



HASC Chairman Rep. Mac Thornberry is frustrated that DOD acquisition isn't going fast enough.

THE RED TAPE MENACE

The Pentagon's sluggish buying processes represent as big a threat to the nation as any well-armed foreign adversary and needed a scorched-earth overhaul yesterday, a blue-ribbon reform commission said in its first report.

The Section 809 Panel—which takes its name from the portion of the defense bill that created it—said in a May report that though there've been more than 100 “reports, studies, and analyses” aimed at streamlining defense procurement over the last 50 years, this new effort has to succeed, because this time, the survival of the country is on the line.

The way the Pentagon “buys what it needs ... is from another era,” the panelists wrote in their first take on the situation. “DOD does not have the luxury to wait” for years of small moves to fix its buying bureaucracy.

“Adversaries are rapidly modernizing their militaries with an eye toward exploiting US vulnerabilities and negating traditional US advantages,” the 809 Panel said. The procurement system “has not fully adjusted to the pace of this environment, nor has it adjusted to a marketplace that bears no resemblance to that of just a few decades ago.” Modern acquisition requires “a degree of agility that DOD is not currently able to deliver.”

Previous efforts at defense reform have been “tinkering and incremental,” the panel observed, and this has only made things worse, “by adding more layers of sign-off, mountains of paperwork, and hundreds of additional regulations.” Now, nothing less than “bold” action is needed to speed up a bureaucracy that simply can't keep up with the pace of technological change.

Adversaries, the panelists pointed out, aren't burdened with congressional oversight or fair buying laws, and this makes them far more agile than the US in fielding advanced hardware.

The group wants to throw out vast handfuls of the Federal Acquisition Regulation (FAR), believing many to be vestigial rules enclaved by congressmen of yesteryear to promote constituent businesses or fix specific broken programs now long since gone.

Panel chair Deidre Lee, former director of defense procurement and acquisition policy, testified at a May 17 hearing of the House Armed Services Committee that the Section 809 Panel plans to give Congress “data-driven, actionable recommendations” to use to slice through existing red tape and eliminate the unnecessary steps bogging down the acquisition apparatus.

She said the group will go through the FAR, figuring out where

regulations came from and whether they are still relevant. Where a procurement step exists just to give Congress an unnecessary chance to intervene, the 809 Panel is hoping members will do the right thing and surrender some of their oversight authority, she said.

This overhaul will probably take until January 2019 to be completed, Lee said, asking the HASC to be patient.

Rep. Mac Thornberry (R-Texas), HASC chair, was visibly startled at this estimate of the length of time the review would take, saying he hoped the panel would offer interim updates “that [give] us some meat to work with” on revising procurement laws in the meantime. Most of the members in the hearing on both sides of the aisle voiced support for the panel and its goals.

THAT'S IT, I'M OUTTA HERE

The panelists testifying were former defense officials, some of whom said that, after leaving government service and joining the private sector, they had taken their own companies out of doing defense work because of the onerous requirements in competition and administration that it requires. They decried the interminable amount of time it takes the Pentagon to compete a contract and actually choose a winner.

William A. LaPlante, former Air Force acquisition chief, said it frequently takes 18 months “to go from the initial RFP [request for proposal] to award of a sole source contract.” Small businesses can't wait that long to find out if they should buy materials and hire workforce for a Pentagon job, he said, and he contended that some major companies are leaving DOD work because requirements change at the last minute.

In the report, panelists wrote that the existing system “creates obstacles to getting the needed equipment,” and the Pentagon is “an unattractive customer to large and small firms with innovative, state-of-the-art solutions.” Those ideas are crucial to the Defense Department leapfrogging competitor technology.

Lee and other panelists said industry is, after all, trying to do business and make a profit, and that motive shouldn't be portrayed as “criminal” by members of Congress. Members of the commission said Congress must curb its impulse to exact draconian retribution on a program manager who makes “an honest mistake” in the interest of speeding up the process of getting hardware to the combat forces faster.

Fear of losing a protest or seeming to be unfair is deterring program managers from doing “the right thing,” Lee said, such as if it makes the most sense to award a contract without the labor- and time-intensive step of competition.

The Pentagon's buying rhythms are way out of whack with the best practices of industry, LaPlante said. While DOD may take a year-and-a-half to do a simple software update on a weapon system, contractors can't work with that. Their own schedule of software updates is orders of magnitude faster; Facebook does many “every day,” he pointed out.

The panelists warned that current procedures are deterring new players from getting into defense work, and as a result, those that know how to work the system—and can weather the awful delays involved—are growing more powerful and crowding out potential competitors.

“We're one merger or acquisition away” from being down to a single supplier in categories such as ships, fighter aircraft, and

helicopters, LaPlante noted. The 809 Panel reported that out of a field of “300 prime contractors, platform providers, and subtier companies” in the 1980s, the Pentagon is down to “the five mega primes of today: Boeing, Lockheed Martin, Northrop Grumman, Raytheon, and General Dynamics.”

The 18-member panel has hired staff and is beginning to tackle the project. Their going-in goals are to make the Pentagon more adaptable to an accelerating threat environment; make the Pentagon a more attractive customer; use scarce procurement resources more efficiently; simplify the process so things can be bought more quickly; and “encourage and incentivize the workforce to make sound, mission-driven decisions.”

WHAT ABOUT “BUY RATE, BUY RATE”?

The Air Force is only asking for 46 F-35As in the Fiscal 2018 base budget. That’s actually down two airplanes from the enacted Fiscal 2017 budget—and far short of the goal service leaders have been touting for years. In March, Chief of Staff Gen. David L. Goldfein said at AFA’s Air Warfare Symposium that the service wants to get the purchase numbers on F-35s up “as quickly as we can,” while recently retired Air Combat Command chief Gen. Herbert J. “Hawk” Carlisle made “buy rate, buy rate, buy rate” a mantra of his last year of service. In an exit interview with *Air Force Magazine*, Carlisle pointed out that by the plans of seven years ago, the Air Force by now was expected to be buying at least 80 F-35s per year and possibly as many as 110. (See “Combat Forces in Peril,” July 2017.)

“We want to get to 60” per year, Air Force Secretary Heather A. Wilson said at an AFA-sponsored industry breakfast in June, but with direction from the administration to focus on readiness, along with a need to rebuild manpower, 46 was all that could be managed in Fiscal 2018, she said. Wilson said that “all 1,763” F-35As the service plans to buy “will not be on the ramp at the same time.” By the late 2030s, when the last batches are slated to be bought, the initial lots will have reached retirement age.

Wilson said that 14 additional F-35As do appear in USAF’s Unfunded Priorities List, and if those are added by Congress, the Fiscal 2018 buy would go up to 60. The list is prepared for Congress every year by the services in answer to the perennial budget testimony question, “If you had more money, what would you spend it on?” Those 14 F-35As would represent an additional \$1.76 billion in the Fiscal 2018 budget. The fighters were the fourth-highest unfunded priority listed by the service, preceded by a set of readiness initiatives, space defense systems, and training hardware for the Space-Based Infrared System.

The remainder of the top 10 of the more than 50 items in the unfunded priorities package include three KC-46 tankers beyond the 15 already on tap; a replacement for the EC-130 Compass Call fleet; modifications to existing aircraft; and sustainment initiatives such as depot process improvements, satellite communications upgrades, and cyber initiatives. Collectively, the Unfunded Priorities List totals \$10.7 billion worth of things USAF says it needs but couldn’t fit into its budget topline.

Shortly before his retirement ceremony in May, outgoing F-35 system program office director Lt. Gen. Christopher C. Bogdan told *Air Force Magazine* that, while he thinks the F-35 production



USAF has asked for 46 F-35s in the 2018 base budget. Fourteen more are on the Unfunded Priorities List.

program could be accelerated, the rate is “probably about right,” given the importance of not demanding more aircraft than vendors can supply parts to build at this stage. Procurement cost reductions are happening largely because the learning curve continues to decline and because the volume of production is high, driven by international partner purchases and foreign military sales (FMS) customers, Bogdan said. (See “Clear of the Turbulence,” this issue.)

WE’LL WAIT FOR THE NEXT ONE

The biggest tip off as to why the Air Force isn’t placing a higher priority on ramping up F-35 production, however, was likely given in February during hearings supporting USAF’s supplemental budget request. Lt. Gen. Jerry D. Harris Jr., deputy chief of staff for strategic plans and requirements, said in written testimony for the House Armed Services Committee that USAF might be better off waiting until 2021 to start surging F-35 production to 80 a year or more. That’s when the first Block 4 versions of the jet are expected to start coming off the production line. From now until then, production will focus on the Block 3F model—the baseline version all three US services will use—and Harris suggested that buying too many F-35s too early would hand USAF a big bill later to modify the early jets to the more capable configuration. By 2021, “we should examine the option of accelerating the F-35A program above the current procurement rate,” Harris wrote.

By Harris’ numbers, USAF’s F-35 production would be parked at just 48 a year through 2021, then rise to 80 or more. That jibes with a recent Government Accountability Office F-35 program report, with a chart showing Air Force F-35 production hovering around 46 to 48 per year from Fiscal 2018 through 2021. The GAO cited Department of Defense data for its chart source.

The wait is problematic, though: Air Force leaders openly acknowledge that the bulk of the fighter fleet—F-15s and F-16s—have a shelf life of only about 10 more years in a fight against a near-peer adversary. After that, air defenses around the world will render the nonstealthy fourth generation fleet incapable of surviving modern air combat. They would have to be relegated to less-contested battles, and there might not be enough fifth generation fighters in the inventory by that point to do the job. Moreover, production of F-35s for partners and FMS customers is expected to keep climbing, making slots on the production line increasingly hard to get. Bogdan and Lockheed Martin have both quoted a maximum production rate of about 220 F-35s a year, without investment in significant additional tooling and workforce.