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DEFENSE ACQUISITION

*Consolidating Defense Acquisition
Organizations & Functions*

November 1992

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The Department of Defense is not the monolithic institution that some outsiders perceive it to be. If it were, change would be easier to accomplish than the experiences of many who have tried unsuccessfully to change it would suggest. While the Department may be difficult to change, it can be changed, even fundamentally changed, as was amply demonstrated during the 1960s. Robert McNamara radically altered the way the Department was managed, and most of those changes are still in effect. The key to the implementation of those management changes was a senior DoD leadership with a clear vision of what it wanted to do, and, perhaps most important, a full two-term administration under which to implement that vision. Given the current national and international political and economic environment, coupled with the start of a new administration, we are again given a rare and possibly unique opportunity to effect a significant change in the way DoD does business. The real challenge is not the sheer magnitude of the proposal herein. The real challenge is to recognize the opportunity and to seize it. Quickly.

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Executive Summary

This paper describes a concept for consolidating the acquisition functions of the Department of Defense (DoD) under the direct control of the Under Secretary of Defense for Acquisition (USD(A)). Dramatic changes in the international security environment have led to sharp decreases in defense budget levels, which in turn have put a premium on economy and efficiency. Consolidating acquisition and business functions and organizations will allow DoD to meet this challenge, while maintaining its ability to respond to emerging military threats. Consolidation will reduce the number of redundant weapon systems, management overhead, layers of staff oversight.

There have been several previous consolidation studies¹ which DoD was unable to implement in the face of the higher priority objective of responding to the relentless technological and military challenge of the Soviet Union. DoD was simply unwilling, and with good reason, to be diverted from this top national goal. With the end of the Cold War, DoD began a number of consolidation efforts under the Defense Management Review. The current proposal extends these efforts to encompass all defense acquisition organizations.

The new organization will consist of three major divisions - Science and Technology, Systems Acquisition Management, and Materiel Support - each headed by a senior official reporting directly to the USD(A).

- The Science and Technology organization will control all S&T funding (6.1, 6.2, and 6.3a) and manage defense laboratories.
- The Systems Acquisition Management organization will be responsible for development, production, deployment, and fielding of defense weapons systems and related equipment based on requirements established by the Military Departments and other DoD components.
- The Materiel Support organization will be responsible for providing materiel management, wholesale-level repair and distribution, and associated services, for all DoD materiel.

¹ Prior acquisition consolidation studies are listed at Addendum 1. See page 53.

INTRODUCTION

PREFACE

"...an organization chart is not a company, nor a new strategy an automatic answer to corporate grief. We all know this; but like as not, when trouble lurks, we call for a new strategy and probably reorganize. And when we reorganize, we usually stop at rearranging the boxes on the chart. The odds are high that nothing much will change. We will have chaos, even useful chaos for a while, but eventually the old culture will prevail. Old habit patterns persist."

At a gut level, all of us know that much more goes into the process of keeping a large organization vital and responsive than the policy statements, new strategies, plans, budgets, and organization charts can possibly depict. But all too often we behave as though we don't know it. If we want change, we fiddle with the strategy. Or we change the structure. Perhaps the time has come to change our ways."

Peters and Waterman
In Search of Excellence

This paper proposes to consolidate DoD acquisition organizations. On its surface, this proposal could be perceived as a mere reorganization of the DoD Acquisition community. A massive reorganization to be sure, but still, just a reorganization. Such a perception would be wrong! The proposed reorganization must be viewed in the context of DoD's institutional culture.

Culture is the integrated pattern of human and organizational behavior that reflects our institution's values; how we think and what we think; how we behave, how we act and how we react. These values do not come from organization charts or policies, and they do not come from plans and strategies. They come from managers, and they are communicated to and instilled in employees by managers. Understanding this point is key to understanding DoD's culture and how it manifests itself. It is also key to understanding the reorganization proposed in this paper, which seeks to create a framework within which a new culture can develop and flourish.

Because values are communicated by managers, DoD presents a unique challenge to anyone wishing to change its institutional culture. From top to bottom, DoD management is extremely

unstable. Senior level instability is a consequence of our political system, and the Department shares the problem with all Executive Branch agencies. However, whereas management below the political level in civilian agencies is stable, some might say bureaucratically entrenched, the non-political management of DoD is highly unstable. Below the DoD secretariat, most managerial positions of consequence are held by military officers who are arbitrarily rotated on a two-to-four year basis. No commercial enterprise could tolerate the kind of recurring top to bottom management turmoil DoD experiences.

DoD's institutional culture is further complicated by the mixing of "warrior" and "non-warrior" cultures. The DoD manager, who is usually military, tends to follow a dual career, moving back and forth between military operations and essentially civilian positions, with the military operations positions likely to be more important to career progression. The civilian, on the other hand, tends to become proficient in a single career field, but career progression is restricted by the fact that he or she cannot normally aspire to being the "boss." Both situations result in a set of sub-cultures that hamper communication and make meaningful change difficult.

It is not the purpose of this preface to discuss the pros and cons of military versus civilian roles in acquisition management, but rather to make the reader aware of the cultural environment within which the acquisition reorganization is proposed. In fact, the subject organizational proposal is mostly neutral with regard to civilian and military management roles. However, the proposed organizational concept does require DoD's constituent institutions and cultures to adapt so as to provide experienced, professional management in support of the common goal of having the best equipped military forces in the world.

The concepts embodied in this paper will require a sustained assault on the current culture of DoD. This proposal requires DoD to embrace fundamentally different attitudes towards requirements rationalization, oversight, cooperation, span of control, accountability, and military and civilian career progression. The challenges inherent in this proposal are formidable and cannot be accomplished quickly in an institution as large and culturally rigid and protective of its constituent prerogatives as is DoD. The reader is asked to be open minded. View obstacles to implementation not as reasons why changes cannot be made, but rather as hurdles to be overcome in making changes.

Current DoD Acquisition Organization. The current DoD acquisition structure is a loosely-linked confederation of organizations and activities spread across the three military departments, several defense agencies, and the Office of the Secretary of Defense. DoD acquisition activities range from the conduct of basic research to the disposal of equipment after the

completion of useful service life. While DoD has taken steps to improve acquisition management and centralize acquisition policy-making, these initial steps have often been improvements more in form than in substance. Critics have charged that many of the new acquisition management positions created in the wake of the Packard Commission report, such as the Service Acquisition Executives and Program Executive Officers, have been simply superimposed on top of the existing system, and, to a certain extent, these criticisms are true.

Today, there are over 20 separate DoD acquisition organizations, including the Army Materiel Command, five Navy Systems Commands, and the Air Force Materiel Command (see Table 1).² Over 500,000 civilian and military employees work in these organizations. Acquisition workforce reductions mandated by the 1989 Defense Management Report appear to have stalled. From a high of over 590,000 people, the workforce shrunk to just under 530,000, and will probably stabilize around 520,000, according to latest estimates compiled by the USD(A) Acquisition Workforce policy office.

The current acquisition structure is characterized by a high degree of redundancy, duplication, and complexity. Each military department, for example, has its own laboratory doing basic aviation research, a PEO overseeing acquisition of aviation systems, program offices buying variants of the same system (such as the H-60 helicopter), and a depot performing aviation maintenance. Moreover, OSD and each military department possess sizable staff oversight functions which essentially duplicate one another. Figure 1 illustrates the complexity inherent in the current system.³

The Imperative For Change. The past two years have witnessed dramatic changes in the global security environment centered around the collapse of the Soviet Union and the end of the Cold War. Defense budget authority has decreased substantially in response to these changes. These budget reductions, in turn, have challenged the Department of Defense (DoD) to maintain the strength and vitality of its acquisition system with fewer resources. DoD has already taken steps to respond to these challenges. In January 1992, the Secretary of Defense, in submitting the Fiscal Year 1993 DoD Budget, announced the termination of a number of weapon systems. Five months later, in May 1992, the Under Secretary of Defense (Acquisition) announced a new post-Cold War approach to defense acquisition

² All tables are at the end of the paper, beginning on page 36.

³ All figures are at the end of the paper, beginning on page 48.

that emphasizes increased investment in science & technology and institutionalizing risk reduction earlier in the acquisition cycle.

In addition to these initiatives, DoD has begun to take a fresh look at various management improvement ideas that were advocated, but not implemented, during the height of the Cold War. One of the most significant of these prior recommendations was the proposal to centralize acquisition functions in one consolidated organization. In the last ten years, beginning with the publication of the report of the President's Private Sector Survey on Cost Control (the "Grace Commission") in 1983, several studies of defense acquisition have devoted attention to this subject. The Grace report argued that, in some cases, "noncombatant functions can be done better if consolidated." In 1986, an internal DoD "White Paper", authored by then-Assistant Secretary of Defense James P. Wade, presented several options for acquisition improvement including the establishment of a Defense Acquisition Agency. A primary advantage of such consolidation, according to Wade, would be the elimination of "unnecessarily duplicative tasks within the Services." That same year, the Packard Commission recognized the problem posed by the proliferation of governmental organizations influencing parts of the defense acquisition process, and attempted to correct the problem by recommending establishment of Service Acquisition Executives and Program Executive Officers who would report to a full-time Defense Acquisition Executive in charge of all defense acquisition.

In addition to these executive branch studies, Congress has also proposed several bills designed to consolidate defense acquisition organizations. The three major sponsors of acquisition consolidation legislation have been Rep. Barbara Boxer (D-CA), Rep. Dennis Hertel (D-MI), and Sen. William Roth (R-DE). Rep. Boxer, for example, introduced the "Independent Defense Procurement Corps Act of 1989," which would have created a separate defense procurement agency within the executive branch. Rep. Hertel sponsored, among other bills, the "Department of Defense Reorganization Act of 1988," which would have established a Defense Acquisition Agency under the direction of the USD(A). Finally, Sen. Roth has introduced the "Department of Defense Acquisition Reorganization Act of 1991," which would create a Defense Research, Development, and Acquisition Agency under the direction of the USD(A). While these bills have garnered an impressive number of cosponsors (for example, H.R. 2897, introduced in the 101st Congress by Rep. Hertel, drew 30 co-sponsors, including Rep. Charles Bennett (D-FL) and Rep. Ron Dellums (D-CA), both HASC subcommittee chairs) and generated useful debate, none have ever been passed into law.

More recently, the chairmen of the Armed Services Committees in the House and Senate (Rep. Les Aspin and Sen. Sam Nunn) have criticized the department for excessive duplication of functions across service lines, and have urged DoD to thoroughly reevaluate

how it should do business in the post-Cold War environment. In a recent floor speech,⁴ Sen. Nunn criticized decisions taken immediately after World War II in establishing the new DoD because "they failed to avoid the tremendous redundancy and duplication among the military services." He went on to say that "streamlining the logistics, administration, and management duplication among the services could save tens of billions annually."

In sum, a number of past studies have addressed the problems inherent in an organization as vast and complex as defense acquisition by proposing various degrees of organizational and policy consolidation. DoD has consistently resisted certain aspects of these efforts as unwarranted and potentially disruptive encroachments in light of the Cold War threat environment. Now, however, with the end of the Cold War, the attendant decline in defense budgets, and the beginning of a new administration, there are new opportunities and imperatives to revisit the consolidation issue. DoD has a unique opportunity to take a significant step toward a consolidated acquisition organization.

OVERALL ORGANIZATIONAL CONCEPT

The current proposal is depicted in Figure 2. Essentially it calls for a consolidated acquisition organization under the direction of the USD(A). This organization will have three major functional groupings: Science and Technology, Systems Acquisition Management, and Materiel Support. These groupings will be headed, respectively, by the Director, Defense Research & Engineering (DDR&E), a new Director, Defense Acquisition Programs (DDAP), and the ASD for Production & Logistics (ASD(P&L) - possibly renamed ASD(Installations & Materiel Support)). Each grouping will contain a combination of headquarters staff functions and field operating activities. The following sections of this paper will describe the three proposed branches.

The consolidated organization includes two independent agencies, the On-Site Inspection Agency (OSIA) and the Defense Contract Management Agency (DCMA -- formerly the Defense Contract Management Command of the Defense Logistics Agency). The DCMA provides contract management services, to include plant representation, for all three of the major functional groupings as well as to non-acquisition contracting activities. The OSIA currently reports to the USD(A). Whether or not it remains under the USD(A), or is transferred to the USD(P), is a policy issue which does not impact the recommendations outlined in this paper.

⁴ See Congressional Record, July 2, 1992.

SCIENCE & TECHNOLOGY ORGANIZATION

The new Science and Technology (S&T) organization under the Leadership of the Director, Defense Research and Engineering (DDR&E), will be responsible for managing basic research (6.1), exploratory development (6.2), and advanced development (6.3a). The new S&T organization will NOT be responsible for executing S&T activities related to medical and personnel specialties (these activities will continue to reside in the military departments).

The Concept. The fundamental concept is to create a DoD S&T organization that will have an inherent tendency to focus more on science and technology and less on expansion into engineering development, production, or other areas. The concept will also set in motion a system in which the engineering centers (RDECs), which will be located in the new systems acquisition agencies, will be less inclined to pursue S&T work and more inclined to concentrate on engineering development for the systems agencies.

This process can be achieved because all of the S&T funds will be controlled by the new S&T organization. Control of funding by a single organization will enhance DoD's ability to rigorously compare and contrast proposals from in-house laboratories, RDECs, universities, contractors, and other organizations. All of these organizations will be in direct competition for scarce S&T funding. This dynamic has several advantages. First, it will provide for a natural and continuing filter for reducing redundancy and overlap and will drive the RDECs, in particular, to limit S&T activities that are not directly relevant to their engineering problems. Second, this plan will also result in improved focus on the technology programs (6.2 and 6.3a). The new S&T organization will be forced to look with greater scrutiny on the value of each technology program and its relevance to their mission. Getting the best product versus cost will become more important. Since the S&T organization will not be limited to using the in-house laboratories to secure the needed technology, the laboratories will be compelled to compete for funding also.

Overall Structure. The S&T organization will be headed by the DDR&E, and will consist of two new divisions, the Defense Research Laboratory Agency (DRLA), and the Defense Research Office (DRO). The Defense Research Office will control all S&T funds (6.1, 6.2, & 6.3a) in DoD and will be comprised of all of the current S&T funding offices in the Military Departments and other DoD components (see Table 2). The DRLA will oversee outside contractual efforts and execute most of the in-house S&T activities. It will be comprised of the major corporate laboratories from the Army, Navy, Air Force, Corps of Engineers, and Defense Agencies (see Table 3). The structure of the S&T

organization relative to the office of the USD(A) is illustrated in Figure 3.

DDR&E and Immediate Staff. The DDR&E staff will support the DDR&E in exercising policy and program control over the DRO and DRLA. The staff will assist DDR&E in administering the operations of various advisory boards, preparing and defending the S&T budget, and setting overall S&T policy.

The DDR&E will be assisted by several advisory committees, including the Defense Technology Board (DTB), Defense Science Board (DSB), and the Scientific Laboratory Oversight Board (SLOB). The DTB, whose membership will be drawn from the Military Departments, DRO, DRLA, and relevant private sector organizations, will assist DDR&E in the development of a comprehensive S&T strategy. The SLOB, whose membership will include representatives of the Military Departments, the DRO, DRLA, and DDR&E policy staff, will advise the DDR&E on overall laboratory management and facilitization. The DSB will continue to operate as it has in the past.

Defense Research Office (DRO). The DRO will be organized into two Directorates: a Research Directorate which will fund 6.1 programs, and a Technology Directorate which will fund 6.2 and 6.3a programs. The Research Directorate, with input from the Technology Directorate, the DLRA, and advisory boards (as needed), will be responsible for funding all DoD 6.1 research. This includes academia and industry, as well as DLRA laboratories and other DoD organizations. This will allow, for the first time, for central oversight and management of the expenditure of all 6.1 funds and therefore the ability to routinely determine when and where overlap and redundancy is occurring in basic research.

The Technology Directorate, again with input from the Research Directorate, the DLRA, the Military Departments, and DRO advisory boards, will provide funding for all 6.2 and 6.3a programs. Funding will be provided for DRLA laboratories, the RDECs (when appropriate), industry, and other relevant organizations. Again, as in the Research Directorate, this will allow, for the first time, a consolidated view of all technology development in DoD.

Defense Research Laboratory Agency (DRLA). The DRLA will execute most of the in-house S&T programs for DoD. It will be comprised of the corporate laboratories in the Military Departments and Defense Agencies. The DRLA organizational structure initially will be established by changing only the existing laboratory's management reporting structure and dividing the laboratories into groups according to which organizations they originally came from. For example, the Corps of Engineers (COE) laboratories will be formed in to a division of formerly COE laboratories.

PPBS Process. The DRO will be responsible for developing long-range S&T plans (budget categories 1 and 2) and programs (i.e., Program Objective Memoranda), and preparing the biennial DoD S&T budget (i.e., Budget Estimate Submission). Development of these plans and budgets will be guided by a comprehensive DoD S&T strategy developed under the leadership of the DDR&E. Congress will appropriate funds to the DRO. The DRO will review and fund proposals from various organizations (DLRA, RDECs, academia, industry, etc.) in accordance with the DoD S&T strategy and the quality of the proposal. DRO will fund work to be performed in support of acquisition as well as S&T functions (medical and personnel) retained within the military departments.

Workforce. To assure a high level of S&T productivity within the new Agency, the management must be professional and recruitment based on scientific, technical, and managerial achievement. To ensure appropriate representation of operational considerations and product utilization, the Military Departments and other DoD components must provide knowledgeable personnel to fill those dedicated positions in the newly created S&T organizations which inherently require military personnel, and also to compete for the majority of positions which will be open to the best qualified candidates.

SYSTEMS ACQUISITION MANAGEMENT ORGANIZATION

The new systems acquisition management organization will be responsible for the development, production, and fielding of all weapons systems and support equipment for DoD. The new organization will NOT be responsible for acquisition of facilities, medical materiel, or business-related automated information systems; responsibility for these functions will continue to reside in the military departments and other DoD components.

The Concept. The fundamental concept of this systems acquisition reorganization plan is to establish an acquisition organization that has a simplified chain of command, reduces layers of oversight, vests responsibility in acquisition managers who are directly accountable to the USD(A), reduces the likelihood of parochial solutions to identified mission needs, and decreases duplication and redundancy. Implementation of this plan should strive to achieve these principles; however, each Agency Director will have the latitude to structure the agency in the manner deemed most efficient.

Overall Structure. Acquisition systems management will be the responsibility of a new Director, Defense Acquisition Programs (DDAP).⁵ There will be eight new defense agencies reporting to the DDAP, seven systems agencies (Aviation, Missiles & Munitions, Ships, Space, Combat Systems, C3I⁶, Combat Support), and one Developmental Test and Evaluation Agency (see Figure 4).⁷ The principal advantage of having eight agencies reporting directly to the DDAP rather than having an eight division agency reporting to the DDAP, is to eliminate the unnecessary additional staff oversight layer associated with a large agency headquarters.

⁵ It is recommended that the DDAP position be classified a SES career-reserved position, and not a political appointment. This position will require a high level of professional acquisition proficiency and a thorough knowledge of DoD operations. This combination of skills and abilities calls for a careerist.

⁶ The C3I Systems Agency will be responsible for acquisition of intelligence systems, and not for intelligence activities.

⁷As with the DDAP position (see note 5), the agency directors should be career acquisition professionals. However, we would not propose career reserved SES positions because that might preclude properly qualified military directors.

The seven systems agencies will be responsible for the management of individual weapons systems programs. The DT&E agency will be responsible for operating test ranges and conducting developmental testing in support of the systems agencies (DOT&E is not included because statute mandates it be a separate, independent organization). Each systems agency will be composed of program management offices (PMOs); a research, development, and engineering center (RDEC); and related support staff.

Systems responsibility will be spread across the agencies as follows:

- The Aviation Systems Agency will be responsible for piloted (including remotely piloted) systems. Systems developed in the Aviation agency will include, for example, fighter aircraft, helicopters, and unmanned aerial vehicles.

- The Missiles & Munitions Systems Agency will be responsible for ordnance systems and equipment, whether delivered from a separate major platform (e.g., aircraft-delivered missiles such as AMRAAM), or launched independently (e.g., the PATRIOT missile). This agency is NOT responsible for ballistic missiles (which are located in the Space agency).

- The Ship Systems Agency will be responsible for development and production of warships and support craft. Examples of systems developed in this agency include destroyers, submarines, landing craft, and oilers. Self-protection systems deployed on ship platforms will be developed by the Combat Systems Agency.¹

- The Space Systems Agency will be responsible for satellites, boosters, and ballistic missiles. Examples include MILSTAR, Minuteman, Titan IV, and TRIDENT D-5.

- The Combat Systems Agency will be responsible for weapons (to include ship self-protection), tracked and wheeled vehicles, and various small arms. Examples include AEGIS, tanks, trucks, howitzers (both self-propelled and towed), trailers, M-16 rifles, 9mm pistols, and bayonets.

¹ Today, NAVSEA develops ships and ship self-protection systems. Under this proposal, NAVSEA will continue to retain both missions upon initial transfer to the USD(A). At this point, a decision will be made regarding splitting acquisition responsibilities for ships and shipboard systems as proposed in this paper, or retaining both in the new Ship Systems Agency. In any event, this decision is not essential to the implementation of the overall concept proposed in this paper.

- The C3I Systems Agency will be responsible for various electronic systems, including command and control systems such as All-Source Analysis System, radios, and jammers.

- The Combat Support Systems Agency will be responsible for a variety of troop support systems, such as training systems, materiel handling equipment, tactical feeding systems, individual clothing systems, mapping and geodesy systems.

Table 4 lists the current Program Executive Officer organizations that will be transferred to the seven new systems agencies. Table 4a lists, by agency, where these PEO organizations will be transferred. Table 4a also indicates to which agency the acquisition portions of existing systems and materiel organizations will be transferred.

It is anticipated that no Systems Agency will exceed 50,000 personnel in size. Currently, Commander NAVSEA directs an organization of over 100,000 personnel, while Commander, AFMC, oversees an organization of approximately 130,000 personnel. Since the new Systems Agencies will be smaller than these current organizations, and since logistics functions will be performed by the Materiel Support Organization, span of control should be less of a problem than it is today. Indeed, some of the new Systems Agencies will be quite small - the Combat Support Systems Agency, for example, should consist of no more than 2,000 personnel.

DDAP and Immediate Staff. The DDAP performs three principal functions: (1) Overseeing the operations of the seven systems agencies and the DT&E agency, (2) Serving as Milestone Decision Authority for Acquisition Category II programs,⁹ and (3) Oversight of ACAT I programs and related support to the USD(A) in his role as the ACAT I Decision Authority. The DDAP is assisted in these duties by a small staff of experts in the following areas: Engineering, Producibility and Supportability, Test and Evaluation, Contracting, Program Control, and Cost Analysis (see Figure 5).

The immediate DDAP staff will combine the functions currently accomplished by the OUSD(A) Systems Directors, SAE staffs, and Materiel Command staffs:

- The Director, Systems Engineering will provide technical assessments of engineering risks and related program

⁹ There are four Acquisition Categories (ACATs) based on program dollar value and/or special interests. ACAT I and II programs will be reviewed at the USD(A)/DUSD(AP) level, respectively. ACAT III and IV programs will be reviewed at the Systems Agency level. Definitions of each ACAT are found in DoD Instruction 5000.2.

characteristics. This staff will assist the DDAP and the USD(A) in reviewing ACAT I and II programs.

- The Director, Test and Evaluation, will be responsible for establishing DT&E policy and coordinating the review of Systems Agency Test and Evaluation Master Plans (TEMPS).

- The Director, Producibility and Supportability, will be responsible for providing producibility and supportability assessments of acquisition programs. This staff will assist the DDAP and USD(A) in reviewing ACAT I and II programs.

- The Director, Business Management and Program Control will be responsible for procedures and oversight activities associated with sound business practices, management reporting and execution oversight. These include:

- Program Control - setting acquisition reporting procedures, reviewing acquisition reports submitted by the Systems Agencies (e.g., Selected Acquisition Reports, Defense Acquisition Executive Summaries, Acquisition Program Baselines) and preparing reports to Congress.

- Cost Analysis - performs three functions: (1) Provides quality control over System Agency cost analyses, (2) Performs the equivalent of component cost analyses for ACAT I programs, and (3) Performs independent cost analyses in support of ACAT II programs. This activity will NOT replace the Cost Analysis Improvement Group (CAIG) in executing its statutory function.

- Contracting - will be responsible for providing assessments of contracting strategy, to include review of Requests for Proposals (RFPs) and Acquisition Strategy Reports.

Systems Agency Directors and Immediate Staff. The Systems Agency Director, much like the current Program Executive Officer, will be responsible for day-to-day management of acquisition programs within a particular systems area. The Systems Agency Directors will NOT perform functions directly analogous to current Systems Command commanders because the new Agency Directors will not perform materiel support functions. The Agency Director will report directly to the DDAP, who will write the Director's performance evaluation.

The Agency Director will also serve as Milestone Decision Authority for Acquisition Category III and IV programs. The Director will be assisted by a small staff for program control (with responsibilities similar to those of the DDAP's Business Management and Program Control organization), and a Requirements Liaison group to interface with the operational community. To lessen span-of-control problems, the Agency Director may be assisted by a set of Deputies organized according to systems type

(e.g., Deputy for Fighter Aircraft, Deputy for Helicopters, etc.). The proposed notional structure for the systems agencies is depicted in Figure 6.

The Systems Agencies will ideally be organized in accordance with the following three principles:

- Program Managers Shall Have the Organic Staff Necessary to Perform Essential Functions that Directly Support the Work of the Program Management Office (PMO).
- Directors of Support Activities Shall Have the Organic Staff Necessary to Perform Essential Functions that Collectively Support the Work of the PMO.
- Agency Directors Shall Supervise Subordinate Program Managers directly with Minimal Intervening Staff.

Program Management Offices (PMOs). Each PMO is assigned responsibility for development, evaluation of test data, procurement, deployment, and effective overall management for one weapon system program. The PMO will be responsible for the following functions: Program Control and Resource Management, Integrated Logistics Support and Configuration Management, Systems Engineering, Product Assurance and Test Planning, Cost Analysis, Contracting, and other functions deemed appropriate by the Agency Head. The Program Manager (PM) supervises the activities of the PMO and reports directly to the Agency Director or to a Deputy who reports directly to the Agency Director. A PM is assigned whenever the agency receives a requirement to initiate a new systems acquisition effort and remains in this position until successful deployment of the system, and transition of the system to an Item Manager in the Materiel Support organization (described below).

Research, Development, & Engineering Centers (RDECs). Each system agency will have a dedicated RDEC, whose main function will be to develop components and subsystems common to several weapons systems within that particular systems area, to keep abreast of developments in S&T, and to conduct system-specific advanced technology demonstrations. Each RDEC will be headed by a technically-qualified Director who will report directly to the Agency Director. The RDEC Director will be assisted by a small support staff.

Support Activity. Each systems agency will have a headquarters support activity whose main function will be to provide support services to the PMOs. These support services consist of Public Affairs, Congressional Liaison, Safety, Personnel, Resource Management, Foreign Military Sales, Legal Counsel, Small and Disadvantaged Business Utilization, Intelligence, Audit, Producibility and Industrial Base Analysis, Competition & NonDevelopmental Item Advocacy, and Installation

Operation (when necessary). The Headquarters Support Activity will be headed by a Support Director who will report directly to the Agency Director.

DT&E Agency Director and Immediate Staff. The DT&E Agency Director will be responsible for day-to-day management of test ranges and execution of developmental test plans and will report directly to the DOAF. The DT&E Agency Director will be assisted by a small control staff, which will be responsible for range oversight, resource management, and collective support (e.g., Public Affairs, Congressional Liaison). In addition, the Agency Director will be assisted by a Requirements Liaison staff group. All DoD test ranges, proving grounds, and associated testing centers and activities will report to the Agency Director. Individual test ranges will be headed by a range director who will be assisted by a headquarters support activity (See Figure 7). The DT&E Director will NOT be responsible for conduct of operational test and evaluation. Operational testing will remain the responsibility of the Military Departments and other DoD Components under the supervision of the Director, Operational Test and Evaluation.

PPBS Process. The military departments will retain the responsibility for determining requirements and programming resources to meet these requirements. Under the current process, the military departments submit, on a biennial basis, their Program Objective Memoranda (POM) proposals to OSD for review and adjustment. The newly created defense acquisition agencies will work closely with the military departments in developing a sound cost basis for POM proposals. After the Deputy Secretary issues Program Decision Memoranda (PDMs) adjusting POM proposals, the military departments develop Budget Estimate Submittals (BES) that are evaluated by the Comptroller in the Fall budget review, included in the President's Budget, and ultimately submitted to Congress. Again, the defense acquisition agencies will have to continue to work closely with the military departments during this phase, especially in defending program execution history against proposed executability adjustments.

Congress will continue to appropriate funds to military department budget line items (e.g., F/A-18 line item in Aircraft Procurement, Navy appropriation). Upon receipt of these monies, the Comptroller¹⁰ shall apportion the funds to the military departments, who shall transfer funding as appropriate to the defense acquisition agencies for execution. Each systems agency will have its own internal operating budget which will be formulated and executed just as defense agency budgets are today. However, the agency will have no internal funding for self-

¹⁰ It is not envisioned that the DoD Comptroller's role will change in the new organization.

generated acquisition activities. The difference between the current process and that contemplated above, is that the new agencies have replaced the Service's Systems Commands as inputers and executors.

The acquisition to be conducted by the systems agencies will be governed by an Acquisition Program Baseline (APB). The APB will serve as a contract between the USD(A), Systems Agency, and the military user. The APB will describe the acceptable "price" the user is willing to pay to acquire specified performance capabilities on a certain schedule. The USD(A) has final responsibility for determining the cost of a proposed system acquisition; the military departments and other DoD Components must fund to this baselined cost or alter requirements. Therefore, the USD(A) is responsible for assessing the impact of various PPBS actions (such as Program Budget Decisions) on established APBs. When the USD(A) determines that a proposed PPBS action will cause a breach of established APB parameters, he formally notifies the Deputy Secretary of an impending breach. If the PPBS action is nonetheless taken and the APB is breached, the USD(A) has the authority to declare the APB "null and void" and direct the Systems Agency Director to renegotiate new terms with the military department. In no case will the acquisition organization be forced to attempt to execute an unexecutable program. In the event that user priorities change, the user may initiate renegotiation of the original APB to reflect new priorities.

When an Agency Director decides that a reprogramming action is necessary, he must consult with the military departments, who then can decide either to reprogram the requisite funds or to allow the project in question to have revised its schedule and/or requirements. When the military department decides that a reprogramming action is necessary, it must consult with the Agency Director to ascertain the likely impact of the proposed reprogramming.

Workforce. The new organizations will be staffed with the highest quality acquisition professionals in accordance with the provisions of the Defense Acquisition Workforce Improvement Act and DoD Directive 5000.52. As is now the case the workforce is expected to remain predominantly civilian. Most positions that are currently reserved only for military incumbents will be opened up for any best qualified candidate. This means that in some acquisition positions, such as Program Managers, the number of civilians is expected to increase over time as more civilians become qualified for high-level positions. Some jobs will continue to be exclusively military because military experience is essential to successful performance, there is a requirement in statute, or there is some other compelling reason. Requirements Liaison officers in the new Systems Agencies, for example, will be military positions.

While the acquisition workforce has been, and will continue to be, primarily civilian, acquisition leadership positions have been primarily military (e.g., PMs, PEOs, System and Materiel Command commanders). To the extent that more senior positions in the new organization become staffed by civilians, there will be a concomitant decrease in military acquisition leadership positions. This sort of evolution has, in fact, already begun. Today in the Army, for example, the majority of PEOs are civilian, whereas just last year, most Army PEOs were military officers. Recently the Air Force Chief of Staff announced that the Air Force would be moving in a similar direction.

In order for military officers to remain competitive for acquisition leadership positions, the Military Departments will have to structure an appropriate career ladder to ensure that military personnel can compete successfully for positions in the new organizations. In general, the military personnel system must adapt to an environment where positions are filled by selection by the agency, not assignment by the military personnel management system. Furthermore, departure will be by selection to another acquisition position, removal for cause, or voluntary withdrawal from the acquisition career field, not by "rotation."

MATERIEL SUPPORT ORGANIZATION

The new Materiel Support organization will be responsible for policy formulation and oversight of all aspects of logistics support. Additionally, it will be responsible for providing materiel management, depot-level maintenance and wholesale-level distribution, and associated services, for all DoD materiel. The new organization will NOT be responsible for providing retail supply or field-level maintenance, which will remain with the military departments.

The Concept. The DoD Components have made substantial progress in effecting changes to streamline their own programs. However, the increasingly tight constraints on resources available for national defense dictate that the Department institutionalize new depot maintenance business and management processes so that broader-based, more fundamental downsizing and consolidating can be achieved.

The basic precepts underlying the Materiel Support Organization proposal are to:

- Create an organization which facilitates the integration of procurement, inventory management, maintenance and distribution of defense materiel.
- Create an organization structure which eliminates unnecessarily redundant organizations, and facilitates elimination of unneeded capacity.
- Change the organization, names, and functions of the current OASD (P&L), and its subordinate activities, only to the minimum extent necessary to implement and appropriately describe the new Systems Acquisition Management organization.

Overall Structure. The Materiel Support organization will be headed by the ASD(P&L) (possibly renamed ASD(Installations and Materiel Support to more accurately reflect his functions) (see Figure 8). The ASD(P&L) will continue to have staff responsibility for industrial base and technical services, logistics, installations, and environment. The ASD(P&L) will oversee two defense agencies: the Defense Commissary Agency (DCEA) and the Defense Materiel Support Agency (DMSA). The DMSA will consist of seven divisions: Agency Management, Materiel Management, Maintenance and Production Operations, Distribution Operations, Property Reutilization, Industrial Base Support, and Logistics Information Services.

ASD (Production & Logistics) & Immediate Staff. The responsibilities of the DASDs for Installations and Environment are unchanged by this proposal. The DASD(Logistics), in addition to materiel management, maintenance, and transportation policy,

would be responsible for acquisition logistics policy and logistics management systems automation.

A new DASD(Industrial Base Oversight and Technical Services) will be responsible for policy governing DoD's industrial base, specifications and standards, and technical data management programs. Responsibility for conducting production readiness reviews, Integrated Logistics Support (ILS) planning reviews, and industrial sector analyses will transfer to the DUSD(AP)'s Producibility and Supportability directorate.

Defense Commissary Agency (DeCA). DeCA is the single manager for all DoD commissary operations. DeCA's mission and functions would not be changed by the proposal.

Defense Materiel Support Agency (DMSA). The materiel management, depot-level maintenance and wholesale-level distribution, and associated materiel support responsibilities of the Service Commands and Defense agencies cited in Table 5 would be combined into a single Defense agency. The notional structure of this agency is shown in Figure 9, and described below:

DMSA Agency Management Division. The Agency Management Division provides all functions normally found in the headquarters of a "materiel command," including Public Affairs, Congressional Liaison, Personnel, Security, Legal Counsel, Comptroller, Small and Disadvantaged Business Utilization, Competition and Non-Developmental Item (NDI) Advocacy, Quality Assurance, and so forth.

DMSA Materiel Management Division. The Materiel Management Division (MMD) conducts all Inventory Control Point and depot repair requirements and modification installation planning functions. MMD will also conduct public versus private competitions of depot maintenance workloads, and perform procurement actions for all centrally-managed items not under the control of a Program Manager. Activities that would be managed by this division are listed in Table 6.

DMSA Maintenance and Production Operations Division. The Maintenance and Production Operations Division (MPOD) will conduct workload planning and operation management for all government-owned, government-operated (GOGO) production and depot-level maintenance activities, and government-owned, contractor-operated (GOCO) maintenance depots and ammunition plants. Activities that would be managed by MPOD are listed in Table 7.

DMSA Materiel Distribution Operations Division. The Materiel Distribution Operations Division (MDOD) will conduct workload planning and operations management for all depot-level storage and distribution activities that would be managed by this division are listed in Table 8.

DMSA Property Utilization Division. The Property Utilization Division (PUD) will conduct workload planning and operations management for the Defense Reutilization and Marketing Service (DRMS), and the Aerospace Maintenance and Regeneration Center (AMARC) at Davis-Monthan AFB.

DMSA Industrial Base Support Division. The Industrial Base Support Division (IBSD) will conduct workload planning and operations management for industrial plant equipment and the national stockpile currently managed by the Defense Industrial Plant Equipment Center (DIPEC) and the Defense National Stockpile Center (DNSC).

DMSA Logistics Information Services Division. The Logistics Information Services Division (LISD) will conduct workload planning and operations management for all cataloging and logistics automated process management activities. Activities that would be managed by this division are listed in Table 9.

PPBS Process. All DMSA operations will be financed via the Defense Business Operations Fund (DBOF). The DoD Comptroller, in conjunction with the ASD(P&L), shall establish annual DMSA operating and capital budgets, and cost and performance goals for each DMSA division. DMSA's costs of operations will be billed to the DoD Components, and other customers, on a unit cost basis. The Military Departments and Defense Agencies will be responsible for programming and budgeting sufficient resources to acquire required goods and services from DMSA.

Workforce. It is imperative that the new Materiel Support organization be staffed with the highest quality professionals in accordance with the provisions of the Defense Acquisition Workforce Improvement Act and DoD Directive 5000.52. It is envisioned that, like the current organization, civilian employees will make up the bulk of the positions.

OFFICE OF THE UNDER SECRETARY OF DEFENSE (ACQUISITION)

The USD(A), supported by a Deputy USD(A) as specified in statute¹¹, directly supervises the DDR&E, DDAP, and ASD(P&L), and performs two principal functions: (1) Supervising the overall defense acquisition system and establishment of department-wide acquisition policy¹², and (2) Serving as the Milestone Decision Authority for ACAT I programs. The USD(A) is assisted by a small staff of policy experts in the areas of Contract Policy, Acquisition Policy & Program Integration, Acquisition Workforce Policy, International Programs Policy, SADBUs Policy. Finally, the Defense Contract Management Agency (now the DCMC reporting to DLA) and the On-Site Inspection Agency will report to USD(A). The USD(A) office is depicted in Figure 10.

The immediate USD(A) staff will perform the following functions:

- The Director, Acquisition Policy & Program Integration, will be responsible for a number of policy and integration functions, such as developing overall acquisition policy for the consolidated acquisition organization, administering Defense Acquisition Board operations, performing affordability analyses, integrating PPBS activities for the USD(A), and coordinating USD(A) congressional reporting.
- The Director, Procurement and Contract Policy, will be responsible for developing and administering (e.g., FAR and DFARS) overall procurement policy for the consolidated acquisition organization.
- The Director, Small and Disadvantaged Business Utilization Policy, will be responsible for developing SADBUs policy and implementing relevant legislation.
- The Director, International Program Policy, will be responsible for developing policy governing cooperative R&D projects, foreign military sales, and, in cooperation with USD(P), administering DoB responsibilities under arms control treaties and agreements.
- The Director, Acquisition Workforce Policy, will be responsible for developing policy governing the career development, education, and training for the acquisition workforce. This office will also be responsible for ethics training and communication.

¹¹ See Title 10, United States Code, Section 133a.

¹² See Title 10, United States Code, Section 133.

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- The Director, Administration, will be responsible for general support activities such as personnel, supply, and mailroom.

- The Assistant to the Secretary of Defense (Atomic Energy) will report to USD(A) and continue to perform statutory functions.

OPPORTUNITIES & CHALLENGES

Consolidating acquisition organizations will save scarce DoD resources and lead to a more efficient and effective management structure. Savings should result from the reduction of duplicative overhead and oversight functions currently performed in different military department organizations and in OSD, as well as from the consolidation of similar program management efforts across Service lines. A leaner defense acquisition management structure will help DoD "right-size" its organization while preserving important Base Force military capabilities. A single, larger organization, due to having reached a critical mass and having the ability to focus dedicated technical teams, will have greater productivity and effectiveness than many separate, and increasingly smaller, organizations.

S&T Savings. The purpose of consolidating S&T organizations is not to achieve a net reduction in funding, but rather to achieve greater effectiveness at current funding levels. Transferring the engineering work that today is done by the laboratories to the Systems Acquisition organization will help DoD more effectively accomplish its mission. In this way, the labs can focus on their primary mission, which is to advance science and technology for military systems.

Initially, savings will come without sacrificing capability by making personnel reductions in duplicative administrative and overhead functions. Additional saving can then be achieved by regrouping laboratories by technology areas. This would also be the time to consider other options such as converting some of the laboratories to Government-Owned, Contractor-Operated facilities (GOCOs). After organizations have been combined and overhead reduction savings have been realized, further savings will result from the geographical consolidation of laboratory organizations. It is anticipated that these consolidations will result in a minimum 15% reduction of current organizational and personnel resources.

Systems Acquisition Savings. Savings will result from the elimination of the current SAE staff organizations in each of the military departments and acquisition command headquarters organizations. The best people from these staffs and the OSD staff will be consolidated into the new organization. Additional savings will result from consolidation of support functions and duplicative acquisition management positions. For example, under the new organization there will no longer be a need for three separate Aviation PEOs. A smaller proportion of total savings will result from consolidation of duplicative PMOs. Separate PMOs for variants of the H-60 helicopter, for example, will no longer be needed. Finally, savings should accrue from the co-location of organizations now housed at separate facilities. Overall, it is anticipated that these consolidations will result

in a minimum 15% reduction of current organizational and personnel resources. The greatest reductions would fall in the areas of non-PMO supervisory, management, policy oversight, and administrative support staff.

Material Support Savings. Through various DMR-related consolidation efforts, some duplication has been reduced in supply depot organizations, and savings have already been achieved.

Other DMRD-related actions challenged the Military Departments and Defense Agencies to increase the efficiency and reduce the costs of the Department's depot maintenance operations, while ensuring that they continue to conduct effectively their crucial maintenance mission. Related initiatives taken through various management and functional actions provide additional improvements in DoD depot maintenance operations.

Streamlining savings identified by the Services address a broad range of actions including downsizing of both the direct and indirect work force at depot maintenance installation, closure of facilities, cancellation of facility projects, and internal Service workload consolidations. Projected savings during FY 1991 - 97 are \$3.2 billion.

Restructuring plans focus on three categories: capacity, interservicing and competition. Planned savings in these three categories total \$3.2B.

Capacity utilization savings will be achieved through redistribution of workloads within (consolidated) and among (interservicing) the Military Departments. Savings accrue from divestiture of unneeded resources through conversion of depot maintenance facilities to other than depot maintenance functions, (e.g., warehouse, office space, etc.), sale of equipment and property, facility closure, and laying away capacity not required in peacetime but necessary for surge or mobilization.

Interservicing occurs when one Service supports the depot maintenance requirements of another Service. The objective of increased interservicing is to perform workloads at a lower cost, yet maintain the quality and schedule requirements to the Principal Service. Interservicing savings will be accrued from greater economies of scale and through overhead reductions.

Competition will provide over 26 percent of the total savings. These savings will be realized through competition involving both public and private facilities. The competition demonstration provided valuable experience to the Army, Air Force, and Marine Corps in conduction and participating in public-private competition.

The establishment of a single Defense Materiel Support Agency provides an excellent opportunity to effect considerable savings by creating a standard, DoD-wide structure for managing and operating the materiel support business. There is also a great need within the Department for common maintenance procedures, cost systems, and support equipment; integrated data systems; jointness in logistics and sustaining engineering practices; aggressive and comparable public vs. private competition programs; and the elimination of redundant or duplicate support resources.

Challenges to Effective Implementation. Effecting such large-scale reorganization presents decision-makers with several challenges, which, while formidable, are not insurmountable. First, there are a host of political challenges to be overcome. Previous proposals to centralize acquisition have generated intense opposition from various constituencies. Congress will resist base closures; the military departments will resist centralization. The most important element in overcoming political opposition will be the personal commitment and involvement of the Secretary and Deputy Secretary, coupled with a persuasive case for change. The most important element in overcoming resistance from the military departments will be the commitment of DoD's top military leadership to change. Previous congressional consolidation bills have drawn an impressive number of cosponsors. Given the current political context of downsizing, it seems likely that DoD can anticipate renewed congressional interest in the subject of consolidation.

Second, some may argue that statutory changes will be required before the new organization can be established. Title 10, United States Code, states that each Secretary of a military department has responsibility for equipping the force (to include research and development). However, nothing in this proposal usurps this fundamental responsibility from the Secretaries of the military departments. They will retain responsibility for initiating the acquisition program process to equip the forces, formulating acquisition budgets, and making priority decisions among acquisition programs competing for scarce resources. The Services will also retain responsibility for operational test and evaluation. The current proposal is that the military departments function as "customers" who submit orders for equipment to an acquisition organization which is charged with obtaining this equipment within agreed-to cost, schedule, and performance parameters. Indeed, this type of practice occurs today; the Army is the single manager for conventional ammunition within DoD - the other Services still set their ammunition requirements and budgets. The major difference with the current proposal is a matter of degree; rather than the "customer" relationship being the occasional exception, it now becomes standard practice.

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There are other statutory constraints. The Office of Naval Research (ONR), for example, is established by statute. The current proposal, however, does not usurp ONR's research requirements-determination role. Another possible constraint is that base closure and realignment statutes may be applicable because the plan is designed to allow DoD to make consolidation decisions. As specific consolidation plans are drawn, the procedures prescribed by these statutes will be followed.

IMPLEMENTATION PLAN

Implementation of such a large-scale proposal will have to be a phased, sequential operation. The most important step is establishing "ownership" of relevant organizations quickly and decisively. In this way, DoD Components will understand that the major decision - to consolidate across Service lines - has already been made, and that subsequent decisions will involve details of a technical and administrative nature. It may also be advisable to assign a small task force or executive group to oversee implementation details to ensure the overall interest or "vision" is accomplished.

The fundamental implementation principle is that the USD(A) should assume control of all relevant organizations (even those that, on the surface, may seem unrelated to acquisition) and then return to the military departments those units found to be non-acquisition. This implementation strategy is preferable to separately negotiating each organizational transfer with the military departments and other DoD components. The latter approach is almost certain to get bogged down and ultimately undermine swift progress toward consolidation.

Another important implementation principle is that substantive goals must be established at the outset so that DoD can measure progress against a firm baseline. This type of approach will enhance the credibility of the entire consolidation effort.

This section outlines a series of steps to accomplish acquisition organization consolidation:

S&T Implementation. Implementation of the proposed S&T organization will proceed in three phases:

(1) *Creation of New Organizations.* This phase will consist of the creation of the Defense Research Office (DRO) and the Defense Research Laboratory Agency (DLRA). The DRO shall consist of all OSD and Military Department research S&T funding organizations (ARO, AFOSR, DARPA, DNA, related activities of SDIO and all of the activities of the Office of the Chief of Naval Research that manage and oversee 6.1, 6.2, and 6.3a funding). The DRO shall program, budget and oversee all 6.1, 6.2, and 6.3a funding (budget activities one and two) for the Department of Defense. The DLRA shall consist of all major laboratories of the Military Departments, the Corps of Engineers, and the Defense Agencies, and will execute S&T laboratory work.

(2) *Realignment of Management Structures.* Collect the designated laboratories, research organizations, and budget development and execution activities under the new DoD organizations, intact, as whole operating units. Do not relocate

them or change their internal operating structure at this point. During this phase of the Plan, the various organizations management reporting structures are realigned into a new management structure and the new reporting lines and operating relationships are established. This is a period in which the problems associated with the turbulence of organizational realignment are addressed and solved by the new management team.

(3) *Consolidation.* Once the turbulence of realigning the reporting and management structure has subsided, the DRO will develop a plan for physically collocating and managerially integrating its functions. (The restructuring plan will be subject to those requirements normally associated with such activities, such as the Base Closure and Realignment Act.) Additional savings can now be realized by divesting excess staff and facilities due to the consolidation of similar activities. The DLRA will also develop a plan for physically consolidating its components by technology and functional areas. Overlapping, redundant, and unnecessary programs in the laboratories are eliminated. Laboratory components performing similar functions are combined and collocated at one location. Engineering programs not consistent with the S&T programs, i.e., 6.3b, 6.4, or greater, are divested to the engineering centers (RDECs) for management. It is this phase of the plan that provides the opportunity for the more aggressive options to be considered. Some of the laboratories could be converted to GOCO facilities. Others could be collocated and combined into a single facility with the necessary critical mass to achieve world-class scientific status. Others could be closed. If the plans require the movement of such numbers of personnel as to trigger the Base Closure and Realignment Act, then the requirements of this law will be followed.

Systems Acquisition & Materiel Support Implementation.
Implementation of the proposed Systems Acquisition and Materiel Support organizations will proceed in four phases:

(1) *Preliminary Designation Actions.* During this phase, USD(A) designates a Director, Defense Acquisition Programs (DDAP) and assigns the new DDAP as head of a provisional Systems Acquisition Organization. The USD(A) also designates the ASD(P&L) as head of a provisional Materiel Support Organization. The USD(A) will also make appropriate OUSD(A) staff reassignments at this time, including the identification of personnel whose primary responsibility will be implementation of the new consolidated organization. Simultaneously, Washington Headquarters Services (WHS) initiates various administrative actions necessary to support these designations, including the arrangement of office space within the National Capital Region and temporary personnel authorizations for organization staff.

(2) *Reassignment of Existing Organizations.* The Secretary of Defense signs a series of directive memoranda to the

military departments and defense agencies which reassign operational control over selected organizations (see Tables 4 and 5) to the USD(A). All PEO organizations and their associated PMOs will report to the new DDAP (Table 4). The military departments' acquisition commands will report to the ASD(P&L) (Table 5). Existing acquisition organizations will be reassigned in toto without prior restructuring, based on the management principle that "if you want to change them, you have got to own them."

(3) *Realignment to Match Envisioned Organization.* The organizations reassigned in Step 2 will not be configured according to the envisioned organizational structure. Therefore, certain realignment actions will be necessary during this phase. Acquisition commands (e.g., Aviation Systems Command, Army) currently provide matrix support to PMOs; thus, procurement contracting officers, for example, reside in the Aviation Systems Command rather than in the Army's PEO Aviation organization. Moreover, much of this matrix support has both an acquisition function and a materiel support function (procurement contracting officers support both acquisition program managers and materiel item managers). Thus, the existing organizations will have to be restructured to transfer all acquisition-related support functions into the new systems acquisition organization, while retaining requisite matrix support in the materiel support organization.

Realignment should proceed as follows. The USD(A) shall establish a task force to be co-chaired by the new DDAP and the ASD(P&L). The task force will identify where elements of the former acquisition commands of the military departments and other DoD components should be organizationally aligned. Some elements will be transferred to the new Acquisition Management organization. Examples include the Army Aviation System Command RDEC, Naval Air Warfare Centers, and Air Force Materiel Command's Aeronautical Systems Division. Some elements will be transferred to the new Materiel Support organization. Examples include the Air Force Materiel Command's Air Logistics Centers. Finally, some elements which have missions clearly unrelated to defense acquisition will be transferred back to the military departments. Examples include Air Force hospitals and clinics, and combat logistics support squadrons. At the end of this process, official operational control is established and new management structures and operating relationships are created.

(4) *Consolidation.* Once the above steps have been accomplished, savings can now be realized by divesting the organizations of excess staff no longer needed due to the consolidation of similar activities. Consolidation could be achieved by co-locating activities and closing facilities. If the plans require the movement of such numbers of personnel as to

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trigger the Base Closure and Realignment Act, then the requirements of this law will be followed.

**TABLE 1:
ORGANIZATIONS WITH ACQUISITION RESPONSIBILITIES**

USD(A) ORGANIZATION
ARMY SAE ORGANIZATION
ARMY PEOs
ARMY MATERIEL COMMAND
ARMY INFORMATION SYSTEMS COMMAND
ARMY STRATEGIC DEFENSE COMMAND
NAVY SAE ORGANIZATION
NAVY PEOs & DIRECT-REPORTING PMs
NAVAL SEA SYSTEMS COMMAND
NAVAL AIR SYSTEMS COMMAND
NAVAL SUPPLY SYSTEMS COMMAND
NAVAL FACILITIES & ENGINEERING COMMAND
SPACE & NAVAL WARFARE COMMAND
OFFICE OF NAVAL RESEARCH
NAVY STRATEGIC SYSTEMS PROGRAM OFFICE
USMC RESEARCH, DEVELOPMENT, & ACQUISITION COMMAND
AIR FORCE SAE ORGANIZATION
AIR FORCE PEOs
AIR FORCE MATERIEL COMMAND
DEFENSE LOGISTICS AGENCY
STRATEGIC DEFENSE INITIATIVE OFFICE
SPECIAL OPERATIONS COMMAND
DEFENSE NUCLEAR AGENCY
DEFENSE MAPPING AGENCY
DEFENSE INFORMATION SYSTEMS AGENCY
NATIONAL SECURITY AGENCY

**TABLE 2:
CURRENT ORGANIZATIONS THAT WILL BE ABSORBED
BY THE DEFENSE RESEARCH OFFICE**

- ARMY RESEARCH OFFICE

- ALL OF THE ACTIVITIES OF THE OFFICE OF THE CHIEF OF NAVAL RESEARCH THAT MANAGE AND OVERSEE 6.1, 6.2, AND 6.3a FUNDING

- AIR FORCE OFFICE OF SCIENTIFIC RESEARCH

- DEFENSE ADVANCED RESEARCH PROJECTS AGENCY

- THE SCIENCE AND TECHNOLOGY ACTIVITIES OF THE STRATEGIC DEFENSE INITIATIVE ORGANIZATION

- DEFENSE NUCLEAR AGENCY (All DNA Activities that manage and oversee 6.1, 6.2, and 6.3a funding)

**TABLE 3:
CURRENT ORGANIZATIONS THAT WILL BE ABSORBED BY
THE DEFENSE RESEARCH LABORATORY AGENCY**

• **ARMY:**

• Army Research Laboratory (all of the organizations and activities comprising this laboratory, including:)

- Atmospheric Sciences Laboratory
- Ballistic Research Laboratory
- Center for Night Vision and Electro-Optics
- Electronics Technology and Devices Laboratory
- Harry Diamond Laboratory
- Human Engineering Laboratory
- Materials Technology Laboratory
- Vulnerability Assessment Laboratory

• **NAVY:**

• Naval Research Laboratory (includes the NOARL facility)

• **AIR FORCE:**

- Phillips Laboratory
- Rome Laboratory
- Wright Laboratory

• **U.S. ARMY CORPS OF ENGINEERS:**

• Director, Research and Development, U.S. Army Corps of Engineers (includes the four subordinate laboratories:)

- Waterways Experiment Station
- Cold Regions Research and Engineering Laboratory
- Engineering Topographic Laboratory
- Construction Engineering Research Laboratory

• **DEFENSE NUCLEAR AGENCY:**

• Armed Forces Radiobiological Research Institute

**TABLE 4:
EXISTING ACQUISITION ORGANIZATIONS
THAT WILL BE ABSORBED BY DDAP**

ARMY

PEO Aviation (Associated PMOs)
PEO Strategic Defense Systems (Associated PMOs)
PEO Armored Systems Modernization (Associated PMOs)
PEO Fire Support (Associated PMOs)
PEO Air Defense (Associated PMOs)
PEO Armaments (Associated PMOs)
PEO C2 Systems (Associated PMOs)
PEO Integrated Electronic Warfare (Associated PMOs)
PEO Combat Support (Associated PMOs)
Executive Director Conventional Ammunition
Test & Evaluation Command

NAVY

PEO Tactical Aircraft (Associated PMOs)
PEO Air Anti-Submarine Warfare (Associated PMOs)
PEO Aegis Systems (Associated PMOs)
PEO Submarine Combat Systems (Associated PMOs)
PEO Surface Anti-Submarine Warfare (Associated PMOs)
PEO Cruise Missiles (Associated PMOs)
PEO Space, Communications, & Sensors (Associated PMOs)
Relocatable Over-the-Horizon Radar PMO
Strategic Systems Program Office
SSN-21 PMO
AAAV PMO

AIR FORCE

PEO Tactical Air & Airlift (Associated PMOs)
PEO Space Systems (Associated PMOs)
PEO C3I Systems (Associated PMOs)

DEFENSE AGENCIES

National Security Agency PMOs
Defense Information Systems Agency PMOs
Defense Mapping Agency PMOs
Defense Logistics Agency PMOs
Defense Nuclear Agency PMOs
Strategic Defense Initiative Organization

TABLE 4A
DISTRIBUTION OF EXISTING ACQUISITION ORGANIZATIONS
BY SYSTEMS AGENCY¹³

Systems Agency	ARMY	NAVY	AIR FORCE
Aviation	PEO Aviation AVSCOM	PEO TacAir* PEO Air ASW AX PM NAVAIR*	PEO Tac/Airlift PEO Strategic* B-2 PM AFMC ASD*
Missiles/ Munitions	PEO Tac Missile MICOM AMCCOM SMCA	PEO Surf ASW* PEO TacAir* PEO Cruise PEO Sub Cmbt* SSPO* NAVAIR*	PEO Strategic* PEO Tac Strike* AFMC ASD*
Ships	TROSCOM*	SSN-21 PM AEGIS PM AAAV PM PEO Sub Cmbt* NAVSEA*	
C3I Systems	PEO IEW PEO Comm* PEO C2 CECOM	PEO TacAir* PEO Surf ASW* PEO Sp, Comm, & Sensors* SPAWAR*	PEO C3 PEO Tac Strike* AFMC ESD
Space	PEO Comm* PEO GPALS SDC	PEO Sp, Comm & Sensors* SPAWAR* SSPO*	PEO Space AFMC SSD
Combat Systems	PEO ASM PEO Armaments TACOM	MCRADAC NAVSEA*	
Combat Support	PEO Cmbt Spt TROSCOM*		

* The functions performed by these organizations will be divided among different Systems Agencies. For example, PEO Strategic is now responsible for both B-1B and ACM; in the new organization, B-1B will be transferred to the Aviation agency, while ACM will be transferred to the Missiles agency.

¹³ The Systems Agencies will assume control over only the systems acquisition functions of the existing materiel and systems commands. Materiel support functions of these organizations will be retained in the new Materiel Support organization.

**TABLE 5:
EXISTING MATERIEL & SYSTEMS ORGANIZATIONS
THAT WILL BE ABSORBED BY ASD(P&L)**

ARMY

Army Materiel Command
-- Aviation Systems Command
-- Missile Command
-- Armaments, Munitions, & Chemical Command
-- Tank & Automotive Command
-- Communications & Electronics Command
-- Troop Support Command
Strategic Defense Command

NAVY

Naval Air Systems Command
Naval Sea Systems Command
Space & Naval Warfare Command
USMC Research, Development, & Acquisition Command

AIR FORCE

Air Force Materiel Command
-- Aeronautical Systems Division
-- Electronic Systems Division
-- Space Systems Division

**TABLE 6:
CURRENT ORGANIZATIONS THAT WILL REPORT TO
DMSA MATERIEL MANAGEMENT DIVISION**

Organizations that would report to the Materiel Management Division include, but are not necessarily limited to:

Army Organizations

- US Army General Materiel and Petroleum Activity
- US Army International Logistics Center
- Single Manager Conventional Ammunition

Navy Organizations

- Aviation Supply Office
- Ship Parts Control Center
- Naval Petroleum Office

DLA Organizations

- Defense Construction Supply Center
- Defense Electronics Supply Center
- Defense Fuel Supply Center
- Defense General Supply Center
- Defense Industrial Supply Center
- Defense Personnel Support Center

Materiel Management elements from:

- Armament, Munitions & Chemical Command (AMCCOM)
- Aviation Systems Command (AVSCOM)
- Communications Electronics Command (CECOM)
- Missile Command (MICOM)
- Tank-Automotive Command (TACOM)
- Troop Support Command (TROSCOM)
- Marine Corp Logistics Base, Albany
- Oklahoma City ALC
- Ogden ALC
- Sacramento ALC
- San Antonio ALC
- Warner Robins ALC

**TABLE 7:
CURRENT ORGANIZATIONS THAT WILL REPORT TO
DMSA MAINTENANCE AND
PRODUCTION OPERATIONS DIVISION**

Organizations that would report to the Maintenance and Production Operations Division include, but are not necessarily limited to:

• **Army Arsenals**

- Rock Island Arsenal, IL
- Watervleit Arsenal, NY

• **Army Maintenance Depots**

- Anniston Depot, AL
- Corpus Christi Depot, TX
- Letterkenny Depot, PA
- Lexington-Blue Grass Depot, KY
- Red River Depot, TX
- Sacramento Depot, CA
- Tobyhanna Depot, PA
- Tooele Depot, UT

• **Army Metrology and Calibration Center, Redstone Arsenal, AL**

• **Navy Aviation Depots (NADEPs)**

- Alameda NADEP, CA
- Cherry Point NADEP, NC
- Jacksonville NADEP, FL
- Norfolk NADEP, VA
- North Island NADEP, CA
- Pensacola NADEP, FL

• **Naval Avionics Center, Indianapolis, IN**

• **Naval Air Pacific Repair Activity, Atsugi, Japan**

• **Naval Aviation Depot Center European Repair and Rework Activity, Naples, Italy**

• **Naval Aviation Depot Operations Center, Patuxent River, MD**

• **Naval Shipyards**

- Charleston, SC
- Long Beach, CA
- Mare Island, CA
- Norfolk, VA
- Pearl Harbor, HI
- Philadelphia, PA
- Portsmouth, NH

- Puget Sound, WA
- Naval Ship Repair Facilities
 - Guam Facility, Mariana Islands
 - Yokosuka Facility, Japan
 - Detachment: Sasebo, Japan
- Naval Ship Weapons Engineering Station, Port Hueneme, CA
- Naval Undersea Warfare Engineering Center, Keyport, WA
- Naval Weapons Support Center, Crane Facility, IN
- Naval Electronics Systems Engineering Centers
 - Portsmouth Center, NH
 - San Diego Center, CA
- Naval Ordnance Stations
 - Louisville Station, KY
 - Indian Head Station, MD
- Marine Corps Logistics Bases
 - Albany, GA
 - Barstow, CA
- Air Logistics Centers
 - Oklahoma City, OK
 - Ogden, UT
 - San Antonio, TX
 - Sacramento, CA
 - Warner-Robins, GA
 - Detachments: Kadena Air Base, Japan
Petersen AFB, Colorado
- Aerospace Guidance and Metrology Center, Newark AFB, OH

**TABLE 8:
CURRENT ORGANIZATIONS THAT WILL REPORT TO
DMSA MATERIEL DISTRIBUTION OPERATIONS DIVISION**

Organizations that would report to the Distribution Operations Division include, but are not necessarily limited to:

- **Distribution Depots, Defense Distribution Region West**
 - California Locations:*
 - Defense Distribution Depot San Joaquin (Sharpe Facility and Tracy Facility)
 - Defense Distribution Depot Barstow
 - Defense Distribution Depot Oakland
 - Defense Distribution Depot McClellan
 - Defense Distribution Depot Sacramento
 - Defense Distribution Depot San Diego
 - Defense Distribution Depot Lathrop
 - Utah Locations:*
 - Defense Distribution Depot Ogden (Ogden Facility, Tooele Facility, and Hill Facility)
 - Washington State Location:*
 - Defense Distribution Depot Puget Sound

- **Distribution Depots, Defense Distribution Region East**
 - Pennsylvania Locations:*
 - Defense Distribution Depot Susquehanna (New Cumberland Facility and Mechanicsburg Facility)
 - Defense Distribution Depot Letterkenny
 - Defense Distribution Depot Tobyhanna
 - North Carolina Location:*
 - Defense Distribution Depot Cherry Point
 - South Carolina Location:*
 - Defense Distribution Depot Charleston
 - Virginia Location:*
 - Defense Distribution Depot Norfolk

- **Distribution Depots, Defense Distribution Region Central**
 - Georgia Locations:*
 - Defense Distribution Depot Albany
 - Defense Distribution Depot Warner-Robins
 - Alabama Location:*
 - Defense Distribution Depot Anniston
 - Texas Locations:*
 - Defense Distribution Depot Corpus Christi
 - Defense Distribution Depot San Antonio
 - Defense Distribution Depot Red River
 - Oklahoma Location:*
 - Defense Distribution Depot Oklahoma City
 - Florida Locations:*
 - Defense Distribution Depot Jacksonville

- Defense Distribution Depot Pensacola

• DLA Supply Depots

- Supply Depot Ogden, Utah
- Supply Depot Columbus, Ohio
- Supply Depot Richmond, Virginia

• Army Supply Depots

- Seneca Army Depot, NY
- Sierra Army Depot, CA

• Pine Bluff Arsenal, AR

• Crane Army Ammunition Activity, IN

• Naval Weapons Stations

- Naval Weapons Station, Charleston, SC
- Naval Weapons Station, Concord, CA
- Naval Weapons Station, Seal Beach, CA
- Naval Weapons Station, Yorktown, VA

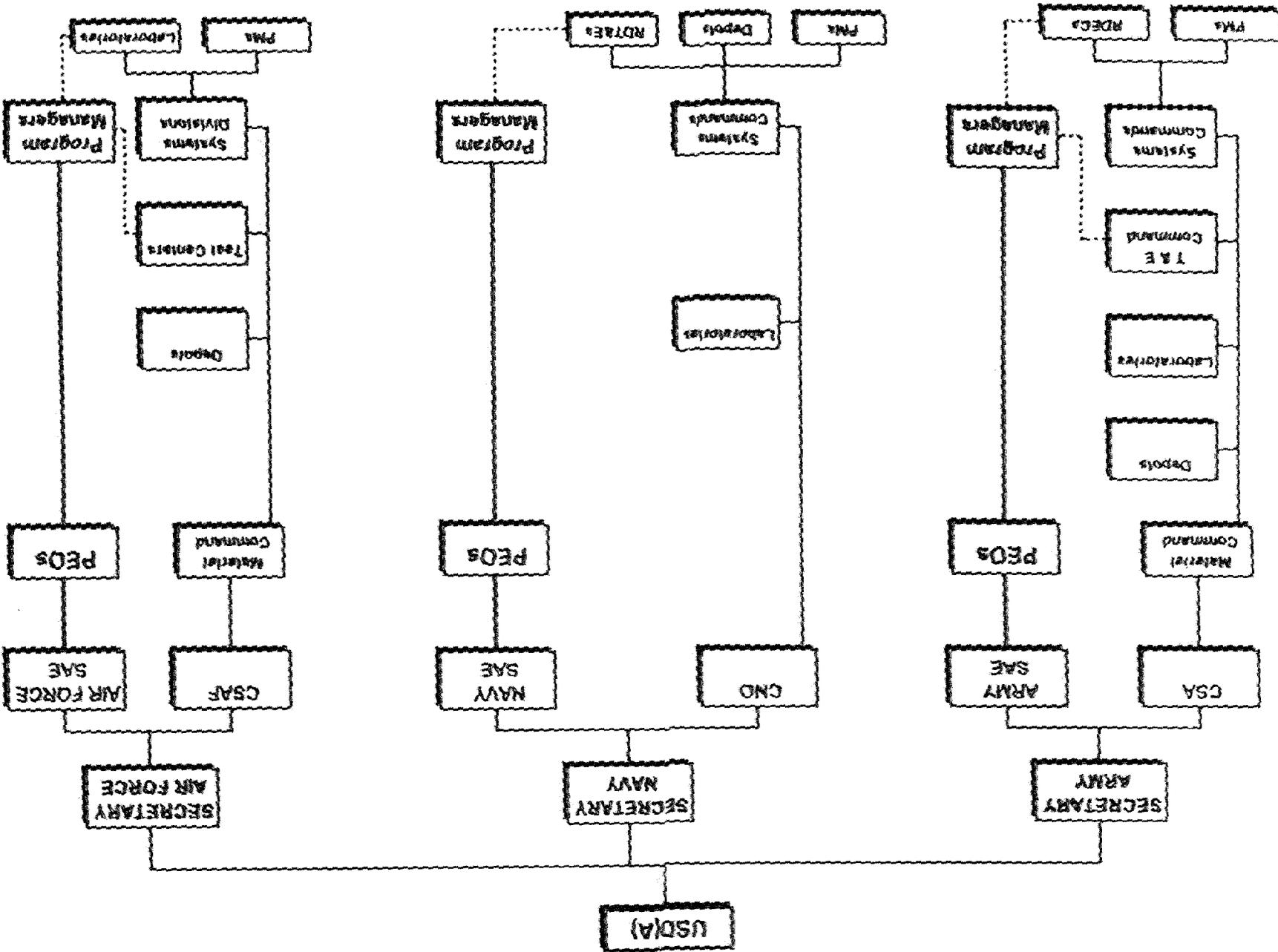
• Naval Ammunition Depot, Earle, NJ

**TABLE 9:
CURRENT ORGANIZATIONS THAT WILL REPORT TO
DMSA LOGISTICS INFORMATION SERVICES DIVISION**

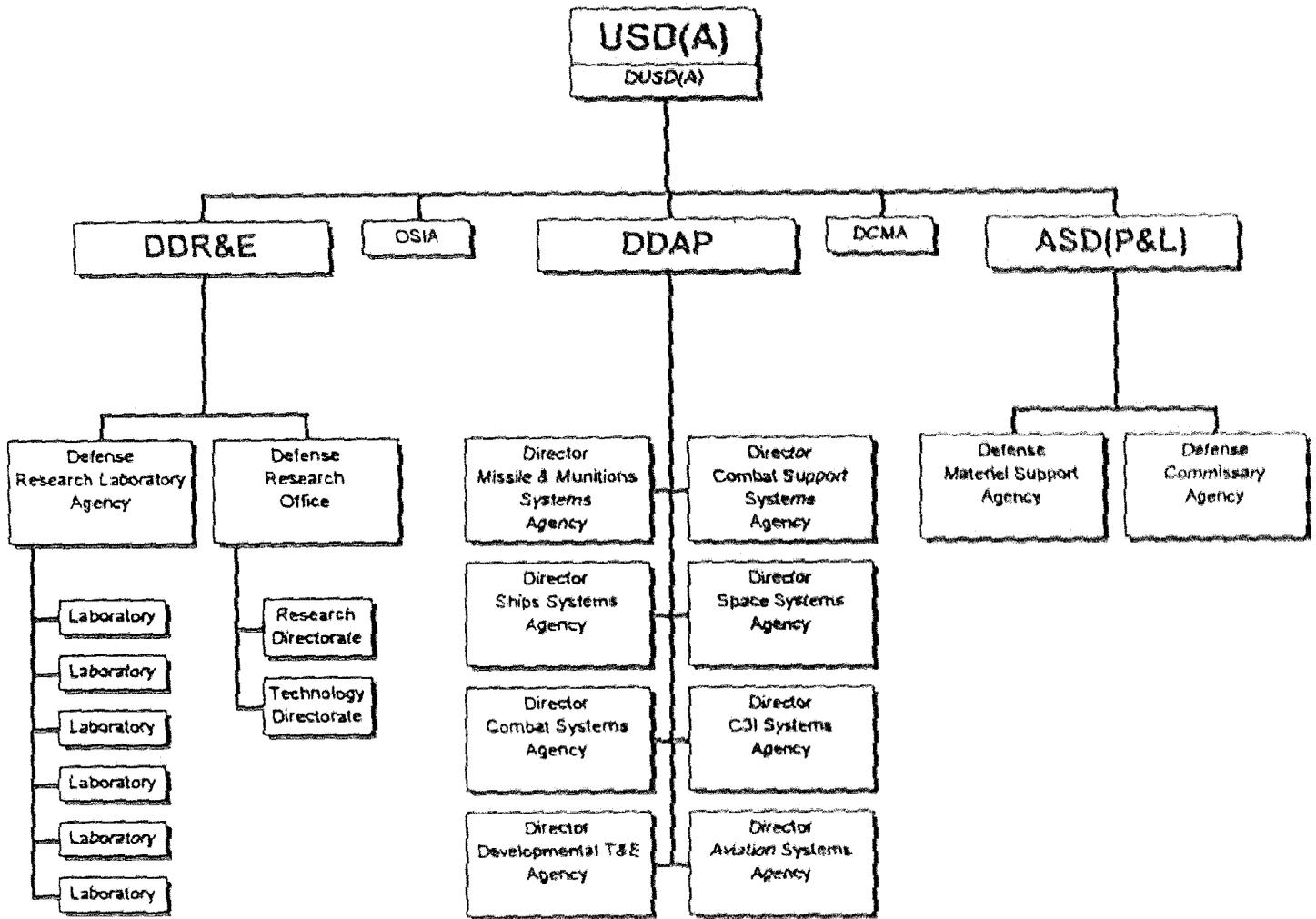
Organizations that would report to the Logistics Information Services Division include, but are not necessarily limited to:

- US Army Major Item Data Agency
- US Army Cataloging Data Office
- Air Force Cataloging and Standardization Center
- Joint Logistics Systems Center (JLSC)
- Defense Logistics Service Center (DLSC)
- Defense Logistics Standard Systems Office (DLSSO)

FIGURE 1
CURRENT ACQUISITION PROGRAM MANAGEMENT ORGANIZATION



**FIGURE 2
CONSOLIDATED ACQUISITION ORGANIZATION**



**FIGURE 3
PROPOSED SCIENCE AND TECHNOLOGY ORGANIZATION**

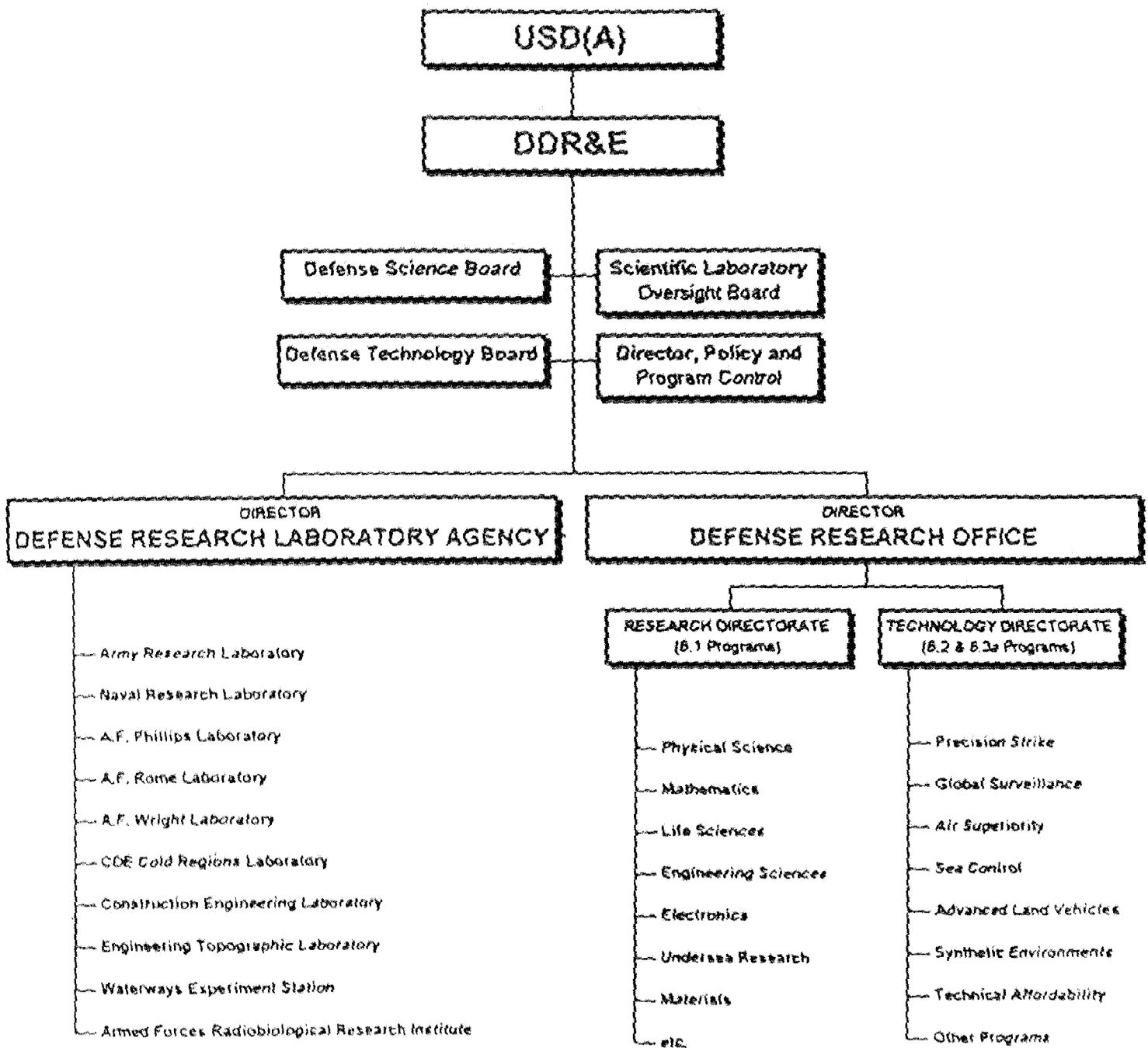


FIGURE 4
PROPOSED ACQUISITION MANAGEMENT ORGANIZATION

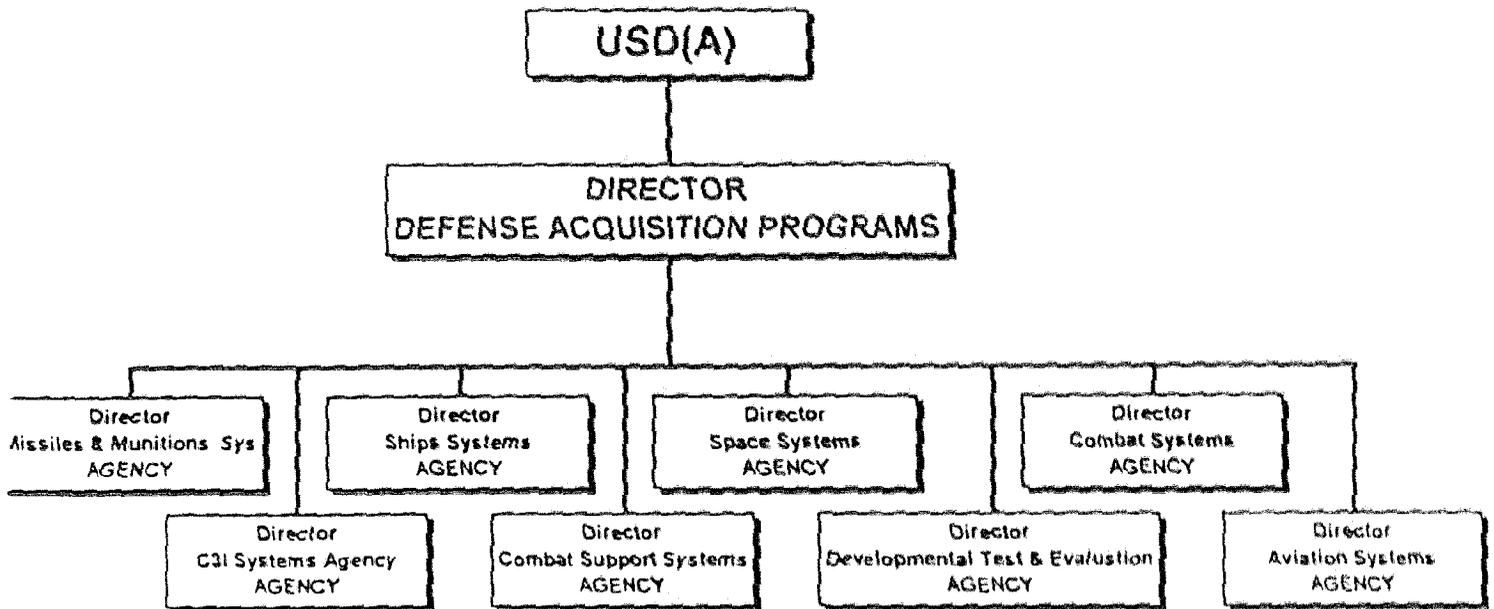


FIGURE 5
PROPOSED DOAP ORGANIZATION

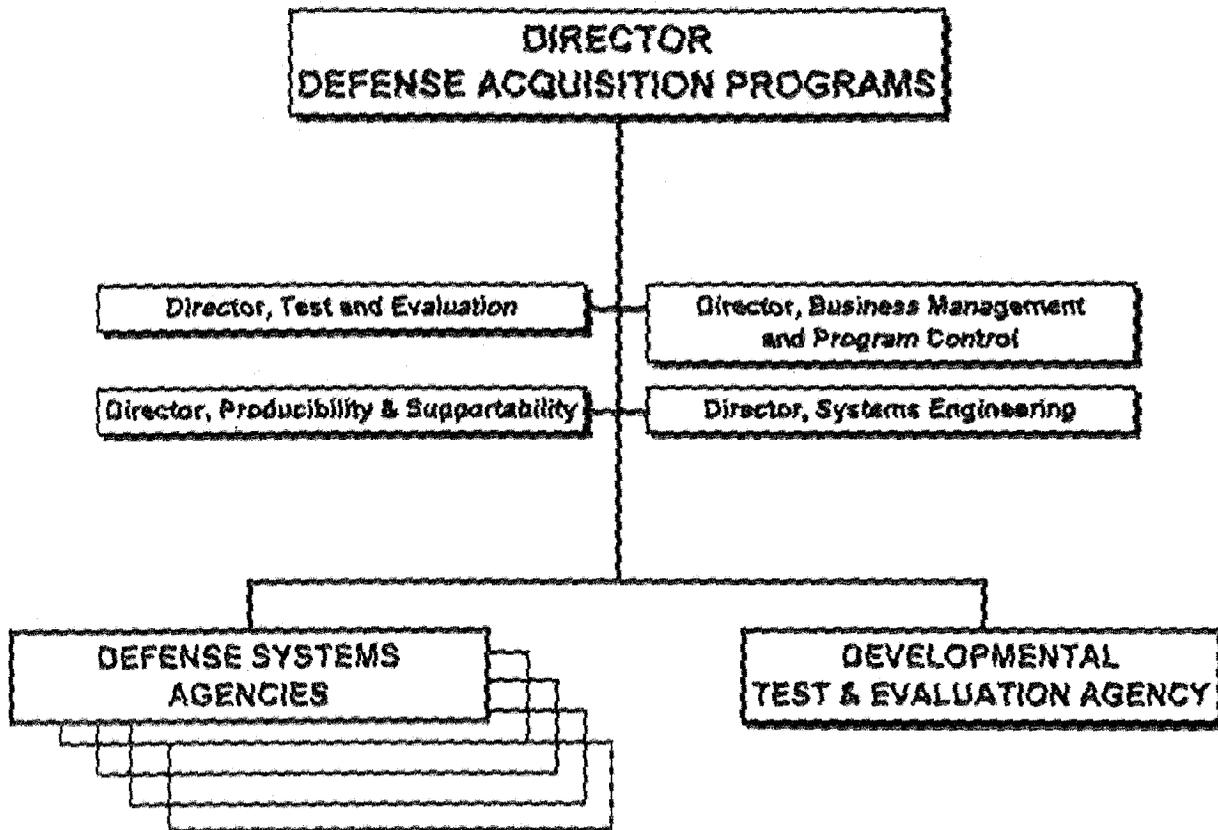


FIGURE 6
PROPOSED DEFENSE SYSTEMS AGENCY
ORGANIZATION

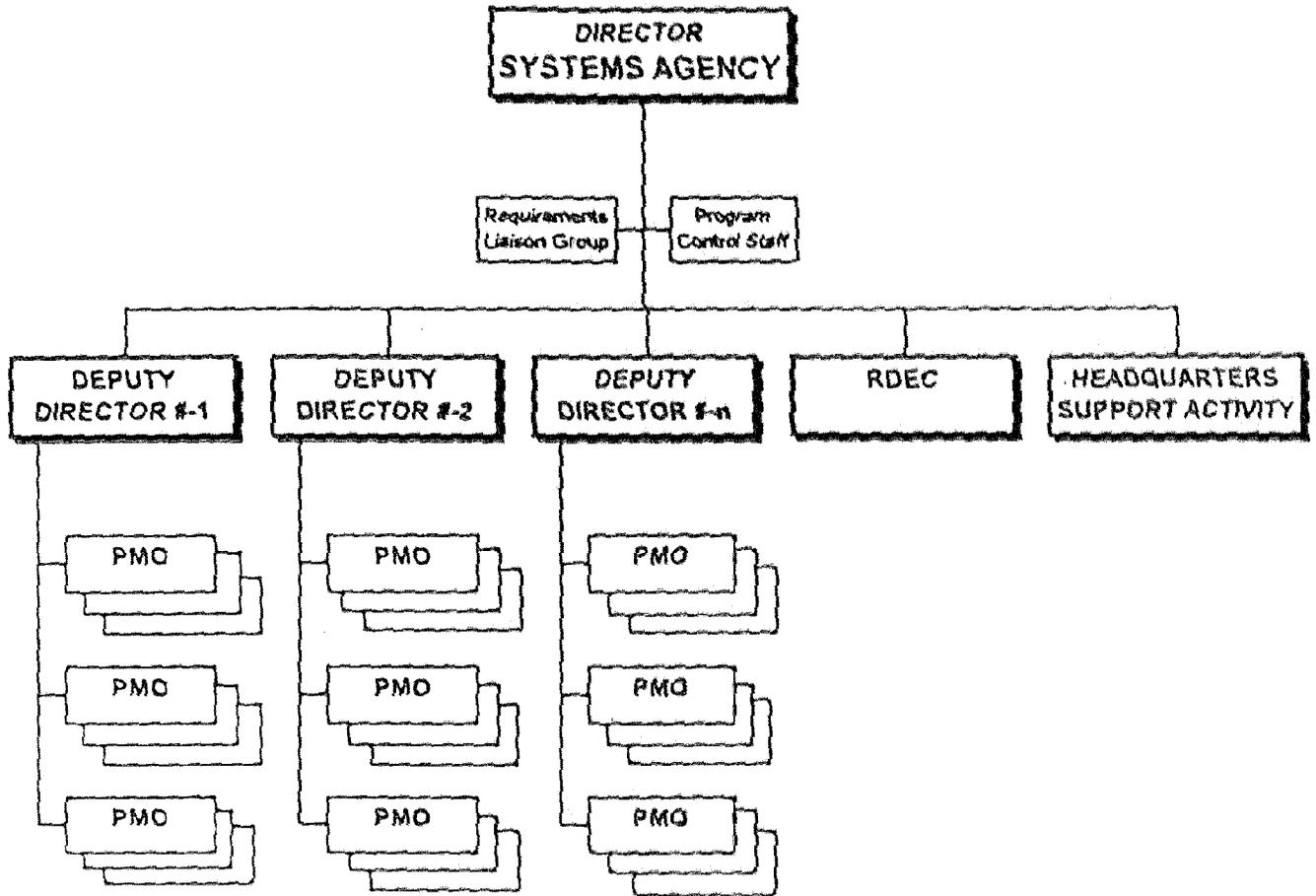


FIGURE 7
PROPOSED ORGANIZATION FOR THE
DEVELOPMENTAL TEST AND EVALUATION AGENCY

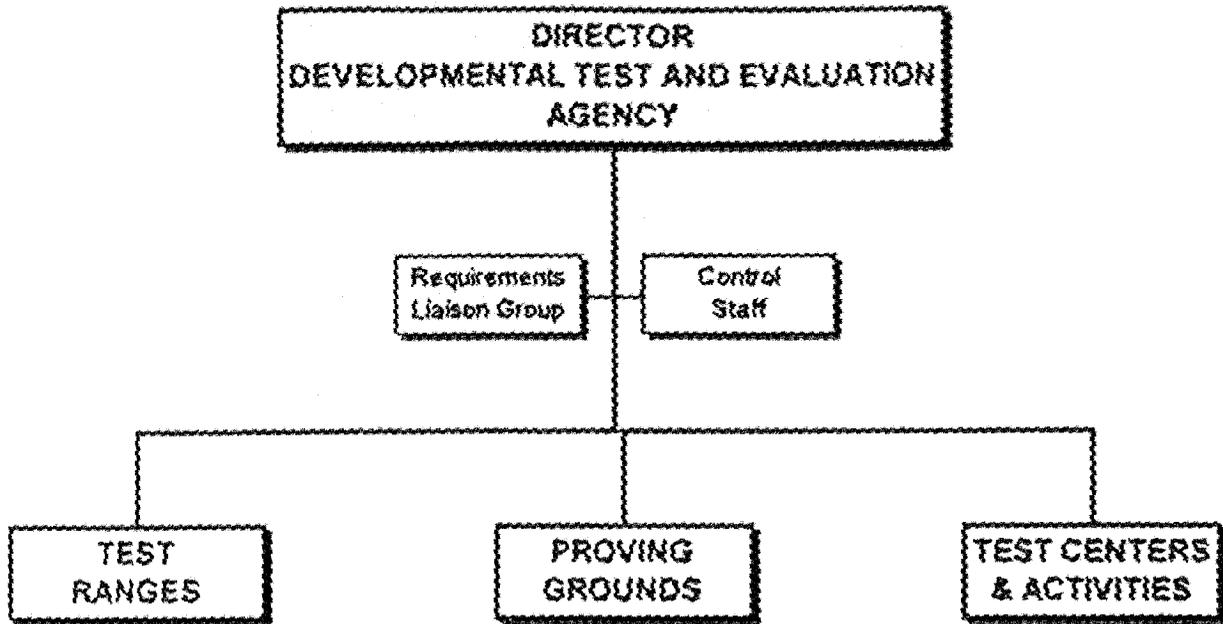


FIGURE 8
PROPOSED MATERIEL SUPPORT ORGANIZATION

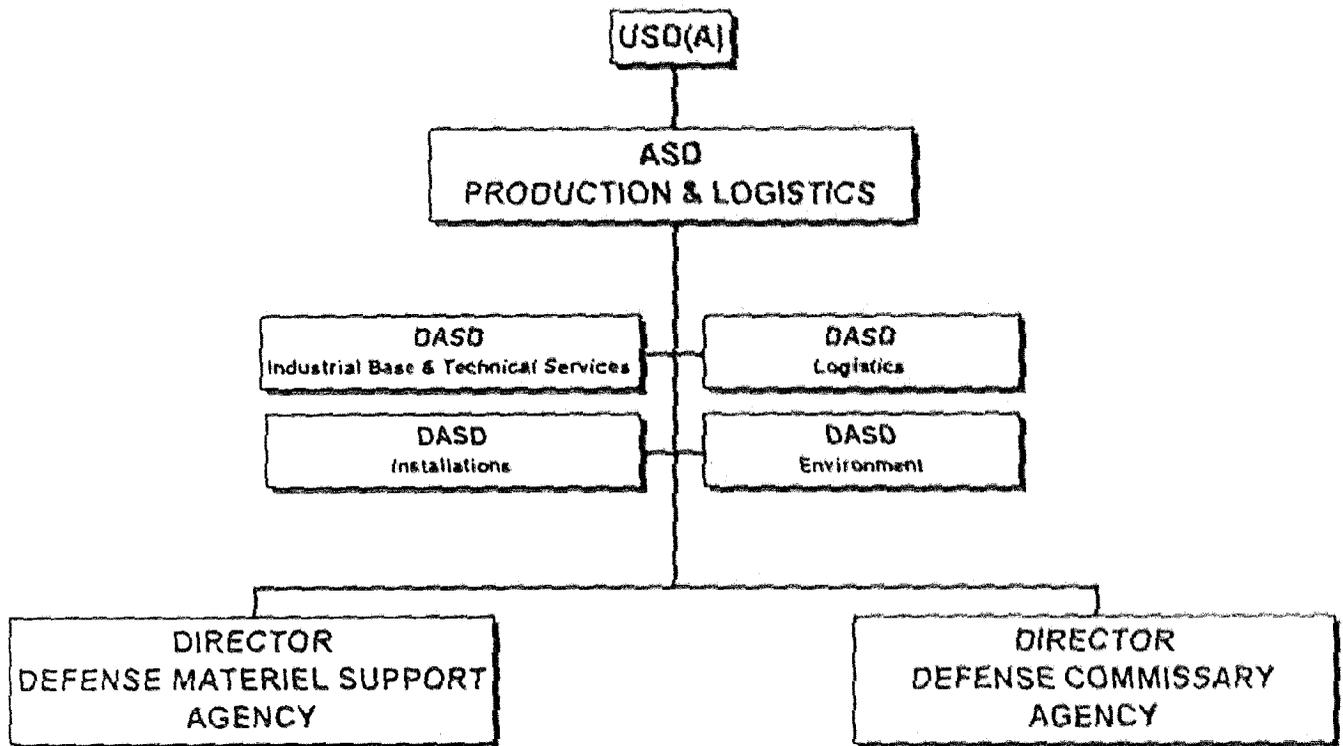
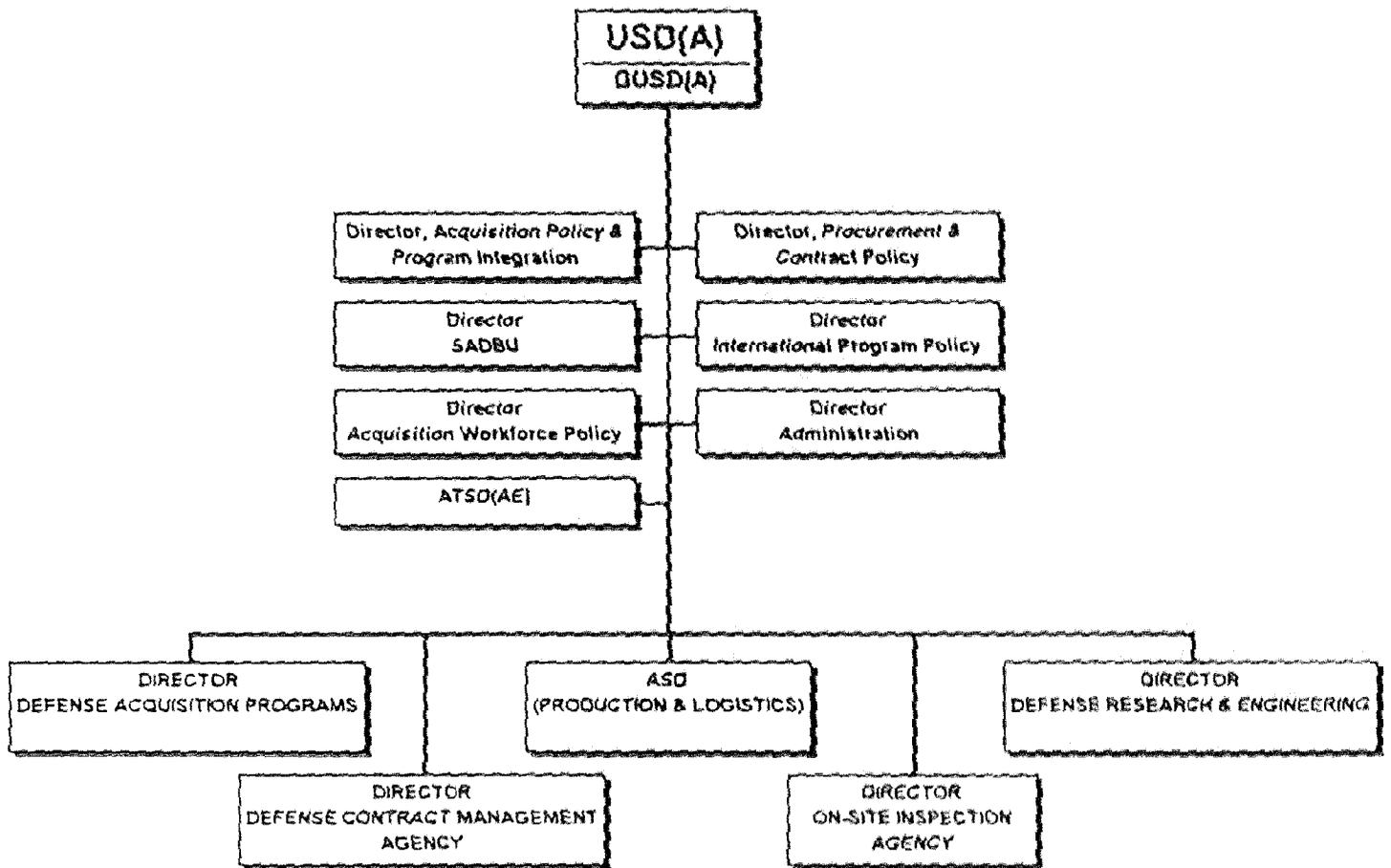


FIGURE 9
PROPOSED ORGANIZATION FOR THE
DEFENSE MATERIEL SUPPORT AGENCY



FIGURE 10
 PROPOSED USD(A) STAFF ORGANIZATION



ADDENDUM 1:
BIBLIOGRAPHY OF CONSOLIDATION STUDIES¹⁴

"Addendum to the 1982 Joint Depot Maintenance Analysis Group Master Plan." Joint Logistics Commanders. June 1983.

"President's Private Sector Survey on Cost Control (Grace Commission) Report." September 1983.

"DoD Acquisition Improvement: The Challenges Ahead." Assistant Secretary of Defense (Acquisition and Logistics). January 1986.

"A Quest for Excellence." The President's Blue Ribbon Commission on Defense Management (Packard Commission). June 1986.

"Defense Organization: Advantages and Disadvantages of a Centralized Civilian Acquisition Agency." General Accounting Office. November 1986.

"Making Defense Reform Work." Center for Strategic and International Studies, and Johns Hopkins Foreign Policy Institute. November 1988.

"European Weapons Acquisition Practices: Implications for the United States." Jacques Gansler and Charles Paul Kenning. December 1988.

"DMR Maintenance Depot Consolidation Study Report." Assistant Secretary of Defense (Production & Logistics). July 1990.

¹⁴ The studies and reports listed in this bibliography were concerned with the larger issues of improving defense acquisition and did not always concentrate solely on organizational consolidation as a preferred solution. However, most of these reports did cite consolidation as one means of overcoming longstanding problems in defense acquisition. For example, the 1988 CSIS report argued that "consideration may ultimately be given to an integrated acquisition organization within the department reporting to the USD(A)." (The above reports are listed chronologically).

**ADDENDUM 2:
The Milestone Review Process under the New Organization**

The current DoD acquisition oversight system essentially has its basis in the process established by then-Deputy Secretary David Packard in the late 1960s and early 1970s. Packard moved to establish more centralized policy control over Service acquisition by creating a Defense Systems Acquisition Review Council (DSARC) to review major weapon systems at critical points (or "milestones") in their acquisition life-cycle. Today, the USD(A) chairs the Defense Acquisition Board (DAB), which functions as his principal advisory body on weapons acquisition decisions. The DAB is assisted by three committees, whose principal function is to develop an independent assessment of an acquisition program undergoing a DAB review. The DAB review process focuses on major milestone decision points, including Concept Studies Approval (Milestone 0), Concept Demonstration Approval (Milestone I), Development Approval (Milestone II), Production Approval (Milestone III), and Major Modification Approval (Milestone IV). The DAB reviews selected "ACAT I" programs (Acquisition Category I programs - which are major programs estimated to involve the expenditure of \$300M in RDT&E (FY90\$) or \$1.8B in Procurement (FY90\$)); USD(A) is the milestone decision authority for these ACAT I programs. Decision authority for some ACAT I programs, and for all ACAT II, III, and IV programs, is retained by the Components.

The proposed acquisition organization will drive certain changes in this oversight process:

(1) USD(A) INVOLVEMENT IN PRE-MILESTONE I PROCESS

USD(A) involvement in oversight begins with Milestone I, when a new acquisition effort is formally begun with the approval of the Deputy Secretary of Defense. Pre-Milestone I activity begins with an assessment of military needs; during this phase, the military user is identifying a deficiency and reviewing alternative concepts for satisfying this deficiency, one or more of which may be a new acquisition. The USD(A) participates in this process for two reasons. First, he provides an additional "check and balance" to ensure that the military departments do not prematurely rule out non-acquisition alternatives and begin a new, and potentially unnecessary, acquisition effort. Second, he ensures that alternative concepts are not limited to such sophisticated and costly concepts that they would not be affordable within DoD's investment plans.

The USD(A) will continue to have responsibilities in the pre-Milestone I process. As the head of the consolidated acquisition organization, the USD(A) will advise the military departments of the technological feasibility of proposed concepts. The USD(A) may also award contracts on behalf of the

Military Departments and other DoD components for concept exploration studies. As chief advisor to the Secretary of Defense for acquisition matters, USD(A) also will be the principal determinant of the preferred acquisition solution. For example, assume that a military department states a requirement for a more maneuverable fighter aircraft and budgets for an acquisition effort. USD(A), as a member of the Defense Planning and Resources Board, will help determine whether a modification to existing aircraft could meet the requirement, or whether development of a new aircraft is a preferable solution.

(2) DAB ADVISORY COMMITTEE STRUCTURE

Under the proposed organization, there will no longer be a need for DAB advisory committees to prepare independent assessments of acquisition programs. Rather a DDAP review will substitute for the former military department-level reviews (ASARC, NPDM, and AFSARC) as well as for the OSD DAB committee reviews. Today, the military departments conduct acquisitions subject to the policy control (BUT not operational control) of the USD(A). Military department PMs and PEOs do not work for USD(A), and so there is always the potential for a divergence of organizational goals. The military departments, for example, in their primary goal of outstripping potential threats, put a premium on performance and schedule, while tending to downplay cost risks. To counter this orientation and to assure that all program risks are being managed prudently, USD(A) currently needs the independent assessments of acquisition programs that the DAB committees provide.

However, with the proposed changes, the military departments will no longer conduct acquisitions and thus an independent program assessment, beyond the envisioned DDAP review, will not be necessary. The new organizational arrangement will provide a natural check and balance: Warfighters will not be acquisition managers, and acquisition managers will not be warfighters. The blending of these two roles is at the root of many of the problems plaguing defense acquisition today. Further the acquisition program baseline contract, and the separation of both mission need statements development at the beginning of the acquisition process and operational testing of the developed product from the USD(A)'s decision authority will provide institutional checks and balances.

(3) DAB MEMBERSHIP AND DECISION PROCESSES

DAB membership will be reduced. USD(A) will continue to chair the DAB and the Vice Chairman of the Joint Chiefs of Staff will continue to be the user representative. The Comptroller and the Director of Operational Test and Evaluation will also continue to serve as DAB members. The heads of the three major USD(A) divisions (ODR&E, DDAP, and ASD(P&L)) will serve as DAB

advisors. There will continue to be a need for military department membership to represent funding concerns. The ASD(PA&E) would not be a DAB participant beyond the Milestone I point. The ASD(PA&E) should continue to serve primarily as an advisor to the Deputy Secretary of Defense who has the decision authority to establish new acquisition programs.

The advice of the ASD(PA&E) and the Chairman of the Joint Requirements Oversight Council are most important in the pre-Milestone I process where tradeoffs among alternative concepts are evaluated, and at the Milestone I decision point where the decisions are made to (1) start (or not start) a new acquisition program, (2) choose the preferred concept, and (3) fully fund the preferred concept in the defense program (i.e., Future Years Defense Program years and beyond). If the department does not adequately assess tradeoffs, choose well among alternative concepts, and fully fund programs to realistic estimates at Milestone I, not even the major acquisition changes proposed in this paper will be able to solve the problems created by getting off to a bad start with new acquisition programs.