizes seeking to do business with the government. We believe these requirements can be reduced in scope or eliminated altogether, while still ensuring proper oversight and prudent use of taxpayer dollars.

Budget Stability

Reforming the acquisition process and right-sizing the regulatory regime is critical but will be far less effective if federal investment in national defense does not keep pace with the threats we face. At all costs, we must avoid a return to multi-year and arbitrary budget caps, insufficient defense funding, or defaulting to the use of stopgap funding legislation, which relies on two-year-old funding levels to meet the challenges of today. Continuing resolutions waste money on programs no longer needed and usually prevent new programs from getting off the ground. Aside

from the very real harm this inflicts on the wellbeing and morale of our military, continuing resolutions muddy the demand signals Congress sends the DIB, which slows or even halts the development of cutting-edge technologies, and forces businesses into stop-and-start cycles that are hugely inefficient and unsustainable. While we welcome one-time budget increases included for defense in the House-passed Reconciliation bill, we cannot survive on one-time plus-ups alone. Returning to regular order and providing on-time, predictable, and sufficient funding for the departments and agencies that work with the DIB is an essential pillar in strengthening the defense ecosystem.

Taken together, these changes will help to attract, retain, and scale a larger number of more varied performers into this industrial network, enabling the United States to accelerate processes to enable speed to delivery, increase agility and flexibility to allow for more rapid technology adoption, and ultimately, deliver critical capabilities necessary to enhance our military's readiness and lethality.

Conclusion

The DIB is crucial to national security as it ensures the availability of advanced technologies and capabilities necessary to protect the United States from ever-evolving threats. To better capitalize on the strengths offered by our DIB, bold acquisition reform is needed to streamline processes, reduce costs, and foster innovation. By addressing inefficiencies and modernizing processes, acquisition reform will ensure that the DIB and the DOD remain agile, responsive, and capable of meeting evolving security challenges. As the industry experts, AIA and our member companies stand ready to partner with Congress and the DOD as they contemplate and implement these reforms.