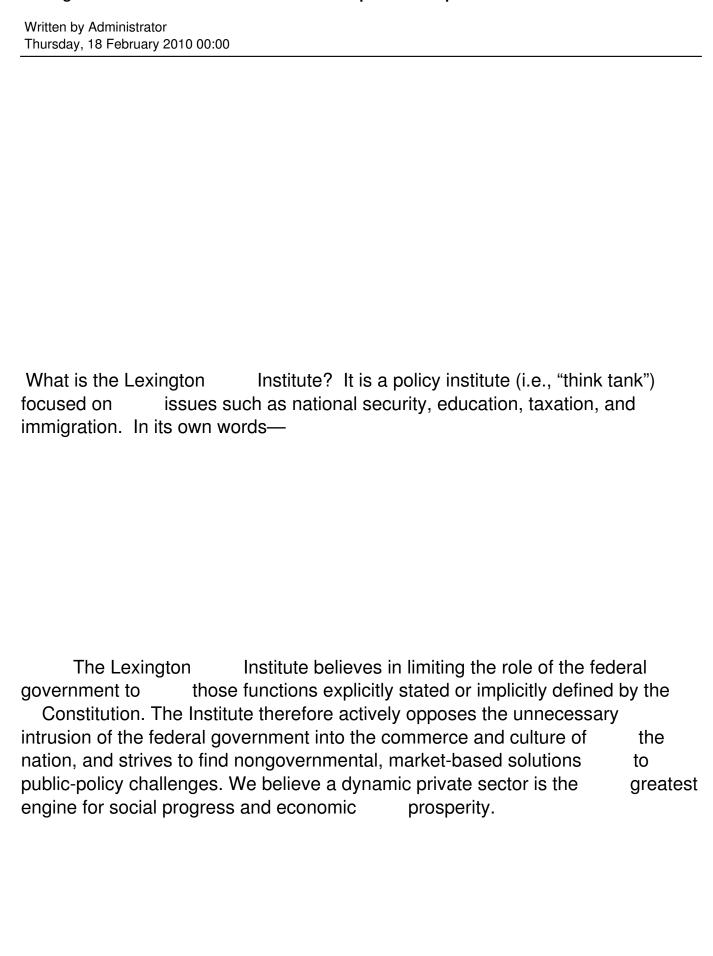
Lexington Institute Publishes "Contrarian" Viewpoint on Acquisition Reform



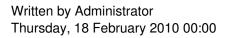
Written by Administrator Thursday, 18 February 2010 00:00

Here is a link to the Lexington Institute's home page. In addition to scholarly works, it also publishes the "Early Warning" blog. One of the blog posts, by Dr. Loren Thompson, caught our eye with the interesting title: "Weapons Spending: Much of the Logic Behind Acquisition Reform is Flawed." See the entire post here . We agree—and have posted similar thoughts in the past. (See article or this one).

We encourage visitors to read the linked article in its entirety. To summarize, though, Dr. Thompson makes the following four points.

1. Competition does not improve performance, but it does lower doesn't need to hold competitions to drive best efficiency. The Government to incentivize contractor performance. There are plenty value acquisitions or tools in the Government's toolkit to motivate contractors to of contracting efficiently. As Dr. Thompson says, "The notion operate that normal rules of competition can be made to work in a system of monopsonybuyers is nonsensical, because the market is too distorted and oligopolistic sellers to function normally. If there are to be two suppliers, then the sole customer pay for two sets of everything -- design teams, production facilities, must

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spare parts, etc."

2. Use of Fixed-Price contract types does not control contractor cost growth, but it does encourage contractors to bid high prices. Dr. Thompson asks, "Is it really so hard to fashion a cost-plus approach to weapons development where the contractor is rewarded for holding down costs rather than encouraged to bid high from day one?"

3. Contractors are encouraged to bid low, and cost realism is top-tier of defense contractors is largely never rewarded. Because the distinguishing characteristic between bids is often interchangeable, the Thompson asks, "What source-selection authority is going to pick price. Dr. system that costs a billion dollars more when all of the competing the solutions meet performance requirements?" He cites the recent award of award to Oshkosh as a prime example of this the multi-billion dollar FMTV Oshkosh's bid was "30% below what the rule, where he asserts that incumbent is currently charging for identical trucks," and Oshkosh's profit was based on receipt of "financial aid from state and local projection governments."

taking on 20,000 new acquisition professionals will

sub."

which just happens to be the projected cost of

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Trident ballistic-missile

Adding more 4. acquisition, audit, and program management professionals to DoD's ranks won't solve the myriad problems with the acquisition process, but it will compound the problem. Pentagon's We are all familiar with the lack of Government resources in this area, and the reliance on contractors to augment short-staffed contracting offices. current But Dr. Thompson notes that those new heads will take additional funds—not just to cover the costs of salary and benefits, but also to cover the costs of training, equipping, housing and supporting them. As Dr. Thompson notes, "When you add up all these costs, the long-term burden of

be over \$80 billion --

buying a replacement for the

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