



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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13 July 2010

MEMORANDUM TO THE DEFENSE INDUSTRIAL BASE

FROM: Brett B. Lambert, Director, Industrial Policy

SUBJECT: Industry Participation for the Sec Def directed USD (AT&L) Efficiency Initiative

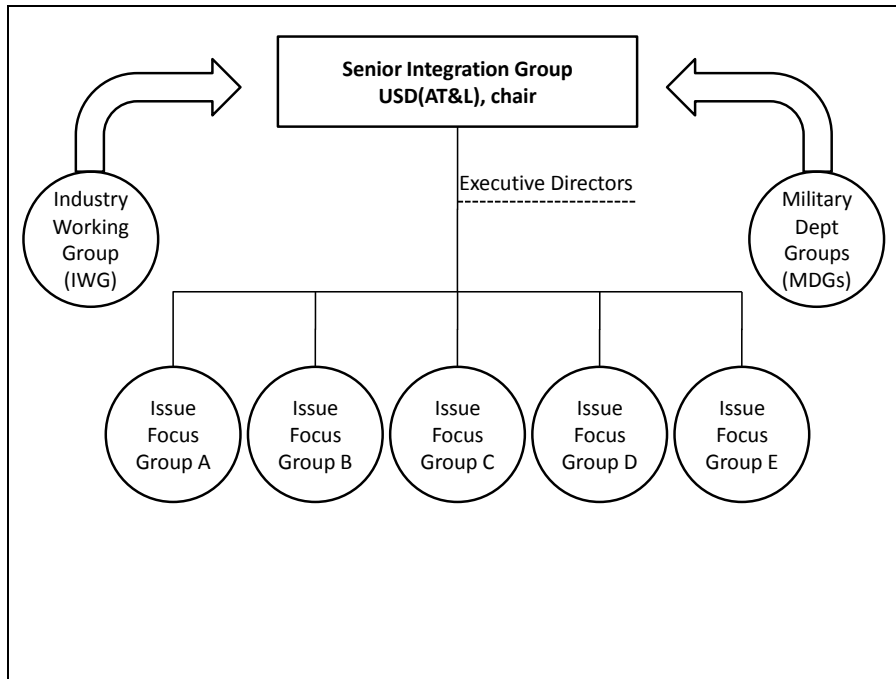
The Department is committed to working with our industry partners as we move aggressively to control costs, bring greater discipline to our use of the taxpayer's money, and ensure we retain a robust and financially healthy industrial base, a critical facet of our national power.

This document lays out the approach we intend to pursue, both internally and externally, the guiding principles of the activity, the timelines, and finally a template to assist us in receiving initial input from industry.

Overall Process and Objectives:

This Efficiency Initiative, introduced by the Secretary of Defense at the Eisenhower Library on May 8, 2010, the statements that followed by Deputy Secretary Lynn, and the roll-out on June 28th by Under Secretary Carter specifying goals of the effort, are all designed to orient the Department and our nation's industrial base in a simple direction - we must learn to do more without more.

To meet our timing objectives for action in early September, the effort will proceed along interacting parallel tracks, with close coordination and drive fact-based recommendations to Dr. Carter. It should be emphasized that, despite the initial tight timelines, this is not a sprint, it is a marathon and our goal for this particular exercise is to report back at the first mile marker some specific recommendations that can be implemented immediately. As we have repeatedly stated, we did not get into the position in which we all find ourselves overnight and we will certainly not course correct overnight.



As the organization chart above indicates, there will be five government focus groups reporting to the Senior Integration Group (SIG) through two Executive Directors; Military Department Groups for each service will solicit ideas for the five Focus Groups to analyze; and I will lead an Industry Working Group that will collect ideas from industry and provide a feedback mechanism for industry to comment on the ideas we are considering. The groups will be comprised of government employees, although the Center for Strategic and International Studies (CSIS) will assist in administrative functions.

The five Issue Focus groups will initially address the collection of issues outlined by USD(AT&L) on June 28th. They are as follows:

A. Targeting Affordability

- a. Adopt “should-cost” and “will-cost” management.
- b. Mandate affordability as a requirement.
- c. Stabilize production rates.
- d. Eliminate redundancy within warfighting portfolios.
- e. Leverage real competition.

B. Sharpening Contract Terms

- a. Use proper contract type for development and procurement.
- b. Share the benefits of cash flow.

- c. Target non-value-added costs.
- d. Improve audits.

C. Rewarding Productivity Growth

- a. Align policy on profit and fee to circumstance.
- b. Involve dynamic small business in defense.
- c. Reward excellent suppliers.
- d. Protect the technology base.

D. Measuring Productivity Growth

E. Creating Tradecraft in Services Acquisition

- a. Use proper contract type for services.
- b. Establish senior managers for procurement of services.

The Industry Working Group will collect and categorize inputs/recommendations from industry and then provide the inputs to the five Issue Focus Groups. Initially, this will be done through a template posted online. This is not a survey, but a channel by which individuals, organizations, and industry can provide inputs on these important initiatives. Based on the inputs received, additional information may be sought from contributors and may involve individual interviews, potentially in front of the Issue Focus Groups or the SIG, to obtain the necessary facts to ensure deliberate consideration of the recommendations.

Next steps:

Our goals over the coming weeks are: 1) to engage industry to generate a series of specific recommendations for consideration in AT&L internal guidance; 2) to undertake a structured process that retains focus and efficiency while being inclusive of the largest possible base; and 3) to identify longer-term areas that generate additional significant efficiencies.

Apart from individual conversations and inputs, we intend to host four large meetings, with the ability for those outside the Washington, D.C. area to join by phone if desired.

Proposed Timeline:

July 15: MEETING 1 (0900 – 1000 at CSIS, room B1)- This meeting will describe the internal process and answer specific industry questions about the Efficiency Initiative. The operational template for initial inputs will also be discussed, as well as the process

for collecting inputs from industry. The meeting will be open to all interested parties and will have in attendance representatives from each of the issue focus groups. You can phone in toll-free USA 1-877-807-5706 or caller paid/international toll: 225-383-8961; Participant code: 556165.

July 15-July 26: Collection of inputs/recommendations via the online form.

July 27: MEETING 2 (Time –TBD at CSIS)– Update on process and additional feedback from industry.

July 28 - August 17: Collect final inputs/recommendations and conduct individual interviews on specific suggestions as appropriate.

August 18: MEETING 3 (Time –TBD at CSIS)- Final review of internal deliberations and update of internal progress.

August 18 - Sept. 6: Consolidation of industry inputs and final recommendations.

Mid-Sept: MEETING 4 (Time –TBD at CSIS)- Roll-out.

In order to reach the broadest possible base and ensure that we are inclusive of those in our industrial base willing to assist us in this effort, we will begin the process by asking that a simple form be filled out, which will be available on our website (<http://www.acq.osd.mil/ip/>). The form can be submitted directly to our offices via email at efficiency.ip@osd.mil. Please note that this form is not a survey and participation by industry is undertaken as a voluntary act, without direction by the Department.

After our team reviews the inputs, we may reach out to obtain more specific information and ask for direct contact with the knowledgeable parties within your organization. We will not seek further information from every input. Though inputs may be anonymous, providing contact information allows us to reach you if we need more information. If your submission contains confidential commercial information, please mark it as such so we can treat it appropriately.



Brett B. Lambert
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