


Real Acquisition Reform

By JIM COOPER and RUSSELL RUMBAUGH

Our nation's defense suffers from a basic flaw: although we now *fight* jointly, we do not *buy* jointly. Two recent developments offer hope, however, that the Pentagon will finally be making key procurement decisions. The announcement by Secretary of Defense Robert Gates reordering our major defense acquisition priorities is a step in the right direction. Likewise, the congressional Weapons Acquisition Reform Act of 2009 should incrementally improve the procurement process. But until we change the Services' habit of placing their parochial interests above the national interest, we will continue to get overpriced weapons systems for the wrong wars.

There are many illusions in the Potomac Puzzle Palace, but some of the most profound involve the Pentagon's massive acquisition system. This system has 50,000 private sector contractors just to oversee the activities of hundreds of thousands of other private sector contractors. First, we pretend that our acquisition decisions are made at the level of the Department of Defense (DOD). In reality, each Service buys what it wants, and the Secretary of Defense has only a handful of opportunities to influence its purchases. Second, we pretend that the Secretary of Defense submits a single, unified budget when, in truth, he submits the three Services' budgets cobbled together. Finally, we pretend that the Services' interests are the same as our

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Secretary Gates testifies before House Armed Services Committee about 2010 National Defense Authorization budget request

national interests. Although the Services are filled with patriotic men and women doing their best for their country, the Services are also bureaucracies—and bureaucracies have minds of their own.

Recent congressional efforts to obtain more realistic cost estimates for weapons systems, develop better systems engineering, and add competitive prototyping will help the acquisitions process. But we must also fix the fundamental political problem at the heart of the system, just as we fixed fundamental political problems in our approach to war-fighting decades ago with the passage of the Goldwater-Nichols Act. Today, each Service places its own acquisition needs first, with few ways to resolve their disputes other than by preserving the status quo. Until we empower the Secretary of Defense to make procurement decisions and to arbitrate these disputes, we will keep getting the wrong weapons at the wrong price.

Who Runs Acquisitions?

Every Secretary of Defense seems powerful, and Secretary Gates especially so. After all, DOD accounts for roughly half of all U.S. Government discretionary appropriations

and equals the rest of the world in defense spending. Secretary Gates himself has held the trust of two Presidents of different political parties. But the tenure of a Secretary of Defense has averaged less than 3 years, and it is easy to overstate even Gates' actual decisionmaking authority.

From the first Secretary of Defense onward, each has battled the selfishness of the Services, particularly when it comes to their own weapons systems. Secretary James Forrestal faced the "Revolt of the Admirals," and each of his successors has experienced less-famous mutinies. DOD has never been a monolithic organization; the Services rule. The Army, Navy, Marines, and Air Force are nominally subordinate to the Secretary of Defense, but in fact have near-sovereign independence. DOD is little more than an umbrella. Even the no-nonsense witnesses from the Government Accountability Office (GAO) routinely exaggerate DOD influence. In recent testimony, for example, GAO personnel stated that

"DOD sometimes authorized contractors to begin work before . . ." and "DOD obligated nearly. . ."¹ But the Services themselves determined 95 percent of all procurement for fiscal year 2009. In other words, DOD did only 5 percent of what GAO described.

The title of Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L) looks much more impressive than it is. When Congress asks for testimony on the acquisition process, AT&L testifies because that office appears to promulgate acquisition policy. But the only role that AT&L has—and by extension the Secretary of Defense—is to approve or disapprove Major Defense Acquisition Programs ACAT ID (Acquisition Category) programs as they move from one phase of the acquisition process to the next. These programs comprise only 14 percent of the acquisition expenditures of DOD in a year, and they are almost impossible to stop or modify once they have started. In plain English, AT&L is largely a rubber stamp.

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U.S. Air Force (Andy Dunaway)

The Pentagon has less control of defense acquisitions than the Services

The Services themselves have almost complete authority over procurement outside of this one special category. For other spending, AT&L has no role at all; a Component Acquisition Executive (CAE) is in charge. Of course, in military jargon, the components are the Services that both manage and oversee CAE programs. Therefore, at least for CAE programs, the Services hold their own rubber stamp.

Of the 14 percent of acquisitions within the special category, AT&L has, at most, seven decision points. These are, as figure 1 shows:

- material development decision
- milestone A review
- milestone B review
- preliminary design review (if done after the milestone B review)
- post-critical design review assessment
- milestone C review
- full-rate production decision.

Most programs, however, enter the process at Milestone B, giving AT&L only four realistic chances to influence a program.

We pretend that defense acquisitions are done at the highest level of the Pentagon. The Services, however, control almost all of the acquisition process and naturally favor their own programs, particularly during years of rapidly increasing defense budgets. The prudence and patriotism of individual Servicemembers are no match for the needs of their own bureaucracies.

Flawed Process

Every Secretary of Defense since Robert McNamara has submitted a defense budget built mainly by the Services. Only President Dwight Eisenhower with his vast World War II military experience had the clout to try to tame the Services, and his success was mixed. Figure 2 shows the current process. The Secretary issues both strategic and fiscal “guidances” to the Services, allows each to put together its own budget, and then reviews their submissions before submitting the entire budget to the President and Congress.²

The Secretary’s strategic or planning guidance is a classified document, internal to the Pentagon, which has been issued since the Nixon administration. Although this strategic

guidance states the priorities of the Secretary of Defense, it is discouraging how little impact it actually has had on Service budgets.

Very soon after issuing his private strategic guidance, the Secretary issues his fiscal guidance to the Services, often called the *topline*. This is the total funding that each Service will receive in the next fiscal year, and it is rigorously followed for two reasons: budgets must add up, and any deviations are obvious. But these constraints only apply to the current fiscal year, which is almost meaningless for multiyear procurement. Cost overruns can easily be covered in future budgets and even portrayed as vital to national security. Revealing these overruns only hurts the sponsoring Service. And since every Service has such cost-overrun problems, a conspiracy of silence is the natural result.

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Once the strategic and fiscal guidances have been issued, each Service constructs its own budget under its individual topline. In fact, however, the Services’ budgets originated at least a year earlier when their subordinate organizations began formulating priorities. The 4 months of summer budget-building in the Pentagon are spent shoe-horning the Services’ existing years-long priorities into the Office of the Secretary of Defense’s (OSD’s) topline, or planning on how to fit them into the next.

Once the Services’ budgets have been submitted, OSD reviews them, but this review has surprisingly little effect.³ Secretary Melvin Laird thought this review preserved his office’s power after McNamara became mired in Vietnam. The average change to Service budgets resulting from this review is less than 2 percent. Although the review does maintain the appearance of civilian control of the military and can, on rare occasions, be used by an aggressive Secretary to focus on selected issues, it changes little.

Finally, the defense budget is submitted to the President’s Office of Management and Budget (OMB) for incorporation into the Federal budget. Although OMB has nominal

Figure 1. The Defense Acquisition Management System

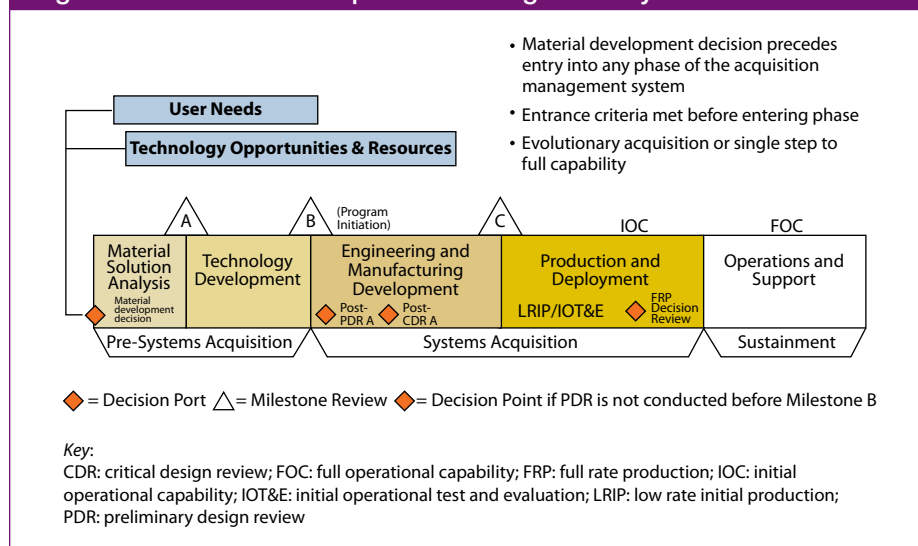
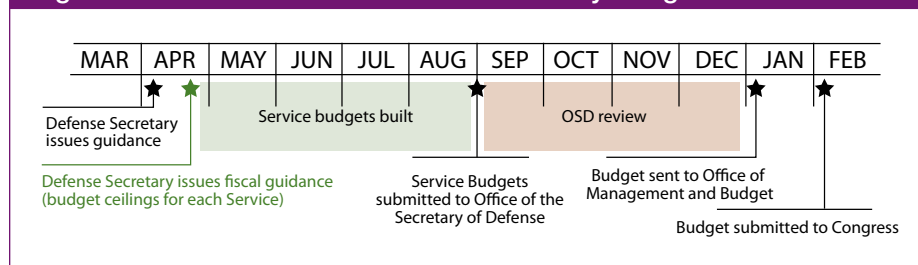


Figure 2. Current Process to Build U.S. Military Budget



authority over the defense budget, it traditionally conducts its review concurrently with the Pentagon's out of respect for the greater expertise and analytical power of DOD. In practice, OMB is little more than a scapegoat when a Secretary wants to blame someone for his efforts to make marginal changes in a Service's budget.

In the end, the defense budget submitted to Congress is essentially the bundling together of the three military departments' budgets. Although the Secretary has an opportunity to suggest his priorities and a chance to look over the budgets as they are submitted, the Services rarely take DOD advice seriously. Indeed, the process is almost circular because the Services influence both the formulation of the Secretary's strategic guidance and his conduct of the review. The strategic guidance requires concurrence of the Services, giving each veto power. In similar fashion, the Secretary's review is heavily influenced by panels composed of senior Service officials.

The Services come well armed to these bureaucratic battles because they can field significantly greater manpower than OSD. Each has a resourcing and accounting staff of thousands compared to a resourcing staff of about 150 and an accounting staff of about 500 for the Secretary of Defense. Already at a seven-to-one disadvantage, the 1,000 members of the Joint Staff often defer to their own Service's priorities more quickly than to the Secretary's,

particularly if he is viewed as a short-termer. The formal influence of the Secretary of Defense in the budget process is overwhelmed by the realities of the Services' power.

Some observers look at this acquisition process and see a failure of strategic guidance. If the Services are not buying what civilian policymakers want, then policymakers must have failed to issue clear instructions. This alternative argument implies that the Services keep buying Cold War-era weapons systems because they have not been told to stop. Andrew Krepinevich expresses it this way: "The importance of sound strategic guidance during a period of discontinuous change in the military competition cannot be understated. . . . Since the Cold War's end the Defense Department leadership has struggled to provide this kind of guidance."⁴ He argues that the guidance has failed to respond to a changing strategic environment, causing the disconnection between forces we need and forces we have.

For decades, however, Service posture statements and budget justifications have acknowledged a changed strategic environment, although they have differed in their responses. And since at least 1992, the secret internal strategic guidance has reinforced this change message.⁵ Yet the inertia continues; many of our military capabilities still resemble those of the Cold War. The problem is not in the message of change but in the deafness of

Service bureaucracies, both to the Secretary's guidance and their own posture statements.

The effort to strengthen strategic guidance has resulted in a cacophony of voices. Besides internal guidance and the Quadrennial Defense Review, Congress mandated in 1986 that Presidents produce a National Security Strategy. Most critics agree these documents have done little to change fundamental military budget priorities. Some call for more frequent guidance—as often as quarterly.⁶ Many call for broader guidance to influence more than just DOD.⁷ Others argue that we have excessive guidance.

All of these arguments ignore the *political* nature of the budgeting process. The guidance documents are produced with decisive input from the very organizations that they are supposed to guide. Inevitably, the guidances contain language that the Services can use to justify the status quo.

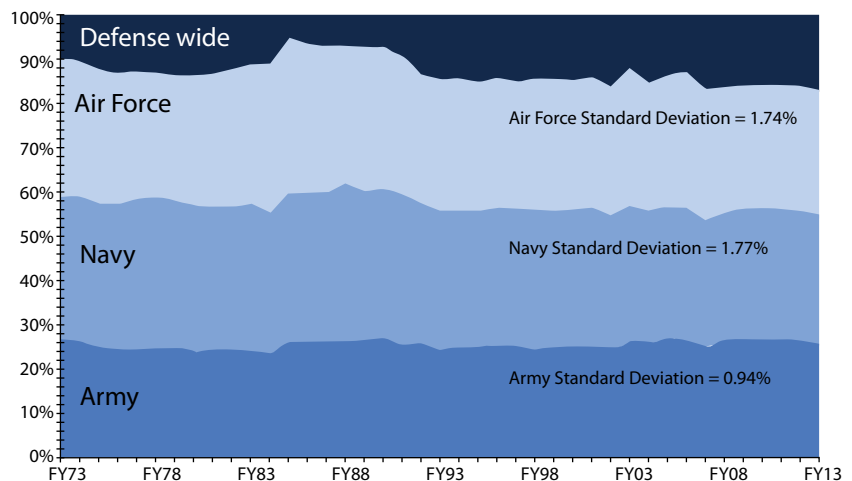
Service Choices

Despite these flaws in the strategic guidance process, the defense budget does appear sensitive to fiscal guidance. The DOD topline, or total funding for the Pentagon, increases at different rates, depending on external threats, national politics, and contractor behavior. Of course, the topline increases dramatically when the United States is involved in a large-scale overseas military conflict.



Under Secretary of Defense for Acquisition, Technology, and Logistics speaks at Pentagon

Figure 3. Service Shares of the Defense Budget without War Supplementals 1973–2013



Source: Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY 2008* (Washington, DC: Department of Defense, March 2007), available at <www.defenselink.mil/comptroller/Docs/fy2008_greenbook.pdf>.

Looking at Service shares of the defense budget, however, rather than at overall funding level or appropriation account, reveals that each gets virtually the same share of the budget each year. Figure 3 shows each Service's share of the defense budget over time. The lines are nearly flat, with a standard deviation of less than 1.8 percent over a 40-year period. Moreover, the budget shares are nearly equally divided among the Army, Navy, and Air Force, each of which receives just under 30 percent of the defense budget each year.

One would have expected that the massive strategic or technological changes over four decades would have altered Service shares. Yet these did not change as the U.S. military went from Cold War to peace dividend to sustained irregular warfare during the war on terror. Service shares also remained frozen during the so-called revolution in military affairs and Donald Rumsfeld's efforts at transformation. If major external factors cannot change Service shares, there must be powerful internal forces at work. Simply put, *the Services adhere to their own organizational imperatives.*

Even when a Service has no major weapons system to purchase, it can invent a placeholder category such as the Army did with the Future Combat System (FCS) in order to maintain its share. Never more than a sketch, or a series of sketches, the multi-billion-dollar FCS budget plug took precedence over immediate warfighting needs, such as mine resistant ambush protected vehicles and up-armored Humvee procurement.⁸

In his seminal book *Bureaucracy*, James Q. Wilson explains why large hierarchical, civil-service organizations such as the Services pursue their own interests.⁹ Facing multiple masters, resource constraints, and shifting definitions of success, bureaucracies try to limit their duties. With such simplification, bureaucracies limit the many claims laid on them and free themselves to allocate resources to achieve their limited ends. Wilson calls this "autonomy."

Morton Halperin, in his own work on national security institutions, *Bureaucratic Politics and Foreign Policy*, ties this autonomy directly to budgets:

Career officials of an organization . . . attach very high priority to controlling their own resources so that these can be used to support the essence of the organization. They wish to be in a position to spend money allocated to them in the way they choose, to

station their manpower as they choose, and to implement policy in their own fashion. They resist efforts by senior officials to get control of their activities.

*In particular, priority is attached to maintaining control over budgets. Organizations are often prepared to accept less money with greater control rather than more money with less control.*¹⁰

Wilson explains that "what the Armed Forces are doing is attempting to match mission and jurisdiction. . . . A strong sense of mission implies an organizational jurisdiction coterminous with the tasks that must be performed and the resources with which to perform them."¹¹ By gaining greater

dominance of the defense budget by enlarging other Service shares, the Services have essentially made a permanent truce. They respect each other's budget shares on the condition that their own share is respected.¹³ Although talk about roles and missions—reorganizing the Pentagon—continually resurfaces, this refrain does not pose an imminent threat to Service interests.¹⁴ As the second-ranking general of the Army said last year when asked whether the shares of the budget should be adjusted: "I've testified before that this is not about, again, taking money from our other teammates because we will always go to war as a joint force."¹⁵ By not challenging each other's budgets, the Services probably become resistant to other forms of change as well.

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autonomy, the Services can define their own success and produce budgets that allow them to achieve that success.

Without strong OSD oversight, the greatest threat to a Service is from a rival Service. To protect their individual autonomy, the Services reached a compromise in 1948 that minimized both inter-Service rivalry and direction from above.¹² Since the Kennedy administration reduced the Air Force's

Each Service's institutional interests are evident in their acquisition programs. These biases are not simple to state. There are exceptions, but these exceptions usually prove the rule. The Air Force focuses on air superiority, preferably with piloted planes, to justify its theory of autonomous air power.¹⁶ The Navy remains committed to independent naval forces with aircraft carriers and their escorts.¹⁷ And the Marines are completely devoted to

Chief of Naval Operations testifies before Senate Armed Services Committee



U.S. Navy (Tiffini Jones Vanderwyst)

their own independence from the Army and every other Service (although they are incorporated in the Navy budget).¹⁸

None of these interests is intended to undermine the national interest, but neither are they integrated into a coherent, modern defense policy. Service interests may or may not diverge from the national interest; they are simply autonomous *from* that interest. For example, no Service has volunteered to do nationbuilding despite the acknowledged

security policy. He has the responsibility, and the accountability, to put the Nation's security interests first. Although this may look obvious, the reality is that many Services simply do not trust a political appointee enough to allow him to overrule their own plans. Even if they like the current Secretary, they fear that a future Secretary could harm their Service if they were to cede control. The outside political power of Service veterans and retirees is so great that the Association of the United States Army or Navy

advancing military doctrine faster than the bureaucracies above them can adjust. They are also advancing it without the politicization that comes with promotion to general officer.

To preserve military expertise while avoiding organizational inertia, each Service's resourcing staffs should be moved to the Office of the Secretary of Defense. Joint panels of military officers should be created from the Service's resourcing staffs and overseen by a civilian political appointee—probably at the

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Deputy Assistant Secretary level. These panels will be forced to procure jointly as the operational perspectives of a variety of military officers are brought to bear. A group made up of a Navy captain, Army colonel, Marine colonel, and Air Force colonel will answer the same question differently than a group of four Army colonels. These panels of "purple suits" should be headed by a civilian OSD official to arbitrate any irresolvable differences, with appeals to the Secretary of Defense himself. Ironically, President Eisenhower proposed a more comprehensive reform a half-century ago. He advocated that anyone with rank above colonel wear a uniform common to all the Services, and that military academy cadets spend at least a year at another academy.

The reforms of the 1980s make such a procurement reform possible, even inevitable. The Goldwater-Nichols Act introduced jointness of operations to give officers an appreciation of what other Services bring to the fight, but had little impact on the resourcing process.²² Full coordination of firepower is a force multiplier; coordination of purchasing power could be as well. Today, the same Army officer who learned about naval power at a combatant command returns to the Pentagon to fight solely for ground-based capabilities. He knows that his fellow Army officers will write the evaluation of his resourcing job. If a *combination* of Services rated that Army officer, the officer would be more likely to overcome Service parochialism. By moving Service resourcing staffs to the Office of the Secretary of Defense, we could extend the



Future Combat System has been called "placeholder" to maintain Army share of acquisition budget

need for such skills in Bosnia, Kosovo, Kuwait, Somalia, Iraq, Afghanistan, and Pakistan over the last 20 years. Occasionally, bureaucratic stubbornness can even thwart U.S. policy objectives.

Another example that many observers have noted is how the Army's fixation with large wars weakens its ability to conduct counterinsurgency and irregular warfare.¹⁹ As the insurgency in Iraq flared in 2003 and 2004, the Army was short on patrolling vehicles such as armored Humvees but well stocked with plenty of tanks for large-scale conventional war.²⁰

A Solution

We will reform Pentagon procurement only when we reduce Service roles in budgeting, preferably by empowering the Secretary of Defense. The Secretary is *key* to civilian control of the military and coordination with national

League can trump any new administration's policy. For example, this spring, the Air Force Association emailed a scary headline railing against Gates' budget decisions by calling it "A Dangerous Approach."²¹

Instead of the Secretary of Defense nudging the Services' budgets, his office should build the defense budget from start to finish. He may need authority to establish a capital budget in order to handle large weapons systems. The Secretary will need a larger staff, but that staff should not be newly hired or civilian. Military expertise must come from the Active-duty military itself. A colonel with 25 years of experience knows first-hand what commanders in the field need. The current process is skewed because the Services pursue their organizational issues, not because of lack of patriotism or expertise of individual troops. Throughout all the Services, men and women in uniform are

success of Goldwater-Nichols from operations to resourcing.

Ironically, the position of Secretary of Defense was created to coordinate the Services, but 60 years later he is still hobbled by parochialism. By giving him direct control of the Services' resourcing staffs, he could develop the capability and expertise to make a real national defense budget instead of just ratifying the Services' budgets.

Secretary Gates has made progress in asserting the Secretary's preeminence over Service interests. While increasing the defense budget, he has cut programs that reflect narrow organizational interests. However, he is succeeding only by exercising great political skill. Interestingly, he is not the first Secretary to cut such programs. Donald Rumsfeld killed the Army's Crusader howitzer. Robert McNamara killed the Air Force's B-70 long-range bomber. Gates was forced to deal last spring with bureaucratic reincarnations: another Army howitzer and another Air Force long-range bomber. Old weapons systems never die; they just get repackaged.

Until the Secretary is empowered to run the acquisition and budgeting process, he will only be able to exert decisive influence through high-risk, politically sensitive interventions. Our proposal would give the Secretary the authority that the original National Security Act envisioned. Let the Secretary be the Secretary. The Services should place fighting the enemy ahead of fighting each other. Only then will we get the right weapons at the right price. **JFQ**

NOTES

¹ Statement of John Hutton and William Solis, "Actions Needed to Ensure Value for Service Contracts," Government Accountability Office, April 23, 2009.

² The budget submitted to Congress is composed of four parts: one part for each of the three military departments and a fourth category that rolls together 28 separate agencies and field activities. Each of these units is treated independently and builds its own budget. Once built, each unit provides its budget to the comptroller who rolls it into the congressional appropriation accounts.

³ Although the Marine Corps receives a separate topline than the Navy, its budget submission to the Office of the Secretary of Defense is merged with the Navy, resulting in three department budgets.

⁴ Andrew Krepinevich, "Defense Investment Strategies in an Uncertain World," Center for Strategic and Budgetary Assessments, 2008, 33.

⁵ Patrick Tyler, "U.S. Strategy Plan Calls for Insuring No Rivals Develop a One-Superpower World," *The New York Times*, March 8, 1992.

⁶ Kathleen Hicks, "Invigorating Defense Governance: A Beyond Goldwater-Nichols Phase 4 Report" (Washington, DC: Center for Strategic and International Studies, March 2008).

⁷ Clark A. Murdock and Michele Flournoy, *Beyond Goldwater-Nichols: Phase I Report* (Washington, DC: Center for Strategic and International Studies, July 2005), 27–30.

⁸ "Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles," Inspector General, Department of Defense, December 8, 2008.

⁹ James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (New York: Basic Books, 1989).

¹⁰ Morton Halperin, *Bureaucratic Politics and Foreign Policy* (Washington, DC: Brookings Institution Press, 1974), 51.

¹¹ Wilson, 187.

¹² The Key West Agreement, Department of Defense, Joint Chief of Staff files, Record Group 218, CS 370 (8–19–45), Section 7, Modern Military Branch, National Archives, Washington, DC.

¹³ Dennis Ippolito, *Blunting the Sword: Budget Policy and the Future of Defense* (Darby, PA: DIANE Publishing, 1994), 14; and Walter G. Hermes, "Global Pressures and the Flexible Response," in *American Military History* (Washington, DC: U.S. Army Center of Military History, 2005).

¹⁴ Colonel Richard Szafranski, "Interservice Rivalry in Action: The Endless Roles and Missions Refrain?" *Airpower Journal* (Summer 1996).

¹⁵ General Richard Cody, testimony before the House Armed Services Committee, April 9, 2008.

¹⁶ General Michael Moseley, *The Nation's Guardians: America's 21st Century Air Force*, Chief of Staff White Paper, U.S. Air Force, February 2008.

¹⁷ Carl H. Builder, "Roles and Missions: Back to the Future," *Joint Force Quarterly* 4 (Spring 1994), available at <www.ndu.edu/inss/Press/jfq_pages/jfq0704.pdf>.

¹⁸ Victor H. Krulak, *First to Fight: An Inside View of the U.S. Marine Corps* (Annapolis: Naval Institute Press, 1984).

¹⁹ John A. Nagl, *Learning to Eat Soup with a Knife: Counterinsurgency Lessons from Malaya and Vietnam* (Chicago: University of Chicago Press, 2005).

²⁰ Max Boot, "The Struggle to Transform the Military," *Foreign Affairs* (March/April 2005); and Thomas Donnelley, "The Army We Need," *Weekly Standard*, June 4, 2007.

²¹ *Air Force Magazine* Daily Report, May 7, 2009.

²² James R. Locher III, "Taking Stock of Goldwater-Nichols," *Joint Force Quarterly* 13 (Autumn 1996), available at <www.ndu.edu/inss/Press/jfq_pages/0513.pdf>.



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