

Stenographic Transcript
Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

DEPARTMENT OF DEFENSE ACQUISITION REFORM EFFORTS

Thursday, December 7, 2017

Washington, D.C.

ALDERSON COURT REPORTING
1155 CONNECTICUT AVENUE, N.W.
SUITE 200
WASHINGTON, D.C. 20036
(202) 289-2260
www.aldersonreporting.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DEPARTMENT OF DEFENSE ACQUISITION REFORM EFFORTS

Thursday, December 7, 2017

U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 10:00 a.m. in Room SD-G50, Dirksen Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Present: Senators McCain [presiding], Inhofe, Wicker, Fischer, Rounds, Ernst, Tillis, Sullivan, Perdue, Reed, McCaskill, Shaheen, Gillibrand, Blumenthal, Donnelly, Kaine, King, Heinrich, and Warren.

1 OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR
2 FROM ARIZONA

3 Chairman McCain: The Senate Armed Services Committee
4 meets today to receive testimony on the Department of
5 Defense acquisition reform efforts.

6 We welcome our witnesses, Ellen Lord, Under Secretary
7 of Defense for Acquisition, Technology, and Logistics; Mark
8 Esper, Secretary of the Army; Heather Wilson, Secretary of
9 the Air Force; and James Geurts, Assistant Secretary of the
10 Navy for Research, Development, and Acquisition.

11 Acquisition reform is one of the most important and
12 frustrating topics this committee addresses. For years, we
13 have been warned that America is losing its technological
14 advantage. I hope you all have seen the work by RAND on
15 this topic.

16 That is why the Department of Defense needs acquisition
17 reform, not just for efficiency or to save money. Simply
18 put, we will not be able to address the threats facing this
19 Nation with the system of organized irresponsibility that
20 the defense acquisition enterprise has become.

21 I want the witnesses to pay attention here, okay?

22 We are still dealing with a trillion-dollar F-35
23 program that continues to operate in dysfunction. The Air
24 Force still subsidizes ULA for space launch with cost-plus-
25 fixed-fee contracts. The Army has sunk nearly \$6.5 billion

1 into Win-T, a network that doesn't work. And the Navy's LCS
2 program is delayed. The costs are now \$6 billion and
3 rising, and many of the key capabilities remain unproven.

4 That is why this committee enacted the most sweeping
5 acquisition reforms in a generation through the last two
6 National Defense Authorization Acts. And yet, despite that
7 legislation, and in the face of our eroding military
8 advantage, the department has been unable or unwilling to
9 change.

10 While the previous administration offered some rhetoric
11 about reform, this committee was disappointed that we saw no
12 meaningful action. Though I remain deeply concerned about
13 the state of our acquisition system, I am encouraged by the
14 early signs from your team. It appears that you are
15 beginning to make progress.

16 Let me remind you of our expectations.

17 First, the Office of the Secretary of Defense needs to
18 let the services manage their programs. Congress has
19 returned significant authority to the services, but we will
20 be watching closely to make sure that you do business
21 differently and use that authority wisely.

22 Second, while we have empowered the services, that
23 doesn't mean you can go and do whatever you like. The
24 services must let OSD set strategy and policy, and do real
25 oversight. That means being transparent, providing data to

1 and following the guidance set by OSD.

2 Again, we will be watching. This committee takes its
3 own oversight role seriously, and we will rely on you to
4 keep us informed so that we can do our job.

5 Third, the system must move faster. Time is of the
6 essence. The work of groups like DIUx, the Strategic
7 Capabilities Office, and the Rapid Capabilities Office
8 should become standard practice, not workarounds to the
9 regular system. And we need these innovations for major
10 defense acquisition programs, not just science and
11 technology efforts.

12 Fourth, you need to be willing to take more risk and be
13 willing to fail when you try new things. We recognize that
14 Congress can make that difficult. Keep us informed of your
15 plans so that we can work together, so that we are not
16 surprised when things do not go exactly as planned. We
17 would rather have a small failure that teaches us something
18 early in the acquisition process than deal with a
19 multibillion-dollar program that becomes "too big to fail."

20 Fifth, invest in the acquisition workforce and empower
21 them to succeed. Too often, we hear that acquisition
22 personnel are unfamiliar with or nervous about new
23 authorities.

24 And finally, reform your organizations and business
25 practices to simplify and move faster. The major changes we

1 have instituted through legislation are intended to give you
2 the opportunity to make more detailed changes in your
3 organizations. This is an opportunity to update your
4 organizational structures and internal processes
5 accordingly.

6 And along those lines, I would much rather that you try
7 and fail than do nothing, okay? And if you keep in contact
8 with us and tell us what you are trying to do and what you
9 are doing, we will be patient for about 5 minutes.

10 [Laughter.]

11 Chairman McCain: And finally, reform your
12 organizations and business practices to simplify and move
13 faster. The major changes we have instituted through
14 legislation are intended to give you the opportunity to make
15 more detailed changes in your organizations. This is an
16 opportunity to update your organizational structures and
17 internal processes accordingly.

18 Now, if you have reforms and you want to try them, come
19 see us, come talk to us, and we will be glad to cooperate
20 with you. And do not be afraid to fail, because the only
21 way that we will succeed is to take the risk of a failure.

22 Congress has provided you with all the tools you
23 require. We expect you, as part of a new administration, to
24 use these tools, unlike your predecessors. As you do so,
25 you will have a willing partner in this committee. Do not

1 hesitate to pick up the phone or come over and see any
2 members of this committee.

3 We have given our subcommittee chairs a great deal of
4 latitude and a great deal of authority as we go through the
5 decision-making process. Do not hesitate to call any of
6 them, with the exception of Senator Reed.

7 Senator Reed: That is right.

8 Chairman McCain: Finally, we will be glad to hear your
9 requirements and how we can help you do your business better
10 and in a more efficient fashion. We expect you, as part of
11 the new administration, as I said, you will have a willing
12 partner in this committee.

13 Look, we had a briefing from the RAND study that I
14 think my friend Jack Reed would agree is one of the more
15 disturbing briefings that we have had in the years that I
16 have been a member of this committee. The gap is closing.
17 There is no doubt about it.

18 So we will be expecting a lot of you, but we are not
19 going to succeed unless we have a partnership here, okay?

20 Thank you.

21 Jack?

22

23

24

25

1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Thank you, Mr. Chairman. Thank you for
4 holding this very important hearing, as you have pointed out
5 in your opening remarks.

6 I want to thank the witnesses also for appearing here
7 today. We look forward to your testimony.

8 We have a shared goal, to ensure that our military
9 forces are equipped with the best systems and technology
10 that the Department of Defense builds and buys, and that
11 those systems are the most effective and efficient ways
12 possible to protect the Nation and protect, particularly,
13 the men and women in our Armed Forces.

14 We also have a shared goal that the Pentagon should be
15 able to access the most innovative people and technologies
16 available from the best small companies, defense industry,
17 labs, and universities.

18 Also, we owe it to the taxpayers to ensure that we are
19 buying things at reasonable prices and within reasonable
20 budgets. This hearing will give us a chance to learn how
21 the department is also working to make those shared goals a
22 reality.

23 In my view, the services should play a very important
24 role in the research and acquisition programs that provide
25 advanced systems and capabilities to our combatant

1 commanders.

2 Under Chairman McCain's leadership, Congress has
3 strengthened the services' role in the planning,
4 requirements, and program review processes that strongly
5 shape whether our acquisition programs succeed or fail.
6 These new responsibilities are in addition to the role the
7 services have always played in the development of their
8 plans and budgets, ensuring that programs are appropriately
9 prioritized and funded, especially in difficult budgetary
10 environments.

11 Finally, the services play a critical part in nurturing
12 the careers of the military and civilian personnel who work
13 in acquisition requirements and budget fields. Too often,
14 we forget about those individuals and the necessity to
15 maintain, enhance, and prolong their effective careers
16 within the Department of Defense.

17 Building on the successes of the Weapon systems
18 Acquisition Reform Act and the Pentagon's Better Buying
19 Power initiatives, and making use particularly of the new
20 reforms in the recent National Defense Authorization Acts,
21 again, led by Chairman McCain, we are seeing some
22 improvements in acquisition processes and outcomes today and
23 are well-positioned to make more improvements. But we must
24 do much, much, much better. And that is why you are here
25 today.

1 I look forward to seeing how the services plan to use
2 their authorities and live up to their responsibilities to
3 support successful acquisition efforts. I also welcome a
4 discussion of further changes that can be made to strengthen
5 their role, as appropriate, with the hopes of continuing to
6 improve acquisition outcomes and provide the best value and
7 the best military capabilities for the Nation.

8 Thanks again to the witnesses and the chairman, and I
9 look forward to the testimony.

10 Thank you, Mr. Chairman.

11 Chairman McCain: I would like to say how much I
12 appreciate the partnership that I have with Senator Reed
13 despite his educational --

14 Senator Reed: Deficiencies.

15 Chairman McCain: -- lacking. But we are partners, and
16 the fact that the defense bill was passed through this
17 committee without a single dissenting vote I think is ample
18 testimony to the bipartisanship that characterizes our
19 conduct of this committee, and I am very proud to have
20 Senator Reed as a partner.

21 So we will begin with the Honorable Ellen Lord, Under
22 Secretary of Defense for Acquisition, Technology, and
23 Logistics.

24 Secretary Lord?

25

1 STATEMENT OF HON. ELLEN M. LORD, UNDER SECRETARY OF
2 DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS

3 Ms. Lord: Chairman McCain, Ranking Member Reed,
4 distinguished --

5 Chairman McCain: By the way, could I just mention one
6 thing? Depending on what happens here, there is going to be
7 an event at 11:45 on the floor of the Senate, and we may
8 have to recess until that event is completed.

9 Go ahead, please. Thank you.

10 Ms. Lord: Thank you for the opportunity to testify
11 today on defense acquisition and reform efforts. I am
12 pleased to be joined by Secretary Esper, Secretary Wilson,
13 and Assistant Secretary Geurts.

14 After having spent 33 years in industry, I have come to
15 my current position during a unique period in time, one
16 which provides a great opportunity to make a positive
17 change.

18 First, the National Defense Authorization Acts for
19 fiscal years 2016 and 2017 have provided the direction and
20 the tools for the department to advance the capabilities
21 required to restore our overmatch, speed the rate at which
22 we field these advanced capabilities, and improve the
23 overall affordability of our fighting forces' weapon
24 systems.

25 Secondly, Secretary Mattis has placed a priority on

1 implementing these provisions alongside other department-
2 wide reforms and practices required to improve the lethality
3 and the readiness of our military. Using an industry
4 analogy, I believe that the OSD should function as a
5 corporate office, very lean, enabling the services as
6 businesses to execute programs they are responsible for.

7 AT&L should be pushing the majority of the departments
8 work back to the services and focusing on prototyping and
9 experimentation, developing architectures and standards,
10 interpreting law into policy and procedures, and simplifying
11 acquisition processes to quickly and cost-effectively
12 provide material and services to the warfighter.

13 Stating it plainly, AT&L needs to be the strategic
14 body, with focus across the board driving affordability and
15 accountability, reducing timelines, and equipping the
16 services to execute their programs.

17 Given the fact that the DOD, on average, awards daily
18 1,800 contracts and 36,000 delivery and task orders, every
19 process improvement we make has the potential to produce
20 significant results.

21 Having reviewed data measuring, the typical lead time
22 following validation of a warfighter requirement until the
23 award of the resulting major weapon systems contract, I have
24 concluded that we have the ability to reduce this
25 procurement lead time by as much as 50 percent. Some of the

1 ways in which we plan to do this are incentivizing
2 contractors to submit responsive proposals in 60 days or
3 less, and implementing electronic department-wide
4 acquisition streamlining tools.

5 Furthermore, Congress gave us the ability to conduct 10
6 pilot programs, permitting the reduction of cost and pricing
7 data for Foreign Military Sales. Key to our success would
8 be to have the same flexibility for our U.S. procurements.
9 If we were granted the statutory authority on sole-source
10 procurements, it would allow us to use our judgment to
11 reduce the cost and pricing data we would require when we
12 have cost transparency with the companies with which we do
13 business.

14 In my testimony, I stated that we have initiated six
15 pilot programs that push the limits of our contracting
16 agility. This is in order to demonstrate our ability to
17 responsibly reduce this procurement lead time.

18 Chairman McCain: Tell us a couple of those programs.

19 Ms. Lord: C-130J retrofit kits and the Japanese Global
20 Hawk, so one U.S., one Foreign Military Sale.

21 Our goal is to get these pilot procurements done within
22 210 days from the issuance of the request for proposal.

23 Chairman McCain: Two hundred and 10 days?

24 Ms. Lord: Two hundred and 10 days is the interim goal.
25 We would like, eventually, to get to 180 days. We have the

1 process to work down. We are going to work with you and
2 your team to demonstrate how we do it.

3 And we are going to you come back to you as we need
4 additional authorities, if needed. But we believe it is
5 really interpreting the authorities we have now, making sure
6 you agree with them, and having us move forward.

7 So we are also pre-positioning production contracts to
8 include options for yet-to-be-developed FMS requirements.
9 In other words, in the initial contracts, we have the
10 language, so we can almost fill in the blank for FMS sales.
11 Again, pre-thinking this is going to reduce the timeline and
12 allow us to be very, very responsive to international
13 customers.

14 Chairman McCain: So you do not need a 100-page RFP for
15 a pistol?

16 Ms. Lord: Absolutely correct.

17 On the Joint Strike Fighter program, we are determined
18 to reduce the cost of production and sustainment. We have
19 initiated an extensive JSF cost deep dive, led jointly by my
20 office, ATL, and CAPE.

21 The purpose of this cost review is to understand in
22 detail at Lockheed Martin, Northrop Grumman, Rolls-Royce,
23 and BAE, as well as their primary subcontractors, and there
24 are 100 of them in total, what JSF costs, why it costs what
25 it costs, and, most importantly, what we can do to improve

1 cost performance at the prime contractor and up and down the
2 supply chain.

3 This will be a completely transparent process with the
4 companies involved. The knowledge gained will inform our
5 product contract negotiations and all our sustainment
6 efforts on a go-forward basis, and will promote more
7 effective and timely contract negotiations.

8 Just yesterday, the fiscal year Defense Acquisition
9 Workforce award ceremony was held. Deputy Secretary
10 Shanahan and I recognized the outstanding accomplishments of
11 27 top DOD acquisition professionals out of a workforce of
12 165,000.

13 A few of their accomplishments include: implementing a
14 cutting-edge approach to cybersecurity, testing for aircraft
15 weapon systems, accelerating the testing for defensive
16 systems on AC-130J aircraft by 2 years, getting 3,000
17 Tactical Combat Casualty Care units to medics and special
18 forces operators, improving cybersecurity for medical
19 facilities, and reducing biological agent decontamination
20 time by 50 percent to accelerate the return of equipment
21 back to the fight.

22 Out of the 17 individual awards across requirements and
23 acquisition-critical functions, the United States Special
24 Operations Command received four. Our challenge is to take
25 these pilots, these silos of excellence, and scale them to

1 the big Army, the big Navy, the big Air Force. We are also
2 --

3 Chairman McCain: And how many F-18s are operational
4 and ready to fly?

5 Ms. Lord: Not enough. I will defer to my colleague,
6 Mr. Geurts, on that one.

7 Chairman McCain: Okay.

8 Ms. Lord: All right.

9 Chairman McCain: The numbers I recall are 60 percent
10 are not flying.

11 Ms. Lord: Operational availability across our air
12 asset is an issue. As I talk to each of the service
13 secretaries, it is very clear. There is a lot we can do at
14 the beginning of these programs to design in the sustainment
15 portion, and we are focusing on that. And we will come back
16 and tell you how we are working on it.

17 Chairman McCain: And let us know who is responsible.

18 Ms. Lord: Absolutely. I would look forward to a small
19 discussion in your office, and we can talk about the actions
20 we are already taking in terms of accountability with
21 individuals.

22 Chairman McCain: Thank you.

23 Ms. Lord: So we are also working to make use of the
24 new rapid hiring flexibilities provided by this committee to
25 bring in world-class talent in areas like robotics, lasers,

1 artificial intelligence, as well as new contracting
2 specialists and test engineers. For example, in 2016, our
3 labs hired nearly 2,000 new scientists and engineers using
4 the hiring authorities Congress provided.

5 Reforming and improving the Defense Acquisition System
6 to create an agile enterprise is a continuing process
7 requiring close partnership across the department and with
8 Congress. You have my total commitment to the success of
9 that partnership.

10 I am looking forward to working closely with the
11 committee and the professional staffers to further implement
12 the initiatives we have already begun. Thank you for your
13 support in this significant effort, and I look forward to
14 answering your questions.

15 [The prepared statement of Ms. Lord follows:]

16
17
18
19
20
21
22
23
24
25

1 Chairman McCain: Thank you.

2 Secretary Esper?

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATEMENT OF HON. MARK T. ESPER, SECRETARY OF THE ARMY

2 Mr. Esper: Chairman McCain, Ranking Member Reed,
3 distinguished members the committee, good morning.

4 When I appeared before this committee in mid-November,
5 I stated that modernization was a top priority of mine and
6 that ensuring the future readiness of the total force in a
7 high-end fight would be very difficult without fundamental
8 reform of the current acquisition system. In my few weeks
9 as Army Secretary, I am even more convinced that this is
10 true and more aware of the urgency for us to modernize.

11 I am encouraged, though, by the progress that the Army
12 has made, consistent with congressional direction, to begin
13 overhauling the current system. To be sure, a long road
14 lies ahead, and the challenges are great. But Army
15 leadership with the support and advice of Congress is fully
16 committed to bold reform that promises to provide America's
17 soldiers with the weapons and tools they need to fight and
18 win our Nation's wars as part of the joint force.

19 This committee is well-aware of the growing challenges
20 our military faces around the world. Rising near-
21 competitors threaten and sometimes challenge America's
22 interests with capabilities that often match and, in a few
23 cases, exceed our own.

24 In short, our failure to modernize as quickly as
25 possible will most likely increase risk to the force. This

1 makes reform of our Industrial Age acquisition system a
2 strategic imperative.

3 Together with leaders from the regular Army, Army
4 National Guard and Army Reserve, I am approaching this
5 endeavor through the priorities I outlined previously.

6 First, taking care of our people: our soldiers,
7 civilian professionals, and their families.

8 Next, readiness: ensure the Army's ability to deploy,
9 fight, and win across the entire spectrum of conflict,
10 especially the high-end.

11 Third, modernization: build greater capability and
12 capacity in the longer term to ensure clear overmatch the
13 future.

14 Finally, reform: improve the way we do business to free
15 up resources, time, money, and manpower that will make the
16 Total Army more lethal, capable, and efficient.

17 Given these priorities, the Army is currently
18 undertaking five acquisition reform efforts designed to
19 promote unity of effort, unity of command, efficiency, cost-
20 effectiveness, and leader accountability.

21 First, a three-star level task force is mapping out a
22 new command, Army Futures Command, that will consolidate the
23 service's modernization enterprise under one roof.

24 Second, the Army is executing eight directives intended
25 to improve our capability and material development process

1 by refining how we generate requirements; simplifying our
2 contracting and sustainment processes; and evaluating our
3 progress through metrics to enable our ability to deliver
4 capabilities to soldiers faster, among other things. These
5 directives leverage authorities contained in the fiscal year
6 2016 and fiscal year 2017 NDAAAs.

7 Third, the Army has stood up eight cross-functional
8 teams to enable our leadership to efficiently identify and
9 manage investments across the Army's six modernization
10 priorities. These cross-functional teams are charged with
11 using technical experimentation and demonstrations to inform
12 prototype development and reduce the requirement process.

13 Mindful of past failures, the Army's fourth effort is
14 to ensure that technological solutions are mature before we
15 begin a program of record. This includes a threat-based
16 strategy that has aligned 80 percent of the Army's science
17 and technology funding requests against our six
18 modernization priorities.

19 Fifth, we are directly engaging Army senior leadership
20 as decision-makers, as directed in the fiscal year 2016
21 NDAA, through a reinvigorated Army Requirements Oversight
22 Council process.

23 Underlying these efforts are the other benefits the
24 Army has derived from the recent NDAAAs. For example,
25 streamlined requirements and processes are being captured in

1 a rewritten Army Regulation 70-1 Army Acquisition Policy.

2 But there is more that we can and must do. To be
3 effective, we must have predictable, stable, and adequate
4 funding to restore balance and reduce risk.

5 Ultimately, we are accountable to Congress and the
6 American people. This is why we will continue to work with
7 you and your staffs on the tasks before us. I fully believe
8 you will see marked, clear progress in the coming months.
9 You will see much more unity of effort, unity of command,
10 efficiency, and accountability as we move forward.

11 However, the ultimate test we will face is on the
12 future battlefield, where we will succeed or fail based on
13 our efforts to reform and modernize today.

14 Mr. Chairman, I cannot help but be reminded that today
15 is the anniversary of December 7th, when we were caught off
16 guard at Pearl Harbor. And in a few short years, we
17 reenergized the country, industry, the American people to
18 fight and win that war. And I think we need to take that
19 same sense of urgency to the challenges we face today as we
20 did in the 1940s.

21 So with that, we understand the stakes. We have begun
22 to make progress. And we will not fail. Thank you.

23 [The prepared statement of Mr. Esper follows:]

24

25

1 Chairman McCain: Thank you, Mr. Secretary.
2 Secretary Geurts?
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 STATEMENT OF HON. JAMES F. GEURTS, ASSISTANT SECRETARY
2 OF THE NAVY FOR RESEARCH, DEVELOPMENT, AND ACQUISITION

3 Mr. Geurts: Mr. Chairman, Ranking Member Reed, and
4 distinguished members of the committee, thank you for the
5 opportunity to appear before you today to discuss
6 acquisition reform efforts, recommendations for further
7 reform, and requests for congressional support to improving
8 acquisition outcomes.

9 The Department of the Navy has embraced the recent
10 acquisition reforms on multiple fronts. We are actively
11 pursuing initiatives to capitalize on the new mid-tier
12 acquisition authorities provided in fiscal year 2016 and
13 2017 NDAA's. We continue to leverage available tools to
14 drive down procurement costs and assist the workforce. We
15 have made meaningful progress to date, and we will continue
16 to be efficient and effective managers of the acquisition
17 reform efforts and our resources. Our workforce, in
18 particular, has made progress advancing their professional
19 and technical talents, thanks to your support.

20 Further meaningful acquisition reform must be assisted
21 by sufficient and predictable funding. Timely budgets,
22 avoiding further C.R.s, and amending the Budget Control Act
23 to increase funding levels would reduce market uncertainty
24 and improve our ability to maintain schedule and cost across
25 all the Department of Navy acquisition programs.

1 Sufficient and predictable funding translates into more
2 capability delivered more efficiently, which reduces cycle
3 time and cost, the goals we all share here together.

4 We appreciate the support of this committee providing
5 the guidance on acquisition policy and reform. Thank you
6 for the opportunity to speak before you today, and I look
7 forward your questions.

8 [The prepared statement of Mr. Geurts follows:]

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 Chairman McCain: Thank you.

2 Secretary Wilson, welcome.

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATEMENT OF HON. HEATHER A. WILSON, SECRETARY OF THE
2 AIR FORCE

3 Ms. Wilson: Mr. Chairman, I would like to put my full
4 statement in the record and just summarize a few key points.

5 Chairman McCain: Without objection.

6 Ms. Wilson: Mr. Chairman, I wanted to thank the
7 committee for the authorities that you have given to the
8 services to continue to accelerate procurement and to
9 streamline getting capability to the warfighter more
10 quickly.

11 The Air Force manages 470 acquisition programs,
12 programs of record. It is about \$158 billion, if you add up
13 what we were authorized to spend over a 5-year period.

14 There are few things in the legislation that you have
15 given us that I want to update you on where we are.

16 The first has to do with delegation of authorities back
17 to the services, which was very clear guidance in the fiscal
18 year 2016 National Defense Authorization Act. Before that
19 act came into being, 19 of 49 of the largest Air Force
20 programs were actually managed in decision authority kept at
21 the Office of the Secretary of Defense level. So only 39
22 percent of our programs did we have a decision or authority
23 on.

24 Chairman McCain: So you see it as an improvement?

25 Ms. Wilson: Today, I have 76 percent of those

1 programs.

2 And last week, the Under Secretary delegated eight more
3 programs to the Air Force to manage. One of those was the
4 GPS III follow-on. So last Thursday, Secretary Lord gave us
5 authority to move out on that program. And in the last
6 week, we have moved forward and approved a strategy and put
7 out the request for proposal. Just in that one action, we
8 have saved 3 months on the timeline to acquire that system.

9 So we are taking advantage of those authorities, but we
10 are also doing the same in the service by pushing authority
11 down to program managers, to the colonels who can run these
12 programs. We have not been changing things above them in
13 the past. They know what they are doing. Let's support
14 them and let them get after their programs.

15 The second major change in the defense authorization
16 act was prototyping and experimentation. We have been
17 beginning to take advantage of those new authorities in a
18 couple of ways. The most publicly discussed one is the
19 light attack aircraft.

20 You mentioned about the 100-page request for proposal
21 for a 9mm pistol. I think it was actually more than that.
22 It looked like a pretty big stack to me.

23 This is the letter of invitation and 4-page set of
24 requirements on the light attack aircraft. It was sent on
25 the 8th of March. In less than 5 months, we had four

1 aircraft on the ramp to test at Holloman Air Force Base.
2 And last night, I just got the test report.

3 So in less than 11 months, with five pages, we have
4 tested four aircraft for a potential light attack aircraft
5 for the United States and allies.

6 Chairman McCain: What conclusion have you reached?

7 Ms. Wilson: Senator, I was busy preparing for this
8 hearing and did not read the report last night.

9 [Laughter.]

10 Ms. Wilson: But it is not just the light attack
11 aircraft that we are experimenting with. Another very
12 promising one is something we call an adaptive engine. It
13 is intended to get an increase in thrust of about 10 percent
14 with a 25 percent increase in fuel efficiency, and we have
15 two contractors working on that.

16 It is not a program of record. It is an experiment.
17 But we are trying to mature the technology, refine the
18 requirements, reduce the timelines to get better engines
19 that are more fuel-efficient to the warfighter faster.

20 So those prototyping and rapid fielding kinds of
21 authorities are, I think, going to pay us big dividends,
22 both in the short term and the long term.

23 The third thing that your authorities gave us was
24 something called the Other Transaction Authority, and we are
25 taking advantage of that in a number of our different

1 program areas. It really targets those nontraditional DOD
2 contractors, the small, innovative companies that will not
3 do business with the Department of Defense under normal
4 circumstances, because we are too hard to work with.

5 An example, Space and Mission Systems just let \$100
6 million contract, an umbrella contract for a consortium of
7 innovative companies, to give us space, ground and
8 communication capabilities, particularly for our space
9 forces. And that consortium is managing things for us under
10 Other Transaction Authority contract. It took us 3 months
11 to put that contract together.

12 Rome Labs is another one that is using Other
13 Transaction Authority arrangements that you authorized to
14 put together consortiums of companies that are helping us on
15 cyber, intelligence, surveillance, and reconnaissance.

16 The fourth area that I wanted to highlight for you has
17 to do with people and the emphasis of this committee on both
18 expedited hiring and the professionalization of our
19 workforce. In fiscal year 2016, we used expedited hiring in
20 the Air Force to hire 810 people. In fiscal year 2017, we
21 almost doubled that up to 1,600.

22 In direct hiring, we are even seeing more effort by the
23 Air Force to take advantage of the authorities that you have
24 given us. In fiscal year 2016, we hired only two people
25 under those direct hiring authorities. In fiscal year 2017,

1 it is 266.

2 Thank you, also, for the Defense Acquisition Workforce
3 Development Fund. We are using those funds to enable,
4 empower, educate, and train exceptional acquisition
5 officials to be able to take advantage of the authorities
6 that you have given them to do things differently, faster,
7 and with bringing more capability.

8 There is much more work to be done, but we are
9 beginning to make some progress. There are areas where we
10 are, frankly, not very good at buying stuff. Software is
11 one real example and is an area of continued focus and extra
12 emphasis by the Air Force.

13 Not all of this will work. That is why we call them
14 experiments. But if we have productive failures, if we fail
15 fast and learn for it and continue on in different vectors
16 of technology, we have a chance of better meeting the
17 adversary in 2030. And that is what this is all about.

18 Thank you, Mr. Chairman.

19 [The prepared statement of Ms. Wilson follows:]

20

21

22

23

24

25

1 Chairman McCain: Thank you, Madam Secretary.

2 And I thank the witnesses.

3 I would like to point out that it was about 3 years ago
4 that we were having a hearing with the service chiefs, and
5 we were looking at the fact that the USS Gerald R. Ford had
6 a \$2 billion cost overrun, and I asked the Chief of Naval
7 Operations, who is responsible for a \$2 billion cost
8 overrun? You know what the answer was? He did not know.
9 He did not know.

10 I mean, there is such a thing as accountability. And
11 all of the things that were just covered by the witnesses
12 here, there is no penalty for failure.

13 Can you tell me one or two individuals that, because of
14 the failure, for example, the \$6 billion Future Combat
15 Systems that never worked, can you tell me an individual or
16 individuals that paid a penalty for that failure?

17 Ms. Lord: Senator?

18 Chairman McCain: Yes?

19 Ms. Lord: Senator, I would be more than happy to have
20 a meeting in your office and talk about some actions we have
21 taken over the past several months to get at that very
22 issue.

23 Chairman McCain: What can you illuminate for us as to
24 what --

25 Ms. Lord: We, as a team, are working very closely

1 together to look at functions and individuals in OSD, and in
2 the services, the duties they are required to perform, and
3 are determining whether or not we have the right people in
4 the right slots. And I do not want to talk about
5 individuals here in a broad forum --

6 Chairman McCain: Okay.

7 Ms. Lord: -- but would appreciate the opportunity to
8 do that behind closed doors with a smaller group.

9 Chairman McCain: I thank you, but when I go to a town
10 hall meeting and tell my constituents that we blew \$6
11 billion, and there has not been anyone fired or replaced or
12 a new way of doing things, they are not really very happy.

13 So we will be glad to hear what you have done and what
14 you plan on doing, but there is no reason why you shouldn't
15 tell the American people. That is why we have hearings in
16 the Armed Services Committee, okay? So the next time that
17 you come before this committee, and you will, I want to know
18 what you have done, besides say, "We do not know who is
19 responsible." Okay?

20 Ms. Lord: Sir, excuse me. I want to be on record. We
21 hold people responsible, and we will talk about that.

22 Chairman McCain: All right. You hold people
23 responsible. That is our system of government. Who is it
24 that has been fired? Any answer? No.

25 Mr. Esper: Senator, I am not aware of anyone being

1 fired for FCS, to your point. We completely agree.

2 Chairman McCain: All right.

3 Senator Reed?

4 Senator Reed: Thank you very much, Mr. Chairman.

5 Following along these lines of accountability, because
6 I think that is probably the most critical principle, one of
7 the practical difficulties is that these programs sometimes
8 stretch over decades. And there are people who change out,
9 retire, who are promoted, et cetera.

10 So starting with Secretary Lord and going down, any
11 thoughts about how we can have this accountability stretch
12 over many, many years? And as a subset of those questions,
13 on a year-to-year basis, what kind of metrics can we use to
14 make sure we are on track and the individuals will be
15 closely associated with accountability?

16 So, Secretary Lord?

17 Ms. Lord: Absolutely.

18 First, there is an active discussion going on about
19 when we rotate program managers out. It has not always been
20 aligned with critical milestones in the program, and that is
21 somewhat problematical in terms of discontinuity. So we are
22 looking at holding onto program managers through key
23 milestones or key events. I think that that is one helpful
24 issue.

25 Secondly, in the department, I will speak for myself

1 here, but I know we all talk about this, I, on a monthly
2 basis, roll out the 87 major Defense program metrics. So in
3 other words, we have 87 ACAT I programs that are accountable
4 for about 96 percent of our \$1.9 trillion programs of
5 record.

6 We rack and stack those programs in terms of their
7 performance, not only to the contract itself, but to the
8 needs of the cocoms down range, because, for instance, you
9 could look at some precision-guided munitions programs that
10 look green, if you will, if you look at the letter of the
11 contract, however, we know we know we have shortages
12 downrange. We know we have cocoms who are asking for more.
13 So we take that market intelligence, if you will, and factor
14 it in.

15 We look at the metrics. Where are we in terms of cost?
16 Where are we in terms of delivery? Where are we in terms of
17 quality? We review that, and we roll that all the way up to
18 Secretary Mattis.

19 Then I spend my time, from an OSD AT&L point of view,
20 on those critical joint programs. So right now, an enormous
21 amount of my time is focused on F-35.

22 Those are some of the ways we are holding people
23 accountable. In fact, we have what we call war rooms that
24 we have put together. It is very transparent. You all are
25 invited to come see. We have the metrics up on the wall.

1 In terms of accountability, we have the PEOs and the
2 program manager names. And they come and report out to us.
3 We flow that information up.

4 So again, I am taking that lens that I had in industry,
5 and every month, rolling the numbers up and seeing where we
6 are, seeing where we are in delivery time, and where we are
7 in quality, and going back and making sure we have action
8 plans against those.

9 Senator Reed: Thank you.

10 Secretary Esper, in the remaining time, a brief comment
11 to amplify what Secretary Lord has said?

12 Mr. Esper: Yes, sir.

13 First of all, I completely agree with what she said
14 with regard to aligning the program managers' tenures with
15 the critical milestones. And there are other things that we
16 should look at doing on the personnel side as well.

17 I also want to address briefly what you said about the
18 process being so long. Under the concept we are developing
19 with Army Futures Command with regard to the cross-
20 functional teams, what we envision is, with the unity of
21 effort and unity of command, adopting a process that is
22 enabled by the NDAA's where we will prototype, test, learn,
23 fail, prototype, test, learn, fail.

24 We are looking at reducing a requirements development
25 process that currently runs about 5 years, 60 months, down

1 to 12. And so, if you reduce that time frame, clearly,
2 there would be one person in charge of that effort, the CFT
3 leader.

4 So that gives you one example of how we are trying to
5 reduce the timelines to ensure accountability.

6 Senator Reed: Secretary Geurts and then Secretary
7 Wilson, I apologize. My time is limited.

8 Mr. Geurts: Yes, sir. I agree with both Secretary
9 Esper and Secretary Lord. Tenures are key.

10 The Navy, we have a gate review process where we,
11 myself, and the CNO or commandant, we are looking at these
12 programs at milestone, and then we do annual reviews. So
13 that is a key point where we can see where the program is
14 and then assess that program manager or PEO to see if they
15 are delivering, if not, then hold them accountable at that
16 point.

17 Another key issue Secretary Wilson mentioned, push
18 responsibility down. It is hard to hold somebody
19 accountable when they do not have the authority to actually
20 make the decisions. So pushing that authority down is a key
21 element.

22 And then finally, and probably most importantly, is
23 workforce training and certification, because if we have not
24 done the effort to train them, certify them, and make sure
25 they are capable, then it is hard to hold them accountable.

1 That is our fault, if we have not given them the skills to
2 actually be successful.

3 Senator Reed: Thank you.

4 Secretary Wilson?

5 Chairman McCain: Whose fault is it that they are
6 working 100-hour workweeks? Whose responsibility is that?

7 Mr. Geurts: Onboard the ships, sir?

8 Chairman McCain: Onboard the ships.

9 Mr. Geurts: Sure. That would be on the CNO side,
10 through the operational command.

11 Chairman McCain: When I asked the question, they said,
12 well, we are going to do a study on this. A study as to
13 whether our sailors and marines should be working 100-hour
14 workweeks? We need a study to figure that out?

15 Mr. Geurts: Sir, I am not familiar of the details of
16 that plan, if I could take a question for you and get back
17 with the exact strategy to get after that question I know
18 you had previously.

19 Chairman McCain: Thank you.

20 I am sorry, Jack.

21 Senator Reed: That is quite all right, Mr. Chairman.

22 Secretary Wilson, if you have any additional comments,
23 we would appreciate it.

24 Ms. Wilson: No, sir. I think my colleagues covered
25 it.

1 Senator Reed: Thank you very much, and thank you for
2 your service, Secretary.

3 Thank you.

4 Chairman McCain: Senator Rounds?

5 Senator Rounds: Thank you, Mr. Chairman.

6 Let me begin, Secretary Wilson, you have mentioned the
7 light attack aircraft and where we are moving on that. I
8 want to compare that with the B-21 Raider program, which is
9 also under development at this time, and that program. As
10 you mentioned in your prepared statement, there is a
11 movement in both the OAX and also in the B-21 Raider
12 program.

13 A recently declassified audit from the Pentagon
14 inspector general praised the B-21 program's plan for
15 beating cost goals and requirements. I think if this trend
16 continues, the B-21 could one day emerge as a model
17 acquisition program.

18 Congress and the taxpayers might wonder if we could
19 duplicate all or, in part, a process that has worked well in
20 this particular program for subsequent programs. I know
21 that the chairman had expressed real reservations as to the
22 approach that had been proposed. And I think he has been
23 very interested in the development and the movement forward,
24 in terms of getting this done on time and on contract.

25 Do you see some similarities between that and the light

1 attack aircraft possibilities? And can we use the process
2 that we have been successful, so far, in developing in the
3 B-21 plan? Is that something that can migrate to other
4 plans, such as light attack aircraft, as well?

5 Ms. Wilson: Senator, we are actually using different
6 authorities there. We use other transaction authorities or
7 simple authorities or experimentation authorities for light
8 attack. B-21 is more traditional.

9 The thing that is different is, it is being done by
10 something we call the Rapid Capabilities Office, which kind
11 of has a board of directors of senior people, including
12 myself, AT&L, the acquisition authority. And things move
13 very quickly.

14 We are actually extending that down and using that
15 charter for the Rapid Capabilities Office to extend that
16 construct to our other procurements. We are going to give
17 this a try. It is a charter for kind of a rapid
18 capabilities process where senior leaders will allow a
19 program manager to identify a program they want to move
20 quickly on, set some parameters, and, instead of having to
21 walk it around the Pentagon to get 20 signatures, they come
22 to a board meeting, they make a presentation, they get a
23 real hard-wire scrub, and then we move.

24 So we are actually modeling that in the Air Force.

25 Senator Rounds: Thank you.

1 Secretary Lord, there was a discussion that I had with
2 my staff in terms of the time frame it takes to get new data
3 or new information, new plans put together. And they used
4 as an example, when we were talking about it, a cell phone,
5 straightforward, off-the-shelf. I can buy it, make a
6 decision on it, put it to use in about a week at the most,
7 to the time that I can use it.

8 Acquisition time for a new piece of software and
9 hardware combination today through the Pentagon could take
10 as much as 2.5 years to acquire. This is basically out of
11 date after a year to 1.5 years.

12 My question to you, when you are all said and done,
13 using a piece of hardware and software combination available
14 today in the general public for, perhaps, purchase within a
15 1-week or 2-week period of time, what is your goal for
16 getting the acquisition process down from a 2.5-year time
17 period for Pentagon acquisition and issue?

18 Ms. Lord: Our goal is to look at where we have had
19 successes with DIUx, with SCO -- in fact, I have asked and
20 asked Will Roper to be here with me today, because we think
21 that they demonstrated the right kind of behaviors. We are
22 looking at what the Rapid Capabilities Offices have done.

23 And frankly, as we organize AT&L into A&S and R&E, what
24 we are doing is basically trying to scale the behaviors, the
25 processes, or the lack thereof, that we have seen in these

1 different groups. And it is an issue of scaling --

2 Senator Rounds: I am going to run out of time, but let
3 me just ask one more time. What is the goal, in terms of --
4 is there goal for cutting back acquisition times?

5 Ms. Lord: Twelve months for major programs.

6 Senator Rounds: From 2.5 years to 12 months?

7 Ms. Lord: Correct.

8 Senator Rounds: Okay.

9 Ms. Lord: Now, that is a first step, I just would like
10 to be on record as saying.

11 Senator Rounds: Okay.

12 Next of all, cloud computing is here to stay. Clearly,
13 the Pentagon has to be able to make decisions about how they
14 acquire capabilities. You currently chair the Cloud
15 Executive Steering Group, or the CESG. Does the membership
16 include warfighter representation from military services,
17 combatant commands, to include Cyber Command, or DISA? Or
18 if not, why not?

19 Ms. Lord: We have pulled in all of the services and
20 are talking to them. We put out an RFI and have gotten 52
21 responses. Right now, we are working on how we are going to
22 go about that contract. We do not know how we are going to
23 structure it yet.

24 But absolutely, because what we are looking at is
25 mission focus here, not backroom business systems. And it

1 is all about getting that computing capability out to the
2 edge. We want our warfighting systems to be able to do
3 machine learning, to have artificial intelligence. And
4 until we have all of our data in just a few places, it is
5 going to be very hard to do that.

6 So frankly, sir, everything I do is about lethality and
7 the warfighter.

8 Senator Rounds: Thank you.

9 Thank you, Mr. Chairman.

10 Chairman McCain: Senator Shaheen?

11 Senator Shaheen: Thank you, Mr. Chairman.

12 And thank you all for being here today.

13 The Defense Federal Acquisition Regulation Supplement,
14 as I know all of you know, requires that all DOD
15 contractors, including small businesses, comply with a
16 complex series of cybersecurity requirements by December
17 31st of this year. Now, I certainly think it is very
18 important for us to address the cyber concerns, and have
19 been banging the drum on that, particularly with respect to
20 Kaspersky software.

21 But I am concerned, as a member the Small Business
22 Committee in the Senate, as someone who comes from a small-
23 business State, that our small businesses are very important
24 to technological innovation. And I have heard from many of
25 them that they are very concerned that they cannot comply by

1 this deadline, that unlike some of the bigger businesses
2 that work with the Department of Defense, they do not have
3 the support to comply with these complex regulations by this
4 deadline.

5 Can you tell me how concerned any of you are about
6 this, and whether there are ways in which we can do more to
7 help small businesses comply?

8 Ms. Lord: I am very, very interested in this topic.
9 And in fact, we are concerned about being compliant and
10 worrying about risks. We heard back over a year ago that
11 there was great concern about the difficulty of implementing
12 these requirements, so we went and modified them.

13 And in order to most effectively and efficiently get
14 out to the whole community, especially the small-business
15 community, we used a forum that I have set up where,
16 quarterly, I meet with all the different components, with
17 three industry associations, AIA, NDIA, and PSC. They all
18 have small-business components, the Professional Services
19 Council, especially.

20 In our early October meeting, we talked about this very
21 issue, because it was brought up. And we said that,
22 clearly, the only requirement for this year is to lay out
23 what your plan is. And that can be a very simple plan, and
24 we can help you with that plan. We can give you a template
25 for that plan. And then just report your compliance to it.

1 So we are trying to reach out very hard through the
2 industry associations to get this word out. I think there
3 may be some old information out there.

4 And any small company that has any issue can come to
5 us, and we will help them with that.

6 Senator Shaheen: That is really helpful. Are there
7 guidelines that we can share with the business community in
8 our States to let them know?

9 Ms. Lord: Absolutely. I will get that to your office.
10 Absolutely.

11 Senator Shaheen: That would be very much appreciated.

12 Secretary Geurts, the Virginia-class submarine is one
13 of the more successful acquisition programs. It is
14 delivered on schedule and on budget. Can you talk about
15 what happened in that program early on that has allowed it
16 to be so successful, and whether there are lessons that we
17 can transfer as we are looking at the Columbia-class subs to
18 ensure that they also can deliver on time and on budget?

19 Mr. Geurts: Yes, Senator.

20 I am third day on the job, so I was not around that
21 program as it originated in person.

22 Senator Shaheen: You should know the answer to this,
23 come on.

24 [Laughter.]

25 Mr. Geurts: Yes, ma'am.

1 I would say, looking back on it, though, designing for
2 affordability and then holding a stable design were key
3 traits, having the right government and industry team
4 working together all through all of it. As Secretary
5 Spencer likes to say, shared risk, shared benefit, so a very
6 good working relationship between the government and
7 industry team.

8 And then, as we look at Columbia, we are taking that
9 philosophy and taking it to the next level. Quite frankly,
10 using any of the common equipment we can across all the
11 submarine fleets, so we do not have to reinvent equipment,
12 and then we can get greater economic order. And then really
13 focusing early on the design for affordability.

14 Secretary Lord and I had a review yesterday, I think it
15 was. I am very impressed with their thought process, their
16 discipline process of really looking at cost in the design
17 phase, not trying to make it more affordable after it is
18 designed.

19 I think those are great principles that we will look to
20 continue across the other parts of the Department of the
21 Navy.

22 Senator Shaheen: I appreciate that, and I hope that
23 you will take the lessons that are learned and make sure
24 that they are incorporated into Columbia.

25 Mr. Geurts: Absolutely, Senator.

1 Senator Shaheen: To go back to small businesses, as I
2 said, and I know you all know this, that a lot of the
3 technological innovation that we are now adopting in our
4 military come from small businesses.

5 The SBIR program, the STTR program, have really been
6 successful. For SBIR, for every dollar spent through the
7 Air Force, \$12 was returned. In the Navy, for every dollar,
8 \$19 was returned.

9 So these are programs that really work. Can you
10 elaborate on what more we can do to encourage the use of
11 small business in these programs?

12 Ms. Lord: I was just speaking with Raj Shah at DIUx a
13 couple of days ago about how we can take the success they
14 have had at DIUx, because they have let over 60 contracts
15 using their Other Transaction Authority to work with small
16 businesses who might not have worked with the Department of
17 Defense otherwise.

18 I asked him that exact same question. And he told me
19 that there are some constraints on some of the SBIR money
20 that doesn't allow it to flow. I do not have the specifics
21 here, but I would love to come back to you. This answers
22 the question of what else can this committee do to help move
23 along toward incorporating commercial technology and so
24 forth.

25 I think this is one of the few cases I have seen so far

1 where another authority or taking away some kind of
2 legislation right now might help us, but I would love to
3 come back and give you specific examples.

4 Chairman McCain: Tell us what you need.

5 Ms. Lord: I will.

6 Senator Shaheen: Yes. And also, if the Small Business
7 Committee also needs to do anything, please, we can move on
8 that as well.

9 Ms. Lord: Very, very timely. I appreciate it.

10 Mr. Esper: And, Senator, I would add to your point
11 that small business tends to be an engine of innovation.
12 That is something that we have to preserve.

13 The Army works hard to meet and exceed its annual goals
14 for business, and we do. I think the key thing is, we
15 talked already about the complexity of regulations,
16 something we are working hard to deregulate, to delayer, I
17 would say security clearances are a big challenge for
18 businesses.

19 Senator Shaheen: Absolutely.

20 Mr. Esper: We now have over a yearlong process.

21 And complexity, the other thing I would mention -- this
22 is preaching to the choir. I mean, clearly with C.R.s and
23 the uneven funding, if you are a small mom-and-pop shop out
24 there, and I am referring to my industry experience, it is
25 hard for them to survive in an uncertain budgetary

1 environment. We risk losing those folks who may, over time,
2 decide that they are going to get out of the defense
3 business and go elsewhere.

4 So that is a big threat to our supply chains.

5 Senator Shaheen: Thank you.

6 Chairman McCain: How would you characterize your
7 relationship with Silicon Valley?

8 Mr. Esper: Senator, I think from the Army prospective,
9 it is a growing one. I think it is something we need to
10 develop, particularly when we talk about IT systems. I
11 think as Senator Rounds pointed out, I think it is a very
12 particular challenge, given the fact that the technology
13 changes so quickly, and now the innovation is happening
14 mostly, if not entirely, in the commercial sector.

15 So I think it is a relationship we have to continue to
16 build with Silicon Valley and then, broadly, with the
17 commercial sector, and make DOD acquisition more friendly to
18 the commercial sector.

19 Chairman McCain: The relationship between the CIA and
20 this outfit and DOD is not nearly as progressive.

21 Ms. Lord: I agree with that. CIA has done some great
22 work, for instance, migrating to the cloud.

23 To answer your question from my prospective, I am
24 leveraging the Defense Innovation Board pretty
25 significantly, and that is how I am tying into Silicon

1 Valley. I have worked on the subject of software, where I
2 think the most opportunity lies for the department, both
3 from a contracting point of view as well as developing
4 commercial techniques.

5 So I speak routinely with the Defense Innovation Board
6 about how to do things differently and particularly Eric
7 Schmidt I speak a bit with. I was just on the phone with
8 him on Monday afternoon, asking him specifically what I can
9 do differently to solve some specific issues. And that is
10 helpful.

11 We also are using our DIUx arm out there to set up
12 roundtables for me to meet with a variety of software
13 companies, because that is where I am focused right now.

14 Chairman McCain: How long has DIUx been in business?

15 Ms. Lord: For 2 or 3 years, perhaps. I am going to
16 have to get back to you on the specifics on that. I am not
17 smart enough to know that right now.

18 Chairman McCain: That is not a lot of progress.

19 Ms. Lord: I want to build on it.

20 Chairman McCain: Senator Ernst?

21 Senator Ernst: Thank you, Mr. Chair.

22 And thanks to all of you for joining us today.

23 We had a great forum this last weekend, the Reagan
24 National Defense Forum.

25 And, Secretary Lord, I am glad you were there.

1 Secretary Esper and I sat together on a wonderful,
2 wonderful panel. I think everybody was engaged at one point
3 or another through those discussions.

4 And it was very helpful to see so many people that
5 agreed on some of the challenges that we have, including the
6 C.R.s, as was just mentioned, sequester, our budgeting
7 issues here in Congress.

8 Secretary Lord, from this past weekend, you had
9 mentioned the need to redirect our investments to meet the
10 demands of a shifting world. And I agree with that as well,
11 and we do need to invest in innovation to keep our
12 competitive edge over near-peer adversaries, like China and
13 Russia. And that is a topic that Secretary Esper and I were
14 engaged in on our panel.

15 Can you talk about some of the emerging capabilities
16 the Department of Defense should be investing in, to ensure
17 that we are keeping that technological edge? And how do we
18 balance those investments, then, with the need that we have
19 to improve our readiness?

20 Ms. Lord: What we are trying to do is strike that
21 balance. We were talking about operational availability of
22 aircraft earlier. We obviously need the readiness.

23 What we are doing is trying to take a very federated
24 system of labs that we have right now right now, between the
25 services, FFRDCs, OSD, and so forth, and align them in terms

1 of modernization.

2 What do I mean by that? Instead of working on maybe
3 hundreds of projects, we are trying to identify specific
4 technology domains that we agree, across the department, are
5 critical to really reach the overmatch capability we want to
6 have.

7 So specifically, what does that mean? Hardened
8 microelectronics, absolutely; hypersonics; then the whole
9 cyber area. And everybody defines cyber a little bit
10 differently, but I am talking about offensive and defensive
11 cyber. Those are three areas where we are committed, and we
12 are looking at aligning our investments to make sure we make
13 a step function change in our capability.

14 Senator Ernst: Okay, I appreciate that.

15 Chairman McCain: Do you have a strategy for cyber?

16 Ms. Lord: What we are doing right now is working on
17 the elements of that, and we would love to come back and
18 talk to you about that in more in depth.

19 As you know, we just stood up Cyber Command we have a
20 whole series of efforts.

21 Senator Ernst: Yes.

22 Chairman McCain: We would be very interested, since we
23 have been fooling around with this issue without a strategy
24 for years.

25 Ms. Lord: Understood.

1 Senator Ernst: Yes, the Chairman and Senator Rounds
2 have been very passionate about making sure that we are
3 nesting our capabilities together and understanding who is
4 responsible and in what domain. So very, very important.

5 And, Secretary Lord, as well, I have heard just recent
6 reports that this Distributed Common Ground System, or DCGS-
7 SOF, the software that aggregates intelligence data for our
8 special operators, is problematic. It is ineffective, is
9 what I have heard from some of those operators.

10 And I also understand there are a number of commercial
11 solutions that may be better and immediately available, and
12 in some cases, they are already in use.

13 At what point does the department then decide to simply
14 cut its losses and move away from a program that they feel
15 is ineffective?

16 Ms. Lord: I do not want to comment too specifically
17 about DCGS, because when I was at Textron, we did have one
18 of those contracts. But I will vector over to an Air Force
19 program to answer the same type of question.

20 We feel strongly when the environmental conditions and
21 our adversaries have changed rapidly, and we no longer
22 believe that programs that we are pursuing can achieve the
23 lethality that we wish, then we will talk about potentially
24 terminating programs.

25 And in fact, General Holmes and I were just here

1 talking to HAC-D last week about JSTARS's recap. That is a
2 perfect example of where, given the contested environments
3 in which we are fighting, we are thinking that perhaps there
4 might be better ways to get sensors to work closer to the
5 adversary.

6 So that is an example of where we came up and said, we
7 are strongly considering and want you to understand this is
8 our thought process. We want you to be thought partners
9 with us, and these are all the reasons.

10 It was a secret hearing, so I cannot get into too many
11 details. But that is an example of where we are looking at
12 the current state of events, our current capability, a
13 current program, and what we now know about other ways to
14 achieve the end objectives we were trying to initially
15 address.

16 Senator Ernst: Okay, so multiple factors involved in
17 that decision-making process, dollars, capabilities,
18 overmatch.

19 Ms. Lord: Absolutely, and it is one that is not taken
20 lightly. And all of the different equities within the
21 building are considered before we come and take the time of
22 Congress to say this is a serious concern of ours.

23 Senator Ernst: Okay, thank you very much.

24 Chairman McCain: How long have we been spending money
25 on JSTARS?

1 Ms. Lord: Several years.

2 Chairman McCain: Several years.

3 Ms. Lord: For the recap.

4 Senator Ernst: Thank you, Mr. Chair.

5 Chairman McCain: Do you have an idea of how much we
6 have spent?

7 Ms. Lord: I do not have it here today, but I certainly
8 could get that. Yes, we do know.

9 Chairman McCain: In the billions?

10 Ms. Lord: On the recap, I do not believe it is in the
11 billions, but I shouldn't speak without the data in front of
12 me. We will get back to you.

13 Chairman McCain: Senator Warren?

14 Senator Warren?

15 Senator Warren: Thank you, Mr. Chairman.

16 And thank you to our witnesses for being here today on
17 this important topic.

18 I previously asked each one of you if you would make
19 research a priority in your work. You have all said yes, so
20 I am going to start with a really simple question. Are you
21 still committed to prioritizing basic and applied research?
22 And will this commitment be reflected in the fiscal year
23 2019 budget? I am willing to take really short answers,
24 like yes.

25 Secretary Lord?

1 Ms. Lord: Yes.

2 Senator Warren: We've got this.

3 Secretary Esper?

4 Mr. Esper: Yes, Senator.

5 Mr. Geurts: Yes, Senator.

6 Ms. Wilson: Yes.

7 Senator Warren: Good.

8 So I have another question. In an effort to emphasize
9 the importance of R&D, and in recognition of the span of
10 responsibilities at AT&L, that they were so big, that, last
11 year, this committee directed that the position that Ms.
12 Lord now holds be split into two separate positions, one
13 that focused on research and engineering, and the other that
14 focused on acquisition and sustainment. And I know you are
15 all working hard to try to implement that.

16 I think having a senior leader focused on future
17 technology is incredibly important. I support that. But
18 one of the real problems in our system right now is that we
19 struggle to convert promising new technologies in the lab
20 into the field, and the gap from the lab to the field is
21 sometimes known as the Valley of Death. I am worried that
22 splitting oversight of R&D from acquisition is going to make
23 this problem even worse.

24 So let me start with you, Ms. Lord. After the split,
25 how will the department ensure that our research and

1 development program stays closely linked with the
2 department's acquisition requirements, and that promising
3 technologies are actually nurtured and incorporated into our
4 programs of record?

5 Ms. Lord: This is something we are working on right
6 now. In fact, I have had conversations, and I am meeting
7 with staffers next week to go over what our preliminary
8 plans look like, to have them be thought partners with us.

9 But, quite simply, what we are trying to do is push the
10 risk into the research and engineering side with a lot of
11 prototyping and experimentation, so that there are many,
12 many iterations in order to understand the capabilities of
13 new systems and the cost of new systems before pushing them
14 over to the A&S side.

15 Senator Warren: So you are just saying, get it further
16 along while it is still in the research bucket?

17 Ms. Lord: That is one piece of it. A second piece of
18 it is, we are working on streamlined acquisition processes,
19 where you basically have a flow chart, and you use the
20 simplest methodology possible to get things on contract, so
21 that we are not held up in this do-loop of you want to do
22 something, but you cannot get it on contract.

23 Senator Warren: Right.

24 Ms. Lord: And these other transaction authorities are
25 particularly germane here, because they have helped us.

1 Thirdly, we are going to have some common resources
2 between R&E and A&S, so it is not as if we have people that
3 are either 100 percent R&E or 100 percent A&S. We will have
4 a lot of those, but we are going to have some shared
5 resources that span that gap that allow one group to
6 understand what the other group is doing. This cannot be
7 personality-dependent. It needs to be sustainable, as we
8 all move on.

9 So we are going to actually be prototyping and
10 experimenting over 2 years to make sure we get that right.
11 The construct I have right now, and I will be coming back to
12 brief all of you on this, is we are going to do a 2-year, 8-
13 quarter, transition. And we have a model for what we are
14 going to do. And we are going to tell everyone what that
15 is, and we will begin moving toward that model.

16 But we are not being rigid about it. We are
17 experimenting and seeing what works.

18 We are also making sure we get a lot of brains around
19 the table to talk about all the what ifs.

20 Senator Warren: Good. I really appreciate it. I
21 appreciate the thought you are putting into this. We do not
22 want to lose at that space.

23 Secretary Esper, would you like to add to that? We are
24 low on time.

25 Mr. Esper: Yes, Senator. You ask a very good

1 question.

2 I would just say, briefly, that the Army has begun a
3 process of realigning its S&T investments toward our six
4 priority areas. So for fiscal year 2019 to 2023, we have
5 already realigned over \$1.13 billion toward S&T along our
6 priorities.

7 The way we are also doing that is, as the cross-
8 functional teams are stood up, and they are responsible for
9 their specific capability areas, with S&T now aligned to
10 that specific capability area, we are actually issued a
11 directive that would require standardized written agreements
12 about what is expected to be delivered from the S&T
13 community to hand off to the actual CFT leader to begin the
14 acquisition process.

15 Senator Warren: Okay.

16 Mr. Esper: We are trying to do exactly what I think
17 you were saying.

18 Senator Warren: I am out of time, so I am going to ask
19 the other two of you to answer this in questions for the
20 record, so we can get it in writing.

21 But I just want to say, we have to get better at this.
22 Anything that has a name of the "Valley of Death" is not
23 good, in terms of acquisition of new, cutting-edge
24 technology. We can do all the terrific research in the
25 world, but if we cannot translate that into something that

1 helps our warfighters, then we have failed at our essential
2 mission.

3 Senator King: Except for the Clemson football stadium.
4 That is known as the Valley of Death.

5 [Laughter.]

6 Senator Warren: Not to me.

7 All right, thank you.

8 Chairman McCain: What does Maine have to do with that?

9 Senator Reed: What does Maine have to do with
10 anything?

11 Chairman McCain: Senator Perdue?

12 Senator Perdue: Thank you, Mr. Chair. Let's bring
13 this back to this topic here.

14 First of all, thank you. I am so encouraged to hear
15 the conversation today. I heard the word "crisis" mentioned
16 twice. I have heard "sense of urgency" mentioned several
17 times. As an ex-business guy and seeing this crisis, I am
18 terribly encouraged by what you all are doing.

19 I have met you, and we have had private conversation.
20 Secretary Wilson, yesterday, was so gracious with her time,
21 talking about a major Air Force base and major piece of
22 technology.

23 I want to talk about something a little different.

24 Secretary Esper, you mentioned first in your opening
25 comment, in 1941, we built up not in years, in months,

1 literally. We had things coming off the production lines
2 literally in months, because we broke through everything,
3 because we considered it a crisis. But in 1949, just 3
4 years after we demilitarized after World War II, we were
5 right back in the same position. And that war was a little
6 different.

7 But today, we find ourselves -- I do not have time for
8 describing the crisis. But after 30 years of disinvestment
9 and only one major recap, and after 16 years of active
10 combat, I believe we have a crisis. The global situation is
11 more dangerous than it has ever been. We have a debt crisis
12 here. We have a near-rival that is now going to be a full
13 rival that is actually spending more money than we are in
14 real terms, adjusted for purchasing power parity.

15 General Mattis says that there are three phases to
16 solve this problem, and you have each spoken about it in
17 different ways. There is a 3-year term of readiness. We
18 have to get readiness recovered. There is a 15- to 25-year
19 plan for new technology and recap, and the full bloom of
20 U.S. innovation and technology, with regard to providing for
21 national security.

22 At the same time, China is coming online. It is not
23 going to take 15 years before a lot of their new technology
24 is hitting. They have leapfrogged major areas of
25 restrictions. They are bringing product online much cheaper

1 than we do, much quicker than we do, and with far less
2 restriction and government intervention.

3 I am worried about the shoulder season from year 3 to
4 year 12. And I would like, I think, Secretary Lord, if you
5 will start with this, I am really concerned about how we
6 find quick, low-cost solutions for the battlefield.

7 I would like the combatant commander representatives of
8 Army, Navy, and Air Force to comment on this as well,
9 because I am very concerned that we have our eyes out here.
10 We are looking at where the money is needed, and yet these
11 high-cost solutions, flying F-35s into battlespace where an
12 A-29 might be okay -- I am not saying we are doing that, but
13 those types of examples.

14 JSTARS, you mentioned JSTARS just a minute ago, great
15 long-term capability. We have a dying platform right now.
16 Technology, the battlespaces are changing. That interim
17 period, that is a perfect example of where I do not,
18 personally, see the Air Force, or anybody else, really,
19 moving toward that interim solution in a way that gives me
20 comfort with a low-cost, current technology platform that is
21 better than what we have, more cost-effective than what we
22 have, but doesn't get in the way and take money away from
23 long-term development.

24 Would you address that?

25 Ms. Lord: Two-part answer to the question.

1 One, I would really like to come back and in a
2 different setting, in a classified setting --

3 Senator Perdue: That is fair.

4 Ms. Lord: -- talk to you about some of the programs
5 going on.

6 Senator Perdue: I look forward to that.

7 Ms. Lord: But secondly, what you are talking about is
8 exactly what DIUx, SCO, and the Rapid Capabilities Office
9 are doing. We should come back and tell you about some of
10 those successes.

11 What we have to figure out how to do is scale that, and
12 right now, we have not scaled it.

13 Probably the best meeting I go to in the Pentagon is
14 something called the Warfighter Senior Integration Group
15 where we sit down every 2 weeks, and we have on VTC
16 Afghanistan every 2 weeks, and then the other 2 weeks, Iraq.
17 And we talk to the warfighter about what is going on today
18 and what they need in terms of rapid capabilities.

19 This is what has spun out an enormous amount of
20 counter-UAS equipment, and that has been fast. JIDO has
21 come up with that.

22 So we can do this, but we do it on a small scale. And
23 that is what this reorg is all about, in my mind. It is
24 getting away from the 5000 process, other than very complex
25 areas where we might need some of that. But just use the

1 little bit of process we need to get stuff out the door.

2 Senator Perdue: So, Secretary Esper, would you
3 comment?

4 I am out of time. I would love to hear from all of
5 you, but I would love to have all of you respond to that
6 question after the hearing.

7 Mr. Esper: Yes, sir, because it is a great question.
8 I would just connect a couple dots from the historical
9 example.

10 Senator Perdue: Please.

11 Mr. Esper: The key here is changing culture.

12 Chairman McCain: Witnesses will be allowed to respond.

13 Senator Perdue: Thank you.

14 Mr. Esper: Senator, the key is changing culture. At
15 the end of the day, we have to change the culture. That is
16 what came out of the 2011 Decker-Wagner acquisition reform
17 report. That is the most crucial element.

18 And the way the Army is getting at this is standing up
19 the Army Futures Command to do just that. Take an approach
20 that says, let's not make the perfect the enemy of the
21 better. Let's prototype, demonstrate, learn. Let's fail
22 early. Let's fail cheaply. And let's go with the 80
23 percent solution. Get something fielded.

24 The view is, if we can stand up the organization to
25 command quickly, get that unity of effort and unity of

1 command, get some early wins under our belt, we can start
2 changing the culture, so that we are ready, position,
3 posture to begin looking simultaneously at those mid- and
4 far-term threats that you described.

5 Chairman McCain: And how long have we been fooling
6 around with Future Combat Systems?

7 Mr. Esper: Thank goodness, it is in our rearview
8 mirror now, Mr. Chairman.

9 Mr. Geurts: Senator, in the Navy, we are taking an
10 approach with an agile acquisition office. And that whole
11 acquisition process, which I co-chair -- there is a board.
12 I co-chair with the CNO or the Commandant. And that is
13 really looking at that sweet spot of something that we know
14 that is out there that we can either accelerate up quickly
15 to give us a bridge, or there is a problem that we need a
16 solution for. We cannot for wait for business as usual.

17 We are seeing about a 3-year acceleration for the
18 projects we are getting through those programs, unmanned
19 aerial refueler on the carriers, one of them, total array on
20 some of the high-speed vessels we are doing.

21 Again, we should have a menu of options. Some need to
22 be rapid, exactly what we have today, buy as sold
23 commercially, get them in the field tonight, like I used to
24 do at SOCOM. Some need to be build-to-carrier, very
25 deliberate. You want to make sure you get it right, because

1 it is going to be around for 40 years. And then there is a
2 sweet spot. And, quite frankly, your committee's
3 authorities and 804 and some of these rapid prototyping
4 abbreviated acquisitions really gets at that sweet spot.
5 That is what we have been missing.

6 And so you have given us the authorities. We now have
7 to go implement those. I think all of us are in the
8 emerging stages of that, and I think in the next 2 or 3
9 years, that is really going to get at that shoulder thing
10 that, yes, we cannot wait for 15 years for something that is
11 going to happen 5 years from now.

12 Ms. Wilson: Senator, for the Air Force, we look 5 to
13 15 years. And you are right, the technical risk in the
14 shoulder season is something that all of us are worried
15 about along all of our programs, particularly those that are
16 new ways of doing business. And I know you and I have a
17 scheduled classified session to go through some of those
18 that are a high priority for you.

19 Senator Perdue: Thank you, all.

20 And, Mr. Chairman, thank you for your courtesy. And to
21 the ranking member, thank you.

22 I would think it would be very important if we could
23 have this similar conversation and follow-up meeting in a
24 classified environment at your discretion. Thank you.

25 Chairman McCain: I think it is something we ought to

1 pursue.

2 Senator Donnelly?

3 Senator Donnelly: Thank you, Mr. Chairman.

4 Thank you to the witnesses.

5 Secretary Wilson, I want to thank you and your staff
6 for a unique level of prompt and clear communication since
7 your confirmation. We have been able to work together on
8 some important issues to improve the readiness of our forces
9 and the lives our airmen and their families.

10 One of the challenges will be the readiness of the A-10
11 fleet. If the Air Force intends to maintain the current A-
12 10 fleet for the foreseeable future, I am concerned about
13 the shortfall in funding for new wings. One-third of the A-
14 10 fleet, more than 100 aircraft, still need new wings, and
15 the Air Force will be forced to ground some of these next
16 year because their current wings have reached the end of
17 their service life.

18 I understand the many, many challenges the Air Force is
19 up against right now, but this, obviously, has a very real
20 impact.

21 What do you see as the Air Force's options on this
22 issue, taking into account budgetary challenges, readiness
23 requirements, and our timelines?

24 Ms. Wilson: Senator, thank you for the question.

25 The defense authorization bill that the Senate passed

1 and the House passed, and the House Appropriations mark, add
2 money into the Air Force budget to retool and open a line
3 for wings. It was not in our budget. I know the Senate
4 Appropriations Committee is working on that now.

5 If that comes through, we will execute that and get
6 that line started back up so that we can re-wing. I think
7 the amount would be the tooling and the first four or five
8 sets of wings for the A-10.

9 You are right. We are always managing how we move to
10 new platforms. At the same time, we try to maintain
11 capability and cover missions with existing fantastic
12 platforms. And I happen to be kind of a fan of the A-10
13 myself.

14 Senator Donnelly: Thank you.

15 Secretary Lord, I appreciate the hard work you are
16 putting into getting our acquisition systems running more
17 efficiently. It is really important to get it right, as you
18 well know. We have discussed hypersonic systems in the
19 past. I would like to revisit that today.

20 Conventional Prompt Strike, or CPS, is Defense's most
21 advanced hypersonic development effort. Testifying to this
22 committee earlier this year, STRATCOM Commander General
23 Hyten advocated for fielding a CPS capability by the mid-
24 2020s.

25 I believe the Navy has a vital role to play in fielding

1 CPS. Do you see that as a priority for the department? And
2 if so, why?

3 Ms. Lord: Yes, I see it as a priority. In fact, there
4 are two key programs going on right now, one at DARPA and
5 one within OSD that are moving along. So I would be more
6 than happy to come and have the technical lead brief you on
7 those.

8 Senator Donnelly: I was going to say, if you could
9 provide us with an update on where you are with this effort?

10 Ms. Wilson: Yes. Senator, can I just add one thing to
11 that?

12 Senator Donnelly: Sure, absolutely.

13 Ms. Wilson: On hypersonics, there are two
14 demonstrators where the Air Force, and I believe the Navy as
15 well, are working with DARPA. And it is a prototyping
16 experimentation effort. We are using the authorities that
17 you all gave us for experimentation and testing. So we did
18 not wait for extensive requirements kind of things. We are
19 moving forward on an experiment for hypersonics, and it was
20 through the authorities you gave us.

21 Senator Donnelly: Thank you.

22 Secretary Geurts, I want to ask you about the role our
23 Defense labs play in the acquisition process. I have spent
24 a lot of time at the Crane Navy lab in Indiana. I have been
25 struck by how integrated they are in not only innovating new

1 capabilities to meet Navy requirements, but testing and
2 evaluating and verifying systems developed for the Navy by
3 private industry throughout the acquisition process.

4 I would love to get your view of Defense labs as a
5 vital player in the acquisition system.

6 Mr. Geurts: Yes, Senator. I think, in coming to the
7 Navy, I am really impressed with their warfare centers and
8 their labs and how well they are tied. I think having an
9 organic capability, especially as we have this rise of
10 commercial technology and commercial products, that organic
11 capability to take them, test them quickly, perhaps
12 integrate them in a different way than would be done
13 commercially, is a critical piece for us.

14 Back from my SOCOM days, Navy Dahlgren does all the
15 software for our gunships. That is all written organically.
16 That gave us great flexibility in the Special Operations
17 Command to change requirements on the battlefields.

18 So I think it is an absolutely critical piece. And I
19 think it is a key in us getting through the Valley of Death,
20 because they can help mature an immature commercial product
21 from a small business, work with them, and then get it so it
22 is in a fieldable or close to fieldable condition for us to
23 then put into the field.

24 Senator Donnelly: Thank you.

25 Thank you, Mr. Chairman.

1 Chairman McCain: Senator Tillis?

2 Senator Tillis: Thank you, Mr. Chairman. And, Mr.
3 Chairman, you know anytime we have a committee talk about
4 acquisition, I have to bring out my favorite prop and remind
5 everybody of the actual pages.

6 Almost 700 pages, 10 years to define a handgun, next-
7 generation handgun. And I just found out with the update,
8 good news is we have down selected. We have a manufacturer.
9 And 10 years from now, all the Army units will actually have
10 this gun, 20 years after it was conceived by the Air Force.

11 First off, I thank you all for your service. Welcome.

12 [Laughter.]

13 Senator Tillis: But we know there is no logical basis
14 for something like this, for something as straightforward as
15 a handgun, a 20-year process from concept to full deployment
16 within the Army. I do not even know what it means for the
17 whole of DOD, but within the Army.

18 So Senator McCain in his opening comments said, with
19 the exception of Senator Reed, he would like for you to talk
20 with all of us. I think that is what he said.

21 But in all seriousness, as somebody who has worked in
22 procurement, as somebody who has worked in strategic
23 sourcing and acquisition, if I were going into an
24 organization to be retained to fix their acquisition
25 process, I would probably be firing quite a few people.

1 Now, we operate a little bit differently here because
2 you have constraints that are placed on you by Congress, so
3 we probably need to shine a mirror on us and fix some of the
4 constraints. But shine light on that. Come to people like
5 me and others who are passionate about this issue.

6 The chair has empowered the subcommittees to look at
7 this. Get us on a fast track for providing you with relief,
8 and get on a fast track for removing some of the constraints
9 that you have placed on yourself.

10 And I would just like you to respond to that in the
11 remaining time.

12 Mr. Esper: Senator, if I may, since the handgun was an
13 Army system, let me give you some good news. The handgun
14 was actually fielded last week at my old unit, the 101st
15 Airborne Division. That fielding has begun.

16 And I would note, since I saw him yesterday, that your
17 colleague, Senator Tom Cotton, actually qualified on the
18 weapon and was very pleased with it. The troops been very
19 happy with what we fielded.

20 I would also note, because it is important to what you
21 are saying, after the years of going through that extended
22 process, the Chief of Staff of the Army, General Milley,
23 took to heart what Congress said, used the legislation that
24 was contained in the NDAA -- we had stood up about 20 months
25 ago or so, the reinvigorated Army Requirements Oversight

1 Council.

2 So he took that case what you are talking about,
3 refined the requirements process. And 18 months later, we
4 got to the point that we were delivering weapons.

5 We have managed to turn a bad news story, I think, into
6 a good news story. I think that type of process, leveraging
7 the authorities we got from Congress, is the basis for which
8 the Army is heading with regard to Futures Command and all
9 the changes we plan on making to improve the acquisition
10 process and make sure that we do not see that again.

11 Mr. Geurts: Sir, from the Navy's perspective, you guys
12 have been very helpful. We have been doing some piloting of
13 reducing the number of critical performance parameters. You
14 gave us authority to try one where we only had two critical
15 performance parameters. That simplified the solicitation.
16 Then we can work with industry. Again, getting to Secretary
17 Wilson a much shorter requirement, it gave us a much broader
18 look. That saved years from us going through the normal,
19 traditional piece.

20 So the authorities you give us, again, help us try and
21 drive that change, because, ultimately, we have to get the
22 workforce training and get the culture shifted from what has
23 been to what needs to be.

24 Senator Tillis: As Secretaries Wilson and Lord
25 respond, we have to keep in mind about the cumulative cost

1 of this. We have to take a look at, when you have to
2 participate in a procurement for 10 years how much cost you
3 are building into the industrial base that we ultimately pay
4 for. So I also want to make sure that I am getting a
5 commitment from you all to come up with specific actions
6 that we need to take to accelerate the process.

7 Secretary Wilson?

8 And then we will finish with Secretary Lord.

9 Ms. Wilson: Senator, I think you were out of the room
10 when I did my opening statement, and I need to get a red
11 ribbon, but this is the letter of invitation, and there is a
12 four-page document for the light attack experiment. And it
13 fits nicely in a very slim briefcase.

14 Senator Tillis: You get a blue ribbon for that one.

15 Ms. Wilson: I will put the blue ribbon on this for and
16 provide you a copy. But the final report, we tested four
17 aircraft, and a final report arrived last night with me, so
18 it is less than 11 months from a letter of invitation to the
19 final report on testing, and we will make a step from there.

20 "What else can Congress do to be helpful?" You often
21 ask that. And I do have some suggestions for you, but maybe
22 I will just provide those in answers to questions.

23 Senator Tillis: Thank you.

24 Ms. Lord: We are coming up with methodologies to step
25 through a flow chart to arrive at the simplest and quickest

1 compliant contracting methodology for different
2 procurements. And I think part of the issue with this gun
3 you are referring to is we applied a one-size-fits-all,
4 bring it on mentality. And we are trying to learn from our
5 Rapid Capabilities Offices, from DIUx, from SCO, who have
6 taken the authorities that Congress has provided and applied
7 them appropriately to speed things up, therefore, have them
8 be more cost-effective, and thereby allowing smaller
9 companies that couldn't afford to go through this multiyear
10 process to participate.

11 So what we are trying to do is scale all of those
12 activities, but we have to educate our acquisition workforce
13 to be able to do that, and that is a huge issue. So I am
14 taking a fundamental relook at how the Defense Acquisition
15 University operates, and we are looking at more 1-, 2-day
16 sessions where we teach people skillsets that they use the
17 next day.

18 But we have to give people the tools, and then we have
19 to train them. And I am very optimistic that we can do
20 that.

21 Chairman McCain: What makes you so optimistic?

22 Ms. Lord: Because I think we have a lot of smart
23 people that are looking for leadership and --

24 Chairman McCain: You didn't have smart people before?

25 Ms. Lord: I do not think the focus was on cost-

1 effective, quick solutions. And I do not think people had
2 the intestinal fortitude to come up here and say what needed
3 to be changed. And I think we have an environment now where
4 we have a huge number of people that are all aligned on the
5 same objective, and we are all very comfortable having a
6 conversation saying, this is working, and this perhaps has
7 an unintended consequence.

8 And I see a lot of momentum between the building and
9 between the Hill to work together to achieve our shared
10 goals.

11 Chairman McCain: I certainly hope you are correct.

12 Senator King?

13 Mr. Esper: Mr. Chairman, if I can add just one quick
14 thing to Mr. Tillis' question, you asked about things that
15 the Congress could do.

16 I would tell you, in the case of the handgun, through
17 that 18-month process, we have prototyped, tested,
18 demonstrated, used soldiers, selected the handgun, and we
19 had a protest. And I think to the degree that Congress can
20 act on getting rid of frivolous protests, at least what the
21 Army considered a frivolous one, would be very helpful,
22 because all it does is add time, cost, and, of course,
23 delays giving the soldier what he or she needs to be
24 successful.

25 Chairman McCain: Senator King?

1 Senator King: Perhaps the handgun example can remind
2 me of my father's advice that even the worst person can
3 serve as a bad example. So maybe we can learn from that.

4 Mr. Geurts, a couple preliminary observations. First,
5 somebody at the Pentagon has a sense of humor to send you
6 here on your third day. It will only get better from here,
7 I can assure you.

8 Mr. Chairman, this is a very important hearing, and I
9 want to thank you for calling it.

10 And secondly, to the entire panel, this is one of the
11 better, or I would say best hearings I have seen on this
12 subject in 5 years. You are clearly focused on this
13 problem.

14 Secretary Wilson, what you told us about the light
15 attack aircraft and the process is incredibly encouraging.
16 And I hope that you will be able to continue along those
17 lines.

18 Secretary Lord, Freud said, "Anatomy is destiny."
19 Napoleon said, "War is history." My modest contribution to
20 that is, "Structure is policy."

21 And I would like it if you could supply to this
22 committee your organizational chart of the acquisition
23 process. I am interested in seeing how many committees
24 there are, how many approvals, what the levels are, because
25 I do think, I am not being facetious, I do think the

1 structure largely determines the outcome. If you have a
2 complex, cumbersome structure, you are going to have a
3 cumbersome outcome.

4 Somebody said the ideal committee is made up of three
5 people, two of whom are absent. And so if you could share
6 with me your thoughts on this.

7 Ms. Lord: No, I agree with you, structure is policy.
8 And so what we are doing is putting together flowcharts that
9 allow contracting officers to pick the simplest route to get
10 to placing a contract and delivering the materials or
11 services. That means you need to understand what you are
12 buying and how to tailor the process. And that is what we
13 have our contracting people doing right now, using real-life
14 examples of how we have done this. So that is what I will
15 bring you, what that flow chart is.

16 Senator King: I would really appreciate that.

17 I think I heard in one of your testimonies, perhaps
18 yours, that you are making an effort to keep people in these
19 positions, at least through milestones. I mean one of the
20 problems we have identified is acquisitions people come and
21 go, and it creates a herky-jerky process.

22 Ms. Lord: We are trying to be much more thoughtful
23 about critical program junctures and aligning people being
24 reassigned with that.

25 Now moving forward, that takes a lot of coordination.

1 I think we are all committed to do that. I will say that we
2 all spend a lot of time in one another's offices, and I know
3 I meet with the service acquisition executives on a weekly
4 basis, so we are committed to doing this.

5 Senator King: This is sort of technical government
6 organization, but I hope you can really focus on this issue
7 of how long people stay in a particular office, because if
8 they keep turning over, that has been identified in prior
9 hearings as a significant problem.

10 Ms. Lord: We are committed.

11 Senator King: The other piece is off-the-shelf
12 technology.

13 Mr. Geurts, I commend to you the P-8, which is the new
14 naval anti-submarine aircraft, which I went out to see them
15 building them. It is an off-the-shelf Boeing 737 with
16 electronics inside.

17 Somebody should be congratulated for not having to
18 invent a new airplane.

19 By the way, at that factory, Boeing produces one 737 a
20 day, which is an amazing technological feat, in my mind.
21 But the P-8, it seems to me, is an example of how we can do
22 this without redesigning everything from the ground up.

23 Are you familiar with that program?

24 Mr. Geurts: Yes, Senator, I am getting more familiar
25 in the new job here. But, certainly, my background as a

1 special ops guy is leverage whatever is there and put it to
2 use as quickly as possible.

3 I think back to this idea that we will have to build
4 new. That will take some time. We will have to fight with
5 what we have tonight. A lot of what we can do in the
6 interim is leverage what we have in new and creative ways,
7 leverage what is in the commercial market in new and
8 creative ways, leverage what each of us are doing in the
9 services. So the Navy is leveraging the Air Force's work in
10 JASSM to create a new capability quickly, so we do not have
11 to reinvent a whole new cruise missile.

12 So this focus on every dollar counts, every day counts,
13 we are in a war tonight, and we need to think that way in
14 everything we are doing, whether that is organizational
15 design, acquisition requirements, operational tests, all of
16 that has to play together. And I think as you are seeing
17 here, we are all committed to doing that for the Nation.

18 Senator King: I have seen that today, and it is
19 reassuring.

20 Two quick points, and you do not need to respond. But
21 reducing lead times is almost as important as price. I
22 mean, we cannot maintain our qualitative edge if it just
23 takes too long to get the weapon into the field.

24 And, finally, to reiterate what everyone has said
25 today, we want to be partners. And to the extent you can

1 tell us what could be changed in terms of regulation, in
2 terms of congressional requirements, please do so. Everyone
3 at this desk is committed to helping you to succeed, because
4 when you succeed, our country succeeds.

5 Thank you very much for all the work you are doing.

6 Senator Reed: Mr. Chairman, I have to respond to a
7 rhetorical question I raised about the importance of Maine.

8 It is important because it sent us some of the most
9 impressive Senators in our history: Margaret Chase Smith,
10 Edmund Muskie, George Mitchell, Olympia Snowe, Susan
11 Collins, and Angus King.

12 And for the record, please note that. Thank you.

13 [Laughter.]

14 Chairman McCain: Senator McCaskill?

15 Senator McCaskill: Thank you.

16 I would like to take a moment, personally, just to
17 thank my fellow, my military fellow, Lieutenant Colonel Sean
18 Foster. This is his last hearing. He is an Army JAG
19 officer. He has been incredibly helpful to my office. I am
20 very appreciative of the military for providing us fellows.
21 Sean was particularly terrific.

22 He is leaving to go to the Army Legislative Liaison
23 office, so all of us will get to know him better.

24 But I wanted to briefly recognize his great work in my
25 office over the last 2 years. I am going to miss Sean a

1 lot.

2 How many of you have read the November 2017 DOD I.G.
3 top 10 management challenges that was issued in November?
4 Everybody read it? No? Who has read it?

5 Ms. Lord: I glanced over it, I must admit. It was in
6 my read-ahead package.

7 Mr. Geurts: Yes, ma'am. I read it yesterday.

8 Senator McCaskill: Okay.

9 Secretary Esper, have you read it?

10 Mr. Esper: No, ma'am.

11 Senator McCaskill: How about you, Secretary Wilson?

12 Ms. Wilson: No.

13 Senator McCaskill: Okay. I am going to ask this
14 question almost every time any of you come up here. I am
15 going to ask you if you have read I.G. reports.

16 Nothing is more irritating to me than when the really
17 hard work of GAO and the I.G.s identify problems, and really
18 make your jobs easier in terms of where you should focus,
19 and nobody consumes the product. It is really important, I
20 think, that all of you consume this product, because they
21 identified 10 challenges of management. And that is what
22 your jobs are, management.

23 I am going to focus on a couple of those today, but I
24 certainly would advise all of you to take this report
25 seriously.

1 Sustainment problems, the market leveraging for spare
2 parts, they identify in this report that for the H-60
3 helicopter used by the services and SOCOM, that they have
4 purchased 2.9 million spare parts for the H-60, DOD has,
5 using 2,000 separate contracts awarded to 590 different
6 contractors over a 12-month period for almost \$400 million.
7 And often, these parts were purchased for different prices,
8 the same part.

9 This is the kind of stuff that just makes you want to
10 tear your hair out, as somebody who is a former auditor.

11 What roadblocks you can you identify, Secretary Lord,
12 that would keep you from fixing something ridiculous like
13 that? I mean, 2,000 separate contracts to 590 different
14 contractors for spare parts for the same helicopter?

15 Ms. Lord: Since August, I have been doing a lot of
16 data dives to understand the body of work in the acquisition
17 workforce, and this is the type of thing I keep coming
18 across. What I find are a couple trends relative to
19 sustainment.

20 One, early on in programs, people are not thinking
21 about designing for sustainability. They are not thinking
22 about setting up the right contract vehicles. It is often
23 rather reactionary for different parts. So as we develop
24 these systems, we need a holistic contracting strategy
25 because contracting is a strategy itself.

1 Senator McCaskill: I mean, I just think, when
2 something comes online, you should begin the process of
3 identifying a handful of contractors, because you want the
4 consistency, and if somebody falls off, you have others, and
5 to get the best deal and leverage the best deal for that
6 helicopter.

7 Ms. Lord: Right.

8 Senator McCaskill: I mean, I cannot tell you how many
9 time I have sat in this committee and pointed out
10 inefficiencies between the services for things that they are
11 all using.

12 Ms. Lord: That is where AT&L comes into play. We talk
13 about delegating programs back. That is absolutely what we
14 want to do.

15 Where AT&L can be very helpful, and A&S moving forward,
16 is taking that horizontal look across the services for
17 similar programs that leverage the same bill of materials
18 and do the types of buys you are talking around about.

19 Senator McCaskill: I do not have much time left. For
20 the record, I am going to ask you about reporting contractor
21 past performance. It is another really irritating thing for
22 me, that we have bad contractors and we keep doing business
23 with them with no consequence whatsoever. We never remove
24 them from the list.

25 But that the last thing I really want touch on is

1 supply-chain management risks. In this report, I was really
2 concerned about the identified risk of an adversary
3 infiltrating the supply chain and sabotaging, maliciously
4 introducing an unwanted function or otherwise compromising
5 the design or integrity.

6 They specifically point out the Missile Defense Agency
7 as it relates to the Ground-Based Midcourse Defense system.
8 That is, obviously, of grave concern.

9 I am out of time, but what I would like for each one of
10 you to do is to speak to me, especially Secretary Lord, what
11 are you doing to secure the supply chain in terms of the
12 integrity being compromised?

13 I do not need to explain to any of you what the dire
14 consequences of that could be in today's world.

15 Ms. Lord: I would be happy to do that. In fact, I
16 just had an early morning meeting with General Ashley from
17 DIA about that very topic in my office this morning.

18 Senator McCaskill: I will ask about all of these 10
19 management areas. But I would recommend, the next time you
20 come, check and see if an I.G. report or a GAO report has
21 been issued in last 30 days, because I guarantee I am going
22 to ask you about it.

23 And I will tell you, I am following up.

24 You would not believe this, Senator McCain, but when I
25 was with Secretary Wilson at the Air Force base in Missouri,

1 which was terrific that she visited, she told me that she
2 was trying to hire trainers for the Joint Strike Fighter,
3 and they sent over somebody to get approved for hiring at
4 OPM, and guess what OPM told them? They did not have enough
5 experience flying the Joint Strike Fighter.

6 So obviously, the job requirements that are imposed
7 upon you by OPM sometimes are ridiculous, beyond the pale.
8 Clearly, nobody at OPM knew that nobody had flown a Joint
9 Strike Fighter yet.

10 Has that been resolved? I am working on it from my
11 end. I just wanted you to know.

12 Ms. Wilson: Thank you for your help on this one. We
13 can surely continue to use the help.

14 Senator McCaskill: Did you get it approved, finally?

15 Ms. Wilson: That particular one has been approved, but
16 my average time to hire a civilian is about 180 days.

17 Senator McCaskill: Totally ridiculous.

18 Ms. Wilson: It is a major issue.

19 Senator McCaskill: Thank you, Mr. Chair.

20 Ms. Wilson: Senator, we have a task force looking at
21 all the requirements to hire people, how we can streamline
22 those, both regulatory and legislative fixes, so that we can
23 get good people on board.

24 Chairman McCain: I want to apologize to Senator
25 Blumenthal, because, obviously, there is an event on the

1 floor of the Senate, which I know he is very interested in
2 and so --

3 Senator Blumenthal: If I may, Mr. Chairman?

4 Chairman McCain: Please.

5 Senator Blumenthal: I will submit my questions for the
6 record, and I hope we will get prompt responses focusing on,
7 among other issues, on the Huey replacement program.

8 Thank you, Mr. Chairman.

9 Chairman McCain: I thank the witnesses. And this has
10 been very helpful.

11 And again, I hope the message is, from this committee
12 to you, that we want to work with you. We also have our
13 responsibilities, and we will try to carry those out as
14 well.

15 So I think this hearing has been very helpful,
16 including the recent one we just had. And I thank the
17 witnesses for their willingness to help.

18 And this crowded hearing will adjourn.

19 [The information referred to follows:]

20 [COMMITTEE INSERT]

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

[Whereupon, at 11:47 a.m., the hearing was adjourned.]