

Written by Nick Sanders
Tuesday, 17 May 2011 00:00

We've recently reported testimony regarding the status and health of the defense industrial base. Readers may recall that Jacques Gansler [told](#) the Commission on Wartime Contracting that—

We are now 17 years beyond the 1994 passage of the Federal Acquisition Streamlining Act, and faced with the reality that application of FAR Part 12 principles has been problematic for services: only 18 percent of DoD's services are sourced using commercial practices. The entry barriers remain the same: concerns over intellectual property and data rights, cost-accounting requirements, profit and overhead policies—to name just a few.

In a similar vein, Mr. Gansler subsequently [testified](#) before the Senate Armed Services Committee (Emerging Threats and Capabilities Subcommittee) that—

*To meet the 21st Century National Security environment, the industrial base must be **flexible, adaptable, agile, responsive, and innovative; and it must provide high-quality goods and services at affordable prices, in the quantities required. To achieve this, requires the government to change the way it does its business,***
i.e. reform its laws, regulations, policies and acquisition/procurement practices. It must remove the current barriers—created through overregulation and detailed “input” specifications—and shift to an emphasis on creating incentives for industry to achieve the desired output results.
[Emphasis in original.]

Perhaps the DOD has given up the fight to transform its acquisition practices along the lines Mr. Gansler has advocated. Perhaps it has given up efforts to emphasize flexibility, adaptability, agility, responsiveness and innovation when there are so many barriers—internal, external, cultural, and legal—to such an evolved state. Perhaps not. History may be the final judge.

But National Defense magazine [reported](#) in its May 2011 edition that DOD has begun to look outside the Pentagon walls to search for nontraditional defense suppliers to fill niche needs for green energy, wireless communications, cybersecurity and data mining products. As the magazine article reported, “Some of the technologies on the Pentagon’s wish list exist in the larger [non-defense] marketplace, but are supplied by companies that shy away from government contracting or may not be aware that the Defense Department is in need of their products.”

Pentagon Outsources Supplier Development

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To that list of supplier concerns we would add—

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Don't have an approved accounting system

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Don't have an approved timekeeping system

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Are afraid of hostile DCAA auditors writing adverse audit reports condemning perfectly acceptable commercial practices

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Are afraid of Truth-in-Negotiation Act requirements

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Are afraid of being accuse of False Claims Act violations because of inadvertent mistakes

In other words, all the barriers that Mr. Gansler told his Governmental listeners keep companies from entering the DOD marketspace.

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