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REPRESENTATIVE MAC THORBERRY DISCUSSES
DEFENSE ACQUISITION REFORM PROPOSALS

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PARTICIPANTS:

Featured Speaker:

THE HONORABLE MAC THORBERRY (R-TX)
U.S. House of Representatives

Moderator:

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P R O C E E D I N G S

MR. O'HANLON: Good afternoon, everyone, and welcome to Brookings. I'm Mike O'Hanlon with the Foreign Policy program and it's my honor to welcome the Honorable Mac Thornberry back to Brookings today for a discussion on defense acquisition reform and, more generally, defense procurement policy. We're glad to have you here.

We're going to proceed as follows: I'm going to give a little bit longer of an introduction of the congressman, and then we will proceed to discuss where things stand in the defense reform and defense acquisition conversation and what he's doing with the House Armed Services Committee in that regard. We'll talk for about 25 or 30 minutes and then look forward to your questions for the second half of the event, up until 2:00.

So, as you know, Chairman Thornberry is the first Texan ever to be chairman of the House Armed Services Committee. He is a longstanding Texan. He's still a rancher in the 13th district. His family has been doing so since 1881. In his tenure in Congress, in addition to his distinguished role as chairman of the Armed Services Committee, he's also had a big hand in issues from the Budget Committee, Select Committee on Intelligence, Homeland Security Resources, in keeping with his Texas roots and interest in the land and in agriculture, as well. And we're just, again, thrilled to have him here today.

In addition to all these other interests, as you know, he's been a major champion in the last year of the broader question of defense acquisition policy and defense acquisition reform and we're going to start with that topic in just a moment. But if you could, please join me in welcoming the congressman to Brookings. (Applause)

So, Mr. Chairman, I just wanted to start big picture and just ask you, taking stock of where we are in March 2016, on the subject, you had a big year last year. The committee, also with the Senate, produced an important bill, a number of reforms, including one giving the services more authority in the acquisition process. But I wonder if you could just take stock of where we are and what's been accomplished. And then, of course, take the next question of what's still to be done and why is this still a priority for you?

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CONGRESSMAN THORNBERRY: Yeah. Short answer: we made a decent start, but there is a lot more left to do. And as we've started this I'd talk about it with some people and, basically, the reaction would be an eye roll. Oh, we've heard that before. And the truth is, it has been an issue, somebody told me, since the Continental Army and George Washington.

So, the question of why are you doing this? Well, a couple of things have changed in recent years. One is the technology cycle is faster than it's ever been and speeding up. Secondly, we have a greater number and more diversity of serious threats than we've ever faced. So the way I explained it to the Rotary Club back home is, if it takes us another 20 years to fuel the next airplane or the next ship, it's going to be out of date by the time it gets there and we will not be able to defend the country.

So the necessity of getting better technology into the hands of the warfighter faster seems to me to be an imperative. And I guess the other thing that haunts me in some ways is, as you know, you look at history and there have been nations that have just missed a major change in warfare and have gone into decline as a result. Now, sometimes that's complacency, sometimes they thought they were doing everything right. They just won the last war. Sometimes the institutional interests prevent change, but yet it's caught up with them at some time.

Now, maybe it'll catch up with us some day, but if I can do anything through the different reforms, whether it be the organizational reform, the personnel reform, or the acquisition reform, to delay that day when we go, then I want to do it. So I think we've made a good start, but we have another year of study, of listening to people, of having on our committee a dedicated team just focused on this. And so I think we have more to do and will be doing more this year.

MR. O'HANLON: So let me begin to go at pieces of this question, one by one. And I know one of the priorities you've got, and you've just articulated, is to speed things up. Could you identify the set of technologies where that's going to be relevant? Do you see that as something that's across the board, even including big ships and vehicles and planes? Or is this more about the electronics guts of different things that we have to be able to replace and upgrade, even as we keep the platform constant? In other words, is the system equally in need of reform for the big platforms, as it is for the electronics, or

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is it more of an electronics-oriented issue with speed?

CONGRESSMAN THORNBERRY: Well, certainly, the electronics is the part of technology that is moving the fastest, but a big ship has lots of components that are electronics. And, as a matter of fact, we had the committee down at Quantico a few weeks ago when we were walking around the F-35, and the pilot of the F-35 says, basically, this is a big flying computer.

And so, what we're trying to do is to allow us to update the technology without having to go through a whole major acquisition program that takes 20 years. Whether we're talking planes or ships, trying to differentiate components versus the underlying platform, separate them out a little bit and make sure that it is designed in a way that the component can be upgraded as the technology allows it to be. And so that is one way you get better technology, more capability fielded faster, without going through the whole multiyear process of fielding a new system.

On average, major defense programs, it takes nine years from Milestone B until they're fielded. On top of that it takes two or three years to do the requirements and the budgeting and the contracting stuff. So just think about that. It takes at least a decade, on average, to get a major defense program into the field for the warfighters. And just think how technology moves. We cannot be satisfied with that.

MR. O'HANLON: Now, as we look back on last year's debate -- if I could look back on that for a bit -- and the defense law that you and Senator McCain and others ultimately created, I mentioned earlier that one of the sound bites about this reform last year was to give the military services more of the authority, more of the responsibility and accountability, and take a little bit away from the OSD side, which had maybe become tilted over the years. Could you maybe explain a little more about that, but also anything else that you see as the central achievements of last year's reforms?

CONGRESSMAN THORNBERRY: Yeah. Well I think to summarize last year, we focused on the workforce, which is crucial. We said you've got to have an acquisition strategy going in. In other words, you've got to think this stuff through, not figure it out on the fly; rebalance responsibilities, as you've just described, putting the services in charge much more of the acquisition. And we tried to simplify the process. So, Frank Kendall's folks sent over a big list of reports and stuff that were

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duplicative or they didn't want, and we got rid of most of them. So that was really what we did last year.

This year, in the bill that I'm introducing today for comment and feedback on, we're going to build on that. So, as part of that strategy that you have at the beginning of an acquisition, you have to build in the modularity that I was just describing. I would suggest we go a little further on rebalancing the responsibilities and have the services responsible for the joint major defense programs, starting in 2019. And it goes right to what you said. If you don't have clear lines of responsibility and authority, there is no accountability.

So we start looking, okay, who are we going to blame for this acquisition program that's gone over budget or delayed? Well, it's the services, it's AT&L, it's the testers, it's this, it's that. And you just get the finger pointing going on and there's no one accountable. So, if you think about the way this happens in the outside world, you've got a corporate oversight of budgets and so forth, but it's the different divisions that actually build the stuff. And if you have a division manager who is not pulling his weight, they're replaced. That's where we've got to get to rather than build a whole new organization to compensate for inadequacies in the underlying organization.

MR. O'HANLON: I want to, and I know you want to, really talk a lot about the new bill being introduced and the path forward, but I'm curious for one more sort of historical perspective on this reform question because, as we both know and as many in this room know, the services used to have most of the authority back when the Office of the Secretary of Defense was nascent and very weak. And, of course, 50 years ago, Secretary McNamara came in and he said, I've got too many Curtis LeMays trying to build all sorts of systems and trying to do everything within each of their own services, so we have to have a little stronger staff centrally.

I guess my question is, is McNamara's original insight still valid or did we just take it too far and give OSD too much? In other words, what's the historical rationale for why you had to pull back a little bit in the other direction last year? Or have the services become more on message with each other and they're less inherently rivalrous to the point where today we don't need to centralize quite as much?

CONGRESSMAN THORBERRY: Yeah. Well, I do think it's true, Goldwater-Nichols has had an effect on the culture, as well as the day-to-day operations. I think one of the best answers to

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your point was given by Secretary Gates in testimony in front of the Senate Armed Services Committee last fall. He says, we have spent millions of dollars and hired thousands of people, and the outcomes are really no better than they were before.

So I think that's the summary of the situation. And so the question -- we've had failures on both sides in the past. The question is learning from the outside of government, how is this done most effectively? And let's try to build it from the ground up to be effective, not just react to the past failures, which is what brings us into these wild swings back and forth.

So, again, I think the key is you expect the services to build it. If they are unable to manage their programs, the Secretary of Defense must be much more decisive in replacing whoever he needs to replace.

Now, it is true the Secretary needs to have the overview across the whole portfolio, so you can't have individual services determining their own budget. And so, one of the things I suggest is, the Secretary, through probably AT&L, will put cost caps and schedule targets on every program at Milestone A. And so, if something goes off track, there's a light that starts blinking, saying, okay, what's the problem here? And you can get on it faster so that, again -- back to the corporate example -- the overall budget, the overall corporate governance is at the Secretary's level and he's got the tools to do that. He's got to be willing to do it, but then the divisions are the services and they're the ones that actually build the things.

MR. O'HANLON: So I noticed you just mentioned one of the key provisions of your new bill, new proposal, which is the earlier establishment of some very firm guidelines on cost and schedule. Can you give any other highlights of your new proposal?

CONGRESSMAN THORNBERRY: Yeah. And by the way, these cost and schedule caps are something that Frank Kendall has been doing during his time there. What we're trying to do is institutionalize those things for when Mr. Kendall is no longer on the scene. And so there's several things in the bill that try to take the progress that has been made, by him and others, and put that into a provision.

So the tools for the Secretary, I mentioned separating out components and platforms,

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requiring that the interfaces for components be open. So my hope is that brings more competitors into the market to build the sensor or the black box. You don't have to be the big defense company to build the whole ship. You can just focus on doing really well to build this component of it and, with open interfaces, it plugs in and, hopefully, that increases competition. It increases access to small- and medium-sized businesses. And I'll even go so far as to say I hope it reduces protests.

MR. O'HANLON: Right.

CONGRESSMAN THORNBERRY: When you've got a chance to upgrade and be a part of a component, you're not missing out on an opportunity for the next 10 or 20 years, which is part of the reason I think we have protests.

The other key thing I want to emphasize is, we authorize the services to set up a fund to experiment and prototype, and we've had several hearings where this was really strongly recommended. Again, the budget cycles and procurement cycles are so long, if you've got to wait to get it into the POM, get it into the budget request, go all the way through the process, you're two or three years at best before you ever get it done.

A small amount of money that they can start early design work, actually build one, see if it works, plug it into the larger system and see if it functions like you want to. So that you have more competition there, more rapid development of technology there, but when you go buy a thousand of them, it's mature technology and you avoid hopefully this inventing-as-you're-building problem that has plagued us.

So all of those things, as well as the management issues -- I even delve off a little bit into intellectual property, which is a very difficult, touchy subject. But, essentially, my suggestion is the interfaces have to be open. If you build the black box and what's in it, it's yours. If the government helps pay for what's in the black box, you've got to negotiate data rights to it. And, obviously, if the government pays for it, it's the government's.

To try to get some clarity, because I've heard it firsthand, more and more companies are thinking about getting out of the defense business. If they're expected to put their resources into developing things and then they lose the intellectual property that they have paid for, why do I want to do

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this and go through the reams of paperwork, and all of the rest of it?

Again, we can't get the top-quality technology into the hands of the warfighters fast enough, if that's the path we're going down. And so, that's what we're trying to change.

MR. O'HANLON: You talk about experimentation and innovation and, as our Silicon Valley friends always remind us, when you have that mindset, which is the one that they have, you will fail a lot.

CONGRESSMAN THORNBERRY: Absolutely.

MR. O'HANLON: How do we condition people? How do we prepare the Congress, the public, for the fact that some of these Pentagon programs -- maybe even a higher fraction -- may start failing early if we allow more innovation, if we allow more new ideas, and not have that be seen necessarily as mismanagement or mistaken practice by DOD?

CONGRESSMAN THORNBERRY: Well, it starts with us because we can bring people up at our hearings and rake them over the coals. And we've got to expect failure sooner. The truth is, if every experiment and prototype is a success, you're not really pushing very hard.

And so we've got to expect there to be failures, but what a better situation to try something out at a component level and have it fail early rather than to spend millions and millions of dollars and end up with a whole system that ends up being a failure? As you well know, we have done way too much of that in recent years.

So my hope is, by decoupling a bit this experimentation and prototyping from having a program of record, then you can have the experimentation and try things out over here, but you really only get the programs of records for things that have already proven to be mature technology that will be successful. And so you end up being able to buy things more efficiently because you're just cranking them out, but here you're still learning and being able to get those upgrades that you plug in.

MR. O'HANLON: And I think that maybe begins to answer my next question, but I still wanted to make it explicit anyway about the relative merits of fixed-cost contracts versus cost-plus. And, of course, there's a long defense debate on this and we know that, as taxpayers, we all love the idea of fixed costs. But as innovators, there has to be some room for the unexpected to happen in developing

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new technology, which tends to then push you more towards a cost-plus. Do you see your proposal today as steering us 5 or 10 degrees more in either of those two directions? Or is it just all case-dependent?

CONGRESSMAN THORBERRY: Well, I do think it is important to be case-dependent. The purpose of last year, have an acquisition strategy going in, where you think this through and see what sort of contracting vehicle makes the most sense for what you are trying to do.

But I think the more you can go into actual procurement with mature technology, the more stable the cost and the less need there is for cost-plus contracts. And so I think you reduce that need if you make sure your technology is mature to begin with.

Meanwhile, over here you've got the experimentation and the prototyping stuff and, as we were just talking, you're supposed to fail. There should be an element of uncertainty in that part of it. One of the problems we've gotten into is that they've been locked together. You couldn't get the prototyping or experimentation money without having the program of record built into the POM, so we weren't doing much of it. It was all tied together and when it failed, it failed spectacularly. Again, trying to pull those apart a little bit, I think, has some real advantages.

MR. O'HANLON: One more thing that I think you've touched on, but I want to draw it a little bit more, is the whole issue of commercial contracts and using Title 12 in the Federal Acquisition Regulations and so forth, trying to do more things, to commercial, off-the-shelf, and so forth. How do you see that issue as being related to what you're proposing today?

CONGRESSMAN THORBERRY: Well, we took steps in that direction in last year's bill. I do think having these open, basically commercial interfaces is a good thing that can bring more commercial technology, at least at the component level, into the platforms and the systems that we have and, as I mentioned, engage more companies of different sizes and of different kinds into the defense business to help ferment the intellectual development, hopefully, that we have.

And if you look at us versus other countries, one of the key advantages that we have is defense industrial base. The most innovative, commercial sector in the world. We've got to take advantage of that for our defense purposes. And, unfortunately, what's been happening in the recent

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years is that we've just been pushing on the side and making it more and more difficult. And so, we are really losing one of our key advantages if we allow that trend to continue.

MR. O'HANLON: Well, I've just got two more questions before going to you folks, and the last one is going to be about the defense budget and how this links to the defense budget debate, but I wanted to also ask about the number of suppliers within the defense industrial base and if -- of course, historically, we've had a number for any given weapons program.

So, back when you and I were younger in the 1970s, 1980s, there were several companies building aircraft, but now we're at a point where, of course, Northrop Grumman just won the B-21 contract. If they hadn't, they wouldn't be building any planes. Boeing and Lockheed are still building fighters, but they're not going to be building bombers. Of course, on the industrial base, on the submarine side, we've got the same kind of issues already. Are you content to let the free markets sort out how many suppliers we have of a given type of system or do think that needs to be an explicit fact or goal of defense acquisition policy? That we make sure that we either try to add a couple of major platform producers in situations where we've already gone too low and too few or at least stabilize things from being reduced any further?

CONGRESSMAN THORNBERRY: I think we need to go into this with our eyes open about what has happened in the industrial base, as you have just described. Maybe we are satisfied to have one major platform builder. If so, I would suggest that we better have a lot of competition for the things that go on that platform, which is what I'm trying to do here.

But maybe we don't want to just have one shipyard? You know, the President's budget this year, for example, reduces the number of LCS ships to be built and, essentially, down to where there would have to be, if that's continued, only one yard. Now there's a price for that, but we don't really have the conversation. Is it worth taking the taxpayer dollars away from this and funding this shipyard, so that we can have it available should we need it?

Now we have done some of that with tank production, and there are some other examples that I could give, where it was the last one that would be closed down.

So I don't have an across-the-board answer. I do worry about the narrowing of the

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industrial base. I worry even more about the alienation of these tremendously innovative companies, not just in high-tech, but in all sorts of places, from doing defense work. And so, that's really what I'm trying to focus on here.

MR. O'HANLON: So, last question from me. In the big picture sense, we're in a presidential election campaign year and while it hasn't necessarily been the most issue-heavy campaign so far, at some point, presumably, people will start debating. And there have been some plans put forth, in fairness, for how big of a defense budget we should have and what defense force structure we should have.

And I guess I'm just interested in asking you, Mr. Chairman, to link this discussion of defense acquisition policy to the broad question of the defense budget? In other words, some people might listen to what you're saying and say, well, listen, thank goodness that Congressman Thornberry's finally getting the system more efficient. Maybe if we make it more efficient, we can get by with the same defense budget or less. Other people might say, well, those are good ideas, but they're just going to save a few billion here and there and we already have a multi-tens of billion dollar shortfall and we need, therefore, a defense budget increase even if all of these reforms happen.

I wondered if you could just link this conversation to the bigger question about how big of a defense budget we need.

CONGRESSMAN THORNBERRY: Yeah. Well, I guess I'd make a couple points initially. One is it is Congress' unique responsibility to decide how much money we spend on defense, what we spend it on, how much we pay our troops. The president's commander-in-chief, but it's our responsibility to determine those things. And if we are taking money out of the taxpayers' pockets, we have a responsibility to try to improve the way that money is spent and the public and certainly our colleagues in Congress need to see that we're making those effects, especially if we are arguing that we need to spend more money. So just from a political, practical level just saying give me more, give me more, without working on how the more is used doesn't make sense and is kind of counterproductive.

But the other point I just really want to emphasize is this is on acquisition reform, on the personnel reform, the new retirement system, this year we're focused on healthcare, even on the

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organizational kinds of reform that we're looking at, it's not primarily about saving money. It is primarily about having a system that is agile enough to meet the threats the country is facing. In the sense of acquisition, it's getting better technology into the hands of the warfighter faster. That's what counts. That's what defends the country. That's what saves their lives.

And so, if there are some efficiencies, great. We need those efficiencies because we've got lots of places we need to put money. But it's not primarily about saving a buck or two. It is about a system that is not keeping up with the way the world is changing, and we can't allow that to happen.

MR. O'HANLON: Thank you. So let's go to your questions. We'll start here in the second row.

MR. NICHOLSON: Sure. George Nicholson with the Global Special Operations Forces Foundation. The hearings that have been going on in front of the Senate Armed Services Committee chaired by Senator McCain about a new Goldwater-Nichols, I know that Michèle Flournoy, when she testified, talked about the tyranny of consensus. And then two months ago, at the National Press Club, when I was there, you mentioned the same thing of the tyranny of consensus.

To get something done, whether it's in the acquisition community or whether it's in the policy community, how many chops do you have to have at it? With what's happening right now with the ongoing discussions of Goldwater-Nichols, how do you see that linking in to what you're trying to do in acquisitions, the huge growth of the service staffs, the huge growth of the combat and command staffs, and everything else? Again, how is this going to link in and where do you see Goldwater-Nichols going?

CONGRESSMAN THORNBERRY: I guess my first answer is back to the point I was just trying to make, last year and, hopefully, this year, we have tried to reduce the bureaucracy at the Pentagon, at combat and commands, and in various places. Now, is there a benefit to maybe saving money so you could have more resources to put on the front line if you do that? Sure. But my point is it also slows everything down because every one of those layers at the Pentagon somebody's got to justify their existence, have their chop on the paper that goes across their desk, and it takes longer and longer to get things done. So, Goldwater-Nichols reform to streamline the Pentagon bureaucracy, just as every company and other organization has streamlined their bureaucracy over the past 5 to 10 years, is really

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important to be agile enough to keep up with the world.

The other point I want to -- just related to the comment you made at the beginning, there will definitely be resistance. The services are not going to like some of what I suggest. AT&L is not going to like some of what I suggest. Industry's probably not going to like some of what I suggest. You know, there will be resistance. If there's not some sort of opposition, you're not changing very much. I got that.

On the other hand, nobody's smart enough to have all the answers to all these issues that we're talking about, so that's the reason today I'm introducing a bill. It'll be public and we encourage feedback. We have interaction all the time with Frank Kendall and his folks, with Bob Work and Secretary Carter. From industry, from the defense community all around town, we want that feedback. But, you know, you're going my ox is not particularly helpful feedback even though there's going to be some of that done. Got it.

MR. O'HANLON: Here in the sixth row or so, or seventh row, on the aisle.

MR. COOPER: Yes. In Part 31 of the FAR, which deals with --

MR. O'HANLON: Name, please? Name and identification.

MR. COOPER: I'm Robert Cooper. I'm retired from the Defense Procurement. In Part 31 of the FAR, which deals with allowable costs, one of them is independent research and development, IR&D. These big contractors have that in their overhead and it's a great leg up on funding their research. And is there a way to maybe level the playing field for these smaller companies out there that you're looking for?

CONGRESSMAN THORNBERRY: Well, my hope is that the proposal that I've outlined, where the services have a small amount of money to invest in experimentation and prototyping, will help attract some of these smaller to mid-sized companies into bidding and actually trying some things out for those components. In other words, again, you don't have to build the whole ship or the whole plane, but these companies have specialties. And if the services can, without waiting two or three years to go through the whole POM process, have some money that can get them started, that's, I think -- my hope is that there'll be more of them that participate.

And so we've got the oversight of how that money would be spent is all spelled out and

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so we try to be careful with it. But if the only thing you can do is a big program of record, it naturally gives an advantage to the big companies and, as you mentioned, they're the ones that have this independent research costs that they can attribute.

MR. O'HANLON: Here in the third row and then we'll go over there and then over here.

MR. GRINDSTAFF: Hugh Grindstaff. Two or three of the candidates for president are calling for massive increases in the defense budget. When do you expect to sit down with some of the candidates and really talk to them about the realistic facts of life? And when is General Milley going to get his new pistol? (Laughter)

CONGRESSMAN THORBERRY: The short answer to both questions is I don't know. I've chosen not to think much about the presidential campaign at this stage in this proceedings and focus on more concrete things, like acquisition reform and so forth. So, you know, I can't tell you how that's going to go.

MR. O'HANLON: Here in the fifth row, please.

MR. DONNELLY: Hi, John Donnelly with Congressional Quarterly. One way to look at a cost overrun is to say they screwed up. Another way to look at it is they didn't accurately or realistically estimate how hard it was going to be, how much it was going to cost, and how long it was going to take. It seems like there's an inherent incentive at every step of the process for the contractors and for the government to understate how hard some of these things are. Does this bill have anything that addresses that, that tries to get a more realistic -- stops the (inaudible) that would stem this tendency to lowball, if you will?

CONGRESSMAN THORBERRY: Yes, and that's exactly part of the situation I'm trying to deal with. And just by background, if I can just mention, one of the things when I started trying to understand the acquisition issues that I focused on was trying to dig down deeper and understand the incentives in the system. Because for years, since I've been in office, Congress has passed an acquisition reform bill every few years that basically just adds stuff, adds oversight, adds checks and whatnot. We have not done -- we have not done -- a good enough job, in my opinion, of digging down and then understanding what you're rewarded for, what you're punished for within the system.

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So we spent a fair amount of time, not just over the past year, but in the year before that, talking to program managers, contractors, a variety of people to try to understand just the phenomena that you're talking about.

I may not remember them all off the top of my head. Among other things if you separate out the experimentation and prototyping from the program of record, I think it helps because you're not signing up for a program of record over the long term. You're trying it out and then only once it is proven through prototyping do you have procurement of a program of record and you build a thousand of them. So, I think that helps reduce the technological risk in what we've seen.

Secondly, my suggestion in this bill is that the secretary sets cost targets and schedule targets at the beginning of a program, so we're not just waiting on the services to kind of invent it as they go and have these very optimistic sorts of estimates about cost and technology and schedule. The Secretary from the beginning says, okay, this is how much money you've got to work with and this is when you need to do it. And if anything goes off track, lights start going off and he has got -- or AT&L has got to dig down into it, find out what's wrong, and take action accordingly.

One of the things we haven't talked about is that among my proposals is kind of a dashboard of data so that it is easier for Congress and for the Secretary to get those blinking lights. You know, there's a lot of data that's out there, but it's not in as usable a form as it needs to be. So this sets up exactly what needs to be included on that. Again, we're not asking them to invent something new, but we are changing the format. And I think as far as management tools that that will also be of help.

MR. O'HANLON: Over here, please.

MR. BYRD: Good afternoon, Mr. Chairman. John Byrd with the Business Coalition for Fair Competition. Regarding the opportunity for giving flexibility to defense personnel and identifying commercial activities that could be best performed by the private sector, but also giving them some flexibility on more efficient opportunities to find cost savings, on one hand you have sequestration and then there's the mechanism to provide for public-private cost comparisons government-wide, but also in DOD, called OMB Circular A-76. And currently, there's a moratorium based on policy riders to defense bills and to appropriation bills that prevent the use of A-76. So, to the extent that your legislation -- or

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your committee would want to move forward with finding cost savings within DOD that could be utilized for high-priority opportunities, what are your plans to address lifting the moratorium on A-76?

CONGRESSMAN THORNBERRY: Well, I have voted personally in the past against having that moratorium. I don't know that I have any particular plans for this year. And I guess in a broader sense that's part of the challenge with this whole topic. There are lots of contributing factors. Sequestration, CRs, and the whole budgeting mess has made the Pentagon much less efficient and has aggravated all of those problems that I have described.

There are additional restrictions that come from various things that we've put on, that the administration has put on, absolutely. Do I try to solve everything at once? No. Nobody is that smart.

But, on the other hand, I think that to say, oh, we've got all these other problems, you're not solving that, you don't do anything, that's also a mistake. And that's kind of where we've been in recent years.

So I've said before, as long as I've got this job, trying to improve the way the Pentagon acquires goods and services is going to be a very high priority for me. Again, only Congress can force a lot of the changes that need to be made. They can't do them internally and nobody else really has the stick to make it happen. So we've got to be responsible about it. We've got to understand that while we're trying to change things up, they've got people in combat. They've got to make sure that this rifle gets to this soldier on this day and that he's supported with airpower and all the rest.

So, you know, you can't change everything at once because it is literally the proverbial airplane flying and you're changing the engine out on it when it's in flight, so we've got to be sensitive to that. But, on the other hand, we've got to be persistent because if we just are complacent about where our bureaucracy has grown versus the world -- and by "the world" I mean the threats and the commercial market and the technologies and all of that -- if we're complacent about the mismatch between the two, we will not be able to defend the country and lives will be lost.

MR. O'HANLON: Here in the second row and then over here.

MR. LYNGAAS: Hi, Mr. Chairman. Sean Lyngaas, Federal Computer Week magazine.

Can you talk about the emphasis on intellectual property rights? And this year's bill seems to be a shift

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from last year in the sense that you're focusing more on perhaps alleviating industry concerns about that. Why is that happening now and where do you see that going in terms of being effective?

CONGRESSMAN THORBERRY: Well, just to be clear, I'm not solving all the intellectual property issues that are out there, and there are a number of them. But as I think I referenced, I have become very concerned that many companies are looking -- because they told me they are, walking away from doing business with the Department of Defense. And especially in the case of technology companies where a relatively small fraction of their business is government or defense business, and yet that's where a lot of the innovation is, that's where a lot of the upgrades come from. We can't afford that.

So, I tried to just take a commonsense approach to the intellectual property issue when it comes to who paid for it and then who has the data rights to it. And so I mentioned my kind of simplistic view of if you paid for it, you own it. If it was joint, you better negotiate for it. And if the government did, the government owns it. But regardless, the interface has to be open so that you can have competition to upgrade it as you go along.

But the exact words of the legislation, that's the reason I put it out there more than a month, it's roughly six weeks before our committee markup, and so people can take a look at it and see if they think it helps fit the problem. The only caution I'd make, again, is I don't try to solve all the problems. And so if the criticism is, well, you didn't solve these other things, you know, guilty. But hopefully, a little clarity, especially about the intellectual property for these components, will bring more people into the business, help us upgrade faster, and -- again, the purpose of all this -- get better technology into the hands of the warfighters faster.

MR. O'HANLON: Here in the second row, please.

MR. HANSEN: Hi, Dave Hansen, Bloomberg BNA. At the briefing yesterday, staffers talked about the IP issue and how if a program is jointly developed, DOD and the firms often negotiate for the IP rights. Well, what's in the bill to encourage DOD to be willing to negotiate and to be willing to give up some of their rights? What if they're just not willing to do that?

CONGRESSMAN THORBERRY: Well, on one extreme, if DOD says whatever you've

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got, I own, then they're walking. They're not going to do business with the Department of Defense, and that's what I tried to describe. So DOD is going to have to sit down with Component Maker A and say, okay, you put this much money into it, we put this much money in, we did or did not have access to this magic fancy chip or whatever it is that's in there, and negotiate that out. Otherwise, they're not going to have these companies do business with them. I think it's really simple and it's come down to that.

There's enough concern inside the Pentagon and outside that I think that's where we've gotten.

MR. O'HANLON: Here in the second row, please.

MR. THOMPSON: Thank you. Jim Thompson, recently retired, defense and Navy acquisition. In fact, I had the distinct pleasure of working for two of the best folks in this business: Sean Stackley and Frank Kendall. I was Sean's principal deputy.

But I guess my question is last year's bill had a -- I don't remember the section, but it had to do with middle tier of acquisition and it talked about prototype and experimentation. I just wonder, since we haven't seen the bill yet or the proposed bill, is this going to be an extension of that? It looked like last year's bill was kind of focused on a separate acquisition approach. And I just wonder can you comment on that?

CONGRESSMAN THORNBERRY: Yeah. Because what I'm really trying to focus on -- because there are various rapid acquisition authorities around the building, and you got to get permission from this person or that person to access them, as you know. What I'm trying to do here is make it a part of the regular service acquisition process to have this pot of money that they can experiment and prototype, especially for components that would be plugged into their platforms. But it's the services' money.

Now, as I say, there's oversight on it and they've got to come show what they're doing. There's a limit. I think it's \$5 million per project or with a cap of \$25 million. We're not talking about giant amounts of money. But we've had several people who have testified in the last few weeks of our committee, saying if you could just give us a chance to start designing a little bit earlier it would save years off of actually getting something actually done. And so that's what we're trying to accomplish as part of the normal acquisition process, which is separate from these various pots of money that are in

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various places.

MR. O'HANLON: I've got two more questions, but I'll keep an eye towards the audience to see if anybody else wants to add one in, too, before we conclude.

But I guess as I watched last year's debate it seemed that you and Senator McCain and your ranking members and a lot of both of your committees did coalesce around a number of ideas. And as you pointed just a few minutes ago, if you're really trying to change things in life or on this kind of an issue, you've got to sometimes have disagreements, too.

Is this going to be the year where the two different committees, or maybe if it's not you versus Senator McCain, maybe some of the other key players of whichever party, have more disagreements? Because maybe last year's reforms were the ones you could agree on. This year you would anticipate a little more honest disagreement, as well as the ox being gored issue, but some honest disagreements about which particular policy steps are going to be more fruitful. And, therefore, is it going to be sort of a harder year legislatively on this issue?

CONGRESSMAN THORBERRY: It may be somewhat harder because last year we were really trying to start with the basics. You got to have a strategy. We got to do better for the acquisition workforce and to strip out a bunch of reports that we've required to simplify the process. And so there was virtually no disagreement on that. Really the only issue last year was the exact role of service chiefs that we had to work out.

And this year it goes further. It is more significant change. I think last year was important, you had to start there, but this year builds on it. So, as part of that strategy, you've got to build in modularity, as an example.

So, I don't know that -- we have been keeping in touch, certainly, with the Senate committee and the things that they're looking on. Everything that I've put out today we've been working with all the members of our committee in trying to show them. But, again, that's the reason you put out a proposal, get the feedback from outside and inside, and then, hopefully, you improve it and we take another step.

MR. O'HANLON: Excellent. Good, got a couple more hands. Ma'am, here in the sixth

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row or seventh row back on the aisle.

MS. WILSON: Hi. I'm Karen Wilson with Boeing. And as a system integrator, we want competition at all of the component level, as well. And we find that it's often easier for somebody to say they have an open design, but without the standards and without the ability to know that you're going to have capabilities that will compete it can be a lot harder to make things work and get the capability you want. So, do you have these kinds of things built into your bill? How do you know that it's open and how do you know that you have something that's really going to work?

CONGRESSMAN THORBERRY: Yeah, great question. Please go look at the bill and see what you think. Obviously, in law we cannot put standards into law that says this is the characteristics of an open interface. So, to some extent, we have to put the requirement in there and then expect the department to implement it with the appropriate standards. But go look at it and see if you think we can reasonably put in law more specific direction on what "open" means to make sure that it is as available as possible for different competitors to come in and build their black box that will plug into the system. That's exactly the sort of help we need.

MR. O'HANLON: Over here in the seventh or eighth row.

MR. McLAUGHLIN: Hello. My name's Charles McLaughlin from Censeo Consulting. And I want to ask about what seems to be the attention about two concepts you've talked about.

One is the decoupling of components and platforms, with platforms having very deliberate developmental life cycle, traditional development life cycle, and the opportunity to speed up components. And the way you've described it seems to lend itself for a more agile development type approach. But then you talked about trying to put it into the normal services acquisition systems, so it's one unified system. And everything I know about management practice and theory says that those two things will clash and have a lot of tension within them.

So, how are you thinking about that one unified system or what degree of separation from those two activities, which take different processes, different incentives, different types of people to execute well?

CONGRESSMAN THORBERRY: An interesting question. You know, since the

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beginning of this project there have been people that say the current acquisition system is so broken it is un-savable. You got to just to do a workaround. And so build new authorities for a whole new sort of streamlined acquisition. You know, take SOCOM's model and make it available for everybody, that sort of thing.

But then that leaves you with something that's out there and what do you do with that, what I referred to as the normal acquisition system in the services? My hope is that these reforms that I've outlined today will change the normal acquisition system so that if you can begin design work, if you can experiment and prototype without having a program for record, you are really speeding up what has traditionally been a two- or three-year period. And then if you are going into production with only mature technology, you reduce the chance that you are inventing as you're building and are carrying that technological risk.

So, I guess where I've been so far is I'm not quite ready to walk away from what is getting the rifle into the hands of the soldier in Afghanistan every day, that system, but I'm trying to, at the same time, improve it so that it gets there faster. Now, you know, if all this comes to naught, then maybe we need to scrap the system and do something very different. But I think there are significant improvements that can be made. As I say, people are going to resist it, but still, significant improvements that can be made even with the current folks and the current kind of outline that we have.

MR. O'HANLON: I've got one last question, Mr. Chairman, and then we'll wrap up and may be able to have a couple of side conversations afterwards, if folks like. But the big question, you've alluded to your thinking on this already, but looking down the road to different technologies that are either going to be threatening to us in the hands of potential enemies or game-changers for us, what do you tend to think about the most? I mean, obviously, there's the broad category of electronics. There's the rapid change in a lot of software and hardware. But are there are other technologies that you feel this acquisition reform really needs to help us get at more effectively because you see big things happening that the system today just really isn't quite geared up to handle?

CONGRESSMAN THORBERRY: Well, I think over the last year and a quarter, our committee has spent more time on the issue of our eroding technological advantage than any other issue.

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And most of that, of course, is behind closed doors as you get briefed about what the Russians and the Chinese and others are doing. And then we look at what our capability is, classified and unclassified, and the gap that is -- the shrinking advantage is a better way to put it, is a subject of tremendous concern.

So, I don't think anybody can say, yeah, the key is directed energy, the key is artificial intelligence, the key is robotics or whatever, although all of those are elements of what Deputy Secretary Work is focused on with this third offset strategy. To me the key is nobody is smart enough to know now for certain that's the answer.

But what we do for certain is that if we alienate one of the strongest assets we have in the industrial base of the United States, where so much technology innovation is taking place, if we push them away from defense, we're never going to be there. If we don't find ways for these bright minds to come and participate in government and out of government, I mean, it's not just the -- we talk about the industrial base on the outside. Well, there's some really smart people in government, who are also very frustrated at how long it takes programs to move and so forth, and the obstacles to testing things out and getting it fielded.

So, all of these bright minds need to be brought to a place where they can be more productive. That's what worries me the most is you got all these things happening out there and we tie our hands or we are so complacent that we end up one day as one of those powers that has declined over time. I don't worry about what others are doing. I worry about what we do to ourselves. And so, that's a lot of the reason that not only this sort of reform, but the personnel reform to help make sure we can continue to attract and retain top-quality people, the organizational reform, whether it's Goldwater-Nichols or layering or other sorts of organizational issues that have come up, what happens to Cybercom, you know, a long list, those are things that are squarely, I think, in Congress' responsibility and that's where we've got to focus our attention.

MR. O'HANLON: Fantastic. We're going to have a little bit of a press conversation or availability over here on the side for anybody who still wishes to stay around a little bit. But please join me in thanking the chairman. (Applause)

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