

Contracting for Availability

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Ground Truth



- **Global security environment is deteriorating**
 - extreme violent organizations
 - aggressive near peer competitors
 - unstable “nation states”
- **US capabilities in desperate need of modernization**
 - tired iron after decades of conflict
- **Adversaries are winning the cost exchange ratio**
 - and operating inside our strategic OODA loop
- **National debt continues to rise**
 - no magic bullet to increase defense spending

**Incremental acquisition reform is insufficient
to meet current national needs**

What We Need To Do



- **Adopt commercial acquisition process**
 - zero base acquisition regulations
- **Focus requirements process on outcomes**
- **Buy outcomes / availability**

Agenda



- **Threat Environment**
- **Federal Budget**
- **Acquisition Reform Status**
- **Buying Outcomes / Availability**

Threat Environment



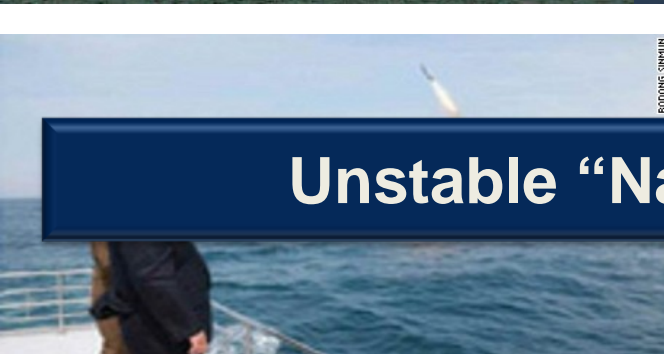
Extreme Violent Organizations



Emerging Peer Competitors



Unstable "Nation States"

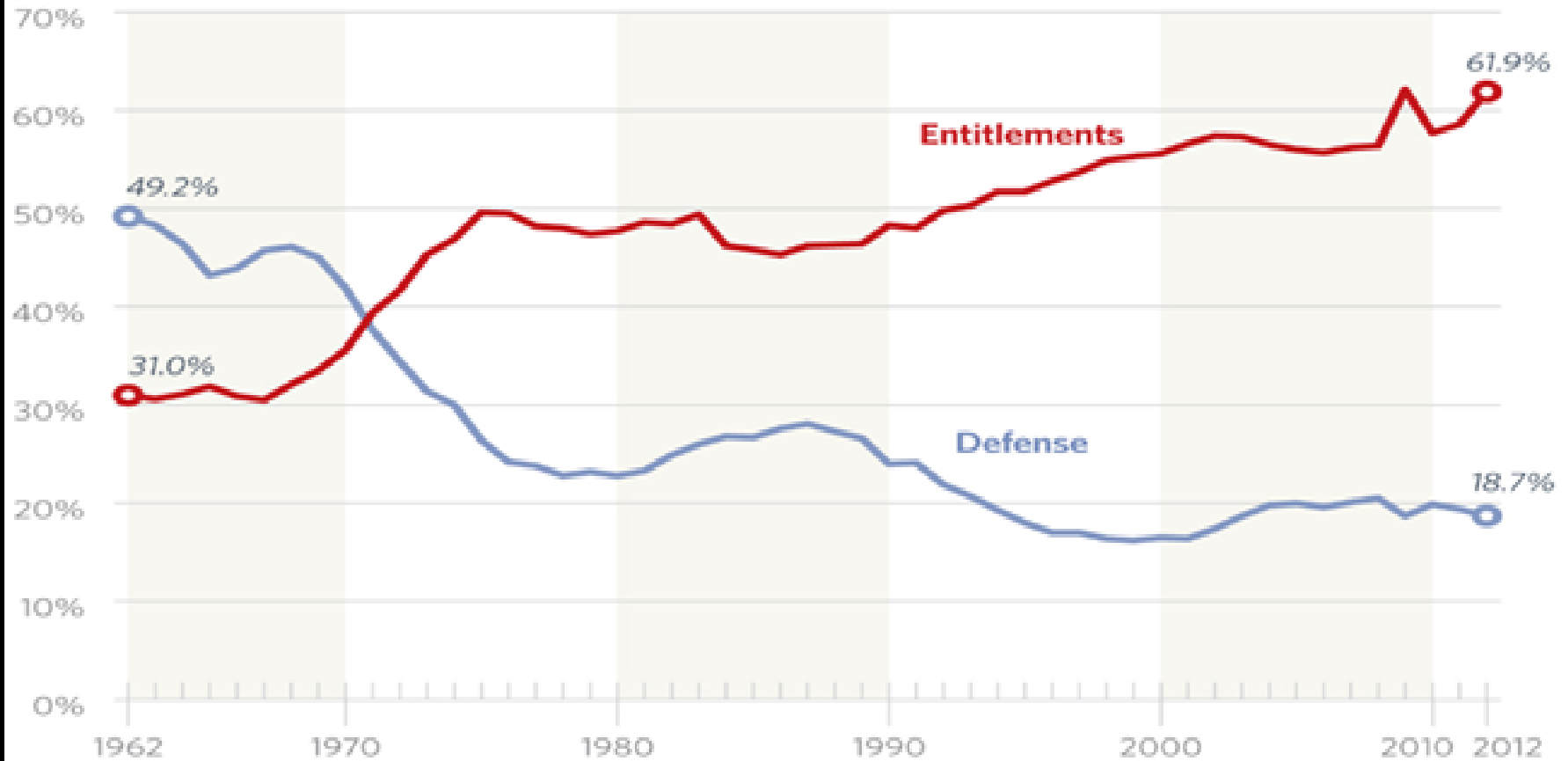


Federal Budget



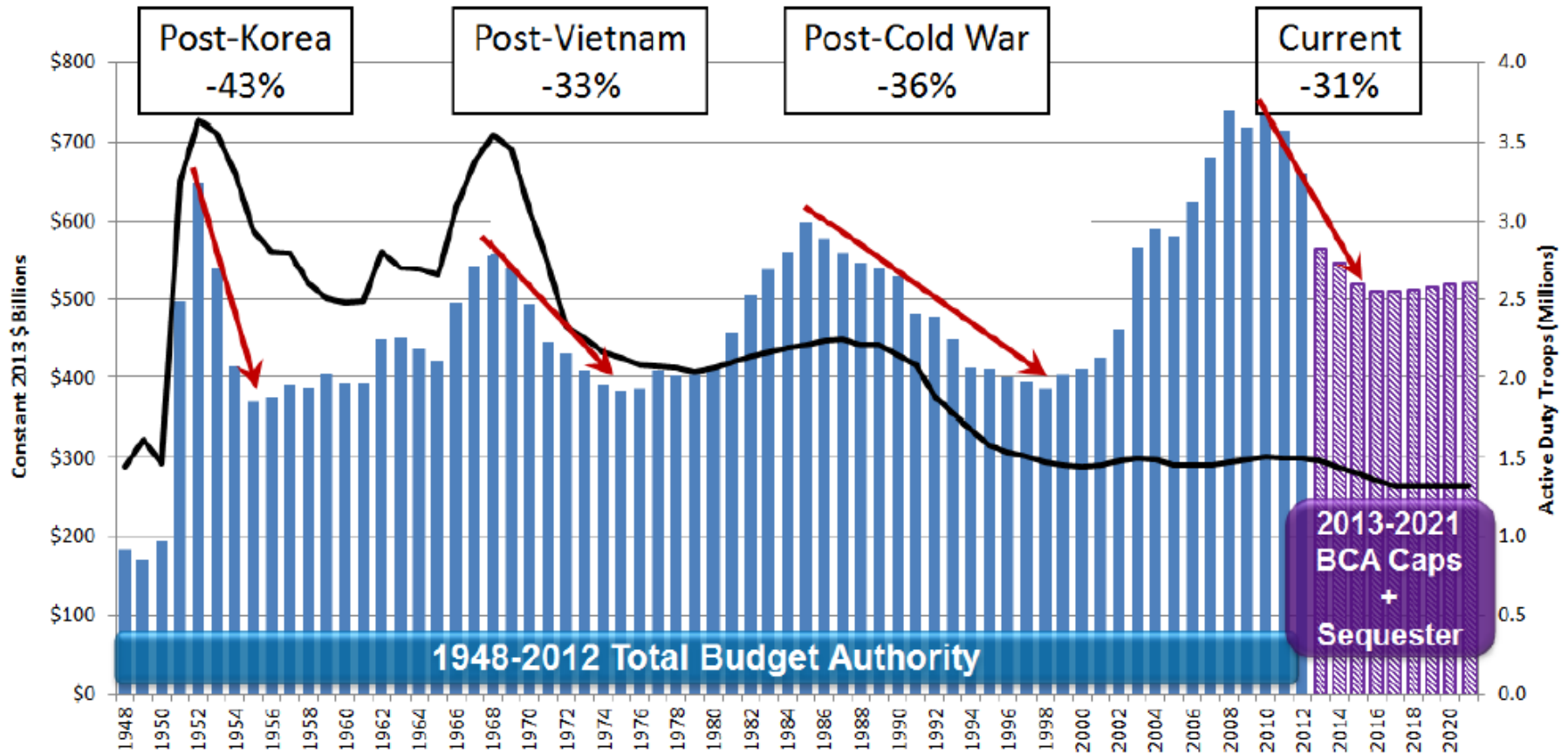
62 Percent of the Federal Budget Goes to Entitlements

SHARE OF TOTAL OUTLAYS



Source: Office of Management and Budget, *Budget of the U.S. Government, FY 2013: Historical Tables*, Table 8.3, February 2012, <http://www.whitehouse.gov/omb/budget/Historicals> (accessed August 8, 2012).

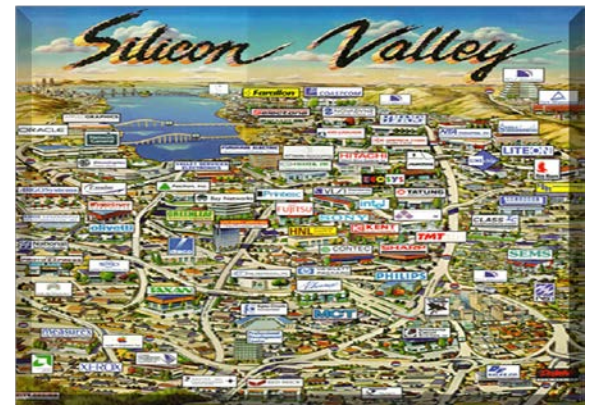
DoD Budget



*Source: Center for Strategic & International Studies; International Security Program

Acquisition Reform Status

- **Better Buying Power**
- **Congressional efforts**
- **DoD Innovation**



R&D Trends

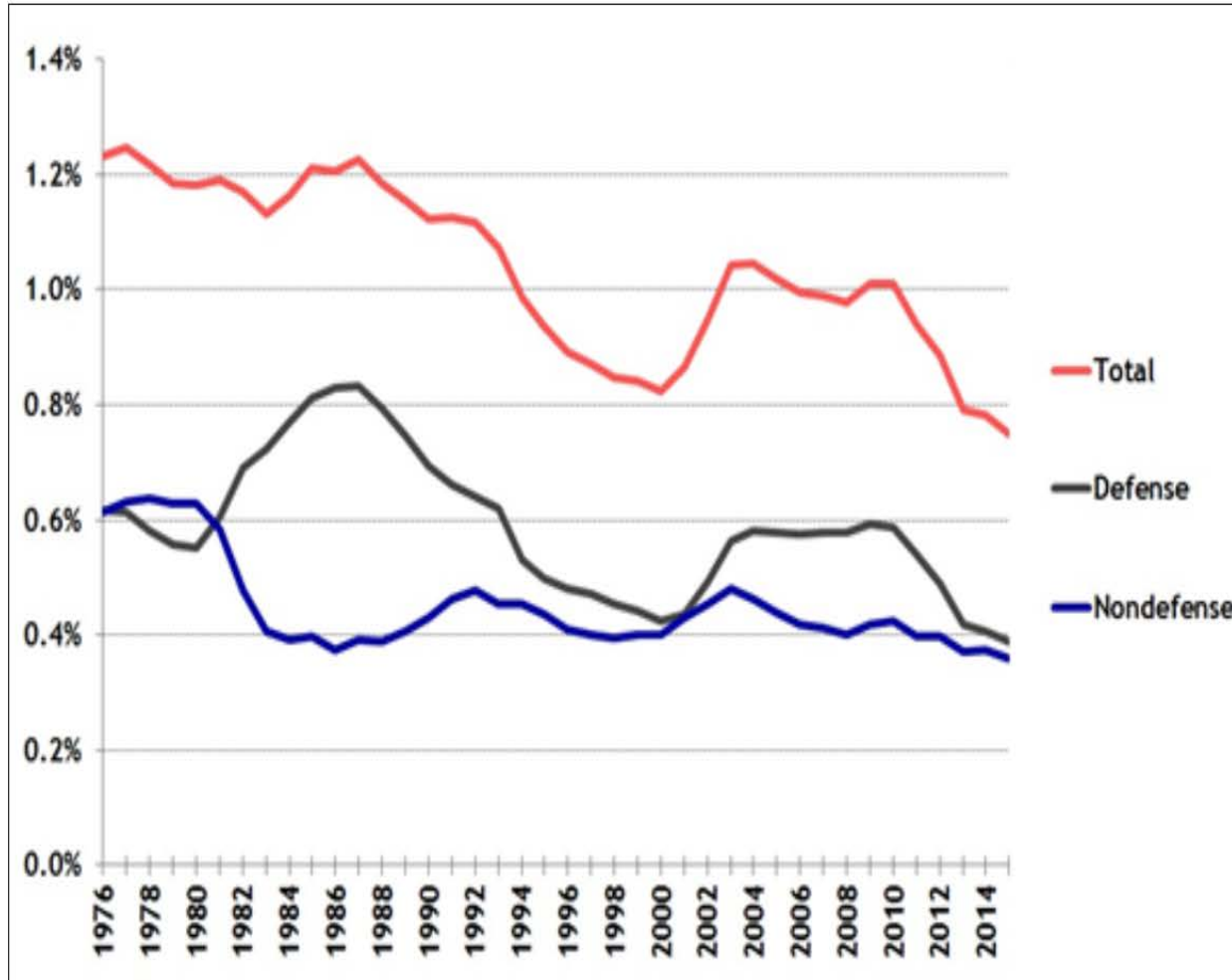
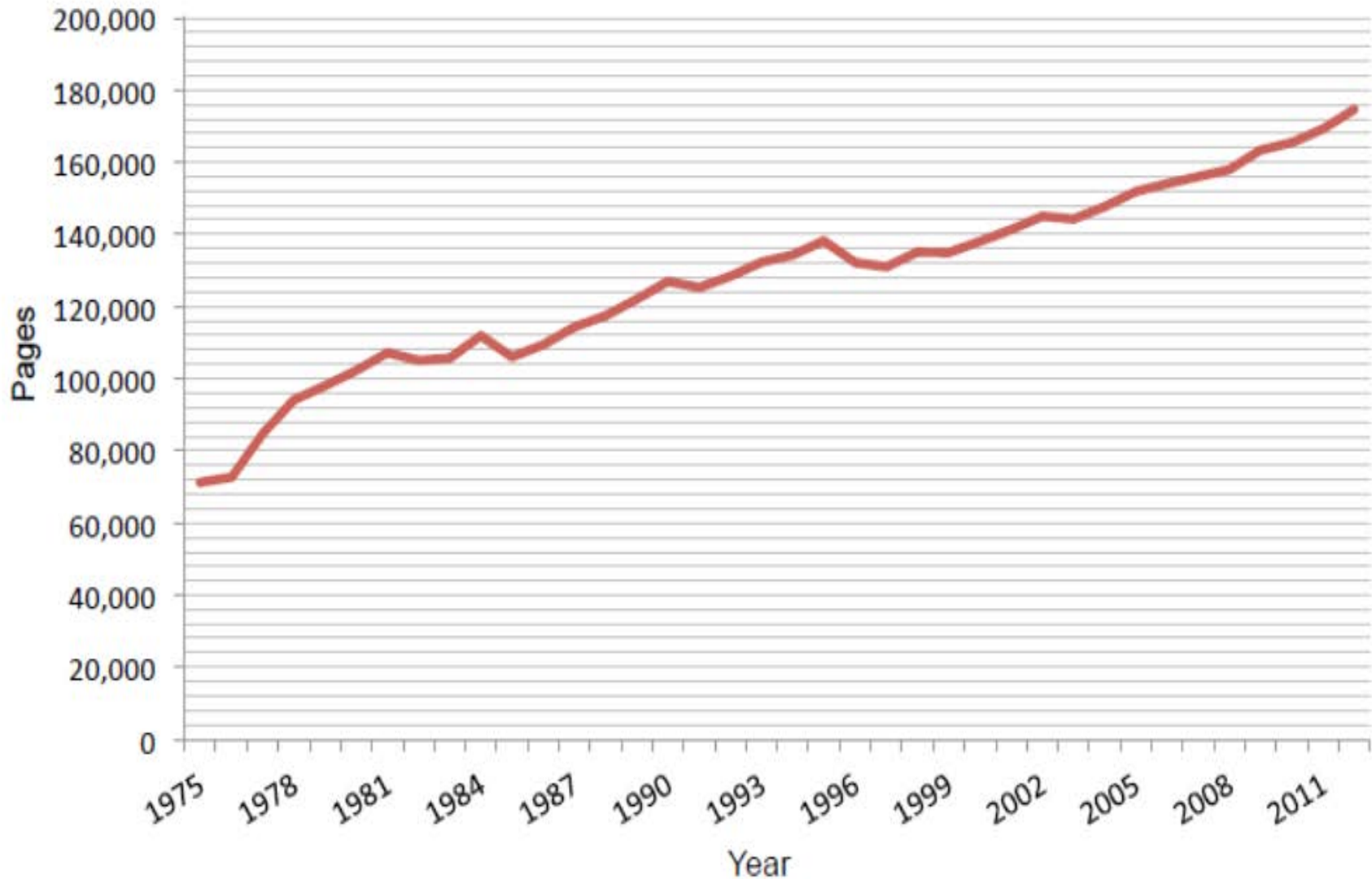


Figure 2. Trends in Federal R&D (% of GDP)

Acquisition Regulations



Source: McLaughlin, P. (2013), On The Human Costs of the US Regulatory System: Should Congress Pressure Agencies to Make Rules Faster?, Senate Judiciary

Committee Testimony, August, 2013

Allied Experience



Buying Outcomes / Availability



Buying Outcomes / Availability



- **Price point at no more than O&M cost of existing system**
- **Financed by third parties**
 - awash in cash \$74.5T
- **Existing statutory framework sufficient**
 - long term contracts preferred

Do we have the national will to move forward?

Road Ahead: Back to the Future



- **Complete zero base review of existing regulations**
- **Focus requirements process on effects**
- **Employ outcome based service contract for all non-combat systems**



