

## September 25, 2008 - Runaway Costs Put Procurement Reform on 111th Congress Agenda

Roll Call

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By Ashley Roque

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Concern on Capitol Hill and at the Pentagon over the soaring cost of building new weapons has spawned yet another movement to overhaul how the Defense Department develops and buys its equipment.

The Government Accountability Office recently concluded that 95 major Pentagon weapons systems are nearly \$300 billion over their initial budget projections and, on average, 21 months behind schedule.

Frustrated with growing costs, lawmakers are searching for ways to uncover the reasons for the delays and overruns; they hope to use what they find to change the procurement system.

Attempts to overhaul the Pentagon's acquisition process are nothing new.

Ever since President Dwight Eisenhower warned against the growing military-industrial complex, the Defense Department and lawmakers have sought ways to keep weapons spending in check and avoid conflicts of interest between the military and the defense industrial base.

Next year, the 111th Congress will be no different, with key lawmakers already outlining their plans for changing the procurement process in the current Congress.

Senate Armed Services Chairman Carl Levin (D-Mich.) and House Appropriations Subcommittee on Defense Chairman John Murtha (D-Pa.) blame contractors for offering unrealistically low bids for weapons as the reason for most delays and overruns.

“Cost overruns happen because of fundamental flaws that are built into our acquisition system,” Levin said this summer at an acquisitions hearing. “We even know what these flaws are: DOD acquisition programs fail because the department continues to rely on unreasonable cost and schedule estimates, establish unrealistic performance expectations, insist on the use of immature technologies and direct costly changes to program requirements.”

Levin has proposed creating a new Pentagon office that would develop independent cost estimates for weapons systems rather than relying on contractors for them.

Levin unsuccessfully sought to attach a provision to the fiscal 2009 Defense authorization bill, but his plan fell victim to a larger partisan dispute over the Defense measure that saw only a handful of amendments added.

Murtha said Levin’s proposal could enhance procurement oversight, but cautioned against expanding the Pentagon bureaucracy.

“I’ve said to DOD, ‘You need to be careful how you present solicitations’ for work to contractors, Murtha told CongressNow. “Contractors bid low, and it’s a major problem. Every weapons systems’ [cost] is underestimated.”

Instead of completely overhauling the acquisition system, Murtha proposes changes that would hold contractors and acquisition personnel accountable for delays and overruns. “It’s not the process. It’s the people and the way they handle it,” Murtha added.

Acquisition experts are quick to point to the Air Force’s botched handling of a multibillion dollar contract for building tanker aircraft as a prime example of poor procurement management.

In recent weeks, the Pentagon has scrapped plans for awarding the tanker contract and said it would be best left to a new administration. The move was a reversal of a decision earlier this year to award the work to Northrop Grumman Corp. and European Aeronautic Defence & Space Co. instead of Boeing Co. after the award came under fire from lawmakers.

At Boeing’s request, the GAO reviewed the competition and subsequently found that the Air Force had mismanaged it. The GAO called for a new competition, and the Pentagon agreed to do so after a “cooling off” period and a new president is in place.

Acting Air Force Secretary Michael Donley told reporters at the Air & Space Conference and Technology Exposition in Washington, D.C.,

last week that the service is already examining ways to avoid future problems in awarding weapons work. He said those efforts have included consulting with the GAO.

Acquisition experts say having to cancel competitions and rebid work cost both time and money.

For example, the fielding of new tankers could now be delayed as long as four years, while millions of dollars were lost in holding the first competition. Additionally, reversing contract decisions often requires paying cancellation fees to contractors.

Donley declined to say if Northrop Grumman and EADS will receive a cancellation fee for the tanker work.

Democrats are not the only ones critical of the Pentagon's acquisition record.

Republican presidential candidate Sen. John McCain (Ariz.) has made acquisition reform a priority during his political career and, if elected, is expected to push more of those efforts at the Defense Department.

Several years ago, McCain helped derail a deal between Boeing and the Air Force for leasing tanker aircraft. Ultimately, McCain's efforts uncovered conflicts of interest in the proposed lease that helped send a top Air Force procurement official and Boeing executive to jail and led to new limits on some Defense contracts.

As the top Republican on the Senate Armed Services Committee, McCain has not only targeted Air Force weapons. He's also questioned the Army's plan for hiring a single contractor to manage the building of the Future Combat Systems and expressed frustration with the Navy over soaring shipbuilding costs.

With Defense budgets expected to decline in coming years as military forces withdraw from Iraq, it's expected that procurement costs will come under increased scrutiny.

Rep. Neil Abercrombie (D-Hawaii), chairman of the House Armed Services Subcommittee on Air and Land Forces, will also put acquisition reform on his subcommittee's agenda for next year, his spokesman said.

"It isn't working and when you have series of breakdowns, like the tanker, it's the armed forces that are the losers," Abercrombie's spokesman said. "It's all about accountability."

