

## ACQUISITION IMPROVEMENT INITIATIVES

**Background.**—The Defense Department's 32 acquisition improvement (Carlucci) initiatives were issued on April 30, 1981. At that time, Mr. Carlucci directed the Under Secretary for Research and Engineering to establish an appropriate implementing and reporting system. The system provides periodic status reporting on the 32 initiatives.

**Question.** Is it true that the acquisition improvement initiatives, (Carlucci Initiatives) now over two years old, are still just a memorandum and have not been issued as a permanent DoD directive? Is it true that there have been three drafts of such a directive but one or more of the Services have shot down each of the drafts? How much has been saved by costs avoided due to implementation of the Carlucci Initiatives?

**Answer.** Department of Defense (DoDD) 5000.1 is the topline policy directive for major system acquisition. DoDD 5000.1 is first in order of precedence for major system acquisition and it was formally issued on March 19, 1982, firmly establishing the Carlucci Initiatives as DoD policy. Department of Defense Instruction (DoDI) 5000.2 is second in order of precedence for major system acquisition and is strictly a procedure for running the Defense System Acquisition Review Council (DSARC), which is the management decisionmaking mechanism established for an indepth management review of the major weapon systems at designated milestone points. Two draft versions of DoDI 5000.2 were issued in April 1982 and October 1982 to provide interim guidance on DSARC procedures until formal issuance of DoDI 5000.2. The formal DoDI 5000.2 was issued on March 8, 1983.

Many of the initiatives will have attendant cost savings that are difficult to quantify because the improvements will simply take time (e.g., program stability, appropriate contract type, technological risk funding, improved source selection, etc). For others a cost savings or cost avoidance calculation will be equally difficult because there is no means to compare costs when one choses one alternative course of action and foregoes another. For example, pre-planned product improvement should be less expensive than development of new equipment but there will be no means of direct comparison. Other initiative such as multiyear procurement lend themselves to savings calculations and over \$4B in savings has already been attributed to this initiative alone. Nearly \$2.5B in savings has been attributed to the economic production rate initiative thus far.

## REALISTIC BUDGETING

**Question.** In your testimony before the committee you stated that one of your six major thrusts is realistic budgeting.

(a) With regard to such budgeting, is it correct to assume that an essential component is accurate historical data?

(b) If that is so, to what extent is your Department dependent upon contractor-supplied cost data?

(c) Upon what mechanisms, either in place or anticipated, do you rely on to ensure the accuracy of this contractor-supplied cost data?

**Answer.** (a) Yes, an essential ingredient in any budget is accurate historical data.

(b) The budget is comprised of many elements (for example RDT&E, procurement, government furnished equipment, government manpower costs etc.). Many of these elements depend heavily on contractor supplied cost data.

(c) The accuracy of contractor supplied cost data are verified by comparing the contractor's cost data to earlier data provided by the same company, comparing the contractor's cost data to industry averages and trends, and analyzing costs using mathematical models based on data accumulated from many sources. These techniques are well known and used throughout the Department of Defense.

## GOVERNMENT CONTRACTING OFFICIALS

**Question.** (a) To what extent, if any, do you see a conflict between the military program officer's responsibility to negotiate for the best possible product and his duty to prudently steward public funds?

(b) To what extent is our present procurement program dependent on an effective and simultaneous performance of these two responsibilities?

(c) What suggestions, if any, do you have for improving the position of the negotiators on the government's side of the table?

**Answer.** (a) I see no inherent conflict between these two objectives.

(b) These two objectives are complementary in most respects.