The "Better Buying Power" initiative is the step-child of former Secretary of Defense Robert Gates' 2010 call for $100 Billion worth of cuts to Pentagon overhead.

Gates called for cutting overhead costs so as to "convert sufficient 'tail' to 'tooth' to provide the equivalent of the roughly two to three percent real growth" via "root-and-branch changes that can be sustained and added to over time." Then Undersecretary of Defense (AT&L) Dr. Ashton Carter translated this strategic imperative into a reduction of $66.3 Billion over five years, to be found on current programs and initiatives. Dr. Carter wrote in June, 2010—

We need to restore affordability to our programs and activities … by identifying and eliminating unproductive or low-value-added overhead; in effect, doing more without more. … The guidance will focus on getting better outcomes, not on our bureaucratic structures.

Dr. Carter's "Guidance Roadmap" listed five specific attack vectors in the drive to reduce Defense acquisition costs. The five areas were:

- Target Affordability and Control Cost Growth

- Incentivize Productivity & Innovation in Industry

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Promote Real Competition

- Improve Tradecraft in Services Acquisition

- Reduce Non-Productive Processes and Bureaucracy

We've followed the evolution of BBP and written many articles on the topic. Recently, BBP morphed into BBP 2.0, and then was clarified by current USD (AT&L) (Frank Kendall) in a Memo that we sardonically dubbed "BBP 2.1". We discussed BBP 2.1 **here**. We were not favorably impressed and offered words of criticism.

Apparently, we weren't alone in having concerns about BBP 2.1. In late May, the Aerospace Industries Association (AIA) sent a letter to Mr. Kendall expressing concerns about the latest incarnation of BBP. The AIA wrote—

AIA is very concerned that the [BBP] section entitled "*Eliminate requirements imposed on industry where costs outweigh benefits*" was deleted in its entirety from the original document. This section was viewed by our Members as an important initiative to address key drivers of costs in the acquisition process.

Following that paragraph was a fairly lengthy bulleted list of specific AIA concerns. Some of those concerns were:

- DCAA Incurred Cost Submission backlog and settlement of open years

- Lack of clarification on profit policy, including policies for contractor profit on major subcontracts

- Lack of response to industry concerns about the onerous implementation of contractor financing through the use of Performance Based Payments …

- Continued alignment of DCAA and DCMA in scope and mission

- Lack of transparency in the use of cost-benefit analysis to support the efficacy of new regulations and oversight

- "One size fits all" approach to regulation for large and mid/small tier contractors

So notice, if you will, how SECDEF Gates' call for a reduction in Pentagon overhead has evolved into a focus on contractors' costs, and how even the *notion* that contractors' costs can be reduced by reduction or elimination of non-value-added requirements has been erased from the areas of focus, in the time-honored sense of Soviet-style revisionism.

This chain of events is not really surprising. Indeed, **we wrote** about an academic who actually predicted something very much like it. It seems to be a fundamental organizational axiom that when you ask bureaucrats to streamline processes, the first thing they do is to add processes. Similarly, it seems to be equally fundamental that when you ask bureaucrats to reduce overhead, the first thing they do is to add people and form a team to study the overhead reduction problem.

Another, similar, viewpoint on the efficacy of BBP was **recently expressed** by Dr. Daniel Goure, of The Lexington Institute, in an editorial entitled, "The U.S. Military Enemy: DoD

Overhead." Dr. Goure wrote—

There is an enemy. It is not America's enemy but it is the enemy of the country's military. It is the Department of Defense's overhead functions and acquisition system. … According to the Defense Business Board, about a quarter of a million people -- civilian, uniform personnel and contractors -- now work in the Office of Secretary of Defense, Defense Agencies and Combatant Commands at an estimated price tag of no less than $116 billion. It may be even higher; the Department of Defense doesn't have an accurate count of how many people work in the 'back offices.' Nor do they have a clue as to the total cost burden of a civilian employee, something which every defense contractor knows down to the penny since they have to report this number to the department.

Dr. Goure continued—

Every major review of the way DoD does business reaching all the way back to the Eisenhower Administration has emphasized the importance of streamlining processes, reducing overhead, employing modern management techniques and programs, reforming the acquisition system and reducing regulations. For decades Pentagon leaders have failed to implement the recommendations of these studies or, having begun to make changes, have allowed the system to backslide. Former Secretary of Defense Robert Gates tried to find $100 billion in savings by reducing overhead, including by shutting down Joint Forces Command. Unfortunately, since most of the personnel slots in the command were merely transferred to other parts of the Pentagon, the savings were minimal. Over and over again, DoD has announced a reform effort only to fail to achieve the desired results.

Dr. Goure evaluated BBP (or, if you will, BBP 1.0, BBP 2.0, and BBP 2.1) in the foregoing context. He wrote—

The current acquisition reform effort, known as Better Buying Power (BBP), is another example of this kind of insanity: doing the same thing over and over, expecting a different result. By imposing new behaviors, additional reporting requirements, and increased oversight of acquisition activities, BBP generally has increased costs to both private companies and government. For someone who prides himself on being data driven, Under Secretary of Defense Frank Kendall, needs to do the simple math. More activities, reports, audits and personnel mean higher costs.

Big business routinely responds to down markets by reducing overhead, streamlining their processes and making better utilization of human capital. Only government would do the opposite and increase its overhead costs when money gets tight.

As we said, when viewed in the historical context of past "acquisition reform" or cost reduction initiatives, it is hardly surprising to see the BBP initiative right where it is today. But what is perhaps more surprising is what the Pentagon personnel data shows.

In **this Defense News article** , readers learned that SECDEF Gates did more than merely call for a reduction to Pentagon bureaucracy and overhead; he actually tried to do something about it. In August, 2010, as part of his efficiency drive, Gates directed “a freeze on the number of OSD [Office of the Secretary of Defense], defense agency and combatant command [COCOM] positions, at the FY10 levels, for the next three years.” So how did the Department of Defense do? According to the Defense News article, “the size of the Pentagon’s vast oversight organizations grew by more than 15 percent from 2010 to 2012.”

Yes: you read that correctly. In response to Gates’ direction to freeze headcount, headcount grew significantly.

The article reported—

Between 2010 and 2012, OSD, the Joint Staff and COCOMs added about 4,500 positions, according to a Defense News analysis of multiple DoD personnel documents and interviews with experts. More than 65 percent of the staff size growth was within the Joint Staff, the organization at the Pentagon that oversees the uniformed military and global operations. The staff sizes do not include the thousands of contractors working within each organization.

Readers may recall that it was Gates’ call for headcount freezes and staffing reductions that prompted Congress to impose limits on funding available for contractor services. We wrote about that hairball **right here** . We’re not going to recap history here, but we do believe it’s ironic (at best) that, while contractor funding was being limited so as to prevent the back-office headcount from being shifted from the Pentagon to contractors, the Pentagon was actually increasing its back-office headcount.

In other words, the contractors have paid the price (in terms of contract award values, revenue and profit) for the Pentagon’s inability to solve its intractable personnel problems. The Pentagon bureaucracy has continued to build its satrapies, increase processes, and impose additional requirements on contractors, all in the name of cost-savings and overhead reduction. As pointed out by the AIA, the Pentagon bureaucrats don’t even bother to pretend otherwise anymore.

We can all see the truth now. The only meaningful overhead reduction that’s taken place over the past three years has been implemented by the contractors. The Pentagon continues to inflate its bureaucratic bloat. And so it goes ….