



## From the Acquisition Support Center Director

Congratulations to *Army AL&T Magazine* on its 50th anniversary of bringing the latest information on developments in Army Acquisition, Logistics, and Technology (AL&T) to the Army community. The first edition of the then-*Army Research and Development Newsmagazine* was published on Dec. 1, 1960.



**Craig A. Spisak**

Director, U.S. Army Acquisition Support Center

*The remainder of this column will feature comments from the new USAASC Deputy Director, COL Bill Boruff.*

The Honorable Wilber M. Brucker, then-Secretary of the Army, wrote the first article launching this innovative publication. “To those who would travel the long, hard road of progress in assuring the security of our Nation, I commend this and future issues of this new publication in the full confidence that it will assist you in maintaining your professional competence at the constantly high level which the vital mission of our Army demands,” he wrote. Brucker’s words still ring true 50 years later.

Over the decades, the magazine’s name, design, staff, and authors have changed numerous times, and the Army has made giant leaps in AL&T, spanning three wars, numerous conflicts, and 11 presidential administrations. Today, the award-winning *Army AL&T Magazine* continues energizing the Army AL&T Workforce with a first-class publication that is a venue for an exchange of AL&T organizational, operational, and technological developments, best business practices, and lessons learned. Most of all, it continues to serve the Soldiers who vigilantly stand in harm’s way protecting our Nation. Again, congratulations to *Army AL&T Magazine*, and may it remain a continuum of success for the next 50 years and beyond.

### Memorandums from Under Secretary of Defense for Acquisition, Technology, and Logistics and Director, Army Acquisition Corps

Under Secretary of Defense for Acquisition, Technology, and Logistics Dr. Ashton B. Carter has released a memorandum (see Pages 56–60) highlighting several of his goals for the acquisition community, including overcoming the challenges ahead and finding efficiencies in our daily activities. Because of a flat-lined budget, Carter focuses on his underlying theme, “doing more without more.” As members of the acquisition community, we need to adhere to his goals.

In Director, Army Acquisition Corps Memorandum #6 (see Pages 61–62), LTG William N. Phillips emphasizes using Section 852, *2008 National Defense Authorization Act*, Public Law 110-181 as well as the importance of certification and professionalism of the AL&T Workforce.

To stay in alignment with this memorandum, AL&T Workforce members and their supervisors should focus on establishing a strong Individual Development Plan (IDP) and then executing it. That requires participation by both the individual and the supervisor. AL&T Workforce members can also use the tools that the U.S. Army Acquisition Support Center (USAASC) provides to help them develop a solid IDP.

### From the USAASC Deputy Director

In my first assignment to this organization, I witnessed the Acquisition Career Management Office and the Army Acquisition Executive Support Agency transform into USAASC. Now, at a higher level of responsibility, I’m privileged to help USAASC continue its transformation into a Direct Reporting Unit to the Assistant Secretary of the Army for AL&T by managing personnel changes, providing control and oversight, and developing the best acquisition support we can. These are exciting times, and I’m looking forward to serving USAASC at the next level of providing world-class support for our customers and the acquisition community.

### MEMORANDUM FOR ACQUISITION PROFESSIONALS

#### SUBJECT: Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending

On Pages 56–60 is the text of the June 28, 2010, Memorandum for Acquisition Professionals from Dr. Ashton B. Carter, Under Secretary of Defense for Acquisition, Technology, and Logistics, with supporting slides. Dr. Carter’s memorandum and slides are also online, at [http://www.acq.osd.mil/docs/USD\(AT&L\)\\_Memo\\_to\\_Acquisition\\_Professionals\\_June\\_28\\_2010.pdf](http://www.acq.osd.mil/docs/USD(AT&L)_Memo_to_Acquisition_Professionals_June_28_2010.pdf).

### MEMORANDUM FOR SEE DISTRIBUTION

#### SUBJECT: Director, Army Acquisition Corps Guidance Memorandum #6

On Pages 61–62 is the text of the Director, Army Acquisition Corps Guidance Memorandum #6, dated July 8, 2010. In it, LTG William N. Phillips, Principal Military Deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology and Director, Army Acquisition Corps, addresses the Defense Acquisition Workforce Development Fund and adds a personal note encouraging the Army Acquisition Team to “take full advantage of these resources.” LTG Phillips’ memo is also available online, at [http://asc.army.mil/docs/programs/852/Memo\\_DACM\\_6.pdf](http://asc.army.mil/docs/programs/852/Memo_DACM_6.pdf).



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

JUN 28 2010

### MEMORANDUM FOR ACQUISITION PROFESSIONALS

**SUBJECT:** Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending

I have written to you previously to emphasize, with President Obama and Secretary Gates, that your highest priority is to support our forces at war on an urgent basis. Over the last year, the Department has also worked to reform its acquisition system, including implementing the Weapon Systems Acquisition Reform Act. Today I write to give direction on another important priority: delivering better value to the taxpayer and improving the way the Department does business.

We are a nation at war, and the Department does not expect the defense budget to decline. At the same time, we will not enjoy the large rate of growth we experienced during the years after September 11, 2001. We must therefore abandon inefficient practices accumulated in a period of budget growth and learn to manage defense dollars in a manner that is, to quote Secretary Gates at his May 8, 2010 speech at the Eisenhower Library, “respectful of the American taxpayer at a time of economic and fiscal distress.”

This reality, combined with a determination to take care of our service members and avoid major changes in force structure, has led the Secretary and Deputy Secretary to launch an efficiencies initiative in the Department. The initiative requires the Department to reduce funding devoted to unneeded or low-priority overhead, and to transfer these funds to force structure and modernization so that funding for these warfighting capabilities grows at approximately three percent annually. This is the rate of growth needed historically to continue to give the troops what they need.

Some of these savings can be found by eliminating unneeded programs and activities; and, indeed, the Department’s leadership has already taken strong action in this area and will need to do more. But other savings can be found within programs and activities we do need, by conducting them more efficiently. Deputy Secretary Lynn expects that two-thirds of the savings transferred to warfighting accounts should come about this way. Pursuing this kind of efficiency is the purpose of my message today to the Department’s acquisition professionals. We need to restore affordability to our programs and activities. I would like

us to embark upon a process today to identify and then act on steps we can take to obtain two to three percent net annual growth in warfighting capabilities without incurring a commensurate budget increase by identifying and eliminating unproductive or low-value-added overhead; in effect, doing more without more.

The Department is spending approximately \$700 billion per year for our nation's defense. Approximately \$300 billion of those funds are spent within the Department's walls – on the salaries and benefits of military personnel and civilian employees, and on the buildings and facilities within which they work. But the remainder – \$400 billion – is spent on contracts issued to entities outside of the Department of Defense. This \$400 billion is divided about equally between products (e.g., weapons, electronics, fuel, and facilities) and services (e.g., IT services, knowledge-based services, facilities upkeep, and transportation). We, the Department's acquisition officials, agree to these contracts on behalf of the taxpayer. Each of these contracts contains a statement of the services or products it is procuring; an arrangement between the government and the contractor for how the costs of those items will be paid; and the overheads, indirect charges, and fees that complete the business transaction and make it possible for the defense industry to be economically viable.

The guidance memorandum I plan to issue will require each of you, as you craft and execute the Department's contracts in coming years, to scrutinize these terms to ensure that they do not contain inefficiencies or unneeded overhead. The guidance will give you specific features to examine and targets to hit in the pursuit of greater efficiency. The guidance will focus on getting better outcomes, not on our bureaucratic structures. But it must also take note of where the government's processes and regulations contribute to inefficiency in our business relationships.

Today I want to share with you the preliminary outlines of this guidance, so that I can have the benefit of your experience and perspective before I issue it in final form. I am also asking our partners in industry for their thoughts and input. I am also sharing these plans with the Congress. A process of analysis and dialogue is necessary to make sure our actions are effective and soundly based.

I want to emphasize two points about this initiative:

First, the savings we are seeking will not be found overnight. It has taken years for excessive costs and unproductive overhead to creep into our business processes, and it will take years to work them out. We will be concentrating on new contracts as they are awarded in coming years, to ensure that they reflect new efficiencies. Some of the targets and objectives we decide to pursue will only be able to be achieved on a timeline of several

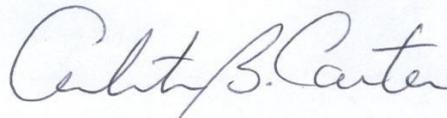
years. On the other hand, Secretary Gates has explained clearly why we need to embark now. And the earlier we embark, the easier it will be to succeed.

Second, we in the Department cannot succeed at this task alone. We need the input and involvement of industry, and I will be actively seeking their support and ideas. We do not have an arsenal system in the United States: the Department does not make most of our weapons or provide many non-governmental services essential to warfighting – these are provided by private industry. Our industry partners are patriots as well as businessmen. This initiative should contribute to the continuing vitality and financial viability of the defense industry in the era ahead by aligning the direction and incentives of the Department and industry. It is intended to enhance and incentivize efficiency and total factor productivity. Most of the rest of the economy exhibits productivity growth, meaning that every year the buyer gets more for the same amount of money. So it should be in the defense economy. Increased productivity is good for both industry and government. So also is avoiding budget turbulence and getting more programs into stable production.

We also need the help of Congress. Members of Congress observe with dismay as they are asked to approve ever-increasing funding for the very same product or service. We will need their input and support to make necessary adjustments that will in some cases be difficult.

What is contained in the attached charts is an initial framework for restoring affordability to defense. I will be refining this framework over coming weeks, in full consultation with you, with industry, with Congress, and with outside experts and leaders. I plan to issue a final version of this mandate later this summer.

Realizing the objective of this initiative will be a formidable endeavor. But it is imperative. Secretary Gates, Deputy Secretary Lynn, and I have concluded that we cannot support our troops with the capabilities they need unless we achieve greater efficiency.



Ashton B. Carter



# Objectives

- Deliver the warfighting capability we need for the dollars we have
- Get better buying power for warfighter and taxpayer
- Restore affordability to defense goods and services
- Improve defense industry productivity
- Remove government impediments to leanness
- Avoid program turbulence
- Maintain a vibrant and financially healthy defense industry

Obtain 2-3% net annual growth in warfighting capabilities without commensurate budget increase by identifying and eliminating unproductive or low-value-added overhead and transfer savings to warfighting capabilities. Do more without more.



# Providing Incentives for Greater Efficiency in Industry

- **LEVERAGING REAL COMPETITION:** Avoid directed buys and other substitutes for real competition. Use technical data packages and open systems architectures to support a continuous competitive environment.
- **USING PROPER CONTRACT TYPE FOR DEVELOPMENT AND PROCUREMENT:** Phase out award-fee contracts and favor fixed-price or cost-type incentive contracts in which government and industry share equally in overruns and underruns, and overruns have analytically-based caps. Use cost-reimbursement contracts only when either government requirements or industry processes cannot be adequately specified to support pricing. Adjust sole-source fixed-price contracts over time to reflect realized costs. Work down undefinitized contract actions. Seek authority for multi-year contracts where significant savings are possible.
- **USING PROPER CONTRACT TYPE FOR SERVICES:** Phase out Time and Material and sole-source ID/IQ contracts wherever possible. Utilize fixed-price performance-based contracts when requirements are firm and can be measured, with payments tied to performance. Utilize fixed-price level of effort or cost-plus-fixed-fee contracts (with profit/fee tied to weighted guidelines) when requirements are still being defined. Award fees should be used only by exception. Maximize the use of multiple-source, continuously competitive contracts.
- **ALIGNING POLICY ON PROFIT AND FEE TO CIRCUMSTANCE:** Align opportunity to earn profits/fees to both value to the taxpayer and risk to the contractor. Apply weighted guidelines to profit/fee levels. Reward higher productivity with higher profits. Incentivize investment in innovation.
- **SHARING THE BENEFITS OF CASH FLOW:** Ensure that taxpayers receive adequate consideration (price reductions) for improved cash flows. Progress payments must reflect performance but can be increased above customary levels in return for consideration by the contractor. Reduce over time the gap between proposed and actual rates in forward price rate agreements.
- **TARGETING NON-VALUE-ADDED COSTS:** Identify and eliminate non-value-added overhead and G&A charged to contracts. Limit fees for subcontractor management to reflect actual value provided (risk assumed by prime and continuous subcontractor risk reduction). Limit B&P allowable costs in sole source contracts and encourage effective use of IRAD.
- **INVOLVING DYNAMIC SMALL BUSINESS IN DEFENSE:** When establishing multiple award contracts for services, make every effort to provide for small business participation. If at least two small businesses are deemed capable of performing on such a contract, consider setting aside that work for competition among them.
- **REWARDING EXCELLENT SUPPLIERS:** Emulate the Navy's pilot program to provide special benefits to consistently excellent industrial



# Adopting Government Practices that Encourage Efficiency

- **ADOPTING “SHOULD-COST” AND “WILL-COST” MANAGEMENT:** Use historically informed independent cost estimation (“will-cost” estimates) to inform managing of programs to cost objectives (“should-cost” estimates).
- **STRENGTHENING THE ACQUISITION WORKFORCE:** Achieve SECDEF goal of adding to government acquisition workforce with increased skill levels. Leverage unique qualities of non-profit FFRDCs and UARCs to augment acquisition workforce capability.
- **IMPROVING AUDITS:** Improve consistency and quality of government audits, and focus them on value-added content.
- **MANDATING AFFORDABILITY AS A REQUIREMENT:** In new programs such as the SSBN-X nuclear missile submarine, the Presidential Helicopter, the Ground Combat Vehicle, and the Air Force/Navy Long Range Strike Family of Systems, cost considerations must shape requirements and design.
- **STABILIZING PRODUCTION RATES:** To ensure more programs are in stable, economically favorable rates of production and avoid cost escalation, program managers may not adjust production rates downward without head of component authority.
- **ELIMINATING REDUNDANCY WITHIN WARFIGHTING PORTFOLIOS:** Emulate the Army’s Precision Fires Capability Portfolio approach to identify where multiple programs are pursuing similar objectives.
- **ESTABLISHING SENIOR MANAGERS FOR PROCUREMENT OF SERVICES:** Follow the Air Force lead in establishing a Program Executive Officer for services in each DOD component to focus on improving policy and practice in this high-dollar-value area.
- **PROTECTING THE TECHNOLOGY BASE:** Protect the future by sustaining investment while focusing on high value-added work.



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SFAE-CDD

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MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Director, Army Acquisition Corps Guidance Memorandum #6

1. Section 852 of the 2008 National Defense Authorization Act, Public Law No. 110-181, directed the establishment of the Defense Acquisition Workforce Development Fund (DAWDF). This fund enables the Department of Defense to recruit and hire; develop and train, and recognize and retain its acquisition workforce.

2. The DAWDF provides the Army an unprecedented opportunity to invest in the health and growth of the Army Acquisition workforce. There are three categories for acquisition workforce initiatives: Training and Development; Retention Programs; and Recruitment Programs.

a. Training and development initiatives support training facility upgrades and acquisition proponent course enhancements which include new curriculum and acquisition workforce tracking technology.

b. Retention incentives often utilize a service commitment to retain civilian Government employees for a specific length of time as well as support training and education programs. These types of programs are a direct investment in our acquisition workforce career development.

c. Recruitment programs allow the Army to hire in order to close the capability gap in shortage acquisition career fields by hiring at each level—Intern, Journeyman, and Highly Qualified Expert (HQE). Other recruitment initiatives include civilian incentive programs and opportunities for recruitment fairs.

3. The Secretary of Defense, on 6 April 2009, announced an initiative to grow the defense acquisition workforce by ~20,000 positions by Fiscal Year 2015 (FY15). This growth consists of in-sourcing ~10,000 positions and hiring ~10,000 new acquisition workforce members Service-wide. As a result, by FY15, the Army will have in-sourced over 3,200 positions and hired 1,885 new Government acquisition civilian personnel to meet the Secretary of Defense goal.

4. An Army Acquisition Workforce Growth Taskforce was established in January 2010 to capture specific organization input and acquisition career field designation with regard to the new hires for FY11-15. The taskforce findings

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directly address the Secretary of Defense new hire initiative for Army acquisition workforce growth and provide the strategy, by Army command/acquisition organization, acquisition career field, and FY for hire.

5. The DAWDF became the funding mechanism to “prime the pump” with regard to the new hire initiative. The taskforce-approved requirements for Intern and Journeyman level new hires will receive Section 852 funding for at least two-years of salary dollars, and HQE hires will receive one-year of salary dollars. Sustainment of these new hires will be addressed in an overall acquisition workforce growth concept plan.

6. I serve as the Principal Agent of the Section 852 DAWDF. I have delegated authority for management and execution of the DAWDF to the Deputy Director for Acquisition Career Management (DDACM). The DDACM has developed an operating guide that provides details for every Army Acquisition, Logistics and Technology organization for use of the DAWDF.

7. Currently, all requests for DAWDF funds are in response to a data call from the DDACM. Organizations must submit requirements following the operating guidance. Accurate spend plans are key to executing Section 852 funding in a timely manner. The DDACM will conduct monthly reviews of submitted and approved spend plans to review the status of expenditures. Senior level quarterly reviews (at ASA(ALT) and other organizations) will be held to identify and, if necessary, re-distribute under-executed funds. It is crucial that organizations receiving Section 852 funds immediately obligate and disburse funding in accordance with approved spend plans.

8. Details regarding Section 852 can be found at the following website:  
<http://asc.army.mil/career/programs/852/default.cfm>.

9. The point of contact is Ms. Joan L. Sable, commercial (703) 805-1243, DSN 655-1243, or e-mail: [joan.l.sable@us.army.mil](mailto:joan.l.sable@us.army.mil).

*Learn,  
This is an important  
program and key to our  
grow the acquisition workforce  
initiatives. I expect that  
we will take full advantage  
of this resources!  
vlf  
Bill*

*William N. Phillips*  
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Lieutenant General, GS  
Director, Army Acquisition Corps

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