VIRTUAL TOWN HALL MEETING
March 20, 1997
QUESTIONS and ANSWERS

This document contains the questions posed during the Virtual Town Hall Meeting held on March 20, 1997 at the Naval Media Center. Many of these questions were answered on the air by senior acquisition leaders. The responses are preceded in the text below by the name of the responder. The remaining questions, that were unable to be addressed during the broadcast, were disseminated to the Acquisition Reform Training Working Group (ARTWG) members and other appropriate activities for resolution. These responses are preceded by the name of the activity that provided the reply.

Additional questions are being addressed and will be appended to this document in the near future.

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Topic 2 - Program Stability

1. **I've programmed my budget to a "T," included only the essential expenses, yet several times a year, I have to absorb these "fair share" cuts from the Comptroller / Resource Sponsor. Isn't there a better way to balance the budget without program managers having to budget for "taxes"?**

   (Secretary Christie) If you are speaking specifically about the congressional reductions, we have no control over that. This year I believe each of our acquisition programs got about a three-percent reduction, each of our R&D programs got about a five-percent reduction. This was the sum of a number of taxes where Congress said you will, and you will spread it over all these accounts. We had no choice.

   (Secretary Douglass) The problem is Debbie, Congress gives us 3% cuts and sometimes you still have to give us more. Other people give us cuts. We get a levy across the board. Everyone gives us taxes. As a matter of fact our callers would be interested to know just today I had a person come in to see me proposing another tax to fund something to help acquisition across the board. I said NO. Our people are fed up with these taxes; it is just like what caused the revolution. The acquisition slogan is no taxation without representation. They don't have representation in these forums. It is very difficult for our people to get attention through the chain of command. If you take 3%, 5%, or 10% of their program away, it is going to hurt them. Our system does not accommodate this. In some of our programs the taxes can reach 13% or 14%. I know at least one program in NAVAIR, the V-22, where this 13% or 14% would put a dent in the Program Manager's plan. We can't control what Congress does. What can we do about it? When we testify we can tell Congress we don't like it   that it is a bad management practice. Secondarily, we can make vertical cuts and that is what we have tried to do over the past year. It is hard because if the caller's program were one that experienced the vertical cut, he wouldn't be too happy. Everyone wants vertical cuts on someone else's program. Debbie, join in here because we need your views. There is a consensus at our level that vertical cuts are the way to go.

   (Secretary Christie) One other thing we can do which will help this problem is to be very careful when we support things on Capitol Hill that were not in the President's Budget. We all know that our Navy top line got plussed up by 3.8 billion but in fact it was plussed up by more like 6 billion

and then we got reduced by a few billion, so there aren't many free lunches in the next couple of budget years.

2. **Program Managers can achieve better value for the government by negotiating for the maximum number of missiles within the dollars budgeted. Today, however, we must buy the budgeted number of missiles and return the excess dollars. Isn't this a disincentive for Program Managers? (PEO(T))**

   (Secretary Christie) It certainly is a disincentive for Program Managers, and of course, we don't do that sort of thing lightly but every year that I have been in this job we have had very substantial unfunded requirements in the operating accounts. When the President says stay longer in Bosnia or go to Haiti, you stay longer Bosnia or you go to Haiti. We would really like to be able to leave those savings in the acquisition accounts if we could, but sometimes find we simply can't.

3. **About a year ago, Mr. Douglass expressed concern over the problems caused by the lack of budget stability provided to your Program Managers. This situation seems to have worsened instead of improved (e.g., unbudgeted Bosnia taxes, increased administrative withholds, etc.). Is there a plan to implement measures to stabilize the budget process for your Program Managers? (PMA-272)**

   (ASN(RDA)ARO) ASN(RDA) has partnered with ASN(FM&C) to explore possibilities to better stabilize our programs and minimize the adverse effects of the taxes you mentioned. USD(A&T)-Dir, API is also actively pursuing solutions to this stability issue and Dr. Kaminski has made it one of his top four reform issues most recently.

4. **Given that Program Managers are paid to execute a particular program, how can we as a service integrate programs to more effectively serve the warfighter. Need to grade Program Managers on integration, rather than just on particular program execution. (NOSC Training Office)**

   (NAVSEA) I don't think that we can grade Program Managers on how well they integrate with the warfighter. However, the Integrated Product and Process Development process encourages inputs from the warfighters from requirements determination through deployment and support. In order for a Program Manager to be successful in this day and age, they must include fleet representative inputs. Adopting good business practices like Cost As an Independent Variable will also more closely link the warfighter requirements with Program Managers' objectives.

5. **It is great to finally see the Comptroller joining the Acquisition Team. Will Ms. Christie commit to the furtherance of acquisition reform -**

particularly with regard to resource management? In particular, how will she ensure the Comptroller staff follows suit? I ask this since leadership commitment is only the first step and appears to have been taken, but the whole organization must buy into the concept before we can really expect resource management reform.

(ASN(FM&C) I am definitely committed to an improved relationship with the acquisition community based on more open communication producing more mutual understanding and confidence. Having said that, I think that we all need to recognize that the acquisition community will never be totally satisfied with comptrollers. Comptrollers must necessarily have a broader view, recognizing that acquisition is one of many priorities. For example, I've said that the best way to ensure acquisition program stability is through robustly funding O&S accounts so that the need to shift funds during execution is minimized.

6.   **Last year Mr. Douglass indicated his personal goal was to focus on solving the funding stability issue. Could you tell us the status?**

Are there any initiatives planned to improve funding stability?

(ASN(RDA)ARO) Since that time ASN(RD&A) has actively partnered with ASN(FM&C) to create an IPT which is chartered to analyze the problems and propose solutions at the Service level. As was mentioned in the broadcast, this is a problem that has become a key focus area for Dr. Kaminski and we're hopeful that improvements will be forthcoming at that level.

7.   **Typically the budget review process has been somewhat adversarial with the question and answer and mark and reclama cycle. On the other hand where analyst have participated with Program Managers and resource sponsors and PEO's in discussing issues in a more collaborative approach, we have had some pretty good success. Have you seen any trend toward evolving to a more team oriented approach in budget reviews? (CDR Rule, PEO(T))**

(Secretary Christie) I certainly do and we are going to try to do as much of that as we can. As a practical matter, I have to tell everybody that my budget shop is quite small. We have maybe 15 or so people that work in our entire shop. They look at our acquisition programs. I think there are about one thousand IPTs out there for different programs. So the opportunities to participate that way are limited simply by the amount of staff time we have. We are trying to do it in the places where it will have the highest payoff.

(Secretary Douglass) I would like to comment a little bit because CDR Rule had the courage to pop the question. I have had many young program managers and workers ask that basic same question, Debbie. I wanted to comment on the other question that came in on the fax. Couldn't we have a situation where if we negotiate a lower price for the number of systems, that we could buy more of the systems?   I think there is a way that we can do that. It might take a little bit of extra work in the front end to get the authority to do that by Congress. Usually the numbers of systems are actually authorized in the law.   If we were to buy more than Congress authorized for us they might get upset about that. Let's say that over the total program they authorized us a thousand missiles and it was just a question of which years we bought them in.   I am sure that most congressman and senators would agree that if we got them quicker and if we bought them cheaper they would just as soon have us do that. There are programs and people that are listening to this program that are involved in the same situation. If they will let us know I will go to Congress and get the authority to plow that money back provided that the resource sponsors agree. Debbie, you wouldn't disagree with that would you?

(Secretary Christie) No, as long as you have some absolutely compelling need for money.

(RADM Huchting) I probably would go with a slightly different tact on some of these things. Sometimes we are going to have program instability and Secretary Christie has clearly identified that and it is a fact of life. So what are you going to do to deal with it?   About 2 or 3 years ago we started a program to drive out 30 million dollars per ship end cost without changing the performance by merely asking industry what can you do for us that will change the process in the way we do business. We have had over 980 suggestions from industry. We have figured how to finance it internally with a return on our investment in a year or two. We have implemented about 280 of those suggestions. I have booked about 21 million. I don't have the least little problem with giving this money back for two reasons. If the Navy needs the money that's the right thing to do, and secondly the minute I announced I had the money available, it was taken off the top. But that is a fact of life. That's a little more challenging. So I have 9 million or so to go.   The point is you have to knuckle down to and take all the opportunities within the reform structure and ideology to drive out that cost because the Navy needs the money. My 20 million so far has gone to buy a steaming day for a battle group to train and work up. It is a good legacy for the acquisition community.

8. **Does anyone on the panel believe that our forty year old Planning, Programming, Budgeting System needs redesign for acquisition reform. (Dan Schrate from Georgia Tech)**

(Secretary Douglass) I do, Dan. One of the things that I did before I came over here was talk to Deputy Bill Schaefer who is on my staff. As my Deputy Assistant Secretary he is responsible for interfacing with Debbie (Secretary Christie). He has done a terrific job and is giving an acquisition reform speech while this video is going on. Hopefully he will get to see the tape and realize that I appreciate what he is doing. One of the things that I asked Bill to do was to relook at the 1986 Packard Commission report on acquisition reform.   Within that report there is a whole section on necessary changes to the Planning, Programming, and Budgeting System. We have done acquisition reform in the Executive Branch both in the services and OSD. Even though it got off to a late start, Congress has done acquisition reform the last three years.   We have had acquisition reform bills originate in the Senate and gone all the way through the Congress. What has not been changed substantially is the PPBS. With all the modern communications we have today it seems we could do more there.

9. **Is any legislation being proposed to remove the appropriation barriers and enable DOD to achieve the budgeting and execution efficiencies of the private sector?**

(Secretary Christie) We talk about that occasionally but I honestly don't know of anyone who thinks that Congress would pass such a law. It is one of our bigger problems with people in industry. They are astounded by all the pots of money we have to manage.

(Secretary Douglass) Debbie, isn't there an issues legislative package provision that would allow us to raise the reprogramming thresholds and also to transfer a certain amount of money from R&D to procurement or back and forth? I think whoever sent that question should know this. One of the problems that we have when we go to Congress when we say we need a change in the law to do these kind of things is they often say, okay, give us some examples.   I would urge our viewers out there to provide us with examples. If you have an example of how your program could use more flexibility by having a higher reprogramming authority or the ability, with a minimum of red tape, to move money from R&D to production, or from production to R&D or APN vs. OPN or whatever it would take to make your program work better, let us know. We need good examples.

Topic 3 - Contracting and Business Practices

1. **Since there are only two remaining AIR weapons contractors, do you intend to mitigate the technical and cost risk to more completely utilize your "premier" weapons testing facility? (NAWC China Lake)**

   (VADM Lockard) I think that is a very good question. Most people know as we go into this QDR process which is very active in this town, one of the fundamental things we are trying to do is understand what part of our infrastructure is truly vital to our mission. My belief is that our weapons test center are very vital to our mission, and I think we must pay attention as we work our partnership with industry that we insure that we use the facilities that we have already capitalized to help offset the cost of our contracts. We shouldn't let the weapons manufacturers duplicate a capability that we already have in place. We need to partner with them to minimize costs and exposure to help bring our programs in on time and on budget.

   (Secretary Douglass) I just want to emphasize what Spider said. As we draw down on the number of major acquisition contractors and as the acquisition programs go through this in-depth review, we cannot afford today to pay our premier contractors to have test facilities that duplicate what we have in the government. If anyone gets a proposal from our contractors to build test facilities at the contractors plant and we already have these plants in the government he should disapprove them or at least take a very close look at them. We cannot afford a proliferation of these test facilities.

2. **Our current combat systems contractor providing engineering/actuation operations and maintenance support has performed in an outstanding manner. Their current contract is structured with one base year and four option years. Why can't we go with a 10-year contract? (AEGIS Combat System Center, Wallops Island)**

   (ASN(RDA)ARO) The problem with extending contract terms past five years, in the long run for mobilization purposes and consistent with our emphasis towards increasing competition, we have to be concerned with striking a proper balance as competition encourages contractors to maintain their competitive edge and to maintain a high quality standard.

3. **Is there any possibility that the Navy/NAVSUP will create a contract vehicle that will allow for long-term relationships with quality service providers . . . an umbrella omnibus contract that we / others could use as needed?**

(NAVSUP) Indefinite Delivery Type Contracts (IDTC) are the most prevalent NAVSUP contract type for many services. We have done IDTCs for almost 20 years; we were among the first in DoD to use omnibus contracts for engineering services and have seen increased use by the NAVICP over the last 5 years. NAVSUP's strategy is to evaluate all aspects of long-term contractual relationships that include multiple award indefinite delivery indefinite quantity (IDIQ) type contracts. Through analyses of customer requirements, we can consolidate like requirements across geographic regions and within customer claimancy. This includes reviewing existing service contracts for potential consolidation into a long term, multiple award IDTC vehicle. Decentralized ordering can be delegated to the customer, and when applicable, be ordered via the government purchase card. Another initiative is to provide one-stop shopping to the customer by electronically locating existing contract vehicles awarded by other contracting activities such as DLA, SPAWAR, etc., in order to provide the customer with the best contractual means of fulfilling the requirement. NAVSUP contracting offices will have electronic access to a repository of existing contracts to review and consider prior to commencing the process to award a one-time, non-recurring contract. We hope to have this electronic capability available to our activities by September, 1998.

4. **Why have you created an acquisition metric on contract closeout? This is not a key indicator of our effectiveness. Yet we are spinning our wheels trying to create data collection systems and to collect data which is bureaucratic in nature. We no longer have staff to report on trivialities, if we ever did. (CINCLANTFLT)**

(Secretary Christie) There was a time when we could let contracts go on without being closed out indefinitely because we had something called the `M' account. This meant that money stayed around forever. We no longer have that. The money expires after five years. If you haven't closed your contract, you lose your funds. Since that change in the law, the DoN has spent 280 million dollars of today's money given to us for other purposes for paying old bills. That number is increasing every time I get a new report and we can't let that happen. We have got to pay attention to closing contracts out while we still have the money.

(VADM Lockard) I think there is another aspect of closing contracts that we sometimes forget and that is we often obligated a certain amount of funds to cover what we have estimated to be the total price of the contract. Quite often when we actually get around to closing them out we find that there is money available to the government and these funds can be drawn back to cover many of those problems on expiring money. I think we really need to work as efficiently as we can get them closed out and to optimize our cash flow across the board promptly.

(VADM Sterner) I just want to foot stomp that for whoever is there for the fleet and program offices; recognize that every time you don't close out the contract you put us at liability and you lose this year's program. If you can close it out before the money expires maybe we can help you redirect the problem. If you let it run too long we will spend the money on something you've already worn out.

(Secretary Douglass) I used to be a contracting officer and had hundreds of contracts under my cognizance. I remember one year almost losing my Christmas holiday as I was spending hours trying to close out these old contracts. What Debbie, George and Spider said was true. It is galling to see hundreds of millions of now year money we desperately need being spent on bills we already paid once but we still have to pay because the contract wasn't closed out properly.

5. **Has a decision been made yet on whether or not the 1105 job series will be eliminated? If the decision was made and it was for elimination, how will it be accomplished (automatic switch to another job series, grandfathering rights, etc.)? If the decision has not yet been made, when can one be expected?**

(ASN(RDA)-ABM) There has been no decision to eliminate the 1105 job series. Such a decision would have to be made by OPM, not Navy or DoD. There are numerous issues that need to be resolved before any decisions are made. For example, within DoD, we are assessing how the KSAs appropriate for simplified acquisition in the post-FASA/FARA world match with those in the 1105 job series. I anticipate some guidance from OSD later this summer.

6. **As part of our R&D effort we are often required to purchase printed circuit boards. These boards are used for R&D efforts only and are not required to meet any military standards. Our current credit card purchasing rules prohibit us from purchasing printed circuit boards for any reason. We are, therefore, forced to submit a stub for all P.C. purchases. This process often takes several weeks or even months before the order is even placed. This causes significant delays to our programs. Why can't we purchase printed circuit boards on credit cards for R&D programs? (NAWC, China Lake)**

(NAVSUP) On the surface, it appears that these circuit boards are prime examples of what should be bought with the purchase card. Navy policy (See NAVSUPINST 5200.85C) states that the Government-wide purchase card is the preferred means for purchasing and paying for micro-purchases. There is no DoN prohibition on buying circuit boards.

(NAVSEA) OUSD(A&T) memorandum of 20 March 1997 cites concern over the volume of purchases that are not being done by commercial purchase card. Effective 1 October 1997, contracting officers are not to award contracts or purchase orders for micro-purchases of commercial items unless a written determination is made by a member of the Senior Executive Service, Flag Officer, or General Officer.

7. **Often, the IMPAC procedures are as onerous as the small purchase procedures they replaced. This is particularly true within NAVSUP. What happened to the "streamlining" in FASA? As an example, it took one year to purchase a microcomputer following the procedures set in place for the purchase card. By the time the computer showed up, it was obsolete! Can we "streamline" the "streamlined procedures"?**

(NAVSUP) We agree. Navy policy (See NAVSUP policy letter SA 96-12) states that the purchase card process NOT be complex or burdensome. Activities should re-examine local operating procedures to ensure that procedures were streamlined and minimized paperwork burden. Effective 1 April 1997, NAVSUPINST 4200.85C revised Navy policy (See NAVSUP policy letters SA 96-12 and 96-13) to eliminate the need for formal purchase requests, worksheets/abstracts, 3-way separation of function requirements, and to reduce the number of "Don't Buy" items and pre-approval requirements.

8. **Why are we apparently proceeding down a road that will make evaluation of past performance more complicated than it needs to be? We "incentivize" contractors using three simple criteria: Cost, Schedule and Performance; the OFPP Guide to Best Practices for Past Performance suggests some similar, simple, "general indices" of past performance, such as quality of product or service, timeliness of performance, cost control and customer satisfaction. Yet, I understand we are seeking to distinguish past performance by breaking it down into at least 8 sectors with possible further delineations being made. It seems that no matter what is being bought, performance evaluations can be made on the basis of quality, timeliness and cost. Why, in our attempts to streamline acquisition, would we want to unnecessarily complicate and surely bog down such an important issue as past performance? (NAVSEA 02423)**

(CAPT Ginman) We have just established a DOD effort that is breaking past performance into 13 business areas. There are teams that will be starting on Monday. If the person who called in would like to participate, please contact me (602-2338).   We intend this to be from a DOD perspective and establish a policy that will reflect the needs and desires of the community.

(Secretary Douglass) One of the problems that we have, and I hope the viewer will be sensitive, is that we have not had a past performance system other than an antidote.   When a contracting officer wants to take past performance into account, he calls up program managers and asks those who know what the contractor did. It is pretty antidotal and has not helped us very much when we get protests. It breaks down when we get into a joint program. Our sister service, the Air Force, has had a very stylized program called CPARS and in fact NAVAIR is going to adopt CPARS in total so they don't have to reinvent the wheel. The purpose for this program is when you get into the source selection you have an apples to apples comparison of how two different services (or 3 to 4) have viewed the performance of this contractor. You can't have one with 14 categories and one with 3; it doesn't match up that way. We have some Air Force people with us today who can describe CPARS and can tell us about the problems on the Joint Strike Fighter.

(BGEN Kenne) We did have some difficulties during the source selections as we had questionnaires and surveys coming in from the Navy programs. The CPAR (Contractor Performance Assessment Report) is quite structured and measures cost, schedule and performance. One difficulty we had to address was that the cost, schedule and performance might be the best factors to evaluate. But we also had to consider the business or company being evaluated.   A Lockheed is not a Lockheed is not a Lockheed. Or a Boeing, is not a Boeing, etc. The performance or culture can be different within a company due to all the mergers.

(VADM Lockard) NAVAIR has implemented the CPAR instruction since we last briefed Mr. Douglass.   The whole topic of past performance was addressed at the Joint Aeronautical Commanders Conference with FAA and NASA included. We have all signed an agreement that we will use the CPAR as our standard for past performance evaluation for our contracting activity. I believe it is important to have this standardization and it is important for industry to understand how standardization will affect how we evaluate them. This standard procedure will go a long way in any protest action and debriefing process.

(Secretary Douglass) The caller may have been from NAVSEA, which may not be affected by CPARS. We are allowing NAVSEA to develop their own way of measuring past performance. We don't have the mix of services with the ships but we need a system, which addresses the maritime industry.   We need something a little finer grained than the three categories.

(NAVSEA) NAVSEA, using inputs from the Shipbuilding Past Performance Working IPT (WIPT), will likely implement a modified CPARS tailored for ship and ship systems acquisition.

9. **Relative to past performance evaluations, will contractors have the opportunity to review the findings of the evaluators and respond to negative findings as part of the Best and Final process? (Gibbs & Cox, Inc.)**

    (ASN(RDA)-ABM*)* In cases where there are written or oral discussions, the contracting officer is required to provide offerors an opportunity to discuss past performance information obtained from references on which the offeror had not had a previous opportunity to comment. (FAR 15.610) In the proposed rewrite of part 15 this requirement is broadened to permit the contracting officer to communicate with offerors about the relevancy of an offeror's past performance information and adverse past performance information on which the offeror has not previously had an opportunity to comment before a decision is made either to award without discussions, or prior to establishment of a competitive range if a competitive range is to be established. (Proposed FAR 15.406)

    (NAVSEA) Yes.

    (NAVSUP) The preferred method is for such evaluations to be reviewed by the contractors at the time the original data is generated.   The Government has the option of awarding subsequent contracts on initial offers without discussion.

10. **To what extent should we team with a contractor whose past performance was terrible or whom you could not trust?**

    (ASN(RDA)ARO) As part of the source selection process, past performance should be considered. The exact weight that past performance should play should be determined on a case by case basis. If the only choice is to select a contractor with a less than desired record of past performance, appropriate incentives and penalties should be included in the performance-based RFP to adequately protect Government interests. Obviously, a greater amount of Government oversight may need to be employed and there should be swift response to non-responsive contract performance.

    (NAVSEA) This is a business decision that can only be made by you. Subcontractors as well as prime contractors will be evaluated for past performance.

11. **Can we expect DoD/Navy guidance soon on evaluating past performance or do you anticipate the FAR waiver will be long term?**

(ASN(RDA)-ABM) The FAR requires collection and use of past performance information (PPI) for contracts over $1 million. The waiver suspended the requirement to collect PPI on contracts valued between $500,000 and $1 million.

In February 1997, USD(A&T) established a past performance IPT with representatives from each of the Services to identify the elements of PPI to be collected and the approach for maintaining PPI.

The DoD IPT has been tasked to develop a detailed implementation plan, including milestones and measures of effectiveness, by 30 June 1997. I expect that you will see new guidance by the end of the summer.

(NAVSEA) The revised OFPP guide on past performance is scheduled for issue this spring.   The revised FAR is still pending.   Navy Past Performance guidance including access to CPARS information is located at www.abm.rda.hq.navy.mil/cpars.html.

12. MIDS just won a Packard Award. They handled past performance by evaluating risk areas and relevance. How can a CPARS database of cost, schedule, and performance do this? (ASNE)

(NAVAIR) The MIDS past performance strategy is synopsized on www.acq-ref.navy.mil/mids.html. The risk assessment was primarily derived by the acquisition IPT working with DCMC to define past performance criteria related to technical and management risk and the contractor's discussing these topics in their oral presentations. Use of CPARS should not preclude use of supplemental information or techniques to assess risk. In addition to past performance, solicitations should require contractor risk assessment/management plans to assist in evaluating program risk.

The Multifunctional Information Distribution System (MIDS) International Program Office (JPMW-101), under the Program Executive Officer for Space, Communications and Sensors did use past performance as a source selection criterion for the MIDS Fighter Data Link (FDL) procurement. Recognizing the value of past performance as an indicator of future performance, the MIDS FDL Integrated Product Team (IPT) did define past performance areas related to technical and management risk. The specific categories, which they selected, included Product Integrity, Program Management, Engineering, Software, and Schedule Management.

The CPARS, recently endorsed by the Joint Aeronautical Commanders' Group for aeronautical sector activities, does, in fact, get information in the categories that the MIDS IPT selected. In the CPARS they are termed Product Assurance, Program management, Engineering including

Software Engineering, and Schedule Control. This CPARS database information is then used to help the evaluation team assess performance risk. Performance risk answers the question "Based on the offeror's past performance record, what is the expectation that the offeror will perform the effort requested in the solicitation?" Of course the evaluation team must always be sure that any information used to assess past performance, whether obtained from CPARS or any other source, is relevant to their particular source selection.

13. Our Command has taken Acquisition Reform very seriously and has data that documents the improved performance. Now, regionalization threatens to consolidate our contracting organization as a cost saving initiative. Unfortunately, the impact on service / response is not being considered. In fact, up front statements include that "service will probably suffer" in all the proposed regionalized functions. In a TQL environment, this is sub-optimized thinking. Can this be evaluated from the total cost perspective? (NCCOSC, San Diego)

(SPAWAR) Certainly. If your evaluation from a total cost perspective makes the   case   for   better   service   at   reduced   or   equal   cost   without "regionalization" and consolidation of the contracting organization it should be raised through your chain of command. Acquisition Reform has always stressed what makes good business sense over bureaucratic initiatives which deliver neither cost savings nor better service.

14. As we move towards increased reliance on the private sector to provide services, is there anything being done to provide relief to current regulations regarding "personal services?" (ASNE)

(ASN(RDA)-ABM) I am not aware of specific initiatives underway at this time.   Acquisition reform efforts have been focused on areas with the highest potential rewards such as the overall category of services. Under personal services contracts, the relationship between the Government and the individuals providing the services is very much like the one between an employer and employee. Under such contracts, Government employees essentially supervise and control the contractor employees. As we move toward increased reliance on the private sector to provide services, our intent is not simply to convert civil service positions to contractor positions, with essentially no change in the relationship between Government managers and contractor employees. Instead, our goal is to contract with the private sector for completion of specified tasks. We are emphasizing that, whenever feasible, tasks under services contracts should be defined in terms of performance objectives, rather than specific "how to" specifications.   Using performance-based services contracts places responsibility on the contractor for determining how best to use its employees to fulfill the terms of the contract, and, thus, how best to

maximize performance efficiencies.   With few exceptions, existing constraints on "personal services" contracting should have no impact on our ability to contract with the private sector for an increased level and scope of services.   If we discover opportunities for regulatory relief in the personal services area that make sense, we will certainly move forward in that arena.

(NAVSEA) No proposed changes to the FAR are known at this time. Recommendations for FAR changes can be made to either of the Navy DAR Council members, Sid Tronic (contracts) at 602-2356 (DSN 332), or Jack Townsend (legal) at 602-2702 (DSN 332).

From the Virtual Town Hall Meeting:
(Secretary Douglass) That is another great one. I remember again when I was a young contracting officer down at the eastern test range.   It was operated by a service contract.   One of the things that drove us crazy was the Service Contract Act. It had an escalatory effect on our budget every year because there was a provision in that Act that said that when anyone that works in that geographical area gets a pay raise, everyone gets a pay raise. So we had a problem between the workers at NASA and worker at the Air Force.   Dick (CAPT Ginman), do you have any comments on that?

(CAPT Ginman) Personal services are very difficult for us to deal with. We do intend to hold a services tent meeting with the service contracting industry and the Navy people so that we can attempt to address these issues to find a solution to this problem and find a partner with industry.

(Secretary Christie) Unless I am mistaken the vast majority of the functions that we are looking to contract out are not in the personal services arena. It is the strict normal contracting arena. It doesn't mean we don't need help to do these things.

(Secretary Douglass) If the person who sent the question in has some specific ideas of what we need to do to change the rules and regulations on personal services, please send them in and we will consider them. Frequently it is policy and not the law that is being interpreted. Challenge the policy

15. As we go through our acquisition reform initiatives, how can we educate Congress (et al) to prevent situations similar to the protest on LPD-17 award where the concept of "best value" is questioned? (PEO(CLA))/ ASNE

From the Virtual Town Hall Meeting:
(Secretary Douglass) The LPD 17 is a tough one because we are doing acquisition reform on LPD 17.   Not everybody in the Congress

understands Acquisition Reform on LPD 17 and not everybody in the Congress understands how we do source selection in the Department of the Navy. Unfortunately for me, some people out there in Congress believe that I can turn around the decision of the Source Selection Advisory Committee and Source Selection Advisory Council, a large group of people.   We can't do that.   But I know we have to work to educate Congress on what best value means. It is going to take us a while to educate our contractors as well. GAO is reviewing that particular case so we can't talk about it. But I think the idea that the caller or the person sending the fax has suggested that outsiders don't understand our system and then put political pressure on us to go outside our system is one that is basically correct.   That is one area that we have to work on to set the record straight.

(VADM Sterner) Suppliers are so busy competing they have not taken time to think through it. One of the specific things that I can talk about in the LPD 17 is that we asked them what they wanted in the RFP. They came back and said, "Why don't you tell us what you want." The contractors are so busy going through the checklist. We need to bring them aboard on the Acquisition Reform process   starting sooner, slowing down, and going out to the field and talking to the supervisor and contractor people about what's going to change and why it makes sense to change. We could avoid in the long run a repeat of LPD 17.

(Dr. Nussbaum, NCCA) In fact on LPD 17, there has been an Acquisition reform success even in the cost-estimating world.   There is an OSD requirement for cost data reports, which has been removed on the condition that the data is available, somewhere else. So for that particular program there has been an acquisition success.

(Ms. Krasik) At the Office of the General Counsel in the Navy, we certainly encourage you to argue with us if the law is being interpreted incorrectly or the policy needs to be changed.

(NAVSEA) We should continue to learn as we implement performance based, best value procurements.   Source selection criteria must be relevant, measurable, and firm, and allow independent evaluation of the contractor as well as rating of contractor responses. Draft RFPs and early industry involvement can mitigate potential RFP ambiguities. Lessons learned such as from the LPD-17 and APL Barge procurements as well as success stories should be available for future procurements as well as congressional and higher authority review.

16. **Can the purchase card limit be raised to $5,000? If not, why not?**

(RADM Mitchell) We all recognized that when the purchase card came out legislation defined a micro-purchase as $2,500 and you could use the credit card up to that limit. This process is done so well that we are working with the ARO to see if we could raise that limit. I think we could go all the way up to supervised acquisition threshold. We know how to use that tool. It is a tool we should be using more in the work place and it will help our whole acquisition environment. We will work to see if we can get that raised, and I believe it is the right thing to do.

17. **The proposed regulation under which Purchase Card "certifying officials" can be held personally fiscally responsible for purchases from audits occurring years after the purchase has a chilling effect on expanding the use of the purchase card. Comment? (ONR)**

(NAVSUP) NAVSUP as the DoN Purchase Card Program Manager supports raising the micro-purchase threshold. However, we recognize that this would require congressional action. We support the finding and recommendation of the OUSD(A&T) and OUSD(C) Purchase Card Integrated Product Teams. The teams found that if the micro-purchase threshold was raised to $25,000, 96% of all DoD contract actions could potentially be purchased with the purchase card. They recommended that one year after a standard database management and automated reconciliation system is fielded DoD-wide, DUSD(AR) and the OSADBU jointly evaluate the impact of the purchase card program on small businesses and use the evaluation results to determine if a proposed legislative change to increase the micro-purchase threshold is appropriate.

18. **When purchasing an item, such as ADP equipment, it may be cheaper to purchase from a local vendor but we are constrained by GSA Schedule. Can you use the purchase card and bypass the GSA Schedule? (AEGIS Combat Systems Center)**

(ASN(RDA)ARO) Use of the GSA Federal Supply Schedules is not mandatory, but contracting officers are encouraged to use the GSA Schedules when the available products and services meet the needs of the customer. You can use the purchase card to purchase locally if the price of the item is cheaper than the GSA Schedule. However, use of the GSA Schedules permits buying Best Value not simply lowest price.

(NAVSUP) DoD is no longer a mandatory user of any GSA schedules. However, GSA schedules should be given consideration when attempting to locate a source of supply. If obtaining the item from a local vendor results in a better value for the government, by all means use the purchase card to buy from the local source.

19. **What is being done to accelerate the contract award process? Too many times current year funds sit unobligated with probable pullback from the Comptroller. More important programs are at risk at meeting critical milestones. (China Lake)**

(ASN(RDA)ARO) What is important to keep in mind here is that our contracting process must always be an event-based activity. That means we should never sign a contract because funding is about to expire. Contracting should be event-based - when program events are successfully concluded, contracts should be executed for the following program activities. As far as reducing the contracting cycle time, there are many initiatives underway at the local levels, including alpha contracting, involving the contracting shop in your program IPT, oral proposals, performance-based contracting and others, all of which have been uniformly credited with reducing the contracting cycle time. Details about some of these initiatives can be found on the Acquisition Reform Office web page (www.acq-ref.navy.mil).

(NAVSEA) The standard procurement system (SPS) automates the RFP/contracting process and should improve contract award cycle time. SPS implementation will commence this year.   Information including planned installation schedule is available at www.abm.rda.hq.navy.mil/sps. Smarter streamlined procurements and innovative methods such as oral presentations should also help. Acquisition best practices can be found at www.arnet.gov and www.dtic.mil/c3i/bprcd.

20. **As an international program specialist working for the Navy's International Programs Office, I often find myself to be a square peg trying to fit into a round hole. I'm excited about acquisition reform and see the merits of the team approach to acquisition. However, I don't see international program opportunities being seriously considered in the Navy's acquisition strategies.   How can we better integrate international programs and Navy acquisition strategies to improve the acquisition process? As an example, by working with our allies earlier in the requirement definition process we can come up with common weapon system requirements, and jointly use our resources to field systems quicker and cheaper.**

(ASN(RDA)ARO) This is a challenge that, much like acquisition reform itself, will take a cultural change. Our program managers are directed to make these international considerations by SECNAVINST 5000.2B, but, as we know, legislating morality is a difficult thing to do. The cultural change whereby Program Managers seek out your office for assistance may be one that is precipitated only by your office acting in a "push" role, not waiting to be "pulled" in by the program office.

(NIPO) I agree that International Programs can provide significant benefits to the DoN in the pooling of resources and requirements to field systems quicker and cheaper. SECDEF Cohen echoes this theme in his recent memo of 28 March 1997 where he states we need to strengthen cooperation between the U.S. and its allies. He tasked the acquisition community to "designate appropriate defense acquisition programs as international cooperative programs" and further stated "DoD must be a reliable international partner by funding fully the U.S. share of such programs." I agree we don't always appear to do a good job of integrating international program strategies into our acquisition plans. I am planning later this year to convene an offsite to focus our acquisition leadership on the importance of international programs, and to review how we can use the various international program vehicles to mutually improve U.S. and allied warfighting capabilities. Hopefully this will result in people like yourself, who are International Program Specialists, not being a square peg trying to fit into a round hole, as you put it.

(NAVSEA) DoD 5000.2-R, Paragraph 3.3.5.2, International Considerations allows acquisition strategies to include enhanced reciprocal defense trade and cooperation, including international cooperative research, development, production, logistic support and the sale of military equipment. The Joint Strike Fighter (JAST) program established a MOU with the United Kingdom making them a full collaborative partner in the Concept Exploration phase, which is an example of the suggested approach. The JAST homepage is at www.jast.mil/. Better program office consideration of international applications must happen via education, training, and cultural change. Your recommendations for facilitating this process are welcome.

21. What is being done to incentivize cost reductions and minimize cost? (ASNE)

(ASN(RDA)ARO)   A main focus for cost reductions has been our specifications and standards reform efforts. By eliminating costly military specifications, we're enabling industry to provide for our needs through best commercial practices rather than through unique, often costly, military practices.   Similarly, by pursuing the Single Process Initiative, we're enabling companies to eliminate multiple, contract-unique processes and replace them with a single process common to all contracts in the plant, whether government or commercial. There is a good incentive there for companies to pursue single plant processes, thus reducing their cost of operations and becoming more competitive in all-future business.

(NAVSEA) DoD 5000.2-R, part 3.3.3.2, identifies policy for cost management incentives including use of Cost as an Independent Variable

(CAIV), RFP incentives for the contractor, and creative awards programs. The RFP assist tool, Turbo Streamliner, provides sample provisions for an acquisition reform incentive clause. This can be accessed at **Error! Bookmark not defined.** /turbo/S46.htm. Modifications to FAR Part 16.4 and 52.216 are in process to provide application of award fees in fixed priced contracts. Individual programs are encouraged to be innovative and apply appropriate risk reduction measures in applying incentives.

22. **Navy R&D organizations are "industrially funded", yet we have to compete for projects against the Air Force (which is "block funded"), and against contractors who can write off some of their expenses in their corporate taxes. This makes the use of Navy R&D organizations a very expensive option for acquisition programs, and yet we see our rates go up as overhead charges beyond our control are added by Navy policy. As it stands many researchers and engineers are leaving or retiring rather than fight the good fight to maintain the excellence of Navy R&D. What is the Navy doing to place Navy R&D organizations on a more competitive basis with other sources of R&D support? (NAWCWPNS, China Lake)**

   (ONR) An OSD financial Integrated Product Team (IPT) was established in March 1997 to address this issue. The IPT is comprised of SES/General Officer level representatives from OSD and each of the Services and is charged with developing a plan for migration to full-cost financial systems for all DoD laboratories. The IPT is scheduled to complete this plan by September 1997.

23. **Contractors keep submitting requests for technology information that would allow industry to learn what has "worked" in the past (i.e., MANTECH projects that were successfully demonstrated, etc.) Recommend a clearinghouse for "lessons learned" (successes, plus technologies that we learned not to use) to help industry avoid IRAD costs, and help manufacturers become Worldwide, Global Competitors (this is information that resides in the public domain). (ASNE)**

   (ONR) The Navy's Manufacturing Technology Program maintains several data bases and produces many publications as part of its technology transfer efforts. The MANTECH program has established an Internet Web page to make accessing MANTECH information simple an at no cost. Included on the site are: Program Information (including the project selection process), The Centers of Excellence, Points of Contact, The 1996 Navy MANTECH Project Book, Publications and Links, how to submit a MANTECH Issue, the PATHWAYS Program, Technology Transfer, MANTECH Points of Contact, and, of course, Success Stories. The address for the Navy MANTECH Homepage is: http://mantech_nt.bmpcoe.org. Additionally, the Navy MANTECH program

produces a quarterly publication, <u>Navy Manufacturing Technology Program Report</u>. Each report provides information on the Centers of Excellence, current successes, etc. Annually a project book is produced which describes each project that is active within the program. This book is published to be available for the annual Defense Manufacturing Conference held the week following Thanksgiving.

Both current DoD contractors and potential contractors may register with the Defense Technical Information Center to access past and present DoD-sponsored efforts. This information is available through a work summary database and a technical report library.

In order to focus industry planning and IR&D on Navy problems, the Navy has established a central office to act as a liaison between the Navy and civilian companies. This office is the Navy Acquisition, Research and Development Information Center (NARDIC). It is the designated point within the Navy where research and development planning and requirements information is available for review by qualified representatives of industry. Documents available at NARDIC include U.S. Navy RDT&E Descriptive Summaries, Defense Agencies RDT&E Descriptive Summaries, Mission Need Statements, and Operational Requirements Documents. Currently, the only access is through visits to the NARDIC office by appointment. In mid-June, a web site of unclassified, public release information will be on-line.

Additionally, the Navy interfaces directly with industry on IR&D programs through technical interchange meetings. Here, a single company briefs many Navy and Marine Corps representatives on their IR&D programs. Plans are underway to hold Industry Days to brief many companies on areas of specific need which are appropriate for industrial IR&D investment.

24. **Haven't you been building ships in PEO(CLA) to commercial standards and practices for some time - well before AR came to light? How are you applying this knowledge to the Navy ships? (SEA-91)**

(NAVSEA) PMS 325 has commercially procured small craft including yard/utility boats from vendors such as Boston Whaler via the GSA schedule. These craft have also been procured using boat specifications for FMS applications. The point of contact is Ken Hum at 602-7370 x550. The APL 61/62 Barge procurement using performance based commercial specifications provided lessons learned that are being applied to the APL small procurement. Point of contact is Jean-Michel Coughlin at 602-8409 x202.

25. DoD/Navy/NAVAIR T&E requirements for military systems / products introduce substantial cost, schedule delays, and often adversarial relationships to the acquisition program timeline. How can we best save money and time, and still ensure that a quality and safe product is delivered to the warfighter? What do you see as the primary barriers to full implementation of IPPD in T&E? How can we incentivize the contractor to assume the risk?(PMA-257)

(OPNAV N912C) The testing of systems is a fundamental part of the acquisition process. After 1992, the test community in the Navy undertook a proactive approach toward incorporating testing into the entire acquisition process from beginning to end. This initiative to integrate T&E into the Integrated Product and Process Development (IPPD) is often referred to as "early tester involvement," which gained a high-level proponent when SECDEF Dr. William Perry incorporated it as one of his five "themes" of T&E in DoD. In the past the test community had not always been a full member of IPPD, but now no invitation from any program to join in the process or an IPT is ever turned down.

Testing assures both the developer (represented by the program manager) and the user (represented by the requirements officer) that the system being developed will meet both the technical and operational requirements that have been established. T&E is not a "final QA" or an end-of-production "performance check," but an integrated process throughout the development, manufacturing, and deployment of a system.

The tester (whether from a DT or OT organization), is responsible for assessing the system's characteristics and performance and comparing them to the standards set forth in the TEMP, test plan, ORD, contract, or other equivalent document. The customer (PM or RO) establishes, through the setting of the requirements, the scope and depth of the evaluation required. Testing is then conducted to provide data, which does not already exist, for the evaluation of the system. For OT, the quality of the data (e.g., from an operational scenario) may be a significant factor in determining how much additional testing need be performed.

Although in the past there was a perception (and founded in truth in some examples) that testing requirements adversely affected schedule and cost, resulting in an adversarial and sometimes hostile atmosphere, the test community has consciously worked to correct that misperception. Although there will remain some degree of natural tension between a program and the tester because of the need for independence and the need for the program to fund testing, by looking past this it can be seen that a good T&E program can be a cost and schedule <u>reduction</u> tool, as well as a tool for monitoring performance.

There are some legislative prohibitions on types of testing that contractors may conduct or participate in. Further, although contractors may be able to assume some risk, such as cost and schedule risk, they are not able to properly assess, and thus mitigate, performance risk from the viewpoint of the eventual fleet user. This is part of the reason why independent T&E is conducted, and why it was mandated in law. In any case, regardless of who conducts the testing, if the test program is adequate to assess and mitigate risk of all types, the final program cost will be the same; shifting the risk to the contractor or vendor merely causes their bids and charges to the program to go up with no overall saving of money.

The amount of testing is always tempered by both the amount of data needed to get an accurate assessment and by the cost of that testing. The data needed is usually driven by the need to get a "statistically significant" data set--both enough to assure that a few failures do not cause the system to appear to not meet the required success rate and enough successes to assure that those successes are an accurate representation of the typical performance of the system. Most "statistical confidence levels" desired are 80-85% [most statistical analyses in other disciplines try to attain 95%]. Historically, total test costs run less than one percent of total program costs.

The "test community," which includes the SYSCOM test organizations, OPNAV N091, COMOPTEVFOR, and the OSD test offices, recognize both the financial pressures that programs are under and the need for adequate evaluation to preclude acquisition debacles as have occurred in the past. The twin goals are to prevent fielding a poor system and to prevent not fielding a good system. Because the ultimate fleet user may not have the full understanding of test methodology, nor have the time, facilities, or expertise to test a system adequately, the test organizations strive to represent the fleet user's interests in the development and evaluation of the system. As once stated by a senior acquisition official, "testers are surrogates for the user."

COMOPTEVFOR reports directly to the CNO in matters of assessing system effectiveness and suitability to ensure independence from any pressure that may arise from either the "requirements community" or the developer. OPNAV N912, as the CNO's staff, is charged with oversight of all testing within the Navy, and in particular with assuring that the adequacy and independence of OT remains assured, all while keeping affordability in mind.

Questions should be addressed to CAPT Richard Virgilio, OPNAV N912C, Head, Warfare Programs T&E Branch, 703-601-1733; FAX: 703-601-2030; e-mail: Virgilio.R@hq.navy.mil.

26. Two-level maintenance offers significant cost savings. Modern technology and improved manufacturing processes make it more viable every day for today's systems. What are the barriers to two-level maintenance? How can we best implement it? (PMA-257)

(NAVAIR) Two-level maintenance certainly can be (there are examples of this on selected NAVAIR end items) part of the Navy's support strategy. The key to determining an item's maintenance strategy is conducting a proper support analysis to identify a cost effective maintenance strategy, which supports operational requirements. To state that an end-item will have a two-level (or any level) maintenance support structure without an analysis is not prudent. Certainly technology has produced items that are highly reliable and these items provide a strong candidacy for two-level maintenance. The tradeoff between reliability and maintainability (supportability) is still a factor. The current emphasis on Flexible Sustainment and Total Cost of Ownership supports the concept of two-level maintenance as a way to achieve Affordable Readiness. Aside from overcoming a NAVAIR support paradigm for O-, I- and D-level support, there are barriers such as additional pipeline spares acquisition costs, storage requirement, and transportation concerns. The Navy's operational scenario and existing weapons system inventory preclude widespread implementation of two-level maintenance, but certainly is and should be considered as support alternative on a case-by-case basis.

Two-level maintenance should not be misconstrued as "O" to "D" (skipping the I-level). Two-level maintenance in its pure form is "O to Other." Why? Depot might be the more expensive and less effective alternative. From a Naval aviation viewpoint, it is important to remember that fully 80 percent of all repairables removed from an aircraft are repaired and returned to service by the local Intermediate level. Only 20 percent of all repairables removed from Navy and Marine Corps aircraft see a depot.

The logistics equation must yield a solution that quantifies the best LOCATION for the "OTHER" maintenance (is "OTHER" a PLACE, or a CAPABILITY??). For the sea-deployed Navy/USMC aircraft, the operational realities of the postage-stamp sized flight deck (i.e. the logistics hub's airfield) drives the equation. The weight/cube and throughput (flowrate) of resupply/retrograde movement during combat, with commensurate consumption rates and operational environment restraints, determine whether the "O to OTHER" selected will work or not ---- regardless of the economics.

27. The MS&T Programs offer an opportunity to insert technology that will advance the Navy's and DoD's Affordability Goals for Weapons Acquisition (i.e., MANTECH, DUAP, SBIR, etc.). How can we adopt Best Business Practices to better integrate limited resources and

demonstrate how AR will expedite the screening and funding process among competing PMOs to encourage greater industry participation in the MS&T programs. (PEO(SC/AP))

(ONR) One of the key components of the Navy MANTECH program is its Best Manufacturing Practices (BMP) program. Anyone can easily access the BMP program through the Internet at http://www.bmpcoe.org. The BMP program provides surveys of companies which have demonstrated best practices and has developed a Program Managers Workstation that provides two of the four official acquisition reform tools available to PEOs/DRPMs. MANTECH (BMP) has also coordinated with the Navy's Acquisition Center of Excellence to provide its database and acquisition reform tools to the acquisition community. Industry can participate in the MANTECH program through its centers of excellence and/or PEOs/DRPMs. PEOs/DRPMs participate in the MANTECH issue submission and selection process through the Systems Commands MANTECH representatives. These representatives coordinate the prioritization of MANTECH projects within the corporate Systems Command structure. Each Systems Command has a senior representative on the MANTECH Executive Steering Committee where final approval of the annual MANTECH program is determined.

On the Navy MANTECH homepage, http://mantech_nt.bmpcoe.org, anyone (industry, government or academia) may submit a Navy MANTECH issue at any time. Periodically, but at least biannually, these issues are reviewed by the Systems Commands for relevance to Navy weapons systems and prioritized. The greater the impact on Navy weapons systems, the higher the priority. Of note is that MANTECH projects must be generic in nature, e.g. not specific to a single weapon system.

(NAVSEA) Recommend that programs having interest in MS&T monitor and interact with the MS&T website at www.dtic.mil:80/ddre/st_programs.html.   This site includes Navy as well as other DoD success stories and also provides access to the defense science and technology strategic plan and Dual Use Technology and SBIR program websites. Where programs see initiatives that are of mutual interest they should contact the appropriate MS&T point of contact.

28. **In the time of cost reduction and budget constraints, why is it that we are going to archaic financial systems, i.e., MIFMAS, NIFMS or DIFMS? (China Lake)**

(ASN(FM&C)) Most of the accounting systems decisions are now driven by OSD/DFAS using a three part strategy: 1) Eliminate redundant systems wherever possible; 2) Bringing those fewer remaining systems into compliance with existing functional requirements, and 3) Technically

upgrading those systems where feasible. Our track record of developing accounting systems "from scratch" is not good. We are making good progress with the DoD strategy discussed above. This will eventually lower DFAS costs, translating into a smaller bill for their services. In the case of smaller business areas such as public works, they are pursuing COTS solutions. In the case of MIFMS, potentially the future DoD standard for depot maintenance and R&D, there are plans to bring this system into a modern Open Systems Environment (OSE) within the next several years. These actions will make it easier to apply modern technology even while continuing to use older systems. SPS, the new DoD acquisition standard should provide a modern system with greatly improved FM/Acquisition system interfaces.

29. **By law, we have to contract using what I call the "social political policies," like small business and small disadvantaged business set-asides. In your opinion, how much do these policies add to the acquisition cost? Assuming that they do add to the acquisition cost, can we afford to continue this practice in the future?**

(ASN(RDA)ARO) We don't have any figures to indicate whether or not there is an additional cost of doing business with small or small disadvantaged businesses. In fact, due to their lean structures, it could be argued that their cost of operations was smaller and therefore our contracts with them would provide savings over similar contracts with larger business. Keep in mind that some years ago, MCI, Microsoft and other of today's business mainstays were small businesses that depended on what you refer to as "social political policies" for support as they grew and established themselves.

30. **I have heard that acquisition reform deals with adopting commercial business practices. In your opinion, can the Navy really adopt "commercial" practices while our laws require social policies like the need to be fair and open and not arbitrary, or the need to promote effective competition?**

(ASN(RDA)ARO) We're pursuing commercial practices today and we've been successfully doing so for some time now. The key thing is to apply these commercial practices where they make sense. Certainly, long term supplier contracts like we see in commercial industry may not be achievable with current FAR requirements. On the other hand, we don't believe the "social policies" you refer to and all commercial practices are necessarily mutually exclusive.

31. **Has Acquisition Reform further opened the market for minority-owned businesses? What are the applicable statistics?**

(ASN(RDA)ARO) We have no concrete examples that AR has helped or hindered the market for minority-owned businesses. We continue to support the laws in place for the development of small and minority-owned businesses. For example, most recently in our January Broad Agency Announcement for the Dual Use Applications Program, we stated that "in any case in which the evaluation of two or more proposals is substantially equal, preference for award will be given to those proposals which include small businesses and historically black colleges and universities and minority institutions as participants over those which do not."

32. How can we obtain government data rights to software so that government is not dependent on one contractor for life cycle support and so that competition is excluded?

(SPAWAR) Data rights can be negotiated for commercial software if the commercial company is willing to sell the software. If the company will not sell the data right then the government has the option to not use its software.

Another approach is to receive a software license as is typically done when one buys personnel computer software programs. Software developed as part of a government contract is typically procured with ALL data rights belonging to the government.

33. I have been told that the DoD has the authority to contract without using the FAR, DFAR and DoDD 5000 rules and regulations. I believe it is know as P.L. 845 contracting authority. My question is, if we have just recently revised DoDD 5000 and the FAR and DFAR to reduce red tape and unnecessary rules & regulations, why are we now allowing people to completely eliminate all contracting rules and regulations and go around these documents?

(ASN(RDA)ARO) P.L. 845 does not eliminate compliance with the DoD 5000 series. P.L. 845 also does not allow people to completely eliminate all contracting rules and regulations. It does, however, allow for contracting on a more commercial basis, without FAR or DFAR compliance, in certain situations. Currently, Congress has allowed this law to apply to contracts for prototypes. We are hopeful that its use may be expanded based on successful experience with prototype contracts.

(NAVSEA) The FY 97 National Defense Authorization Act allows DoD to carry out *certain prototype projects* under Other Agreement Authority provisions of section 845 of public law 103-160. This can only be applied to selected prototype programs. Also, keep in mind that the general principles of DoD 5000.1 applies to all programs while DoD 5000.2-R

identifies procedures that are mandatory only for <u>Major</u> programs and automated information systems.

34. Has there been any trimming of the "boilerplate" pages and pages of FAR clauses invoked on a contract which attempt to control everything from the wages paid to dress code (figuratively speaking)? It seems that many of these clauses either add to contract cost or tend to exclude smaller capable companies?

(ASN(RDA)-ABM) The creation of FAR Part 12, Acquisition of Commercial Items, was specifically intended to provide Government contracting officials with a streamlined mechanism for use in contracting for commercial items. Contracts awarded under Part 12 are only required to incorporate two prescribed clauses--one sets forth general contract terms and conditions and the other sets forth terms and conditions required to implement statutes and executive orders. Compared to other contracts, these commercial item contracts contain little in the way of FAR boiler plate coverage. Therefore, they should be much more attractive to smaller companies that have not previously done business with the Government and should have little cost impact on contractors' performance.

FAR clauses used in other contracts generally address two types of matters: requirements imposed by statutes or similar regulatory-type instruments; and policy matters for which there is a need to ensure standardized government-wide business practices. Although relatively little has been done to reduce the number of these clauses, as various parts of the FAR are rewritten, individuals responsible for the rewrites are reviewing associated clauses to determine if any can be eliminated or simplified. Additionally, an extensive review of all contractor certification requirements included in FAR and DFARS clauses was recently conducted and many were eliminated. A similar review is currently underway with respect to contractor representation requirements.

35. When will the new FAR Part 15 be completed and issued?

(ASN(RDA)-ABM) The revised Part 15 (Phase I and II) proposed rule was published for public comment in the Federal Register on May 14, 1997. The 60 day public comment period ends July 14. Completion of the final rule will depend on the number and nature of public comments received, whether response to comments requires substantive change to the proposed rule, and directions or actions by the FAR Council. Provided public comments do not require substantive change to the draft rule, it may be possible to have the final rule in the Federal Register in the late-September to mid-October time frame.

36. **Given that we are allowing use of more industry standards and already-established contractor process controls and looking at "performance" (end product) - " an eyes on - hands off approach", is the reform process creating or intending to create a lean toward fixed price contracts?**

(ASN(RDA)ARO) There is no preference for fixed price contracts as a result of acquisition reform. Performance-based contracting does not imply a level of risk and contract type should always be a function of risk. Where risk of performance is nil, fixed-price contracting is proper. Where there is a great deal of risk, cost-type contracting is proper. In between, and dependent on the level of risk, there are a variety of contract structures involving awards and fees that can be applied. All of this is subject to negotiation.

37. **What is the status of the pilot program planned by NAVSUP for reprocurements made by the Navy Inventory Control Point? Have any lessons learned been identified?**

(NAVSUP) Reprocurements are generating a lot of interest these days. Although acquisition reform efforts originally focused on new acquisition category programs and exempted reprocurements, we are continually looking for opportunities to save costs and update technology by using performance specifications and non-government standards in component part reprocurements. Currently, we are using our established reprocurement decision tree criteria (See Turbo Streamliner topic, "Reprocurement") to identify which high dollar value reprocurements planned for FY98 may realize both cost saving and technology insertion benefits by re-engineering the technical data packages to be more performance-based and to include commercial standards and practices. Ten candidate items have been identified and we are verifying the planned buys and obtaining the technical data packages for further action.

As for lessons learned, we now know to be very selective in determining which candidate items would be the best to expend the effort to review the technical data packages for potential savings.

38. **What is being done to allow the use of electronic signatures so those contracts may be accepted more rapidly?**

(ASN(RDA)-ABM) The FAR currently provides that electronic symbols may be used as "signatures" or to evidence the signing of documents (see definition of "signature" at FAR 2.101). The FAR also authorizes activities, in accordance with FAR 4.5, to allow bidders or offerors to submit their bids or proposals electronically (see FAR 14.202-8 and 15.402(k)).

39. Do you think Defense Industry consolidation will lead to greater use of incentive type negotiated contracts?

(ASN(RDA)-ABM) The changes in the Defense Industrial base will certainly require the acquisition community to be more innovative in incentivizing outstanding performance by contractors. One acquisition tool that has been shown to be successful in the past is the incentive type contract. However, this tool is only one of many and the procurement of complex defense systems requires that the acquisition professional tailor the acquisition approach to each case.

40. Should "value engineering" be in all our contracts to obtain best value? What is it? How does it work?

(ASN(RDA)-ABM) Value Engineering is an analysis methodology which identifies alternatives to specific functions in any process, product, system, material or design. Through analysis and evaluation, the "Best Value" alternative for that specific application is selected . VE allows the Government to take advantage of the contractor's knowledge and expertise to point out potential improvements which will result in life cycle savings to the government.

VE should be included in contracts where the opportunity exists to incentivize contractors to review the Government's documentation package and propose improvements in areas of design, materials and manufacturing processes. FAR Part 48 requires the VE incentive clause in all contracts over $100K with the following five exceptions :

- Contracts for R&D (other than FSED/E&MD).
- Contracts for engineering services from not-for-profit organizations.
- Contracts for Personal Services.
- Contracts for Product or Component Improvement (Unless there is contract language that restricts VE submittals to areas that are outside those that are described in the SOW for improvement).
- Contracts for standard Commercial Items that contain no special government requirements or specifications such as shipping, data, etc.

The FAR VE Incentive clause is a voluntary clause which allows contractors to share in life cycle cost savings. This provides incentives for contractors to review the Government's documentation package and propose improvements in areas of design, materials and manufacturing processes.   Contractors then submit Value Engineering Change Proposals (VECPs) with the understanding that they will share in savings resulting from their accepted and approved VECPs.

(NAVSEA) FAR Part 48 defines value engineering as "An analysis of a program, project, system, product, item of equipment, building, facility, service, or supply of an executive agency performed by a qualified agency or contractor personnel directed at improving performance, reliability, quality, safety and life cycle cost." Value engineering often was associated with design or performance engineering but can be used to eliminate any unnecessary acquisition, design, operation, or support cost. DoD 5000.2-R states that the PM shall consider an incentive and/or a mandatory approach and that the VE program can include internal DoD as well as contractor activity.

1. **Why is the Value Engineering Contract Proposal (VECP) clause required in a commercial item contract?**

    (ASN(RDA)-ABM) If the contract is for a commercial product and there are no special Government requirements or specifications imposed on the contract, then, as one of the five exceptions, the contracting officer shall not include a VE clause. (FAR 48.201)

2. **Are there advantages if a manufacturer proposes changes under the Single Process Initiative as compared to submitting a Value Engineering Change Proposal?**

    (VADM Lockard) I believe you were asking about standardization across services. As you are well aware we do try to do that. Where there is commonality, most of that goes through DLA, which is designed primarily to come up with one standard cost for all of the services. In areas where we had a common product but it may not be a sufficient buy to transfer to DLA, we work through the NAVICP, our similar organization to look for common contracts. That is the way we try to get consistent pricing. It is quite often that we will use an Air Force contract or they ours to meet a short term need. Beyond that I think it is a great topic for our panel groups to take up to see if there is some other things we can do to improve the cross service activities.

3. **We see a lot of success in acquisition reform. However, in many areas the process of budget formulation and financial execution is just as difficult as ever. Is anything being done to address these issues? (LCDR Fowler)**

    (Secretary Christie) When I first got in this job about three years ago, I visited a lot of my controller shops and found a lot of people were really over worked, trying to respond to all things they are tasked to do.   But a real difference has been to the extent to where processes were automated. They had useful tools so we have been trying to go through our tools, best practices, processes, and streamline. We are also getting

the numbers from our financial tools down dramatically. There are a lot of processes that can be streamlined. However, the law requires much of what we do in financial management.

(Secretary Douglass) Now that you mentioned the law, one of the things that bothers us in the acquisition community is that after Congress appropriates the money for the acquisition programs and puts it in the law, we plan to spend the money on a given program. As the money flows down, someone down in the food change won't agree with our approved plan and will put the money on hold for whatever reason. This drives me crazy. Management actions are taken so that these actions don't happen arbitrarily. We have metrics meetings regularly to find out the status of our programs and to work out our problems and to determine, if necessary, why our money is on hold. Holding up money really bugs us.

Topic 4 - AR Initiatives

1. **When can we expect clarification on the annual requirement for 40 hours of continuing education for acquisition workforce members? Everyone here thinks 40 hours is a lot, and it's hard to imagine how to satisfy the requirement without huge expenditures. (Strategic Weapons Facility Pacific)**

(Mr. Hauenstein) Well, I think there are two things we have to consider here; one is we recognize that many of you are actually certified to level 3. This would indicate that you would not have to get additional training during your continuing careers. The 40 hours was implemented to increase or give you an opportunity to become current in and be brought up to speed in various topics as they change over time. We recognize that 40 hours is a significant number, but we have not yet decided exactly how that 40 hours would be measured it does not mean 40 hours of classroom time or off-station time. It can be incorporated in a number of different ways. There can be seminars, meetings, or group discussions. There is a great deal of different of topics covered so that this 40 hours will be accumulated in many ways. It not specifically classroom times. So I think the answer is we don't know exactly what that structure will be but it will not be strictly classroom time.

(VADM Lockhard) I just would like to address that 40-hour training issue. It's very important to me that we really pay attention to that because it gets right to the heart of taking care of our workforce. There is nothing more important in my view than structuring an individual training program that really lets our employees develop in a way that they grow in personal worth and they grow in their contribution to our team. At NAVAIR I have implemented a program that makes the 40 hours a goal and that is not yet mandatory. But we are working on it. We are searching for exactly what we want to put in the category of the 40 hours. I agree with Bill (Hauenstein) in that it is important that we focus on our individuals. We need to put in their individual development plans a structure that ensures we achieve the 40 hours. But more importantly that it is tailored to their individual needs - - whether it be acquisition training or technical training to make them better in performing their individual jobs.

2. **With major transitions in OSD and DoD this summer, do you see any loss in momentum in Acquisition Reform?**

(ASN(RDA)ARO) Although some key OSD personnel have transitioned to other activities, our Service leadership remains strongly in back of AR. Also, Secretary Cohen has demonstrated his unwavering commitment to AR, so we don't believe there to be any lack of emphasis at the top.

Whether or not there is a loss in momentum in AR seems to be dependent on whether or not we continue to get change and commitment at the local levels to take prudent risks and "think outside the box." With a sufficient critical mass of our workforce pursuing reform as they do business every day, a change in one or two people at the top shouldn't make a difference as long as those remaining in top management endorse reform.

3. **I am unaware of the Red-Yellow-Green system (except the sexual harassment training). Please explain this system. (SPL)**

(NAVSUP) I presume you are referring to the tool for evaluating past performance – Navy's Contractor Evaluation System, Red/Yellow/Green (RYG) Program. This system is an established source of valid past performance data. The RYG program helps your activity comply with the FAR requirement to evaluate past performance on competitive negotiations. RYG is an endorsed ASN(RD&A) program that uses contractors' past performance history to take into account the risk of receiving non-conforming products and late deliveries. RYG classifies a company's quality and delivery performance Federal Supply Class (FSC). Quality and delivery classifications are designated as red, yellow, green or neutral. This system is compatible with both simplified acquisitions and major acquisitions. A unique aspect of the RYG program is that each company is given an opportunity to verify the data used in determining their FSC color before the data is available to any government buying activity. Each company, therefore, is aware of their color classifications **before** responding to a solicitation. Detailed information is found in "Product Deficiency Reporting and Evaluation Program, Contractor Evaluation System, Red/Yellow/Green Program Procedures, November 1994" available from NAVSUPSYSCOM, Code 21.

4. **Structure influences human behavior. Structure in any organization is anchored in values, practices, buildings, etc. What changes in values and policies are you contemplating to embody this reform in the entire organization? (Georgia Tech Professor)**

(ASN(RDA)ARO)   SECNAVINST 5000.2B outlines policy for DoN Acquisition. DoN is making a significant investment in the Acquisition Center of Excellence (ACE) and is working to expand applicability of IPPD to include contracting officers and logisticians.

5. **How is the Navy implementing the Clinger-Cohen Act (Information Technology Management Reform Act)? Who is the Navy's CIO? What is their role? (FMSO)**

(D. Martin) I am representing Dr. Langston the DASN for C4I. We have actually been aggressively persuing the standing up of the CIO office. We

will be meeting with the Secretary next week on the plans for doing that. We have an interesting teaming arrangement in that we are going to name VADM Cebrowski, who is currently N6, as Navy CIO and appoint as his deputy Dr. Langston. This will be a wonderful partnership between the Secretariat and OPNAV operational user arena.

The following provides an update of the status of Clinger-Cohen implementation and the establishment of the DON Chief Information Officer since the Virtual Town Hall Meeting.

On 10 June 1997, the Honorable John H. Dalton, Secretary of the Navy, designated Dr. Marvin J. Langston as the Department of the Navy Chief Information Officer (DON CIO).   Dr. Langston will report directly to the Secretary for his DON CIO functions. As stated in the SECNAV letter, Dr. Langston "will retain his current position as Deputy Assistant Secretary of the Navy (Command, Control, Communications, Computers and Intelligence/Electronic Warfare/Space) (DASN (C4I/EW/S)) and will report to ASN (RD&A) for his acquisition duties and responsibilities as DASN (C4I/EW/S).   The acquisition of information technology continues to be the sole responsibility of ASN (RD&A). All information technology acquisition issues will continue to be managed by the ASN (RD&A). "

With the appointment of the DON CIO and Deputies, there will be a small staff to support the Office of the DON CIO.   A DON CIO Board of Representatives will help determine and implement the IM/IT changes we need to make in the Department. Initially, this Board will consist of the representatives from our Fleet CINCs and resource sponsors, and the appointed CIOs from the major claimants.   Several Department-wide Integrated Product Teams (IPTs) will be formed; both planning IPTs covering things like a single DON architecture that is aligned to the DOD Joint Technical Architecture, IM/IT Investment Strategies, and IM/IT competency management; and an "Overarching Standards" IPT that will codify and validate standards for interoperability of systems in both the warfare and warfare support domains. The elected chairs of these IPTs will also have a voting seat on the Board of Representatives. Using this structure, the DON CIO will issue a draft "Information Constitution" that will, like our country's Constitution, outline the roles and responsibilities of our IM/IT leadership in representing the IM/IT community, our customers, and our sponsors, at large.

The DON CIO will be the fulcrum for leveraging the power of IM/IT throughout the DON. Reengineering our IM/IT operational, systems, and technology architectures will be a formidable challenge and opportunity; information does not simply automate existing processes but creates fundamental process changes in both the culture in which we live and the mechanics of how we work. The DON CIO authority will span all IM/IT as it

impacts Navy and Marine Corps programs, including both our warfare and warfare support functions. Some of the major responsibilities of the DON CIO are:

(1) To advise SECNAV on what IM/IT resources are acquired and how IM/IT is managed in the DON;

(2) To develop an IM/IT architecture for the evolution of current IM/IT resources and acquisition of new IM/IT resources to support DON missions;

(3) To monitor and evaluate the performance of IM/IT programs;

(4) To provide top-level advocacy, objectivity, and accountability for the implementation of IM/IT throughout the DON;

(5)To create a consistent and unified, IM/IT vision;

(6) To publish CIO guidance for the Department of the Navy to facilitate the integration of our information systems

(7) To capitalize on a centralized IM/IT policy that promotes IM/IT system interoperability and reduces redundancy among IM/IT programs, yet stresses the need for decentralized execution to the lowest possible levels;

(8) To establish sound investment strategies based on linking DON IM/IT Strategic Plans to capital planning and investments;

(9) To develop performance-based management that links IM/IT planning to funding requirements and resource constraints;

(10) To provide increased training of our IM/IT workforce in business process re-engineering

(11) To be the DON sponsor for IM/IT training requirements and educational focus for the civilian and military IM/IT workforce
etc.

These are the high points of the DON CIOs responsibilities. New opportunities in IM/IT are emerging in many areas critical to both our warfare and warfare support arenas. We must harness these technologies smartly and efficiently in order to preserve our edge on the battlefield. The Clinger-Cohen Act and the appointment of a DON CIO are the first of many steps that will ensure that our IM/IT expenditures are based on sound fiscal and operational decisions that will withstand the

future decisions the Department must make on Force Structure vs Infrastructure. As the DON capitalizes from the benefit of this technology explosion, we are limited only by our vision and our ability to unify the efforts of many diverse and worthwhile IM/IT efforts that the Department has undertaken.

6.   Have any of the Joint Strike Fighter Program's AR initiatives been implemented anywhere in the DoD?

(NAVAIR) JSF tools and streamlining processes have been made available throughout DoD and other government agencies. One of the most significant initiatives pioneered and exported by the JSF Program is its "toolbox" for electronic source selections. Paperless processes developed by JSF have been adopted and adapted by DARPA, Air Force (ASC and Wright Labs), Navy (NAVSEA, NAVAIR, SPAWAR), the Coast Guard and others.

DoD has cited the JSF Program structure as the model for future joint programs. There is no "lead service" for the program. It is chartered under the signatures of the Secretaries of the Navy and Air Force and the Deputy Secretary of Defense, and is jointly manned. The Program Director position alternates between the Navy and the Air Force, and reports to the Service Acquisition Executive (SAE) of the other Service. This program framework ensures continuous communication between program participants at all levels, and balanced Navy and Air Force inputs relative to program direction and resolution of issues.

7.   On the LPD-17 program, the Program Manager plans to relocate the program office to the contractor's site. What are your expectations for co-location of the PM to the contractor's site? (SEA-91)

(NAVSEA) Mr. Douglass's memorandum of 1 October 1996, Policy for the Collocation of Department of the Navy Program Management Teams, states Navy policy for geographic collocation with the prime contractor for management of major programs during critical program phases to the maximum extent possible. This memo also encourages other than ACAT I programs to consider the potential benefits of collocation. Program managers, in concert with their associated PEO and SYSCOM are responsible for determining suitability and associated resources for collocation.

8.   We have heard a lot about what is working well with acquisition reform. Would anyone like to discuss what is not working, and why?

(ASN(RDA)ARO) One initiative that has the potential for large cost savings is CAIV (Cost As an Independent Variable). While OSD and Navy support

the concept, this initiative has been slow in developing adequate guidance and tools for the program office. We are working hard to accomplish our goals in this area but we still have a long way to go. Similarly, we would like to improve our record for training in the broad range of reform initiatives, particularly Integrated Product and Process Development. In general, the workforce has been superb in embracing reform in the way they do business, so while we have been slow to accomplish some initiative objectives, we believe that it is all working well.

9. **To implement some of these ideas, have you seen large expenditures at this time, which should decline in the future? (DCMC)**

(ASN(RDA)ARO) There is no question that some of these initiatives require a larger up-front expenditure of funds - particularly IPPD. In some cases COTS may require a larger total expenditure over the life cycle due to technology changes that will occur during the life cycle, as compared to maintenance-oriented focus during the life cycle for MILSPEC.

10. **When you talk about empowerment, how far down your chain are you willing to empower? Is this commitment by management true or just lip service?**

(ASN(RDA)ARO) Mr. Douglass is fully supportive of empowerment and has demonstrated this commitment by his actions. For example, where two previous ASN(RDA)s retained the Milestone Decision Authority for ACAT III programs and delegation had to be requested, Mr. Douglass has explicitly delegated all ACAT III programs to the PEOs, SYSCOMs, or DRPMs. In addition, Mr. Douglass specifically directed that SECNAVINST 5000.2B contain in it the opportunity for ACAT IV MDA to be delegated even further to the Program Manager. These are just two major examples of his "walking the walk" not just "talking the talk" of empowerment.

11. **How do you define and use the term empowerment? (SPAWAR)**

(ASN(RDA)ARO) Empowerment essentially means that decision making should be driven to the lowest possible level commensurate with risk. To be effective, the empowerment decision must be one that is backed up with authority, responsibility, and resources.

12. **The SPI management councils were set up to bring Acquisition Reform to existing contracts. What do you believe is the long-term future of these councils? Do you believe that they will be discontinued or will they evolve into a permanent management tool? (SPL)**

(ASN(RDA)-ARO) To date, the primary role of management councils is to review SPI concept papers submitted by industry and determine whether

or not the government can benefit from their approval and execution (in terms of cost savings / avoidance). Management councils consist of government and service representatives that are subject matter experts in contracts, legal, regulatory, and technical disciplines. For this reason, DCMC would like to use management councils as a permanent forum for analysis of a variety of business management practices.

13. **Is anyone addressing how DoD initiatives such as Cost As an Independent Variable (CAIV), Open Systems, and Robust Design can be integrated in IPPD and used by IPT's? (Georgia Tech Professor)**

(ASN(RDA)-ARO) Program Managers are including these initiatives as requirements in the solicitation that will need to be addressed in an integrated fashion by the contractor in his proposal and in his subsequent post-award contract execution of IPPD using IPTs. The Government will not dictate how these initiatives will be implemented in an integrated fashion by contractors, but will rather allow contractors flexibility for accomplishing the intent of these initiatives according to their own internal processes.

14. **One way to make systems affordable is to design them as Open Systems, that is, systems that are robust, modular, and adaptable to changing environments. Could you share with us your mental model of an open system? (Georgia Tech Professor)**

(NISMIC) "Open Systems" describes both a technical and business approach to developing and procuring systems to meet operational requirements. As a technical approach, open systems utilizes standard interfaces between system components to allow interoperability between components and isolation of functionality to enable modularity. This modularity and interoperability are key to the adaptability and extensibility of the system to respond to changes in operational requirements resulting from emerging threats or new operating doctrine. As a business approach, open systems allows multiple vendors to provide system components which may be assembled into higher level systems to meet particular mission requirements. As new technology enables certain components to be replaced with more economical or better performing components, the open systems design minimizes the system wide impact of the replacement, which lowers the cost of the upgrade. Use of an open systems approach facilitates competitive procurement of adaptable and extendible systems and system components. Further information on the Department of Defense Open Systems efforts may be found on the Open Systems Joint Task Force homepage (http://www.acq.osd.mil/osjtf/).

15. **What do you see as the next emphasis in Acquisition Reform? (SPAWAR)**

(ASN(RDA)ARO) We've made a great deal of progress in developing new ways of doing business.   IPTs, IPPD, CAIV, COTS and contracting innovations are just a few that comes to mind. The next emphasis should probably be a well-developed training program for the initiatives that have been set in motion thus far. Of course, there are many new AR ideas on the drawing table, but we believe it is vitally important to adequately train and establish tools so that the workforce is able to intelligently apply the initiatives currently "in play."

16. **Will outsourcing and other reforms result in more emphasis on contractor-managed logistics than on civil service run programs?**

(ASN(RDA)ARO) Certainly outsourcing has the potential to direct more emphasis on contractor-managed logistics, however that logistics decision must be made on a careful life cycle cost analysis. We don't see where other reforms will necessarily affect contractor-managed logistics versus civil service run programs.

17. **Visibility of government facilities and capabilities has always been lacking. With the current Internet technology, could there be a central data center where one could search for this kind of information? This would help in reducing duplication of efforts and minimize cost by utilizing existing government facilities and capabilities. (SPL)**

(ONR) The DoD In-House RDT&E Activities Report provides information on mission, major programs, facilities and resources for DoD RDT&E activities.   This report is updated annually and may be found on the DDR&E WebSite for Laboratory Management Reports at: **Error! Bookmark not defined.** / projects/docs.html.   Additional information on the DoD laboratory community may be found at the LabLink Website for the DoD Laboratory System at: http://www.dtic.dla.mil/lablink/index.html.

18. **Recently I had seen policy memorandums regarding "Evolutionary Defense Acquisition."   What is meant by evolutionary defense acquisition and what should I be doing differently in my job?**

(ASN(RDA)ARO) As provided in the DoD Deskbook, Evolutionary Defense Acquisition, "the evolutionary model is characterized by the design, development, and deployment of a preliminary capability using current technology that includes provisions for the evolutionary addition of future capabilities as requirements are further defined and technologies mature. Evolutionary Defense Acquisition (EDA) combines and collapses the EMD and Production phases through maximizing the use of proven state-of-the-art technology and concentrating on manufacturing concurrent with design development.   The EDA strategy differs from the incremental program

strategy in that the total functional capability is not completely defined at inception, but evolves as the system is built. This model offers an alternative to the traditional model for those programs not requiring a leap in technology, where the design process includes technology maturation, and where a program can make use of an interim solution with successive upgrades." This strategy shouldn't cause you to necessarily do anything different, only that you might consider this approach when crafting the acquisition strategy for a program.

19. Do you see a greater partnering with industry in the future, and if so, do you see an effect on competition?

(ASN(RDA)ARO) We believe that the future will bring more open, candid relationships with our industry customers. The laws surrounding competition will always be complied with, and we will develop our partnering relationships within the context of those laws. Pre-award relationships will change as will post-award relationships, but we don't believe those relationships will be a factor in whether or not competition is increased or decreased.

20. What actions have been taken by customer activity System Commands (NAVAIR, NAVSEA, etc.) to get the word down to their field activities to get on board with acquisition reform? Specifically, acceptance of commercial contracting, supporting performance based contracting, and providing information to support past performance databases. Headquarters personnel and ACAT Program Managers may be on board for new concepts but that mindset may not be reaching the lower levels.

(NAVAIR) AIR 2.0 has provided the BRTRC training packages to all NAWC sites to use for training. The BRTRC training addresses commercial contracting and past performance. Within AIR 2.0, each department provides internal training by senior contract specialists and contracting officers on topics such as performance based contracting. The NAWCs, as departments within AIR 2.0, provide internal training to their personnel whom, in turn, should be a resource to their IPTs on these topics. NAWC WD has recently offered their personnel training sessions on performance based contracting and performance based statements of work.

AIR 4.10 has the lead on past performance within NAVAIR. AIR 2.0 addressed past performance to a limited extent in source selection training given at all field activity sites in the past year. NAVAIR, AIR 4.10, is implementing past performance data collection under CPARS in phases for contracts $5 million and over. IPT personnel will be given training by the PEOs and competencies when data collection is begun for their program's contracts. Data collection for contracts under $5 million is on hold pending the outcome of the DoD overarching IPT on past

performance. Representatives from two of the three NAWC field activities are participating in that IPT.

(NAVSUP) All Services are placing increasing emphasis on applications of AR to the non-ACAT environment.   Within Navy, all SYSCOMs helped develop and are participating in the standard training tool, "Performance-Based Requests for Proposals' (PBRFP) to indoctrinate all field personnel. All Syscoms have also made "Turbo Streamliner" a part of this year's training plan for all acquisition personnel. We, at NAVSUP, are publishing this information to our activities through our newsletter, The Streamliner, and we've had on-site visits discussing these issues. We also set up an ARO email mailbox so that people can contact us directly with specific questions and concerns relative to the various AR initiatives.

(SPAWAR) The past two Acquisition Reform Days (31 May 1996 and 19 March 1997) are strong proof that actions are being taken to "get the word out" about the changes of Acquisition Reform. In addition, in SPAWAR (and I believe other Commands) there has been a concerted effort in educating the workforce on an ongoing basis. For example: there are numerous videos on key topic areas, Local Area Network tools, such as, the Defense Acquisition Deskbook, training modules etc. and also various Internet homepages of OSD, Acquisition Reform Office, and individual SYSCOMs. All have acquisition reform topics/information to better train the workforce.

Another change that has occurred recently is the requirement imposed on all Acquisition Corps members mandating 40 hours per year of training related to acquisition reform. This enables the workforce to stay current on acquisition reform changes.

(NAVSEA) NAVSEA's participation in the first AR Day allowed our field activities to focus on training and awareness of acquisition reform initiatives. As a result of AR Day surveys received from the field, we have been able to kick off an aggressive AR Pilot Field Training Program to provide the field just-in-time training in acquisition reform related topics on an as needed basis. This AR Field Training Program allows the field to receive training when and where they need it and to provide training on specific topics of their choice. This training includes such courses as commercial contracting, performance based contracting, and past performance. This also allows us to reach the lower working levels and respond to their questions/concerns regarding acquisition reform.

(NAVFAC) NAVFAC is (and has been for a number of years) using the Performance Evaluation Databases, maintained by the Army Corps of Engineers (COE) for DoD and other Federal Agencies, for architect-engineer and construction contracts. This year NAVFAC implemented the

use of the DoD database for facilities service / supply contracts. NAVFAC has been recognized by OMB as a leader in performance based service contracting (PBSC) methods and training. NAVFAC has developed Guide Performance Work Statements (GPWS), which include performance work statements and quality assurance plans. The GPWS are continuously updated with data from the field activities, incorporating lessons learned and new approaches. NAVFAC field activities are using FAR Part 12, Commercial Contracting procedures when they are appropriate for services / supplies; however, construction and architect-engineer contracts are procured using procedures in FAR Part 36, which incorporate commercial industry practices. In addition to providing training, NAVFAC has a quarterly newsletter and utilizes policy memorandums to implement acquisition reform.

21. **What has been/will be done to emphasize that AR initiatives reach far beyond "contracting"? Do you feel the message is being heard?**

    (ASN(RDA)ARO): We believe that the AR message is one that is much more inclusive than just "contracting" and that that message is evident simply by evaluating the website of the Navy's Acquisition Reform Office. A casual perusal of that website will reveal that contracting initiatives are only a very small part of the major reform activities ongoing. The message is being sent, how it is being heard will be a function of the listener.

22. **How do you prepare an Independent Government Estimate?   What is required under the new Life Cycle Management document SECNAVINST 5000.2B of 6 Dec 1996?**

    (NCCA) I presume the first question is a technical, how-to question. To prepare an Independent Cost Estimate (ICE), we first meet with the Program Manager to get a Cost Analysis Requirements Description (CARD). This document establishes the baseline parameters for the system to be estimated.   Our estimators then use parametric cost estimation techniques to develop a life cycle cost estimate from R&D through disposal. This usually requires continual interaction with the Program Office and often the contractors to ensure we stay up with program developments.   During the final phases of preparing the estimate, we begin a reconciliation of our estimate with the Program Office Estimate (POE) to see where discrepancies in the costs exist, confirm that both estimates are based on the same assumptions, and either resolve or document differences.   Upon completion of the documentation, both estimates are presented to the decision-maker for the system. Usually, though not always, the reconciliation process has brought the POE and the ICE to within reasonable agreement.

Under SECNAVINST 5000.2B, an ICE is required for all Acquisition Category (ACAT) I programs. For ACAT ID programs, the OSD Cost Analysis Improvement Group (CAIG) prepares the ICE. For ACAT IA programs, OSD delegates the ICE responsibility to us. In the 1996 Appropriations Act, Congress allowed the ICE for ACAT IC programs to be prepared by the Service cost agencies. We will be doing those for Navy programs and those joint programs with Navy lead. For non-major programs (ACAT II and below), we will be participating on Integrated Product Teams (IPTs) to add the non-program-management-chain cost professional perspective to the development of the POE. The new instruction also set us up as a reviewer for ACAT ID Contractor Cost Data Report (CCDR) plans, and the approval authority for Navy ACAT II CCDR plans. POC for response is: Fink-John@ncca.navy.mil.

23. **"With the continued mergers in the aerospace industry, we will see less competitive pressure to influence contractor performance. At the same time, the outsourcing trend & general DoD laboratory downsizing will continue to result in a less-capable, less-deep civilian force, able to ensure that contractor technical performance will result in fleet-appropriate products & value for the acquisition dollars. Where will DoD draw the line on DoD laboratory downsizing & outsourcing to ensure that this critical capability will be retained?"**

   (ONR) This issue is being addressed by the highest levels in DoD and the Navy through a number of initiatives including the QDR and PR-99. Determining Navy laboratory downsizing and outsourcing levels is an ongoing process which still has a way to go before final conclusions are reached. In developing the level and balance between in-house resources and contractor support, the Navy is strongly committed to maintaining a viable technical core capability to effectively accomplish the Navy's mission.

24. **Is any legislation being proposed to remove the appropriation barriers and enable DoD to better achieve the budgeting and execution efficiencies, of the private sector?**

   (ASN(FM&C)) Not to my knowledge; nor would I expect any such proposal to succeed. If anything, Congressional committees frequently desire more, rather than less restrictions on our budget.

25. **I would like to know how acquisition reform could put emergent technology quickly in the hands of the Sailors or Marines? Do you have any examples?**

   (SPAWAR) Acquisition reform is putting emergent technology into the hands of the Fleet. SPAWAR is moving to using Commercial Off The

Shelf(COTS)/Non-Developmental Item(NDI) Hardware (e.g. PCs) instead of the traditional approach of Military Standard Hardware. This has resulted in a significant shortening of procurement time to buy, great savings in support costs and the ability to provide state-of-the-art hardware to the Fleet. Examples of programs which have used COTS/NDI are PD 18's Fixed Distributed System, an ACAT I program and PD 17's Mini-DAMA.

26. **Can anyone tell me if we have had any real saving due to acquisition reform and if so what happened to the money?**

    (ASN(RDA)ARO) Acquisition Reform has resulted in cost savings and cost avoidance. Most often, the benefits of reform actions have been in the cost avoidance category, but there have been documented cases of cost savings. Those savings have been plowed back into the Navy budget and reallocated to other priorities during the budget development process. We are currently working with ASN(FM&C) to evaluate the possibility of returning some portion of a program's AR savings as a way of incentivizing AR.

27. **Will anyone bother to "measure" the "success" of acquisition reform? If so, how will the "success" of acquisition reform be measured? What is the baseline against which the measurement will be made? It cannot simply be measured against past DoD expenditures, because that is decreasing without acquisition reform.**

    (ASN(RDA)ARO) We are currently working with an OSD working group to identify appropriate metrics to measure progress in implementing acquisition reform. The baseline against which measurements will be taken will be appropriate to the metric, and measuring against past expenditures may be a valid measure as long as "fact of life" budget changes are factored out.

28. **What are the current AR Pilot Programs and what are the associated estimated savings?**

    (NAVSEA) The five Defense Acquisition Pilot programs nominated in December 1994 include the Joint Direct Attack Munition (JDAM), Fire Support Combined Arms Tactical Trainer (FSCATT), Joint Primary Aircraft Training System (JPATS), Commercial Derivative Engine (CDE), and the Non-Developmental Airlift Aircraft (NDAA). JDAM is a joint Air Force / Navy program that employs commercial practices and regulatory / statutory relief. Pilot program status is on the DoD AR homepage at www.acq.osd.mil/ar/pilot.htm.

29. **What successes have you seen regarding Cost as an Independent Variable? (SPAWAR)**

    (NAVSEA) Many programs are claiming to have implemented CAIV, yet without an analytical database that can associate requirements to costing, implementing CAIV becomes difficult. A recent program at NAVSEA, the procurement of the Coast Guard Polar Icebreaker program, was able to implement CAIV only after issuing a solicitation and finding out the program was unaffordable. A team then reevaluated and identified requirements that were cost drivers. By eliminating or reducing the requirements that were cost drivers allowed them to award the contract for approximately $100 million dollars less than the initial bids. You can find more information on this program and others who have successfully implemented CAIV in Turbo Streamliner at the Acquisition Reform website (www.acq-ref.navy.mil).

30. **We hear a lot of qualitative claims for the benefits of acquisition reform but have the benefits been measured quantitatively? Are there metrics for measuring saving? For example, the number of MILSPECs has been significantly reduced, but, on average, how much is saved in development or procurement costs per MILSPEC eliminated?**

    (ASN(RDA)ARO) For some programs, we have obtained quantitative measurement of the cost savings or cost avoidance of acquisition reform. Those savings or avoidance have not been specifically ascribed to one reform action or another since the programs have several reform actions occurring at the same time.

31. **Has acquisition reform reduced the number of program office personnel? Thus, by inference, the PM's workload? If so, what are the savings?**

    (ASN(RDA)ARO) We have no service-wide data on this metric that would show a cause and effect relationship. However, some program offices have been purposely structured in a very lean manner; LPD-17, for example, has less than 20 people in the program office.

32. **Has acquisition reform reduced the number of contractor personnel engaged in program management functions? If so, what are the savings?**

    (ASN(RDA)ARO) We have no data on this metric. Anecdotally, it would seem that as we replace contractor oversight with contractor insight and IPTs, we should see a comparable reduction in contractor personnel whose purpose was to prepare for and respond to that oversight.

33. **Have large teaming efforts been effective? If not, what is being done to limit the sizes of teams to be more effective?**

   (ASN(RDA)ARO) We have very broad success in the application and use of IPTs. The size of the IPT is dependent on the task and should be so tailored.   There is no guidance on size limitation.   The program management team should determine the appropriate size of the IPTs they establish by careful evaluation of which stakeholders are appropriate.

34. **Employees are already serving on IPTs without specific training. Is this as planned? If not, when is training planned and who is responsible to conduct?**

   (ASN(RDA)-ARO) As the Department of the Navy embraces new ways of doing business, training and education are paramount to successful adaptation and utilization.   IPT Training is coordinated through the Systems Command structure.   The Systems Commands have taken different approaches.   One command completed 100% initial team building training of individuals and is currently moving through a second level of team building.   Another command has taken the "just in time" approach, offering special training sessions when an IPT is formed. All of the commands offer the opportunity for individuals to participate in specific classes throughout the year as part of their individual training plans. Ultimately training and education is the joint responsibility of the organization and the individual.

   We are discovering that team building is necessary but not sufficient for long-term effective team performance. The team must learn, grow and develop as a team. Team development becomes the responsibility of the team and local organization. To ask who is going to provide IPT training is perhaps the wrong question. When a team is formed, the decision for what team training is needed and how it will be provided should be made by the local organization working in conjunction with the team.

35. **Will the agreements reached by IPTs be contractually invoked? If so, how? If not, why not?**

   (ASN(RDA)ARO): There is no policy on this matter, nor should there be. This is a subject that is unique to each program. Where it is necessary to contractually invoke an IPT agreement, it should be done.

36. **What actions are being taken to assure the IPTs formed and operating during the detailed design phase (prior to the award of the construction contract) do not unwittingly decide on processes and procedures that gives one potential contractor competitive advantage over another?**

(NAVSEA) The question as posed (ie., detail design phase prior to construction contract award) infers a Build-to-Print procurement approach. NAVSEA does not endorse build-to-print design. NAVSEA now advocates Performance Based Specifications which gives the contractor much greater flexibility in detail design of a ship or system after contract award and avoids giving a competitive advantage. However, most ship construction programs are like the LPD 17 program with detail design and construction of the lead ship in the same contract. In this arrangement, processes and procedures developed by IPTs during detail design would optimize production efficiency for the shipyards that won the detail design and construction contract. In the case of the LPD 17 procurement, to avoid one potential constructing shipyard to have a competitive advantage over another, the Program office paid for one representative of each competing shipyards to be on-site IPT members in the contract design phase (prior to the award of the construction contract). The LPD 17 program office also invited all potential offerors to participate in Team 17 IPPD training. Furthermore, the statement of work included notional IPPD structure and required the potential offerors to develop an IPPD plan consistent with its corporate structure management experience, and teaming arrangements with its subcontractors/vendors.

In general, information available from requirements determination or design concept IPTs should be made available to all prospective industry bidders. Any generic IPPD approach, no matter how well thought out it may be, will not be able to achieve results unless it is tailored to the specific requirements of the program, participating government activities, and contractors. The Navy intends to define the government's rules of conduct for teaming with industry during the requirements determination phase. Pending availability of this guidance, each Command should consult with their legal advisor on prospective contractor involvement on such IPTs to preclude unfair competitive advantages.

The Federal Acquisition Regulations (FAR) provides us with legal restrictions to prevent an unfair competitive advantage when awarding contracts. For example, "If a contractor prepares, or assists in preparing a work statement to be used for competitively acquiring a system or provides material leading directly to such a work statement, that contractor may not supply the system, major components of the system, or the service unless: (1) it is the sole source; (2) it has participated in the development and design work (3) more than one contractor has been involved in preparing the work statement."

37. **Can a member of an IPT commit constructive changes to the contract when performing his/her duties? Explain.**

(ASN(RDA)ARO) No. Our contracts have always been very clear on this matter.   Where a contractor feels that he or she has been given a constructive change to a contract, they must confirm that change in writing through the ACO or PCO.

38. **AR initiatives are affording us to think creatively and to think outside the box. Many programs have been successful in embracing the AR initiatives but it becomes harder and harder to take advantage of them as the programs mature and as we see fewer development efforts. AR Days help get the word out like Turbo Streamliner and can be effective but the real challenge is to change horses in mid-stream without endangering products and services to the fleet. What other initiatives does ARO have planned to help us to encourage the old dogs to learn new tricks while maintaining focus on the fleet as our customer? (C. Stelloh-Garner)**

(D. Porter) The heart of that question is how are we treating re-procurement? You must be aware that when we went through the reprocurements we set them aside for new buys. We decided to use mil-specs and standards that you would actually have to wave them in. But we did not do that for the reprocurement side of our business. Frankly, we have had two stalled attempts at trying to work out a policy on how we would do that and not incur more expense in breaking into technical data packages than we might gain by the reforming procurement of particular articles.

(RADM Huchting) I think that in the last couple of years we have had stellar success in joint areas for the single process initiatives. We found that instead of giving back money to the government we got more product. The next challenge is that we need to help our contractors to get from their supplier so that we don't have conflicting requirements and thus reduce the costs.

(D. Porter) I want to foot stomp what George said. That was the one thing that we were able to come up with, as a technique to really get at was the single process initiatives. Although it was originally designed to work across boundaries between the services it actually is a very effective way to reduce costs even when you have conflicting specs and standards within a program. Although we have relieved the prime contractor by the use of performance based terms, prime contractors have not done the same thing with subcontractors, which has become a rub in the single process initiatives.

39. **I would like to see a discussion of the rules of the Best Manufacturing Practices (BMP) as fitting in with ACE and Acquisition reform. (B. Harper- Computer Sciences)**

(Secretary Douglass) It does fit in with Acquisition Reform and ACE. It is something we would like to capture in the ACE. It also brings up an interesting point about the way that we do business in the Navy. We don't have any way in the Navy acquisition community to sponsor programs like this. The sponsorship for the Navy acquisition programs comes from OPNAV. The money for ACE, MANTECH, and training for acquisition people should be sponsored with the acquisition side of the house by the Navy.

40. With major transitions in OSD and DOD this summer do you see any loss in acquisition reform. (Industry)

(Secretary Douglass)   I hope not.   I know that the new Secretary is dedicated in this.

MISCELLANEOUS

1. **Unlike the FAR and the DFARS, it is very hard to find current version of the Navy Acquisition Procedure Supplement on the Internet. (NRL)**

   (ASN(RDA)-ABM) . I agree—we are working to improve the situation. We will issue an entire updated NAPS this summer. It will be posted and maintained current on the ABM Internet Home Page [www.abm.rda.navy.mil]. It will also be included in the Defense Acquisition Deskbook (DAD) in the first DAD update after the updated NAPS is approved.

2. **How can you obtain the CD-ROM's that Mr. Porter discussed? (AEGIS Combat System Center)**
   Provided phone numbers for ARO Office, 602-0136, -0263, 5506, 5508)

3. **For the next Acquisition Reform Day, can you include all DoD? Many other agencies may have the same questions, initiatives and ideas. (DCMC)**

   (ASN(RDA)ARO) In a sense, this is one of the primary objectives of the DoD Deskbook. This tool is designed to reflect the sage advice and lessons learned from all DoD agencies so that all readers, regardless of activity, can benefit. Including all DoD agencies in our Virtual Town Hall would be unmanageable. Also, our objective is to connect the DoN workforce with DoN acquisition leadership. Anyone is able to observe and listen to our Town Hall, and through the increasing website connectivity of all organizations, there is a vastly improved transmission of information.

4. **Multiple web sites have been mentioned. Will a list be provided? (Naval Medical Information Management Center)**

   (ASN(RDA)ARO) The Navy Acquisition Reform Office website - which is at www.acq-ref.navy.mil - has a fairly complete list of relevant websites that are just a mouse click away.

5. **I am really interested in the metric issues. How do we get our hands on some of this information so we can pass it on? I am aware of some Army and Air Force information. We could like these sites at the DoD level. (Naval Medical Information Management Center)**

   (ASN(RDA)ARO) The DoD sites that might be helpful in this area are available as links at the Navy Acquisition Reform Office website - which is at www.acq-ref.navy.mil.

6. **How is ISO-9000 so different from MIL-Q present requirements?**

    (NAVSEA) The individual requirements are not significantly different. As a total requirement MIL-Q-9858 provides a list of quality system requirements while the ISO-9000 series provides a structure or template for a quality management system. The term Quality Management System is defined in such a way that the key word is "management" not "quality". The management system structure of ISO-9000 can and is used in areas outside of quality such as environmental controls. The goal is for enhanced processes leading to improved product quality rather than the traditional MIL-Q inspection / corrective action environment.

7. **Is ISO-9000 going to be required in all new acquisition or overhaul contract?**

    (NAVSEA) Current Navy guidance is to not require a specific quality standard, but allow the contractor to propose their own quality system. In evaluating a contractor's proposed quality standard, the tenants of ISO-9000 are normally used. NAVSEAINST 4855.33 of 19 Feb 97 defines NAVSEA policy on the use of ISO 9000 in NAVSEA programs.

8. **If MIL-Q is dropped in favor of ISO-9000, will the invoking contracts be modified to add any special provisions? Who will determine the content of any such special provisions?**

    (NAVSEA) - MIL-Q-9858 was canceled in October 1996. The tenants of ISO-9001 are being used as the minimum acceptable requirement. Existing contracts will not be modified to add any special provisions; however, both the government and contractors are encouraged to identify any process changes that may streamline requirements and/or reduce costs while maintaining appropriate quality.

9. **Will the development of single process initiatives require reorganization of DCMC or SUPSHIP Project Offices and departments?**

    (ASN(RDA)-ARO) No. Each organization that is involved in SPI has designated key personnel to manage SPI activity. Since SPI management is considered a collateral duty in most project offices, it does not warrant internal restructuring or reorganization.

10. **The single process initiative is generally thought to be applicable to large manufacturing firms that often have dual processes for government and commercial requirements. To what extent is this initiative applicable to providers of logistics or other types of services?**

(ASN(RDA)-ARO) It is important to realize that participation in SPI is not limited to companies that produce products as a rule. SPI concepts can result from any measure of support (logistic or service) associated with the delivery, storage, inspection, or accounting of government procured goods and services.   Some examples of areas that logistics and service providers can readily participate in SPI are: packaging and handling requirements; shipping; business practices; configuration management; environmental; and cost data reporting.

11. What successes have you seen regarding Single Process Initiatives?

(ASN(RDA)-ARO) SPI successes can be measured in a number of ways to include, increased industry and government participation levels, savings (current and future), cost avoidance, and top level management support of this initiative. The numbers indicate that industry continues to increase its participation in SPI, buying activity awareness of SPI has increased, significant savings are being realized, and top level management support has not wavered.   Additionally, SPI is still at the forefront of current DoD acquisition reform initiatives.   The cumulative affect of these factors represent an appreciable step towards improving DoD's overall business and acquisition practices.

12. What are the most significant lessons learned from the Single Process Initiative?

(ASN(RDA)-ARO) SPI successes can be measured in a number of ways to include, increased industry and government participation levels, savings (current and future), cost avoidance, and top level management support of this initiative. The numbers indicate that industry continues to increase its participation in SPI, buying activity awareness of SPI has increased, significant savings are being realized, and top level management support has not wavered.   Additionally, SPI is still at the forefront of current DoD acquisition reform initiatives.   The cumulative affect of these factors represent an appreciable step towards improving DoD's overall business and acquisition practices.

13. When using Performance Based Specs, what actions are being taken to minimize the negative impact of having multiple contractors meeting similar contractual requirements in multiple methods creating substantial Navy-wide ILS impact?

(ASN(RDA)-ARO This is a fundamental paradigm shift that is inescapable with performance based specifications.   Functionally, the program manager must consider ILS as one of the performance requirements. So, support concepts for acquired systems must be determined prior to performance based solicitations being released to industry. For example,

an option in using a performance-based spec is to require the contractor to support the item for some period of time. This will permit the program manager to select the best contractor approach based on life cycle costs. The Army for example is considering contracting all the maintenance actions for the Apache helicopter. Keep in mind that many facets of our traditional methods of ILS are no longer cost effective for a wide variety of reasons. In many cases, market dynamics preclude us from obtaining parts built to a detail spec.   The object of performance based acquisitions is to allow us to maintain a pace with the commercial market and use those dynamics to our advantage.

14. **Our engineers and quality assurance managers have expert knowledge of MILSPECS. They do not have expert knowledge of commercial specs. We anticipate that they will be much less efficient and effective at doing their jobs under reformed acquisition contracts for this reason. If you agree, what actions should be taken to mitigate the impact and who should be taking them? If you disagree, why?**

(ASN(RDA)-ARO) It's time to revise our thinking on the role of our engineers and quality assurance managers. The engineers need to think in terms of the ability of a commercial product to meet the performance requirements that have been established. So, the issue is one of verifying that performance is met - keep in mind that a performance requirement is matched with a verification requirement. The quality assurance managers must parallel this thought process on verifying that performance was met. From a quality perspective, there is no functional difference between the commercial spec and the military spec. In both cases the manager must be able to quantify performance relative to an established benchmark - whether that benchmark is established in military specification or a commercial specification is irrelevant.   Consequently, once one has a clear understanding of the performance requirements of a system, sub-system, or even component, "expert knowledge" of mil specs is no longer an issue.

15. **How have Specification and Standards Improvement, in general, and the elimination of MILSPEC/MILSTDS, in particular, affected standardization efforts at DLA? Are there more sole source items, or more NSNs?**

(ASN(RDA)-ARO) DLA participates in the standards improvement world at the same levels as the services. Consequently, their policies mimic those of the Navy, Army, Air Force. At the spares level, they struggle to purchase to performance requirements wherever possible.   Performance is established at the form, fit, function, and interface levels.

16. **Given that a basic premise of Acquisition Reform is that the DoD will provide performance specifications to the contractor vice detailed**

specifications on how to build, what is the role of the DoD in Science and Technology development when S&T and Acquisition are viewed as separate processes?

(ONR) Science and Technology is a component of the overall Research, Development and Acquisition process, as opposed to a separate process. Science and Technology as an integral component of the overall acquisition process is emphasized in the ASN(RDA)'s Strategic Plan.

Science and Technology output has a number of transition routes; a) directly to the Fleet via NTIP, b) through the SYSCOMs and PEOs for acquisitions , and c) through industry and back to the SYSCOMs and PEOs. It is this latter route which impacts the question. Industry, which exhibits a drastic decrease in Science and Technology investments of its own depends on the DOD S&T investment. Industry benefits from this investment so that when an acquisition PEO issues a performance specification in a contract, the contractor has the ability to provide the specified product. To quote Norman Augustine, CEO of Lockheed Martin Corporation "We must continue to invest in DOD research to provide options to meet the threats of the future".

Bottom line..... It is DOD S&T which provides the rest of the acquisition community with the option to issue performance specifications that have any chance of being met, and it is DOD S&T which provides industry with the capability to respond to these performance specifications.

17. **Should Program Managers prepare performance specifications for the system's lowest replaceable units (e.g. circuit cards, power supplies, monitors, etc.)? This would allow the supply system to compete for sole source items.**

(ASN(RDA)-ARO)   The intent of acquisition reform is to prepare performance requirements to the greatest extent feasible.   Ideally, all LRUs would be acquired to performance specifications. The program manager is responsible for making the decision on the extent to which performance   requirements are applied based on the business case for life cycle costs. None the less, using performance requirements is not a rationale for sole source contracting. If the performance requirements are well stated, several different contractors should be able to compete for the business and provide interchangeable components.

18. **Throughout the reform process there has been made available a status listing of the disposition, revision, new application, etc. of the MIL-STDs/MIL SPECs. Is there a status listing available on the net/web that we can check on any changes to the FARS/NFARS having resulting or planned due to the acquisition reform process?**

(ASN(RDA)-ARO) We are not working on any such a listing.

19. Do any of the mandatory DAWIA courses incorporate any of the acquisition reform initiatives?

(DACM) Yes. All DAWIA courses undergo regular maintenance and update to incorporate changes in regulations, processes, and procedures. In addition, new courses are added as needed, primarily as "assignment-specific" courses. Acquisition Reform initiatives have been incorporated into mandatory "core" courses, such as Intermediate Systems Acquisition (ACQ 201), into new functional area courses, such as Intermediate Systems Planning, Research, Development, and Engineering (SYS 201), and into assignment-specific courses such as Defense Specification Management Course (PQM 103) and Integrated Product and Process Development (SYS 211).

20. Is there data supporting the value of conducting mandatory training of the existing acquisition workforce? If so, please share some with us. If not, why not?

(DACM) The Defense Acquisition University conducted a graduate/supervisor survey during the summer of 1996. Over four thousand students and over one thousand supervisors were interviewed, and a report was issued in September of 1996. Here are some of the results of that survey:

> Question (to graduates): Do you think the course you took at DAU was a useful course? Over 90% of the students responded yes, with comments such as "broad overview and good foundation" and "gave me fundamental techniques to apply directly on the job upon return from class."

> Question (to supervisors): Is your employee noticeably more knowledgeable or confident in his/her current work assignment? Almost 60% of respondents answered in the affirmative, with comments such as "There is a vast difference among those who have gone to training and those who have not had these courses." Supervisors who answered "yes" to this question generally said that their employees demonstrated a greater understanding of their job responsibilities and needed less supervision.

> Question (to graduates): Did this training result in government saving money?   Over 57% of respondents answered yes, with comments such as "The things I learned have saved the government over $12,000 on the last contract I was involved in." Graduates who

answered positively stated that, after the training, they were more knowledgeable and more efficient in their jobs and this would save the government money in the long run.

Question (to supervisors): Is there any evidence that courses improve the acquisition/decision process? Over 75% of respondents answered yes, with comments such as "Performing a life cycle costing study on a system. It may have saved us 50% of the original cost. She was able to do this by finding an alternative system learned from class." Many supervisors emphasized that their employees had obtained valuable skills which save the government money.

Over the next 18 months, the DAU will be conducting another formal study of the value of training to the business process. Results of that study will be made public. Further information regarding the DAU can be obtained at their web site, http://www.acq.osd.mil/dau

1. **What actions have you taken to provide incentives for the Program Managers for implementing AR? For example, there was discussion of allowing PMs to retain a percentage of the program dollars saved versus having all the savings taken away through the budget process. What is the status of this? (SPAWAR)**

(ASN(RDA)-ARO) A recent example of incentives being provided to program managers to implement AR is the Commercial Operations and Support Savings Initiative (COSSI) which is part of the Dual-Use Applications Program. Congress made available $100M in funding to reduce DoD O&S costs by inserting commercial products and processes into fielded military systems. We competed with the other Services for these funds and were successful in getting 14 DoN projects funded for a total of $43M. Projected O&S savings for these projects over the next 10 years are expected to reach $2B.

2. **When risk management is discussed, there is the perception that program managers could have their careers destroyed for taking risks in a program and not succeeding even though the risk management techniques used were good ones and the decisions made at that time were good decisions. It's a case of "good decision but bad outcome". What are you doing to encourage your program managers to be risk managers and not risk avoiders? (SPAWAR)**

(NAVSEA) The DON acquisition system is changing. Empowerment, coupled with accountability and responsibility, is placing decision making at the highest program knowledge and experience. The use of teams, IPTs, and IPPD expands risk assessment and analysis capabilities, which improve the level of acceptable risk decision. The SYSCOMs would like

the acquisition management culture of "risk aversion" to change to the acceptance of "prudent risk" as a way of doing business. Our strategy is to provide (1) forgiveness for high-risk failures (failure card) and (2) reward for high-risk successes (monetary/ recognition). Leaders are frequently reluctant to make "out of the box" decisions due to concerns for "Monday morning quarterbacking" after the fact. By their very nature, decisions involving significant levels of risk are not purely objective. Decisions may not be a clear conclusion of objective facts. Therefore, many Program Managers are trying to capture a snapshot of the environment surrounding a decision point; the decision process may help alleviate some of the aversion to taking risk. Since risk decisions are typically a combination of objective analysis, subjective reasoning and intuitive thought, capturing the more intangible circumstances as well as the objective facts of the decision making, becomes essential. While not an easy task, doing this with the IPT Decision Team will create a dialogue and learning situation, which will improve the decision quality. More concrete efforts such as tying innovation and risk taking to performance evaluation, Program Manager selection and promotion are being considered by ASN at this time.

(NAVAIR) Risk Management is an integral part of the overall acquisition process, and encompasses cost, schedule, and performance parameters. We provide a range of tools to the decision-makers to identify, control, report, and monitor programmatic risk. Risk management is regarded as a team process, involving the customer, industry, the laboratories, and the NAVAIR offices responsible for acquisition, contracting, logistics, test, and engineering. Risk definition, identification, monitoring, and reporting are integral parts of good program management, and the program manager is ultimately responsible for the effective management of program risk, as he or she is responsible for a wide range of factors effecting the success of the program. By developing a team approach to risk, identifying and managing risk through a program's life cycle, sharing status reports across the management team, and integrating the various disciplines that impact upon programmatic risk we strive to lessen the surprises which have a negative impact on our programs. Our program managers are encouraged to apply innovative management tools tailored to their programs, to identify any risk associated with these approaches, and to involve the acquisition team in controlling and monitoring risk.

3. **What are your thoughts about delegating Milestone Decision Authority for ACAT IV programs to Program Managers? (SPAWAR)**

"The current acquisition structure calls for individual systems to be developed and bought to meet its own defined set of requirements. This process tends to create stovepipe systems and not promote interoperability within the platform it is installed, much less between

services. What are your thoughts on changing the way that capabilities are bought such that the whole system is taken into account and individual capabilities are integrated in the development phases rather than after the fact. The way I see it, this would necessarily require that this integration authority be given the power of the purse to ensure compliance.

"One of the tenets of Acquisition Reform is to allow mature technologies to not necessarily follow the Milestone process from step one but enter at the level that fits the level of maturity. How is this process implemented through the Joint Requirements Oversight Council (JROC) and Military Communication Electronic Board (MCEB) process for validation?   What guidance has been given when determining where in the milestone process new mature technologies are implemented and how?

BACKGROUND: There doesn't seem to be any change in the roles nor the way these organizations are doing business under acquisition reform. I'm a part of the Joint Warrior Interoperability Demonstration (JWID) team. We sponsor a yearly industry/defense program participated demonstration with the latest technologies from industry and defense R&D.   The technologies demonstrated in JWID 95 (over a year ago) have yet to make it through the Interoperability Improvement Panel (IIP) after being briefed to the MCEB in November 1995. Since then, due to 'warrior pull' some capabilities we demonstrated were fielded to support current operations.

The prime example is a new way to merge and disseminate situation awareness display on Joint Maritime Command Information Strategy (JMCIS) and GCCs called Common Operational Picture that was proven and improved as demonstrated in JWID 94 and JWID 95. The Common Operational Picture software was fielded to support HAITI operations 3 weeks after JWID 94, providing the situational awareness to the theater and the Pentagon at the same time. The updated version was then fielded in BOSNIA operations in spring of 1996 after JWID 95. The IIP was still asking the status of the 1995 software in November of 1996 AFTER the JWID 96 version of the software was validated and decided to be made part of GCCS 2.2 fielded version (currently in use in South West Asia as of December 1996).

"One technology, validated through the JROC process after demonstration in JWID as a military R&D/industry mature technology, was Global Broadcast System (GBS). After it's showing in JWID 95, this technology was put into use by the theater CINCs and the R&D project was ordered to purchase 10 fieldable units in 6 months. The MNS and ORD came later as the paperwork caught up with the fielding.

"Other promising technologies have been out into the same cycle. Some successful as Common Operational Picture (mainly due to being

incorporated into currently funded programs) and GBS; others are still limbo."

(ASN(RDA)ARO)   Mr. Douglass specifically directed that this empowerment tool be included in SECNAVINST 5000.2B. Mr. Douglass recommended that SECNAV sign that instruction without any changes to that specific aspect and it was signed on December 6, 1996.

4. **Being at a field activity there is a delay receiving current information. In addition, our technology is limited in using the latest products. Today is the first time that the SPS is in the final stages and that there is a 5/97 target date. I just wanted to know what that means to the field activities. If someone could expand on the current status on the SPS. Second part of my question is I wondered what steps the SYSCOM, in my case NAVSUP, is taking to ensure that the field activities have access to current technology such as Pentium computers, CD ROM disk drives or even Internet access. (FISC/Puget Sound)**

(RADM Mitchell) (Second half of question) The field activities have set up at NAVSUP headquarters (Bill Mackinson) a worldwide web home page with our latest improvements in the world of reengineering our procurement activities. Filling that page with the current information, we put out the *Streamliner* and we are able to send out the type of information that will address questions that you are asking. Secondly, we want to put that type of technology at the "front lines" to enable you to do a better job. We are committed to getting the type of tools and techniques you need for the years ahead.   The worldwide web page is one of those facilitating technical evolutions to keep you abreast at where we are headed.

(CAPT Ginman) The source selection for SPS is supposed to be sometime in April. There is a plan for it to be implemented across the entire Navy.   I am not sure where FISC, Puget Sound fits in this plan. I will apologize if that information hasn't made it out.   We have held two meetings where we invited all of the activities to review our implementation plan for SPS. If you haven't received this, please contact us to receive this information. ((703)-602-2338)

(Secretary Douglass) Thanks for calling in. You may be surprised or maybe you won't be surprised that I don't think that the video teleconference equipment in my office or my e-mail equipment isn't as good as it should be either. So I agree with you. I feel the same way you do, and I am at the top of the food chain. I am pushing on that. If after some reasonable amount of time goes by and Admiral Mitchell's commitment to get you the equipment you need to do your job doesn't come through, let me know and I will take care of it.