

Commentary

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SECTION B

By Robert Burton and Jerry Cox

Doing more with less: Dealing with sequestration

The Pentagon must work within trimmed budget

Sequestration or no sequestration, austerity will be a fact of life inside the Pentagon for the foreseeable future. The most important question is whether financial managers will come at our warfighters with a meat ax or with sensible procurement changes that will give taxpayers the maximum “bang” for available bucks.

The president requested \$525 billion for the Defense Department in fiscal 2013 and annual growth to more than \$600 billion a year by the end of this decade. Sequestration would hold the 2020 defense budget down to \$550 billion, but that means an immediate cut of at least \$45 billion — and a 10 percent to 12 percent haircut off major defense contractors’ top lines. This year’s governmentwide, \$25 billion buzzcut in contract spending already felt more like a scalping.

We outspend all of our potential military adversaries combined. China, for example, spends about one-fifth as much money and devotes about one-third as much of its gross domestic product. Nevertheless, as Joint Chiefs Chairman Gen. Martin E. Dempsey warned Congress on Jan. 14, across-the-board cuts will quickly leave us with a “hollow force.” Liposuction with a household vacuum is no way to trim ugly fat.

The new diet has already started, but smart exercise can make the Pentagon leaner and meaner. Procurement officers must enforce procurement discipline by purchasing only the right weapons and services at only the right prices.

Over many years, Congress has laid out an effective exercise regimen. Unfortunately, the Pentagon has followed this fitness plan, embodied in the Services Acquisition Reform Act and other procurement reform legislation the same way many of us follow a New Year’s resolution. We stop going to the gym five weeks into the year.

Even among the bipartisan congressional champions of procurement reform, eyes glaze over when the discussion turns to the intricacies of SARA and other legislative alphabet soups. Austerity urgently requires an understandable conversation about procurement reform. Only then can we organize effective action around the four fundamental principles of the procurement reform statutes.

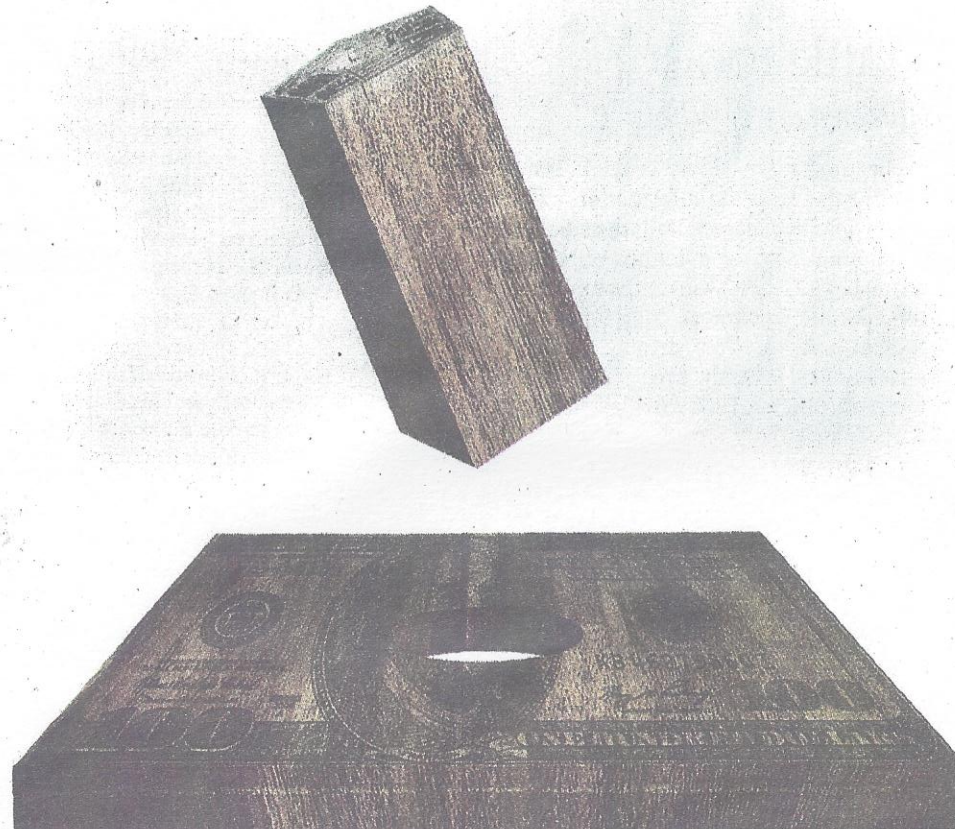


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The first and most important principle is competition. That may be hard to get with a 21st-century fighter jet, but it is essential to keep a lid on \$500 toilet seats. The skyrocketing number of “bid protests” shows that competition is rising. Although many of these legal challenges to contract awards — up 50 percent since 2008 — are filed by disappointed incumbents, winning bidders can get discouraged by the costs of a

protest. Contracting officers should encourage new vendors by keeping bid criteria simple, clear-cut and beyond reasonable challenge. In addition, “sole source” procurements should become extremely rare.

The second key principle of reform — oversight — also has been observed mostly in the breach. “Cost-plus” contracts, with their poorly defined task orders and out-of-scope service

agreements, still create appalling overruns. They make great fodder for congressional hearings on waste, fraud and abuse, but the scrutiny should not end when the klieg lights go out and a Pentagon witness starts the walk of shame. Taxpayers should demand something like the World War II-era Truman Commission, where the future president made his reputation by donning green eyeshades and asking questions nobody else knew enough to ask.

The third principle is accountability. No matter the reason, runaway costs and interminable delays — especially in the acquisition of major weapons systems — are utterly intolerable in a budget-cutting environment. Pentagon leaders who fail to prevent them should get a one-way ticket to the most distant Aleutian Island. The next secretary of defense should feel honor-bound to take tough action against procurement business-as-usual inside the Pentagon.

The fourth principle is transparency. The buying process needs to be more open in at least three respects. For any given contract, winners and losers should hear more details in post-award debriefings about what they should do next time to present the government with the best deal. Task orders issued under existing contracts should be subject to protest if they exceed the simplified acquisition threshold of \$150,000, not the current \$10 million mark. Contracting officers should stop requesting bids that qualify as the “best value” and then evaluating them as if they had asked for the “lowest-price, technically acceptable” offer.

The Obama administration has a splendid opportunity to show the American people how faithful adherence to the procurement laws already on the books can strengthen our national defense — and how effective, businesslike procurement procedures can make the whole government, including the Pentagon, do much more with much less.

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