

“Where is Defense Acquisition and Where Do You See It Going?”
Transcript of USD(AT&L) Carter Remarks to PEO/SYSCOM, Fort Belvoir, VA
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That’s a terrific introduction, and I appreciate it, Frank [Anderson]. Frank—I’ll talk shortly about acquisition workforce issues which Frank already alluded to—but Frank Anderson has been my guide over the last few months, especially as we have tried to deal with the Comptroller, and the funding for this mysterious process called insourcing. Frank’s been a terrific friend and guide, and it reminds me of the movie – and I don’t remember the title of it – but it’s [with] John Wayne and Peter Sellers. And Peter Sellers is the dude who goes out West, and John Wayne is the old cowboy. And the old cowboy is showing the dude the ropes. And Peter Sellers says to John Wayne, “You know, what happens if a snake bites me, what do I do then?” And John Wayne says, “Well, you take out your knife and you make two cuts right next to where the snake bit you, and then you put your mouth up and suck the venom out.” And Peter Sellers thinks a little bit and then you see him looking and he says, “Well, what if the snake bites you somewhere you can’t reach?” And John Wayne says, “That’s when you find out who your friends are.” [Laughter] Frank, through the budget process you’ve been a true friend and I appreciate it. [Laughter]

I see other colleagues here too: Dave Ahern, Tim Harp, many, many others that I work with every day. My friend and colleague Dennis Muilenburg from Boeing with whom I work also, representing industry [is here]. I’ll be introducing Mike Mullen, when I come back again at lunch time, the Chairman of the Joint Chiefs of Staff, someone who has a lot of acquisition experience. I welcome all of you; you are the acquisition stars upon whom we depend, acquisition executives, program managers, colleagues from industry. I welcome also our students from the DAU School of Program Managers, and most of all the Undersecretary of Defense for Acquisition Technology & Logistics Workforce Achievement Award winners who will be receiving their awards today, and the David Packard Excellence in Acquisition award-winning organizations. There’s a great picture of David Packard in the program, and I first got to know him when I first started working with Bill Perry, shortly after the Packard Commission [was established], which was one of the many waves of acquisition reform we’ve gone through— more about that in a moment. But [Packard] was a great guy, filled with wisdom, very crusty, but a wonderful person to learn from, and somebody who shared our commitment to improving acquisition excellence.

I want to share with you the priorities that the Secretary of Defense has given to me in this job, and that I share with you as my colleagues in this enterprise. And I’ll start in a place that you may be surprised to hear an Undersecretary for Acquisition, Technology & Logistics begin, but it’s with the support to the ongoing wars. Many of you have probably heard me talk about this before, but it really starts with Secretary Gates. When he offered me this job on January 5th, he said something to me that I’m sure you’ve heard him say publicly many times, which is “The

troops are at war but this building is not.” And he said, “You know Ash, that’s particularly true of AT&L.” And I took that to heart. And we have tried since then to discharge our responsibilities in the AT&L community to the ongoing fight.

There are three ways we try to do that. The first is rapid and responsive acquisition. This is something different from the programs of record and the orderly process which we also follow but for other kinds of programs. Yesterday, I welcomed an MRAP-ATV to the Pentagon, an example of trying to do something quickly, responsively in a manner of months rather than years. There are also the logistics challenges we face today. First is the responsible retrograde from Iraq, which is something that the President has prescribed unfold on a specified timetable. That’s different from last time, that’s different from after the first Gulf War, when we could take all the time we wanted. We have a timetable to get all that stuff out.

[There’s the] getting into Afghanistan, which is probably the most austere logistics environment you can imagine. If you had to look at the globe, spin the globe and ask yourself, what is the most difficult place to fight an expeditionary war, next to Antarctica, you’d probably come up with Afghanistan. And in there we try to push through these soda straws all the people and materiel that will allow us to get set and effective, because we’re in a race between getting set and effective and losing the patience of the Afghan people, and quite possibly our own people.

And then there’s contingency contracting. The issue of how to manage the necessary and entirely appropriate level of dependence that we have on acquisition support in theater. We’re under a lot of scrutiny; there’s a [congressional] commission on wartime contracting. There are various auditors and so on. I was in Kabul a little while ago, seeing Karl Eikenberry, our ambassador, and I walked into Karl’s office, and he said, “Ash, 20 auditors just walked out of my office; I’ve got seven people in my political section.” And so we are under scrutiny, appropriately so. It took us – I think it’s fair to say – longer than it should have to get good at contingency contracting. It’s something we’re still working at. The Secretary always says he wants to make sure that we don’t repeat in Afghanistan the mistakes we made in Iraq. There are a lot of reasons for that. It was a new thing for us. We were trying to meet the exigencies of war. I think it’s fair to say we as a country and as a department took awhile to admit to ourselves how long we were going to be involved there. And so for all those reasons – not to make excuses – we’re not as good as we should have been, we’re trying to get better, and I’m trying to help us get better. But [we’re] also trying to maintain a balance between controls on the one hand and effectiveness on the other, and to make sure that that balance is respected here in Washington as it has to be struck in theater.

So that’s where I begin every day, and that’s certainly where the Secretary begins. The more traditional area is the acquisition of our major programs – the challenge there I get from Secretary Gates is that he wants to keep us scrutinizing and changing the way we do business. And that’s his challenge to us. I think we are in a very fortunate position, all of us in the acquisition community. We have a president, President Obama, who actually takes a real

interest in what we do, and that's terrific. We have a Secretary of Defense who takes an intense interest in what we do. That's not something that he was always able to do. When he first came into office, if you'll recall, and he was asked, "What are your priorities, Secretary Gates?" He said, "Iraq, Iraq, and Iraq." And that was necessarily so at that time. He has since made acquisition one of his priorities, and when this Secretary takes something on he really takes it on, and that's terrific. And so we have a Secretary, a Deputy Secretary, Bill Lynn, who takes a strong interest in what we do, and if that wasn't enough we have all of the members of both houses of Congress of both parties, who unanimously voted for the weapons systems acquisition reform legislation of this year. So it doesn't get any better than that. We are positioned to do great things, we're expected to do great things, and that's a wonderful environment to be in.

I also am always mindful of a very wise thing that Secretary Gates says when the subject of acquisition reform comes up and that's there's no silver bullet. No formula, no messing around with the boxes, and so forth, no trend, no fad, that all by itself is going to make everything a lot better. I think there's a lot of wisdom in that. We've seen the Washington pendulum swing in various directions in acquisition reform over the years. I alluded to Dave Packard, and the many waves of self-examination we've had since then. At the same time, each year requires us to adapt, and this year is no different, and so there are some things that we are doing differently and that you are doing differently, and that we're expected to be doing differently, and let me just describe some of them.

I'll take my cue for the first part from the Weapons Systems Acquisition Reform Act, which mostly focused on the beginning, the front-end, the birthing of a program, and asked us to pay attention to time and affordability when it becomes time to write requirements, asked us to not kid ourselves about what things are going to cost, to do realistic cost estimation, get good at that, and then listen to our estimates. To do better developmental planning, for that critical development phase, so we plan it the same way we plan the production phase: systems engineering, a big word. I always say systems engineering is like football: you can't do it by yourself. It's a collective activity of a team of people in an institutional setting, so it's not something you book learn, it's not something you do by yourself, it's not something you write reports about. At the same time, it's critically important, and we're looking at the people and the institutions that make up our collective systems engineering capability in the department. So [there is] lots of advice on the front end of programs.

In the middle phases, likewise, we're looking at the way we structure contracts. We'd like over time for our government managers to assume more responsibility for integration, not at the expense of our colleagues in industry, but to re-assume some of that responsibility in recognition of the fact that it's a government responsibility and leads to better performance overall if both sides are involved in that activity of integration. We will be doing, and are looking for opportunities to do more fixed-price contracting, including in the development phase. I know there's some question about how that works out, and I would tell you, that that is something to not be overdone, to be done carefully, parsimoniously, but we should be looking for

opportunities to do that. It's not appropriate in every circumstance; it's only appropriate when we on the government side can realistically be expected to describe quite accurately what it is we are looking for; and where it is reasonable to ask our colleagues in industry to provide that at a fixed price.

In general, development programs do not lend themselves to fixed-pricing, but on occasion, and on important occasions they do, and when they do, we should use that instrument. [It's] frequently described as shifting the risk from the government to the contractor, which is dead-wrong. If it were as simple as that, who wouldn't do it? We'd shift risk to somebody else in a heartbeat, if that was all that it was about. But it's not. We're both assuming risks and responsibilities when we go to a fixed-price environment. We on the government side are assuming the risk of being able to articulate what it is exactly that we want and then not changing that notion. And our colleagues in industry are challenged to describe exactly what they are going to do, cost that, and bid that. So it's a challenge to both sides. There are risks assumed by both sides, and there are opportunities assumed by both sides.

And in the middle of program lifetimes, we're going to try to do better at monitoring performance as well. That is what the Performance Assessment and Root Cause Analysis—PARCA, as the legislation calls it — [does]. Well that's something that we ought to be doing anyway, and we do.

I'd like to improve upon the mechanism that we have in statute, which is the notorious Nunn-McCurdy [Amendment], which is an excellent disciplinary tool—we're all scared of it. At the same time, in general, by the time the Nunn-McCurdy bell rings you're in the soup, you've lost some of the latitude to manage your way out of the situation that you would have had, had you recognized your problems earlier. And secondly, Nunn-McCurdy has a high false-alarm rate, that is, it rings sometimes for programs that are doing perfectly OK. So it's not ideal; it's important we respect it, but I'd like to improve upon [it] so that [it] isn't our only way of monitoring performance in the middle of programs.

And last, and this isn't as popular on Capitol Hill and is not written into the legislation, but the Secretary of Defense sure believes in it, and that is acquisition reform on the back end. That is, to have the discipline to stop doing things that either aren't working or aren't needed any longer. And [Secretary Gates] has shown willingness and the courage to do that as well, to emphasize performance, and it's going to be performance which more than anything else in coming years is going to determine the fate of programs as seen from this Secretary of Defense.

I wanted to say something about the relationship between those of us on the government side and our colleagues in industry. I've said this many times, and I mean it. This is a partnership. In this country, we don't build weapons in the government; we contract with the private sector to do that. That's the way we deliver excellence in weapons system performance for the national security of this country. So I believe in the partnership between government and industry, I try

to have [a] good partnership with my colleagues and counterparts in industry, [and] keep an open door, and an open dialogue, and for some reason, and I don't exactly know [why] that relationship has gotten more constrained in recent years than I remember it back — what is it now — 16 years ago when I went to the “Last Supper” with Bill Perry and John Deutch and the industry leaders of that era, including Norm Augustine. And we will have to agree to disagree from time to time, but basically we're in this together, we're colleagues, we're partners.

Industrial base issues I'll say something about as well. I think they are valid issues for me to take into account and to manage to. By industrial base, I don't mean jobs, I mean skills; [that's a] critical distinction. And we have some responsibility to the taxpayers and warfighter to be stewards of skill sets which, were they to go away, would either be difficult to reconstitute and which can't be found in the commercial sector. And when those criteria apply, we will look at it in the department.

And the last thing I will say about industry is, as is true in every era, the structure of industry is changing, and we're looking into that as well, what are the dynamics of this industry, where is our industry being led by us and the other forces upon it, all important subjects.

The last thing I want to say, and on this point I'll close, is the big key to acquisition reform, and that's people. No amount of messing with the system, no amount of this process [or] that process, this box [or] that box, makes any difference if we don't have good people in the acquisition workforce. That's a big priority for Secretary Gates, he asks about it all the time. That's why I'm asking Frank [Anderson] about it all the time. I mentioned Norm Augustine a little while ago. One of Norm's many adages is that he calculated — this is one of his projections — that by the 300th anniversary of the nation, that is in 2076, as he put it, there will be more government workers than workers [laughter]. But we do want more government workers, and we're trying to attract through the acquisition workforce more and highly skilled people.

Let me say something about civilian and then uniform [insourcing]. On the civilian side, we are trying to meet and will meet Secretary Gates's targets of about 10,000 insourced acquisition positions and 10,000 new acquisition positions. Let me just say that I'm highly mindful of the fact that quality matters much more than quantity. And these quantitative targets are important, but it's quality that really matters. And if we trade out a skilled contractor for a less skilled government employee, that's not what we want to do.

And a last note, as important as that is on the civilian side, it's terribly important that we do it on the uniform side as well. And I'm meeting with the “1”s in the various services. We're looking at promotion rates, we're looking at the institutional basis for the jobs that will allow an O-5 or an O-6 with acumen in acquisition to look up at that cone and see leadership positions that he or she can occupy in their respective services by developing their acquisition acumen. So both on the civilian side and on the uniform side that's key, and if you talk about acquisition change,

acquisition improvement, acquisition reform and you don't talk about people, you're wasting your time.

I look forward to rejoining you all a little bit later in the day; I had hoped to be here all morning, but the Secretary of Defense has frustrated that aspiration. I will come back, however, and rejoin you at lunch time with Mike Mullen, the Chairman. I'll introduce him at the time, but he's the trifecta: he's got the pol[itical]-mil[itary] side, he's got the operational side, and very importantly for us, he has the acquisition side, so I'm sure he'll bring great wisdom. I know that you'll be hearing shortly from Dennis [Muilenburg], and I look forward to hearing [from him]. I'm not going to be able to hear you in real-time, Dennis, but I'm sure you'll fill me in on what you say.

So once again, welcome to all of you, thank you for the privilege for being with you and among you and one of you. I very much admire the work you do, the Secretary of Defense, the President, [and] the whole country count on the very important work you do, and I wish you a good conference, and once again to the award winners, terrific congratulations. Thank you.