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**Report to the
Deputy Secretary of Defense**

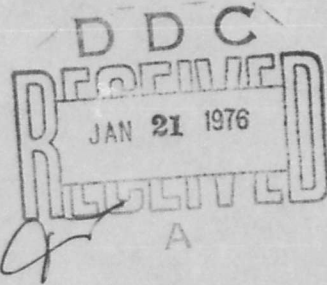
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BY THE
ACQUISITION ADVISORY GROUP

Volume II, Appendices.

11 **30 September 1975**

12 250p.



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Statement A
Cyril A. Bushle
19 Nov. 1975

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Charter for the Acquisition Advisory Group

In accordance with the provisions of PL 92-463, the Department of Defense establishes an Advisory Committee as detailed below:

The official designation of the Committee is the Acquisition Advisory Group.

The scope of the Acquisition Advisory Group is to examine and assess the recommendations of the reports of the Army Materiel Acquisition Review Committee (AMARC), dated 1 April 1974, and the Navy Marine Corps Acquisition Review Committee (NMARC), dated January 1975, and such recommendations that may be submitted by the Secretary of the Air Force as they relate to actions required to be taken by the Secretary of Defense to improve the major weapons system acquisition process within the Office of the Secretary of Defense. They will report their assessment of these recommendations to the Deputy Secretary of Defense.

The total estimated time required for the Acquisition Advisory Group to complete its purpose is 120 calendar days.

The Acquisition Advisory Group will report to the Deputy Secretary of Defense.

The Office of the Secretary of Defense will be responsible for providing necessary support for such Group.

The duties of the Acquisition Advisory Group will be to conduct a study of those aspects of the reports of the Army Materiel Acquisition Review Committee and the Navy Marine Corps Acquisition Review Committee and such recommendations that may be submitted by the Secretary of the Air Force pertaining to major weapons system acquisition which would impinge on the organizational make-up, directives, instructions or other guide-lines of the Secretary of Defense pertaining to major weapons system acquisition within the Office of the Secretary of Defense.

The effort will require approximately three man-years and a total operating budget of about \$100,000.

The Group will meet at periodic intervals and will hold approximately six meetings.

28 April 1975
Dated

APPENDIX A

Brief Biographies of Acquisition Advisory Group Members

Dr. Alexander H. Flax, Chairman

B. Ae. E., New York University, 1940; Ph. D. (Physics), University of Buffalo, 1958; Engineer, Curtiss-Wright Corp., 1940-1944; Piasecki Helicopter Corp., 1944-1946; Cornell Aeronautical Laboratory, 1946-1959; Vice President and Technical Director, 1961-1963; Chief Scientist of the Air Force, 1959-1961; Assistant Secretary of the Air Force (Research and Development), 1963-1969; Vice President for Research, 1969, and President, 1969 to present, Institute for Defense Analyses. Member various advisory panels and committees on Aerospace for NASA, DOT and the President's Science Advisory Committee; Member Defense Science Board; and Chairman and National Delegate to AGARD (NATO).

Admiral Thomas H. Moorer, USN (Ret.)

Naval Academy, 1933; Naval Aviator, 1936; Naval War College, 1953. Executive Officer Naval Aviation Ordnance Test Station, Chincoteague, Virginia, 1946-1948; Experimental Officer, NOTS, Inyokern, California, 1950-1951; Commander, Seventh Fleet, 1962-1964; Commander-in-Chief, Pacific Fleet, 1964-1965; NATO's Allied Command, Atlantic, U. S. Unified Atlantic Command and U. S. Atlantic Fleet, 1965-1967; Chief of Naval Operations, 1967-1970; and Chairman, Joint Chiefs of Staff, 1970-1974.

Dr. Emory J. Cook

B. S. (Chem.), 1936; Ph. D. (Physics), 1940, University of Chicago. Chemist, Peoples Gas Light and Coke Company, 1936-1940; Assistant Professor, Memphis State College, 1940; Assistant Professor, Virginia Polytechnic Institute, 1941; Division Director and Member of University Advisory Board, Applied Physics Laboratory, Johns Hopkins University, 1942-1954; President and Chairman of Board, Operations Research, Incorporated, 1954-1968; Chairman of the Board, Leasco Systems and Research Corporation, 1969; General Manager, Consulting and Systems Services Group, Control Data Corporation, 1970-1972; retired 1973. Consultant, OSD, Weapons Systems Evaluation Group, 1947; Executive Director, Harnwell Commission, Navy Bureau of Ordnance, 1948; Consultant and Member Advisory Board, Weapons System Evaluation Group, Joint Chiefs of Staff, 1951-1954; Deputy and Technical Director, Advanced Surface Missile System Assessment Group, Naval Department, 1965; Member, Governor's Scientific Advisory Board, State of Maryland, 1963-1967; Member, Maryland Council on Higher Education, 1967-1969; Consultant to the President, Commercial Credit Corporation, Subsidiary of Control Data Corporation, 1972 to present.

Lt. General Glenn A. Kent, USAF (Ret.)

B.A., Western State College, Colorado, 1936; California Institute of Technology (Meteorology), 1942; Naval Post Graduate School, Annapolis, 1947; University of California at Berkeley (Radiological Engineering), 1949; Air War College, 1956-1957. Deputy to Director of Research, Kirtland Air Force Base, 1953-1955; Military Assistant to the Deputy Director (Strategic and Defense Systems), DDR&E, OSD, 1962-1965; Deputy Director, Development Plans, Deputy Chief of Staff, R&D, USAF Headquarters, 1965-1966; Assistant for Concept Formulation to the Deputy Chief of Staff, R&D, USAF Headquarters, and Deputy Chief of Staff for Development Plans, Air Force Systems Command, 1966-1968; Assistant Chief of Staff, Studies and Analysis, 1968-1972; and Director, Weapons Systems Evaluation Group, DDR&E, OSD, 1972-1974.

Mr. Charles A. Bowsher

B.S., University of Illinois, 1953; University of Chicago, 1956; CPA, 1957. Partner, Arthur Andersen and Company, 1957-1967; Assistant Secretary of the Navy (Financial Management), 1967-1971; Managing Partner, Government Services Division, Arthur Andersen and Company, 1971 to present; member Navy Marine Corps Acquisition Review Committee, 1974-1975.

Lt. General Welborn G. Dolvin, USA (Ret.)

West Point, 1939; U. S. Army Command and General Staff College (Ft. Leavenworth, Kansas), 1959; Army War College, 1954. Program Manager of the Joint United States and Federal Republic of Germany Tank Development Program, 1963-1966; Commanding General, 3rd Armored Division, Chief of Staff of NATO's Central Army Group and Commanding General, U. S. Army Element, Central Army Group, 1966-1970; Chief of Staff, U. S. Military Assistance Command, Vietnam, 1970; Commanding General, U. S. Army XXIV Corps, 1971; Commander, U. S. Army, Japan/IX Corps, 1972-1975.

Mr. Don R. Brazier

B.C.S., M.C.S., 1952, Benjamin Franklin University, Deputy Comptroller for Budget, OASD (Comptroller), 1966-1967; Comptroller,

Defense Supply Agency, 1967; Deputy Assistant Secretary of the Army (Financial Management), 1967; Principal Deputy Assistant Secretary of Defense (Comptroller), 1968-1974; Treasurer, 1974 to present, National Passenger Railroad Corporation.

Mr. Philip Odeen

B. A. (Government), University of South Dakota, 1957; M. S. (Political Science), University of Wisconsin, 1959; Graduate work Liverpool University (England), 1958. Deputy Assistant Secretary of Defense (Regional Programs), 1969-1970; Principal Deputy Assistant Secretary of Defense (Systems Analysis), 1970-1971; Director, Program Analysis, National Security Council, 1971-1973; and Vice President, Planning, Wilson Sporting Goods Company, 1973 to present.

Brig. General Alfred L. Esposito, USAF (Ret.)

B.S. Aero Eng., Air Force Institute of Technology, 1957; Masters Business Adm., University of Connecticut, 1963; Pilot 1944; Air Tactical School, 1947; Adjutant and Personnel Officer, Greenland Base Command, 1948-1949; Chief, Records Project Office, Hq USAF, 1953-1955; B-58 Weapon Systems Project Officer, 1957-1960; Assistant for Systems Management, Wright-Patterson AFB, 1960-1962; Systems Officer, Office of Deputy Chief of Staff, Systems and Logistics, Hq USAF, 1963-1968; F-111 Deputy Program Director, 1968 and Program Director, 1969-1971; Deputy Chief of Staff, Personnel, Air Force Systems Command, 1971; Executive Director, Procurement and Production, Defense Supply Agency, 1972; Deputy to Deputy Assistant Secretary of Defense (Procurement) and Director, Procurement Policy, OSD, 1972-1973; Advisor to DoD Member to Commission on Government Procurement, 1972-1973; General Manager, Fairchild Burns Company, Division, Fairchild Industries, 1973 to present; Member, Army Materiel Acquisition Review Committee, 1974.

5/10/74
COPY
FROM THE SECRETARY OF THE ARMY

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Transmittal of AMARC Implementation Plan

We have completed our review of the AMARC study report and confirm the desirability of accepting the major AMARC thrusts, including the principal recommendation for evolution toward development centers within AMC.

I have, today, directed the Chief of Staff to proceed with priority to forming as a separate entity the Armaments Development Center. We plan to have a conceptual plan indicating the Center's location, organizational concept, gross personnel implications, facility requirements, consolidations, closings and time-phased implementation by December 1974. Planning the formation of the other development centers will proceed as rapidly as possible on a noninterference basis with the large effort involved in forming the Armaments Development Center. See conceptual outline at Inclosure 1.

The AMARC Implementation Plan is at Inclosure 2. Of 172 AMARC recommendations, 147 have been accepted and appropriate implementing action initiated. Twenty-five require additional study for possible acceptance before the end of 1974. Of these 25, aspects of five, involving action by OSD, are forwarded for your consideration (Inclosure 3).

The AMARC team chairmen are now reviewing the AMARC report, and weapon systems cost data prepared by Army Materiel Command in accordance with your request of 29 March 1974. We will forward the results of this review by 15 June 1974.

We appreciate the assistance you and your staff have provided to this effort and solicit your continued personal support in this important endeavor.

cc: Dep S/D
C/S
USA
ASA-FM

ASA-M&RA
ASA-R&D
ASA-I&L
OGC
MG Camm
ASG/OSA

5/10/74 - Original h/c at 1900 hrs.

Howard H. Callaway

3 Incl

AMARC RECOMMENDATIONS INVOLVING OSD ACTIONS

ITEM 1. "An objective study should be attempted (perhaps under contract) to determine impact of DOD organization on materiel acquisition process of the three services." (AMARC Report - Vol II-VII-D-5-c-(2), page VII-25).

ITEM 2. "OSD is now hydra-headed. Questions pour out of these many heads. The questions can overlap, or deal with the same issues. They appear not to be coordinated at OSD level. The result is tri-service organizational entropy ('an amount of energy in a system not available for doing work') gain. OSD should consider the establishment of a Deputy Secretary of Defense Management of Resources, for such coordination and leadership and for other useful functions as per Blue Ribbon Report." (AMARC Report - Vol II-VII-D-5-c-(3), page VII-25).

ITEM 3. "OSD should re-evaluate its role in materiel acquisition to develop policies and procedures allowing the Services to pursue materiel development within OSD defined mission areas and general levels of funding. Line item attention to R&D projects would not begin until start of engineering development." (AMARC Report - Vol II-I-B-6-b-(1); page I-19.)

ITEM 4. "OSD (DDR&E should maintain a modest discretionary fund with which OSD could have the Services pursue particular projects or embark on new initiatives in research and development." (AMARC Report - Vol II-I-B-6-b-(2), page I-19.)

ITEM 5. "Examine the layering, number of people involved at each layer and depth of their involvement with the intent of reducing people and eliminating unnecessary review of detail." (AMARC Report - Vol II-II-B-2-d-(1)-18).



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20350

9 April 1975

MEMORANDUM FOR DEPUTY SECRETARY OF DEFENSE

Subj: NMARC Implementation

There are a number of NMARC recommendations (some 20%) which require adjustment of Department of Defense policy to effect remedial action. The thrust of the recommendations generally involves four basic areas of our responsibilities, specifically:

- Decentralization of control and emphasis upon service initiatives
- Mechanisms of cost prediction, reporting and analysis on our several programs
- Personnel and manpower management
- Program stability and multi-year authorizations

Our view of the specific NMARC recommendations in these areas is that the recommended actions should be derived through joint services study and in certain cases through joint agency and Congressional action.

Attachments hereto identify the recommendations in question and briefly outline suggested implementation actions which you may wish to consider.

We are prepared to take the initiative within the Department of Defense to develop draft policies along with proposed implementation plans in these areas. Given your approval, we will meet with our sister services with the objective of formulating such action and implementing plans.

D. S. Potter

D. S. Potter
Under Secretary of the Navy

6051

APPENDIX C-2



Suggested Initial Implementation Action
Relative to NMARC Recommendations Whose Thrust
Involves Decentralization of Control and Emphasis
upon Service Initiatives

NMARC Recommendations

Overview	# 3	- Withdraw from mgt of Service details
Procurement	# 1	- Reinforce decentralization policy of DODD 5000.1
	# 7	- Reduce OSD detail involvement)
	# 9	- Improve balance between Navy/OSD
	#11	- Streamline decisionmaking - emphasize DODD 5000.1
	#27	- Cut back on staffs that have become operational
	#28	- Reduce superflous questions
	#29	- Reduce superflous questions
	#31	- Implement letter and intent of DODD 5000.1
R&D	#15	- Hierarchy of reprogramming authority
PRODUCTION	# 9	- Reduce/consolidate briefings
COST	#10	- Reduce layering/modify CAIG charter

o Discussion

The NMARC recommendations cited above address OSD/Navy, OSD/other service relationships and strongly recommend a reduction of OSD staff involvement in Navy/other service detail.

The recommendations and associated text establish the view that existing OSD policy is generally properly stated, e.g., DODD 5000.1, however, is not being appropriately carried out. Service responsibilities/prerogatives are eroding and an ensuing further degradation in defense capability is foreseen.

The Navy views the recommendations and associated text as valid observations of current OSD/Navy relationships and is of the opinion that improvement can only stem from a mutual recognition of the possibilities for improvement and a mutual commitment to demonstrably improve such relationships.

The cited recommendations and associated report text can serve as an appropriate baseline for establishing such mutual commitment. Additionally, a Chief of Naval Operations memorandum to the Secretary of Defense dated 24 June 1974, and a May 1968 monograph 1/ speak directly to the issue and should be utilized as well in reviewing the issues and

1/ "Defense Planning and Budgeting; the Issues of Centralized Control", J. D. Schlesinger.

establishing a renewed commitment to the policy/principles established by DODD 5000.1.

- Suggested Initial Action

- Navy will initiate discussions between appropriate OSD/Navy/other Service personnel.
- From such discussions, Navy will develop a set of particulars for review/discussion with SECDEF/DEPSECDEF.

Suggested Initial Implementation Action
Relative to NMARC Recommendations Whose
Thrust Involves Program Stability and Multi-Year Authorizations

NMARC Recommendations

- PROCUREMENT # 5 - Budget on multi-year basis/include management reserve
- # 6 - Identify **CORE** programs to Congress
- #38 - Multi-year authorizations
- COST #77 - Management Reserve requirements
- #78 - Eliminate artificial budgetary constraint
- #79 - Fund probable system costs
- #80 - Include management reserves in cost estimates
- PRODUCTION #29 - Five year shipbuilding program

● Discussion

The NMARC recommendations cited above address the need for increased acquisition program stability and suggest steps which can be taken to enhance such stability.

The Navy views the need and suggested steps as having universal application throughout the DOD and thus, implementation should be effected by the other services/OSD staff as well as by the Navy.

Internal Navy efforts have been initiated to implement the cited recommendations to the extent possible through unilateral Navy action. For example, a Navy in-house study has been launched to examine Navy policy and practice relative to use of management reserves. Successful use of management reserves is highly dependent, however, upon the philosophy, policy and practice of each echelon above the entity actually utilizing such a reserve. Navy use of such reserves must therefore be attuned to OSD/Congressional views and where Navy views differ some improved accommodation of differences should be attempted.

The Navy generally endorses the cited recommendations and associated report text and as indicated above, is moving to unilaterally implement the recommendations to the extent possible.

● Suggested Initial Action

- Navy will initiate a series of coordinated actions between Navy/OSD staff/other Services to develop a set of particulars to improve understanding and accommodation of divergent Service/OSD/Congressional views relative to budgeting, funding and managing major system acquisition programs.

- Given DEPSECDEF approval of such particulars, Navy will pursue such Navy/OSD agreed upon action and carry same to an appropriate conclusion.

Suggested Initial Implementation Action
Relative to NMARC Recommendations Whose
Thrust Involves Personnel and Manpower Management

NMARC Recommendations

- | | | |
|-------------|------|--|
| Production | # 4 | - Collocate NAVSEC with NAVSEA |
| | # 5 | - Remove personnel ceilings from customer reimburseable programs such as Foreign Military Sales (FMS) programs |
| | # 24 | - Seek Federal funds to support apprentice programs |
| | # 25 | - Remove personnel ceiling controls from NIF activities |
| | # 26 | - Reexamine Civil Service regulations with respect to RIF actions |
| | # 28 | - Public Service/Vietnam Veteran/shipyard jobs |
| Procurement | # 33 | - Provide adequate staffing on FMS related programs |
| COST | # 54 | - Strengthen staffing on FMS related programs |
| | # 55 | - Strengthen staffing on FMS related programs |
| R&D | # 34 | - Remove restrictions on top level Government executive salaries |

o Discussion

The recommendations above are endorsed/non-endorsed in varying degrees by the Navy. Implementation action will require varying degrees of joint Navy/OSD/other Service action.

- o Recommendation Production #4, concerning collocation of NAVSEA/NAVSEC is being pursued as a matter of separate correspondence between Navy/OSD.
- o Recommendations Production #5, Procurement #33, Cost 54 and 55 address the need for adequate staffing of program offices being subjected to increasing levels of foreign military sales. Procurement #5 also addresses the problem of FMS reimbursed funds not actually being made available to the program/project office in need of such funding. The Navy endorses such recommendations and is highly desirous of reaching some improved accommodation relative to personnel ceilings and funding deficiencies which are adversely affecting the performance of such program offices.

- o Production #24 concerns funding and pursuit of apprentice programs. A March 1975 agreement between Navy/MARAD/and Labor Department was made which will govern a 6-9 month effort to acquire funding and develop shipyard training programs.
- o Recommendation Production #25 concerns removal of personnel ceiling controls from NIF activities. Recent (Mar 75) Navy and OSD testimony before Congressional Committees presented the case for such relief. Congressional action is pending.
- o Recommendation Production #26 concerns civil service regulations relative to RIF actions. Navy does not endorse this recommendation and no further action is contemplated.
- o Recommendation Production #28 concerns support of additional productive jobs in private shipyards.
- o Recommendation R&D #34 concerning removal of restrictions on top level Government executive salaries, is beyond the scope of any action which the Navy might unilaterally undertake to influence passage of such related legislation. However, beginning with the month of March 1974, ASN(M&RA), (OCMM) DOD and other agencies have been providing information to the Civil Service Commission, on a monthly basis relating to: (1) those executives who leave Federal employment, by retirement or otherwise; (2) those executives who refuse promotions or reassignments; and (3) those candidates who decline job offers because of current ceilings on executive level salaries. The CSC has requested that we continue to furnish them with this kind of information through February 1976. We have and will continue to provide support for corrective executive pay legislation to DOD and other agencies. The CSC is working on a revision of the proposed Executive Personnel Service that has a salary item in it which would allow an agency to vary individual salaries as long as a certain set agency salary average was maintained for positions above the GS-15 level. The revisions will be sent to Congress in the next session. The salary aspects of this proposal, however, would be dependent on separate pay legislation enacted by Congress. Navy will pursue the issue of executive salaries as appropriate as a matter separate from NMARC implementation.
- o Suggested Initial Action
 - o Navy will develop a set of particulars relative to removing personnel ceilings and funding/reimbursement

issues where FMS programs are concerned. Given DEPSECDEF approval thereof, Navy will pursue the specific action so indicated jointly with OSD/other Services as appropriate.

- Navy will continue actions already underway with respect to shipyard apprentice training programs, additional shipyard jobs as a part of the public service/Vietnam Veteran program and removal of personnel ceiling controls from NIF activities, keeping cognizant OSD/other Service personnel appropriately advised.

Suggested Implementation Action
Relative to NMARC Recommendations Whose Thrust
Involves Improving Prediction,
Reporting and Analysis of Program Costs

NMARC Recommendations

- COST #30 - Cost performance reporting
#31 - Integrate cost data reporting systems
#32 - Integrity of data
#37 - SAR reporting frequency
#38 - Treatment of escalation
#39 - Keep changes to DODI 7000.3 to a minimum
#40 - Review SAR data with contractors
#59 - Treat escalation realistically
#61 - Treat escalation realistically
#63 - Treat escalation realistically
#69 - Adjust existing contracts to provide for escalation
#70 - Recognize imputed interest as a cost
#71 - Recognize imputed interest as a cost
#72 - Recognize imputed interest as a cost
#76 - Adjustment to burden rates
PROCUREMENT #49 - Limit requests for data

o Discussion

- o Recommendations Cost #30, 31, 32, 37, 38, 39, 40, 59, 61 and 63 generally all involve incremental improvement to existing practices. The Navy endorses the thrust of these recommendations and in several cases some initial discussion has occurred between ASN(FM)/OSD(C) personnel. OSD(C) comments have been solicited and subsequent action will be planned based upon receipt of such comments.
- o Recommendation Cost #69 speaks to equitable adjustments to existing contracts. Such adjustments are currently provided for under P. L. 85-804. Equitable adjustments to existing contracts can only be made under the provisions of P.L. 85-804 and the terms and conditions of specific contracts involved. No specific action is contemplated by the Navy to implement this recommendation.
- o Recommendations Cost #70, 71, and 72 relate to recognition of imputed interest as an allowable cost. The Navy does not endorse these recommendations. Assuming similar OSD non-endorsement, the Navy intends to drop such recommendations from further consideration or action incident to implementation of NMARC recommendations.

o Suggested Initial Action

- o Navy will develop a set of particulars pertaining to incremental improvement relating to recommendations Cost #30, 31, 32, 37, 38, 39, 40, 59, 61, and 63. Following OSD review and approval, Navy will pursue the specific actions so indicated.

NMARC Recommendation of
Miscellaneous Thrust--but which Require OSD
Concurrence or OSD/Other Service Participation Incident
to Their Resolution

NMARC Recommendations

- | | | |
|-------------|-----|--|
| PRODUCTION | #18 | - Retention of Boston Naval Shipyard |
| | #19 | - Leasing of shipyard facilities |
| PROCUREMENT | #34 | - Equitable treatment of contractors
incident to Foreign Military Sales |
| R&D | #20 | - ASPP modification regards
Title X Section 2304 Thresholds |
| COST | #24 | - Coordination/Integration of mgt systems |
| | #25 | - Update and coordinate mgt reporting
systems |

o Discussion

o Recommendation Production #18 concerns disposition of the Boston Naval Shipyard. Workload review during Shore Establishment Realignment (SER) studies (January 1972 - November 1972) indicated that the Boston Naval Shipyard was excess to the Navy's needs. Currently the shipyard is in a caretaker status under the Boston Caretaker Group assigned to the Portsmouth Naval Shipyard. General Services Administration is scheduled to take over the protection and maintenance responsibility for the South Boston Site on 1 July 1975 and the Charlestown site less the Constitution Park, and buildings housing the Boston Planning Group on 1 January 1967. In view of the above Navy proposes no further action on this recommendation.

o Recommendation Production #19 concerns leasing of shipyard facilities. For reasons cited above, the Charlestown portion of the Boston Naval Shipyard and the large drydock at South Boston Annex will not be leased. The Navy has reviewed the Hunters Point facility for retention as a standby shipyard for mobilization and outleasing and recommended to CNO that the industrial portion of the overall shipyard be retained, primarily the improved waterfront and industrial areas. All remaining areas would be excessed. Congress has approved this action and it is the intent of Navy to seek a single lease. A letter of intent to solicit interest in the possible leasing of the Hunters Point Naval Shipyard property is expected to be issued in late April 1975. In view of the above, Navy proposes no further specific action on this recommendation.

- o Recommendation Procurement #34 and R&D #20 both require initiation and pursuit of an ASPR case to review pros and cons and arrive at a joint Service/OSD position.

- o Recommendations Cost #24 and 25 relate to achieving better coordination and integration of the numerous individual management systems currently in use throughout the DOD. The thrust of these recommendations is closely related to the decentralization and program stability issues discussed elsewhere herein. Specific implementation action relative to Cost #24 and 25 should thus be closely related to action taken with respect to those issues. A dominant problem is that each system is somewhat oriented to the particular information needs of an individual Assistant Secretary of Defense function. The staffs of these individual Assistant Secretary of Defense functions often do not recognize the decisions that have been made previously in other decisionmaking cycles. Many program staff papers are written without regard to some of the decisions made and the issues resolved in the budget, DCP, and DSARC processes. Consequently, much time and effort is expended in recycling issues and decisions regarding weapon systems programs which action in turn leads to program instability and increased costs.

o Suggested Initial Action

- o Navy will initiate ASPR cases relative to recommendation Procurement #34 and R&D #20.

- o Joint Service/OSD effort to identify specific means to improve coordination/integration of individual management systems in use throughout DOD relative to recommendations Cost #24 and 25.

DEPARTMENT OF THE AIR FORCE
WASHINGTON 20330



OFFICE OF THE SECRETARY

MAY 5 1975

MEMORANDUM FOR DEPUTY SECRETARY OF DEFENSE

SUBJECT: Acquisition Advisory Group - INFORMATION MEMORANDUM

I am very pleased with your decision to undertake an evaluation of CSD's procedures and operations in the major weapon systems acquisition process. The establishment of the Acquisition Advisory Group with its distinguished membership should provide a unique opportunity to seek needed improvements objectively for an extremely important process. You can be assured of the Air Force's continued support throughout the course of this study.

The Air Force's concerns with OSD involvement in major systems acquisition are similar to those emphasized in the separate AMARC and NMARC studies. The central issue is the apparent increasing centralization of authority and decision-making within OSD. While I strongly endorse the DCP/DSARC process, extensive and extended pre-DSARC and post-DSARC activities are generating excessive workloads on program managers and their staffs and are delaying timely decisions. Additionally, the lines of responsibility established in DODD 5000.1 are being weakened by direct OSD staff involvement in actions and decisions that more properly belong with the Services. The result is movement toward restricting Service prerogatives which could, if continued, jeopardize the intent and objectives of DODD 5000.1.

Specific recommendations are attached. While certainly not complete nor fully developed, they do indicate the kinds of action which should be considered to place the centralization/decentralization issue in more proper balance.


John L. McLucas

1 Attachment
Air Force Recommendations

cc: Secretary of Defense
Vice Admiral Reich

APPENDIX C-3

AIR FORCE RECOMMENDATIONS

The DSARC Process: Reduce the number of pre-DSARC reviews and provide them as information briefings only. The purpose of these reviews should be to prepare the DSARC principals for informed participation in the DSARC review and should be strongly emphasized. The OSD point of contact within the DSARC Chairman's office should coordinate and consolidate all requests for reviews, confining them to the 15 day period preceding the DSARC review.

Reaffirm the basic program decision milestones as DSARC I, II and III. Additional DSARC reviews should require full justification and DepSecDef approval and should be based upon specific program-milestone events.

Restrict the DepSecDef decision memorandum to broad implementation guidance and direction, emphasizing what to do and not how to do it.

Limit post-DSARC activity by the OSD staff to that required to issue the DCP incorporating the DepSecDef decision.

The DCP Process: Clarify the distinction between use of the DCP as a decision document and its use as an information document. Those aspects of program management which are within the Service's responsibility and prerogatives normally should not be included in the DCP.

Emphasize DODI 5000.2 requirements for DCP currency and issue the DCP on a timely basis following DepSecDef decision.

Organizational Responsibilities: Clarify roles and responsibilities for systems acquisition between ODDR&E and OSD(I&L). All program actions and decisions should be coordinated by the organization having responsibility for the current phase of the acquisition life cycle.

Establish lines of authority and responsibilities for other DOD organizations and agencies involved in major systems acquisition. All program direction should be coordinated through the ODDR&E or OSD(I&L) offices having fiscal responsibility for that program or program area. The established systems acquisition process should be used.

Provide full recognition of JCS and Service responsibilities for operational requirements, military operations, and force structure and doctrine.

Establish closer coordination between the DCP/DSARC process and the PPBS. Fiscal constraints should be fully addressed in DCP/DSARC actions, and the DepSecDef decision then fully supported in subsequent budget reviews.

ANALYSIS OF AMARC, NMARC, AND RELATED AIR FORCE REPORTS

AND

INFORMATION SUBMITTED BY MEMORANDUM TO THE ACQUISITION ADVISORY GROUP

BY THE

MILITARY DEPARTMENTS

APPENDIX D

FCREWORD

This Appendix contains a summary of pertinent information made available to the Acquisition Advisory Group by the Military Departments. It was prepared by the staff of the AAG for the purpose of making the assessment of Service comments and recommendations which appear in the main body of the report. The key below identifies the coding used to cross reference the extracts to the source documents.

KEY

<u>TITLE</u>	<u>CODE</u>
Army Materiel Acquisition Review Committee Report	AMARC/Page No.*
Army Presentation to Acquisition Advisory Group, 19 May 1975	A/5/19/75/Page No.*
Letter, Under Secretary of the Army to Admiral Reich, 29 May 1975	A/5/29/75/Page No.*
Navy Marine Corps Material Acquisition Review Committee Report	NMARC/Page No.*
Memorandum for Deputy Secretary of Defense from Under Secretary of the Navy, subject: NMARC Implementation, 9 April 1975	N/4/9/75/Page No.*
Memorandum for Dr. Alexander Flax from Under Secretary of the Navy, subject: Additional Specifics for Consideration by the Acquisition Advisory Group (AAG), 17 July 1975	N/7/17/75/Page No.*
Memorandum for Deputy Secretary of Defense from the Secretary of the Air Force, subject: Acquisition Advisory Group - Information Memorandum, 5 May 1975	AF/5/5/75/Page No.*
Recommendations for Improvement of the DoD/ DSARC/Acquisition Process, 23 May 1975	AF/5/23/75/Page No.*
Air Force Presentation to Acquisition Advisory Group, 19 May 1975	AF/5/19/75/Page No.*

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DOD DIRECTIVE 5000.1

DCP/DSARC PROCESS

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
1	<p>DSARC recommendations and SecDef decisions should be altered only if absolutely necessary and then only as the result of a further DSARC meeting and subsequent SecDef decision.</p> <p>Relative to shipbuilding programs, the thresholds established in the original Development Concept Paper (DCP) should operate to control the construction program (reverse the current trend toward requiring upwards of ten separate DSARC's, with all the attendant prebriefings, etc., in connection with a new ship class development and construction program.)</p>	NMARC 11-13
2	<p>The frequent use of the DSARC process to approve annual procurements of hardware for programs previously approved for production should be eliminated.</p>	NMARC 11-14
3	<p>The DSARC process seems to be well conceived; DOD Directive 5000.1 provides for an appropriate balance between OSD policy and direction and delegation of authority and responsibility to the DOD components. In practice, however, the delegation of responsibility by the OSD to the Navy, indeed by Congress to OSD and the Navy, for the management of programs is insufficient.</p>	NMARC V-10
4	<p>Viewed from the perspective of Navy PM's, the basic thrust of DOD Directive 5000.1 -- to incentivize the armed services and PM's to seek more responsibility and authority -- has been blunted by a continuance of heavy OSD staff involvement. The complaints focus on the DSARC process for the following reasons:</p> <p>a. After scrubbing all alternatives and firming up the Development Concept Paper (DCP), the Navy often finds alternatives added by the OSD staff that frequently carry greater weight than the Navy position.</p>	NMARC V-11

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(Cont)

b. DSARC's are scheduled too frequently, creating funding, contractual, and schedule turbulence. The numerous prebriefings for each DSARC are primarily for the benefit of staff and result in the dilution of the PM's time out of proportion to the value of such exercises.

NMARC V-11

c. The DCP decisions, as drafted by the OSD staff, are frequently delayed in issuance and may not reflect the verbal discussion at the actual DSARC meeting.

5

The Secretary of Defense (SecDef), Dep SecDef, and SECNAV must effect improved accommodation between OSD and Navy views as to the appropriate balance to be struck between OSD/Navy responsibilities, interests, and prerogatives as intended by the principles of DOD Directive 5000.1. Some specific examples are the following:

NMARC V-11-12

a. Eliminate OSD staff constraint of Navy studies of alternatives prior to Navy's requesting the first DSARC.

b. Extend the half life of DSARC decisions. Once the SecDef/Dep SecDef and SECNAV agree on a signed DCP, stick with the decision longer than is currently the case -- i.e., purposefully reduce program turbulence, which is generated internally by OSD/Navy.

c. Adopt a practice of hearing Navy positions firsthand before making negative decisions regarding the Navy's DSARC proposals.

d. Retreat from the practice of using the DSARC process to approve annual production buys of hardware programs already approved for production.

e. Relative to shipbuilding programs, adopt a practice of letting the thresholds established in the original DCP operate to control the construction program (i.e., the current trend is toward requiring as many as ten separate DSARC's, with all the attendant prebriefings, briefings, etc. in connection with a new ship class development and construction program).

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6	<p>On the occasion of his departure as CNO, Admiral Zumwalt wrote to Secretary of Defense Schlesinger this opinion on the implementation of DOD Directive 5000.1:</p> <p>....The move toward decentralization of acquisition responsibility while retaining major decision authority at the Secretary of Defense level was a significant change. I wholeheartedly endorse this change to participatory management. However, during the several years that we have been operating under the aegis of 5000.1, I have observed an erosion of the principles and concepts basic to that directive....</p>	NMARC V-30
7	The SECDEF and the Department of the Navy should take immediate steps to implement the letter and intent of DOD Directive 5000.1	NMARC V-33
8	DSARC Reviews should be restricted to major milestone decisions or breaches of DCP thresholds.	AF #1 23 May 75
9	Pre-DSARC activities should be coordinated by the DSARC Chairman's office with the intent to (a) consolidate reviews by the OSD Staff and (b) insure the preparation of the principals for DSARC.	AF #2 23 May 75
10	The DSARC decision should be clear, concise, and promulgated with minimum delay.	AF #3 23 May 75
11	<p>The preparation, review, and approval of the Decision Coordinating Paper (DCP) should be centered on key issues and the required decision.</p> <p>The DSARC principals should be required to coordinate on the For Coordination draft DCP prior to the DSARC review.</p>	AF #6 23 May 75

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Currently OSD does not use the DSARC as a decision forum. We however, see a real need for the DSARC to become a decision-making body as opposed to the present policy in which the issues are discussed at the Assistant Secretary and equivalent level. Currently in that forum, common understandings are presumably reached only to have them subsequently modified in the OSD staffing for decision to the Deputy Secretary of Defense and the Secretary of Defense. This results, at times, in imbalanced information being presented for decision through staff brokers rather than from the senior managers directly to the decision-maker. It also results in a yo-yo effect since finally the pertinent information gets to the Deputy Secretary of Defense or the Secretary of Defense after a series of agonizing iterations so that an equitable decision can be made. It means delays in programs and increased costs and there is adequate evidence to support this judgment.

A/5/19/75/#6

13

The third AMARC recommendation was:

A/5/19/75/#8

"OSD should reevaluate its role in materiel acquisition to develop policies and procedures allowing the Services to pursue materiel development within OSD defined mission areas and general levels of funding. Line item attention to R&D projects would not begin until start of engineering development."

There are two associated parts to this AMARC recommendation. The first part recommends OSD stick to macromanagement. This approach is only a reiteration of the OSD policy in DOD Directive 5000.1 as recently reinforced by the Deputy Secretary of Defense memorandum of 13 May 1975, subject: Headquarters Review; and we agree wholeheartedly. The second part would not have OSD get into line item R&D management until engineering development starts. This second part also parallels the AMARC recommendation that the Army should not establish a formal requirement for a system prior to engineering

<u>ITEM #</u>	<u>REMARK</u>	<u>DATE/PAGE #</u>
13 (Cont)	development. The advanced development phase was to be the time for investigations to establish technical feasibility and operational usefulness before making the "promises" involved in saying <u>"We Need That System."</u> In general, we agree but recognize that for some special critical interest areas OSD management reviews might be desirable, prior to engineering development, as an exception to the general rule. For the most part, even in engineering development, we see OSD becoming involved only in line item management of major systems.	A/5/19/75/#8
14	In summary, there are two overriding problems that must be addressed and solved if we are to streamline and improve the OSD/Service relationships in materiel acquisition. First, the mission of the OSD staff must be restricted to broad policy and program guidance. They should abide by DOD Directive 5000.1 and conduct broad reviews and analyses to achieve mission balance in the consolidation of the materiel acquisition programs of the Services. One positive approach to achieving this objective is to reduce the size of the OSD staff drastically. <u>Secondly</u> , the DSARC must become a decision-making body with the Deputy Secretary of Defense as the active chairman or a decision empowered alter-ego acting in his stead. We feel this action could result in prompt, effective decisions and reduce the time required to field new or improved equipment.	A/5/19/75/#22
15	So how should we do it differently? The basic principle espoused here is a simple one: the central office staff should enforce good business practice, not make detailed decisions. This means the establishment of service-wide standardization and standards of competence. It means the establishment of appropriate service-wide personnel policies, rules for the amortized replacement of capital assets, guidance on spare part inventory policies, and so forth. Such rules can be made sufficiently flexible to permit special exceptions where significant differences in operational practices between services so require. Proper central office operation also means staying out of particularized line supervision. The central office,	N/7/17/75/#2-3

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while enforcing good practice, needs to avoid substituting central management judgment for responsible branch management. As a generalized rule, the staff activities of the Department of Defense should make rulings that are applicable for all the services, but not rules that apply to a single service or a single program. The line operation of the business would then flow from the Secretary of Defense/Deputy Secretary of Defense directly to the Services.

N/7/17/75/#2-3

16

- Institute procedure which restricts the reopening of prior DSARC decisions. (e.g. reopen only with advance formal notice in writing).
- Institute procedure whereby the sense of each DSARC meeting is summarized in writing in session with copies furnished to all principal participants.
- Institute procedure where SECDEF/DEPSECDEF decisions emanating from the DSARC forum are formally rendered within three days. As an element thereof, ensure that decisions which may result in major program redirection are reviewed in advance personally between the DEPSECDEF and the cognizant service secretary.
- Reinstitute procedure whereby a maximum of three DSARCs are held on any given program.
- Strengthen the procedures whereby lower level OSD staff personnel are precluded from altering or negating program actions or decisions made by the DEPSECDEF. (Perhaps by requiring an "impact statement" to be included in each Program Budget Decision document and that PBDs affecting prior program decisions be signed by DEPSECDEF with prior coordination with the service secretary concerned.)
- Reinstitute the guidance of DOD Directive 5000.1, that "minimum demands for formal reporting" be placed on the program manager by reducing the number of Pre-DSARC briefings held for OSD staff members.

N/7/17/75/ATCH

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-Redefine the dollar threshold criteria for major programs to bring the total number of programs subject to the DSARC process in line with the intent of DOD Directive 5000.1 at the time it was issued.

N/7/17/75/ATCH

17

The DSARC Process: Reduce the number of pre-DSARC reviews and provide them as information briefings only. The purpose of these reviews should be to prepare the DSARC principals for informed participation in the DSARC review and should be strongly emphasized. The OSD point of contact within the DSARC Chairman's office should coordinate and consolidate all requests for reviews, confining them to the 15 day period preceding the DSARC review.

AF/5/5/75/ATCH

Reaffirm the basic program decision milestones as DSARC I, II and III. Additional DSARC reviews should require full justification and DepSecDef approval and should be based upon specific program milestone events.

Restrict the DepSecDef decision memorandum to broad implementation guidance and direction, emphasizing what to do and not how to do it.

Limit post-DSARC activity by the OSD staff to that required to issue the DCP incorporating the DepSecDef decision.

The DCP Process: Clarify the distinction between use of the DCP as a decision document and its use as an information document. Those aspects of program management which are within the Service's responsibility and prerogatives normally should not be included in the DCP.

Emphasize DODI 5000.2 requirements for DCP currency and issue the DCP on a timely basis following DepSecDef decision.

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18	<p>DSARC Reviews Restricted to Major Milestones/Reaches</p> <ul style="list-style-type: none"> -Consider only key issues and required decision -Normal staffing for lesser issues -Disciplined use of executive reviews <p>Pre DSARC Activity Coordinated by Chairman's Office</p> <ul style="list-style-type: none"> -Consolidate reviews by OSD Staff -Program background and status information -Used with DCP review to prepare principals <p>Clear, Timely DEPSECDEF DSARC Decision Issued</p> <ul style="list-style-type: none"> -Reduced emphasis on detailed actions/conditions -Based upon DSARC Principals' inputs -What, not how, provided in implementation guidance 	<p>AF/5/19/75/ BRIEFING</p>
19	<p>Operation of the DSARC</p> <p>Key Word - Discipline</p> <ul style="list-style-type: none"> -Only current major issues -Restricted participation -Preparation by the principals -Discussion at review controlled by Chairman -Reflect conclusions of principals -Present minority views/service views to SEC DEF 	<p>AF/5/19/75/ BRIEFING</p>

REQUIREMENTS

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1	We recommend strongly that the ROC, Task Force, ASARC, DSARC and establishment of a Program Manager be delayed until critical experiments have been performed, technology is demonstrably in hand and the user has had the opportunity to test the concept in an operational environment using experimental equipment which demonstrates all the salient points. Then, and only then, should engineering development (6.4) begin.	AMARC 1-5
2	OSD should re-evaluate its role in material acquisition to develop policies and procedures allowing the Services to pursue materiel development within OSD defined mission areas and general levels of funding. Line item attention to R&D projects would not begin until start of engineering development.	AMARC 1-19
3	Require the ROC and DCP only after advanced development.	AMARC 11-18
4	The lack of a complete definition of a requirement specifically oriented to a mission deficiency is the biggest single contributor to criticism of the acquisition process. The term "mission deficiency" refers to a broad mission area and the ability of the Army to totally perform that mission. The fulfillment of a mission deficiency may require more than one weapon system. It may require a change not only in weapons systems but also in doctrine, tactics, and force structure. Define requirements and justify new weapons systems, force structure and doctrine on the basis of fulfilling a defense mission deficit. Appropriate responsibilities for defining mission deficits should be delineated.	AMARC 11-20

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5 The lack of agreement on requirements is a major problem which can be traced to the lack of identity of the responsible individual to specify and manage the need. This lack of identity causes continual change and obviates the capability to maintain a corporate memory. AMARC 11-22

6 It is essential, therefore, that these goals and needs be reaffirmed at the end of the development cycle and before the first production run. The actual system to be produced should then be measured against the revalidated requirement. AMARC 111-4

7 SecDef should continue the practice of permitting self-generated force-trades to the Services to help towards establishing a bias towards simplicity. If it sees a value to this approach it must be prepared to deal with the Armed Services Committees on this basis. AMARC VII-10

An institutional bias away from weapon complexity be instituted in the Army. High technology must be scrutinized in terms of the developmental risks it induces. Perhaps this is already underway. CSA must lead. The ASARC/DSARC process should reflect this bias, and should hammer at the issue. Some advocate capability (perhaps in TRADOC) should be structured to staff this role in the ASARC/DSARC discussions.

8 The ideas that lead to a bona-fide requirement have to be played with, analyzed and experimented with both broadly and in depth. TRADOC has not had a resource capability to experiment with ideas before requirements are generated. AMARC VII-17

What should be the nature of such a resource?

It should certainly be analytic, i.e., the equations of motion, the mathematics of guidance, ballistic tables, damage statistics, the aerodynamic laws, etc. are all subject to useful and ROC-pertinent analysis, synthesis and judgmental interpretation.

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It should probably be mechanistic (computer-cued), i.e., prestructured programs should be available and particular ROC-oriented programs should be generated.

AMARC VII-17

The inclusion of an experimental and evaluation capability appears indicated. One critical and pointedly designed experiment can be worth a roomful of computer tapes or a Pentagon full of Commander's opinions.

It should be cost-intensive and otherwise statistically embedded as to performance-index values, cost effectivity, developmental risks.

It should be operationally extrapolative, i.e., future threat evaluation, force planning, future tactical concepts, the probabilities of future geopolitical constraints must on a pre-ROC basis be made available and endemic to the rigorous approach to a formal requirement.

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- 9 Instability of requirements after commitment to a major program is a prime weakness in the acquisition process. Soft or changing requirements have led to prolonged development, cost growth, and criticism by the General Accounting Office (GAO) and the Congress. Such instability can be attributed largely to poor definition of roles within OSD and the Navy, funding inadequacies, layering and personnel turbulence in key positions, and failure to respect program decisions and commitments.

NMARC 11-4

An acquisition program should not be formally undertaken until the major participants involved have an agreed understanding of what is achievable and usable. For systems that do not evolve from existing weapon systems, such agreement normally should follow completion of an advanced development program; thus, when the program is formally established, it can be well defined, costed, and supported. Formally establishing the program earlier is to invite disaster by denying freedom of investigation, the pursuit of alternatives, and necessary development iterations.

Effective pursuit of alternatives should normally involve an early industry/service dialogue, with emphasis on a set of mission objectives that establish the minimum capability being sought.

- 10 Unfortunately, however, the Naval Material Command is observed to defer frequently to strong OSD and OPNAV staff efforts to control the details of choice, substance, and schedule in connection with various acquisition efforts.

NMARC 11-5

- 11 Evidence suggests that many decisions reflect undue influence of OSD staff personnel who have individually tended to assume the role of final authority. Paradoxically, detailed OSD staff review of Navy conceptual efforts is likely to suppress rather than stimulate the exploration of alternatives due to the tendency of the military services to push for OSD concurrence with what may appear to be the best choice at a given juncture with given individuals.

NMARC 11-11

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- 11 (Cont) To explore alternatives adequately, service authority is required to pursue diverse efforts in an unconstrained fashion until sufficient information is generated upon which to base intelligent decisions as to which efforts to continue, shelve, or abandon. OSD review should not occur until the data that the effort in question is designed to produce become available. The more practical means of achieving this operation is for the Navy to evaluate choices, not undigested information, with the choices having been developed in a relatively unconstrained fashion, and a specific recommendation made to OSD as to the desirable alternatives to be pursued further. NMARC 11-11
- 12 OSD staff review of service study of alternatives prior to a service's requesting a program initiation DSARC should be substantially reduced. NMARC 11-13
- 13 The Navy is inhibited, by heavy OSD staff involvement, from exercising its prerogatives in the generation, evaluation, and selection of system alternatives. To explore alternatives adequately, the armed services require the authority to pursue diverse efforts in an unconstrained fashion until sufficient information is generated upon which to base intelligent decisions as to which efforts to continue, shelve, or abort. In practice, however, the OSD staff has interjected itself into the exploratory process, looking for justification and review before the Navy has had an opportunity to examine the alternatives. Paradoxically, such detailed review is likely to suppress rather than stimulate the exploration of alternatives since the service is forced to justify its analysis and in the process pushes for OSD concurrence as to what may appear to be the best choice at that given point in time. OSD review generally should not occur until the data that the effort in question is designed to produce become available. The only really practical means of operation is for the armed services to furnish choices, not undigested information, with the choices having been developed in a relatively unconstrained fashion. Although informal OSD staff involvement is appropriate, formalization thereof may be expected to force premature reliance on unrefined data. NMARC V-6

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14

The Secretary of Defense (SecDef) or the Deputy Secretary of Defense (Dep SecDef) should reinforce the decentralization principles of DOD Directive 5000.1 and its derivative policies by preventing OSD staff involvement in and constraint of the Navy's studies of alternatives prior to the Navy's requesting the program initiation Defense Systems Acquisition Review Council (DSARC) (#1).

NMARC V-6

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| 15 | We believe strongly that the system should be revised to provide for an improved and broadened staff role in mission area analysis, resource allocation, and the establishment of uniform records and procedures. | N/7/17/75/#6 |
| 16 | Provide full recognition of JCS and Service responsibilities for operational requirements, military operations, and force structure and doctrine. | AF/5/5/75/#Atch |

ORGANIZATION

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- 1 The approval process as now structured is not only a problem of proceeding up three or four layers but also of traversing each layer to obtain individual staff element concurrence.⁶ AMARC 11-9

⁶This is further complicated by the budget process where each individual budget appropriation is handled through a separate staff "stovepipe" from bottom to top. Since an Army project manager will deal with all these appropriations during the life of the system he manages, he will have to make certain that his request in each "stovepipe" is sufficient to keep his program balanced and on schedule. He must rely on each layer to insure integration and adequacy of his total budget needs.

- 2 Examine the layering, number of people involved at each layer and depth of their involvement with the intent of reducing people and eliminating unnecessary review of detail. AMARC 11-18

- 3 The delay in planning, programming, and funding decisions continues to impede an effective research and development effort. The layering of decision makers and the large attendant effort to make multiple presentations and justification have frequently resulted in serious delays, additional costs and frustration. Both real and "artificial" managers have contributed to the decision paralysis at most levels, including staffs at commodity commands, AMC, DA, DDR&E, and other OSD elements. The regulatory process is judged to be too heavily biased toward avoiding mistakes rather than achieving effective output. AMARC VI-8-9

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4 It is probably true that OSD, in monitoring Army performance and in attempting to bring about a proper coordination of activity between the Services, all proper OSD functions, has encountered conflict situations which required OSD action. Nevertheless, the Secretary of Defense could make a significant contribution to the eventual strength and capability of Army RDT&E establishments by defining clearly and concisely the proper functions of what basically is the Defense Department's Corporate Board, and then limiting, by vigorous action if necessary, the large OSD staff to just these functions. It is remarkable how unclear it is at both OSD and Army levels as to just what are OSD's proper functions.

AMARC VI-9

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- 5 Of particular concern is the extensive and often detailed involvement of the Office of the Secretary of Defense (OSD) in the execution of weapon system acquisition programs. NMARC 11-2
- 6 It is the clear conviction of the NMARC that sound management would call for a substantial withdrawal of OSD from specific participation in individual weapons system acquisition programs and a dedication instead to policy formulation and monitoring in matters of total DOD objectives, force levels, budget, and overall management philosophy. It will be necessary for the Navy, by emphasis on NSARC-type reviews, to demonstrate a degree of excellence in system acquisition management sufficient to justify the confidence the Secretary of Defense (SecDef) will need to change OSD's management philosophy and practices and reverse the trend toward increasingly heavy OSD involvement in military service acquisition program detail. NMARC 11-12
- 7 Major deviations from the plan should require approval by the NSARC. NMARC 11-13
- The NSARC should be more fully utilized to provide formal advice to the Secretary of the Navy. Where possible, a single briefing by the project manager concerned should be made to a joint gathering of NSARC and CEB members, following which, separate NSARC and CEB deliberations could be held as desired. Each NSARC should address timely questions for which it is convened and should not unnecessarily reopen issues upon which decisions have previously been made.
- 8 In connection with the question involving the trend toward increased OSD staff involvement in all aspects of the acquisition process, the NMARC considers, for example, that the proposed revision of the charter of the Assistant Secretary of Defense (Installations and Logistics) and his apparently intended increased involvement in system acquisition activities contradicts previous SecDef policy intentions. NMARC 11-14

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9	The prevalence of layering observed by the NMARC offers one of the most significant opportunities for simplifying the acquisition problem. The phenomenon is both a matter of organizational structure and a matter of procedures and systems that invite multiple reviews, redirections, inquiries, and serial approvals. Thus, it can be ameliorated through procedural changes, establishment of concurrent reviews, decentralization, and revisions in management philosophy.	NMARC 11-19
10	Duplicative OSD-level staff functions relative to systems acquisition, which are mirrored in the Navy (and other services as well) <u>causes layering in organizations.</u>	NMARC 11-19
11	Utilize a strong, active NSARC to preclude the need for requests for information from OSD.	NMARC 11-20
12	A related problem is the proliferation of higher level staffs.	NMARC 11-43
13	Authority and responsibility should be clearly defined, and, more importantly, the organizations in OSD, OPNAV, NAVMAT, and the Systems Commands that are involved in the acquisition process should be made to limit themselves to their defined areas of responsibility. As much authority as practical should be decentralized and located in the program management organization. Within the Navy program management matrix, the project office should be strengthened to include full line responsibility and adequate staffing for technical, financial, and contract management.	NMARC 11-43
14	Perhaps the most pervasive, disruptive influence on Navy project management is the inadequate and improper definition of the roles of OSD, OPNAV, and the Naval Material Command in acquisition management. The NMARC	NMARC 11-42-43

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14 (Cont)	found that the policies of DOD Directive 5000.1 are being widely ignored, with the result that there is excessive and counter-productive involvement of higher level staffs in the direct management of major programs. This involvement comes from both OSD and OPNAV. It undercuts the position of the project manager, obscures the lines of authority and responsibility, and destroys accountability for program management.	NMARC 11-42-43
15	OSD should withdraw substantially from specific participation in individual weapon system acquisition programs and dedicate its energies instead to policy formulation and monitoring in matters of total OSD objectives, force levels, budgets, and overall management philosophy. The proposed expanded charter of the Assistant Secretary of Defense (Installations and Logistics) should be seriously questioned.	NMARC 11-45
16	The usable authority of the individual project managers should be strengthened, primarily by constraining extraneous demands, reallocating and consolidating assets, improving training, reassigning existing personnel, and possibly consolidating the number of projects that are presently separately identified and managed.	NMARC 11-45
17	The most commonly voiced complaint heard throughout the R&D/acquisition community is the widespread decoupling of accountability, responsibility, and authority. In other words, those who are accountable have insufficient authority, and those who either have authority or are in positions to influence strongly the successful prosecution of R&D/acquisition programs (staffs) have no accountability for success or failure.	NMARC 111-11

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- 18 Under Deputy Secretary of Defense Packard, this policy was renounced and a new policy of restoring responsibility and authority to the armed service components was enunciated with the issuance of DOD Directive 5000.1. This top-level policy clearly establishes within OSD the prerogative of policy formulation, assuring that programs are pursued in response to valid needs and evaluation of policy implementation on approved programs. It just as clearly assigns to the armed service components the prerogatives of need identification, definition, and development and production of systems to satisfy those needs. The panel found that, while DOD Directive 5000.1 is very clear in its policy direction, the implementation of this policy within the Navy and the OSD is not being carried out in the manner intended. NMARC V-4
- 19 It is perceived that real improvement in the generation, selection of alternatives, and resource allocation phases of the acquisition process can only be achieved through a reduction in staff involvement in line operations at all levels. The heavy layering at Navy headquarters levels largely is a function of the extensive demands placed on them by the OSD staff. Any quantum reduction in layering must begin and be maintained with a significant reduction in both the numbers of OSD staff personnel and the degree of remaining involvement in armed service program detail. NMARC V-13
- 20 Every effort should be exerted by OSD, CNO, and CNM and their staffs to strip out those organizational elements that have become operational beyond their assigned responsibilities. NMARC V-31
- 21 Each headquarters should examine every exercise it puts the PM through to determine if that task is really necessary and if the office can answer the questions with data already available to it. NMARC V-31

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- 22 Each headquarters should do its best to answer inquiries from higher headquarters without making waves in the next lower headquarters. Particular attention should be paid to each headquarters' elaborating on the request of the one above as it passes to the one below. NMARC V-31
- 23 Establish within OSD an Assistant for Acquisition with the responsibility and authority to discipline the DCP/DSARC process. AF #4
23 May 75
- 24 OSD should refrain from detailed program management (micro-management). AF #8
23 May 75
- 25 Reduce the proliferation of OSD level offices and councils and DOD agencies and organizations involved in the major system acquisition process. AF #13
23 May 75
- Establish clear lines of authority and responsibilities where other DOD organizations and agencies must participate in the acquisition process and subject these organizations to the established acquisition process.

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26 AMARC's first recommendation was that:

A/5/19/75/#5

"An objective study should be attempted (perhaps under contract) to determine impact of DCD organization on material acquisition process of the new services".

The Army agrees and we see your Advisory Group as fulfilling this objective.

27 AMARC's second recommendation was:

A/5/19/75/#5-6

"OSD is now hydra-headed. Questions pour out of these many heads. The questions can overlap, or deal with the same issues. They appear not to be coordinated at OSD level. The result is tri-service organizational entropy ("an amount of energy in a system not available for doing work") gain. OSD should consider the establishment of a Deputy Secretary of Defense Management of Resources, for such coordination and leadership and for other useful functions as per Blue Ribbon Report."

There are three distinct parts to this recommendation:

The first is that of OSD pouring out many questions on overlapping and similar issues. We agree with this observation but do not always find that this is necessarily bad except where agencies obscure the issue, delay the decision, or generate unnecessary work.

The second part indicates that OSD appears not to be coordinated on these issues. We agree with this observation as too often being the case and it does result in unnecessary wasted effort through our attempting to achieve coordination and a decision.

The third portion of this recommendation, i.e., establishing a Deputy Secretary of Defense Management of Resources, as per the Blue Ribbon Report. We do not agree with this recommendation except to point out the necessity for involving the Deputy Secretary of Defense more intimately in the Defense System Acquisition Review Council (DSARC) as a decision process.

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This AMARC recommendation also alludes to the micro-management of Army programs. The basic function of the Army staff in interacting with the OSD is to provide program information that will permit OSD to perform the mission of review, analysis, balancing and consolidation of the Services' programs.

A/5/19/75/#8-10

Depending on the OSD individuals involved, the management procedures used by OSD in performing this mission can vary from broad program analyses to detailed budget line item review. This range of OSD management, guidance, advice, etc., has addressed personnel management, single program element funding, number of items to be procured, method of contracting, deferrals and even expressed disagreement with the Army on specific contract programs after the contract program has satisfactorily met the Army requirements for support.

For example, in 1973 the Office of the Director of Defense Research and Engineering (ODDRE) provided observations on the reorganization of the Army's Office of the Chief of Research and Development (OCRD) involving the reduction in size and redesignating the Army Research Office a Research Directorate of OCRD. The changes were internal to the Army and did not involve any major changes in broad functions being performed. The observations by ODDRE on this subject concerned the changes in the internal Army interface between OCRD and the Office of the Assistant Secretary of the Army (Research and Development) (OASA(R&D)) and the size of the personnel reduction. Presently ODDRE is, in our opinion, unduly involved in structuring the new development centers being established as recommended by the AMARC. It is believed that this type of involvement in Army internal affairs does not demonstrate the type of corporate management procedures that should be practiced by OSD.

Another example is the OSD apportionment review process which requires a high degree of detail and work unit level. OSD specifies who should participate and requires detailed presentations of programs. We do not think such specificity is needed. Often requests for reviews are uncoordinated at OSD level, resulting in repeat reviews of the same program by different OSD personnel. Fielding a new system under such micromanagement, while often not obvious, is in fact, very counter-productive in that a large amount

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of Army professional and nonprofessional manpower is required to respond or react. Such nonproductive management interference does not streamline and improve the materiel acquisition process.

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The OSD unnecessary involvement in staffing levels of DA organization has caused an administrative burden on DA. An example of this can be cited in the OASA (I&L) reorganization wherein a decision was made to reduce the Small Business Advisor's office from two professionals to one. It was our position that this function could be handled by one GS-16, Staff Officer. OSD involvement questioned our ability to effect that mission with such a staffing level. Their involvement was outside their scope of authority and the decision was that of the DA Secretariat.

29 The fifth and last recommendation was:

A/5/19/75/#11

"Examine the layering, number of people involved at each layer, and depth of their involvement with the intent of reducing people and eliminating unnecessary review of detail."

We agree. The Army currently has two similar studies underway which have this recommendation as one of their major goals. A layering and fragmentation study is addressing the Department of the Army Staff and a study of the Army Materiel Command is to be completed in the fall of this year. We anticipate your review will accomplish this for the OSD level.

30 "Timeliness of OSD to policy guidance".

A/5/19/75/#13

The OSD Staff -- in part because of its ultimate position in the Defense hierarchy -- has no real and hard incentive to be as responsive as the Army Staff. For example, OSD recurringly establishes 30 day suspense dates for routine actions requiring a comment or review. Actions are often sent forward and buried. Also, with the exception of senior OSD appointees and the Test and Evaluation Director of ODDRE most of OSD is not very actively involved -- and properly so -- in the annual detailed budget defense to the Congressional Committees. As a result they are sometimes not as motivated as the Services in resolving promptly key management issues regarding materiel acquisition.

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31	I personally would encourage the creation of a decision procedure, based upon the DCP, wherein each interested party has a chance to have his say in his own words; preceded by a substantive section (possibly prepared by a permanent working staff to the Chairman of the DSARC (about 10-15 people). The individuals preparing this section would have no organizational viewpoint to advocate, and would be tarred and feathered if they even expressed a preference for any particular viewpoint! They would be measured solely on how faithfully and objectively they listened to...and presented a balanced summary and analysis of...the relevant data and arguments.	A/5/29/75/#1
32	Decentralization of control and emphasis upon service initiatives.	N/4/9/75/#1
33	Recognition should be made, however, of the role of DOD as master systems manager in areas requiring inter-operability of forces. Examples of these are clearly found in the command and control areas and in the munitions/missiles areas. The DOD authority in such areas must be forceful to obtain coordinated service programs. It would seem that the mechanism of cooperative service programs through the Joint Chiefs should be useful when backed up by a DDR&E relationship which would stop unsatisfactory compromise as solutions.	N/7/17/75/#3
34	Additionally, the central observation of material test and evaluation is essential. The DOD overview of ranges, targets, and related facilities is important. Of greater importance is the authority that inhibits the deployment of inferior equipment. Experience in this type of thing would indicate there is an appropriate degree of intimate involvement at a level more detail than policy.	N/7/17/75/#3

<u>ITEM #</u>	<u>REMARK</u>	<u>DATE/PAGE #</u>
35	<p><u>Organizational Responsibilities:</u> Clarify roles and responsibilities for systems acquisition between ODDR&E and OSD (I&L). All program actions and decisions should be coordinated by the organization having responsibility for the current phase of the acquisition life cycle.</p> <p>Establish lines of authority and responsibilities for other DOD organizations and agencies involved in major systems acquisition. All program direction should be coordinated through the ODDR&E or OSD (I&L) offices having fiscal responsibility for that program or program area. The established systems acquisition process should be used.</p>	AF/5/5/75/#Atch
36	<p>We believe equally strongly that there should be a relaxation in OSD detailed analysis and management of acquisition programs. Effective military responsibility and accountability for programs can best be met through proper decentralization of management.</p>	N/7/17/75/#6
37	<p>Institute procedure whereby Dep SecDef chairs DSARC sessions. DSARCs should be limited in number accordingly. Those not chaired by Dep SecDef would become NSARCs (Navy Systems Acquisition Review Council), with decision at service level.</p>	N/7/17/75/#Atch

MANAGEMENT OF COSTS

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
1	The POM/Budget cycle functions independently of the acquisition strategy and management process. In that the program manager's ability to follow an approved acquisition plan is contingent on the receipt of current year funds, there needs to be a closer relationship between the POM/Budget Cycle and program review/decision process.	AMARC 111-18
2	The weapons system costing function should be removed from the Comptroller channel at all levels.	AMARC 1V-4
3	The Army should undertake a priority program (in coordination with the other services and OSU) to validate data collected previously and to collect and validate data on additional systems in anticipation of recurring cost analysis needs for accurate historical data on defense systems.	AMARC 1V-20
4	The uncertainty associated with estimating costs should be recognized and quantified in both baseline and independent cost estimates for all major weapon systems. Estimates incorporating optimistic and pessimistic values together with expected values of program costs should be visible through ASARC/DSARC decision levels.	AMARC 1V-26
5	Life cycle cost estimates, and the rationale for their generation, should be included in all major weapons acquisition decision processes such as ASARC and DSARC, even if they are only of "order of magnitude" quality initially.	AMARC 1V-32

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6	If the process of management by cost objective is to be successful, the Army must support its program managers with the authority and the flexibility to make the day-to-day schedule, performance, and cost trade-offs required. Given such authority, program managers should then be held accountable for the ultimate outcome of their decisions.	AMARC IV-37
7	The \$100,000 threshold for furnishing Determinations and Findings (D&F's) to Army secretarial level for R&D contracts is unreasonable and is involving more and more procurement actions since this amount has not been adjusted upward with inflation. The delay and staffing effort at all levels to prepare and review D&F entails a large overhead cost disproportionate to the monetary value of the D&F.	AMARC VI-10
8	<u>Raise Procurement dollar thresholds to keep pace with inflation.</u> The funding threshold for R&D contracts requiring Army Secretarial D&F approval should be raised to \$250,000 from the current \$100,000 level. The current "small purchase" limit of \$2500 should be raised to \$10,000.	AMARC VI-14

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9	The NMARC concludes that the cost growth that has been one of the contributing causes of the loss of credibility has resulted from unrealistically low levels of initial funding of major programs. Limited defense budgets, inflation, and mounting weapon systems costs in the face of growing requirements cause tremendous pressure at all levels to reduce cost estimates and budgets to the minimum for which the program can possibly be accomplished. Understandably, this leads to the structuring of success-oriented programs in which risks are depressed, plans are overly optimistic, and the schedule, official cost estimate, and resulting budgets are the absolute minimum for which it may be possible to accomplish the program if every step is fully successful.	NMARC 11-21
10	Accordingly, the NMARC recommended the development of a single cost reporting system primarily geared to serve the needs of program management and extended as necessary to obtain data for cost estimating, but at all times subject to the Navy's continuing realistic surveillance of contractor cost and performance status.	NMARC 11-23
11	Cost credibility and management problems at the acquisition program level are aggravated by the lack of integration of the major internal DOD and Navy planning, decision-formulation, and reporting systems, i.e., PPBS, DCP, DSARC, and SAR. These systems are sound in concept, however, the coordination and operation of these systems are often poor and lead to weapon system program instability. These systems were conceived at different times to serve the needs of different Assistant Secretaries of Defense, and program plans developed in one system may not be accepted in another. This contributes to the counter-productive overinvolvement in program management by the higher echelons responsible for the systems as decisions are reopened and	NMARC 11-23-24

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11 (Cont)	previously approved plans are questioned. It also causes instability in program plans and resultant inefficiencies in program execution. There is a need for a study of these systems to develop an integrated approach to DOD and Navy program planning and decision formulation.	NMARC 11-23-24
12	Revise OSD and Navy internal planning and reporting systems (PPBS, DCP, DSARC, and SAR) as necessary to provide for integrated program plans, decisions and status reports.	NMARC 11-26
13	Obtain agreement with OMB and OSD to utilize only the most realistic projections of economic escalation. Escalation should be clearly identified in cost estimates, budgets, and reports.	NMARC 11-26
14	Navy and OSD urge that Congress approve multi-year program authorizations.	NMARC 11-27
15	Undertake studies to devise and obtain OSD and congressional agreement to practical means of including prudent management reserves in acquisition budgets.	NMARC 11-27
16	Navy industrially funded activities' manpower levels should be determined by their financial controls; separately imposed personnel ceilings, which are almost never in phase with the requirements of the customer-funded workload, should be eliminated.	NMARC 11-28
17	Seek congressional authorization for a 5-year ship-building program.	NMARC 11-36
18	Effort to improve military specifications on a scheduled basis should be continued.	NMARC 11-40

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- 19 The instability or turbulence of program plans and budgets is a major cause of inefficiency in DOD and Navy acquisition management. Once a program enters the acquisition phase, almost any change costs money. Whether it be to increase or decrease quantities, to extend or accelerate schedule, costs are increased over those required if a stable plan were followed. The principal causes of instability are unintegrated and unrealistic plans and budgets and the failure to make sound decisions based on all relevant factors and then stick with them. Improvements in DOD and Navy planning, budgeting, and decision-making should be given high priority. NMARC 11-42
- 20 A hierarchy of reprogramming authority for RDT&EN funds, such as \$25 million for OSD, \$10 million for CNM, and \$5 million for Systems Commanders, should be established. NMARC 111-41
- 21 The threshold requirement for RDT&E RAN/D&F's under exception 11 (Title 10, U.S.C. 2304) should be increased from \$100,000 as called for in ASPR 3-302 to \$1 million. NMARC 111-41
- 22 The costs for new equipment of all types are being inflated by an acquisition system that does not, in practice, select only those military specifications and standards that are essential to the acquisition of a product that performs the basic requirements at a minimum total cost. NMARC 111-45
- 23 RFP's and ensuing contracts should require cost-reducing trade-offs where feasible between the use of best commercial practice and MILSPEC requirements, and such trade-offs should be considered in the source selection criteria. NMARC 111-50
- 24 SECNAV and CNM should take immediate, positive steps to improve major system planning, programming, budgeting, and acquisition data for presentation to appropriate key congressional committee and professional staff members. SECNAV, CNO, and CNM should also take steps to better acquaint such persons with Navy mission deficiencies, programs, and requirements. NMARC V-9-10

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25	Major acquisition programs should be budgeted on a multi-year basis and include a management reserve, which should be under the control of the Navy.	NMARC V-10
26	The Navy should identify certain "core" programs that should be regarded by all concerned as inviolate short of major change in the threat assessment. The Navy should present a long-range plan for these programs to the Congress and justify the need for multi-year authorization.	NMARC V-10
27	OSD and the Navy should develop a coordinated approach to resource requirement planning aimed at reduction in the levels and types of detailed OSD monitoring, rules and thresholds of governing substitutions among various resource categories, and the multiple shred-outs of program elements.	NMARC V-10
28	The Navy should closely examine the problems associated with downward pressures on program estimates with a view to formulating policies aimed at elimination of such practices, which are the genesis of cost growth and claims and ultimately of congressional antipathy.	NMARC V-10
29	It does appear, however, that the quality of the overall cost estimates has been degraded by a downward estimating bias in the preparation and processing of major weapon system cost estimates. This downward bias stems from either conscious or unconscious attempts to portray optimistically the expected program costs, in spite of uncertainties associated with economic conditions, technical difficulties, and program changes.	NMARC V-15

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30	The lack of a coordinated OSD/Navy approach to resource and budget management inhibits the Navy's ability to support its programs to the Congress.	NMARC V-51
31	The cost credibility gap has also impacted the Office of the Secretary of Defense (OSD), the Navy, and the other military services. It has resulted in a proliferation of reviews and of layers of management dedicated primarily to the review and checking of the actions of the lower levels of management because the upper levels of management do not have the requisite trust and confidence in the management capability of the lower levels.	NMARC VII-1
32	Reduce layering of cost estimating and layering of the review and analysis of cost estimates. Detailed review and analysis of estimates by NAVCOMPT and ASD(Comptroller) except for their normal budget review, should be eliminated. Modify the charter for the ASD(PA&E) Cost Analysis Improvement Group (CAIG) to limit their function to that of establishing criteria and guidelines concerning the preparation and presentation of cost estimates on Defense systems to DSARC and to that of monitoring the armed services' cost estimating procedures, methodology, and accuracy to assure OSD that the services are performing their responsibilities. Place OP-96D's staff, augmented as necessary, and its present function of preparing Independent Parametric Cost Estimates (IPCEs) and making detailed reviews and analyses of SYSCOM estimates in an area insulated from program or budget bias or outside influence. The Office of the Assistant Secretary of the Navy (Financial Management) appears to be a logical choice, although all possible choices should be evaluated. The detailed cost estimating review results should be available to all levels of management in the Navy and OSD. Presentations to DSARC on the review of weapon system costs would then be made by the ASN(FM) or his designee. The main thrust of this recommendation is that DOD should place responsibility and accountability for cost estimating on the Navy.	NMARC VII-15

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33	Develop a plan of action to achieve better coordination and integration of the individual systems so that good continuity and stability can be achieved in the major weapon programs. It should be noted that this recommendation will not be accomplished just by calling for proper integration in the various DOD and Navy directives. It will require a serious effort in the Office of the Secretary of Defense, and will require that the Deputy Secretary of Defense make sure that the staffs of the various Assistant Secretaries of Defense are willing to abide by prior decisions reached during the other internal decision-making cycles. It will also require a commitment by top Defense and Navy officials to achieve program stability in the major weapon systems programs.	NMARC VII-43
34	Only a single work breakdown structure or cost reporting structure should be imposed in any one contract. This is in concert with DOD Directive 5000.1, and the structure should be established by the Navy project manager in accordance with the applicable guidance. However, this guidance should be interpreted with sufficient flexibility to satisfy the unique management, technical, contract, and organizational needs of each phase of the program.	NMARC VII-52
35	The CPR of DOD Instruction 7000.10 should be taken as the basic contractor cost report, with additions and/or changes to this base made as necessary (1) to satisfy program peculiar management needs, (2) to utilize fully and economically contractor internal cost systems and reports that provide equivalent data, and (3) to obtain any additional data needed for cost estimating purposes.	NMARC VII-52
36	DOD cost data reporting requirements should be integrated into a single basic system to eliminate redundancy, inconsistent procedures, and multiple breakdowns and formats. Cost reporting requirements also should clearly provide flexibility for tailoring to fit program management needs and to avoid collection of non-essential data. The program management reports of DOD Instruction 7000.10 should be the basis for all contractor cost reporting to DOD. The needs for and benefits of any	NMARC VII-52-53

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36 (con't)	additional data beyond that available from these reports should be examined. If additional data are necessary, criteria should be established to permit them to be obtained as a logical extension of the DOD Instruction 7000.10 series of reports. Cost data reporting requirements should be in criteria form to the maximum feasible extent and should follow the guidelines of DOD Directive 5000.1. CDR (DOD Instruction 7000.11) should be cancelled as a separate reporting system.	NMARC VII-52-53
37	It is recommended that the program office organization be strengthened in those cases where it is essential that Navy systems for foreign customers be procured through the U.S. Government. This should include the addition of a strong program management type of person, as well as a financial manager and appropriate personnel in other functions, to serve as an active focal point in the program office to assist in the marketing and management aspects of these specific foreign military sales.	NMARC VII-88
38	Recognizing the reimbursable nature of management/administrative costs of FMS programs, an increase in personnel above present ceilings should be permitted when required to manage these government-to-government programs adequately. However, industry capability to perform and manage these efforts should be utilized wherever feasible.	NMARC VII-88
39	The Navy should obtain agreement with DOD and OMB for the elimination of the use of other than the most realistic projections of economic escalation in estimating and budgeting for major weapon systems.	NMARC VII-97
40	The Navy should obtain permission to include economic escalation in annual accounts and keep visible the amounts included.	NMARC VII-98
41	The Navy should continue to improve the present policy of using base-year dollar estimates with economic escalation shown as a separate identified cost.	NMARC VII-98

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42	The Navy should provide policy guidance to insure that the amounts included for economic escalation in the programming, budgeting, and SAR cycles for the out-years are reported consistently and uniformly.	NMARC VII-98-99
43	DOD and the Navy should continue their efforts to develop and apply equitable adjustments to existing contracts to minimize the effect of economic escalation.	NMARC VII-99
43	DOD and the Navy should recognize imputed interest as a cost under all Government contracts.	NMARC VII-107
44	DOD and the Navy should form a committee that includes industry representatives to draft an ASPR clause and to determine the mechanics of calculating the investment and cost. This recognition of investment should be done on a two-stage basis. At first, rough or approximate calculations should be sufficient. Later, as experience in this matter is gained, more guidance can be given Government and contractor personnel.	NMARC VII-108
45	If ASPR revision is considered necessary, DOD and Navy should revise the ASPR to recognize imputed interest as a cost.	NMARC VII-108
46	Undertake a full study to determine the extent of reserve requirements and to make specific recommendations as to the manner in which they should be developed, controlled, and applied. The study should be conducted so as to provide for OSD, OMB, and congressional input/participation to ensure appropriate perspective and to facilitate implementation of study results.	NMARC VII-117
47	Attempt to eliminate artificial constraints inherent in the budgeting process such as those imposed by OMB Circular A-11 (e.g., with respect to escalation) and the Congress (e.g., with respect to legislative provisions that preclude changing funds obligation authority from one year to the next for the same line item within the same appropriation).	NMARC VII 117-118

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48	The Cost Panel supports the intent of multiyear authorizations. Selected weapon systems programs in shipbuilding and modern aircraft and missiles, with their long lead times, could benefit most from multiyear authorizations.	NMARC VII-121
49	An open working relationship with Congress is most important. A large portion of the information on which Congress formulates its course of action is the reporting submitted by DOD and the Navy. It is necessary that this information be clear, concise, timely, and accurate.	NMARC VII-121
50	Critical reviews of the current draft revision of DOD Instruction 7000.3 should be made by Navy and DOD personnel to determine that it addresses the major problems and criticisms leveled against the SAR system. The majority of the revisions appear justified. However, the Panel recommended that the draft and formats be revised to present escalation costs for program changes along with the Provision for Economic Change so that impact of escalation may be seen. Related recommendations of escalation practices in SAR reporting are included in the Cost Panel issue discussed in Section 15.	NMARC VII-130
51	The OSD staff should insure that DSARC and program budget reviews and decisions are fully integrated.	AF #7 23 May 75
52	There have been examples of OSD directing the use of specific contract provisions (e.g., RIW for OMEGA and <u>design-to-cost</u> for the CONUS-OTH Radar). Short of being totally involved, OSD cannot make valid decisions concerning such procurement requirements.	AF #9 23 May 75
53	OSD often defers release of funds pending additional technical or administrative justification of specific programs, projects, or tasks. It appears that OSD uses the technique of fund deferral to become involved in the technical management of a given effort.	AF #9 23 May 75

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54	OSD is decreasing the Air Force's reprogramming flexibility by increasing the number of program elements which require prior OSD approval to increase or decrease funding levels.	AF #10 23 May 75
55	The Contract Cost Data Report (CCDR) developed by the Joint Logistics Commanders, was predicated on implementing command administration and control in developing cost reporting requirements to assure satisfaction of all DOD cost estimating requirements. OSD has preempted the Air Force Systems Command (similar problems encountered by Army and Navy) by unilaterally directing the program Work Breakdown Structure reporting elements and report type and frequency. F-16 and CONUS OTH-B are recent examples.	AF #11 23 May 75
56	Re-evaluate the role of the OSD CAIG viz-a-viz the independent and program cost estimates prepared by the Military Departments in support of the DSARC process.	AF #15 23 May 75
57	Some parties to the DSARC process tend to more readily accept the CAIG estimate because of its apparent greater independence of program advocacy. In the case of the A-10 program, the CAIG estimate became the SPO estimate by direction. This is counter to the fundamental systems manager concept of responsibility.	AF #15-16 23 May 75

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58 The fourth recommendation was:

A/5/19/75/#10-11

"OSD (ODDRE) should maintain a modest discretionary fund with which OSD could have the Services pursue particular projects or embark on new initiatives in research and development."

We agree. The AMARC also recommended a similar fund under the control of the Assistant Secretary of the Army for Research and Development. We view such discretionary funds as mediums through which we could direct work not addressed in the Army RDT&E program because of funding constraints or requirements which occur after the budget is submitted to the Congress. The funds would also permit a degree of RDT&E management flexibility not previously possible especially in view of existing reprogramming limitations.

The OSD position is that although desirable from their point of view, no new argument or information has been developed to overcome the congressional rationale in abandoning the emergency fund. Under those conditions, a budget request for an OSD or Army discretionary fund would, in all probability, result in loss of the request. Accordingly, a fund will not be included in the budget.

59

"Constraints on RDT&E programs by ... in addition to those imposed by the Congress".

A/5/19/75/#15

OSD has identified certain program elements as being of special interest and requested that no funds be reprogrammed away from these elements without prior approval. This constraint causes major problems for the Army in its management of RDT&E programs.

This policy establishes "floors" on program elements. The policy is particularly restrictive in the exploratory development and operational test and evaluation programs.

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"Early efforts should be kept in low profile, involve modest funds and avoid high-level management commitments/promises about system expectations."

A/5/19/75/#16

Our management philosophy as expressed in this issue was strongly influenced by AMARC. It is in apparent conflict with the current DOD policy in DODI 5000.2. In this directive, OSD still requires a program initiation decision point (DSARC I) to approve resources for advanced development during the validation phase of a major defense system. Their concerns at this decision point: substantiation of the need, evaluation of system alternatives, preliminary costs, schedule estimates, test plans, and acquisition strategy, lead to the early very high level commitments the AMARC counseled the Army to avoid. The full implementation of this philosophy is not only contingent upon OSD support, but also requires the active participation of OSD in convincing the Congress of the merits of this approach.

61

"The inordinate time required for OSD to review the SARs after they have undergone detailed multi-layered review at DA."

A/5/19/75/#16-18

Systems Acquisition Reports (SARs) are submitted quarterly to Congress on key major systems designated by OSD. By the time the SARs are submitted to OSD by the Army, they have been prepared and thoroughly reviewed by the Project Manager, further at Headquarters, Army Materiel Command (AMC), the Army Staff, and personally reviewed by the Assistant Secretaries of the Army for R&D, I&L and FM in concert with the Under Secretary of the Army... Through September 1974, these thorough reviews have historically averaged 47 calendar days. However, based on guidance from OSD, the last two sets of SARs have been reviewed, approved and submitted by DA to OSD in 35 days or less. For the last two SAR submissions to Congress, OSD has, however, averaged 41 days to review the Army SARs. After the detailed review that the SARs have undergone within the Army it does not seem necessary for OSD to review them again for an additional month and a half before submission to Congress. The current goal is to submit the SARs to Congress within 60 days after the end of the quarter. Since the Army

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61 (Cont)	is reviewing the SARs in depth and currently processing the SAR in less than 35 days, it appears that OSD could limit its review so that the SARs can be delivered to Congress in a timely manner. We know of no major revisions which have been made to Army SARs by OSD in the last two years.	A/5/19/75/#16-18
62	Mechanisms of cost prediction, reporting and analysis on our several programs.	N/4/9/75/#1
63	Program stability and multi-year authorizations.	N/4/9/75/#1
64	Lastly, the mutual accommodation of the DSARC process and the PPBS is a problem area which may be adequately resolved by DOD Directive 5000.2. Of concern is the occurrence of staffing actions which negate or modify decisions arrived at in the DSARC process, or DSARC decisions which do not consider adequately the DOD "affordability framework." A current deficiency in the interface of the two processes is the absence of an authorized funding "surge tank" to facilitate their mutual accommodation. Consideration should be given to the utility of establishing a system of management reserves, jointly managed by OSD and the services through the DSARC forum, to effect a more flexible interface between the two complementing processes.	N/7/17/75/#5
65	Establish a system of management reserves, jointly managed through the DSARC forum by OSD and the services. Establish the procedure whereby funds, once apportioned to OSD, are fully apportioned promptly to the services in accordance with the primary decision milestones.	N/7/17/75/#Atch

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66 Establish closer coordination between the DCP/DSARC process and the PPBS. Fiscal constraints should be fully addressed in DCP/DSARC actions, and the Dep SecDef decision then fully supported in subsequent budget reviews.

AF/5/5/75/#Atch

SELECTION AND MANAGEMENT

OF

DOD PERSONS INVOLVED IN MAJOR WEAPONS SYSTEMS ACQUISITION

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
1	We found evidence of erosion of authority of the PM by an attitude of distrust by higher authority prevalent throughout the system. The challenging of the PM at every level of management creates an unacceptable mountain of review and re-review that adds cost and results in delays. The total structure seems to be questioning "Why proceed?" rather than asking "How can I help you proceed?"	AMARC 11-24-25
2	Strengthen the belief in project management and make it work. Management should place primary emphasis on assisting PM's rather than thwarting them. PM's should be given freedom of selection of source of technical support.	AMARC 11-26
3	The current method of administering Reduction in Force (RIF) actions have a devastating effect on any organization. They disrupt operations, lower morale, create uncertainty, and necessitate a chain of unpleasant personnel actions.	AMARC 11-26
	Theoretically, a 20 to 30% reduction could cause displacement of 100% of the civilian work force at any one activity. However, this does not actually happen since some people are displaced more than once while others are not affected at all. Even so, the time, cost and re-training requirements could be staggering. The young technically qualified civilians usually are the most affected. If they are not in a training program, they are usually bumped by senior people who may have less capability for the jobs.	AMARC 11-26-27
4	The personnel system responds slowly to civilian personnel needs of newly formed or revised organizations; which require an approved authorization document before recruitment can take place. Once approved, hiring procedures require from three to sixteen months to recruit key personnel.	AMARC 11-27

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5	Some personnel management goals do not appear to be compatible. While RIF's are taking place, managers are also asked to reduce their average grade in the organization. Most managers complained bitterly about this problem. They attempt to achieve the average grade reduction by elimination of some top grades as well as lower grades. Unfortunately, the top grades exercise their bumping rights and out go younger employees of lower grades.	AMARC 11-28
6	In organizations such as the PM offices, where fluctuations in personnel needs over time change so drastically, it may be desirable to establish a nucleus or core of permanent employees and to man to that level. All future requirements above the level could be filled by additional military, civilian contract study agencies, PL 313's; consultants or contractors. The core civilians could then be protected.	AMARC 11-28
7	Frequent reorganizations and RIF's that occur at all levels of the Army have a deleterious effect on the morale and performance of civilian personnel.	AMARC 11-29
	Under the Civil Service System, RIF's are administered on a seniority first, merit second basis and therefore, are not conducive to hiring and retaining young, qualified people.	
	There are serious and lengthy delays in manning newly formed organizations such as project management offices and task forces.	
	Current job classification and recruitment procedures are too strictly enforced, so that personnel who are not fully qualified, (in the manager's opinion) fill technical positions (again seniority, not ability prevails).	
	The goals of reduction in force, average grade reduction, and maintenance of qualified personnel are not necessarily compatible.	

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
8	Develop a basic level or core organization and utilize civilian contract study agencies, PL 313's, military, consultants, and contractors to supplement the core organization.	AMARC 11-29-30
9	Expedite the ongoing effort to change the qualification, selection and retention criteria of civilian personnel regulations to motivate employees to advance and compete for jobs on the basis of ability, not seniority.	AMARC 11-30
10	It may be possible to create more incentives for cost analysts by giving them job protection during adverse personnel actions. For example, job descriptions could be written such that marginally qualified people could not bump into cost analyst slots. This, however, is a two-edged sword since narrowly written job descriptions can act to reduce a manager's operating flexibility and may be a disservice to the individual by denying him career progression in reasonably aligned fields.	AMARC IV-13
11	Another incentive may exist for some analysts in the Commodity Commands since it is they who do that early cost work before a concept becomes a system. They may have an opportunity to transfer into the new Project Office, usually with a promotion.	AMARC IV-13
12	Both the professionalism and incentives of cost analysts should be improved by requiring a cultural change on the part of high level managers such that they recognize costing personnel as valuable team members and provide a proper environment for their professional advancement.	AMARC IV-20-21
13	Consideration should be given to expanding career development opportunities in RDT&E for both civilian and military personnel. Key military positions should be afforded priority assignments and stabilized over a period related to major phases of the development program.	AMARC V-27

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13 Additional key positions should be designated for
(Cont) civilian management.

AMARC V-27

The RDT&E grade structure should reflect the magnitude and complexity of assigned programs.

14 Try harder to overcome the Civil Service constraints.

AMARC VI-12-13

To reform the constraining Civil Service practices¹ requires concentrated action by the Secretary of the Army to insure that internal Army practices do not make the situation even more restrictive than Civil Service regulations allow. In addition, the Secretary of Defense must work in a vigorous and a positive way with the Congress and with the Civil Service Commission to seek needed reforms in Civil Service.

Special teams consisting of selected personnel experts and successful R&D directors and managers should visit Army installations to train and advise R&D managers on successful ways of dealing with Civil Service manpower problems. Such teams could also advise OSD on specific Civil Service problems and reforms which would serve as the basis of DOD proposals to the Congress or the Civil Service Commission for change.

¹Civil Service restraints and manpower management practices within the Army effectively serve to separate the directors of Army R&D facilities from control over the management of their personnel resources. As a result, the hiring process is too slow, personnel movement (involving work assignments and termination for cause) is unduly restricted, and the composition and size of the work force is dictated by arbitrary ceilings, averages, and pay scales rather than by the needs of the R&D facility. Relief must also be sought from current Civil Service inflexibilities in the selection-out procedures during RIF situations and other personnel reduction programs. The objective must be to obtain efficiency by weeding out the low-producers, rather than the current experiences of obtaining "trimmed-down" organizations with distorted capabilities.

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- 15 Consider possibilities of contractor operations at development centers. If Civil Service restrictions and internal Army problems should continue to interfere with the attainment of high-performance Army development centers, the Army should explore the possibilities of contractor operation.² AMARC VI-13

²Contracted R&D operation by the US Government has been the subject of much study and experience. As mentioned previously, the "Bell" report deals with the subject at some length, and succinctly describes the criteria which should be met for contractor operation. When these criteria are met, the operations are generally successful, and a number of government agencies (DOD, AEC, NASA, etc.) have examples of high performance RD&E establishments which are contractor operated, some for 25 years or more. Most of these organizations started as contracted operations. There are few, if any, examples of in-house federal laboratories being converted to government-owned contractor-operated (GOCO) facilities. We do not underestimate the difficulty of the conversion. Selection of the contractor, resolution of the pension rights of federal employees transferring to the contractor, ASPP regulations and integration of military personnel into the contractor operation are just a few of the many problem areas. However, we note that solutions to these problems are known and that the flexibility of contractor operation might serve the Army well over the long term.

- 16 Continue and expand the Army emphasis on a program of professional ability and pride enhancement for the narrow-discipline specialists that abound in the organization. Specialists can be either Civil Service or in uniform. AMARC VII-13

The suggested program should involve seminars, meetings, courses, degrees, sabbaticals, training in industry, and rewards.

In the Army program the awards and rewards for professional achievement should be structured so as to be attributable to the Army.

17 The Effect of OSD on the Process.

AMARC VII-24-25

a. Issue. Vis-a-vis the Army, how to optimize the leadership function given by OSD at the same time assure that OSD maintain the amount of control necessary to discharge its responsibilities.

b. Discussion.

(1) The Army is profoundly affected by OSD leadership and behavior. From the day he is a lieutenant the typical Army officer learns to interpret and accord with duly invested higher authority.

(2) Professor Reis (The Management of Defense, John Hopkins Press, 1964) has carefully researched the adversary system between the Services and OSD, the growth in DOD at the top, and the variously changing relations with Congress and its relevant committees. DOD has 'won', and a true adversary system is no longer possible.

(3) DOD has recruited extensively from the R&D communities from the think tanks, and from academia. Such individuals are frequently questioning, analytical, curious, speculative and capable of producing their own detail.

(4) A general officer is a trained generalist, increasingly dependent upon his staff for detail.

(5) The now long drawn out encounter between the two cultures has been detrimental to the Army process of materiel acquisition from a strong but indirect cause. In order to be prepared for any question (and DOD has been very capable of asking shrewd questions) DA has relied on its staff for answers. For this, and other reasons, the DA Staff appears to have proliferated beyond all (industry-oriented) reason. The DA Staff appears well motivated, despite its myriad fractionation and multiple layering, and is, therefore self-compelled to interdict the materiel acquisition process at all levels and at some length.

(6) Individuals within DOD, curious, technically knowledgeable and forcefully intellectual occasionally-to-frequently intersect the Army development efforts. Authority motivated Army people seek an instruction in each question, etc.

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(Cont)

(7) Elsewhere in this report is mentioned the tri-service budget "game" wherein each of the three services attempts to enlarge its share of the budget by bringing forth imaginative proposals. Much AMARC discussion centered upon Pershing as an appropriate Army development, Safeguard, ditto.

AMARC VII-24-25

(8) Many of the AMARC team feel that the Army can exert more leadership in exact ratio to the amount of DA Staff that can be reduced. We observe that at the beginning of every war the staff is reduced. We wonder is the same (now) not true for DOD.

(9) One looks at ASD (I&L)¹ responsibilities and organization (Sep 30, 72) and then attempts to generalize this to nine or ten ASD's and DDR&E in DOD. The resulting number of directorates that overlap the Service functions by this process of generalized logic becomes very large. This is one of the layers often referred to. Such directorates tend to be reproduced somewhere in each of the Services, - thus another layer.

c. Recommendations.

(1) Note again the Requirements & Concepts ideas re OSD.

(2) An objective study should be attempted (perhaps under contract) to determine impact of DOD organization on materiel acquisition process of the three Services.

(3) OSD is now hydra-headed. Questions pour out of these many heads. The questions can overlap, or deal with the same issues. They appear not be coordinated at OSD level. The result is tri-service organizational entropy ("an amount of energy in a system not available for doing work") gain. OSD should consider the establishment of a Deputy Secretary of Defense Management of Resources, for such coordination and leadership and for other useful functions as per Blue Ribbon Report.

¹The only function-explicated section of DOD that information search could find.

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
18	The key participants in the early development of a program should continue in positions of responsibility as the program is carried out.	NMARC 11-13
19	The NMARC observes the need for a strong, centrally managed career development, training, and assignment program to support the project management objectives of the Navy.	NMARC 11-17
20	Although most FMS agreements provide a surcharge to cover estimated administrative costs, various policies preclude using these funds for direct reimbursement of the appropriation used to pay the administrative costs attributable to the foreign sale. Further, DOD personnel ceilings have severely limited the number of positions available for assignment to project offices. These constraints should be examined by both OSD and Navy with the objective of providing adequate numbers of project office personnel in order to avoid further impact on US Navy programs.	NMARC 11-17
21	The short average tenure of senior civilians and military personnel (approximately 2 years) at the staff review level, which creates an extensive need for learning and information presentation.	NMARC 11-20
22	A standard reaction to program management problems appears to be the addition of more layers of review rather than strengthening the quality and quantity of personnel directly responsible for the management of programs.	NMARC 11-43

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23	Without the employment of sound management principles in the selection, training, motivation, and direction of high-quality personnel, the best of organizations and intentions can, and probably will, fail to achieve their goals.	NMARC 111-57
24	Identify top performers; give them key jobs. Identify marginal performers; move out of key positions into jobs structured to match their abilities; offer opportunities for change, growth, and renewal. Develop a plan for career development, personnel assignments, and advancement for professional civilians.	NMARC 111-57
25	Present policies must be formulated in light of current realities. These include decline in headquarters technical personnel, aging, some job dissatisfaction in middle-management levels, difficulty of reassigning poor producers in civil service, absence of well-developed professional career pattern, <u>and insufficient attention devoted at headquarters level to civilian personnel development and utilization.</u> Presently proposed actions concern removal of constraints on salaries of top people and the development, on a pilot basis, of a means for improved rotation of civilians within laboratories, within Systems Commands, and between laboratories and Systems Commands.	NMARC 111-57
26	The Panel concurs with the findings of the Blue Ribbon Defense Panel Report concerning officer rotation and career plans as quoted: From the point of view of the position to be filled as well as in the best interests of the officer himself, his job assignments should be of sufficient duration, so that he can become thoroughly involved in the work and be fully responsible for results. There is merit in giving to officers opportunities in a broad spectrum of military responsibilities. Nevertheless, under existing conditions in which technical or professional training in areas other than	NMARC 111-58-59

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
26 (Cont)	commanding men have become of increasing importance, the Services' current rotation policies and rates are counterproductive. One solution is to change the rules for career advancement, rather than try to conform the requirements of the job to an arbitrary set of rotation and promotion rules. This is particularly true in the technical and professional areas. Specialist careers should be established for officers in such staff, technical and professional fields as research, development, intelligence, communications, automatic data processing, and procurement. The duration of assignments should be increased, and should be as responsive to the requirements of the job as to the career plan of the officer. Officers continued on an assignment for these reasons should not be disadvantaged in opportunity for promotion.	NMARC 111-58-60
27	Military career development includes a variety of career plan options, each with a set of desired assignments. This pattern has grown rather rigid in recent years, however, to the point that each Navy job has an unidentified, but generally well-known "career enhancing" value. Troublesome to the Panel are indications that assignments within the supplier side of the Navy are frequently considered "second team" duty by the regular line naval officers.	NMARC 111-59
28	The civil service system tends to discourage mobility, with a great tendency for poor performers to remain in an organization for a long time. As a result, these individuals gain seniority and tend to be elevated to senior positions without having demonstrated the necessary capabilities. This is not a new finding, but the R&D Panel cannot resist noting the personnel problems created thereby in the Navy scientific and technical community. Navy management, particularly in R&D, must recognize this problem and utilize initiative to move top performers, both civilian and military, to the key jobs whenever appropriate.	NMARC 111-59

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
29	The practice of joint military/civilian management of Navy laboratories embodied in the concept of a commanding officer and a civilian technical director should be continued.	NMARC 111-61
30	Top military and civilian performers should be matched to the key jobs in the R&D management structures of ONR, NAVMAT headquarters, SYSCOM's, and the laboratories. Military jobs must be identified and treated as career-enhancing billets in the naval personnel selection process. Care must be taken to remove the artificial penalties that have become attached to the R&D functional billets (that are not project management) of the laboratories and headquarters, since these penalties undermine the important matrix support of Navy projects.	NMARC 111-61-62
31	Revision of military assignment/tour lengths to provide substantially longer terms, where appropriate to professional specializations, should be continued. Long tours should not be considered detrimental to officer promotion.	NMARC 111-62
32	Plans for career development, particularly for professional civilians, should be further developed and supported and should include increased utilization of lateral job mobility, as typified by the NAVAIR Executive and Management Development Programs. Utilization of "job-grooming" placements for top performing civilians from middle management should be increased.	NMARC 111-62
33	Immediate efforts should be made to remove currently imposed congressional restrictions on top-level Government executive salaries.	NMARC 111-62
34	In the Panel's contacts and briefings, one thing became abundantly clear; the Systems Commands, the "doers" in the acquisition chain, have been denuded of	NMARC 1V-2

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
34 (Cont)	talent to feed the layers of supervision which in recent years have been superimposed above them. Some way must be found in the Defense organization to decentralize, to get lines of authority, responsibility, and accountability clearly established; and to restore talent to the ranks of the providers of material.	NMARC IV-2
35	SecDef, Dep SecDef, and SECNAV should evaluate staff needs, functions, and responsibility/authority assignments in the context of DOD Directive 5000.1 emphasis on streamlined decision-making and strong, relatively autonomous PM's. Specific policy should be promulgated that delineates authority and responsibility limits of staff specialists. The billets eliminated by the reduction of excessive layering should be utilized by reassigning them to the operational functions including augmentation of the PM's.	NMARC V-13
36	Mr. Packard's intent, at the time of promulgation of DOD Directive 5000.1, was very clear when, in testimony before the Holifield Committee on September 22, 1970, he stated in part (emphasis supplied): I consider the present Defense Systems Acquisition Review Council (DSARC) structure and policy to be an interim one on new weapons programs. The OSD office should make or approve policy, and monitor performance against approved policy. These offices should not have to make implementing decisions except to authorize a program and release funding when they are satisfied the services have brought the program far enough along to be ready for the next step. This is what the Development Concept Paper (DCP) and the DSARC program are all about. <u>As the services demonstrate an improved capability, these controls should be relaxed.</u> If this approach is to work, several things need to be done. A good manager must be assigned to the job by the responsible service, <u>and he must be given authority to make decisions about his program.</u> It may be difficult for the services to do this, but it must be done. There are two reasons why it is not done now. <u>Too many higher</u>	NMARC V-26

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36 (Cont)	<p><u>ranking officers want to get in on the act. It is generally agreed that they don't know very much about the project in the sense that they make no positive contribution, but they can and do say "No". And they have to be briefed often and in great detail. We have a similar problem with higher ranking officials in the OSD offices in exactly the same way.</u></p> <p>In summary, I would like to reemphasize that procurement in Defense is complex -- we need many different policies and different procedures. <u>We will make improvements only to the extent we can get more good people into the business, and structure the organization so that they can use their intelligence, judgment, and energy effectively. We don't need more high level staff involvement in the services. We don't need more GAO types making decisions for us, and we don't need more legislation to spell out how to do this job. All we need is more capable people really managing these new weapons programs, working in an organizational structure in the services, and an attitude at all levels that will enable us to say, "This is the project manager's job -- if he can't do the job right, we will find another project manager who can."</u></p> <p>This policy was instituted by Mr. Packard, but its implementation has not taken place and indeed may have gone in the opposite direction. The problem is now to invest in the PM the necessary authority to perform his assigned mission.</p>	NMARC V-26
		NMARC V-26-27
		NMARC V-27
37	<p>OSD (DDR&E) is determining the allocation of USAF manpower within MFP VI to laboratory, test, and acquisition areas.</p>	AF #11 23 May 75

<u>ITEM #</u>	<u>REMARK</u>	<u>DATE/PAGE #</u>
38	Personnel and manpower management.	N/4/9/75/#1
39	If these things are accomplished, it may permit a reduction of headquarters personnel both in DOD and in the services. DOD personnel could be reduced because the attempt to manage particularized details is abandoned. Service headquarters could be reduced because of a lessened requirement to respond in particularized detail to DOD.	N/7/17/75/#3

FOREIGN MILITARY SALES

<u>ITEM #</u>	<u>REMARK</u>	<u>PAGE #</u>
1	Increased government-to-government programs to sell military equipment to foreign countries have severely impacted several project offices. Foreign military sales (FMS) workload has increased significantly with little or no accompanying increase in staff.	NMARC 11-17
2	<p>The Panel found that many PM's were being forced to accept the added burdens of assisting foreign governments in the government-to-government procurement of hardware without any increase in staff. This occurred despite the fact that the customer was quite willing to pay for additional support.</p> <p>a. This practice creates a substantial additional burden on the PM. With the typically small Navy program office and the time it takes for foreign travel, the PM cannot afford to be away from his program without seriously jeopardizing its own progress.</p> <p>b. In addition to the manpower problem, the PM frequently finds himself in the position of allying himself with the foreign government in negotiations with the US supplier. Frequently contracting offices will minimize or disallow costs that should be recoverable on foreign military sales (FMS). This practice appears to result from either a lack of understanding of the additional costs and risks incurred in foreign sales and operations or a zeal to demonstrate an ability to reduce the contractor's price to an absolute minimum. This is a prime example of the use of the US Government's bargaining power to benefit a foreign buyer to the detriment of a US contractor.</p>	NMARC V-34
3	<p>On those projects handling large FMS cases, adequate staffing should be provided to the PM to handle the additional workload.</p> <p>The Navy and OSD should examine the present policy of negotiating FMS cases to insure equitable treatment of US contractors for those costs associated with the foreign procurement.</p>	NMARC V-34-35

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4 Timeliness and accuracy of cost estimates for Letter of Offer (LOO) proposals for international customers generally are in need of improvement. Timeliness of response is important to the U.S. Government in relation to the competition with systems offered by other countries. Reasonableness of cost estimates provided in LOO by the U.S. Government in relation to the actual cost of systems procured by international customers is important in maintaining a credible image in the international market place. The Cost Panel noted that:

NMARC VII-86

a. Recent experience indicates that estimates used in LOO are generally lower than ultimately contracted, causing U.S. credibility to suffer in the international market. Recent inflationary factors are the principal cause for these low estimates and are not necessarily unique to the Navy.

b. Response time to requests for LOO exceed that desired by the foreign customer in some cases.

5 An additional problem area is Foreign Military Sales (FMS). Currently DSAA is maintaining strict centralized control over some FMS cases. In the case of SEEK, SENTRY, DSAA is the final approval authority on documents like the RFP and Program Management Plan. Under decentralized management of DODD 5000.1, approval authority for these and like documents is delegated to the program manager.

AF #14
23 May 75

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6

"Confusion in the direction of FMS program".

A/5/19/75/#14-15

Foreign Military Sales have increased tremendously in the past two years. Unfortunately, OSD management direction of the program has not adjusted to this new tempo. As a result, there has been confusion and conflicting direction in the direction in the execution of these programs which has at times had an adverse and destabilizing impact on the Army Materiel Acquisition programs. An example is in the pending sale of helicopters to Iran that are different from those in our inventory and without prescribed testing for type classification to insure military specifications are met to Army standards. Yet, in the final analysis, we will probably be required to correct deficiencies should the helicopters prove unsatisfactory. Considerably more coordination is needed in the management of the FMS programs, with more senior level decision-makers in OSD exercising tighter program policy and corporate control.

SURVEY OF DOD PROJECT MANAGERS

1. The Executive Director of the Acquisition Advisory Group requested that each Military Department make a survey of its Weapons Systems Acquisition Programs which are subject to review by the Defense Systems Acquisition Review Council. The format of the survey is attached as enclosure 1 to this Appendix. A total of 66 Project Managers responded (16 Army, 32 Navy, and 18 Air Force) and a listing of the projects appears at enclosure 2.

2. The Defense Systems Management School was requested to analyze the completed forms and to present its findings to the Acquisition Advisory Group. Generalized summaries of all responses appear in the paragraphs which follow.

3. While the Project Managers felt that the DSARC process is good if used as intended and that the Decision Coordinating Paper (DCP) as a contract between the Military Department and OSD is an excellent vehicle, they did offer the following objections to the DSARC process.

- Too many briefings.
- Decision process too slow and review process too lengthy.
- Process takes too much of PM's time which could be better spent managing.

- DSARC process and budget process are not in phase.
- Staff officers have too much power and no accountability.
- Too much staff involvement in management.
- Too much layering.
- The DSARC process has become process oriented instead of product oriented.

4. The Project Managers made the following recommendations to improve the DSARC process within the Office, Secretary of Defense:

- Limit and/or combine briefings.
- Establish a short, mandatory, time frame for decisions.
- Reduce staff involvement in PM's business.
- Reduce the number of people in OSD who can say no but not yes.
- Apprise PM of all issues to be raised at DSARC meetings.
- Approve the DCP (initial and revisions) on a timely basis.

5. The Defense Systems Management School offered the following conclusions regarding the results of the survey:

- Vast majority of PMS surveyed feel that the DSARC process as designed is a good process.

- Most PMS, who commented, seemed to object to the staff bureaucracy overpowering a basically good system.
- Most PMS, who commented, perceive the process as operating to be too lengthy and sluggish.

**MAJOR WEAPONS SYSTEM MANAGEMENT
SURVEY OF DOD PROJECT/PROGRAMS**

1. Military Department: _____

2. Name of Project/Program: _____

Date Established: _____

By Whom: _____

3. Name(s) and Short Description of Weapons System(s) Managed: _____

4. Name(s) and Rank of Project Managers:

<u>NAME</u>	<u>DATES OF TENURE</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

5. Is Project Managed:

a. As a vertical or self-sufficient project office YES () NO () .

b. As a matrix project office YES () NO ()

c. Other (Explain)

6. Number of Persons in Project Office:

	<u>Professional</u>	<u>Clerical</u>	<u>Total</u>
Military	_____	_____	_____
Civilian	_____	_____	_____
Total	_____	_____	_____

7. Number of Persons in Other Organizations Supporting Project (List Professionals Only)

	<u>100%</u>	<u>Time Spent More Than 50%</u>	<u>Less Than 50%</u>
Military	_____	_____	_____
Civilian	_____	_____	_____

8. Does the Weapons System Qualify as a Major Program as Defined by Par. II DOD Directive 5000.1 Dated 13 July 1971?

a. Does the program have an approved DCP? YES() NO()

If so, when was it approved? _____

b. Has the program passed through a DSARC milestone? If so, list dates of DSARCS and dates of decision in the blanks provided: YES() NO()

Line No.	DSARC	DSARC Meeting Date	DSARC Decision Date
(1)	I	_____	_____
(2)	II	_____	_____
(3)	III	_____	_____
(4)	Additional	_____*	_____
(5)		_____*	_____
(6)		_____*	_____

c. Is a SAR submitted on the project? YES() NO()

9. For each DSARC meeting, it is requested that the form attached as an enclosure be completed.

*Identify reasons for any additional DSARC meetings in the blanks provided;

**QUESTIONNAIRE REGARDING
DSARC PROCESS**

Military Department: _____

Program Name _____

1. DSARC # _____
2. Date of Meeting _____
3. Date of Decision _____
4. Pre DSARC Activities:
 - a. Number of briefings required by OSD staff agencies _____
 - b. Organizational titles of OSD staff agencies requesting briefings *

5. Post DSARC Activities Prior to SECDEF decision:
 - a. Number of briefings required by OSD staff agencies _____
 - b. Organizational titles of OSD staff agencies requesting briefings

6. a. What objections do you have to the current DSARC process? (Use attachments, if appropriate) _____

- b. What would you do to eliminate or minimize the deficiencies listed in paragraph 6 a. above? (Use attachments, if appropriate)

*Insert number of individuals in each agency who were contacted/
briefed in parenthesis after each staff agency.

DEPARTMENT OF THE ARMY

PROJECTS

1. Advanced Attack Helicopter (AAH)
2. TACTICAL OPERATIONS SYSTEM (TOS)
3. Tactical Fire Direction System (TACFIRE)
4. Cannon Artillery Weapons Systems
5. Guided Missile System, Surface Attack: M47 (DRAGON)
6. DOD HLH Program
7. LANCE
8. Mechanized Infantry Combat Vehicle
9. Multi-Service Communications Systems
10. PERSHING
11. Surface-to-Air Missile Development (SAM-D)
12. Short Range Air Defense System
13. STINGER Project Office
14. Utility Tactical Transport Aircraft System (UTTAS)
15. Vehicle Rapid Fire Weapon System
16. XM1 Tank System

DEPARTMENT OF THE NAVY

PROJECTS

1. S-3A Weapon System (PMA-244)
2. DD963 Class Destroyer
3. CONDOR (PMA-245)
4. AEGIS
5. E-2/ATDS Weapon System Project (PMA-231)
6. Attack Submarine (SSN) Acquisition Project (PMS 393)
7. LHA Project
8. F-14/PHOENIX (PMA-241)
9. TRIDENT SYSTEM PROJECT
10. Improved SOSUS (DCP 78)
11. Ship and Air Systems Integration
12. CAPTOR (PMS-407)
13. CLOSE-IN WEAPON SYSTEM (PHALANX)
14. SPARROW III Missile (PMA-262)
15. AIM-9L SIDEWINDER (PMA-259)
16. HARM (High Speed Anti-Radiation Missile) AGM-88A (PMA-242)
17. CH-53E (PMA-261)
18. AIR ASW Acoustic Systems (PMA-264)
19. PMS399 Guided Missile Frigate, (FFG-7) Program (Formerly Patrol Frigate PF Program)
20. Navy Space Project

DEPARTMENT OF THE NAVY PROJECTS (CONTINUED)

21. AN/BQQ-5 Sonar
22. Surface Effect Ship
23. NATO Patrol Hydrofoil, Guided Missile Ship (PHM)
24. Cruise Missile Project (PMA-263)
25. Air to Surface Modular Program (Advanced Modular Weapons)
26. Low Cost Electronic Warfare Suite
27. VCX Program (PMA-244)
28. SURTASS (Surveillance Towed Array Sensor) DCP 137
29. NAVY AIR COMBAT FIGHTER (PMA-265)
30. Tactical Airborne Signal Exploitation System (TASES)
31. Special Communications Project Office
32. Guided Projectile Program

DEPARTMENT OF THE AIR FORCE

PROJECTS

1. Airborne Warning and Control System (AWACS)
2. C-5A
3. F-5E/International Fighter Aircraft
4. EF-111A Tactical Jamming System
5. Precision Location Strike System (PLSS)
6. F-16 Program
7. AGM-65A
8. A-10 System Program Office
9. B-1 STRATEGIC BOMBER
10. Air Launched Cruise Missile
11. 414L CONUS Over the Horizon Backscatter Radar
12. Advanced Airborne Command Post
13. NAVSTAR Global Positioning System
14. Defense Satellite Communications System
Phase III (DSCS III Space Segment)
15. PEs 63411F/12449F Space Shuttle
16. 404L AN/TPN-19 Landing Control Central
17. Advanced Airborne Command Post
18. F-15 System Program Office

BRIEFING
ON
SUMMARY OF ACQUISITION ADVISORY GROUP
SURVEY RESULTS
JULY 1, 1975

VG #1

GOOD AFTERNOON GENTLEMEN:

IT GIVES ME GREAT PLEASURE TO BRIEF YOU TODAY ON THE RESULTS OF THE ACQUISITION ADVISORY GROUP SURVEY OF MAJOR PROGRAMS.

VG #2

ON 5 MAY THE ACQUISITION ADVISORY GROUP SENT A SURVEY TO THE SERVICE REQUESTING CERTAIN INFORMATION ABOUT THE MAJOR PROGRAMS AND THE PROGRAM MANAGERS' FEELINGS ABOUT THE DSARC/DCP PROCESS. IT IS THE PURPOSE OF MY BRIEFING TODAY TO PRESENT TO YOU A SUMMARY OF THE FACTS DERIVED FROM QUESTIONNAIRES RETURNED BY 65 PROGRAMS. I WANT TO REITERATE THAT THESE RESULTS REPRESENT 65 PROGRAMS WHICH REPORT TO THE USARC.

VG #3

I WILL FIRST SUMMARIZE CERTAIN OF THE PROGRAM STATISTICS FROM THE SURVEY. I WILL THEN DWELL FOR A MOMENT ON ONE OF THE KEY ISSUES RAISED BY THE PMs, THAT BEING DECISION TIMES. I WILL THEN SUMMARIZE PM COMMENTS AND GIVE OUR CONCLUSIONS BASED ON OUR REVIEW OF THE QUESTIONNAIRES.

VG #4

THIS CHART MERELY DEPICTS SOME FACTS AS TO THE AGES OF THE PROGRAMS WE ARE DEALING WITH. THE AVERAGE AGE IS OVER FIVE YEARS WITH CONDOR, THE OLDEST PROJECT, BEING OVER 13 YEARS OLD.

VG #5

THIS CHART IS PARTICULARLY INTERESTING IN THAT IT SHOWS A POSSIBLE TREND, AT LEAST FOR THE MAJOR PROGRAMS. WHEN I CALCULATED THE INCUMBENT TENURES, I FOUND THAT THE NAVY AND AIR FORCE AVERAGE TENURES HAD DROPPED CONSIDERABLY. NOT WANTING TO PENALIZE A SERVICE FOR HAVING RECENTLY TURNED OVER SEVERAL PMs, I CALCULATED THE AVERAGE TENURE FOR THE COMBINATION OF THE LAST PLUS THE INCUMBENT PM. I FOUND THAT IN FACT THE AIR FORCE AVERAGE TENURE HAS DROPPED SIGNIFICANTLY TO 38 MONTHS FOR TWO PMs OR 19 MONTHS PER PM.

VG #6

THIS CHART PORTRAYS THE ORGANIZATION OF THE 65 PROGRAMS REPORTING. AS CAN BE SEEN THE ARMY IS SPLIT BETWEEN MATRIX ORGANIZATION AND SELF-SUFFICIENCY, WHEREAS THE NAVY IS HIGHLY MATRIX ORIENTED. THE AIR FORCE IS HIGHLY SELF-SUFFICIENT IN THEIR PROGRAM OFFICE ORGANIZATIONS.

VG #7

HERE I HAVE PORTRAYED THE PROGRAM OFFICE MANNING FOR THOSE PROGRAMS SURVEYED. OF PARTICULAR INTEREST IS THE FACT THAT IN THE ARMY THE PROGRAMS ARE MANNED PREDOMINANTLY BY CIVILIANS ON ABOUT A THREE TO ONE RATIO WITH THE AVERAGE PROGRAM HAVING 79 PERSONNEL. THE NAVY HAS CONSIDERABLY SMALLER PROGRAMS WITH ABOUT EQUAL NUMBERS OF PROFESSIONAL MILITARY AND CIVILIAN PERSONNEL. THE AVERAGE PROGRAM HAS 20 PERSONNEL. THE AIR FORCE HAS THE LARGEST PROGRAMS, AND THE AIR FORCE PROGRAMS ARE PREDOMINANTLY MILITARY. THE TWO LARGEST PROGRAMS LISTED, 244 IN THE ARMY, IS THE ARMY TACTICAL DATA SYSTEMS, AND THE LARGEST PROGRAM IN THE AIR FORCE IS THE B1 BOMBER. THE LARGEST NAVY PROGRAM LISTED WITH 65 PERSONNEL IS THE UNDER-SEA SURVEILLANCE PROJECT AND THIS IS OBVIOUSLY NOT THE NAVY'S LARGEST PROGRAM.

I HAVE PREPARED A SUPPLEMENTAL CHART TO DISCUSS THE NAVY IN BETTER CONTEXT WITH THE OTHER SERVICES.

VG #7A

THIS IS A BREAKOUT OF THE MAJOR PROGRAM MANAGERS IN THE NAVY WHO REPORT TO THE CHIEF OF NAVAL MATERIAL. AS YOU CAN SEE, PM 1, STRATEGIC SYSTEMS, IS A QUITE LARGE PROJECT, MUCH LARGER THAN THE AIR FORCE AND ARMY PROJECTS ON THE PREVIOUS CHART. THERE IS, HOWEVER, ONLY ONE OTHER PROGRAM IN THE NAVY THAT IS CARRIED OFFICIALLY AS A PROGRAM THAT HAS MORE THAN 100 INDIVIDUALS IN THE PROGRAM. AS YOU CAN SEE, EVEN IN THESE MAJOR PROGRAMS, RELATIVELY SMALL NUMBERS OF PERSONNEL ARE DIRECTLY ASSIGNED TO THE PROGRAM OFFICE. THIS IS DUE PREDOMINANTLY TO THE MATRIX ORIENTATION OF THE NAVY IN ITS PROGRAM MANAGEMENT. FOR INSTANCE, THE TRIDENT PROJECT MANAGER, PM2, RECEIVES SUPPORT FROM THREE DIFFERENT PROGRAMS: PMS 396, FOR HIS BOAT; PM1 PROVIDES HIS MISSILE; AND PME117 PROVIDES HIS COMMUNICATIONS. THERE ARE NINE PROGRAM MANAGERS WORKING DIRECTLY UNDER PM18, MAJOR COMBATANT SHIPS, WITH A TOTAL OF 310 PERSONNEL.

VG #8

THIS CHART IS USED TO DEPICT THE NUMBER OF PERSONNEL SUPPORTING THE PROGRAMS, AND IT GOES RIGHT ALONG WITH THE PREVIOUS TWO CHARTS WHICH SHOW THE NUMBER OF PERSONNEL ACTUALLY ASSIGNED TO THE PROGRAMS. THE NUMBERS ON THIS CHART ARE MEANT TO PORTRAY THE NUMBER OF PERSONNEL IN FUNCTIONAL OR OTHER ORGANIZATIONS WHICH SUPPORT THE PROGRAMS ON A FULL OR PART TIME BASIS. THE ANSWERS WERE DIFFICULT TO DRAW CONCLUSIONS FROM, BECAUSE UNDOUBTLY ALL PMs DID NOT INTERPRET THE QUESTION IN THE SAME WAY. SOME INCLUDED ONLY PERSONNEL FUNDED IN SUPPORT OF THE PROGRAM. OTHERS INCLUDED HEADQUARTERS PERSONNEL UP TO AND INCLUDING OSD. I DO NOT FEEL THAT THESE NUMBERS GIVE AN ACCURATE DEPICTION OF THE TRUE SITUATION.

VG #9

THIS CHART SUMMARIZES THE DCP AND DSARC STATUS OF THE PROGRAMS THAT REPORTED. AS YOU CAN SEE OF THE 65 PROGRAMS, ROUGHLY 16 OR 25%, DO NOT HAVE A CURRENTLY APPROVED DCP, AND FOR THOSE WHO DO HAVE APPROVED DCPs, I HAVE SHOWN THE DATES OR THE RANGE OF DATES FOR THEIR APPROVAL. THE AIR FORCE AND NAVY HAVE DCPs DATING BACK TO 1968. OF THE 65 PROGRAMS, 12 HAVE NOT PASSED A FORMAL DSARC MILESTONE.

VG #9A

THIS IS A CHART WHICH SUMMARIZES THE NUMBER OF PROGRAMS REPORTING THAT SUBMIT SARs. YOU WILL NOTICE THAT ONLY ONE-HALF OF THE PROGRAMS REPORTING TO DSARC SUBMIT SARs. THIS BROUGHT UP THE IMMEDIATE QUESTION AS TO THE FULL NATURE OF THE SAR REPORTING AND THE MAJOR PROGRAM STATUS. AND I HAVE SHOWN A MORE COMPLETE PICTURE ON THE NEXT VG.

VG #9B

THIS SHOWS OF THE 72 PROGRAMS THAT REPORT TO DSARC, 43 REPORT ONLY TO DSARC AND DO NOT SUBMIT A SAR. TWENTY-NINE, THE REMAINDER, SUBMIT A SAR AND REPORT TO THE DSARC, AND 14 PROGRAMS SUBMIT A SAR, BUT DO NOT REPORT TO DSARC.

VG #10

THIS VIEWGRAPH DEPICTS ONE OF THE MOST IMPORTANT ISSUES RAISED BY THE PROGRAM MANAGERS. THAT IS THE DECISION TIME FROM THE DAY OF THE DSARC MEETING UNTIL THE PM HAS A DECISION IN HAND. I HAVE PORTRAYED BOTH THE MEAN AND MEDIAN TIMES. THE MEAN DECISION TIME IS GREATLY INFLUENCED BY 10% OF THE DECISION TIMES WHICH ARE GREATER THAN 100 DAYS. THE DISTRIBUTION INSIDE 100 DAYS IS MORE NEARLY NORMAL AND FOR THAT REASON I WOULD SAY THAT THE MEDIAN TIME OF 23 DAYS IS THE MOST MEANINGFUL MEASURE OF THE DISTRIBUTION. YOU WILL NOTICE THAT THREE PMs REPORTED THAT THEY HAD DECISIONS THAT WERE STILL PENDING AS OF THE DAY THEY SUBMITTED THEIR QUESTIONNAIRE

IN MAY, AND THREE INDICATED THAT THEIR DECISIONS HAD BEEN DEFERRED, OR NOT RENDERED.

VG #11

ANOTHER VERY IMPORTANT ISSUE, AT LEAST FROM THE PM POINT OF VIEW, WAS THE PREBRIEFS REQUIRED BY USD. AGAIN I DRAW YOUR ATTENTION TO THE FOOTNOTES, I DO NOT FEEL THAT THE INFORMATION HERE SHOULD BE CONSIDERED CONCLUSIVE DUE TO THE MIXED REPORTING OF SERVICE DATA OR SERVICE PREBRIEFS ALONG WITH THE OSD REQUIRED BRIEFINGS. I ATTEMPTED TO SEPARATE THOSE BRIEFINGS TO PORTRAY THE OSD-ONLY PREBRIEFS. THIS REPRESENTS MY BEST EFFORTS IN THAT REGARD. AS YOU CAN SEE, THE AVERAGE NUMBER OF PREBRIEFS FOR THOSE PROGRAMS THAT REPORTED ACTIVITY WAS SIX PREBRIEFS PER PROGRAM. THE AVERAGE NUMBER OF PREBRIEFS INCLUDES THE TOTAL NUMBER OF PREBRIEFS GIVEN BY THE PROGRAM NOTWITHSTANDING THE NUMBER OF DSARCS THAT THE PROGRAM MAY HAVE BEEN THROUGH.

VG #12

THIS IS A COMPANION CHART WHICH SHOWS THE POST-BRIEF ACTIVITY (THE SAME CAVEAT ON THE FOOTNOTE AS TO THE VALIDITY OF THE DATA) AND YOU WILL SEE THAT THERE IS CONSIDERABLY LESS ACTIVITY DURING THE POST-DSARC TIME FRAME.

VG #13

THIS IS A SUMMARY OF PM OBJECTIONS TO THE DSARC PROCESS LISTED IN DESCENDING ORDER OF FREQUENCY OF THE TIMES THAT THE OBJECTIONS WERE MENTIONED. TWENTY PROGRAM MANAGERS, MOST OF WHOM WERE IN THE NAVY, FELT THAT THERE WERE TOO MANY BRIEFINGS ASSOCIATED WITH THE DSARC PROCESS. GOING RIGHT ALONG WITH THAT WAS THE NEXT COMMENT, THAT THE DECISION PROCESS IS TOO SLOW, AND THE PROCESS IS TOO LENGTHY. THE BRIEFING

PROCESS AND THE PROGRAMS IN GENERAL, ACCORDING TO SEVEN OF THE PROJECT MANAGERS, TOOK TOO MUCH OF THEIR TIME WHICH THEY FELT COULD BE BETTER SPENT AT HOME MANAGING THE PROGRAM. SEVEN WERE CONCERNED THAT A DSARC DECISION DID NOT MEAN THAT THEY GOT THEIR MONEY. THEY FELT THAT THE DSARC PROCESS AND THE BUDGET PROCESS WERE NOT IN PHASE. STAFF OFFICERS HAVING TOO MUCH POWER AND NO ACCOUNTABILITY FOR THE PROGRAM, INDIVIDUALS ON THE OSD STAFF THAT WERE ABLE TO SAY NO AND NEVER YES, AND INDIVIDUALS WHO ALLOWED THEMSELVES TO INFLUENCE THE PROGRAM BASED ON PERSONAL BIASES INSTEAD OF THE FACTS WAS OF CONCERN TO NUMEROUS PMs. THIS GOES ALONG WITH TOO MUCH STAFF INVOLVEMENT AND TOO MUCH LAYERING AND A FINAL COMMENT WHICH WILL PROBABLY WRAP UP MOST OF THE ABOVE, IS THAT THEY FELT THAT THE DSARC PROCESS HAD BECOME PROCESS ORIENTED INSTEAD OF PRODUCT ORIENTED.

VG #14

ALL THE COMMENTS MADE BY THE PMs WERE NOT DEROGATORY. HERE ARE SOME POSITIVE COMMENTS ABOUT THE DSARC PROCESS.

VG #15

FOLLOWING THE OBJECTIONS, THE PMs WERE ASKED TO GIVE THEIR RECOMMENDATIONS AS TO WHAT THEY WOULD DO TO IMPROVE THE DSARC PROCESS, AND THIS IS A LISTING OF THE MAJOR ITEMS THAT WERE MENTIONED UNDER CATEGORY OF RECOMMENDATIONS FOR IMPROVEMENT OF THE DSARC PROCESS.

VG #16

AND FINALLY, THESE ARE THE CONCLUSIONS WE HAVE DRAWN FROM THE OVERALL REVIEW OF THE SURVEY. THE VAST MAJORITY OF THE PMs FELT THAT THE DSARC PROCESS AS DESIGNED, AND CONCEIVED, IS A GOOD PROCESS. HOWEVER, THEY FELT THAT THE PROCESS WAS NOT OPERATING AS CONCEIVED, AND THAT AS IT IS OPERATING IT IS TOO LENGTHY AND SLUGGISH.

GENTLEMEN, THAT IS THE END OF MY BRIEFING. ARE THERE ANY QUESTIONS?

SUMMARY

OF

ACQUISITION ADVISORY GROUP
SURVEY RESULTS

LTC JAMES R. TICHENOR, III

PURPOSE

TO PRESENT SUMMARY FINDINGS RESULTING
FROM ANALYSIS OF THE ACQUISITION AD-
VISORY GROUP SURVEY OF MAJOR WEAPONS
SYSTEMS PROGRAMS



OUTLINE

- SUMMARY OF PROGRAM STATISTICS
- DSARC DECISION TIME SUMMARY
- PM COMMENTS ON DSARC PROCESS
- CONCLUSIONS

ACQUISITION ADVISORY GROUP SURVEY

AGES OF PROGRAM OFFICES (MONTHS)

	<u>PROGRAMS REPORTED</u>	<u>OLDEST OFFICE</u>	<u>YOUNGEST OFFICE</u>	<u>AVERAGE AGE</u>
A...	16	155	15	82
NAVY	32	162	8	66
AIR FORCE	<u>17</u>	<u>138</u>	<u>6</u>	<u>61</u>
ALL SERVICES	65	162	6	69

AS OF MAY 1975



ACQUISITION ADVISORY GROUP SURVEY

PROGRAM MANAGER TENURE (MONTHS)

	EX-PMS <u>1/</u>			INCUMBENTS			LAST PM + INCUMBENT AVERAGE (MO'S)
	LONGEST	SHORTEST	AVG.	LONGEST	SHORTEST	AVG.	
ARMY	48	5	24	66	6	26	52
NAVY	73	4	33	59	1	23	54
AIR FORCE	<u>59</u>	<u>4</u>	<u>24</u>	<u>66</u>	<u>1</u>	<u>19</u>	<u>38</u>
ALL SERVICES	73	4	28	66	1	23	50

1/ DOES NOT INCLUDE ACTING PMS

AS OF MAY 1975

ACQUISITION ADVISORY GROUP SURVEY

TYPE MANAGEMENT ORGANIZATION

	<u>SELF SUFFICIENT PROGRAM OFFICE</u>	<u>MATRIX</u>	<u>OTHER</u>
ARMY	7	7	2
NAVY	2	24	6 <u>1/</u>
AIR FORCE	<u>12</u>	3	2
ALL SERVICES	21	34	10

1/ INCLUDES 3 NOT REPORTED :

AS OF MAY 1975



ACQUISITION ADVISORY GROUP SURVEY

PROGRAM OFFICE MANNING

	<u>AVG. PROF MIL</u>	<u>AVG. PROF CIV</u>	<u>LARGEST OFFICE</u>	<u>SMALLEST OFFICE</u>	<u>AVERAGE TOTAL PROGRAM PERSONNEL 1/</u>
ARMY	14	46	244	40	79
NAVY	5	7	65	1	20
AIR FORCE	<u>48</u>	<u>30</u>	<u>328</u>	<u>7</u>	<u>99</u>
ALL SERVICES	19	22	328	1	55

1/ INCLUDES ENLISTED MILITARY AND CLERICAL CIVILIAN PERSONNEL

AS OF MAY 1975

ACQUISITION ADVISORY GROUP SURVEY

PERSONNEL SUPPORTING PROGRAMS (AVERAGES) 1/

	<u>PROGRAMS REPORTED</u>	<u>PERCENT MATRIX</u>	<u>100% DEDICATED</u>	<u>> 50 DEDICATED</u>	<u>< 50 DEDICATED</u>
ARMY	16	44	29	13	55
NAVY	32	75	34	25	58
AIR FORCE	<u>17</u>	<u>18</u>	<u>79</u>	<u>63</u>	<u>143</u>
ALL SERVICES	65	52	45	32	80

1/ THE NUMBERS GIVEN ARE NOT FELT TO BE CONCLUSIVE
 DUE TO LACK OF DATA, AMBIGUOUS DATA AND THE
 REPORTING OF COMPOSITE MAN-YEARS BY SOME PROGRAMS

AS OF MAY 1975



ACQUISITION ADVISORY GROUP SURVEY

DCP AND DSARC MILESTONE STATISTICS
 PROGRAM HAS PASSED
 A DSARC MILESTONE

DCP

	APPROVED	APPROVAL DATE RANGE	NOT APPROVED		NO
			YES	NO	
ARMY	12	12/70-4/75	4	15	1
NAVY	26	4/63-11/74	6	23	9
AIR FORCE	11	9/68-4/74	6	15	2
ALL SERVICES	49	4/68-4/75	16	53	12

AS OF MAY 1975

ACQUISITION ADVISORY GROUP SURVEY

DSARC PROGRAMS AND SELECTED ACQUISITION REPORTS

	<u>NO. DSARC PROGRAMS</u>	<u>NO. PROGRAMS WHICH SUBMIT SARS</u>
ARMY	16	12
NAVY	32	15
AIR FORCE	<u>17</u>	<u>8</u>
ALL SERVICES	65	35

ACQUISITION ADVISORY GROUP SURVEY



ACQUISITION ADVISORY GROUP SURVEY

	<u>TOTAL DSARC DECISIONS REPORTED</u>	<u>AVERAGE DECISION TIME (DAYS)</u>	<u>MEDIAN DECISION TIME (DAYS)</u>	<u>LONGEST DECISION TIME (DAYS)</u>	<u>DECISIONS PENDING</u>	<u>NO. DECISIONS NOT RENDERS OR DEFERRED</u>
ARMY	24	44	22	273	1	0
NAVY	49	40	25	183	1	3
AIR FORCE	24	30	22	86	1	0
ALL SERVICES	97	38	23	273	3	3

AS OF MAY 1975

ACQUISITION ADVISORY GROUP SURVEY

DSARC PRE-BRIEFS REQUIRED BY OSD 1 2

NO. PROGRAMS REPORTING PRE-BRIEFS	AVG. NO. PRE-BRIEFS	LARGEST NO. PRE-BRIEFS REPORTED	AVG. ATTENDANCE
<u>14</u>	<u>4</u>	<u>8</u>	<u>5</u>

ARMY

25 7 19 3

NAVY

AIR FORCE 12 6 36 5

1 INFORMATION IS NOT CONSIDERED CONCLUSIVE DUE TO MIXED REPORTING OF SERVICE AND OSD BRIEFINGS IN SOME CASES, OBVIOUS ESTIMATES AND LACK OF DATA ON SOME PROGRAMS.

2 STATISTICS ARE ONLY FOR THOSE PROGRAMS REPORTING ACTIVITY. ZERO ACTIVITY FOR 14 PROGRAMS NOT INCLUDED.

AS OF MAY 1975



ACQUISITION ADVISORY GROUP SURVEY

DSARC POST-BRIEFS REQUIRED BY OSD 1/ 2/

NO. PROGRAMS REPORTING POST-BRIEFS	AVG NO. POST-BRIEFS	LARGEST NO. POST-BRIEFS REPORTED	AVG. ATTENDANCE
<u>6</u>	<u>3</u>	<u>4</u>	<u>2</u>

ARMY

NAVY

AIR FORCE

12	7	30	2
8	3	10	4

1/ INFORMATION IS NOT CONSIDERED CONCLUSIVE DUE TO MIXED REPORTING OF SERVICE AND OSD BRIEFINGS IN SOME CASES, OBVIOUS ESTIMATES AND LACK OF DATA ON SOME PROGRAMS.

2/ STATISTICS ARE ONLY FOR THOSE PROGRAMS REPORTING ACTIVITY. ZERO ACTIVITY FOR 39 PROGRAMS NOT INCLUDED

ACQUISITION ADVISORY GROUP SURVEY

PM OBJECTIONS TO DSARC PROCESS
(OBJECTIONS MENTIONED 3 OR MORE TIMES)

- TOO MANY BRIEFINGS
- DECISION PROCESS TOO SLOW
- REVIEW PROCESS TOO LENGTHY
- PROCESS TAKES TOO MUCH OF PM'S TIME WHICH COULD
BE BETTER SPENT MANAGING
- DSARC PROCESS AND BUDGET PROCESS ARE NOT IN PHASE
- STAFF OFFICERS HAVE TOO MUCH POWER AND NO
RESPONSIBILITY
- TOO MUCH STAFF INVOLVEMENT IN MANAGEMENT
- TOO MUCH LAYERING
- APPROVAL OF DCP TAKES TOO LONG
- PROCESS SUBJECT TO INFLUENCE OF PERSONAL BIASES
OF STAFF OFFICERS

ACQUISITION ADVISORY GROUP SURVEY

PM RECOMMENDATIONS

- LIMIT AND/OR COMBINE BRIEFINGS
- ESTABLISH A SHORT, MANDATORY TIME FRAME FOR DECISIONS
- REDUCE STAFF INVOLVEMENT IN PM'S BUSINESS
- REDUCE THE NUMBER OF PEOPLE IN OSD WHO CAN SAY NO BUT NOT YES
- APPRISE PM OF ALL ISSUES TO BE RAISED AT DSARC MEETINGS
- APPROVE THE DCP (INITIAL AND REVISIONS) ON A TIMELY BASIS

"LET DSARC WORK OR ABOLISH THE SYSTEM"

POSITIVE PM REACTIONS TO DSARC PROCESS

- SIX PMS COMMENTED THAT THE PROCESS WAS GOOD AND HAD NO OBJECTIONS
- DCP AS A CONTRACT BETWEEN THE SERVICE AND OSD IS AN EXCELLENT VEHICLE
- THE DSARC PROCESS IS GOOD IF USED AS INTENDED



ACQUISITION ADVISORY GROUP SURVEY

CONCLUSIONS

- VAST MAJORITY OF PMS SURVEYED FEEL THAT THE DSARC PROCESS
AS DESIGNED IS A GOOD PROCESS
- MOST PMS (WHO COMMENTED) SEEMED TO OBJECT TO THE STAFF
BUREAUCRACY OVERPOWERING A BASICALLY GOOD SYSTEM
- MOST PMS (WHO COMMENTED) PERCEIVE THE PROCESS AS OPERATING
TO BE TOO LENGTHY AND SLUGGISH

THE DSARC PROCESS AS CONCEIVED
IS A DECISION PROCESS



THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

7 July 1975

MEMORANDUM TO - SEE DISTRIBUTION LIST

SUBJECT: DSMS Review of DoD Directives and Instructions Relating to the Acquisition of Major Weapon Systems; Request for Comment

Encl. (1) DSMS Review of Selected Directives and Instructions

The AAG has been impressed with the universal approval that seems to be accorded DODD 5000.1 by all parties to the major systems acquisition process, i. e. - the military departments, OSD officials, GAO, Congress, industry. At the same time they have heard statements such as "the logic of 5000.1 is great, but the theory is being violated in practice;" "DSARC has been saddled with so many things, including FMS, it may fall from its own weight;" "people at the middle management level within the OSD and the military departments have not begun to comply with the intent of DODD 5000.1."

In consideration of the foregoing, the Defense Systems Management School at Ft. Belvoir, was requested to do an analysis of all DoD Directives and Instruction which relate to the defense systems acquisition process in light of the provisions, requirements and policies embodied in DoD Directive 5000.1. The report of the DSMS analysis is attached as Enclosure 1.

APPENDIX F-1



I would appreciate your comments on this DSMS Review as soon as practicable.



Eli T. Reich
Vice Admiral, USN (Ret)
Executive Director
Acquisition Advisory Group

Distribution List:

Vice Admiral Parker Armstrong, Dept. of the Navy
Lt. General W. J. Evans, Department of the Air Force
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Mr. Todd Hixon, OSD (C)
Lt. Col. Thomas Van Meter, OSD (I&L)
Commandant, Defense Systems Management School

PROJECT 5000.1

A REVIEW OF DEPARTMENT
OF DEFENSE DIRECTIVES AND
INSTRUCTIONS RELATING TO
THE ACQUISITION OF MAJOR
WEAPON SYSTEMS

PREPARED FOR THE
DOD ACQUISITION ADVISORY GROUP
BY THE
DEFENSE SYSTEMS MANAGEMENT SCHOOL
JULY 1975

PROJECT 5000.1

PURPOSE. To review DOD Directives and Instructions which relate to the Defense Systems Acquisition Process in light of the provisions, requirements and policies of DOD Directive 5000.1 and present a summary of the significant findings of that review.

SCOPE. Initial searches of the DOD Directives System Index led to the initial identification of over 100 directives and instructions which related to the acquisition process. Due to the short time available and the magnitude of the task of reviewing over 100 documents, many of which had only minor importance to the problem at hand, the scope of the review was reduced to three categories of documents:

1. Directives implementing related policies which are included in Enclosure 1 to DODD 5000.1.
2. Additional directives which are not included under subjects listed in Enclosure 1 to DODD 5000.1 but which have significant bearing on the acquisition process, e.g. DODD 7045.7 (PPBS).
3. The Charters of the DSARC Principals.

Thirty-four directives and instructions which were felt to have the most impact on the acquisition process were identified as falling into those three categories.

METHOD.

1. DODD 5000.1 was first dissected into its individual component provisions and policies. These individual parts were then placed in outline form under one of five major headings in the form of a reference or check list.

- a. Management Policies
- b. Information
- c. Decision Process
- d. Program Considerations
- e. Technology

2. Each directive was reviewed using the DODD 5000.1 outline as a guide to determine whether or not the directive was in consonance, supportive, complementary or in contradiction to the provisions of DODD 5000.1.

3. All directives were reviewed by at least one individual and in some cases by as many as four. Individual comments were then discussed and consensus comments put in final form.

RESULTS. An overall evaluation and specific comments, where appropriate, are provided for each document reviewed on the following pages.

DIRECTIVES REVIEWED

<u>NUMBER</u>	<u>SUBJECT</u>	<u>DATE</u>
4005.1 (D)	DoD Industrial Preparedness Production Planning	Jul 28, 72
4005.3	Industrial Preparedness Production Planning Procedures	Jul 28, 72
4100.35 (D)	Development of Integrated Logistic Support for Systems/Equipments	Oct 1, 70
4105.62 (D)	Proposal Evaluation and Source Selection	Apr 6, 65
4120.3 (D)	Department of Defense Standardization Program	Jun 6, 73
4155.1 (D)	Quality Assurance	Feb 9, 72
4200.15	Manufacturing Technology Program	Jul 14, 72
4400.1	Priorities and Allocations - Delegation of DO and DX Priorities and Allocations Authorities, Rescheduling of Deliveries and Continuance of Related Manuals	Nov 16, 71
5000.1 (D)	Acquisition of Major Defense Systems	Jul 13, 71
5000.2	The Decision Coordinating Paper (DCP) and the Defense Systems Acquisition Review Council	Jan 21, 75
5000.3 (D)	Test and Evaluation	Jan 19, 73
5000.4 (D)	OSD Cost Analysis Improvement Group	Jun 13, 73
5000.19 (D)	Policies for the Management and Control of DOD Information Requirements	Jun 2, 71
5000.23 (D)	System Acquisition Management Careers	Nov 26, 74
5000.26 (D)	Defense Systems Acquisition Review Council	Jan 21, 75
5000.28 (D)	Design to Cost	May 23, 75
5010.8	Department of Defense Value Engineering	Feb 2, 72
5010.12	Management of Technical Data	Dec 5, 68

5010.28 (D)	Department of Defense Management Review and Improvement Program	Oct 2, 72
5010.29	Acquisition of Data from Contractors	Nov 29, 71
5010.32	Department of Defense Management Review and Improvement Program	Jun 1, 73
5100.1 (D)	Functions of the Department of Defense and Its Major Components	Dec 31, 58
5118.3 (D)	Assistant Secretary of Defense (Comptroller)	Jan 18, 72
5126.22 (D)	Assistant Secretary of Defense (Installations and Logistics)	Jan 30, 61
5129.1 (D)	Director of Defense Research and Engineering	Mar 13, 70
5135.1 (D)	Director, Telecommunications and Command and Control Systems	Jan 17, 74
5141.1 (D)	Assistant Secretary of Defense (Program Analysis and Evaluation)	Mar 29, 74
5158.1 (D)	Organization of the Joint Chiefs of Staff and Relationships with the Office of the Secretary of Defense	Dec 31, 58
7000.1 (D)	Resource Management Systems of the Department of Defense	Aug 22, 66
7000.2	Performance Measurement for Selected Acquisition	Apr 25, 72
7000.3	Selected Acquisition Reports (SAR)	Sep 13, 71
7000.6	Acquisition Management Systems Control	Mar 15, 71
7000.10	Contract Cost Performance, Funds Status and Cost/Schedule Status Reports	Aug 6, 74
7000.11	Contractor Cost Data Reporting (CCDR)	Sep 5, 73
7045.7	The Planning, Programming and Budgeting System	Oct 29, 69

(D) = DOD Directive, All others are Instructions.

SUMMARY ANALYSIS OF

DODD 4005.1

**DOD Industrial Preparedness Production Planning
(July 28, 1972)**

and

DODI 4005.3

**DOD Industrial Preparedness Production Planning Procedures
(July 28, 1972)**

AS THEY APPLY TO DODD 5000.1

I. OVERALL EVALUATION.

This directive is general in nature in its applicability to providing a sustained state of industrial preparedness for the production of essential military items. It and its companion DOD Instruction 4005.3, Industrial Preparedness Production Planning Procedures, dated July 28, 1972 are consistent with the provisions of DODD 5000.1. Both documents provide for decentralization and minimum OSD involvement and reporting is required.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODD 4100.35

Development of Integrated Logistic
Support for Systems/Equipments
(October 1, 1970)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This Directive pre-dates DODD 5000.1 and its applicability to Defense acquisition is general in nature. This Directive is supportive of and in consonance with DODD 5000.1 and has no obvious conflicts.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODD 4105.62

Proposal Evaluation and Source Selection
(April 6, 1965)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 4105.62 does not cover or discuss the provisions of DODD 5000.1 pertaining to source selection and the evaluation of proposals. The purpose of DODD 4105.62 is to establish objectives, principles, and policy for the evaluation of proposals and the selection of contractual sources. As such, it logically should reflect the provisions of DODD 5000.1 pertaining to source selection and the evaluation of proposals. The probable reason for DODD 4105.62 not reflecting the provisions of DODD 5000.1 is the lack of update of the DODD 4105.62 since 1965.

II. SPECIFIC AREAS OF CONCERN.

The POLICY (Para VI) promulgated in DODD 4105.62 primarily pertains to the source selection process. Recommend that DODD 4105.62 be updated to embody the program considerations relevant to source selection and evaluation of proposals in accordance with Para III,C,8 of DODD 5000.1.

SUMMARY ANALYSIS OF

DODD 4120.3

Department of Defense Standardization Program
(June 6, 1973)

AS IT APPLIES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 4120.3 and supporting manual 4120.3-M, pertain to the development and promulgation of specifications, standards, handbooks and engineering drawings for materiel, manufacturing processes and engineering practices that describe the items and services.....acquired by the DOD Components. Its objectives are to control item proliferation; prevent overlapping and duplicative descriptions; foster re-use of existing technology; establish uniform grades, classes, sizes and levels of performance; and systemize review to reduce varieties and sizes to minimum required to meet needs.

The supporting manual is a detailed how-to-do-it reference that is out of date. Approval of the current revised draft has been held in abeyance pending resolution of some issues raised by the Defense Science Board Task Force on Standardization.

II. SPECIFIC AREAS OF CONCERN.

The directive and manual impose necessary constraints on the individuality of each specific system program that are necessary for the collective good of all such programs. There is an inherent conflict with DODD 5000.1 policy to develop and exploit new technology as compared to the objectives of DODD 4120.3 to foster re-using of existing technology. This is viewed as a healthy and natural contest of ideas to be resolved by reasonable men and it is not viewed as inconsistent.

SUMMARY ANALYSIS OF

DODD 4155.1

Quality Assurance
(February 9, 1972)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This Directive post-dates DODD 5000.1 and its applicability to Defense acquisition programs is general. This Directive is in consonance with DODD 5000.1 and has no obvious conflicts.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODD 4200.15

Manufacturing Technology Program
(July 14, 1972)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 4200.15 is basically in consonance with the provisions of DODD 5000.1 pertaining to the need for a strong and usable technology base to be maintained by conducting research and technology effort independent of specific defense systems development. Although DODD 4200.15 permits manufacturing programs to be supported or funded by specific weapons system programs the intent of DODD 4200.15 is not considered to violate the provisions of DODD 5000.1.

II. SPECIFIC AREAS OF CONCERN.

- A. Manufacturing technology projects normally are broad-based in application. However, they "may include the application of new or improved techniques or equipment to manufacture specific weapon systems, components, and items, and prototypes; and may be funded as part of the specific weapons system program involved."
(Reference: Para II,B, DODD 4200.15).
- B. The exception noted above probably occurs under circumstances involving high cost and new technology or processes that are initially perceived to have limited or system peculiar applications.

SUMMARY ANALYSIS OF

DODI 4400.1

Priorities and Allocations - Delegation of DO and DX
Priorities and Allocations Authorities, Rescheduling of
Deliveries and Continuance of Related Manuals
(May 21, 1974)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODI 4400.1 furnishes policy guidance and certain delegations of authority for exercise of national systems of priorities. It is an enabling directive for managers of high national urgency programs and imposes limitations on abuse of priorities by managers of programs not so designated.

II. SPECIFIC AREAS OF CONCERN.

There is no direct relationship between DODD 5000.1 and DODI 4400.1 although it is listed in 5000.1 as a related directive.



July 13, 1971

NUMBER 5000.1

DDR&E

Department of Defense Directive

SUBJECT: Acquisition of Major Defense Systems

I. PURPOSE

This Directive establishes policy for major defense system acquisition in the Military Departments and Defense Agencies (referred to as DoD Components).

II. APPLICATION

This Directive applies to major programs, so designated by the Secretary of Defense/Deputy Secretary of Defense (referred to as SecDef). This designation shall consider (1) dollar value (programs which have an estimated RDT&E cost in excess of 50 million dollars, or an estimated Production cost in excess of 200 million dollars); (2) national urgency; (3) recommendations by DoD Component Heads or Office of Secretary of Defense (OSD) officials. In addition, the management principles in this Directive are applicable to all programs.

III. POLICY

A. Mode of Operation - Successful development, production and deployment of major defense systems are primarily dependent upon competent people, rational priorities and clearly defined responsibilities. Responsibility and authority for the acquisition of major defense systems shall be decentralized to the maximum practicable extent consistent with the urgency and importance of each program. The development and production of a major defense system shall be managed by a single individual (program manager) who shall have a charter which provides sufficient authority to accomplish recognized program objectives.

Layers of authority between the program manager and his Component Head shall be minimum. For programs involving two or more Components, the Component having dominant interest shall designate the program manager, and his charter shall be approved by the cognizant official within OSD. The assignment and tenure of program managers shall be a matter of concern to DoD Component Heads and shall reflect career incentives designed to attract, retain and reward competent personnel.

1. The DoD Components are responsible for identifying needs and defining, developing and producing systems to satisfy those needs. Component Heads are also responsible for contractor source selection unless otherwise specified by the SecDef on a specific program.
 2. The OSD is responsible for (a) establishing acquisition policy, (b) assuring that major defense system programs are pursued in response to valid needs and (c) evaluating policy implementation on each approved program.
 3. The OSD and DoD Components are responsible for program monitoring, but will place minimum demands for formal reporting on the program manager. Nonrecurring needs for information will be kept to a minimum and handled informally.
 4. The SecDef will make the decisions which initiate program commitments or increase those commitments. He may redirect a program because of an actual or threatened breach of a program threshold stated in an approved Development Concept Paper (DCP). The DCP and the Defense Systems Acquisition Review Council (DSARC) will support the SecDef decision-making. These decisions will be reflected in the next submission of the Program Objective Memorandum (POM) by the DoD Component.
- B. Conduct of Program - Because every program is different, successful program conduct requires that sound judgment be applied in using the management principles of this Directive. Underlying specific defense system developments is the need for a strong and usable technology base. This base will be maintained by conducting research and advanced technology effort independent of specific defense systems development. Advanced technology effort includes prototyping, preferably using small, efficient design teams and a minimum amount of documentation. The objective is to obtain significant advances in technology at minimum cost.
1. Program Initiation
 - a. Early conceptual effort is normally conducted at the discretion of the DoD Component until such time as the DoD Component

determines that a major defense system program should be pursued. It is crucial that the right decisions be made during this conceptual effort; wrong decisions create problems not easily overcome later in the program. Therefore, each DoD Component will designate a single individual, such as the Assistant Secretary for R&D, to be responsible for conceptual efforts on new major programs.

- b. The considerations which support the determination of the need for a system program, together with a plan for that program, will be documented in the DCP. The DCP will define program issues, including special logistics problems, program objectives, program plans, performance parameters, areas of major risk, system alternatives and acquisition strategy. The DCP will be prepared by the DoD Component, following an agreement between OSD and that Component on a DCP outline. The Director, Defense Research and Engineering (DDR&E)(or the Assistant Secretary of Defense (Telecommunications) for his programs) has the basic responsibility for coordination of inputs for the DCP and its submittal to the DSARC for consideration and to the SecDef for subsequent decision. If approved, the program will be conducted within the DCP thresholds.
2. Full-Scale Development. When the DoD Component is sufficiently confident that program worth and readiness warrant commitment of resources to full-scale development, it will request a SecDef decision to proceed. At that time, the DSARC will normally review program progress and suitability to enter this phase and will forward its recommendations to the SecDef for final decision. Such review will confirm (a) the need for the selected defense system in consideration of threat, system alternatives, special logistics needs, estimates of development costs, preliminary estimates of life cycle costs and potential benefits in context with overall DoD strategy and fiscal guidance; (b) that development risks have been identified and solutions are in hand; and (c) realism of the plan for full-scale development.
 3. Production/Deployment. When the DoD Component is sufficiently confident that engineering is complete and that commitment of substantial resources to production and deployment is warranted, it will request a SecDef decision to proceed. At that time, the DSARC will again review program progress and suitability to enter substantial production/deployment and forward its recommendations to the SecDef for final decision. Such review will confirm (a) the need for producing the defense system in consideration of threat, estimated acquisition and ownership costs and potential benefits in context with overall DoD

strategy and fiscal guidance; (b) that a practical engineering design, with adequate consideration of production and logistics problems is complete; (c) that all previously identified technical uncertainties have been resolved and that operational suitability has been determined by test and evaluation; and (d) the realism of the plan for the remainder of the program. Some production funding for long lead material or effort may be required prior to the production decision. In such cases, the SecDef will decide whether a DSARC review and revised DCP are required. In any event, full production go-ahead will be authorized by approval of the DCP.

C. Program Considerations

1. System need shall be clearly stated in operational terms, with appropriate limits, and shall be challenged throughout the acquisition process. Statements of need/performance requirements shall be matched where possible with existing technology. Wherever feasible, operational needs shall be satisfied through use of existing military or commercial hardware. When need can be satisfied only through new development, the equivalent needs of the other DoD Components shall be considered to guard against unnecessary proliferation.
2. Cost parameters shall be established which consider the cost of acquisition and ownership; discrete cost elements (e.g., unit production cost, operating and support cost) shall be translated into "design to" requirements. System development shall be continuously evaluated against these requirements with the same rigor as that applied to technical requirements. Practical tradeoffs shall be made between system capability, cost and schedule. Traceability of estimates and costing factors, including those for economic escalation, shall be maintained.
3. Logistic support shall also be considered as a principal design parameter with the magnitude, scope and level of this effort in keeping with the program phase. Early development effort will consider only those parameters that are truly necessary to basic defense system design, e.g., those logistic problems that have significant impact on system readiness, capability or cost. Premature introduction of detailed operational support considerations is to be avoided.
4. Programs shall be structured and resources allocated to ensure that the demonstration of actual achievement of program objectives is the pacing function. Meaningful relationships between need, urgency,


risk and worth shall be thereby established. Schedules shall be subject to trade-off as much as any other program constraint. Schedules and funding profiles shall be structured to accommodate unforeseen problems and permit task accomplishment without unnecessary overlapping or concurrency.

5. Technical uncertainty shall be continually assessed. Progressive commitments of resources which incur program risk will be made only when confidence in program outcome is sufficiently high to warrant going ahead. Models, mock-ups and system hardware will be used to the greatest possible extent to increase confidence level.
6. Test and evaluation shall commence as early as possible. A determination of operational suitability, including logistic support requirements, will be made prior to large-scale production commitments, making use of the most realistic test environment possible and the best representation of the future operational system available. The results of this operational testing will be evaluated and presented to the DSARC at the time of the production decision.
7. Contract type shall be consistent with all program characteristics including risk. It is not possible to determine the precise production cost of a new complex defense system before it is developed; therefore, such systems will not be procured using the total package procurement concept or production options that are contractually priced in the development contract. Cost type prime and subcontracts are preferred where substantial development effort is involved. Letter contracts shall be minimized. When risk is reduced to the extent that realistic pricing can occur, fixed-price type contracts should be issued. Changes shall be limited to those that are necessary or offer significant benefit to the DoD. Where change orders are necessary, they shall be contractually priced or subject to an established ceiling before authorization, except in patently impractical cases.
8. The source selection decision shall take into account the contractor's capability to develop a necessary defense system on a timely and cost-effective basis. The DoD Component shall have the option of deciding whether or not the contract will be completely negotiated before a program decision is made. Solicitation documents shall require contractor identification of uncertainties and specific proposals for their resolution. Solicitation and evaluation of proposals should be planned to minimize contractor expense. Proposals for cost-type or incentive contracts may be penalized during evaluation to the degree that the proposed cost is unrealistically low.

9. Management information/program control requirements shall provide information which is essential to effective management control. Such information should be generated from data actually utilized by contractor operating personnel and provided in summarized form for successively higher level management and monitoring requirements. A single, realistic work breakdown structure (WBS) shall be developed for each program to provide a consistent framework for (a) planning and assignment of responsibilities, (b) control and reporting of progress, and (c) establishing a data base for estimating the future cost of defense systems. Contractor management information/program control systems, and reports emanating therefrom, shall be utilized to the maximum extent practicable. Government imposed changes to contractor systems shall consist of only those necessary to satisfy established DoD-wide standards. Documentation shall be generated in the minimum amount to satisfy necessary and specific management needs.

IV. IMPLEMENTATION

1. Each DoD Component will implement this Directive within 90 days and forward two (2) copies of each implementing document to the SecDef.
2. The number of implementing documents will be minimized and necessary procedural guidance consolidated to the greatest extent possible. Selected subjects to be covered by DoD Directives/Instructions or joint Service/Agency documents in support of this Directive are listed in Enclosure 1. Each DoD Component will forward the joint Service/Agency documents for which it is responsible to the SecDef for approval prior to issuance.


Deputy Secretary of Defense

**Enclosure
Related Policy**

RELATED POLICY

Responsibility for the following policy documents is assigned to the Cognizant Office indicated. In each case, the Cognizant Office shall (a) generate the policy, or (b) delegate authority to a lead DoD Component for preparation and subsequent issue of a joint Service/ Agency regulation, agreement or guide after approval by OSD.

<u>Policy Subject</u>	<u>Cognizant Office</u>	<u>Responsible DoD Component</u>
The DoD Technology Base	DDR&E	
The DCP and the DSARC	DDR&E	
Defense System Engineering	DDR&E	Air Force
Proposal Evaluation and Source Selection	ASD(I&L)/ DDR&E	
Cost Analysis	ASD(SA)	
Acquisition of Data	ASD(I&L)	
Cost/Schedule Control Systems	ASD(C)	Air Force
Test and Evaluation	DDR&E	Navy
Priorities and Allocations	ASD(I&L)	
Manufacturing Technology	ASD(I&L)	
Quality Assurance	ASD(I&L)	
Logistic Support	ASD(I&L)	
Standardization	ASD(I&L)	
Value Engineering	ASD(I&L)	

SUMMARY ANALYSIS OF

DODI 5000.2

The Decision Coordinating Paper (DCP) and the
Defense Systems Acquisition Review Council (DSARC)
(January 21, 1975)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODI 5000.2 amplifies the provisions of DODD 5000.1 as it concerns the DCP/DSARC decision making process at the Secretary of Defense level. It stresses clear recognition of the individuality of each major defense system program. While this emphasis on individuality of each program is indeed vital to the DCP/DSARC process, it also highlights the separation of this decision process from the force level decision processes involved in the PPBS. The PPBS decision processes are clearly necessary from the standpoint of force structure optimization. However, the need to proceed through two separate decision processes for program approval and funding may be perceived by many program managers as dysfunctional.

II. SPECIFIC AREAS OF CONCERN.

- A. In expanding upon DCP/DSARC provisions of DODD 5000.1, this directive adulterates the self-imposed limitation of the process providing for three scheduled DSARC reviews on every program along with one optional review on a case-by-case basis to provide production funding for long lead material or effort prior to the production decision. Instead, DODI 5000.2 provides for additional reviews as follows:

"Additional Decision Points. In addition to the three major decision points, the program situation may require additional decision points (e.g., release of funds for long lead material or effort, pilot production, additional systems for test and evaluation, successive production lot procurements)." (IV,B,1,d)

and

"Unscheduled Program Decisions. Events both internal and external to the program (such as a congressional fund action, Secretary of Defense decision on a Program/Budget Decision, or a change in threat circumstances--which preclude achievement of a program objective or otherwise causes a breach, or a likely breach, of established cost, performance, or schedule DCP thresholds--may require a DSARC review in addition to those normally scheduled. Such reviews would lead to unscheduled program decisions. (See subsection III,D, enclosure 1.)" (IV,C)

These additional reviews combined with the detailed specification of program factors to be considered at each session may operate to subvert the apparent intent of DODD 5000.1 with regard to decentralization of most program management decisions. The proliferation of DSARC reviews has considerable potential for the centralization of authority covering virtually all aspects of an acquisition program. This seems fundamentally different from the carefully circumscribed SecDef decision points keyed to the major program life cycle phases.

- B. The Directive as it relates to Secretary of Defense decisions holds potential for misinterpretation. Para IV,A,2,b states:

"A Secretary of Defense decision is consummated when he signs the DCP, or issues a memorandum, authorizing the DoD Component to proceed with the program described in the DCP or directing another course of action. The Secretary of Defense decision set forth in the DCP establishes the limits of authority delegated to the cognizant DoD Component in the conduct of the program."

Whereas the firmness of SECDEF DCP/DSARC decisions may be perceived as compromised to some extent by the following provisions of the directive:

"In cases where a POM or budget submittal to OSD deviates significantly from a previously approved DCP/DSARC-related decision, this fact and the cost, schedule and performance impact on the program shall be noted in the POM or budget submittal and explained." (IV,D,1,e)

and

"When an OSD-generated PPBS document, such as the Issue Paper or PBD, offers an alternative to the DCP/DSARC-related decision, the document shall be submitted to the cognizant DSARC chairman and other interested DSARC principals, or their designees, for coordination or comment and recommendation, as appropriate. Each DCP affected by an approved decision document shall be updated or amended within 30 working days to reflect that change and to reference the appropriate decision document." (IV,D,1,f)

In fact, DODI 5000.2 attempts to recognize the role of the PPBS process in force structure optimization and the decisions subsequently reflected in the FYDP. The relationship between the DCP/DSARC process and PPBS as well as higher level force structure related decisions such as those by OMB is not, however, not clearly stated in DODI 5000.2. The ambiguity between the DCP/DSARC process and higher level force structure optimization decisions should be clarified in DODI 5000.2 to facilitate an understanding of the relationship.

SUMMARY ANALYSIS OF

DODD 5000.3

Test and Evaluation
(January 19, 1973)

AS IT APPLIES TO DODD 5000.1

I. OVERALL EVALUATION.

The depth and detail of the monitoring, coordination, review, directive and approval authority over DOD Component test planning, conduct and analysis that this directive contains (or can be interpreted to contain) is quite clear to being in direct contradiction to the management policy inferred in DODD 5000.1. This can be seen from many of the confrontations that have occurred in the past between the DDR&E (T&E) and DOD Component representatives. As mentioned, it is primarily a problem of interpretation. The directive is so specific in areas that its intent must be constantly re-examined before it can be intelligently applied to systems having any appreciable degree of sophistication. A major effort on the part of the military components (and the program managers) is often necessary to prove that a reasonable, practical and honest approach is planned for DT&E and OT&E. If the DDR&E isn't familiar with all the technical details of the system, the resource limitations and the test environment and support limitations, and doesn't agree with the planned effort, a program can experience a severe and costly delay. The program manager and the DOD Components are not really in control of the general or detailed planning of their test programs.

II. SPECIFIC AREAS OF CONCERN.

- A. DODD 5000.1, para III,A,2 states that OSD is responsible for establishing policy, seeing that it is implemented and assuring that programs are pursued in response to valid needs. Sub para 3 places limitations on demands for information required for monitoring while the DOD Component is given responsibility for carrying out the program (para 1). Para IV,C,3 states (3rd sentence) that combined testing must be conducted under necessary test conditions and test data required must be realized. DODD 5000.1 (para C,6) specifies testing in "the most realistic test environment possible". This gives the DOD Component some latitude but 5000.3 does not.
- B. DODD 5000.3 is masterfully written and almost every conflict with 5000.1 can be "interpreted away" without too much difficulty. The basic intent of 5000.3 is correct and compatible with 5000.1 but the same results could be obtained if it contained less details and reflected guidance for the DOD Components to apply to their test programs. As written, 5000.3 would be an excellent directive for the development agencies of the Army, Navy and Air Force--NOT OSD!

- C. The establishment of a separate major field agency and a strong headquarters staff element in each component for OT&E increases the demands on the PM for information, reporting, and documentation as well as increased coordination due to layering in the test hierarchy.

SUMMARY ANALYSIS OF

DODD 5000.4

OSD Cost Analysis Improvement Group
(June 13, 1973)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This directive provides a permanent charter for the CAIG, establishes it as "an advisory body to the DSARC on matters related to cost" and assigns it several specific responsibilities which are potentially in conflict with the intent of related provisions of DODD 5000.1. The assigned specific responsibilities appear to go considerably beyond those of a staff organization ("an advisory body") ie the development and implementation of policy.

II. SPECIFIC AREAS OF CONCERN.

- A. The CAIG establishes criteria, standards, and procedures for preparation and presentation of cost estimates to the DSARC (Ref III,B,2). The criteria, standards and procedures must be expressed in a manner which leaves no margin for interpretation since any presentation to the DSARC must be preceded by numerous presentations to the component levels leading successively upward to the OSD level. A parallel channel of communication is considerably reinforced by this provision.
- B. The CAIG is responsible for developing and implementing policy to provide for the appropriate collection, storage and exchange of information concerning improved cost estimating (Ref III,B,6). A staff agency or advisory body is not normally responsible for the implementation of policy which is directive outside its own organizational framework. This area of responsibility can also impact severely on the PM in terms of minimizing the requirement for information and documentation as emphasized in 5000.1.
- C. The CAIG provides an assessment to the DSARC of all cost objectives prior to their inclusion in approved DCPs or documents directive to a DOD Component (Ref III,B,7). Since DCP preparation is a responsibility of the Component, the above requirement necessitates early and complete coordination to ensure that the CAIG is on board and in agreement with cost objectives if the DCP is to be approved. Excessive demands for information may be placed on the PM during the DCP preparation phase.

SUMMARY ANALYSIS OF

DODD 5000.19

Policies for the Management and Control
of DOD Information Requirements
(June 1, 1973)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This Directive although of general applicability to all DOD information requirements, has specific applicability to acquisition management information systems both recurring and non-recurring. The general thrust of policies delineated in the Directive are to reduce requirements to the absolute minimum essential information necessary to manage. Strict controls both at OSD and Department level are required. The DepSecDef has further expanded on the Directive with two memoranda dated 17 and 19 July 1973, expressing his desires to not only hold down but reduce information required at all levels. This Directive and the two memoranda mentioned above are in accord with the provisions of paragraph III,C of DODD 5000.1.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODD 5000.23

**Systems Acquisition Management Careers
(November 26, 1974)**

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This Directive post-dates and is a direct outgrowth of paragraph III,A of DODD 5000.1. This Directive supplements and is in consonance with DODD 5000.1 and has no obvious conflicts.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODD 5000.26

Defense Systems Acquisition Review Council (DSARC)
(January 21, 1975)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 5000.26 is not specifically inconsistent nor in direct agreement with 5000.1. The tone and connotation however are different, if not incompatible. DODD 5000.1 was meant to establish the vertical, single-manager concept with minimum layers and interference. The DCP/DSARC process should provide top-level, intermittent SECDEF decisions in support of the Services in their efforts to establish needs and develop and acquire the approved systems.

Instead, 5000.26 tends to establish continual high-level, centralized control of the acquisition process.

II. SPECIFIC AREAS OF CONCERN.

The authority to request reviews that is vested in the DSARC principals, if misused, has the potential for placing excessive demands on the PM for information, documentation and briefings at each level in the acquisition hierarchy. It is conceivable that a PM could be in a constant state of preparation for and/or presentation of DSARC briefings rather than being engaged in managing his program.

SUMMARY ANALYSIS OF

DODD 5000.28

Design to Cost
(May 23, 1975)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This directive establishes policy and guidance on the application of Design to Cost principles to the acquisition of defense systems, subsystems and components. The design and management principles contained therein are in consonance with DODD 5000.1 and there are no obvious areas of conflict.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODD 5010.8

Department of Defense Value Engineering
(February 2, 1972)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This directive post-dates DODD 5000.1 and its applicability to Defense acquisition programs is general. The Directive is generally in consonance with DODD 5000.1, however provisions which call for a value engineering report are questionable.

II. SPECIFIC AREAS OF CONCERN.

Paragraph IX of the Directive calls for an annual statistical summary of VE actions and is not consistent with the following provisions of DODD 5000.1:

- A. Formal and non-recurring demands on the PM will be minimized (III,A,3)
- B. Management information/control requirements provide essential information (III,C,9)
- C. Documentation shall be generated in the minimum amount to satisfy necessary and specific management needs (III,C,9)

Although the concept of Design-to-Cost will not obviate future needs for a value engineering program, it should result in diminution of need and emphasis on this program. The emphasis is now on prevention rather than cure, where it properly should have been. Design-to-Cost does not--and should not--impose a ponderous follow-up reporting system as does Value Engineering, yet its potential is significantly greater. Accordingly it is doubtful that the report required by the Value Engineering directive is necessary to meet a specific current management need.

SUMMARY ANALYSIS OF

DODI 5010.12

Management of Technical Data
(December 5, 1968)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODI 5010.12, while generally consistent with DODD 5000.1, does have inconsistencies with the intent of 5000.1.

II. SPECIFIC AREAS OF CONCERN.

- A. Para VI,A, DODI 5010.12 which states that "sufficient data shall be prepared or procured" opens the doors for the complete acquisition of all types of data to support all functional areas, contrary to Para III,C,9, DODD 5000.1.
- B. Para VI,B, DODI 5010.12 -- "necessary data will be made available to support the requirements of all users throughout the life of materiel" -- if abused, could contravene the intent of Para III,C,3, DODD 5000.1 -- "premature introduction of detailed operational support considerations is to be avoided."
- C. It should be noted that DODD 5010.29 states that DODI 5010.12 is to be cancelled upon approval of the joint document implementing the policies outlined in DODD 5010.29, Para IV.

SUMMARY ANALYSIS OF

DODD 5010.28
(October 2, 1972)

and

DODI 5010.32
(June 1, 1973)

Department of Defense Management Review
and Improvement Program

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 5010.28 responds to requirements imposed on DOD by OMB Circular No. A-44, "Management Review and Improvement Program", May 24, 1972 and establishes policy for such a program within the DOD under coordination of ASD(I&L). The directive itself is essentially pure vanilla treatment of a time-worn, but nevertheless necessary, carrot and stick approach to encourage efficiency and is not per se contradictory to DODD 5000.1. It bears frightful potentials for harassment of busy people by functional cultists bent on proving a point. DODI 5010.32 merely tells them how to do it more effectively nine different ways.

II. SPECIFIC AREAS OF CONCERN.

The directive and supporting instruction both focus on examinations and analyses of major operating programs, which term is assumed to mean things like depot maintenance program, outpatient health care and similar programs with established routines. It would not appear to refer to major acquisition programs which are essentially one-time through affairs that are not generally amenable to periodic assessments of progress against area wide goals.

The term major operating programs is nevertheless ambiguous and subject to other interpretations. While program managers of major defense systems should by no means be excluded from developing or accepting ideas for improvement of management and operating practices, they should be insulated from excessive audit and requirements to conform to the broad elements of the Management Review and Improvement Programs covered in these directives. The DCP/DSARC Process imposes higher motives for management improvement on the part of program managers than could ever be imposed as a result of these directives.

SUMMARY ANALYSIS OF

DODI 5010.29

Acquisition of Data from Contractors
(November 29, 1971)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This Instruction post-dates DODD 5000.1 and its applicability is general in nature to all contractor information required under terms of a Defense contract. This directive is in consonance with DODD 5000.1 and has no obvious conflicts.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODD 5010.28
(October 2, 1972)

and

DODI 5010.32
(June 1, 1973)

Department of Defense Management Review
and Improvement Program

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 5010.28 responds to requirements imposed on DOD by OMB Circular No. A-44, "Management Review and Improvement Program", May 24, 1972 and establishes policy for such a program within the DOD under coordination of ASD(I&L). The directive itself is essentially pure vanilla treatment of a time-worn, but nevertheless necessary, carrot and stick approach to encourage efficiency and is not per se contradictory to DODD 5000.1. It bears frightful potentials for harassment of busy people by functional cultists bent on proving a point. DODI 5010.32 merely tells them how to do it more effectively nine different ways.

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The term major operating programs is nevertheless ambiguous and subject to other interpretations. While program managers of major defense systems should by no means be excluded from developing or accepting ideas for improvement of management and operating practices, they should be insulated from excessive audit and requirements to conform to the broad elements of the Management Review and Improvement Programs covered in these directives. The DCP/DSARC Process imposes higher motives for management improvement on the part of program managers than could ever be imposed as a result of these directives.

SUMMARY ANALYSIS OF
ORGANIZATIONAL DIRECTIVES (CHARTERS)
AS THEY RELATE TO DODD 5000.1

<u>Directive No.</u>	<u>Title</u>
5100.1	Functions of the Department of Defense and its Major Components
5118.3	Assistant Secretary of Defense (Comptroller)
5126.22	Assistant Secretary of Defense (Installations and Logistics) - Charter
5129.1	Director of Defense Research and Engineering
5135.1	Director, Telecommunications and Command and Control Systems
5141.1	Assistant Secretary of Defense (Program Analysis and Evaluation)
5158.1	Organization of the Joint Chiefs of Staff and Relationships with the Office of the Secretary of Defense

The directives range from delineation of very general functions as in the case of DODD 5100.1 which implements the provisions of the National Security Act of 1947 to the specific responsibilities and authorities of certain OSD staff agencies such as the Director, Telecommunications and Command and Control Systems covered under DODD 5135.1. As a group, these directives do not appear to be specifically inconsistent or in conflict with DODD 5000.1.

Generally, the directives permit a very wide latitude for interpretation of their provisions. It is conceivable that while staying within the framework of a basically consistent directive the intent of DODD 5000.1 could be infringed. Cases in point are the provisions covering requirements for information and analyses. An especially demanding interpretation of the need for data could very well impose an inordinate requirement on a program manager since much basic information would have to be generated at his level. The intent of DODD 5000.1 to minimize documentation and reporting may not be an adequate safeguard to the program manager in responding to an excessive information requirement levied by a particular function.

The dates of these directives vary considerably and all have not been updated to reflect the DCP/DSARC process. DODD 5118.3 and DODD 5129.1 do not list the ASD (Comptroller) or the Director of Research and Engineering, respectively, as DSARC Principals. DODD 5129.1 which is dated March 13, 1970 also leaves the impression that DDR&E is responsible for many decisions including the approval and disapproval of programs that are covered under DODD 5000.1 as well as the evaluation of the management of such programs.

An area of potential conflict exists within DODD 5126.22 (The I&L Charter) is that this directive specifies a function under Para. IV.A.2. of "Ensuring that appropriate logistics staff at all levels of DOD management participate in the formulation of weapon systems concepts and decisions." This would seem to contravene the intent of DODD 5000.1 with respect to the decentralization of management. This directive also holds a potential for over-emphasizing logistics considerations early in a system development effort, (whereas DODD 5000.1 cautions against the premature introduction of detailed operational support considerations.

In summary, the DOD organizational directives are generally not inconsistent with DODD 5000.1. Two of the directives 5118.3 (ASD/Comptroller and 5129.1 (DDR&E) should be revised and updated to reflect to DCP/DSARC process and responsibilities. There is potential conflict within DODD 5126.22 (ASD/I&L) in terms of working against the decentralization principal of DODD 5000.1 and over-emphasizing early consideration of detail logistics factors. Finally, the organizational directives leave certain information requirements on major system programs to the subjective interpretation by the various OSD staffs. This is only inconsistent with DODD 5000.1 if excessive information demands on the program manager result.

SUMMARY ANALYSIS OF

DODD 7000.1

Resource Management Systems of
the Department of Defense
(December 28, 1967)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 7000.1 establishes policy for all procedures for collecting and processing recurring quantitative (and directly related non-quantitative) information that (1) relates to resources and (2) is for the use of management.

The directive establishes a general policy framework and provides criteria for developing specific groupings of management information/program control systems. It preceded publication of DODD 5000.1 by several years, but is nevertheless philosophically entirely consistent with it. Notwithstanding this, DODD 7000.1 contains an important policy statement which provides that: "Department of Defense approved plans will be stated in the FYDP. This program will be the nucleus of DOD resource management systems; and planning, programming, budgeting and reporting for the Department of Defense will be consistent with it."

II. SPECIFIC AREAS OF CONCERN.

There is a perceived disconnect between the DCP/DSARC process and the Planning, Programming, Budgeting System which, while not necessarily inconsistent, leads to some lack of confidence on the part of Program Managers in the viability of DCP/DSARC related decisions. The money, in short, does not always follow the decision.

SUMMARY ANALYSIS OF

DODD 7000.2

**Performance Measurement for Selected Acquisitions
(April 25, 1972)**

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODD 7000.2 establishes policy for application of criteria for cost and schedule control systems on contracts. The criteria require that no changes be made in contractor's existing systems except those necessary to meet the criteria and they require contractors to provide performance data directly from the same system used for internal management. The directive is consistent with principles espoused in DODD 5000.1.

II. SPECIFIC AREAS OF CONCERN.

Although DODD 7000.2 is consistent with DODD 5000.1, there is a potential conflict with the concept of design-to-cost. Overzealous avoidance of unfavorable variances in development contracts may tend to restrain iterative design processes.

SUMMARY ANALYSIS OF

DODI 7000.3

Selected Acquisition Reports (SAR)
(September 13, 1971)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODI 7000.3 provides definitions and procedures for preparation of Selected Acquisition Reports on major defense systems for management within the Department of Defense. The directive is consistent with DODD 5000.1 and was basic to the concept of decentralized management by OSD.

II. SPECIFIC AREAS OF CONCERN.

In practice the SAR is scrubbed at every level from the Program Manager to and including OSD and engenders exchanges of dialogues that are proscribed by the wording in the directive itself. In practice, because of built-in lag time in submission, the reports are more of a historical document than a viable management decision tool at OSD level or for the Congress. At gross levels the SAR provides a useful data base that had not existed theretofore and it does serve to predict certain long range trends.

SUMMARY ANALYSIS OF

DODI 7000.6

Acquisition Management Systems Control
(March 15, 1971)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODI 7000.6 provides policy guidance and design criteria aimed at limiting the proliferation of management systems for use on contracts and development of management systems that make effective use of contractor internal systems and other resources to provide only the information and control that are needed. It is generally consistent with DODD 5000.1 as far as it goes, but is not as directly and emphatically worded with respect to use of contractor management information/program control systems and reports.

II. SPECIFIC AREAS OF CONCERN.

DODI 7000.6 does not address controls on internal DOD demands on program managers which may ultimately create demands for imposition of additional systems on contractors. Neither does it address the need to minimize Government imposed changes on contractor systems.

SUMMARY ANALYSIS OF

DODI 7000.10

Contract Cost Performance, Funds Status and
Cost/Schedule Status Reports
(August 6, 1974)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODI 7000.10 provides guidance for collecting information related to contractor cost performance and funds status. In addition it describes three different specific summary level reports for collecting that information; the Cost Performance Report (CPR), the Contract Funds Status Report (CFSR), and the Cost/Schedule Status Report (C/SSR). The intent of the guidance and the various reports are in consonance with DODD 5000.1. Specifically they are in agreement with DODD 5000.1 paragraphs III,C,2, III,C,4, and III,C,9.

II. SPECIFIC AREAS OF CONCERN.

None

SUMMARY ANALYSIS OF

DODI 7000.11

Contractor Cost Data Reporting (CCDR)
(September 5, 1973)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

DODI 7000.11 is a CAIG document designed to provide policy for collecting information to be used in cost estimating. In addition it provides a specific format for collecting that information. This Instruction is not in consonance with DODD 5000.1; however there is a valid question whether it really need be.

II. SPECIFIC AREAS OF CONCERN.

In the past, one of the major limitations to performing effective cost estimating was the lack of a good, consistent data base. DODI 7000.11 attempts to improve both quality and consistency. As a result it requires information in a prescribed, detailed format rather than in a manner perscribed by DODD 5000.1 para III,C,9. In addition, it has in the past required reporting under a specific PMO WBS's be changed to comply with the CAIG's requirement. There is an additional complication in that this type of information will primarily benefit future programs, not the PMO paying for it. These last two comments indicate a violation of the decentralized policy of DODD 5000.1.

The basic question which must be answered with regard to DODI 7000.11 is whether DOD wants to improve the consistency and quality of its multi-service cost estimating data base. If the answer is yes then something like 7000.11 must be in existence under the centralized control of an OSD office.

SUMMARY ANALYSIS OF

DODD 7045.7

The Planning, Programming, and Budgeting System
(October 29, 1969)

AS IT RELATES TO DODD 5000.1

I. OVERALL EVALUATION.

This Directive which encompasses processing changes to the FYDP, new programs and budgets and updating the FYDP structure has general applicability. It is specifically applicable to the DSARC process and DODD 5000.1 in that the DCP is a recognized SecDef decision document and serves as a source of primary information and rationale and for updating the FYDP. This directive is consistent with and has no obvious conflicts with DODD 5000.1.

II. SPECIFIC AREAS OF CONCERN.

None



OFFICE OF THE DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING
WASHINGTON, D. C. 20301

18 July 1975

MEMORANDUM FOR EXECUTIVE DIRECTOR OF ACQUISITION ADVISORY GROUP
VICE ADMIRAL ELI T. REICH, USN(RET)

SUBJECT: DSMS Review of Selected Directives and Instructions

Reference: Executive Director AAG Memo of 7 July 1975; Subj: Same
as above

In accordance with the above referenced memorandum, attached are comments
on the DSMS analysis of DoDI 5000.2, DoD Dir 5000.3 and DoD Dir 5000.26.

A handwritten signature in black ink, appearing to read "G. W. Sutherland".

George W. Sutherland
Assistant Director (Systems
Acquisition Management)

Attachments

cc: D/DDR&E(T&E)

DoD Instruction 5000.2

The Decision Coordinating Paper (DCP) and
The Defense Systems Acquisition Review Council (DSARC)

In the analysis set forth by DSMS there appears to be a lack of understanding of the DCP/DSARC process.

With respect to the "additional reviews" the critique is not correct in stating that DoD Dir 5000.1 limits the process, providing for three scheduled DSARC reviews on every program along with one optional review on a case-by-case basis to provide production funding for long lead material or effort prior to production decision. This implication apparently was derived by considering only Para IIIB3 of DoD Dir 5000.1. However, Para IIIA4 states that SecDef will make the decisions which initiate program commitments or increase those commitments; it also states that he may redirect a program because of an actual or threatened breach of a program threshold stated in an approved DCP, and the DCP/DSARC will support the SecDef decision-making.

The criticism is that the additional reviews combined with the detailed specification of program factors to be considered at each session may operate to subvert the intent of DoD Dir 5000.1 with regard to decentralization of most program management decisions. The critique also discusses the proliferation of DSARC reviews as a potential for centralization of authority covering virtually all aspects of a program.

It appears that the reviewer did not fully understand the intent of DoD Dir 5000.1. Perhaps this is due to the short time available to research the problem background and little or no knowledge of the DCP/DSARC process. The intent of DoD Dir 5000.1 can be traced back to Mr. Packard's tentative (initial) DSARC Charter in his 30 May 1969 Memorandum, the initial set of Administrative Procedures for the DSARC approved by Mr. Parckard on 28 August 1969, and the 28 May 1970 Policy Guidance Memorandum. In the event that the DoD intended something different from the 28 May 1970 Memo, it certainly would have been reflected in DoD Dir 5000.1 during the coordination process. The detailed listing of factors to be considered by the DSARC are stipulated as guidance to the Services on the factors impacting the points of policy which are subject to review by the DSARC.

With respect to DSARC review proliferation, the statistics show that from September 1969 to June 1975 we had 134 DSARC reviews relating to 80 programs. These reviews include 17 Program Reviews due to Breach of Threshold or other problems.

The following tabulation shows the number of times programs came to DSARC:

<u>PROGRAMS</u>	<u>NUMBER OF DSARC REVIEWS</u>
1 (AWACS)	6
2 (F-15, HARPOON)	5
2 (A-10, S3A)	4
4 (MK-48, F-14, ALCM/SLCM, AEGIS SHIP)	3
27	2
44	1

The statistics show clearly that the possible proliferation did not materialize.

With regard to the DCP/DSARC Decision, the POM and PBD decisions we must understand the total system of reviews including Congressional reviews and decisions; and, most importantly the dynamic and often volatile nature of the management of the total Defense Program and Budget. External factors will impact on programs to upset earlier decisions (e.g. changes in National Policy, Congressional actions, changes threat and necessary budget revisions, inflation and business base shifts). All of these perturbate the total system and to expect the DCP/DSARC decision, PBD and POM decisions to be mutually exclusive or individually permanent is truly unrealistic.

A copy each of the 30 May 1969 Memo, 28 August 1969 approval and 28 May 1970 Memo are attached.

DoD Dir 5000.3
Test and Evaluation

The comments made in the "Summary Analysis of DoDD 5000.3 Test and Evaluation" (Jan 19, 1973) as it applies to DoDD 5000.1 are very vague. In the first sentence, which asserts that DoDD 5000.3 runs counter to the management policy of DoDD 5000.1, the basis for the criticism is an indefinite "interpretation" of the content of DoDD 5000.3, and an "inference" of the management policy of DoDD 5000.1. The second sentence refers to many of the confrontations that have occurred in the past between the DDR&E (T&E) and DoD Component representatives, but no specific confrontation is mentioned, and no indication is given of the nature of the differences which would support the critical assertions.

By way of contrast, on 27 February 1975, MGen Cooksey, Deputy Chief of Army Research, Development and Acquisition, was asked by Mr. Fine, Committee Counsel for the Senate Armed Services Committee, whether or not DDR&E (T&E) was sensitive to the need for flexibility in test requirements to fit individual programs, and whether there was accommodation to the Services' opinion. MGen Cooksey's response was that there have been cases where the DD(T&E) position differed from that of his Service and that sometimes the matter was resolved in accordance with the DD(T&E) point of view, and sometimes in accordance with that of his Service. He went on to say: "But it is a very satisfactory relationship, is what I am trying to describe" (emphasis added). He also stated that when Gen. Starbird (then DD(T&E)) disagreed with the Service position and required more testing, he had never yet found him (Gen. Starbird) wrong. Gen. Cooksey's response for the record concerning specific instances cited two cases, FAMECE and UTTAS, in which discussions with DD(T&E) led to much improved testing programs. In a third instance, TACFIRE, DD(T&E) accepted the risk of proceeding to low rate initial production despite a degree of exception to DoDD 5000.3 policy because of long program delays and fiscal consequences which would otherwise be incurred. These statements for the Congressional record run directly counter to the innuendo of the Summary Analysis.

The balance of the first paragraph consists of indefinite claims of obstacles presented by DD(T&E) to an honest, reasonable and practical approach by the program manager, but there are no cases cited to support the claims.

In the second paragraph, the author simply has not read DoDD 5000.3 correctly. The sentence in DoDD 5000.3 which is cited actually states: "When combined testing is conducted, the necessary test conditions and test data required by both the DoD Component developing agency and OT&E agency must be realized" (emphasis added). The combined testing referred to is combined DT&E and OT&E, and the quotation simply says that if both are to be encompassed in a single test to save time, resources and money, then the objectives of both must be served.

In the third paragraph, the Summary Analysis continues to present interpretations without facts or cases. The opinions are unsupported and run counter to publicly-stated opinions of responsible officials.

The fourth paragraph appears to present a statement of fact, but does not comment on the consequences with respect to the final product, i.e., is a better or a worse production article the result.

It is considered that DoDD 5000.1 and DoDD 5000.3 systematically address a need felt by DoD and the Services to emphasize effective, timely testing, and have in practice proven to be effective documents.

DoD Dir 5000.26

Defense Systems Acquisition Council (DSARC)

Again, as in the critique of DoD Inst 5000.2, it appears that the reviewers do not fully understand the intent of DoD Dir 5000.1. The critique questions the compatibility between 5000.1 and DoD Dir 5000.26. Also, the analysis states, that if misused, the authority vested in the DSARC Principals has the potential of placing excessive demands on the Program Manager.

The intent of DoD Dir 5000.1 and the compatibility of DoD Dir 5000.26 with it can be traced to the memoranda prepared by Mr. Packard (30 May 1969 Memo setting up DSARC, 19 July 1970 Tentative Administrative Procedures for DSARC approved by Mr. Packard 28 August 1969 and 28 May 1970 Memorandum Policy Guidance on Major Weapon Acquisition). (copies attached)

With regard to misuse of authority by the Principals, the author's concerns have not materialized. We refer you to our comments on the critique of DoDI, 5000.2 which address the very same or similar point.



COMPTROLLER
(Analysis Group)

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

July 11, 1975

MEMORANDUM FOR EXECUTIVE DIRECTOR, ACQUISITION ADVISORY GROUP

SUBJECT: Comments on "Project 5000.1" Report

I have reviewed the "Project 5000.1" report and found it to be a generally useful undertaking, particularly where it identifies substantive contradiction between directives or the need to update old directives to reflect the evolution of DoD systems acquisition policy.

However, reading this analysis of DoD directives, one forms the strong impression that the subjective portions of the analysis are distinctly biased towards the view of program manager. Repeatedly, the authors emphasize the general theme of program manager autonomy advanced in DoDD 5000.1 to the exclusion of the specific provisions which 5000.1 makes for reviews and controls. In this way the authors find the follow-on directives which implement 5000.1 to be "not in consonance" with 5000.1 to an unreasonable degree.

As an example relevant to the Comptroller function, consider the analysis of DoDI 7000.11 (Contractor Cost Data Reporting or CCDR). The summary analysis concludes that 7000.11 is not in consonance with DoDD 5000.1 (author's emphasis). From the context, one gathers that the lack of consonance derives from the requirement imposed by 7000.11 that data be collected in a specific format. The relevant portion of DoDD 5000.1, paragraph III.C.9., is reproduced in its entirety below:

Management information/program control requirements shall provide information which is essential to effective management control. Such information should be generated from data actually utilized by contractor operating personnel and provided in summarized form for successively higher level management and monitoring requirements. A single, realistic work breakdown structure (WBS) shall be developed for each program to provide a consistent framework for (a) planning and assignment of responsibilities, (b) control and reporting of progress, and (c) establishing a data base for estimating the future cost of defense systems. Contractor management information/program control systems, and reports emanating therefrom, shall be utilized to the maximum extent practicable. Government imposed changes to contractor

systems shall consist of only those necessary to satisfy established DoD-wide standards. Documentation shall be generated in the minimum amount to satisfy necessary and specific management needs.

Reading paragraph III.C.9., one can see that specific provision is made for "establishing a data base for estimating the future cost of defense systems." Thus, the existence of a system like CCDR is specifically mandated by DoDD 5000.1. Further, 5000.1 specifically provides that the government may impose changes on contractor systems to the extent necessary to establish DoD-wide standards. Clearly, DoD-wide standards are nowhere more important than they are for a cost estimating data base. Requiring that the contractor system be changed to meet DoD-wide standards is the equivalent of requiring that information be collected in a specific format. Thus, one can conclude that DoDD 5000.1 supports the collection of information for a cost estimating data base in a specific format to the extent that the specific format is required for DoD-wide standards. The author's conclusion that DoDI 7000.11 is not in consonance with DoDD 5000.1 is unjustified.

In its general provisions, 5000.1 emphasizes program manager autonomy: "Responsibility and authority for the acquisition of major defense systems shall be decentralized to the maximum practicable extent . . . Layers of authority between the program manager and his Component Head shall be minimum" (paragraph III.A.). However, it is clear that the issuer of DoDD 5000.1 recognized the need for a necessary minimum of reviews and controls, and these are specifically called for. Paragraph III.C.9. specifically calls for a cost data reporting system similar to CCDR, and it specifically mandates the modification of contractor systems to the minimum extent necessary to establish DoD-wide standards. It seems clear that the authors of "Project 5000.1" gave too great an emphasis to the general provisions of DoDD 5000.1 which support program manager autonomy and too little emphasis to the provisions which are explicitly made in DoDD 5000.1 for reviews and controls similar to those implemented through the 5000 and 7000 series directives.

Todd L. Hixon

Todd L. Hixon
Analysis Group

cc: CDR Baker



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON D C 20301

July 15, 1975

PROGRAM ANALYSIS
AND EVALUATION

MEMORANDUM FOR ADMIRAL REICH

SUBJECT: DSMS Review of Directives

After reviewing the DSMS paper, I conclude that there are minimal conflicts between 5000.1 and other directives impacting upon acquisition programs.

However, I am concerned that DSMS interpretation of additional decision points and unscheduled decision points does not coincide with the intent of the DSARC. As I understood the intent of 5000.2 when we were preparing it, these points were not intended to be an excuse to manage programs by the DSARC. Rather they were a realization that programs may not proceed according to the hopes defined at the major milestones. If past experience were an indication, threshold breaches were likely and this document should define unscheduled decision points which may occur. We believed this was only fair to the Program Manager as it serves to define the process when programs do not proceed as planned. In this regard, the Air Force data on the F-15 and AWACS, while accurate, are not representative of the whole DSARC process as most programs do not have similar problems.

They also note the conflict between the DSARC and PPBS. The relationship between the two is clearly stated in the Directive. DSARC decisions are subservient to PPBS decisions. However, the participants are largely the same people. That is a fact of life.

Regarding the question of better cost data raised regarding DoD 7000.11, we believe that we should improve the quality of data. Our past failures to estimate costs accurately have been a large source of skepticism about DoD management. We need to work towards removing this by the use of our past experience.

Everett Pyatt
Everett A. Pyatt
Director, Systems
Acquisition & Planning



OFFICE OF THE SECRETARY OF DEFENSE

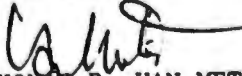
11 Sept. 1975

Memo For Cy Buehrle, AAG

With respect to your request for I&L comments on the DSMS study of the DODD's and DODI's and their impact on the DODD 5000.1 philosophy, the only substantive comment was to make sure that the DSMS used the March 28, 1975 version of DODD 5126.22, Assistant Secretary of Defense (Installations and Logistics) - Charter. The index of directives reviewed listed a 1961 date.

We did not agree that the VE reporting system was costly and ponderous. We felt that the VE reporting requirements had been reduced several years ago under Admiral Reich to an estimated annual cost of \$5,000.

We concluded that the general tone of the study was one of looking for the possibility of the opportunity to violate the spirit of DODD 5000.1 rather than one of assessing the likelihood that such a violation would occur.


THOMAS R. VAN METER
LT COL., USAF
Directorate of Weapon
System Procurement



DAMA-PPM

REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF
FOR RESEARCH, DEVELOPMENT, AND ACQUISITION
WASHINGTON, D.C. 20310

14 JUL 1975

MEMORANDUM FOR: VADM ELI T. REICH, USN(RET), EXECUTIVE DIRECTOR,
OSD ACQUISITION ADVISORY GROUP

SUBJECT: DSMS Review of DOD Directives and Instructions Relating
to the Acquisition of Major Weapons Systems -- INFORMATION
MEMORANDUM

1. Reference your memorandum, 7 Jul 75, subject as above.
2. We in the Army have read with considerable interest the DSMS summary analyses forwarded by the above reference. There are five areas in which we would like to comment here.
 - a. Decentralization of authority to the Component Heads.
 - b. Management of OSD acquisition policy and procedures.
 - c. Impact of the PPBS on DSARC decisions.
 - d. Operational testing.
 - e. Fundamental nature of the DSARC.
3. We agree with the general perception at DSMS that numerous opportunities are afforded by major OSD regulatory documents to obviate the clear intent of DODD 5000.1 to encourage decentralization of authority to the Component Heads for materiel acquisition management. However, in the large, we have not detected any pervasive tendency toward tighter centralization despite some appearances to the contrary as seen by our action officers interfacing with their counterparts at OSD. There are a few disturbing exceptions to this generalization which may help to achieve a perspective.
 - a. DODI 5000.2 and DODD 5000.26 encourage detailed OSD involvement during the conceptual phase and early stages of the validation phase of a materiel system. The requirement that the program initiation decision at DSARC I address the areas of concern set out by paragraph IV B 1a of DODI 5000.2 and paragraph VI C 1a of DODD 5000.26 causes the Army to make what amounts to a de facto commitment to a "system" much sooner than we interpret as being intended by the DODD 5000.1 policy at paragraph III B. We feel strongly that any firm commitment to a system should be deferred until the decision on full-scale development. For this reason OSD should avoid any temptation to "line item manage" during the earlier phases of acquisition programs.

DAMA-PPM

SUBJECT: DSMS Review of DOD Directives and Instructions Relating
to the Acquisition of Major Weapons Systems

b. There seems to be a steady proliferation of DSARC special reviews superimposed on the normal program decision milestone schedule. Although we can appreciate the utility of extraordinary meetings to address problems of special consequence in a troubled system program, our recent experiences compel us to perceive that on occasion program reviews may be seen in a different light at OSD. These reviews provide a tempting opportunity for the staff to impose routine guidance on matters which are best left to the individual services. In this context, it might be particularly helpful to recall that The Commission on Government Procurement, in Volume 2 of its report to the Congress, recommended that in the acquisition of major systems all technical and program decisions be delegated to the Component Heads except for those milestone decisions which have been specifically retained for DSARC review in OSD.

4. Our second point is that the DSMS study reveals implicitly that OSD does not really manage acquisition policy and procedures as a cohesive system. The body of regulatory documents represents a loose amalgamation of the various functional areas which impact on the acquisition process rather than as a system of interrelated and coordinated parts.

5. On another track, although DSARC proceedings are intended to result in firm DEPSECDEF decisions, the pragmatics of the PPB System cannot avoid softening those decisions on systems which are sensitive to the vagaries of budget formulation. The result is an unfortunate shift of the real program decision site away from the DEPSECDEF because funding decisions do not accompany DSARC milestone decisions. This causes a subtle erasure of the authority delegated to the Component Heads by the DSARC decision document.

6. Next, we find ourselves in partial disagreement with the particulars of the DSMS viewpoint on DODD 5000.3. DODD 5000.3 had a heavy hand in establishing independent operational testing as a means for assuring that suitable materiel was being fielded. The adequacy of operational testing is a subjective determination; the testing itself is quite sensitive to the testers' experience and maturity in such matters. We feel that in the three years since the Army formally established an operational testing agency, our need for the detailed guidance and instruction provided by DODD 5000.3 has understandably lessened. Now is an appropriate time for OSD to take cognizance of this change, redraft DODD 5000.3 as a general policy document, leaving the specifics to the Component Heads.

7. Our final concern is with the nature of the DSARC itself. We are taking this opportunity to reiterate our basic position as stated in my memorandum to you on 30 May 1975. The DSARC must become a decision-making body with the chairman empowered to make prompt decisions.

DAMA-P1M

SUBJECT: DSMS Review of DOD Directives and Instructions Relating
to the Acquisition of Major Weapons Systems

8. Again, we stand ready to assist you in carrying out your important responsibilities in any way we can.



PETER G. OLENCHUK
Major General, GS
Army Consultant to the
OSD Acquisition Advisory Group



DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF
FOR RESEARCH, DEVELOPMENT, AND ACQUISITION
WASHINGTON, D.C. 20310

REPLY TO
ATTENTION OF:

DAMA-PPM

18 JUL 1975

MEMORANDUM FOR: VADM ELI T. REICH, USN(RET), EXECUTIVE DIRECTOR,
OSD ACQUISITION ADVISORY GROUP

SUBJECT: DSMS Review of DOD Directive and Instructions Relating to
the Acquisition of Major Weapons Systems -- INFORMATION
MEMORANDUM

1. Reference:

- a. Your memorandum, 7 Jul 75, subject as above.
- b. MG Olenchuk's memorandum, 14 Jul 75, subject as above.

2. Supplementary comments to the information provided by reference 1b
on some of the DOD Directives and Instructions are attached.

1 Incl
as

ERNEST D. PEIXOTTO
Brigadier General, GS
Acting Army Consultant to
the OSD Acquisition Advisory Group

ARMY COMMENTS ON THE DSMS ANALYSES FOR THE FOLLOWING DOD DOCUMENTS

<u>NUMBER</u>	<u>SUBJECT</u>
DODD 4105.62	Proposed Evaluation and Source Selection
DODD 4120.3	Department of Defense Standardization Program
DODI 5000.2	The Decision Coordinating Paper (DCP) and the Defense Systems Acquisition Review Council
DODD 5010.28	Department of Defense Management Review of Improvement Program
DODD 5126.22	Assistant Secretary of Defense (Installation and Logistics)
DODI 7000.2	Performance Measurement for Selected Acquisition
DODI 7000.3	Selected Acquisition Reports (SAR)
DODI 7000.11	Contractor Cost Data Reporting (CCDR)

DODD 4105.62

1. Comments on DSMS overall evaluation.

DODD 4105.62 does not cover or discuss the provisions of DODD 5000.1 pertaining to source selection and evaluation of proposals. DSMS premise that the probable reason that DODI 4105.62 does not reflect DODD 5000.1 policies is because it has not been updated since 1965 is correct.

2. Comments on DSMS specifying areas of concern.

DODD 4105.62 has been in draft stage for a number of years. The latest draft is dated 11 April 1975. This draft covers the areas of concern referred to by DSMS, Para III C.8 of DODD 5000.1 and has been covered in the revised draft DOD Directive 4105.62. The areas of concern requires that the source selection decision:

- a. Take into consideration contractor capability to develop a system on a timely and cost effective base.
- b. Authorizes DOD component option decision whether or not to complete negotiations before program decision is made.
- c. Requires RFP contractor identification of uncertainties and specific proposal resolution.
- d. Requires DOD component plan for minimizing contractor expense during solicitation and evaluation phase.
- e. Penalize unrealistically low cost proposals.

DODD 4120.3

1. Comments on DSMS overall evaluation.

Concur.

2. Comments on DSMS specifying areas of concern.

Our review of referenced memorandum does not indicate that DODD 4120.3 is in direct conflict with DODD 5000.1. Although DODD 4120.3 fosters re-using of existing technology in support of intersystem and intrasystem standardization, para VI A of this directive specifically states that the use of such documentation shall not be imposed to the extent that engineering initiative would be thwarted with respect to full utilization of new technologies, or that necessary performance or cost parameters of the equipment or system would be degraded.

DODI 5000.2

1. Comments on DSMS overall evaluation.

Concur.

2. Comments on DSMS specifying areas of concern.

The directive needs to be strengthened in the area of delay of decision documents after the DSARC. Our experience during situations when decision documents are delayed for significant periods of time after the DSARC is that the following occurs:

First, the efforts by the PM and others to maintain continuity in the program become rather strained as contractors work is slowed awaiting approval to move ahead. Second, and equally disruptive is the opportunity for "halfway negotiation" by the staff during this period of apparent hiatus. Such informal negotiations clearly result in an extension of the DSARC process, but now in an arena where the balanced viewpoints of a number of people and interests are not present to serve as moderating influences to each other. BUSHMASTER may be a good example of this phenomenon.

The Army has set up an ASARC process to parallel the DSARC. The ASARC council meets to determine the Army position about one month prior to the scheduled DSARC. About two months prior to the DSARC an Army Preliminary Review is conducted. One of its purposes is to decide which alternatives should be considered by the ASARC, naturally including those alternatives directed in OSD guidance. On more than one occasion the Army has been directed to consider additional alternatives after the preliminary review has set the stage for the ASARC and the ^{costing} ~~costing~~, programming, and other attendant essentials to a proper ^{comparison} ~~comparison~~ of alternatives is well along or even completed. The severe perturbations which are suffered by both the "system" and the people who make it go, are undesirable and, we believe, unnecessary.

DODD 5010.28 and DODI 5010.32

1. Comments on DSMS overall evaluation.

As indicated, continuing emphasis on management improvement is necessary. However, the tone of the comments and the observation that "it bears frightful potentials for harassment of busy people by functional cultists bent on proving a point" discredits the significant need and intent of these directives.

2. Comments on DSMS specifying areas of concern.

A common-sense approach should be used in determining the approach for audit requirements when relating, for instance, to the traditional meaning of a major system or project-managed program.

DODD 5126.22

1. Comments on DSMS overall evaluation.

The date of Jan 30, 1961 for DODD 5126.22 is in error; the correct date is March 29, 1975. The content of the analysis was developed based on the latter date.

2. Comments on DSMS specifying areas of concern.

The DSMS review holds that "An area of potential conflict ... is that this directive specifies a function under Para. IV. A.2. of 'Ensuring that appropriate logistics staff at all levels of DOD management participate in the formulation of weapons systems concepts and decisions.' This would seem to contravene the intent of DODD 5000.1 with respect to the decentralization of management." Comment: ASD(I&L) carries out this function primarily through the Integrated Logistic Support program (DODD 4100.35). DODD 4100.35 does not conflict with DODD 5000.1. While a "potential" conflict exists in the execution of the function, the wording of the directive does not contradict DODD 5000.1. The key word "appropriate" should be interpreted literally.

It appears that the DSMS analysis considers logistics considerations and detailed operational support considerations as being synonymous. It is imperative that logistic support be considered as a principal design parameter early in the development stage. This is particularly important for the logistic problems which may have a significant impact on system readiness. Detailed operational support considerations normally do not evolve until after initial production has been achieved.

Paragraph VIIA3, DODD 5126.22 limits ASD(I&L) to issue implementing instructions of Secretary of Defense approved policies. In turn, Secretary of Defense policies contained in paragraphs II, IIIA, and IIIC3 of DODD 5000.1 define specific item application and the principles of decentralization and avoidance of early overemphasis of logistics factors.

DODI 7000.2

1. Comments on DSMS overall evaluation.

Concur.

2. Comments on DSMS specifying areas of concern.

The "potential conflict with the concept of design-to-cost" is believed to be subjective in the normal development contract which is cost reimbursable. The contractor has latitude to iterate designs as necessary. Compliance with the criteria simply assures continuing knowledge and reporting as to what costs are being incurred and how these costs relate to the budgets. "Overzealous avoidance of unfavorable variances" is not known to have occurred nor to have restrained iterative design processes.

DODI 7000.3

1. Comments on DSMS overall evaluation.

Concur.

2. Comments on DSMS specifying areas of concern.

Cannot fully agree with comment that "In practice, because of built-in delay time in submission, the reports are more of a historical document than a viable management decision tool at OSD level or for the Congress." The SAR is the key recurring summary report which advises top DOD management and the Congress on the status of major weapons systems. Current policy requires that the SARs be submitted to OSD 35 days after the close of the quarter. In addition, SARs are updated to reflect any significant changes in the program which have occurred since the "as of" date prior to forwarding to DOD.

DODI 7000.11

1. Comments on DSMS overall evaluation.

The DSMS evaluation is correct in that DODI 7000.11 is not in consonance with that part of DODD 5000.1 which requires minimum reporting from the program manager (paragraph III A.3) and the use of a single realistic WBS (paragraph III C.9). However, paragraph III C.2 of DODD 5000.1 requires that cost parameters be established which consider the cost of acquisition and ownership. Paragraphs III B.2 and 3 also require that the DSARC review the estimates of development costs and acquisition costs prior to entering into Full Scale Development or Production. DODI 7000.11 was developed specifically to comply with this requirement.

2. Comments on DSMS specifying areas of concern.

DODD 5000.1, paragraph III.3.9, requires that the contractor management information system shall be used for reporting to the maximum extent practicable. However, in developing a common data base for cost estimating it is necessary that all data in the base be derived in essentially the same manner. For this reason, DODI 7000.11 requires reporting against a standard WBS and in a prescribed, detailed format. Otherwise the data would be useless.

The payment complication mentioned by DSMS is not as severe as it sounds. First, the costs to the program manager are negligible when compared with the total cost of the contract. Since it is so small, the cost of this report is usually not separately priced in the contract. Second, the program manager of a development program can, and often will, benefit from the data at the time he negotiates the production contracts.



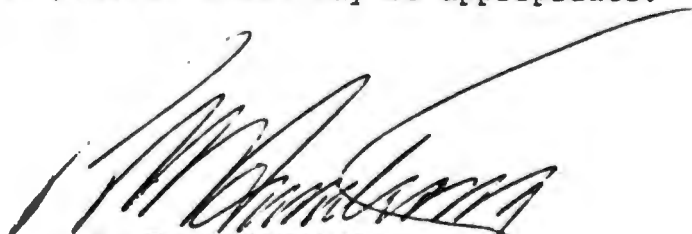
DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON, D.C. 20350

IN REPLY REFER TO
Memo # 163-75
8 July 1975

MEMORANDUM FOR VICE ADMIRAL ELI T. REICH, USN (RET.)
EXECUTIVE DIRECTOR, ACQUISITION ADVISORY GROUP

Subj: DSMS Review of DoD Directives and Instructions Relating
to the Acquisition of Major Weapon Systems

1. In response to your memorandum of 7 July 1975, we have reviewed the DSMS analysis of subject directives and instructions and concur in their findings.
2. The analysis of DODD 5000.2 especially confirms the points which the Navy made repeatedly to OSD during the year or more involved in drafting and issuing the directive.
3. Should you or any members of the AAG wish to discuss the issue in any detail, we will be pleased to do so and to provide any additional material which may be appropriate.



P. B. ARMSTRONG
Vice Admiral, U.S. Navy
Chairman, NMARC Working Group



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON, D.C. 20390

IN REPLY REFER TO

JUL 1, 1975

MEMORANDUM FOR VADM Reich

Subj: Supplemental Comments on "Project 5000.1" Report

Per our conversation last week, I have researched the files and came up with some additional background material relative to Navy views on erosion of the principles articulated in DODD 5000.1.

- o Attachment one consists of a CNO memo (11 Aug 74) to SECNAV which proposed a subsequent memo for DEPSECDEF.
- o Attachment two consists of the resulting memo to DEPSECDEF (30 Aug 74).
- o Attachment three consists of a talking paper which I prepared for CNO's use in discussion with SECDEF in June 74 (It was used in conjunction with the 21 June 74 CNO memo to SECDEF which you already have).

As mentioned in Gen Evans' memo to you of 11 July (subject as above), I believe the Navy also is primarily concerned with obtaining agreement with OSD on the interpretation of the general policy of decentralization expressed in DODD 5000.1.

As pointed out in the OSD (c) (Analysis Group) memo to you of 11 July, DODD 5000.1 also makes provision for several specific control actions by the OSD staff. As the Navy member on the Joint group which wrote 5000.1, I well recall the long sessions we held discussing the need for appropriate balance and how best to achieve it. I believe the directive prescribes a proper balance and if adhered to by OSD, would serve to properly control the OSD/Service interface for some time to come.

Very respectfully,

Attachments



CONFIDENTIAL

OP-00:jeg
OP-00: [unclear]
17 August 1974

MEMORANDUM FOR THE SECRETARY OF THE NAVY

Subj: Decision Coordination Paper (DCP) and the Defense Systems Acquisition Review Council (DSARC)

Ref: (a) DEPSECDEF memo of 19 July 1974 with enclosures
(b) ASN(R&D) memo to DDR&E dtd 28 June 1974
(c) CNO memo to SECDEF dtd 21 June 1974

Encl: (1) Proposed memo for DEPSECDEF

1. Reference (a) forwarded subject draft directive for comment, and indicated that the directives would be published by 19 August in the absence of substantive comment from the various addressees. The directives have been the subject of numerous iterations over the last two years.

2. In summary the proposed memorandum:

a. Urges deletion of the requirement for pre-DSARC meetings. (I view this as an unnecessary additional step in an already overburdened process.)

b. Recommends that the cognizant Component Head be a formal member of the DSARC when the DSARC is considering such component's programs. (Such membership would embody the principle of participatory management in the DSARC itself and ensure that line operating executives' views are advanced on a par with those of the OSD staff.)

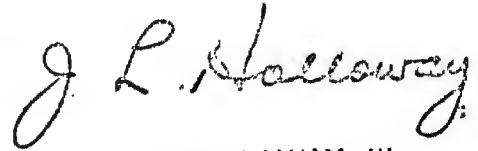
c. Recommends that wording be clarified to obviate the requirement for an in-depth reassessment of each program's justification at each DSARC juncture. The draft as written requires such reassessment at each juncture. It is our view that such should not be the case. Where the program under consideration is being pursued in context with previously agreed upon force structure decisions, I see no need to exhaustively reexamine that decision trail at subsequent DSARCs.

4. Assuming agreement relative to reference (b), I now have no objection to the provisions of the draft directives which speak to the timing of the program initiation DSARC. (This point has

Subj: Decision Coordination Paper (DCP) and the Defense
Systems Acquisition Review Council (DSARC)

been in the past the main bone of contention between the
Navy/OSD relative to the DCP/DSARC process.)

5. Recommend signature of enclosure (1).



J. L. HOLLOWAY III
ADMIRAL, U. S. NAVY
CHIEF OF NAVAL OPERATIONS

DEPARTMENT OF THE NAVY
OFFICE OF THE DEPUTY SECRETARY
WASHINGTON, D. C. 20350

80 AUG 1971

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

Subj: Decision Coordinating Paper (DCP) and the Defense
Systems Acquisition Review Council (DSARC)

Your memorandum of July 19 forwarded two draft proposed DOD documents, DODI 5000.2 and DOD Directive 5000., whose purpose is to delineate the DCP/DSARC process. As you are aware, we have reviewed prior efforts in this regard over the past year or so. This latest effort has stilled to a significant degree prior Navy criticisms. However, there are three substantive comments that we feel are worthy of your personal consideration, viz:

- a. the requirement for a pre-DSARC staff planning meeting
- b. DSARC composition
- c. the detailed guidelines for the conduct of DSARC reviews.

As to the first comment, it is our strong recommendation that the requirement for a pre-DSARC planning meeting as described in the proposed charter (paragraphs V.B. and VI.A.) be deleted. The need for an early informal meeting of appropriate OSD and Service Component representatives is real and should be accomplished. The purpose of this meeting would be to informally exchange but not resolve relevant information on issues pertinent to the DSARC Review and subsequent decision. Formal structuring in the charter of such an exchange of issues and plans would be counter-productive.

In regard to the DSARC composition (paragraph IV.D.), the Service Secretaries are accorded participation in the DSARC and have been privileged to participate in DSARC executive sessions. I believe consideration should be given to formalizing this important relationship. Inclusion of the component head or his designee as a member of the DSARC would aid the decision making process as well as enhance the important participatory management aspects of 5000.1.

Finally, the tenor of the guidelines for the various DSARC milestones is such that it appears a complete rejustification of the program is being requested at each program review. It will continue to be important to recognize that

the DSARC process of affirming and guiding concept validations, developments and procurements does not act as the device for generating the military requirements.

The introduction of program planning and budgeting, systems (program) analysis, and the management principles embodied in DOD Directive 5000.1 have made considerable improvement in the acquisition procedures as compared to prior practices. The principles embodied in DOD Directive 5000.1 in particular have had a profound effect. The decentralization of acquisition responsibility, while retaining major decision authority at the Secretary of Defense level, was a significant change. I wholeheartedly endorsed this change to participatory management. However, I feel we must guard against the very real tendency to over centralize our acquisition management authority and thereby risk the erosion of the principles and concepts that are basic to DOD Directive 5000.1.

I have appended suggested word changes to the Draft 5000.1 incorporating these thoughts.



D. S. POTTER
UNDER SECRETARY OF THE NAVY

Attachment

Copy to:
UnSecArmy
UnSecAir Force

SUBJECT: Defense Systems Acquisition Review Council (DSARC)

V. OPERATION

B. (replace with)

An informal nonstructured planning meeting will be convened by the DSARC Chairman's staff member. The meeting attendance to be limited to those staff members from the offices of the DSARC principals, the Deputy Director (T&E), and the cognizant DoD Component. The meeting should be held at an appropriate time, normally thirty to sixty days prior to each scheduled DSARC meeting, to exchange but not resolve relevant views concerning (1) the specific issues and alternatives to be treated at the DSARC meetings; (2) the types of information that will be available to support the DSARC deliberations prior to the DSARC meeting; (3) affirming the program readiness for the DSARC review; and (4) developing a proposed schedule of DSARC related events leading to the DSARC review.

C. 1. a. (10) (replace with)

Economic and technical competition has been a consideration.

C. 2. a. (9) Replace "development and operational" with concept validation.

VI. RESPONSIBILITIES

A. (replace with)

The cognizant DoD Component shall submit to the appropriate DSARC Chairman an "Initial Draft" or a new updated draft DCP in time sufficient to insure a fully coordinated up to date signed DCP at least 10 working days prior to the DSARC.

PURPOSE:

Backgrounder - for discussion between CNO and SECDEF/
DEPSECDEF upon departure of CNO

SUBJECT:

System acquisition, planning, management/OSD, Service
relationships

SUMMARY:

Changes initiated by Dave Packard (5000.1) have:

- Stimulated Service initiative
- Improved resource allocation
- Resulted in less degradation of capability than might
otherwise have been the case

Two-three more years needed under 5000.1 philosophy to
determine true verdict

Several signs, 5000.1 philosophy being eroded:

- DSARC becoming overinstitutionalized
- Line/Staff responsibilities of Services vis-a-vis
OSD staff not clearly defined
- OSD efforts to stimulate generation of alternatives
may in actuality produce opposite effect
- Disincentives operating to dull initiatives

DISCUSSION:

Key 5000.1 philosophy recapped at TAB A.
Discussion of erosion set forth at TAB B
Discussion of Service incentives set forth at TAB C
Recommended remedial action set forth at TAB D

DOCUMENTATION:

Copy 5000.1 attached as TAB E
Schlesinger monograph attached as TAB F

Attachment three

KEY PROVISIONS OF 5060.1 RECAP ED

- o "Successful development, production and deployment of major defense systems are primarily dependent upon competent people, rational priorities and clearly defined responsibilities."
- o "Responsibility and authority for the acquisition of major defense systems shall be decentralized to the maximum practicable extent consistent with the urgency and importance of each program."
- o "The DoD Components are responsible for identifying needs and defining, developing and producing systems to satisfy those needs. Component Heads are also responsible for contractor source selection unless otherwise specified by SecDef on a specific program."
- o "The OSD is responsible for (a) establishing acquisition policy, (b) assuring that major defense system programs are pursued in response to valid needs and (c) evaluating policy implementation on each approved program."
- o "The OSD and DoD Components are responsible for program monitoring, but will place minimum demands for formal reporting on the program manager. Nonrecurring needs for information will be kept to a minimum and handled informally."
- o "The SecDef will make the decisions which initiate program commitments or increase those commitments."
- o "Early conceptual effort is normally conducted at the discretion of the DoD Component until such time as the DoD Component determines that a major defense system program should be pursued. It is crucial that the right decisions be made during this conceptual effort; wrong decisions create problems not easily overcome later in the program. Therefore, each DoD Component will designate a single individual, such as the Assistant Secretary for R&D, to be responsible for conceptual efforts on new major programs."
- o "The DCP will be prepared by the DoD Component, following an agreement between OSD and that Component on a DCP outline."

EROSION OF 5000.1 PROVISIONS

- o Responsibility and authority of Service vis-a-vis OSD staff becoming increasingly unclear. OSD staff assumes great authority but shoulders none of responsibility for outcome.
- o OSD staff judgement tends to receive greater consideration due to proximity to decision maker vis-a-vis Service proponent. Service proponent must appear confident of approach and present positive plan to appear credible as opposed to presenting real uncertainty which may exist. Necessary advocacy results in overrepresentation and easy targeting for detractors (who outnumber advocats due to the organizational "safety" of being against, rather than for, any given effort). Overrepresentation and subsequent revelation of true situation thru cost/schedule/performance degradation feeds credibility problem -- that of Services further degenerates and that of OSD staff is enhanced thru principle of self fulfilling prophesy!

SECDEF/DEPSECDEF must treat some subset of subordinates as responsible line executives and others as staff advisors. Current roles frequently appear reversed!

- o Predominant penchant of OSD staff is for "Cook's tour" versus "Lewis and Clark" planning (refer to TAB F, page 20) which results in:
 - o Ultimate suppression of alternatives (pg. 24-26)
 - o Neglect of relevant impacts on cost or effectiveness (pg. 27-30)
 - o Neglect of uncertainties (pg. 31-32)
- o Severe pressures within OSD staff to require Service identification of germanating ideas and to require inordinate justification of effort relating to exploring alternatives. OSD staff seems to fear even a little bit of pregnancy on the part of the Services. (They are unaware or unconvinced of our internal abortion rate -- which is to be expected as one doesn't normally advertize one's failures).

The thrust of OSD/Service interaction relative to exploring alternatives should be an agreement as to areas the Service is going to explore -- as opposed to requiring the Services to come before DSARC I, "before any feasible program alternatives are foregone." (Quote from draft DOD directive on DSARC/DCP process).

- o Program initiation philosophy is at odds between OSD/Services, due principally to understandable differences of basic attitude. Second and third key 5000.1 provisions on TAB A have high Service appeal but are observed in the breach by OSD staff. A basic dichotomy exists:
 - o OSD views all program starts as potential "threshold breakers" -- thus requires thorough staffing of alternatives and in course of review becomes meshed in detail. Uncertainty is to be avoided and the pressure for "Cook's tour" planning and execution becomes severe!
 - o The Services view the second and third key provisions on TAB A literally and chafe at non-literal interpretation by OSD staff. Services tend to overlook key provision #4 on TAB A and are reluctant to acknowledge the practical need for OSD involvement in some detail in carrying out such provision.
- o Popular effect of 5000.1 was to pump up the Services and Program Managers to seek more responsibility and authority than OSD has been willing to extend -- hence much dissatisfaction at PM level (They feel they have been conned).
Complaints focus on DSARC process -- as viewed by PMs/Services:
 - o DCP an OSD dominated document
 - o Navy scrubs all alternatives prior to firming up DCP. DCP attempts to present best alternative in Navy's eyes; alternatives inserted by OSD staff frequently there just to present alternatives.
 - o OSD staff adversarial minority has greater weight than Navy line majority
 - o DSARC pre-briefs numerous and for benefit of staff
 - o DSARC(s) scheduled/rescheduled many times -- creates funding/contractual/schedule turbulence. Diverts PM staff from primary purpose. (Navy internally partially at fault here)

- o DSARC Principals frequently not in attendance (this fact not borne out -- based on Little - 4 analysis)
- o Service never has opportunity to present case to actual decision maker (DEPSECEP/SECDEF)
- o Decision as documented in DCP (average 40 day delay) frequently bears little resemblance to verbal discussion at actual DSARC meeting. (Actual DCP decision drafted by OSD staff who has opportunity to write the minutes as they see the situation).
- o DSARC frequently focuses on problems the Services consider peripheral to central issue. (CONDOR DMS (dual mode seeker) DSARC case in point)
- o DSARC/DCP decision causes resource allocation turbulence. Decisions frequently create added resource needs which are unfunded and must be taken out of our hide.

SERVICE INCENTIVES

Fundamental Issues(s):

- o How much sub-optimization can OSD permit?
- o (Different answer for different elements of OSD)?
- o (Extent of free initiative)
- o (Timing and degree of review/approval of Service initiatives)

Overall DOD Objectives:

- o Resource optimization, retention of options (See TAB F pg 15)

[Management task is to balance the above objectives in constrained resource environment]

- o Given the benefits of a broad R&D menu from which to choose-management process should be designed to generate alternatives and incentivize development, evaluation and choice among alternatives. (See TAB F pg 20)

Current Situation:

- o Management process works to:
 - o Precipitate Service "foot in the door" acquisition approach (budget underrepresentation) see TAB F pages 14-18
 - o Suppresses alternatives (OSD unconvinced of Service ability or determination to abort their own unpromising efforts)
- o Service incentives are to "prevail in spite of opposition" and in so doing tend to generate more opposition. Prevailing modus-operandi is to line up all ducks in advance, suppress internal opposition at a certain point and attempt to overwhelm opposition which may exist from without! Attempts to work informally with OSD counterparts frequently regarded as "frought with potential mousetraps". To line up all ducks in advance

precipitates internal suppression of alternatives and creates concentration of fire by OSD on visible target plus provides opportunity for OSD to question alternatives which then appear to have been foregone by Navy.

[All of the above creates impression that Services seek to spring programs "full blown" upon OSD and Congress -- which in turn precipitates a cops and robbers attitude amongst all participants.]

- o OSD efforts to ride herd on the multiplicity of programs places a disproportionately high premium on the imaginativeness of a few critically placed men.

["With greater centralization, simplification of the task of choosing and controlling becomes imperative. Affirmative control or the attempt to exercise such control in an organization as large as the Department of Defense requires arraying the alternatives quickly, focusing on the main considerations quickly, and making choices quickly. All this means the rapid screening and disposition of alternatives and the use of rules of thumb to help with this task. In other words, the pressures on a small group at the top make the cost of fully exploring numerous alternatives high, and eventually the quest for alternative solutions is likely to become less eager." "The incentives within the individual Services, to invent alternatives may be dulled.* They are constrained by lack of authority to make innovations, and, if they are reasonable, will find it less rewarding than before to think about innovations." "It should be a continuing concern of the Department of Defense to maintain initiative in the Services and forestall a return to a traditionalist attitude toward changing military technology. A key element in preserving an initiative attitude may be the full participation both in R&D and in weapon-system selection."]

Current procedures place considerable emphasis on the use of cost effectiveness in deciding what projects go into engineering/full scale development. "There is nothing wrong with using good information in reaching this decision. Moreover, making it harder to get a system approved may, if other circumstances are propitious, induce the Services to give more attention to components in exploratory and advanced development. (Sometimes the Services may have felt that proposing certain component developments reduced, or at least postponed, their chances of getting a full-system commitment.) Coupled with a slight dispersal of decision-making power, this project definition arrangement could work out well. Coupled with a high degree of centralized control, however, it is very likely to result in premature screening of alternative approaches.

Moreover, in addition to the direct effect of DDR&E screening of research proposals, tighter OSD controls over procurement, force structure, and operational decisions may ultimately make the Services less concerned in general about research. Will a Service continue to be as keenly interested as at present in basic research, systems analyses, or exploratory R&D -- when the findings affect decisions that are to be made by someone else? Or will the Services gradually become more interested in studying choices that are still open to them? If so, the centralization may in the long run shift more of the exploratory (and other) R&D from Service management to direct OSD management under, say, ARPA. This might still further limit the roster of alternatives that receive serious attention, for it would probably increase the tendency to pick the approach judged to be "best" and to ignore other parallel approaches."

"The fewer the alternatives that are explored in the R&D program, the more restricted will be the ultimate options with regard to the force structure. Whatever the range of options, however, centralization may through inadequate airing of divergent views and inadequate consideration of the alternatives lead to a less than optimal choice."

"In considering force structure decisions, it is important to emphasize that centralized control regarding the over-all force structure is desirable. To some extent it has always existed. Interdependencies among the programs of the separate Services are enormous, and these decisions need better coordination than loose bargaining among the Services can provide. By necessity the responsibility devolves upon the OSD. Yet, at the same time, if control becomes too tight, with the Services having a negligible impact on the final decisions, the latter may be far less than optimal. To be sure, a choice must be made: there can be only one force structure. Despite the preponderant role of the OSD in this choice, however, there should be a dialogue in which the voice of the Services makes the OSD alert to spillovers and other considerations it might overlook, though at the same time the Services should themselves try to recognize the interdependencies involved in the decisions that are made."

"The need for centralized control regarding the over-all force structure is sometimes interpreted as justifying another type of centralized control for which the case is far weaker. Control over the over-all force structure should be distinguished from control over the choice of closely competing weapon systems, in which case the spillovers are much smaller at the margin, and therefore on which the voice of the individual Service can be proportionately stronger. OSD has tended in recent years to assert its primacy in the latter class of decisions. The most dramatic case has been that of the TFX. The evidence in that case provides no clear-cut demonstration of the superior insight of the OSD regarding specific weapon system choices -- and that in a period when OSD officials were recognized to be unusually intelligent, well-informed, and energetic."

"Unfettered choice of weapon systems by the Services may have led in the past to a proliferation of such systems in the force structure. However, unified control may lead to too few, and this raises once again the vexing problem of uncertainties."

"There is the ever-present danger that the views of one group will prevail without adequate checks and balances. What one may want therefore is a mixture of views -- not merely heard but also represented by some real bargaining power."

"One way of crystalizing the issue is to ask whether the dialogue between the OSD and the Services on these matters is in a healthy and flourishing state. It is a sobering question. There is evidence of a growing tendency to disregard Service viewpoints. For example, in preparing for the fiscal '66 budget, guidelines were sent to the Services with instructions to reclamation only if new information had become available to them different from that on which the guidelines were drawn up. In the limited time period, this implied that reclamation was virtually excluded. But, more importantly, it may imply that in the future little attempt will be made to draw the Services into the forming of judgements on force structure -- rather it suggests that the Services will be limited to the function of providing information. If, as we have suggested, what we require is a rather delicate set of checks and balances -- neither too weak or too strong -- we may be drifting toward a set that is too weak."

"Another source of concern regarding future receptivity and changing conditions to new ideas arises from an institutional device designed to bring order into defense planning, but which in itself will deserve careful scrutiny. Under the new system the approved financial plan for five years ahead and the approved force structure for eight years ahead are spelled out in the Blue Book. As a control device the latter may, however, discourage both flexibility and the search for new alternatives. If OSD is to exercise any kind of control, deviations from the program have to be difficult to effect and must be appraised by OSD. How does the system facilitate OSD appraisal and control? -- by reducing the number of alternatives that have to be considered. If each Service submitted an entirely new program and budget each year, it would be virtually impossible for a small staff to appraise and control it. OSD would then have to confine its attention to major decisions and to aggregative budgetary limitations. By confining the new proposals to formal PCP's -- that is, by reducing the number and complexity of the alternatives -- appraisal and control by top management becomes feasible."

"This effect is so obvious that it has caused considerable concern. The OSD has recognized that dealing mainly with marginal changes under conditions of great uncertainty is a risky procedure, encouraging progressively less-than-optimal allocation. Therefore, despite its original inclinations, it is struggling against perhaps

insuperable barriers to achieve program review rather than look only at the PCP's which the Services believe it is wise to submit or which OSD finds time to prepare. It may be, however, that to do this effectively requires, at least in part, program reviews by the Services, and that this requires nurturing Service incentives to criticize the full programs."

"The budget is divided into pots of money, and future programs into categories; and shifts of resources among these pots and categories are prohibited unless special permission is obtained. Thus, to exercise central control, we preclude the consideration of numerous substitution possibilities."

"The real question is: how much of this inflexibility yields more gain than cost? The new system induces more monitoring of changes within the Services, creates more rules and thresholds governing substitutions, adds new categories among which resources cannot be transferred. In the long run this may significantly increase the cost of exploring alternatives, and thereby reduce the number of alternatives explored."

"Moreover, there is likely to be a trend toward proliferation of program elements -- the compartments among which resource shifts are prohibited. When an OSD employee is asked to keep track of a set of program elements, he is not likely to feel an urge to provide flexibility to the Services. He will want more "visibility" for him at the expense of flexibility for the Services. Thus there is danger in the long run that pressures will come from OSD for shredding out more and more program elements." (This has been borne out)

"Moreover, in the long run, the Services may become reprogramming-shy and especially PCP-shy. If their proposals do not seem to have much influence, efforts to urge changes will appear to be relatively unrewarding. Or at least the Services may find efforts devoted to distant changes less rewarding than efforts devoted to urgent reprogramming requests for the coming fiscal year. In other words, if the Services have too little influence, one original aim of program budgeting -- getting the Services to look at the full costs of alternative choices -- may be frustrated. There is another reason that the Services may become PCP-shy. Where future programs exhaust the funds that can be expected, a plus-PCP can be approved only if something else gives. With each Command's expectations built

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C. 20330



11 JUL 1975

REPLY TO
ATTN OF.

RD

SUBJECT

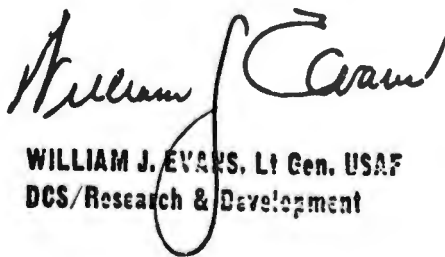
DSMS Review of DOD Directives and Instructions Relating to
the Acquisition of Major Weapon Systems; Request for Comment

TO

VAdm Eli T. Reich
Executive Director
Acquisition Advisory Group

1. We have reviewed the DSMS analysis as requested in your
7 July 1975 memorandum and have no basic disagreement with
their conclusions.

2. Our concern with the present acquisition process within
OSD is based more upon what has been taking place in
practice rather than on the specific letter of the law as
contained in directives and instructions. Publication of
DODI 5000.2, for example, did not represent a change in
policy; it merely documented what had been taking place in
normal DCP/DSARC actions. Removal of phrases or paragraphs
which appear to restrict Service/program manager preroga-
tives is a necessary step. However, agreement on the
interpretation of the general policy of decentralization
expressed in DODD 5000.1 is a more fundamental step which
must be taken first.


WILLIAM J. EVANS, Lt Gen. USAF
DCS/Research & Development

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C. 20330



REPLY TO
ATTN OF

RD

21 JUL 1975

SUBJECT

DSMS Analysis of Program Manager Questionnaires

TO

VAdm Eli T. Reich
Executive Director
Acquisition Advisory Group

1. The DSMS analysis which was briefed on 16 July 1975 raises serious concern over the value and intended use of the program manager survey and the analysis results. The survey was intended to provide the AAG both with a current statistical base as well as subjective evaluations. Unfortunately, the absence of any common criteria in completing the individual survey sheets has made it impossible to complete any valid statistical analysis. The results may be labeled as inconclusive, but such a labeling may not be sufficient to prevent results from being wrongly used against the Air Force or other Services.

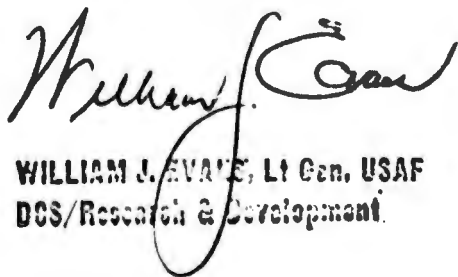
2. Two examples should suffice to show some of the objections which we have:

a. Analysis results indicate a fall-off in Air Force program manager tenure. Closer examination shows the opposite to be true. Five of our seventeen PMs were appointed within six months of the analysis date. If these had been excluded, the average for present incumbents would be about 26 months. This is higher than the average tenure at tour completion for all previous PMs, and only slightly below the average for the previous PM for each of those programs. Further, as stated during the discussion, I expect that these current PMs will be in the job for a long time. This is our objective, and we're confident the right trend has been established and is continuing.

b. Analysis results on the number of supporting program personnel are similarly misleading. Two program offices, the B-1 and F-5E, did a very thorough tracking of all support personnel, including those from training and using commands as well as AFPROs, DCAS and the Accounting and Finance Center. The F-5E program also included personnel supporting and providing pilot training for

foreign officers and logistics support of aircraft sold to the foreign governments. If these two programs had been deleted from the survey, the average for the Air Force would have been 42, 7 and 10, significantly below the numbers presented for the three manning categories presently shown. The smaller numbers are far more representative of our program office organization/manning philosophy than what is otherwise conveyed.

3. Other examples could be cited, and the other Services could undoubtedly add their own similar examples. I therefore strongly recommend that the DSMS analysis of the survey together with the completed survey forms not be included in any official recordings of the AAG. DSMS should also be asked to insure that further release of this information is not made.



WILLIAM J. EVANS, Lt Gen, USAF
DCS/Research & Development



DEPARTMENT OF DEFENSE
DEFENSE SYSTEMS MANAGEMENT SCHOOL
OFFICE OF THE COMMANDANT
FORT BELVOIR, VIRGINIA 22060

DSMS-CM

28 August 1975

SUBJECT: Review of Comments on Draft DSMS Project 5000.1

Vice Admiral Eli T. Reich, USN(Ret)
Executive Director
Acquisition Advisory Group
Deputy Secretary of Defense
Washington, DC 20301

1. In response to your request, DSMS made another review of DOD Directives and Instructions relating to the acquisition processes in light of the comments on our earlier draft analysis. As would be expected, the military departments favor a more autonomous role for the program manager; whereas the OSD staff indicated the implementing directives are indeed within the spirit and intent of 5000.1.

2. The three documents creating the greatest concern were DODI 5000.2 and DODD 5000.26 relating to the DCP/DSARC processes and DODD 5000.3 covering test and evaluation. DODI 5000.2 and DODD 5000.26 reflect the actual workings of the DCP/DSARC processes as presently conducted and also provide for a great deal of management participation by the OSD staff. While the frequency and detail of OSD participation are greater than would be expected from the intent of DODD 5000.1, it may be argued that with the record by the Services of over-optimism, threshold breaches and cost overruns, such involvement by the OSD staff makes a contribution.

3. DODD 5000.3 provides for detailed DD(T&E) involvement in functions directly related to management of individual programs. Considering the environment at the time it was written, it is an exceptionally fine piece of work, and there is no area in which the OSD staff and the military departments have made a greater constructive achievement. On the other hand, enough progress has now been made in the T&E arena so that consideration might now be given to redrafting DODD 5000.3 to delegate more of the detailed T&E operating responsibilities.

4. The basic issue remains one of interpretation and implementation. In our judgement, the directives are more symptomatic than a root cause of

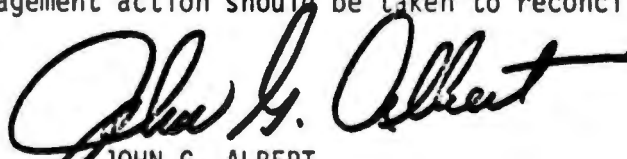
DSMS-CM

28 August 1975

SUBJECT: Review of Comments on Draft DSMS Project 5000.1

the Services' assertion that micro-management by the OSD staff is out of hand. It appears that there is a fundamental lack of agreement on the meaning and intent of decentralization in carrying out the acquisition policy embodied in DODD 5000.1. We do not believe that this issue can be resolved by rigorous interpretation of the words in these directives but feel that a more fundamental approach to resolving the differences of opinion between the military departments and OSD staff will be required.

5. A completely effective acquisition process is only possible if it is understood and has the wholehearted support of all parties involved. A very fundamental problem in understanding plagues the DSARC/DCP process as it currently exists because the basic differences of interpretation of the decentralized management concept by the military departments and OSD. Strong, direct, top management action should be taken to reconcile those differences.



JOHN G. ALBERT
Major General, US Air Force
Commandant

CHRONOLOGICAL LIST OF VISITS BY MEMBERS OF THE AAG

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
5/6	Select Group Members	Robert Judson, Naval Postgraduate School, Monterey, Calif. (Former COGP Staff Member)	Meeting	Robert Judson
5/8	Select Group Members	Hon. Barry J. Shillitoe (Former Assistant Secretary of Defense (I&L))	Meeting	Hon. Barry J. Shillitoe President, Teledyn Ryan Aeronautical Corp.
5/13	Select Group Members	Deputy Chief of Staff, RD&A, Department of the Army	Meeting	MG Peter Olenchuk
5/14	Select Group Members	Army Materiel Command (AMC)	Meeting	GEN John Deane MG George Sammet Mr. D. J. Shearin MAJ Spisak MAJ Van Gorder
5/14	Select Group Members	PM-1, Naval Material Command (NMC)	Meeting	RADM Levering Smith
5/15	Select Group Members	LTG A. C. Trudeau, USA-Ret., Former Chief, Research & Development, Department of the Army	Meeting	LTG A. G. Trudeau, USA-Ret. Consultant
5/15	Select Group Members	OP-96, Chief of Naval Operations	Meeting	RADM M. S. Holcomb

APPENDIX G

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
5/15	Select Group Members	Assistant Secretary of the Air Force for Research and Development	Meeting	Hon. Walter LaBerge Mr. James Williams
5/15	Select Group Members	Naval Material Command	Meeting	ADM F. H. Michaelis VADM Moore CAPT Webber
5/16	Select Group Members	Air Force Systems Command (AFSC)	Meeting	LTG Hudson MG Marsh MG Collins BG Tashjian COL Chub COL Foster COL Brook LTC Cox MAJ Lee
5/16	Select Group Members	Defense Systems Management School (DSMS)	Meeting	COL L. W. Parker Dr. F. W. Forman Mr. E. L. Birk Mr. F. J. Kelley Mr. R. K. McIntosh Mr. T. F. Keegan Mr. W. H. Cullin
5/19	All Members	Department of the Army	Briefing	Hon. N. R. Augustine Hon. H. L. Brownman LGEN Cooksey MGEN Sammet MGEN Camm MGEN Baer BG Means LTC Holland
		Department of the Navy		Hon. D. S. Potter Hon. J. L. Bowers Hon. H. T. Marcy ADM Michaelis VADM Davis VADM Armstrong RADM Alvis Dr. P. Waterman CAPT E. J. Otth CDR R. W. Youmans

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
5/19	All Members	Department of the Air Force	Briefing	Hon. W. B. LaBerge Mr. J. E. Williams, Jr. LGEN W. J. Evans LGEN J. B. Hudson MGEN R. T. Marsh MGEN R. C. Mathis BG J. Tashjian BG L. A. Skantz
5/20	Select Group Members	Assistant Secretary of the Army for Installations and Logistics (ASA(I&L))	Meeting	Hon. H. L. Brownman COL Kenyon
5/22	Select Group Members	Assistant Secretary of Defense for Program Analysis and Evaluation (ASD(PA&E))	Meeting	Hon. Leonard Sullivan, Jr. Mr. Pyatt
5/22	Select Group Members	Former Under Secretary of the Army	Meeting	Hon. Herman R. Staudt
5/22	Select Group Members	Director of Defense Research and Engineering (DDR&E)	Meeting	Hon. Malcolm Currie Mr. Robert Parker Mr. George Sutherland
5/23	Select Group Members	DSMS	Briefing	Mr. Robert Parker Dr. John Bennett Mr. Everett Pyatt Mr. Robert Sneed BG R. Herres COL James Lindsay CAPT M. A. Holgren COL John Reeve

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
5/23	Select Group Members	Assistant Secretary of Defense (Comptroller), (ASD(C))	Meeting	Hon. Terence McClary Mr. Wacker Mr. Sneed Mr. Hixon CDR Cunningham
5/23	Select Group Members	ASD(I&L)	Meeting	Dr. John Bennett
5/28	Select Group Members	Defense Manpower Commission	Meeting	GEN Bruce Palmer, USA-Ret. Executive Director
5/29	Select Group Members	Naval Air Systems Command	Meeting	VADM K. L. Lee
6/3	All Members	DDR&E	Briefing	Hon. Malcolm Currie Mr. Robert Parker Mr. George Sutherland
		ASD(I&L)		Dr. John J. Bennett Mr. William Sharkey BG J. W. Stansberry CAPT E. Barrineau
		ASD(C)		Hon. T. E. McClary Mr. Fred Wacker Mr. Joseph Welsch Mr. Robert Sneed Mr. Todd Hixon
		ASD(PA&E)		Hon. Leonard Sullivan Mr. Mark Steiner

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
6/4	Select Group Members	Dr. Wendell Sell Chairman, Army Materiel Acquisition Review Committee	Meeting	Dr. Wendell Sell President, Hoffman Electronics
6/5	Select Group Members	US Army Tank Automotive Command, Warren, Michigan	Meeting	COL McCluskey LTC Guy Mr. Nowosielski Mr. Fischer Mr. Gasparski Mr. Nevin LTC Adsit Mr. Trapp Mr. Mayo Mr. Emerson LTC Huff COL Spotts Mr. Davis Mr. Allshouse COL Brill
6/6	Select Group Members	General Motors Corp., Warren, Michigan	Meeting	Mr. F. A. Best Mr. D. N. Brindle Mr. W. E. Farquhar Mr. W. H. Hermann Mr. R. F. Meidell Mr. D. C. Wucher
		Chrysler Corp., Warren, Michigan	Meeting	Mr. Blakeslee Mr. Snyder Dr. Litt Mr. Dewey
6/11	Select Group Members	HQ AMC	Meeting	Mr. Gordon Kellett Chief, Personnel Officer
6/11	Select Group Members	Mr. James M. Roche, Chairman, Navy Marine Corps Acquisition Review Committee	Meeting	Mr. James M. Roche Chairman of the National Committee for Employer Support of the Guard and Reserve

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
6/12	Select Group Members	Office of Management and Budget (OMB)	Meeting	Mr. Hugh Witt
6/16	Select Group Members	DSARC Action Officers	Briefing	Mr. E. Nucci
6/17	All Members	General Dynamics Corporation	Meeting	Mr. James Beggs Mr. Max Golden Mr. Lyman Josephs Mr. O. B. Nelson Mr. E. J. LeFevre
		RCA Corporation		Mr. Irving K. Kessler Mr. C. S. Costantino Mr. William Goodwin Mr. Max Lehrer Mr. James Osborne Mr. David Shore Mr. William Tate
		Raytheon Company		Dr. Joseph F. Shea Mr. Steve Rowen
		Newport News Shipbuilding and Dry Dock Company		Mr. John Diesel Mr. C. E. Dart Mr. F. H. Creech
6/18	All Members	ASD(I&L)	Briefing	Dr. John J. Bennett Mr. Jack Gansler
		DSMS		MGEN John G. Albert LTC James R. Tichenor
6/24	Select Group Members	R&D Directorate, AMC	Meeting	COL J. W. McKinney Mr. Miodozenec
6/25	Select Group Members	Office, Deputy Chief for Military Operations, Department of the Army	Meeting	Mr. Abraham Golub

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
6/26	Select Group Members	Navy 0-6, Project Managers	Meeting	CAPT Hopkins - SSN 688 CAPT Smith - REWSON CAPT Lock - SLCM
6/27	Select Group Members	AFSC, Wright-Patterson AFB, Ohio	Meeting	LGEN Stewart - CG, ASD MGEN Sylvester - VCG, ASD MGEN Mathis BGEN Brill COL Stanley COL Thurman Mr. Rall Mr. Boykin Mr. Johnston
7/1	All Members	OMB	Meeting	Mr. F. H. Dietrich Mr. R. F. Trimble Mr. Hugh Witt
		Senate Appropriations Committee Staff		Mr. Douglas Allen
		General Accounting Office		Mr. Richard W. Gutmann
		House Armed Services Committee Staff		Mr. Anthony R. Battista Mr. John J. Ford
		Senate Government Operations Committee Staff		Mr. Lester Fettig
7/2	Select Group Members	Defense Security Assistance Agency	Meeting	Mr. Violette
7/2	Select Group Members	Joint Chiefs of Staff	Meeting	GEN Anson (J-5)
7/2	Select Group Members	Weapons Systems Evaluation Group	Meeting	VADM E. C. Waller, III
7/16	Select Group Members	DSMS	Briefing	MGEN John G. Albert LTC James R. Tichenor

<u>DATE</u>	<u>GROUP PARTICIPATION</u>	<u>ORGANIZATION CONTACTED</u>	<u>PURPOSE</u>	<u>KEY PERSONNEL</u>
7/23	All Members	Assistant Secretary of the Air Force for Installations and Logistics	Meeting	Hon. Frank A. Shrontz
		Assistant Secretary of the Navy for Installations and Logistics		Hon. Jack L. Bowers
		Representative for Assistant Secretary of the Army for Installations and Logistics		Mr. George Brazier
7/30	Select Group Members	PMI, Navy Special Projects	Meeting	ADM Smith
7/31	Select Group Members	AEGIS Project Manager	Meeting	ADM Meyer
8/3	Select Group Members	Former Under Secretary of the Army	Meeting	Mr. Herman R. Staudt



THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

29 August 1975

MEMORANDUM TO MEMBERS OF THE AAG

SUBJECT: Staff Analysis of DCP/DSARC Status of Major Defense Systems

At the request of the Chairman, the staff made the subject analysis which is attached.

A major premise of the analysis is that the current (21 July 1975) DCP/DSARC status sheets of major defense systems maintained by DDR&E reflects DoD's major acquisition programs. The financial data as to estimated acquisition cost for the programs listed in the DCP/DSARC status was not readily available. Data for only 27 programs were listed in the March 1975 SAR summary published in June by the ASD(C). The cost data for the remainder of the programs was obtained from the Service consultants to the AAG.

Four sets of assumptions were developed for purpose of the analysis. Undoubtedly, other additional assumptions can be postulated. For the purpose of this analysis, however, it is believed that the four cases adequately present alternatives and do illuminate certain of the specific data as regards the current major defense systems.

Eli T. Reich, VAdm, USN (Ret)
Executive Director
Acquisition Advisory Group

Attachments

APPENDIX H



Analysis of DCP/DSARC Status of DoD
Major Weapon Systems Acquisition Programs

Purpose of Analysis:

The Chairman of the AAG, Dr. Flax, requested the AAG staff to perform an analysis of the status of the current DoD major acquisition programs to propose recommended decentralization of the operation of the DSARC process for a certain proportion of these major programs to the Service Secretary level.

Background:

DDR&E maintains on a quarterly update basis outline schedule sheets for all major DoD DCP/DSARC programs and for those DoD acquisition programs managed by the Program Memorandum process. There are currently (report dated 21 July 1975) 80 major DCP/DSARC programs and 62 programs in the Program Memorandum status. These sheets reflect current status of the various programs as to major milestone decisions, state of the DCP, planned DSARC's, etc.

Financial information from the March 1975 DoD SAR Summary Sheets and supplementary cost data from Army, Navy, and Air Force was utilized in this analysis.

Methodology:

The DDR&E DCP/DSARC status sheets updated as of 21 July 1975 and acquisition cost data as noted above provided the basic data.

The 80 DCP/DSARC programs were classified in one of the following four categories:

- (1) Passed Milestone III
- (2) Passed Milestone II
- (3) Passed Milestone I
- (4) Preparing for Milestone I

Cases were developed with certain assumptions, with accompanying rationale, in regard to schemes for decentralization of the DSARC process to the Service Secretary level. Using these assumptions, several break downs of numbers of programs to have the DSARC process review at OSD level and at the Service Secretary level were derived.

Status Categories of Major Acquisition Programs:

The 80 DCP/DSARC programs listed on the 21 July edition of the DDR&E status sheets is depicted as follows:

<u>Program Area</u>	<u>A Pgms Passed Milestone III</u>	<u>B Pgms Passed Milestone II</u>	<u>C Pgms Passed Milestone I</u>	<u>D Pgms Preparing for Milestone I</u>
Ocean Control	5	8	6	1
Combat Support	3	2	6	1
Air Warfare	4	4	3	4
Land Warfare	3	9	3	1
Offensive Sys.	2		2	
Defensive Sys.			1	1
Space System			1	1
Tel. Com. C/C		3	2	3
Intelligence	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Sub Total	18	26	24	12
Comb. Total	80 Pgms.			

The following pages show a listing of the 80 DCP/DSARC programs.

Program. Listed in DCP/DSARC Status sheets
(21 July 1975)

OCEAN CONTROL

DCP

<u>NO.</u>	<u>TITLE</u>	<u>SVC.</u>	<u>ACQUISITION COST</u>
2	S-3A ASW ACFT	N	\$ 3,322
9	DD-963 Destroyer	N	3,633
16	Aegis Weapon System	N	577
27	SSN-688 Sub	N	8,490
29	Amphib Assault Ship (LHA)	N	1,290
77	Harpoon Missile	N	1,590
78	Sosus Improvement	N	1,830
85	Destroyer Helo Sys (LAMPS)	N	2,171
87	Captor Mine	N	913
88	Phalanx CIWS	N	836
92	TASS/TACTLASS (ETAS)	N	800
96	Acoustic Sensor (ASW Acft)	N	1,000
97	Patrol Frigate	N	6,773
104	Sub Sonar System	N	1,260
109	Surface Effects Ship (SES)	N	597
110	Nato Patrol Hydrofoil Ship	N	1,264
130	Low Cost EW Suite	N	220
134	Major Surface Combatant (CSGN)	N	6,500
137	Surv Towed Array Sensor (SURTAS)	N	486
149	Navy Guided Projectile Prog	N	260

COMBAT SUPPORT

5	AWACS	AF	3,716
13	Utility Transport (UTTAS)	A	3,617
26	E-2C	N	1,291
63	Heavy Lift Helo (HLH)	A	219
79	Landing Control Cntrl (TPN-19)	AF	117
86	Tactical Operations System	A	76
94	Improved CH-53	N	585
131	VCS (COD)	N	395
139	CH-47 Modernization	A	1,344
140	HXM	N	106
150	C-5A MOD	AF	530
151	C-141 Stretch	AF	677

AIR WARFARE

DCP

<u>NO.</u>	<u>TITLE</u>	<u>SVC.</u>	<u>ACQUISITION COST</u>
14	Condor	N	423
19	F-15 Acft	AF	10,815
60	F-14/Phoenix	N	8,701
80	International Ftr	AF	430
89	Sparrow Missile (AIM-7F)	N	789 N)
			532 AF)
90	Improved Sidewinder (AIM-9L)	N	241 AF)
			156 N)
93	HARM	N	494
126	TAC Manned Spt. JAM Acft. (EF-111)	AF	632
129	Precision Locat Strike Sys (PLSS)	AF	551
132	Pershing II	A	917
141	Navy Ftr. Prototype (VFAX)	N	13,430
142	TASES	N	600
143	Air Combat Ftr. (F-16)	AF	4,158
152	Compass Cope	AF	417

LAND WARFARE

12	Tacfire	A	294
17	Maverick Missile	AF	763
23	Close Supp. Acft (A-10)	AF	3,160
30	Mech Infantry Combat Veh (MICV)	A	401
50	SAM-D Missile	A	5,603
72	Lance Missile	A	854
81	Veh Rapid Fire Weap Sys (VRFWS-S)	A	144
95	SHORAD Missile - Roland System	A	1,120
103	Close Air Spt (CAS) Gun	AF	175
114	Stinger	A	663
115	Dragon	A	709
117	New MBT (XM-1)	A	4,454
118	Hellfire	A	454
119	Cannon Launched Guided Projectile	A	769
123	Adv. Attack Helo	A	2,836
145	Adv. Scout Helo	A	989

OFFENSIVE SYSTEMS

<u>DCP</u> <u>NO.</u>	<u>TITLE</u>	<u>SVC</u>	<u>ACQUISITION</u> <u>COST</u>
52	B-1 Acft	AF	20,603
67	Trident	N	15,858
125	Sea Launched Cruise Missile	N	2,510
136	Air Launched Cruise Missile	AF	1,022

DEFENSIVE SYSTEMS

49	OTH Radar	AF	248
148	Adv Tanker Cargo Aircraft	AF	3,065

SPACE & ADVANCED SYSTEMS

133	Navstar Global Positioning Sys	AF	163
147	Space Shuttle Util	AF	986

DIR TELECOMM & COMM & CONTROL SYS

44	Adv Airborne Cmd Post (AABNCP)		482
99	Fleet Sat Comm	N	652
100	AF SATCOM II	AF	662
135	AN/TTC-39 Switch	A	1,016
144	DSCS III (UHF Space Segment)	AF	416
146	ELF Commun.cations	N	534

ASD/INTELLIGENCE

113	Cobra Dane	AF	53
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Case W

Assumptions:

1. The DepSecDef should have the DSARC process review at the OSD level for those programs considered by the Services to be their "first 5" or, their programs of singular interest both in the Military Departments and in OSD/OMB/GAO/Congress.
2. The DepSecDef should add to this list of programs for review at the OSD level such other major acquisition programs as he deems singular or needing special handling.

Rationale:

(a) The Military Departments have informally designated certain of their major acquisition programs as being "special" or "top of their list" or "must programs" or some such appellations. The Services are very reluctant to prioritize all their major acquisition programs - but, among equals, do suggest at times certain programs that are "more equal" than others. The reason for this ambivalence is understandable. Where certain programs are concerned, however, it is not difficult in a given Military Department to find genuine expressions of the importance of these programs to the Service as a whole.

(b) It is reasonable for the DepSecDef to share with the Service Secretaries their appreciation of the status ranking of their major weapons acquisition programs.

(c) Under assumption #2 above, the DepSecDef has opportunity to add to the Service identified programs such other programs that special OSD considerations suggest should be reviewed at the OSD level.

Analysis:

In discussions with Service representatives (the Service Consultants to the AAG) the following breakdown of top interest programs was elicited.

ARMY(5)

UTTAS
MICV
SAM-D Msle.
MBT (XM-1)
AdvAtt. Helo.

NAVY(10)

DD 963 Destroyer
Aegis Weapon System
SSN 688 Sub.
Harpoon Msle.
Patrol Frigate (PF)
Maj. Surf. Comb. (CSGN)
Navy Fighter (VFAX)
Trident
Sea Launched Cruise Msle.
Fleet SAT Comm.

AIR FORCE(5)

AWACS
ACFTR (F-16)
CSA (A-10)
Cl. Air Support Gun
B-1 A/C

The AAG staff suggests the following additional programs might be added by DepSecDef:

ARMY(1)

SHORAD
(Roland Sys)

NAVY(3)

F-14 Phoenix
Surface Effects Ship (SES)
ELF Comm.

AIR FORCE(3)

F-15
OTH Radar
Nav Star Global
Posit. Sys.

Conclusion:

Under the assumptions of Case W, the OSD principals would conduct the DSARC process for 27 programs and the Service Secretaries would accomplish the balance at the Military Department level.

Case X

Assumptions:

1. The DSARC review process should be conducted at the Service Secretary level for all major acquisition programs at Milestone I, i.e., Program Initiation.
2. The DSARC review process should be conducted at the OSD level for all major programs at Milestone II, i.e., Full Scale Development.
3. The DSARC review process should be conducted at the Service Secretary level for all major acquisition programs at Milestone III, i.e., Production/Deployment.

Rationale:

1. If the SecDef structures the front end of the major systems acquisition process so that the SecDef has opportunity to review the mission needs/deficiencies of the Services and to formally approve/disapprove such needs/deficiencies and subsequently has control through DDR&E over funding of R&D concept studies toward meeting the need, then it is reasonable to suggest that the Service Secretary should be delegated the responsibility to formally advise the DepSecDef whether or not a new program should be initiated. In a sense, the SecDef should not try to overly inhibit the initiation of programs that seem to have promise of satisfying an approved SecDef mission need.
2. On the other hand, at Milestone II a major commitment is being made. There is (or should be) much more certainty as to the parameters of the specific acquisition program as to performance characteristics, schedule and costs. It is at this Milestone that the SecDef should be "cold-blooded" about killing programs for he has much visibility and can more readily assess the overall risks involved and truly reexamine the requirement in a meaningful way, i.e., he now can more pragmatically ask and answer the question, "Is it worth it?"
3. From Milestone II to Milestone III, the Service Secretary has been executing a major acquisition program, the parameters of which are well known and his progress in this program is being reported on a

frequent, periodic basis to the OSD and to the DepSecDef. The recommendation as to "whether" the program should pass Milestone III, i. e., go into production and deployment, it seems should initiate with the principal line executive who has been entrusted with carrying the program from Milestone II onward.

Analysis:

1. Of the 80 major weapon acquisition programs currently involved in the DCP/DSARC process:

	18	have passed Milestone III
	26	have passed Milestone II and are preparing for III
	24	have passed Milestone I and are preparing for II
	<u>12</u>	have not yet passed Milestone I
Total	80	major acquisition programs

Conclusion:

Under the assumptions of Case X then, the OSD principals would conduct the DSARC process for 24 programs and the Service Secretaries would accomplish the balance at the military department level.

The 24 programs that are awaiting Milestone II DSARC's are:

<u>ARMY (8)</u>	<u>NAVY (11)</u>	<u>AIR FORCE (5)</u>
UTTAS	Destroyer Helo. Sys. (Lamps)	C-5A Mod.
Heavy Lift Helo.	Phalanx CIWS	Air Launched
Tactical Ops. Sys.	TASS/TACTLASS (ETAS)	Cruise Missile
CH-47 Modernization	Acoustic Sensor (ASW A/CFT)	OTH Radar
Pershing II	Surf. Effects Ship (SES)	NAVSTAR Global
MBT (XM-1)	Maj. Surf. Comb. (CSGN)	Positioning Sys.
Hellfire	VCX (COD)	DSC III (UHF
Adv. Att. Helo.	HARM	Space Segment)
	Navy Ftr. (VFAX)	
	Sea Launched Cruise Msle.	
	ELF Comm.	

Case Y

Assumptions:

1. The DSARC review process should be conducted at the OSD level for those major programs whose cumulative estimated total acquisition costs represent 50% or more of the total DoD major acquisition systems cost.
2. On an exception basis the DepSecDef would designate additional major acquisition programs encountering significant cost increases for review at the OSD level.

Rationale:

- (a) In the decentralization of the DSARC process to the Service Secretary level, there is a logic in insuring that those programs that are retained for review at the OSD level should represent the high dollar value programs.
- (b) Under assumption #2, the DepSecDef retains the flexibility to gain more immediate visibility utilizing the OSD staff in programs meriting special attention.

Analysis:

1. Cost estimates for 77 of the 80 programs listed in the DDR&E DCP/DSARC status sheets (of 21 July 1975) were determined. Of the remaining three programs, one program has been cancelled, and for two programs - TAC NET RADIOS (Army) and SECURE VOICE PHASE II (DCA) - cost estimates were not available. The total amount of the cost estimates for the 77 programs was \$171.43 billion.
2. If we take the high dollar value major defense acquisition systems, we would arrive at a program selection for OSD DSARC review as follows:

<u>ARMY</u>		<u>NAVY</u>		<u>AF</u>	
SAM-D Missile	\$5,603 Mil	Trident	\$15,858 Mil	B-1	\$20,603 Mil
New MBT (XM-1)	<u>4,454</u>	Navy Ftr(VFAX)	13,430	F-15	10,815
	<u>\$10,057</u>	F-14/Phoenix	8,701	F-16	<u>4,158</u>
		SSN-688	8,490		<u>\$35,576</u>
		PF	6,773		
		CSGN	6,500		
		Aegis	<u>577</u>		
			<u>\$60,329</u>		

The estimated acquisition cost (\$106.0 billion) of these selected programs amounts to 61.8% of the estimated cost of 77 of the 80 programs. It is, however, a very unbalanced distribution concerning division of programs among the Services.

3. As another approach, if the major programs listed under Case W (the programs of top interest to the Services) were chosen for OSD DSARC review, the estimated acquisition costs are as follows:

<u>Dollars in Millions</u>					
<u>ARMY</u>		<u>NAVY</u>		<u>AF</u>	
UTTAS	\$3,617	DD 963	\$3,633	AWACS	\$3,716
MICV	401	Aegis	577	F-16	4,158
SAM-D Mslc.	5,603	SSN 688	8,490	A-10	3,160
Adv Att Helo	2,836	HARPOON	1,590	C/Air Sup Gun	175
XM-1	<u>4,454</u>	PATROL FRIG	6,773	B/1	<u>20,603</u>
	<u>\$16,911</u>	CSGN	6,500		<u>\$31,812</u>
		VFAX	13,430		
		Trident	15,858		
		SLC Mslc	5,510		
		Flt Sat Comm	<u>652</u>		
			<u>\$60,013</u>		

4. The cost and percentage break down of the Service's selected programs is:

	<u>Selected Programs</u>		<u>Total Programs</u>
Army	\$16,911	63.5%	\$26,479
Navy	60,013	66.4%	90,336
Air Force	<u>31,812</u>	<u>58.2%</u>	<u>54,614</u>
	<u>\$108,736</u>	<u>63.4%</u>	<u>\$171,429</u>

Conclusion:

1. Under the assumptions of alternate Case Y, the OSD would conduct the DSARC process for 20 programs. These 20 programs would constitute 63.4% of the dollar value of the total estimated acquisition costs for 77 of the 80 programs listed on the current DDR&E DCP/DSARC status sheets for major defense systems.

Case Z

Assumptions:

1. The DSARC process should be conducted at the OSD level for those major acquisition programs for which SAR reports are submitted to the Congress.

2. On an exception basis, the DepSecDef should designate for OSD level DSARC review at Milestone II certain high dollar value acquisition programs.

Rationale:

(a) The DepSecDef and the DSARC Principals are the foci in the perspective of activities outside the DoD as representing the top DoD management for SAR programs. These activities include the OMB, GAO, Congressional Committees, and the general public. If the SAR represents a top level management system, then it seems logical that the acquisition programs subject to SAR reporting should be reviewed at the OSD level.

(b) Under assumption #2, the DepSecDef retains flexibility to gain more immediate visibility of certain programs in anticipation of their eventual SAR status.

Analysis:

1. Of the 80 DCP/DSARC programs shown on the DDR&E current status sheets, 27 are listed in the official SAR Program Acquisition Cost Summary for March 31, 1975, maintained by the OSD(C) and published on 23 June 1975.

These 27 programs with estimated acquisition costs are as follows:

\$ in Millions

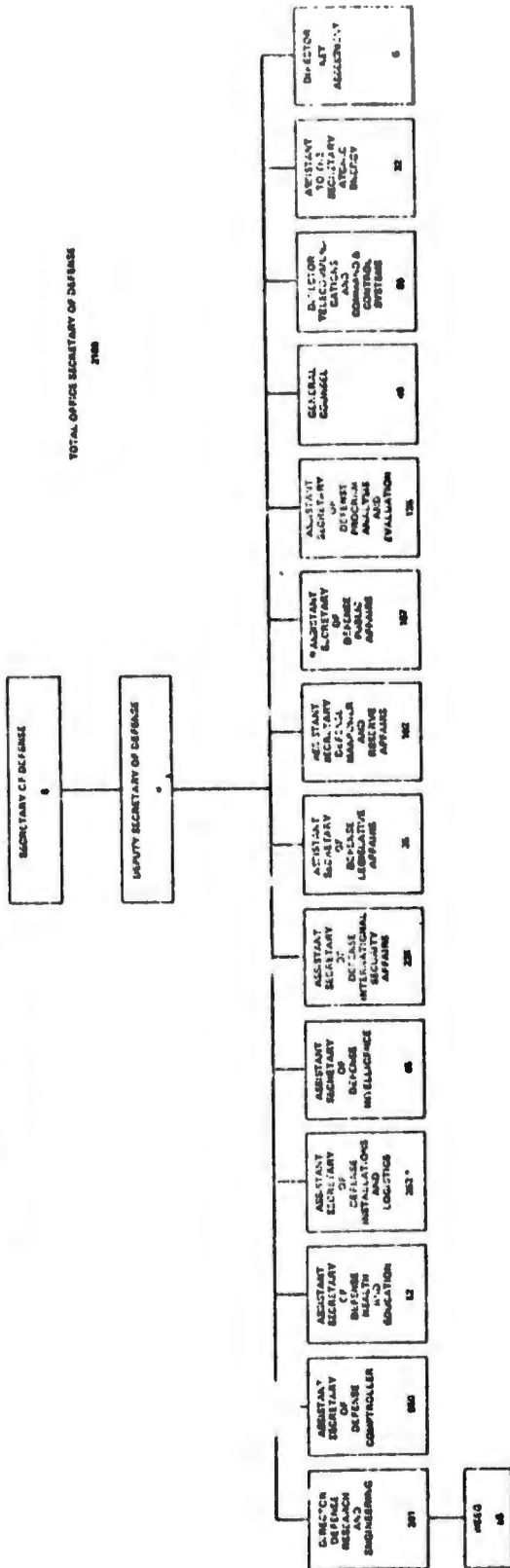
Lance	\$ 854	E-2C	\$ 1,291	A-10	\$ 3,160
SAM D	5,603	F-14/Phoenix	8,701	B-1	20,603
HLH	219	S-3A	3,222	F-5E	430
UTTAS	3,617	AEGIS	577	AWACS	3,716
MICV	401	HARPOON	1,590	AABNCP	482
AAH	2,836	Sidewinder AIM9L	156	Maverick	763
XM-1	4,454	Sparrow AIM-7F	789	Sidewinder	241
	<u>\$17,984</u>	Trident	15,858	Sparrow	<u>532</u>
		SSN 688	8,490		<u>\$29,927</u>
		DD 963	3,633		
		LHA	1,290		
		PF	6,773		
		PHM	<u>1,264</u>		
			<u>\$ 53,634</u>		

2. Total estimated acquisition costs for these 27 programs is \$101.55 billion. This is 59.2% of the total estimated costs for 77 of the 80 programs listed in the DDR&E DCP/DSARC status sheets.

Conclusion:

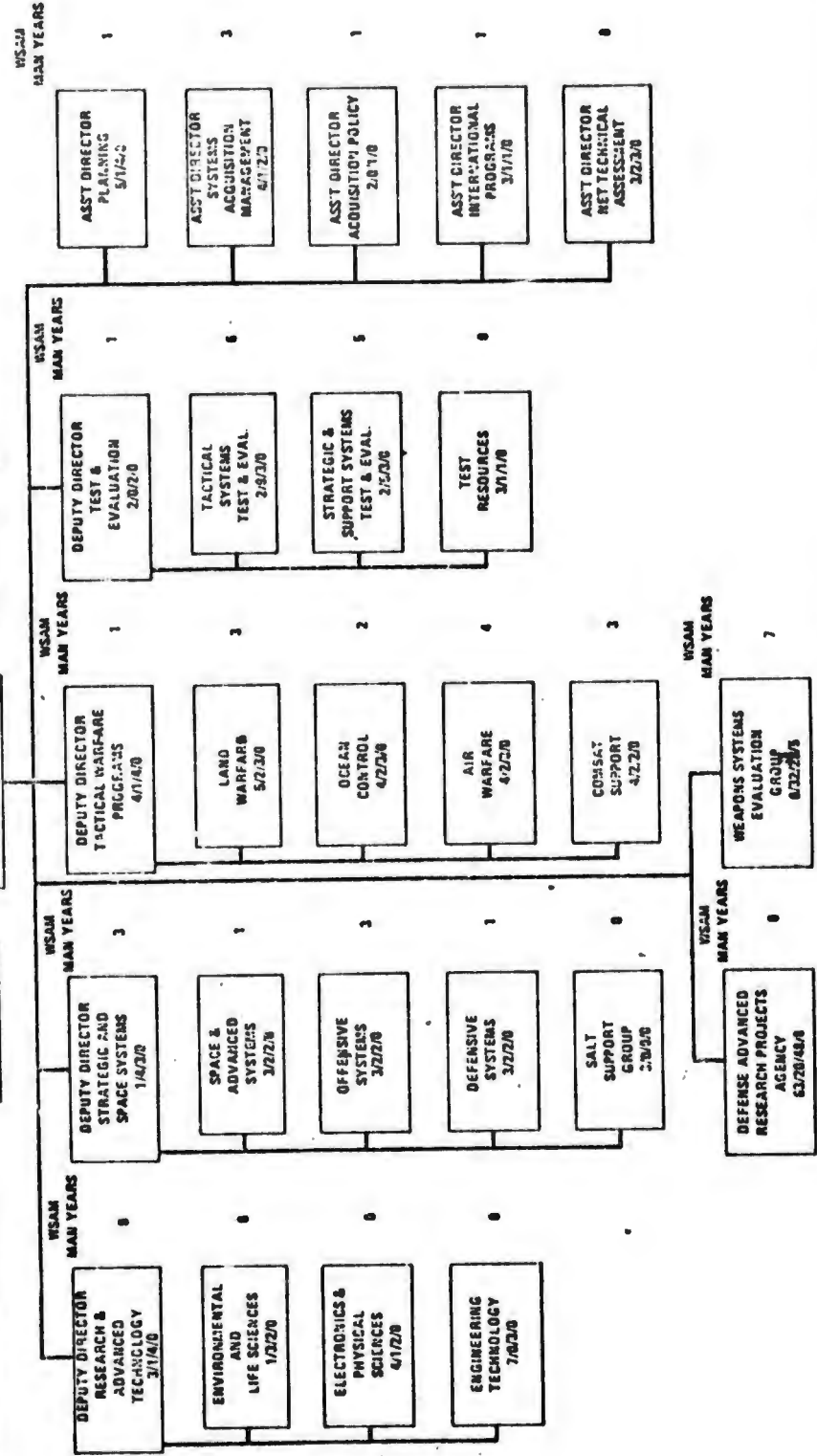
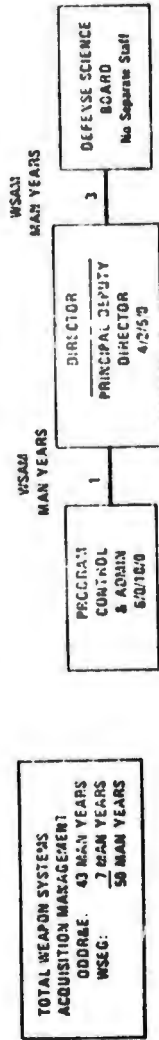
Under the assumptions of Case Z, the OSD principals would conduct the DSARC process for 27 programs and the Service Secretaries would accomplish the balance. These 27 programs represent more than 50% of the estimated acquisition costs of the major defense programs currently listed in DDR&E's DCP/DSARC status sheets.

ORGANIZATION OF THE OFFICE OF THE SECRETARY OF DEFENSE



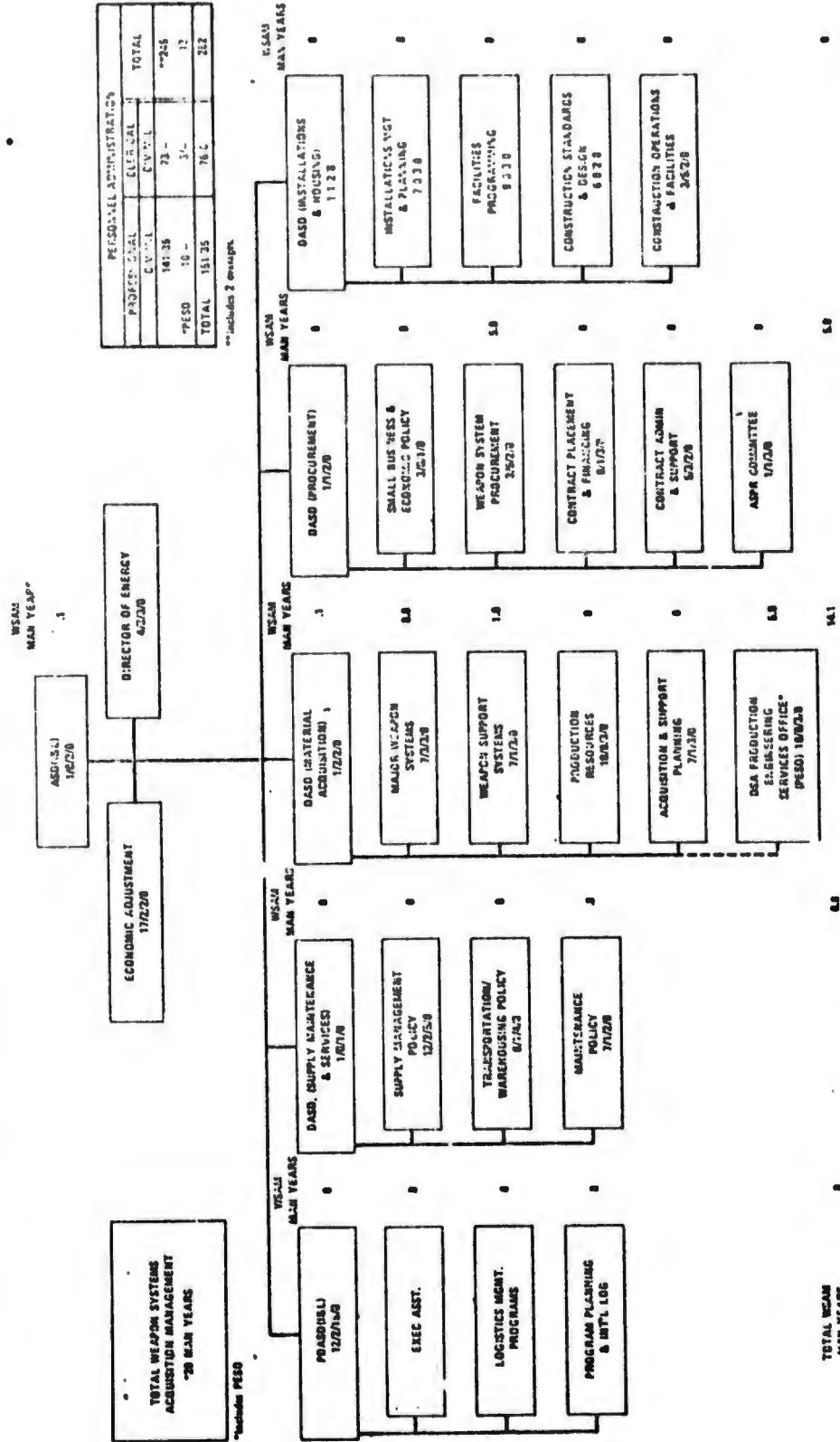
OFFICE OF THE DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING

PERSONNEL AUTHORIZATION		TOTAL
PROFESSIONAL CIV/DIRL	CIVILIAN	
ODDR&E: 85.48	70/8	201
WSEC: 0.32	28/5	65



LEGEND
 PROFESSIONAL CIVILIANS/PROFESSIONAL MILITARY/CIVILIAN/CIVILIAN MILITARY

OFFICE OF ASSISTANT SECRETARY OF DEFENSE (1&1)

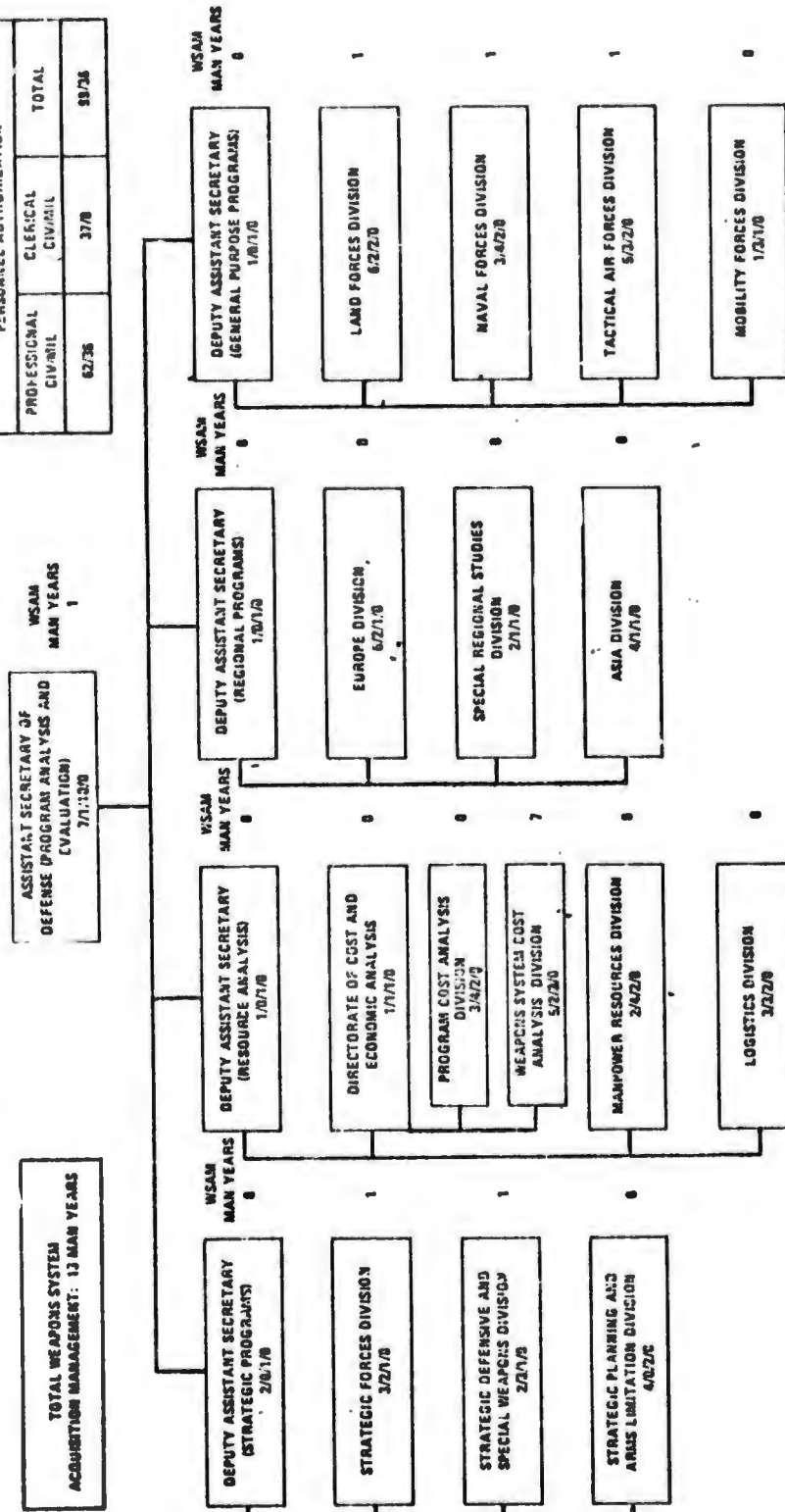


*As element of the Defense Supply Agency which will be in the DSJAC process by participating in production process except not including the amount of design-out and design-out employment.

LEGEND: PROFESSIONAL CIVILIANS PROFESSIONAL MILITARY/CLERICAL CIVILIAN/CLERICAL MILITARY

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (PROGRAM ANALYSIS AND EVALUATION)

PERSONNEL AUTHORIZATION		
PROFESSIONAL CIVILIAN	CLERICAL CIVILIAN	TOTAL
62/36	37/8	99/25



TOTAL WSAM MAN YEARS: 2 7 0 3

LEGEND: PROFESSIONAL CIVILIANS/PROFESSIONAL MILITARY/CLERICAL CIVILIAN/CLERICAL MILITARY

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