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April 24, 2013

Honorable Frank Kendall

Under Secretary of Defense for Acquisition, Technology
and Logistics

3010 Defense Pentagon

Washington, DC 20301-3010

Dear Mr. Secretary:

The Procurement Round Table (PRT) is a nonprofit organization chartered in 1984 by former Federal acquisition officials whose 50 pro bono Directors work to promote a federal acquisition system that delivers best value, economy, efficiency, and effectiveness to the agency missions it serves.

We write today to urge you to commission an updated study, similar to the December 1994 Coopers and Lybrand (TASC-assisted) study, "The DOD Regulatory Cost Premium: A Quantitative Assessment". Today, as in 1994, the Department of Defense is facing numerous budgetary challenges, and current empirical data and a methodology are needed to assist in making the tough decisions.

Secretary of Defense Chuck Hagel has called for "rebalancing the missions assigned to the military with the reduced money available for the Pentagon". The acquisition of military goods and services is a major component of DoD spending. For informed decision-making, it is important for lawmakers, regulators and the department's leadership to have such current empirical information and methodology to determine the additional cost/benefits of the statutory, regulatory, policy, guidance, and processes (government unique requirements) already in place. With this information, the department and Congress can make an informed judgment about which provisions are adding value and should be retained and which are adding little or no value and should be cancelled.

The original 1994 Coopers & Lybrand found that DoD was paying, at a minimum, an 18 percent cost premium over the price for doing business in the private sector. These increased prices reflected the firms' compliance costs associated with DoD's unique statutory/regulatory/policy/process requirements. The premium presented not only an increase in the prices paid by DoD, but also a barrier to entry into the defense marketplace for firms seeking to participate in the DoD marketplace.

In December 1994, Coopers and Lybrand delivered its report to then-Secretary of Defense William Perry who used the report to undertake an effort to reduce the cost premium paid by DoD. Among other initiatives, DoD reduced significantly both federal specifications (fedspecs) and

military specifications (milspecs) and undertook to rewrite Part 15 of the Federal Acquisition Regulation (FAR), Contracting by Negotiation, and FAR Part 45, Government Property. In addition, DoD aggressively implemented commercial practices and attempted to find commercial products that met its needs. It also undertook “pilot projects” to test commercial solutions to military unique requirements, the most successful of which was Joint Direct Attack Munition (JDAM) that is still delivering value to the DoD some 18 years later.

This study followed on the heels of the Section 800 Panel Report, the National Performance Review (NPR) and the passage of the Federal Acquisition Streamlining Act (FASA). The Section 800 Panel identified over 600 separate statutory provisions that applied to the DoD acquisition system, and in implementing the Section 800 Panel Report and the NPR, FASA repealed or substantially modified upwards of 225 provisions of law.

Since the passage of FASA in 1994, the number of statutes, regulations, policies, and processes affecting DoD acquisitions has increased in efforts to address various issues and concerns. Congress adds numerous statutory provisions to the acquisition system each year and DoD has regulations, policies, guidance, and processes, making an update to the Coopers and Lybrand study timely and appropriate.

For these reasons, the PRT recommends that you direct an updating of the Coopers and Lybrand study, focusing on the entire industrial base (goods, services, and solutions). These updated results will allow you, the Office of Management and Budget, and the Congress to identify opportunities to reduce or amend non-value-added laws, regulations, policies, and processes. I can be reached at 202-626-8565 or at aburman@jeffersonconsulting.com if you would like further information about the PRT or our recommendation. We stand ready to discuss this matter directly with you and your staff and to support your efforts to obtain data to improve the efficiency of the acquisition system and to reduce the costs of serving the Warfighter and the taxpayer.

Sincerely,



Allan V. Burman, Ph.D.
Chairman
1401 K St. NW, Suite 900
Washington, DC. 20005