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Thornberry Initiative for Effective Defense Acquisition Reform Appears Promising

Steven P. Bucci, PhD, and Emil Maine

Last month, Representative Mac Thornberry (R-TX) outlined his approach for reforming defense acquisition under an initiative he is leading in the House Armed Services Committee.¹ His remarks provide encouragement that this effort will result in positive reforms to the defense acquisition process that many earlier efforts, dating back decades, have failed to achieve.

Excessive Cost and Bureaucracy. The current defense acquisition process itself drives significant increases in the costs of defense acquisitions. Specifically, one-third of defense procurement costs go to overhead.

In the past, acquisition reform efforts at the Department of Defense (DOD) have reflexively assumed that an additional layer of review and greater centralization will solve whatever shortcomings exist in the system. Reformers, whether in the legislative or executive branch, have too frequently accepted these increases in overhead, because they believe that the extra layers of review and centralization will be outweighed by the savings brought about by a reduction in the likelihood of mismanagement. While this acceptance may be justified when an individual reform is examined in isolation, the

accumulation of reviews has resulted in the inverse outcome.

In the early 1990s, Ambassador Henry F. Cooper, then-Director of the Strategic Defense Initiative Organization, had the costs of advancing one of his missile defense acquisition programs catalogued through the Defense Acquisition Board review process for just a six-month period. He found that it cost \$22 million. The process consumed 75,000 government labor hours, 250,000 contractor labor hours, and more than a ton of documents over the six-month period.²

Congress Contributes to the Problem of Inefficient Acquisitions. The Heritage Foundation described how Congress contributes to the problem of inefficient defense acquisition in an October 2005 *Background*.³ This paper was undertaken during the deliberations of the Defense Acquisition Performance Assessment project, one of the many high-level panels over the past several decades asked to propose effective ways to reform the defense acquisition system.

Heritage found that Congress contributes to the inefficiency of the defense acquisition system in a variety of ways. These include a tendency to seek more centralized management of defense acquisitions at DOD, attempts to micromanage specific defense acquisitions, a risk-averse culture at DOD, and a propensity to judge defense acquisitions with the benefit of hindsight.

Effective Acquisition Reform Must Change the Culture, Not Just the Rules. Representative Thornberry recognizes that changes in the laws and regulations that leave the existing culture intact would have only small positive effects. This is par-

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The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

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ticularly the case regarding the risk-averse culture at DOD.

Changes in the laws and rules are necessary but not sufficient to change the culture. Changing the culture means convincing the acquisition personnel at DOD that they no longer need to rely on excessive bureaucracy as a self-protection mechanism. This means not only that the laws and regulations should give the acquisition personnel the authority to make decisions—instead of relying on a supposedly neutral process—but that the political authorities responsible for writing the laws and regulations will support acquisition personnel in making reasonable decisions and not criticize the decisions solely on the basis of hindsight.

In short, the political authorities must recognize that even reasonably well-managed acquisitions carry some risk. An acquisition program that fails may have failed for reasons that have nothing to do with poor management.

Focusing on the Big Picture. To a considerable degree, problems with DOD's acquisition system stem from problems with the structure of the overall defense program and not from shortcomings within the acquisition system.⁴ No acquisition program is likely to be run efficiently if the budgeting process imposes unachievable goals on the acquisition system as a whole. The proper connection between adequate overall defense funding and the running of an efficient acquisition system is a necessary part of any acquisition reform effort.

Ensuring Effective Reform. Representative Thornberry's defense acquisition reform initiative is at its early stages. To ensure that effective reform is implemented, Congress should:

- **Ensure accountability for major acquisition.** Congress should reverse its inclination to centralize acquisition authority and micromanage the acquisitions process. Instead, it should

authorize the services to regain responsibility for acquisition programs, allowing flexibility and decentralization in management.

- **Implement performance-based logistics.** Despite the success of previous performance-based logistics, Congress continues to exercise bias against private contractors. Instead, Congress should incentivize a performance-based approach, managed by public-private partnerships.
- **Repeal the outdated Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement.** Certain provisions, including the reduction in non-value-added overhead currently imposed on the industry, should be eliminated.
- **Reduce DOD overhead.** Congress should ensure that the Defense Business Board recommendations are implemented and that DOD fulfills its commitment to a 20 percent reduction in civilian and military headquarters funding.
- **Reform the auditing process.** Congress should require DOD to follow best practices in managing its finances. Money saved from the proper and timely payment of invoices and the consequent reduction of interest penalties should be put back into acquisition; the funds saved as a result of improved audits should also be returned to acquisition accounts.
- **Reform and reduce security clearance costs across the DOD enterprise.** Congress should prioritize reforms that reduce cost, push for major improvements in the timeliness of investigations and adjudications, reduce unnecessary redundancy and waste, and streamline policies and procedures.

1. Center for Strategic and International Studies, "A Path for Durable Defense Reform with HASC Vice-Chair Mac Thornberry (R-TX)," November 18, 2013, <http://csis.org/event/path-durable-defense-reform> (accessed November 21, 2013).

2. The Heritage Foundation described these findings, which came from Ambassador Cooper's "End of Tour Report" of January 20, 1993, in Baker Spring, "Don't Let Politics or Bureaucracy Hobble Missile Defense," Heritage Foundation *Executive Memorandum* No. 817, May 31, 2002, <http://www.heritage.org/research/reports/2002/05/dont-let-politics-or-bureaucracy-hobble-missile-defense>.

3. Baker Spring, "Congressional Restraint Is Key to Successful Defense Acquisition Reform," Heritage Foundation *Backgrounder* No. 1885, October 19, 2005, <http://www.heritage.org/research/reports/2005/10/congressional-restraint-is-key-to-successful-defense-acquisition-reform?ac=1>.

4. Baker Spring, "Congress Needs to Focus on the Big Picture in Defense Acquisition Reform," Heritage Foundation *WebMemo* No. 984, February 2, 2006, <http://www.heritage.org/research/reports/2006/02/congress-needs-to-focus-on-the-big-picture-in-defense-acquisition-reform?ac=1>.

Necessary but Not Sufficient. Fixing the problems with defense acquisition would not remedy all that ails the broader defense program. Strengthening the program will require an array of different initiatives, of which the most important and most immediate is breaking the impasse over the federal budget in a way that preserves adequate overall defense funding and replaces the current structure of sequestration. Nevertheless, defense acquisition reform is a necessary initiative within this array.

—*Steven P. Bucci, PhD, is Director of, and Emil Maine is a Research Assistant for National Security in, the Douglas and Sarah Allison Center for Foreign Policy Studies, a department of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.*