

NOT FOR PUBLICATION UNTIL RELEASED BY
THE SENATE ARMED SERVICES COMMITTEE

STATEMENT OF

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BEFORE THE

THE SENATE ARMED SERVICES COMMITTEE

ON

DEPARTMENT OF DEFENSE ACQUISITION ENTERPRISE
AND ASSOCIATED REFORMS

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Mr. Chairman, Ranking Member Reed, and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss acquisition reform efforts, recommendations for further reform, and requests for Congressional support to improving acquisition outcomes.

We in the Department of the Navy (DoN) succeed in acquisition when we work as part of a team that includes our acquisition workforce, our scientists and engineers, our resource professionals, and our men and women in uniform who identify what we need, and then test, train, and deploy with the resulting systems. That team cannot succeed, however, without the full participation of our industry partners and you in the Congress. No acquisition process can be successful without a true partnership by all stakeholders. And by partnerships I mean shared risk resulting in shared benefits. We must all be good stewards of our resources for the American taxpayers and leverage every tool at our disposal to ensure the continued security of our Nation.

The DoN's priorities focus on people, capabilities, and processes. Those priorities are aimed at delivering readiness, lethality, and modernization, all with a sense of urgency. Recent laws have offered new tools that allow us to streamline how we develop and deliver necessary weapon systems, promote a healthy industrial base, and strengthen our acquisition workforce.

The DoN has embraced recent acquisition reform efforts on multiple fronts. For example, we have developed and implemented a new accelerated acquisition policy, which established an Accelerated Acquisition Board chaired by the Service Chiefs and our Service Acquisition Executive. This policy improves our ability to leverage technological innovations by relying on rapid prototyping and fielding and hastens our ability to respond to urgent needs. It establishes two paths; for priority needs where a suitable material solution has been identified, the preferred path is through a Maritime Accelerated Capability Office (MACO) program. Current MACO programs include the unmanned carrier-based tanker (MQ-25), the Large Displacement Unmanned Undersea Vehicle (LDUUV), and the SM-2 Block IIIC active medium range missile, which will field initial capability up to three years earlier than the previous programs of record. For priority needs where a suitable materiel solution is not sufficiently developed, the preferred path is through a Rapid Prototyping, Experimentation and Demonstration (RPED) project. Current RPED projects include the Navy Laser Family of Systems and the Expeditionary Surveillance Towed Array Sensor System.

The Marine Corps has also established a Rapid Capabilities Office (RCO) to exploit emerging technological opportunities for rapid prototype development, fielding, and operational assessment that will improve the lethality and survivability of Marine units. Projects initiated or planned include Ship-to-Shore Maneuver Exploration and Experimentation, Tactical Electro-Magnetic Signature Operations and Support, Long Range Precision Fires, and Unmanned Swarm Systems.

All of these represent exciting new efforts that we are pursuing with vigor, but that also serve as case studies in action that allow us to measure, assess, and refine our approaches to gain even greater efficiency and effectiveness over time.

None of these efforts will result in meaningful and sustainable change unless the people who carry them out are properly trained and incentivized. To that end, the DoN has issued and is implementing an Acquisition Workforce Strategic Plan. This plan connects people to the product and mission more directly by aligning professional and technical excellence with capability needs, while reinforcing responsibility and accountability. Our efforts to execute this plan have been enhanced by Congressional extension of the Expedited Hiring Authority (EHA) that streamlines recruiting selection and hiring processes for acquisition professionals, for which we are grateful. We also appreciate your support of the Defense Acquisition Workforce Development Fund (DAWDF), which allows us to provide the appropriate training to our professionals and continue their development.

The DoN also continues to leverage available tools to drive down procurement costs, which is imperative as we move towards a 355-ship Navy. We continue to refine our requirements, seek to maximize competition, capitalize on multi-year and block buy contracts, explore cross-program efficiencies, and manage our cost of doing business to ensure we obtain as much warfighting capability out of every dollar as we can. For large and enduring programs, such as the VIRGINIA Class Submarine, the Navy uses these approaches to manage costs and stabilize the industrial base, as well as explore proven strategies such as making appropriate use of block buys and multiyear procurements as we have in the past with various ship types (carriers, subs, etc.) when supported by thorough analysis. These kinds of authorities can result in substantial savings: we estimate they may be as much as \$5.4B for the Block V VIRGINIA Class Submarines Multi-Year Procurement. Additionally, the DoN is developing agile policy and procedures aligned with commercial best practices to support our defense business systems and information technology infrastructure. Lastly an appropriate cloud-based infrastructure will maintain a secure cyber posture, support flexibility and technology software updates, and reduce total ownership costs.

The DoN is actively pursuing initiatives to capitalize on the new mid-tier acquisition and acquisition authorities provided in the Fiscal Year (FY) 2016 and 2017 National Defense Authorization Acts (NDAA). In the first application of the new authorities the DoN intends to develop a new increment of capability for the Standard Missile-2 program. In addition, the DoN continues to leverage important DoD Laboratory authorities, executing over 1100 initiatives to make impactful improvements in critical technology areas as well as ensure we have the technical expertise we will need in the coming years. Taken as a whole, these new authorities provide the DoN many new and important tools which we can tailor to our specific needs. This tailored approach retains the required rigor and oversight but relieves us of the requirement to make every program and project fit into a traditional Major Defense Acquisition Program (MDAP) model, increasing acquisition velocity and reducing fielding times. Through the use of these reforms, we are beginning to move the needle on our priorities and increase the readiness and lethality of our forces. While we have made progress, there is the potential for still more. As is described more fully below, we would welcome further adjustments to milestone decision authorities (MDA), additional expansion of funding mechanisms for rapid prototyping and

fielding initiatives that will increase our ability to operate within a budget cycle, and further provide autonomy in DAWDF execution.

The FY 2016 NDAA directed program oversight and MDA be returned to the Services to speed decision making, improve efficiency, and ensure greater involvement of the Service Chiefs in acquisition programs. The DoN is currently the milestone decision authority for 40 Acquisitions Category (ACAT) 1C MDAPs. Since passage of the FY 2016 NDAA, the DoN has initiated several new MDAPs, including the future Guided Missile Frigate (FFG(X)) and the MQ-25. In addition, the DoN has gained approval to delegate five of the ten current ACAT-1D programs from USD(AT&L) to the Navy. We will continue to work with USD(AT&L) to pursue delegation of the remaining programs under its oversight, in accordance with Congressional intent. Placing the authority and accountability for these programs within the Navy will increase program agility, reduce decision timelines, and better align accountability and responsibility.

The DoN is also exploring the value of making greater use of rapid prototyping. We will work with our fellow Services, the Department and the Administration as we consider the utility of current authorities and whether or not refinements to these authorities would be helpful. And while efforts have been made to better support the acquisition workforce, the DoN would like greater autonomy in our ability to target the areas of greatest need, develop and implement more efficient acquisition workforce development programs, reduce administrative burdens, and increase the rate of delivery of resources.

Finally, and most importantly, meaningful acquisition reform will remain elusive until we can obtain sufficient, predictable funding. I cannot overstate how critical this is to our success. Continuing Resolutions (CRs) create tremendous disruption to programs that are vital to readiness -- postponing vital work, delaying training and maintenance until the arrival of full funding, and causing tremendous amounts of programmatic and contractual re-work. Additionally, short-term fiscal uncertainty drives long-term industrial base concerns, which translate into higher prices and reduced flexibility. Timely budgets, avoiding further CRs and amending the Budget Control Act to increase funding levels would reduce market uncertainty and improve our ability to maintain schedule and cost across all DoN acquisition programs. Resource predictability gives small businesses, second- and third-tier suppliers, non-traditional companies, and major suppliers' confidence to smartly invest in a skilled workforce, infrastructure improvements, and research and development to inform our future options. All of this translates into more capability delivered more efficiently - which in turn reduces time and cost, the goals all of us share.

We in the DoN are appreciative of the interest and efforts this Committee has made to improve Defense acquisition policy, our processes, and the people who conduct this critical work. The new authorities provided in the FY 2016 and FY 2017 NDAA's, the continued support of acquisition workforce development initiatives, and the return of acquisition program oversight to the Services have been important steps towards our common goal of improving acquisition outcomes for the Department. All of these changes are needed for the Navy Marine Corps team to maintain our advantage against our adversaries and deliver the capabilities needed for the

future. We appreciate the opportunity to speak before you here today and look forward to your questions on how we might further work together for the good of the Navy and Marine Corps team.