

KEY ISSUES FOR ACQUISITION

- My understanding is that our deputies have reached agreed language on the revised approach to acquisition and the associated Science and Technology programs that by and large incorporate your staff's proposed changes (page 50)

The language has been revised to reflect the preferred USDA grouping of Science and Technology and System Acquisition (substantive change is that system specific R&D is now included in System Acquisition as USDA requested, whereas we had placed it with S&T in a larger section called "R&D")

The new text clarifies the distinction between and role of Advanced Technology Demonstrators and prototypes and notes the contribution of simulated test and evaluation.

- While we have retained six pillars (as opposed to USDA's stated preference for four) we have retitled the pillars as USDA requested - Science and Technology and Systems Acquisition -- and have edited the text to underscore the integration that USDA underscores is important to acquisition (see pillars summary pages 31-33, see S&T and Systems Acquisition discussion at 48 and 51 respectively)
- USDA warned that current text could require retaining "largely unneeded idle industrial capacity"

We have added text on page 42 to eliminate this ambiguity. NEW TEXT: "Except in rare cases, however, reconstitution will not be used as a reason to keep unneeded production facilities open. Storage of equipment and production tooling are preferred approaches. The size of the industrial base will be set by the needs of the base force."

[N.B. -- It may be that there was some misunderstanding in Acquisition about the effect of the guidance on reconstituted force levels. These levels are inaccurately characterized in the Acquisition attachments as "specific equipment production targets" and Acquisition warns that they could lead the Services to keep unneeded production facilities.]

- We have restored the floor on T&E funding that was in the Feb 18 draft as USDA requested in its comments -- The guidance directs the Services to fund T&E facilities investment at no less than zero percent real growth with a goal of two percent real growth. (page 50)

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ACQUISITION

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THE UNDER SECRETARY OF DEFENSE

WASHINGTON, DC 20301

cc:
PP(ZaI/Wade)
R&P(Dale/Dave)
Larry
Carol
SL(orig)

MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (STRATEGY AND RESOURCES)

SUBJECT: FY 1994-99 Defense Planning Guidance Comments

Thank you for the opportunity to participate in the drafting of the DPG. I have two major concerns discussed below and documented in the attachments where I believe changes must be made if we are to have consistent guidance within the DoD across areas of interest to both of us.

First, the draft DPG's treatment of the revised approach to acquisition and the associated Science and Technology program does not accurately reflect the current approach as recently worked out with the Deputy Secretary. A proposed update of this material is at Tab A.

*Revised per Wesley
Christie discussions*

Second, the draft's direction on reconstitution is excessive and inadequately justified, and could, if interpreted literally, result in unwarranted diversion of funds from needed near-term technology and acquisition programs to pay for largely unneeded idle industrial capacity. This material on reconstitution needs to be seriously reconsidered prior to issuance of the DPG. Specific recommended changes are discussed at Tab B.

Language added page #2 to eliminate ambiguity

In addition to these two major concerns, I have identified two other general issues where changes appear desirable.

First, I am uncomfortable with the restructuring of the traditional four "pillars" on page 27. The proposed division of modernization into "R&D" and "Procurement" is inappropriate from a conceptual perspective -- the distinction should really be between Science and Technology and Systems Acquisition. But in my view, even this breakdown may be unuseful and potentially inconsistent with the theme of integration emphasized in the Department's policy papers on the revised approach to acquisition. On balance, I would prefer to maintain a single modernization pillar and to provide guidance on S&T policy within that context.

Retain 6 Pillars but Adopted S&T and Systems Acquisition as titles

Second, I believe the mandatory guidance for selected specific acquisition programs is too restrictive in this period of rapid change and tight budgets. Mandatory protection of specific programs should be limited to those very few that the Secretary is confident he will not need to change between now and the time the President submits the new 94-99 FYDP to the Congress next year. Furthermore, there are several topics important to sound

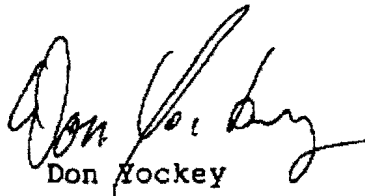
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acquisition planning that are largely missing or incomplete in the draft DPG. The ability of the acquisition community to plan and manage would be improved if these topics were to be addressed. Specific recommended changes to this acquisition guidance are included at Tab C.

Finally, other less significant changes relating to sentence structure and logic corrections are annotated in "red" at Tab D.

I would appreciate an opportunity to have Dr. Don Fraser personally review your proposed revisions dealing with acquisition strategy and reconstitution before the document is finalized. Also, I look forward to reviewing the Illustrative Planning Scenarios prior to issuance of the DPG. <


Don Rockey

Attachments

OUSD(A) COMMENTS: REVISED ACQUISITION APPROACH/SCIENCE AND TECHNOLOGY
(TAB A)

- (U) Sections II & IV, Pages 9, 10, 27, 35, 38 and 40: The draft DPG attempts to reflect the Department's increased focus on defense technology. Unfortunately, in doing so, the draft mistakenly equates the "R&D" funding and programs with the intended new priorities. This is technically incorrect in that the R&D budget categories are dominated by the funding for large scale Engineering and Manufacturing Development programs such as the F-22. What is intended is increased funding in the "Science and Technology" accounts (R&D Budget Activities 1 & 2, formerly the 6.1, 6.2, and 6.3A portions of R&D). This terminology is being used in other policy statements and should be reflected in the DPG. Furthermore, several substantive aspects of the draft DPG material on technology deal primarily with peripheral matters rather than the central aspects of the S&T strategy.

Science &
Technology
new
used
jice
R&D--
Seg
new
text

Recommendation: Change draft material annotated in "red" on the marked version at Tab D. These specific changes to the S&T material in the DPG to reflect this important point will bring the DPG into agreement with the acquisition and technology base management policies and procedures recently approved by the Deputy Secretary. The brief paper on Defense Acquisition personally edited and approved by him just this last week is attached. It will be approved for release after Mr. Atwood testifies to Congress next week. Also attached is the draft paper on Science and Technology Management and Oversight.

OUSD(A) COMMENTS: RECONSTITUTION PLANNING
(TAB B)

- (U) Section II.D., Pages 16-18: The reconstitution policy material on these pages is generally correct, except for the paragraph on page 17 that directs the Services to plan to expand their forces in the future using equipment different from that that is expected to already be in service. ? not changed

Recommendation: Change draft material annotated in "red" on the marked version at Tab D.

- (U) Section IV.B., Pages 33-35: Detailed programming guidance on reconstitution planning that spans these pages has not been adequately developed, nor have the likely impacts been appropriately considered. While the general guidance on "smart lay-away" and maximum possible use of the civil sector is clearly appropriate, the establishment of specific equipment production targets is quite arbitrary and poses the hazard of diverting funds from needed near-term technology and acquisition programs to support industrial capacity that has not been shown to be needed. The main point here is that the construction of the guidance is such that Service programmers, should they try to be fully responsive, would have to err on the side of funding industrial capacity because of the absence of any precise analytical methodology for "proving" that the nation could "for sure" gear up for military production of the specified ships, aircraft, etc. faster than could some emergent future global threat. Furthermore, this programming guidance appears to directly conflict with the intended policy guidance on page 17 that directs the Services to focus reduced defense resources on the more likely near-term threats. ? language Added pg 42 to state clearly production capacity not to be retained solely

Recommendation: Change draft material annotated in "red" on the marked version at Tab D to be consistent with the paper on Defense Acquisition attached to Tab A and the supporting paper on Defense Industrial Base attached to this tab.

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OUS(D) COMMENTS: IMBALANCED ACQUISITION GUIDANCE
(TAB C)

- (S) The idea that new technology has made ballistic missile defense capability a realistic and affordable concept appears to over commit the Department, particularly in regard to the affordability of the full deployment of SDI programs. We have marked the SDI guidance to make it less demanding.
- (S) Establishment of mandatory acquisition objectives for a few regulated programs should be restricted to those that the Secretary himself would consider "must haves." For example, the ACM inventory goal has already been reduced below that contained in the draft DPG, and no guidance on this program is appropriate for the FY 1994-99 planning document. Similarly, the specific guidance on [redacted] and SDI program goals is inequitably restrictive given the relatively little that we know about the affordability of the overall program. We need to see what results from application of the programming priorities related to the pillars and should delete overly restrictive direction on this program.
- (U) The directive to fund an industrial surge capacity for major defense acquisition programs entering production has no basis in current DoD policy and conflicts directly with attempts to streamline the acquisition process. The new regional strategy articulated in the first 26 pages of the draft DPG very clearly makes the case that we must plan for standing military forces, properly equipped, active and reserve, sufficient to activate the strategy. There is no basis in this formulation to warrant funding surge capacity for major weapons systems over and above what is needed for efficient equipage and support of the base force. This guidance should be changed as we have marked it.
- (U) Another example of unbalanced, selected acquisition guidance is the directive to "give MILSTAR the highest C3 priority". Such selective endorsements by the Secretary should be issued very judiciously.
- (U) Section IV.C., Pages 38-39: The DPG does not adequately support the revised acquisition strategy because it does not call for appropriate and needed investments in T&E. If we are to honor the charge to incorporate new technologies only when the technology and subsystems are thoroughly proven and technical, production, and operational risks are minimized, then Test and Evaluation are essential. Technology and subsystems are proven by T&E. T&E is the primary basis for judging whether technical, production, and operational risks are minimized. Shortchanging T&E is not wise and surely will cause problems we could avoid.

ISP
edit --
PAGE 36
MAKES LESS
DEMANDING

ACM
+ corrected
but retained

SDI not changed
because of
Missile Defense
Act

Industrial
Surge (pg 48)
discussed only
in context of
Sustainability --
Not Major
defense acquisition
programs

MILSTAR
deleted

T&E
funding
floor
restored
AS
requested

Recommendation: The Services should be directed to fund T&E at no less than zero percent real growth with a goal of two percent real growth. T&E is an essential partner of S&T and should be resourced under the same policy.