STRATEGY RESEARCH PROJECT

ACQUISITION REFORM MEASURES: IMPACTS ON THE INDUSTRIAL BASE

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ABSTRACT

The U.S. industrial base is a key element of our national security. Today as force structure is being reduced and the defense budget continues to shrink, we must employ actions and initiatives necessary to reshape the industrial base. This paper recommends acquisition reform measures and policies required to preserve, protect, or develop industrial base capabilities into the 21st century. Acquisition reform is needed to reduce acquisition costs in order to save money for DoD's investment account. These savings will come from removing government unique requirements from the acquisition process. To fight and win our nation's wars, we must get the most for our money to buy weapon systems to support the warfighting CINCs.

INTRODUCTION

The U.S. industrial base is a key element of our national security. Its status and potential are continuously analyzed and debated because of its deterioration and the age-old concern about its capability to perform its mission. This uncertainty is in part due to a lack of national policy or strategy for acquisition and to our reliance on free market forces to determine the structure of the industrial base. Today as force structure is being reduced and the defense budget continues to shrink, we should seriously consider policies and strategies necessary to restructure the industrial base. Restructuring clearly requires funds--funds that are not included in future budget outlays. Top administration and DoD officials assert that such funds must come from savings harvested from a more efficient government. To fight and win our nation's wars, we must get the most value from available dollars to purchase future military requirements and capabilities to support the warfighting Commanders-In-Chief (CINCs).

Acquisition reform will play a vital role in the health of the industrial base. The Federal Acquisition Streamlining Act (FASA) of 1994 was enacted to improve various aspects of the acquisition process. Its overarching aim is to reduce acquisitions costs in order to save money. Then such savings can reduce budgetary outlays without reducing our capabilities. These savings can be used for modernizing and equipping the forces with world-class technology.

Currently, allies and enemies alike have access to

essentially the same commercial technology. Thus the advantage will go to the nation that possesses the total package with the shortest lead time in fielding a weapon system that successfully incorporates the most advanced technologies that are commercially available. To get to this point, the U.S. must commit itself to policies and strategies that will enhance the national security by taking the fullest advantage of this faster technology pace.[1]

This paper will recommend acquisition reform measures and policy considerations required to preserve, protect, or develop industrial base capabilities for the U.S. into the 21st century.

BACKGROUND

The end of the Cold War and the demise of the Soviet Union have radically changed the U.S. and National Military Strategy. The new strategy requires U.S. Armed Forces to be prepared to fight and win two nearly simultaneous regional contingencies. But the U.S. Armed Forces responsible for implementing this strategy will be smaller and of a different configuration.[2]

For the past few years, defense planners have focused mostly on how the forces should be restructured and sized; they have given much less attention to the impacts that a leaner armed forces and reduced expenditures will have on the defense industrial base. This neglect is due in part to the fact that no single agency has responsibility for overseeing the industrial base. Obviously, however, a smaller force and less procurement budget dollars will reduce the possibility for large arsenals of

modern weapon systems.

In past wars of long duration, the United States quickly developed the industrial capability to sustain its forces as well as those of its allies. To do this job, the industrial base had to deliver new weapon systems and sustain massive production rates. We could do this because, for the most part, the economy was stable and we had the time and money to facilitate the transition of our commercial industry to produce defense articles:

> Each time the U.S. entered a conflict, it was not totally prepared to provide the war materiel needed to support the American soldier on the battlefield, despite the fact that, beginning at the end of World War I, there was always a between-war effort to prevent shortages in the future.[3]

Most current analysts, of course, contend that the U.S. will not, in the foreseeable future, find ourselves in a similar situation. Our nation's new military strategy, in fact, is based on the premise that future wars will be regional/constrained, quick and decisive. Therefore it is extremely important that we get it right, right away, this time around. George Santayana warned that "Those who cannot remember the past are condemned to repeat it." We must ensure that our capabilities are such that we can support and sustain the forces based on the given situation. Changes will be constant, so we must use good sound planning to make the necessary adjustments. But Samuel Johnson observed that "Change is not made without inconvenience, even from worse to better."[4] The Department of Defense and industry offer clear examples of "inconvenient" change since the end of

the Cold War.

The end of the Cold War brought about changes which will place different demands on how the industrial base must respond in future conflicts. The FY94-96 Defense Planning Guidance assigns the industrial base the mission of providing post-contingency replacement of stocks, meeting a limited surge of consumables and spares/repair parts, and developing the capability to sustain itself in a time of much lower consumption rates. With these capabilities, the industrial base will be postured to accommodate emerging strategy as we transition into the 21st Century.[5]

We have several options for developing and preserving a more flexible, responsive industrial base that will be the key ingredient to the nation's success in any future conflict. First, we should implement acquisition reform measures designed to eliminate or soften current legislation that impedes good business practices. This will help our current providers and encourage others to enter the defense business. Second, we must identify ways to preserve vital unique industrial sectors. And third, we should maximize military use of commercial products, so manufacturers will not have to rely on defense as a sole market.

ACQUISITION REFORM

The very institution that is responsible for raising and supporting our armed forces, the U.S. Congress, may well be primarily responsible for helping to sustain the industrial base.

Congressional enactment of FASA is the first real step toward changes affecting how the Government transacts business with industry since the Competition in Contracting Act of 1984. Indeed, FASA represents a significant paradigm shift. Likewise, unlike past administrations, which had no real incentive to change a very complex and restrictive acquisition system, there is clearly strong top-down leadership from the current administration. In fact, Defense Secretary William Perry has been the driving force behind identifying and putting into practice measures aimed at reform. This is how he summed up the challenge: "DoD must reduce the cost of the acquisition process by the elimination of activities that, although being performed by many dedicated and hard working personnel, are not necessary or cost effective in today's environment."[6] Translated loosely, DoD simply cannot afford to conduct business as it has in the past.

In 1920, novelist Willa Cather argued that "very nearly the whole of the higher artistic process consisted of finding what conventions of form and what detail one can do without and yet preserve the spirit of the whole."[7] Although cautiously optimistic, many believe that this quote epitomizes the way the Clinton Administration is attacking acquisition reform. Instead of adding more bureaucracy to an already regulatory-laced system, simplification seems to be the new order of the day for weapon systems acquisition. Industrialists believe that this approach has been a long time coming. Fortunately, it represents the way

they normally do business in the commercial marketplace.[8]

The real value of this approach is its savings in procurement dollars--dollars that are needed to modernize DoD's aging equipment. Many reforms are geared toward helping industry to become a more cost-effective provider. Repeatedly studies have concluded that 25-30 percent of weapon system costs can be traced to restrictive, unnecessary acquisition system regulations and unwieldily procedures.[9]

DEFENSE BUDGET

The defense budget that supports our forces will continue to shrink in the foreseeable future, specifically in the procurement account--the account that shapes the industrial base. A recent report showed that "During FY85-95 period, budget authority has decreased 35.4 percent, procurement budget authority has been reduced by 68 percent and defense outlays as a share of the gross domestic product is expected to fall to 2.8 percent in FY99, the lowest level since before World War II." In effect, the procurement account is projected to be reduced 60 to 65 percent of 1994 allocations by 1996-1997.[10]

However, in its FY96 DoD Authorization Bill, Congress did authorize increases beyond the President's Budget for the following programs: $110M for Family of Medium Tactical Vehicles, $105M for aviation (excluding Comanche), $276M for ammunition, and $174M for the Comanche program. This Congressional initiative will provide some support to at-risk

industrial sectors.[11]

The shrinking budget is a major driver of acquisition reform, because funding required to preserve the industrial base simply must come from areas other than the budget. However, for acquisition reform to be effective, it must focus on minimizing or eliminating many unique government requirements.[12]

GOVERNMENT UNIQUE REQUIREMENTS

Government accounting practices require companies that perform defense and commercial business to maintain separate sets of bookkeeping records. This is due to the government's requirement for detailed documentation to decide whether costs are allowable or not. The contractor is burdened with maintaining two systems, since these accounting systems are not compatible and are too difficult to integrate. The maintenance of two systems is quite costly, so some companies are forced to choose either the defense business or commercial business. Others will separate their operations into two business units and locations. This places enormous strain on resources and typically raises overhead and production costs. This requirement also causes many companies simply to avoid doing business with the government at all.[13]

Likewise, certified cost and pricing data required under the Truth-In-Negotiation Act (TINA) impose the burden of accumulating accounting data in accordance with accepted Cost Accounting Standards (CAS)--standards that differ significantly from

industrial practice. The government needs the data to help in deciding the fair and reasonable price of products it is buying. Moreover, costs for establishing a CAS system are not reimbursable. Generally, certification is also required for contracts that meet a certain dollar threshold, or upon government request. Additionally, a prime contractor subjected to the disclosure requirement has to certify that his data and that of his subcontractors are correct and accurate.[14]

Since companies are allocated general and administrative expenses in accordance with CAS 410, they are required to track these costs. The costs expended for tracking cost information not normally recorded by or of interest to industry are reimbursable. Judy Morehouse, a member of the Electronic Industries Association's government procurement relations council, declares that "burdensome requests have made selling to the government less attractive and have consequently deprived the nation of some of the latest and greatest products."[15] The recent implementation of FASA increased the threshold for providing certified cost and pricing data from $100,000 to $500,000. Though this represents only between 14 to 20 percent of the total contracts awarded, it represents 85 to 90 percent of the total procurement budget. This will result in significant savings; it will ease the administrative burden of doing business with the government.[16]

Many studies have shown that the use of military specifications and standards has been a significant cost driver.

They are typically used to provide for standardization and to level the playing field for all prospective bidders involved in the competition. As many as 31,000 of these specifications and standards confine industry to certain processes and products, thereby stifling innovation and efficiency. Sometimes these specifications enhance acquisitions. More often than not, however, they are used simply because they are there in the regulations and no one will change the menu. Since military specifications and standards are appreciably different from commercial specifications, they are of limited or no use in the commercial products arena.[17]

Typically, a contractor doing business with the government can be subjected to many contract terms and conditions that are vastly different from those in the commercial sector. For example, a contract for a complex and expensive weapon system may contain many clauses that affect decisions concerning employees pension, socioeconomic, and environmental concerns, and the role of subcontractors, to name a few. Likewise, contracts contain clauses that establish product inspection and acceptance criteria, auditing, quality, and reporting requirements, among other things. Moreover, government and commercial contracts and clauses are not comparable in terms of a uniform system. Eliminating these differences and simplifying the acquisition process will help in reducing costs and leadtime; it will enable the government to take advantage of commercial technology. After all, many military items currently acquired are essentially the

same as commercial items being bought at substantially lower prices than the government pays.[18]

To mitigate and eliminate these unique government practices DoD must, however, be proactive and create an acquisition system that is less restrictive, more uniform, and governed by the same laws as commercial agencies. It can do this by removing the differences that separate the two systems. One way to accomplish this is through performance-based management. This concept entails the use of goals for cost, schedule, and performance. It focuses on activities that do not add value to a process: They are identified for elimination. The singular purpose of performance-based management is to maximize efficiency and minimize costs. Progress is monitored through a reporting process; corrective action is required when 90 percent of the cost, schedule, and performance goals are not achieved. FASA now requires both civilian and DoD agencies to use this concept for major acquisitions.[19]

Another approach is the use of commercial practices whenever possible. These practices should be used in the purchase of systems that are composed primarily of commercial components or derivatives of commercial products. Examples of systems currently being bought this way are: the Fire Support Combined Arms Tactical Trainer, commercial derivative aircraft, commercial derivative engine, global grid, and certain medical subsistence and clothing commodities, to name a few. Through this kind of sound business judgment, DoD, can save money while fostering

commercial-military integration.[20]

If DoD is serious about acquisition reform, it must let industry take a more active role in determining and recommending fixes for non-value-added cost drivers. DoD must let industry be the designer of products based on its desired performance needs of the product. After all, the contractor normally has the engineering expertise that clearly exceeds that of the government; further, product design and production is his primary business. Ideally, a contractor would play a major role in the transition of DoD to the use of performance specifications.[21]

PERSPECTIVE ON REFORM EFFECTIVENESS

As differences in government-unique requirements are removed from the acquisition process, more and more flexibility toward procuring commercial products will become available. This is due in part to the commercial market having less restrictive regulations and procedures. These government-unique requirements can rob DoD of superior commercial technology and impose substantial costs on our acquisition system. An unrestrictive acquisition can save as much as 18% to 40% in overhead costs by eliminating non-value added efforts. This represents a significant amount in terms of the overall acquisition budget. It is therefore imperative that we implement and institutionalize reforms.[22]

We can already see the fruits of our early labor in DoD's decision to use performance specifications and standards in

certain weapon systems programs. This approach was superbly demonstrated in the acquisition of the Javelin Antitank Weapon System (JAWS) and the Longbow Hellfire Missile (LHM). By essentially doing away with the military specifications and standards and allowing the contractors the use of commercial parts, innovation, and creative methods and approaches, these programs realized significant savings. The acquisition cycle for JAWS was reduced from 14 to 11 years at a savings of 1.4 billion. Correspondingly, LHM procurement leadtime was reduced to eight years rather than ten, leading to a savings of over $850 million.[23]

Likewise, commercial procedures were used in the Comanche program. As a result, the government will save at least $150,000 per airframe by merely replacing an obsolete plastic encapsulated microcircuit, as identified in military specifications and standards, and using a ceramic one. Not only is money being saved by implementing these reform measures, but DoD gets the latest in technology that the commercial world has to offer. These dollars can be reprogrammed and used in other areas.[24]

The Joint Direct Attack Munition (JDAM) solicitation contained no military specifications, only a two-page scope of work. This innovative and bold approach will significantly lessen the unit cost per munition--$18,000 versus the target of $40,000.[25] This competitive acquisition unit cost was reduced in part by means of the government and contractor collaborative arrangement. This arrangement allows the government to team with

the contractor in identifying and eliminating barriers that hamper getting a better product, cheaper and/or faster, among other things. Additionally, the contract was awarded on the basis of price; no oversight will be performed. This weapon system will be delivered in six years, rather than the normal twelve to fifteen years; hardware costs will be low; quality and performance will be significantly enhanced.[26]

These initiatives clearly demonstrate that the government can use commercial techniques in its acquisition process. In addition, this practice makes sense, since the technology used in these systems is being driven by commercial industry. In the future, the government must be more inclined to use performance specifications in lieu of design ones. This will give industry maximum flexibility to use its creativity, reduce costs, and provide a high quality product.

Government regulations impose minimum restrictions on companies that provide items that are sold competitively and in substantial quantities to the general public. The government places great reliance on fair market values and catalog prices in determining whether it is receiving a fair and reasonable price for such items. For the most part, these purchases escape the government unique certifications and auditing practices.[27] Therefore, items that meet the above requirements and that have defense application can be acquired in accordance with the Uniform Commercial Code, rather than through government acquisition rules.[28]

An imperative of acquisition reform is to expand the commercial definition to include nondevelopmental items and commercial services. The timing is excellent because, as the barriers to military specifications and standards are removed, more flexibility in the purchase of commercial items will follow.[29] The move in this direction further justifies the potential of returning the defense sectors to where they were prior to the end of World War II. During this time frame, companies were more integrated: They manufactured both defense and nondefense products--which gave them maximum flexibility to shift from one product to the other.[30]

Clearly the advantages and benefits of this approach today are twofold: 1) If the need arises to shift resources to support a DoD priority, it can be done at lower cost; and 2) when DoD spending is being reduced, resources can be refocused on commercial products. Thus there is less turbulence in the overall operation and overhead costs are kept to minimum. Again, this would enhance technology flow, reduce costs, and provide warfighters with state-of-art weapon systems.[31]

No one disputes that key technologies used to develop and produce commercial and high technology military items have a growing commonality. Both the defense and commercial sectors are placing much emphasis on advanced information systems, electronics, and other leading edge technology. In fact, a study by the US Department of Defense and Department of Commerce concluded that there is an 80 percent overlap.[32] As we have

seen, commercial technology has far outpaced military technology in certain industrial sectors. A recent study by Coopers and Lybrand also revealed that the vast majority of commercial products can cost 20 to 40 percent less than products typically bought in the defense sector.[33] Likewise, the products are as reliable as and, in some cases, more reliable than defense products. For example:

> car manufacturers now mount commercial microprocessors directly on the engine block - conditions that either meet or exceed military specifications.[34]

This suggests that DoD can greatly benefit from the technology offered in the commercial sectors. During Operation Desert Storm various U.S. forces used commercially produced Global Positioning Systems to verify their unit's position. The benefits of leveraging what's going on in the commercial market will not only reduce cost, but it should also shorten the acquisition cycle. DoD can no longer afford a 15-20 years acquisition cycle time when the commercial turnaround time ranges for 3-5 years. Consider that it took Boeing Company just five years from the time the program was launched to its first delivery of the Boeing 777.[35]

INTERNAL EFFORTS

Internally, DoD can become more effective and efficient in acquisition management. For example, oversight agencies spend a significant amount of time and effort assisting companies in interpreting the many terms and conditions in government

contracts. To help lighten the burden and add value in the process, acquisition experts believe these agencies should become involved in the early stages of acquisition planning. Early integration can produce valuable insight into the acquisition process. For example, certain contract features that may have caused problems in the past can be improved and refined before the contract is awarded. Such early intervention lessens management costs; it can also decrease cycle time, reduce production costs, and improve contract execution. This concept works on the premise of getting things done right from the outset, rather than fixing them at the tail end.[36]

These oversight agencies bring a lot to the table in terms of technical expertise and experience. They can provide valuable insight into a company's capabilities early in the acquisition process. In addition, effective discourse before contract award can assist in better identifying contract requirements, thereby producing a better overall contract. This kind of effort creates a win-win situation for DoD agencies as well as industrial providers.[37] For example, the Defense Contract Management Command (an oversight agency) worked with the Navy to streamline the acquisition process for the Light Airborne Multi-Purpose System (LAMPS). The effort began with a draft request for proposal and proceeded to contract award in the shortest amount of time at a fair and reasonable price. Contract award was achieved 108 days after the draft proposal was issued, thereby cutting contract cycle time by 70 percent. Typically, this

effort would normally take 300+ days to accomplish.[38]

CRITICAL SECTORS

The industrial sectors that are unique to DoD--producers of munitions, combatant vessels, tactical missiles, and submarines--must receive special attention if they are to survive. Their status continues to be assessed as weak, declining, or in serious trouble. However, they must be maintained because they provide vital war-making capabilities. But, even in these areas, we must innovatively create every possibility of competition.[39]

Likewise, we must retain certain critical skills, manufacturing processes, and technologies. Here again, we will surely benefit from those measures that link government acquisition to commercial practices. Depending on the specific situation, we should encourage exemptions from regulations and procedures used in regular acquisitions. Such exemptions would include the requirement for submitting cost and pricing data, performing or manufacturing in accordance with military specifications and standards, auditing, and certifications, to name a few. Of course there will be some exceptions, specifically in areas where there is no competition. Nonetheless, in cases where military specifications and standards are used, they should be viewed as guides rather than rigid rules. Surely some problems will be encountered in implementing this bold approach; however, industry and government should, with great anticipation, view this as a worthy challenge:[40]

> Our life is fritted away by detail...simplify, simplify.[41]
>
> Henry David Thoreau

POLICY CONSIDERATIONS

The time is right to come on-line with other industrial nations and to begin to formulate a policy that recognizes defense as an integral part of the worldwide market. This is the only way that the U.S. can be assured that our defense industry will be able to compete globally. To continue to rely on the "free market" approach to shape a deteriorating industrial base does not make sense. The Clinton Administration should seize the opportunity to establish policies and strategies that meet the challenges of the 21st Century.

Felix G. Rohatyn, an investment banker who advocates a wide-ranging industrial policy, says that "Industrial policy is a little like modern art, it's in the eye of the beholder, and there are many different kinds of industrial policy. For instance, military procurement, whether deliberate or not, has been the main industrial policy of this country and it has actually been quite successful."[42] No matter what policies or strategies are selected, they should be capable of achieving these following broad objectives:

a. Assign a single agency the responsibility of planning, development, and implementation functions.

b. Assure direct government intervention in the protection and preservation of critical sectors.

c. Continue to streamline the acquisition process of major weapon systems in the developmental and production phases.

d. Assure the linkage between the military industrial base and the national economy,

e. Consider industrial base implications up front in system development.

f. Continue to eliminate unnecessary oversight of industry through the use of risk analysis.

g. Implement acquisition measures that will enhance transition of defense industry to commercial practices in dealing with the government.

h. Implement commercial practices in internal business processes, where practicable,

i. Take necessary actions to ensure that the U.S. defense industry can compete in the world market.

j. Consider means to reward industry for conducting independent research and development.

k. Identify areas where companies' self-governance is appropriate.

l. Consider areas where quid pro quo between U.S. NATO Allies may be desirable and appropriate.

m. Continue the expansion and implementation of acquisition reform measures.

Acquisition reform must save money for DoD's investment accounts; it must as well support development of a stable national industrial base. Reform measures have already yielded

some benefits. They give promise of fostering the integration of the defense sector with the commercial sector. This can be seen in the initial steps of statutory and regulations changes geared toward making it easier for industry to do business with the government.[43]

In this time of a declining defense budget and downsizing armed forces, total segregation of the defense industrial base is no longer feasible or practical. Defense Secretary William Perry commented that "the nation can no longer afford to maintain the large, domestic defense-unique industrial base of the past. Nor does it need to do so. Thus, the Defense Department's primary strategy must be to remove barriers of integration of the defense and commercial industrial bases."[44] DoD must begin to take full advantage of the wide range of opportunities the commercial sector has to offer.

Integration of defense and commercial manufacturing will, for the first time since World War II, legitimize market forces as a player in shaping the industrial base. This is true because in a fully integrated defense-commercial market, competitiveness prevails - which means less oversight, lower costs, higher quality, and more prudent spending of taxpayers' money. This approach will stimulate the economy and will have a positive effect on the commercial sector, because providers other than traditional defense industries will be able to compete for the annual procurement dollars. It also will lessen the need to have large Foreign Military Sales to help preserve and protect the

industrial base. Likewise, U.S. commercial firms will be better able to compete with other nations in the worldwide marketplace. Both industry and the Clinton Administration strongly endorse the logic of integrating the defense-commercial sectors.[45]

This may appear to be easy and logical in theory. But in practice it may prove to be downright difficult. In the defense business we are held to closer scrutiny because we operate with taxpayers' funds. But, in the commercial arena, standards maybe radically different because it operates with private funds. Likewise, decisions that are acceptable in the commercial sector may not stand the test of acceptability in the eyes of the public and its representatives for defense services and products.[46]

Perhaps the most formidable difference to overcome is the socioeconomic requirement. The defense industry is required by law to encourage small businesses - specifically, women and minority-owed businesses - to participate in acquisition process. In fact, the government has established national goals to support this endeavor. The commercial sector, on the other hand view these goals as illegal. Consequently, it ignores them.[47]

The bottom line is that DoD, in addition to ongoing reforms, must offer other incentives such as changes in what industry can claim for allowable costs, the way in which progress payments are computed (do it on a milestone billing basis; and award contracts on a performance basis, rather than cost). No matter what the future holds for the nation, it would greatly benefit from the creation of a seamless industrial base. And though this endeavor

may be extremely difficult, it is important that the current administration proceed with policies and strategies that can facilitate this marriage which promises to yield substantial military, political, and economic benefits.

CONCLUSION

Our ability to wage war in support of our National Security Strategy and National Military Strategy depends on armed forces that are not only well-trained but also equipped with superiority equipment. Faced with a reduced procurement budget, DoD is putting much stock in acquisition reform as a means to capture savings for modernization. Ideally, DoD need an acquisition system that can supply modern weapon systems that are affordable and delivered quickly. Acquisition reform can accomplish this by reducing product costs and lead-time, by exploiting commercial technology, and by energizing the industrial base.

Government and industry officials generally believe that if DoD is to stay on the leading edge of technology and protect and preserve core capabilities, the acquisition process must be reformed. Therefore, DoD must remove many of the barriers that hinder effective procurement. Commercial firms should be encouraged to assert their own initiatives, rather than being stifled by such government-unique requirements as accounting and audits, cost or pricing data, and military specifications and standards, to name a few. Such reforms should solidify DoD's position with existing defense firms and encourage future

participants in defense procurement.

Acquisition reforms specified in FASA have only been on the books for two years. But we have already enjoyed some early successes. The Direct Attack Munition (JDAM) Program provides a prime example. The use of commercial techniques to acquire this system had a significant impact on costs--unit cost was lower by 52 percent, and delivery lead time was cut in half. Likewise, lead-time for other major weapon systems delivery was reduced drastically, generating significant savings. These successes and more can be attributed to the outstanding top-down leadership support for acquisition reform; the administration, the defense secretary, and Congressional leaders offered visible, outspoken support for this reform.

Preserving and protecting the U.S. industrial base capabilities depends largely on the success of acquisition reform measures to integrate the defense and commercial bases. The driving force that will help to enhance this success is the transition from military specifications and standards to commercial ones. In addition, DoD is moving away from other burdensome practices that inhibit or deter commercial industry from doing business with us. These and other sound business practices should increase providers, sharpen competition, and increase DoD buying power.

Many benefits can be derived from an integrated defense-commercial market. First and foremost is technology, since the commercial sector outpaces defense in many key technologies.

Second, commercial products normally cost less, offer high quality, and are capable of meeting DoD's operating requirements. Our successful use of the various commercial Global Positioning Systems during Operation Desert Storm dramatically illustrates the military viability of commercial technology. Third, integration would lessen the pressure for more foreign military sales. Fourth, it will fuel the economy by introducing new commercial businesses into the defense market.

Acquisition reform will not solve all of DoD's procurement problems. But it will make great in-roads into areas that are in much need of improvement. It will play a vital role in meeting the challenges we will face in the 21st century. Therefore, DoD must continue to push the envelope to ensure reform measures achieve the desired impact on cost, schedule, and new technology. Notwithstanding all of its accomplishments and challenges, acquisition reform must be accompanied by other related actions and initiatives. It needs the full on-going cooperation of the administration, the Congress, industry, and the DoD acquisition community. We must keep the ball rolling.

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