

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON ARMED SERVICES

SUBCOMMITTEE ON READINESS

UNITED STATES SENATE

SUBJECT: Air Force Acquisition Reform

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Mr. Chairman and Members of the Committee:

Thank you for this opportunity to appear before you to discuss the Air Force's Acquisition Reform efforts. We appreciate your concern, support, and funding for our efforts to revolutionize our business processes so that we might equip the world's most respected Air Force... *faster, better, cheaper.*

The Imperative for Change

We have come a long way in reforming our business processes to meet the challenge of improving our acquisition capabilities while decreasing our acquisition workforce. The overall change in our acquisition management philosophy from government oversight to government insight has been the driver for many of the changes that resulted in program savings and cost avoidance of \$30B to date. The Air Force is continuing to aggressively pursue acquisition and business area reforms while downsizing the workforce in order to free up funding for our modernization programs. However, we also need to revisit prior efforts to reduce the cost of the defense infrastructure if we are to achieve our modernization goals. Each budget year, we are forced to migrate modernization funds to pay increasing operating costs to support an infrastructure which is no longer proportional to our force structure and to support contingency operations. We will need the support of the Congress to implement Department of Defense (DoD) recommendations on infrastructure sizing and contingency funding.

Having a smaller portion of Air Force Total Obligation Authority, combined with a consistent migration from modernization to operating funds, causes repeated attacks on funding for individual programs that are already fiscally strapped with little or no management reserve. This funding instability forces stretch outs, delays, cancellations, and higher costs. This in turn

leads to operational impacts: reduced or delayed capability, higher cost of operations, and reduced readiness. Often, the rationale for cutting or delaying a program is to achieve short-term savings to pay for contingency operations and operating & support bills. However, these savings result in greatly increased overall cost and schedule of programs. In order to reverse this trend and provide stability for modernization programs, we need to stop the migration to operating funds.

In order to counter some of the negative impacts to our modernization plan, we continue to aggressively pursue acquisition and business area reforms while downsizing the workforce. Our current acquisition workforce has been downsized by 34 percent since 1989 with an additional 15 percent reduction of the workforce by 2003. However, downsizing the acquisition workforce alone will not be enough to fuel our modernization program. We need to continue to institutionalize those areas of reform and concepts we have been working over the past several years such as Total System Performance Responsibility (TSPR), Cost As an Independent Variable (CAIV), and Reduction in Total Ownership Cost (RTOC). In addition we must pursue new areas for reform such as the requirements process, contractor incentive programs, contract payment process, product support management, alternative dispute resolution, operational contracting, and market analysis and pricing processes.

The Air Force is aggressively stepping out to develop and implement innovative processes aimed at improving our stewardship of our funding. Total ownership cost reduction initiatives are currently being implemented on a total of 11 pilot programs. These initiatives entail more than just the traditional techniques of weapon system life cycle cost management, but also tackle the dimensions of infrastructure and operational concepts. Process changes are under development which optimize investment decisions to provide the warfighter with the tools needed to decisively win any conflict while at the same time finding innovative ways to reduce operations and support

costs. Resultant savings are reinvested into modernization accounts to further improve readiness. Our goal is to reduce total ownership cost while meeting the warfighter's needs.

What We Have Accomplished

As we reform our business processes, the Air Force continues to make great strides in reducing the size of its organic acquisition workforce. There are several methods used to estimate the acquisition workforce size as defined in DoD policy, National Defense Authorization Acts (NDAAs), and Service initiatives. Using the workforce definition of the FY 1998 and FY 1999 NDAAs, the Air Force Acquisition and Support workforce decreased 34 percent since FY 1989 and is programmed to reduce an additional 15 percent by FY 2003. By FY 2003, this workforce will be sized at less than 46,000 military and civilian personnel and will have reduced 44 percent since FY 1989.

The Air Force has actively supported DoD's initiatives to define the acquisition workforce to develop a uniform definition accepted and understood by Congress and the Services. In 1997, the Office of the Secretary of Defense (OSD) developed a refined definition of the acquisition workforce built on the previous Packard Commission definition. A preliminary estimate of the workforce size was sent to Congress in December of 1997, in compliance with Section 912 of the FY 1998 NDAA. This workforce definition has been further refined and implemented across DoD. Under this occupation and function-specific definition, the Air Force has identified 34,000 core acquisition personnel. This core workforce will be targeted for training, re-engineering, and workforce management initiatives to ensure the efficiency and effectiveness of the Air Force acquisition process is not hindered by programmed workforce reductions.

Apart from legislative reductions, the Air Force has reduced the size of its acquisition workforce through proactive initiatives aimed at increasing efficiency. Consolidating laboratory

functions into a single laboratory organization which, when combined with prior laboratory reductions, has reduced laboratory personnel by 30 percent. Through acquisition reform initiatives, we have reduced program office size by 25 percent; and by retiring test aircraft, we have decreased maintenance and test mission manpower requirements. As part of a larger DoD effort, the Air Force continues to explore consolidation and merger of test ranges owned by DoD, other government agencies, and the private sector based on an assessment of best value to the Government. In response to the Quadrennial Defense Review, the Air Force is assessing those elements of base operating support and infrastructure that can be competed for possible outsourcing to private industry, allowing the re-allocation of saved funding to modernization efforts in FY 2000 and beyond. These efforts will ensure all Air Force commercial activities are studied and reviewed through a competitive process in order to guarantee fiscal efficiency in operations. The Air Force is planning to compete over 44,000 positions by FY 2005 and estimates savings of about \$1.5B over this period.

The Air Force continues to view contractor support as part of our total acquisition workforce concept. A key element of this contractor workforce is the Federally Funded Research and Development Centers (FFRDCs).

In 1996, the Department put into place the DoD FFRDC Management plan to ensure the most efficient and effective use of limited FFRDC resources. The plan tightly controls the use of FFRDCs and directs the application of FFRDC support to only those efforts that cannot be accomplished by private industry. Core functions and competencies have been developed to define the scope of appropriate FFRDC work. In 1997, the Air Force re-evaluated its core functions governing system engineering FFRDCs, reducing the number of core functions from 21

to ten. These narrowed core functions have been adopted by the Department for all systems engineering work.

Since 1991, FFRDC funding has been reduced 32 percent. The FY 1999 Appropriations Bill reduced DoD FFRDC funding by \$62M, including within this a \$30M reduction to the Air Force. These cuts have translated into reduced systems engineering manpower to support C2 and space acquisition programs. In these areas, the Air Force does not possess an indigenous organic engineering workforce available to backfill shortages caused by FFRDC reductions. Since FFRDCs act as the Government's trusted agent, free from real or perceived conflict of interest, and because they possess a breadth and depth of technical expertise not found in private industry, the Air Force cannot substitute "for profit" companies to replace lost systems engineering capability.

In areas where conflict of interest is not a concern, Advisory and Assistance Services (A&AS) contractors are used. They provide a wide range of contract services for Air Force acquisition programs spanning three major categories: management and professional support services; engineering and technical services; and studies, analyses, and evaluations. The FY 1999 Appropriations Bill also reduced DoD A&AS funding by \$240M, including within this a \$68.2M cut to Air Force A&AS.

Congress has enacted legislation reducing Air Force organic workforce levels, FFRDC funding, and A&AS funding--all three elements of the total acquisition workforce. Acquisition Reform has, to an extent, helped the Air Force mitigate some of the effects of these reductions. However, if reductions continue across all elements of the total workforce, the Air Force will not have sufficient resources to effectively manage its acquisition programs.

In addition to our efforts in workforce reductions, we have been very successful in revolutionizing business affairs. In 1995 the Air Force released the first set of nine Lightning Bolts to jump-start the acquisition reform process. Two more Lightning Bolts were added in the spring of 1996.

Lightning Bolt #1 established a centralized Request for Proposal (RFP) support team to implement acquisition reform in all RFPs, contract options, and contract modifications over \$10M. This Lightning Bolt revolutionized Air Force RFPs. The average size of RFPs was reduced by 50 percent. The majority of our RFPs no longer include detailed “how to” Statements of Work. Rather, many Air Force RFPs now use Statements of Objectives that allow industry to respond with time- and cost-saving solutions rooted in commercial experience. Metrics continue to reveal the effect Lightning Bolt #1 had on rapidly moving the Air Force to performance-based RFPs and reducing contract data requirements.

Lightning Bolt #2 created a standing Acquisition Strategy Panel of senior-level Air Force acquisition personnel. This Lightning Bolt infused acquisition reform into every program and enabled sharing of lessons learned. Because standing panels are used, the program manager sees the same group of experts throughout the acquisition strategy development, vastly improving the consistency of the advice given the program managers’ on acquisition strategies.

Lightning Bolt #3’s goal was to reduce the size of our program offices by 50 percent. A team developed program office sizing tenets based on the management of classified/Special Access Required programs and industry downsizing achievements. The report provides program managers a toolbox of lessons learned to dramatically reduce military, civilian, and contracted support program office staff. To date the average program office has been reduced by at least 35 percent.

Lightning Bolt #4 tackled policy creep that had created inconsistent acquisition policies between all of our Product and Logistics Centers. Industry was faced with having to respond differently to RFPs depending on which of the procuring Centers issued a solicitation. This Lightning Bolt canceled all AFMC Center-level acquisition policies and Federal Acquisition Regulation supplements. This followed a careful review to weed-out redundant and outdated policy. Over 6,789 pages of policy were eliminated, a 63 percent reduction. Crucial policy and FAR supplements are now elevated to a level that provides consistent direction across all Air Force acquisition programs. The Materiel Policy Review Team now reviews all proposed new policy to prevent policy creep.

Lightning Bolt # 5 reinvented the Air Force process for reaching program milestone decisions. We canceled the Air Force System Acquisition Review Council (AFSARC) process effective 1 July 1995, and replaced it with streamlined Integrated Process Teams (IPTs). Gone are stove-piped functional reviews of programs. Rather, teams of acquisition leaders and headquarters staff use IPTs to conduct integrated reviews for their support and oversight functions. Improved communication and teamwork between the varied functional experts is a proven result of managing with IPTs. Today we have a streamlined process and have eliminated at least three feet of written material that used to be required for a milestone decision.

Lightning Bolt # 6 enhanced the role of past performance in source selections. Today past performance is equal in importance to each source selection factor. More importantly, the annual past performance assessment of every major contract clearly states “Knowing what the Air Force knows today about the contractor’s performance on this effort today, the Air Force would or would not award another contract to perform this work again.” I can assure you we now have every contractor’s attention on how well they are satisfying contract requirements.

Lightning Bolt # 7 replaced numerous acquisition documents with a Single Acquisition Management Plan (SAMP)." The SAMP replaces approximately six feet of documentation that was required for every ACAT ID program. As a result of this Lightning Bolt, SAMPs are now a standard practice throughout DoD.

Lightning Bolt # 8 was instituted to "Revise the Program Execution Officer (PEO) and Designated Acquisition Commander (DAC) portfolio review to add a section that deals specifically with acquisition reform." In addition, a one-time review was conducted of every existing contract over \$10M to revise them to incorporate acquisition reform. The semi-annual portfolio reviews now include acquisition reform actions and provide metrics for measuring acquisition reform impact.

The purpose of Lightning Bolt # 9 was to "Enhance our acquisition workforce with a comprehensive education and training program that integrates acquisition reform initiatives." A 4-and-one-half day Acquisition Excellence course was developed and validated, with on-site offerings beginning in January 1997, and satellite offerings starting in March 1997. The Acquisition Reform Virtual Classroom is also now available. Approximately 40 hours in length, this self-paced training product is offered through the Internet. The AFMC Guide to Acquisition Reform, a companion to the Virtual Classroom, is complete and available electronically on the Internet. The Human Systems Center's Acquisition Intelligent Tutor program, available to acquisition professionals since July 1997, applies simulation technology to create a unique learning experience. All of these training initiatives provide the critical acquisition reform training in a timely, affordable manner to ensure acquisition personnel have the necessary tools to perform more efficiently.

Lightning Bolt #10 was begun to reduce the time from requirement definition to contract award. The Lightning Bolt team identified 63 best practices or "tools" for reducing cycle time and compiled a list with 20 recommended changes to current processes. An electronic version of this toolbox is accessible on the SAF/AQ Homepage and was adopted by the Defense Acquisition Deskbook.

Lightning Bolt #11 enhanced the capabilities of our laboratories by adopting improved business processes learned from our weapon systems acquisition reform efforts. Air Force laboratories implemented initiatives that simplify the solicitation and contract process, revise the Broad Agency Announcement source selection process, expand the laboratory commanders approval authority, streamline laboratory reviews, implement electronic coordination of Science and Technology planning, and improve the Small Business Innovation Research topic solicitation process. In addition, on 8 April, 1997, the Air Force activated the Air Force Research Laboratory (AFRL). AFRL combines the resources of the four existing Air Force laboratories and Air Force Office of Scientific Research, thereby posturing the Air Force to maintain technological preeminence well into the new millennium.

Every Air Force program has successfully implemented these Lightning Bolt initiatives and other aspects of acquisition reform that have yielded both cost and manpower savings and cost avoidance. The Advanced Medium Range Air-to-Air Missile (AMRAAM) Program Office implemented a new acquisition strategy that focused on moving the program toward more commercial business practices. Under the strategy, the Government commits to a reasonably stable production program, transfers Total System Performance Responsibility (TSPR) to the contractor, and supports a long-term pricing strategy. The concept of TSPR makes the prime contractor responsible to deliver, warrant, and support the AMRAAM weapon system as well as

develop and field improvements. As a result of implementing this strategy the program was able to reduce the missile average unit procurement cost from \$750K to under \$400K, reduce program office manpower by 39 percent, and reduce the total cost of ownership by 18 percent.

However, the future unit cost of AMRAAM missiles is dependent on the amount of Foreign Military Sales (FMS) because of the limited quantities the Air Force is buying over the next several years. The AMRAAM FY 1999 and FY 2000 President's Budgets, including outyears, are based on unit prices with 600 FMS missile sales. The 600 missile sales level was based on an annual average of 664 FMS missiles from FY 1995 through FY 1998 and outyear projections of sales to current customers with new requirements and sales to new countries. The economic downturn in a number of countries, delay in approval of others, and desire of some countries to obtain either a competing version or new version of AMRAAM has currently slowed sales. Sales for FY 1999 have just been firmed at 228 FMS missiles. Sales for FY 2000 and later years are currently uncertain. Depending on the amount of FMS sales the unit cost of AMRAAM can vary by as much as 33 percent. This program is one example of how some of our major weapons system programs costs are becoming dependent on FMS sales (see Table 1).

Fiscal Year	AF QTY	Unit Cost w/ 600 FMS Sales	Unit Cost w/ 400 FMS Sales	Unit Cost w/ 200 FMS Sales	Unit Cost w/ 0 FMS Sales
1999	180	512K	539K	585K	684K
2000	210	401K	427K	471K	562K
2001	210	410K	435K	478K	567K
2002	230	442K	476K	536K	665K
2003	230	411K	443K	500K	621K
2004	230	399K	430K	484K	597K
2005	230	396K	425K	476K	583K

Table 1 AMRAAM Unit Costs for the Air Force (Unit Cost In Base Year 1998 dollars)

The Joint Air-to-Surface Standoff Missile (JASSM) program has been a leader in implementing acquisition reform initiatives. JASSM has successfully shown how programs can

save money by giving the contractor Total System Performance Responsibility (TSPR), implementing integrated product teams, and incorporating a bumper-to-bumper warranty into their program. By aggressively implementing cost as independent variable (CAIV), design for manufacturing, and design for affordability initiatives, the Air Force reduce the average production unit cost by 55 percent. Additionally, they were able to compress the amount of time required for production to less than 10 years resulting in a \$110M savings over the production period.

The Evolved Expendable Launch Vehicle (EELV) program is an evolution of launch vehicles and a revolution in acquisition reform. It provides the Nation with two new families of launch vehicles to replace the existing Delta, Atlas, and Titan expendable launch vehicles, while achieving greater than 25 percent savings over those previous systems. On October 16, 1998, we awarded two Development Other Transaction Agreements (OTA), which we thank Congress for enabling, and two Initial Launch Services (ILS) contracts to The Boeing Company and Lockheed Martin Astronautics. These OTAs cap the Government's contribution toward the development effort at \$500M per agreement. The contractors will contribute additional funds of their own (estimated to be about \$1B each), as necessary, to bring their national launch capability on-line. Simultaneous with the award of the OTAs, two ILS contracts were awarded for 28 Government launches in FY 2002-FY 2006. Boeing received \$1.37B for 19 launches and Lockheed Martin received \$649M for nine launches. The EELV program is purchasing commercial launch services, instead of procuring hardware as in the past. This commercial approach, when coupled with contractor cost sharing and partnering arrangements, has permitted the contractors to commercially-lease government land, launch facilities and support buildings, thereby reducing

government launch site presence and enabling equitable sharing of launch base Operations and Maintenance (O&M) costs between Government and commercial missions.

Since this program will remain competitive throughout its lifetime, each contractor's information (to include prices and concept details) will remain separate and competition sensitive. Each contractor is planning their first EELV launch with a commercial customer in 2001; the first government-required launch is in FY 2002. The EELV Program is currently meeting the program cost reduction goals with greater than 30 percent savings over existing launch vehicles.

All EELV launch services are fully funded 2 years prior to launch and are fixed-price. Any reductions to programmed funding would result in either a launch being canceled, or at a minimum, delayed until a later year. The FY 1999 Defense Appropriations Act reduced the development program funding by \$20M. These funds must be recovered by the end of the development phase, not later than FY 2002, to be in compliance with, and not default on, the agreed development OTAs with both contractors. A default on the OTAs would jeopardize the entire EELV development and launch services contracts.

An example of partnering between industry and government depots can be seen specifically in the Low Altitude Navigation and Targeting Infrared for Night (LANTIRN) program. In the LANTIRN program, Lockheed Martin has contracted with Warner Robins Air Logistics Center and the Precision Attack Program Office to conduct some of the repairs and maintenance of similar foreign military sales equipment. Lockheed also conducts repairs and support for US systems as needed. This has formed the World-Wide LANTIRN Depot as a cooperative industry-government organization. This sharing of work between the depot and Lockheed Martin allows more efficient loading of workforce and equipment over a larger number of systems. This innovative partnering arrangement allows both the United States and foreign

equipment to be maintained at higher readiness levels and repairs to be conducted faster at lower cost.

Another example of partnering with industry in the area of sustainment can be found in the C-17 program and their flexible sustainment initiative. Flexible sustainment is an acquisition reform initiative that assigns the prime contractor system-level support responsibility for unique components. Under the C-17 Flexible Sustainment initiative, public-private partners were pursued to take advantage of the best Government or commercial repair sources based on performance and cost. The planned public-private partnering approach allows the prime contractor and the Government repair source to enter into a traditional subcontract relationship if the Government source is determined by the prime contractor to be the best value source of repair. The goals are to integrate and benefit from the mutual strengths of Government depots and private industry and ensure contract performance responsibility remains with the prime contractor for performance outcome guarantees. This strategy will support the program objective of having the prime contractor achieve total weapon system responsibility with Flexible Sustainment by making the contractor responsible for all efforts including work performed by the Government source.

The Acting Secretary of the Air Force delegated authority to the AFMC Commander in a January 6, 1999 memorandum to establish a public-private partnership between the prime contractor and Warner Robins Air Logistics Center for C-17 Analytical Condition Inspection and Ogden Air Logistics Center for C-17 landing gear, wheels, and brakes. This effort is cognizant of the FY NDAA, which provides statutory authority for Government depots and industry to enter into partnerships.

Headquarters AFMC and the C-17 SPO are now definitizing the final process and procedures to potentially conduct these two C-17 public-private partnerships. Warner Robins Air Logistics Center has responded to Boeing's Request for Proposal and their proposal is currently being evaluated. Ogden Air Logistics Center is currently finalizing their proposal response.

The F-117 weapon system has been designated as an Air Force "Pilot Program" to reduce Total Ownership Cost (TOC). The program is employing a three-pronged approach to improve support and reduce TOC. The three prongs include a highly incentivized Total System Performance Responsibility (TSPR) contract to increase performance and decrease TOC, a draw down of the SPO size from 242 personnel to a target of 20, and implementation of a stabilized funding approach. The program awarded an 8-year, sole source, contract with Lockheed Martin Skunk Works (LMSW) on 1 October, 1998, for the depot-level TSPR. Under the contract LMSW, assumed program integration and all non-core government responsibilities. The new program office has only core-government functions: Requirements, Direction, Budgeting, Contracting, Product Acceptance, and Security. The reduced program office will result in a \$90M savings to the Government from reduced operating costs. Under the stabilized funding approach LMSW has committed to \$80M savings over contract period of performance. These savings are based on long-term capital investments, incentive flow-down to subcontractors, fewer proposals, and increased contractor long-term efficiencies. The results of this TSPR contract have shown LMSW's performance for the first 5 months of the contract has exceeded performance levels of the preceding 6 years.

The Joint Direct Attack Munition (JDAM) program is a pilot program under the Federal Acquisition Streamlining Act (FASA) of 1994. As a pilot program the program manager has been given the opportunity to introduce new initiatives into every aspect of the acquisition process. A

comparison of the JDAM program at RFP release in August, 1993, (FY 1995 President's Budget) and the current program (FY 1999 President's Budget) shows how the program has embraced acquisition reform. They have reduced the production time from 15 years to 11 years, reduced the use of military standards and specifications from 87 to zero, and reduced the statement of work from 137 to two pages. In addition, the program has reduced the contract data requirements from 146 to 22, reduced the program office from 80 to 36 people, and increased the warranty period from 5 to 20 years. Because of the implementation of these initiatives and others the average unit price was reduced from \$42.2K to under \$20K with \$2.9B in production savings. All of these savings were achieved because JDAM was a pilot program under FASA and there were provisions for statutory waivers that helped the program implement many of their initiatives. These waivers, which covered some 13 clauses, were and remain fundamental to the success of the JDAM strategy. The contracting officer negotiated a Production Price Commitment Curve for production lots 3 through 5, based on the exclusion of these requirements. The prime contractor then negotiated firm prices from major vendors, flowing down the exclusions.

The Wind Corrected Munitions Dispenser (WCMD) program is an ACAT II program with a staff of 20 people. The program has adopted an integrated product development approach and is an example of how programs have successfully implemented CAIV. With only the warfighters' key performance parameters sacred, the contractor was free to trade requirements against system affordability. As part of the Packard Commission's "Fly Before You Buy" philosophy both competing WCMD designs were dropped during the same sortie thereby testing both designs under identical conditions. This innovative approach reduced the number of required sorties by 50 percent and saved \$1.5M. Unit price and system performance parameters were based on hardware configurations and flight test results achieved during EMD. From the beginning,

WCMD embraced the principle of performance based contracting. The contractor was allowed to write their own statement of work and system specification without the constraints of military standards and Government "how-to" direction. Each of the program's key performance parameters and operational requirements are being met or bettered. In addition to the improved performance, the average unit procurement price is less than half of the original projection.

The NAVSTAR Global Positioning System (GPS) provides a space-based radio positioning, navigation, and timing system through 24 satellites and associated ground control stations. The GPS signal, vital to both military and civil users, must be available and accurate around the clock which requires continuous monitoring of the GPS navigation signal, regular satellite position updates, and the timely replacement of aging satellites with replenishment vehicles. Under previous contracts, the government was responsible for integrating the development and production of the satellites and the ground control segment. The ground segment alone had six separate contractors using six separate contracts. This effort required the SPO to maintain a manpower base of over 140 individuals. The GPS program consolidated the six separate ground control contracts into one, immediately saving over \$80M in program O&M cost. In addition, by using best commercial practices and performance-based specifications, they reduced the cycle time for the next block of GPS satellites from 7 to 5 years, saved costs of more than \$1B across the acquisition, and reduced SPO manpower on this effort by 38 percent. The satellite prime contractor, who has the expertise and experience, becomes the system integrator for both the space and ground control segments, doing business like any other commercial contract.

All of these examples demonstrate that a change in acquisition management philosophy was key to the success of implementing reform initiatives and achieving cost savings. Giving

contractors total system performance responsibility, using performance-based requirements, eliminating military specifications and standards, and relying on contractor data and metrics are all examples of reforms that have resulted from a change in philosophy from government oversight to government insight. Other initiatives such as partnering with industry and adopting commercial practices are innovative ways of doing business that result in win-win scenarios for both the Government and industry. The Government reduces its cost while industry gains an opportunity to increase domestic and international commercial market share and apply innovative commercial practices.

Where We Are Going

We are making these initiatives the standard for doing business throughout the Air Force acquisition community. Acquisition reform is a continuing process and we will continue to look for new areas where we can improve our ability to deliver weapons faster, better, cheaper.

Lightning Bolt Initiatives were the jump-start for acquisition reform in the Air Force. Building on this success, we introduced a follow-on reform movement called the Air Force Acquisition and Sustainment Reinvention Process. This process looks to the workforce, industry, and leadership for their best ideas to deliver weapons systems faster and cheaper than traditional DoD acquisition practices. At the heart of this process are Reinvention Teams. Each team includes field personnel from multiple disciplines that study and develop selected ideas in specific high payoff areas. The teams are chartered to look beyond tasks, jobs, and organizations to focus on processes and process improvement. Results are tested and built into an executable product that can be deployed to the workforce and industry.

There are currently nine Reinvention Teams looking at different aspects of the acquisition process. Areas currently under evaluation for process improvement are Program Element Consolidation, Contract Award Cycle Time, Evolutionary Acquisition, Cost as an Independent Variable (CAIV) in the Requirements Process, Commercial Services, Reengineering the Source Selection Process, Centralized Sustainment Contracts, Training, and Total Ownership Costs (TOC).

The Program Element Consolidation Team is evaluating the impact of consolidating acquisition-related Air Force Program Elements and Budget Program Activity Codes to enhance program management flexibility in response to changing Air Force needs, budget priorities, and technology conditions. The Contract Award Cycle Time Team continues our work to reduce the

time to award contracts. In the area of Evolutionary Acquisition, the team is looking at ways to expedite delivery to the warfighters of incremental capability driven by available technology and current needs. The CAIV team is closely tied to our TOC efforts to integrate CAIV and TOC into the requirements process to focus on TOC throughout the system life cycle and allow trade space for implementation of CAIV principles. In the area of Commercial Services, the Reinvention Team is expanding the RFP streamlining achieved in Lightning Bolt #1 to Air Force Service Contracting by changing from procedure-laden performance work statements to results-oriented, commercial work requirements. The Source Selection reinvention team is developing simplified source selection procedures that streamline this process and require fewer people. To improve our sustainment support, the Centralized Sustainment Contracts team is investigating opportunities to order spares, repairs, and services using centralized contracts with decentralized ordering. One of the key elements in making acquisition reform initiatives work is ensuring the workforce is being trained on the process and policy changes that have resulted from acquisition reform. The Training Reinvention Team is working to develop a process to provide the most appropriate training. Finally, the Total Ownership Cost team is increasing the emphasis on TOC and return on investment during the weapon system modification process.

Another area where significant improvements are being made to our business processes is Electronic Commerce. The Air Force is pursuing a variety of enterprise solutions to ensure we meet the Deputy Secretary of Defense January 2000 paperless contracting goal. We are working closely with the Joint Electronic Commerce Program Office, Air Force Communications and Information Center, and DoD's Paperless Contracting IPT.

One major initiative includes the Automated Business Services System, which enables contractors to receive funding electronically. Digitally signed proposals are a reality through the

Electronic Posting System. Electronic Document Access enables Defense Finance and Accounting Service to make payments based on receiving an electronic copy of the award or modification. Vendors may now electronically submit invoices and receiving reports for electronic approval thanks to the Wide Area Workflow initiative.

The logistics community is working to use commercially based electronic data interchange (EDI) transaction standards for acquiring spares and support equipment. These commercially based standards, which are used by 95 percent of the Fortune 500 companies, will replace our legacy military standards and will lower our overall costs of doing business.

Next month Air Force Acquisition Reform will receive a boost with a new round of Lightning Bolts. Lightning Bolt 99-1 will capitalize on the success of our first Lightning Bolt from 1995 that created Request for Proposal (RFP) Support Offices at each Air Force Product and Logistic Center. These organizations were originally created to infuse acquisition reform initiatives into our RFPs. With that accomplished, their role will be expanded to encompass all source selection activities throughout the pre-award period. They will be called Acquisition Support Teams. One of the first areas these new Acquisition Support Teams will address is improving the consistency, quality, documentation, and debriefings of source selections.

We will create centers for expertise to conduct Market and Price Analysis in support of priced-based acquisitions. These centers of expertise will enhance the acquisition and sustainment workforce competency in conducting meaningful market research. They will also expand the use of commercial-style, price-based acquisitions and expand access to commercial solutions to our warfighters needs.

We will be taking immediate action with another Lightning Bolt to implement Alternate Disputes Resolution (ADR). We will establish procedures with our Industry partners for the use

of ADR in acquisition programs to resolve contract disputes at the lowest level possible using the least expensive means. By effectively using ADR we can continue to maintain our partnering relationships by placing controversies outside of the day-to-day management of the program. ADR was successfully demonstrated on a recent C-130 claim. The claim was resolved 2 years before the initial trial date, avoiding some 5-6 years in additional appeals litigation and approximately \$250M in further costs.

Air Force acquisition has reengineered Air Force Operational Contracting to enhance mission support for the new Aerospace Expeditionary Forces. We have completed a functional review of all peacetime and wartime contracting work processes and organizational structures. This review resulted in a new organizational structure for operational contracting squadrons. A New Lightning Bolt will implement those changes and adopt contracting process improvements. These new mission-oriented operational contracting organizations will be equipped to support the new Aerospace Expeditionary Forces' first deployment.

A new Lightning Bolt will address improvements needed in the contract payment process. We will improve the accuracy of payments and reduce the workload and time to pay our contractors.

The final area we will address with new Lightning Bolts is the area of product support. We will improve product support to our operational forces by encouraging Product Support Partnerships that use best commercial practices and core capabilities of the public and private sectors to improve performance. Under this initiative we will provide comprehensive guidance on implementing a competitively-sourced Product Support strategy that maximizes public-private partnering.

Challenges

There are significant challenges in implementing acquisition reform that we will continue to face and need to address in the future. One of the areas the Air Force is beginning to address is cycle time. The Air Force recognizes the impact of long development times on the warfighter, budget, acquisition community, and sustainment community. The time it takes the acquisition community to respond to the needs of the warfighter is a significant measure of our effectiveness. The Packard Commission highlighted many of these problems back in 1986. Today the problem is even more acute as technology maturation is moving faster, and we are trying to do more with fewer resources.

The Air Force has taken the lead in researching the issues associated with long development times and has identified a number of actions that will help us reduce development times. The Air Force's Lean Aerospace Initiative has done extensive research in this area and has made a number of substantial recommendations that we are considering. We have a number of teams that are looking at various aspects of this problem. The Air Force has been a leader in the DoD efforts to address these issues.

The acquisition community alone can not solve many of the drivers of long development times. They require Air Force and DoD wide actions with the assistance of the Congress. We have had some success as with the Global Broadcast System, which through the use of commercial systems was able to significantly cut the time to develop and field. However, the issue of long development times did not appear over night and will take a consistent and focused effort to address. We believe we have started, but have a long way to go.

Finally, we need to continue and expand the emphasis for acquisition reform in our sustainment processes. The Air Force needs to go beyond focusing on our program management processes and continue to look for ways to reform or reengineer our item management and

materiel management processes.

Continuing the process of acquisition reform is critical in order to provide the warfighters with the effective weapon systems they need in the most efficient manner possible. We thank the Congress for your support and look forward to working with you during the FY 2000 Authorization and Appropriation process to enable further acquisition reforms to bring our acquisition process into the 21ST Century.