

Written by Nick Sanders

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From time to time we like to look at the partnership between the Pentagon and the defense industrial base that supports America's national security policies. One doesn't need to be a marriage counselor to recognize the recent signs of strain in that relationship. We've reported many times on pressures facing the two parties, be they political, budgetary, or operational. And it's not like we only take one side: in fact, there's plenty of blame to be spread around. Just like a marriage.

Let's start with some neutral facts.

1. In [this very recent article](#) by the Washington Post, readers learned that "the number of new suppliers to the U.S. government fell 14 percent last year even as the Obama administration sought to increase competition in contracting." This was noted as a bad thing, since reduced competition might lead to the DOD paying higher prices. What factors contributed to the decline? Two factors that were mentioned were (a) budgetary pressures, and (b) burdensome Federal rules and regulations. The Post reported—

Working with the government presents challenges for small businesses not accustomed to the process, said Jake Ross, a retired Navy captain and partner at Maritime Security Strategies in Tampa, Fla. His company, a service-disabled veteran-owned firm, last year won its first federal contract, a \$29 million deal to build a patrol boat for the Navy.

'I kick myself every day,' Ross said in an interview. 'You think you've crossed one challenge and, by golly, you've got a new one the next day. The rules and regulations for government contractors do create significant barriers.'

2. The GAO issued [a report](#) evaluating DOD's use of competition for acquiring services. In

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that report, GAO found that the most common rationale for lack of competition was “only one responsible source”—meaning that no other contractor was qualified to provide the services being sought. GAO reported—

... program officials can influence competition by expressing vendor preferences, planning acquisitions poorly, or specifying overly restrictive requirements. Unanticipated events such as bid protests or unforeseen requirements with time frames that preclude competition can also impact competition.

3. Recently, industry associations met with the Director, Defense Procurement and Acquisition Policy (DPAP) and his staff for a regularly scheduled “cross-talk”. Notes from one participant at that meeting reported—

[DPAP] was asked about the relationship between the industry and the Department. The ... agenda noted that the relationship undergone broad fluctuations in the past few years – Mr. Kendall’s remark that *DoD is not in a partnership with industry* that [was] endorsed and supported by Messers Assad and Ginman at the 2011 Defense Procurement Conference is considered to be illustrative of what appeared to be a distancing of the two institutions. [DPAP] chose to view the question as a criticism of the quantity and quality of communication between industry and government. While [DPAP] acknowledged that industry and DoD share many of the same goals, [DPAP] said that he views an arm’s length relationship when negotiating contracts to be a necessity. ...

The final question from industry to DPAP sought to get [DPAP’s] views on the big picture tradeoffs between individual regulations (business systems, changes to Part 15 that require negotiations for single bid procurements, etc.). The question referred to an increased emphasis on competition and only alluded to the increased emphasis on low price. When that clarification was made [DPAP] made a defense of the need for reliable business systems, and more insight into proposed prices. He was asked if attention was paid to the aggregate time and effort to respond to ever increasing requests for more perfect information. He responded by defending the merits of the individual policies.

Those are the facts, and just the facts. Based on those facts, how would you assess the relationship between the Defense Department and its industrial base?

We think it’s a shame that the Pentagon has, in the past decade or so, moved away from its self-acknowledged “partnership” with its contractors. In that same time, we have seen more and more that the DOD is reliant on its contractors—and not just the designers and producers of major weapon systems, either. From support to contingency operations to environmental clean-up, and from acquisition support services to creators of the highest-tech satellite sensors, it is contractors who get the job done—and not the so-called “leaders” of the Department of Defense. As the Pentagon has come to rely more and more on its contractors,

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we have seen a seeming backlash brewing—resentment perhaps based on the awareness that *nothing can get done without the contractors*.

And thus it is the contractors' job to take the brunt of criticism pointed at the DOD. When the Commission on Wartime Contracting criticized DOD's (mis)management of contractors, it was naturally the contractors themselves who had to defend their actions. When GAO (and DOD IG) criticized DCAA's lack of audit quality, the audit agency pointed at the contractors and their "lack of responsiveness" as the primary reason for audit problems. And when former Secretary of Defense Gates called for a leaning-out of a bloated Pentagon bureaucracy, it didn't take long for those same bureaucrats to evolve that direction into a "better buying power initiative" designed to lower the prices it paid to its contractors.

Since the end of World War II, America has struggled to accept the role of its military. In the past 60 years, we have seen returning service men and women given parades, and spit upon in hatred. During that same time, we have seen the Pentagon struggle to define its relationship with its contractors. Sometimes the relationship is defined as a "partnership" and other times, such as today, it is defined in more "arm's-length" terms.

If the DOD and its industrial base were in a marriage, we think it would be fair to say that we are long past the honeymoon phase. We think the current relationship might be fairly characterized as a "separation."

The funny thing is, as DOD shops around for a new partner with whom to commit, calling it a renewed emphasis on competition, it is seemingly learning that it has built up quite a bit of baggage over the past decade or so—baggage, in the form of onerous rules and regulations, that make it hard to attract a new mate.

Maybe the Pentagon's current relationship is not as bad as it thinks? Maybe DOD needs to recommit to its existing contractor/partners?

If only there was a therapist with the power to get the parties together in one room, for some heart-to-heart sharing....