

Written by Nick Sanders  
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Six or more years ago we published many blog articles discussing an initiative started by then-SECDEF Bob Gates. In a 2010 speech at the Eisenhower Library Gates called for an initiative to drive \$102 billion of waste and inefficiency out of Pentagon “overhead costs” and transfer those savings to the warfighters. A good starting point for a review of Gates’ intention can be found [here](#).

Within six weeks from the speech, Gates’ Undersecretary of Defense (Acquisition, Technology & Logistics), Dr. Ash Carter, had met with leaders of major defense contractors and had demanded savings of \$66.3 billion dollars over five years, to be created by cost reductions to current programs.

Astute readers might notice what we pointed out at the time: somehow the drive to reduce a bloated Pentagon bureaucracy had been turned into a drive to reduce contract costs. Funny how that little change in direction happened ....

It was at that time that Dr. Carter announced an initiative to “restore affordability and productivity in defense spending”—an initiative that quickly became known as “Better Buying Power” (or BBP). That was BBP 1.0. Over the next six years, the defense acquisition workforce would receive additional direction via BBP 2.0, 2.1, and 3.0. Over the next six years, Gates moved on and was replaced by Chuck Hagel—and then by Ash Carter. Carter moved up and so did Frank Kendall, who became the next USD (AT&L). Later incarnations of BBP were issued under Kendall’s imprimatur.

Thus, Gate’s attack on Pentagon overhead, which we dubbed the “efficiency” initiative, was overtaken by the Carter/Kendall attack on program costs, which we dubbed the “affordability” initiative. BBP got all the press (for good or ill) and the efficiency initiative seemed to fade away—as do so many well-meaning attempts to streamline the incredibly challenging defense acquisition environment by reducing the bureaucracy. The entire initiative just ... died. We never heard anything more about it over the intervening six years.

Until [now](#).

## Affordability and Efficiency—Or: How Ash Carter and Frank Kendall Foiled Robert Gates

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The Washington Post reported that the Defense Business Board actually studied the issue. It hired McKinsey to help understand how the Pentagon spent money on the “Fourth Estate”—which is what the military services call the defense agencies—mostly staffed by civilians—that support the military branches. According to WaPo, the McKinsey study found the following:

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DOD spends 23 percent of its budget on “overhead and core business operations such as accounting, human resources, logistics and property management.” Those Fourth Estate functions employ 1,014,000 people. WaPo reported “The Pentagon has almost as many people working desk jobs as it does active-duty troops.”

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Nearly half of those people—some 457,000 individuals—work in supply chain and logistics functions. Another 207,000 individuals work in acquisition and procurement.

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WaPo reported that “early findings had determined the average administrative job at the Pentagon was costing taxpayers more than \$200,000, including salary and benefits.”

The DBB concluded that the Pentagon could save taxpayers some \$125 billion over five years by better managing its enormous Fourth Estate bureaucracy.

The bureaucrats pushed back.

Frank Kendall was the first to push back, according to the WaPo story, which reported “Kendall put up a stiff fight. He challenged the board’s data and strenuously objected to the conclusion that his offices were overstaffed.”

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Next, according to WaPo, Ash Carter—by then SECDEF Carter—killed the study by ignoring it. The DBB chair was quoted as saying: “Unfortunately, Ash — for reasons of his own — stopped this.” A SECDEF spokesperson responded by saying “the Pentagon chief was busy dealing with ‘a long list of national security challenges.’” He added that [Deputy SECDEF Bob] Work and other senior officials had already ‘concluded that the report, while well-intentioned, had limited value.’”

To our way of thinking, it is no surprise that the two biggest detractors of the study were Carter and Kendall. It seems to us that those two individuals aligned on the attack on contract/program costs and consistently ignored any efforts to attack internal Pentagon overhead. History seems to show that Carter, in particular, was never a champion of the “efficiency” initiative and his focus—from the very beginning—was on the “affordability” initiative. Kendall took over the “affordability” attack (called Better Buying Power)—whether out of a sense of loyalty or opportunism we couldn’t say—and ran with it, making it a key accomplishment of his (soon to be ended) tenure as USD (AT&L). Therefore, it should come as no mystery why those two individuals were at the forefront of the bureaucratic pushback. Their positions on the DBB study were consistent with every other position they had taken on the topic since 2010.

In the end, the results of the report were “suppressed” and “The Pentagon imposed secrecy restrictions on the data making up the study, which ensured no one could replicate the findings.” Except The Washington Post found the study and published it. We taxpayers owe them a debt of gratitude.

All in all, a good example of why significant reform of the defense acquisition environment is so difficult.