

RECORD VERSION

**STATEMENT BY
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BEFORE THE

**COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE**

FIRST SESSION, 115TH CONGRESS

**ON THE CURRENT STATE OF DEPARTMENT OF DEFENSE ACQUISITION
ENTERPRISE AND ASSOCIATED REFORMS**

DECEMBER 7, 2017

**NOT FOR PUBLICATION UNTIL RELEASED BY THE
COMMITTEE ON ARMED SERVICES**

Chairman McCain, Ranking Member Reed, distinguished members of the committee – good morning.

When I appeared before this committee in mid-November, I stated that modernization was a top priority of mine, and that ensuring the future readiness of the total force against near-peer competitors in a high-end fight would be very difficult without fundamental reform of the current Acquisition system. In the couple weeks that I have been serving as Army Secretary, I am even more convinced that this is true, more aware of the pressing reasons why modernization is needed, and more encouraged by the progress the Army has made to date – consistent with Congressional direction – to begin overhauling the current system. A long road lies ahead, for sure, and the challenges are great. But the Army leadership, with the support and advice of Congress, is fully committed to bold reform that promises to provide America's Soldiers with the weapons and tools they need, when they need them, to fight and win our Nation's wars.

This committee is well aware of the growing challenges our military faces around the world. Rising near-peer competitors threaten America's interests. The forces they are building often match, and in a few cases exceed, our own capabilities. And even in the absence of direct conflict with such states, we should expect to encounter their weapons and systems in the hands of others. In short, our failure to modernize as quickly as possible will most likely exacerbate the significant risks the Total Army now faces. This makes reform of our industrial-age Acquisition system a strategic imperative.

As such, together with the rest of the Army's leadership – Regular Army, Army National Guard, and Army Reserve – I am approaching this endeavor through the priorities I outlined previously:

- First and foremost, People – take care of our Soldiers, civilian professionals, and their families;
- Readiness – ensure the Army's ability to deploy, fight, and win across the entire spectrum of conflict, especially the high end;
- Modernization – build greater capacity and capabilities in the longer term to ensure clear overmatch in the future;

- Reform – improve the way we do business to free up resources that will make the Total Army more lethal, capable, and efficient.

Given these priorities and the strategic imperative we face, the Army is currently undertaking five acquisition reform efforts designed to promote unity of effort, unity of command, efficiency, cost effectiveness, and leader accountability:

First, a three-star level task force is mapping out a new command – Army Futures Command – that will consolidate the service's modernization enterprise under one roof. This task force will report directly to the Under Secretary and Vice Chief of Staff of the Army on a weekly basis. Once this new command is stood up, which is currently targeted for the summer of 2018, it will be the most significant organizational change to the Army's procurement system since 1973.

Second, the Army is executing eight directives intended to improve our capability and material development process by refining how we generate requirements, improving how we educate the acquisition enterprise, simplifying our contracting and sustainment processes, and evaluating our progress through metrics to enable our ability to deliver capabilities to Soldiers faster and more efficiently. Specifically, we intend to reduce the requirements development process from up to 60 months to 12 months or less. This requires Army leadership to be directly involved in making tough choices to divest inefficiencies and reinvest in priorities, which we are committed to doing. All of these directives will help us to implement the many authorities contained in the FY16 and FY17 NDAA's.

Third, and key to our reform efforts, will be the Army's eight cross functional teams. These teams have been stood up to enable the Army's leadership to efficiently identify and manage investment and divestment priorities by assessing them against the Army's key modernization priorities:

- Long Range Precision Fires – that will increase our reach and ability to acquire targets under adverse conditions.
- Next Generation Combat Vehicles – in manned, unmanned, and optionally-manned variants to give our troops unprecedented freedom of maneuver in many different environments.

- Future Vertical Lift platforms – attack, lift, and reconnaissance airframes that are survivable on the future battlefield.
- An Army Network – hardware, software, and infrastructure that can be used in any environment, including places where the electromagnetic spectrum is denied or degraded.
- Air and Missile Defense Capabilities – that will protect of our forces from air and missile delivered fires, including drones.
- Soldier Lethality – the Army’s most important capability, which aims to improve their abilities to shoot, move, communicate, protect, and sustain.

Each of these cross functional teams is a flat organization made up of subject matter experts from across the requirements, acquisition, and technical communities, and led by a hand-picked officer – a warfighter – who currently reports directly to the Under Secretary and Vice Chief of Staff of the Army. These cross functional teams are charged with using technical experimentation and demonstrations, in conjunction with industry and commercial sector partners, to inform prototype development and reduce the requirement process. These prototypes will enable us to learn and make informed resource decisions in less time and with fewer resources.

Mindful of past failures, the Army’s fourth effort is to ensure that technological solutions are mature before we begin a program of record. This includes a threat-based strategy that has aligned eighty percent of the Army’s \$2.4 billion science and technology funding profile against our six modernization priorities. Improved science and technology governance, and revised transition agreements with material developers, will ensure that we are judicious with taxpayer dollars. We have completed science and technology reviews that identified programs to divest, enabling us to realign \$1.1 billion in science and technology funding toward the Army priorities mentioned above.

Fifth, we are directly engaging Army senior leadership as decision makers for the first four efforts. The FY16 NDAA provided the Chief of Staff of the Army an enhanced role in the Army Requirements Oversight Council. We have combined that with the Army Systems Acquisition Review Council to expand that oversight and decision-making role to ensure the Chief of Staff of the Army and I concur with program developmental decisions.

Underlying these efforts are the benefits the Army has derived from the FY16 and FY17 NDAs. Streamlined requirements and processes are now captured in a rewritten Army Regulation 70-1: *Army Acquisition Policy*. Simplified Acquisition Management Plans are reducing the amount of paperwork needed to manage a program and the establishment of a fourth Acquisition Category for programs that spend under \$185 million in procurement is enabling faster decisions.

These reforms will require predictable, stable, and adequate funding to restore balance and reduce risk. The Defense funding levels under current law, the Budget Control Act and Continuing Resolutions hinder our ability to resource the Total Army over the long term by prohibiting the service from starting new procurement programs and military construction projects. They also prohibit entering into multi-year contracts, increasing production rates, or realigning funds to higher priority requirements.

Ultimately, we are accountable to Congress and the American people. I fully believe you will see marked, clear progress in the coming months. You will also see the Army's new Futures Command stand up next summer. You will begin to see outputs aligned to our six modernization priorities within three years or less, barring any major funding shortfalls or significant international events. And you will see much more unity of effort, efficiency, and accountability in these early waypoints, and the ones that will follow later.

However, the ultimate test we will face will be on the battlefield, where Regular Army, Army National Guard, and Army Reserve Soldiers will succeed or fail based on our efforts to reform and modernize now. Past ways of thinking, organizing, and executing have limited our ability to keep pace with technological development and our potential adversaries. There is a clear strategic imperative to reform our industrial-age acquisition system and modernize as quickly and efficiently as possible. We understand the stakes, we have begun to make progress, and we will not fail.

Thank you.