



United States Department of Defense

News Transcript

On the web: http://www.defenselink.mil/news/Oct2002/t10172002_t1015bic.htmlMedia contact: media@defenselink.mil or +1 (703) 697-5131Public contact: public@defenselink.mil or +1 (703) 428-0711**Presenter:** Thomas White, Secretary of the Army

Tuesday, Oct. 15, 2002 - 2:30 p.m. EDT

DoD News Briefing - Thomas White, Secretary of the Army

(Special briefing on the current status of BIC initiatives. Also participating was Army Lt. Gen. Benjamin Griffin, chairman, BIC Steering Committee, and Craig College, chairman, BIC Executive Directors.)

Staff: Good afternoon. Today we have the Honorable Thomas E. White, Secretary of the Army, as well as Lieutenant General Benjamin Griffin, who was the chairman of the executive steering committee of the DOD Business Initiatives Council, referred to as BIC, during the period April through September of this year, and Dr. Craig College, who was chairman of the BIC executive directors.

Secretary Rumsfeld created both the senior executive council and its subordinate council, the Business Initiatives Council, in June of 2001. The BIC is comprised of the military department secretaries, several undersecretaries of Defense, and the vice chairman of the Joint Chiefs of Staff, and is chaired by Undersecretary of Defense for Acquisition, Technology and Logistics Mr. Pete Aldridge. The Navy and Air Force handled the DOD BIC responsibilities respectively during the first and second phases of the program. The Army accepted the lead for phase three on April 1st of this year. This month the Army transferred the lead service responsibility to the Department of the Navy. Today Mr. White will begin this conference by making a few comments regarding the importance of the BIC process. Lieutenant General Griffin and Dr. College will bring you up to date on the progress that the BIC has made, and we'll then open the floor to any questions you might have. At the end of the session we will provide for your convenience that includes the BIC mission, the BIC structure and participants, our list of approved initiatives, and DOD and Army websites where you can obtain additional information.

And now, Secretary White.

White: Thank you.

Hi, everybody. Thanks for coming. I just wanted to talk about the BIC for just a moment. As was just said, we are transferring leadership of the BIC effort, which we have -- which we have had, to the Navy as next. And it's hard to believe we've been through three cycles already. But I think we all realize, and certainly Secretary Rumsfeld said as much, that we could transform the operational and the tactical side of the department and be very successful at that, but if we didn't transform the business side of the department we wouldn't make the progress that we should. And so I believe it was, as it turns out, the 10th of September of a year ago that the secretary held a conference with all of us up in the auditorium and talked about straightening out the department from a business perspective and the waste and putting taxpayers' dollars to better effect. And so the BIC, the Business Initiatives

Council, is a natural outgrowth of that, and we have been working hard at it ever since. And this complements what we're doing on the tactical and operational side of the department.

Pete Aldridge in the initial meeting, along with the rest of us, approved the 10 quick-hitting initiatives that we had on board at that point. And we set to work with the full Joint Staff, secretary of Defense's staff and the service staff's support to go ahead and get those things moving and make progress.

I like to say that I think the BIC is a great story. We've had a significant degree of success so far. Ben and Craig College will talk to you about what's happened in the last few months as the Army has had the lead on it. And we will keep pressing ahead rapidly as the Navy takes over the lead, so that we don't lose any momentum as we go forward.

If anybody has a question of me, I'd be happy to answer it before I leave the podium. And then Ben and Ben and Craig will step in with the details and the follow-up.

Any questions of me? Yes, sir?

Q: The massive program you announced last week, about -- which could possibly affect 200,000 civilians and Army -- that seems like a -- some proponents of it think it's a great idea. If it is successful, could that be spread to other branches?

White: Well, all the branches are doing similar things while we touch -- just for everybody's background, I signed a memo last week, and we called it the Third Wave, the first two waves being waves of review of manpower inside the department, mainly driven by the A-76 process. In the Third Wave, we are again looking at our structure to determine those activities that are core to the department and those activities that are not core to the department. And we're basically finished with that portion of it.

For the non-core portion, as we go forward, the question will be, is there a better way to do it? If it's a non-core activity, and we can find a better value proposition than we currently have, either through A-76, which we've done a bunch of since I've been the secretary -- and by the way, I mean, my review of all the A-76 studies that have come through are that the in-house teams have won at least as many as the contractors have won; depends on who puts the best value proposition on the table. But broadening beyond A-76, talking about public-private partnership -- you know, you're familiar with our Residential Communities Initiative, the privatization of family housing. Utilities privatization is what we've been at for quite some time, looking at different ways to approach each of the non-core segments of the Army to see if we get a better value proposition. That's really what we've launched. And the other services are doing similar things.

Yes.

Q: Have you realized any of the cost savings that you're estimating between two-thousand and -- I guess -- four and nine? Is it too soon for any --

White: My handsome friends right there will talk about the details of that. Ben is the head programmer for the Army. And of course, the '04-'09 program, which is currently under review, is directly under his supervision, as is with Craig College. So they'll talk about that.

Anything else?

Please. Yes, ma'am.

Q: You're outsourcing initiatives, the business initiative -- is saving money the only goal, or do you have other goals?

White: Oh, you're looking at a value proposition where we would also like to improve the service. If you take, for example, family housing privatization, Residential Communities Initiative -- I mean not only is it more efficient to bring private capital into the department to fund things that we have traditionally in the past only done with appropriated money -- but we're getting a very high-quality product out of this, as well, for soldiers and their families. The real intent is -- in the non-core areas is to improve the value proposition not only financially but also from a quality-of-service perspective.

Okay, one more.

Q: If your program is successful, you're talking, in one case, of maybe taking 50,000 military positions that are now -- and transferring them into more warfighting situations.

White: Right. Right.

Q: Is that part of your goal?

White: Well, it's not only the review of military positions in the department to say, is that appropriate for a military person to do or would it be served better by civilianizing the position, as kind of one step? The other step is that once you civilianize it, you want to do it with in-house people, or do you want to outsource it in some way -- not just from a labor perspective but from a capital perspective, as well? I mean, the key to the residential communities initiative is not the fact that we're outsourcing the Family Housing Office or the installation. It's that we're bringing \$700 million in '03 of private capital to modernize the facilities. So it's the combination of capital, private expertise and labor that makes the value proposition work in RCI, and we're hoping to find those types of broader value propositions than just a straight labor match-up to give us a better deal.

Thank you very much. Thanks for coming.

Ben?

Griffin: Good afternoon, everyone. I'm going to make some brief comments, and then Dr. Craig College will come up, and then we'll get into more of the specifics on exactly those BIC initiatives that we've started and those that we've continued over the term.

As the secretary said, the Army has had the lead on the BIC process for the past six months. But the real key to success for the BIC has been the OSD, the Joint Staff, and the services working together. And the BIC provides a comprehensive forum for exploring and implementing initiatives across the services that result in more efficient and effective business practices and cost avoidance.

By allowing the services to internally reallocate savings -- which gets back to one of the earlier questions -- BIC provides tremendous incentive for initiatives for development, creating a culture of both innovation and inter-service cooperation. And that's a key ingredient of the BIC process that we enjoy that savings that we're able to generate. By generating these efficiencies and savings, BIC directly supports the warfighter and the defense transformation.

Let me talk just for a couple of minutes how BIC works. Before any initiative is briefed for approval by the BIC, the Executive Steering Committee must approve the initiative. This is a body of three-star generals, my counterparts in the other services. Our role is to ensure that the interests and the perspectives of the warfighter are considered and addressed in each initiative. It is also our job to ensure the quality of all the initiatives to ensure they have been fully vetted, that all the pros and cons, along with all potential risk, have been considered and addressed. The ESC is not a rubberstamp. The committee asks hard questions to ensure each initiative is ready for implementation.

The BIC process is conducted in phases. The military departments rotate as lead chair. As the secretary said, we will turn it over to the Navy, and I think the Navy will turn it over -- delegate it to the Marine Corps. Prior to us having it, the Air Force had the lead, and prior to the Air Force, the Navy had the lead.

In the initial Air Force phase, just prior to us, they developed 10 quick hits and an additional 22 initiatives were approved during the time the Air Force had the lead.

In phase three, the BIC has approved another 16 initiatives. So combining what the Army has done with what the Air Force done -- has done, and the Navy, we've got 48 initiatives approved to date. And again, Dr. College will talk in detail on those 48 initiatives.

We broadened the focus a little under the Army's tenure by exploring initiatives that are increasingly complex and challenging. These broad initiatives require a considerable amount of time and effort to complete, but we believe that the potential benefits justify the additional effort.

One that I'd like to just very briefly mention is re-engineering personal security investigations. With the global war on terrorism, it's an ever-increasing requirement to process security clearances.

A two-phased approach to the personnel security investigations initiatives will begin by defining a few remedies to obstacles identified through current studies of the personnel security investigative process. A few of the possible quick-fix remedies include incorporating local community research findings in national procedures, improving the information technology infrastructure, expanding the contractor base used to conduct background investigations, standardizing the adjudication process in order to evenly distribute the workload amongst the services and, where feasible, advising regulatory guidance and/or policy.

With these initial remedies implemented, the next phase we'll review and redesign the end-to-end process from request to adjudication. And this is designed to save time, save money, save effort.

The -- what I'd like to leave with you before I turn it over to Craig -- just a couple of key points:

Number one, BIC is working. It is a combined effort between OSD and the Joint Staff and the services. We've had some tremendous success with the BIC process. The initiatives are resulting and will continue to result in a more efficient and effective business practices and savings that can be applied to joint war-fighting requirements.

We do look at the war fighter implications, and they are considered in every initiative that we review.

It's successful because of a great joint team and a superb level of cooperation. And I'd just like to reinforce what the secretary said. This has the total commitment from both the services, the Joint Staff and the OSD. And because of that total commitment, we've -- we truly made a lot of progress. And

we've been able cut through what I would say is some bureaucracy in getting things approved and implemented.

Now, what I'd like to do now is turn it over to Dr. College. And I will tell you from the beginning he has been the real momentum for keeping the BIC process, not my lead, but Craig College's lead. He's done an outstanding job. And as we turn it over to the Navy and the Marine Corps, I think we are turning over a very healthy process that we took from the Air Force, and it's a total service commitment here to make this BIC process work.

Craig.

College: Good afternoon. As mentioned earlier, I've been the chairman of the BIC Executive Directors for the past six months and was involved with the BIC for each of the 16 months since its inception. Through each phase of the program, the BIC has benefited from a high level of commitment from our senior leaders. In my view, that's been one of the really big differences in this effort as opposed to the Defense Management Council, Defense Management Reform Directives and some of those other efforts that we've made in the past. The senior leaders are committed. They meet regularly. They discuss hard issues. They refuse to back off from trying to make this work. And that makes a big difference in what your action officers and your middle-level managers are putting their time and effort into. Both our political leaders and, I think, all our war fighters are very much engaged in working together to make this program a success.

As General Griffin mentioned, so far the BIC has approved 48 initiatives. Forty-three of those are still in play. We have archived five out of the 48 initial initiatives: three of those because they have been completed; two of those, frankly, because they were unsuccessful.

Our current cost estimates are that we expect to get something like an average of about \$200 million to \$400 million a year in savings from these initiatives. And that will, of course, grow small now and then grow over time as more and more of the initiatives come into play. So although we are, certainly, trying to find efficiencies, in terms of real dollar savings, relatively modest savings to date. A tremendous amount of cost avoidances; in other words, reducing the costs of future activities, which as, frankly, we were unable to budget for, and so we were able to reduce the cost of some of those and make some of those happen. I'll have an example of one of those in just a minute.

But by and large, an effort that has been focused on becoming more efficient and more effective, but if you're looking for a tremendous amount of money, that is not a characteristic of the BIC effort to date.

In the handouts that you had available when you walked in, there was a brief summary of these 48 initiatives that have been approved to date. What I'd like to do is just review just a few of those prior to taking your questions.

We have several information technology initiatives in play. These initiatives seek to leverage DOD's buying power. What we're trying to do is create DOD-wide enterprise agreements that seek standard compliance, software and hardware, best price kinds of hardware, and also information technology services. We've expanded the effort to include subscription services for E-content, like NEXIS/LEXIS, other -- other kinds of library databases, and that sort of thing. We believe these efforts can save DOD something like 40 percent just on software licenses, and we can save similar amounts in the other areas. For example, the Navy is saving something like \$8- 1/2 million a year by enterprise licensing for e-content.

Additionally, we've started another effort to determine the best methods for sharing information among U.S. government offices and foreign government organizations to support foreign military sales, military equipment loans, and so on. Now, this has become a very expensive problem for our program managers in the acquisition world. They're trying very hard to webify operations, trying to go to a paperless office. What happens, of course, is when they try to share that information with foreign governments and agents from foreign governments for things like foreign military sales, the standard kinds of networking and security arrangements that work within the federal government don't work as well with the foreign governments and their activities. And so what happens is our program managers are facing larger and larger costs just basically trying to re-engineer best business practices to figure out ways to make this information available to foreign governments, whereas here in the United States they would just do so by the SIPRNET or the NIPRNET. Trying to solve that so that PM's don't spend as much money trying to make these things happen is another one of the BIC initiatives that we're pursuing in the information and technology world.

Another initiative that I find fairly interesting is the recent approval to expand the use of guaranteed fixed price contracts for environmental remediation. Under this initiative, experienced contractors sign fixed price contracts, and then they purchase insurance to cover unexpected increases in the costs of environmental remediation. The Army has experimented with some of these contracts. We find that relative to simply purchasing processes and cost-plus kinds of contracts, we're saving something on the order of 14 percent in terms of dollars relative to standard contracting, and that we're reducing the time to complete by about 50 percent.

What we're in essence doing is providing incentives to the contractor to work quickly, to work smartly, to work with the local governments and local regulators. They have an incentive to get it done quickly to increase their profit. We have an incentive to let them do the work for us because they're smarter in these things and, frankly, we can reduce the cost of our getting the program accomplished as well.

The private sector experience with these kinds of contracts shows the potential for even greater cost reductions. The private sector is getting something on the order of 40 to 41 percent. It's not clear to me that the way we calculate costs are exactly the same, but nonetheless, we know from looking at the private sector that this is a program that will work and one that we should expand.

I am aware to date that there are about 11 of these guaranteed fixed-price contracts that have been completed. And the data that I have shows that in not one of those did they need to use any of the insurance. So this isn't something that's high risk. It's a good business practice. It's a risky endeavor. You never know exactly what the costs are going to be. But by working with good contractors and picking out the insurance, the contractors do well and the government gets the job done, gets it done better and saves some money and time along the way.

I'd like to mention two other initiatives, in closing. The first is entitled Reengineering the Legislative Coordination Process. This initiative seeks to create a more effective team and set of processes to get legislation over to the Congress. We've created an Integrated Process Team produced among the services, Office of the Secretary of Defense, in particular the Legislative Affairs community and the Office of the General Counsel, to create a better process for the development, review and submission of legislative proposals to Congress.

We've got a standing Integrated Process Team to reengineer this process. They have some 16 separate proposals that are currently in play to more precisely define roles and responsibilities and time lines so that we can better serve the needs of Congress, OMB, whom we have to work with, to get initiatives over to the Hill, and of course the needs of the Department of Defense itself.

Finally, the last initiative I'd like to mention seeks to partner with the private sector to provide fitness facilities that meet the standards that are necessary to sustain America's military forces. Each military service has different approaches to maintaining its fitness facilities. We are all struggling to try to get that job done quickly and at a reasonable cost. What we're going to do under this initiative is ask each military service to develop alternative techniques that might use private sector financing or might include public-private ventures and management to achieve standards in these fitness facilities in a more timely manner.

That concludes my review of some of the initiatives that we're currently working. Before General Griffin and I take questions, I want to reinforce a point that was made earlier by General Griffin and Secretary White. The BIC process, in my view, provides a tremendous incentive for initiative development. You have very senior leaders who are very interested in new ideas. They believe you have to transform the business side of the department if you wish the war-fighter transformation to be as effective as it can. Their leadership, the interest of the war-fighter means that we're trying to create and are beginning to create a culture that supports both innovation and also inter-service cooperation.

I've been in the building since 1989. It is fascinating to watch the services -- OSD, the Joint Staff -- working in collaborative ways to solve problems and issues that those of us who have been in the building for a while know have been around for a very long time. So it's very gratifying to be a part of that. We benefit tremendously because the senior leaders are involved. They continue to wish to make this work. They persevere, and so their action officers and middle managers continue to persevere.

At this point, General Griffin and I would like to take any questions.

Yes, ma'am.

Q: Could you give us some details on (two items ?) that are listed under acquisition management, the cell phone subsidy -- how much money that is that you intend to give and when you see that happening -- and also, the status of the C-17?

College: Yeah, the cell phone subsidy is a very recent proposal. The idea here is it costs time and money for my administrative folks to run the contracts. The initial thought was, we ought to just get out of that business and purchase cell phones, cell phone services through GSA. That's a much better idea than doing it ourselves. There's a very large contract out there that we can just tap into. And so we're also pursuing that.

But in the meantime, we've asked the question, should we be involved in this at all, because there are other examples around the federal government where instead of purchasing these services, we're providing basically a monthly stipend. Now how big that will be, how much money will be involved, we don't know that answer yet. We're trying to compare what are the relative costs of actually purchasing the services. We know that folks like myself and yourself own cell phones for private use, so I'm going to want to have my own cell phone. The question is, how much should my employer, if you will, be willing to contribute so that, rather than running the contracts within the Department of Defense or the Army, the individual would be responsible for buying, renting their own cell phone, maintaining the contract and hitting the standards that we would ask them to meet?

We haven't decided, haven't been able to see the data yet to see what those numbers are going to be.

Q: And the C-17s?

College: C-17's a very interesting issue. The proposal here is to say, during wartime we have requirements for strategic lift that are in general larger than what we have in peacetime. And wouldn't it be an interesting idea to work with the private sector to have them use aircraft like the C-17 to get their private-sector work done, but under a contract that would be written with the contractor, be able to get those C-17s into wartime use if and when necessary? Nine-eleven last year slowed us up on making progress on this initiative. We've had to delay the IOC and the FOC by about a year or two. The biggest issue there was, all of a sudden, the peacetime requirements seemed to have gone up quite a bit. So it didn't make a lot of sense to be producing C-17s to lease or sell to the private sector when our own military warfighters were saying the requirements had gone up; we need more now during peacetime. Since then we've gotten back on track. We're trying to get that back into place.

Q: And when is the IOC -- (inaudible) -- now?

College: IOC and FOC -- right now I believe will be going forward for legislative help, because we're going to need some enablers for that -- probably not for the '04 budget, but probably for '05.

Q: And have you had any nibbles from the private industry? Anybody interested?

College: I'm sure there are, but I'm not involved in that end of the business. I haven't been involved in the detailed end of it. So I don't know the answer to that question. But we will still be looking for FOC, as I remember, somewhere around '07 or '08 -- until we get over the legislative issues that need to be worked, the business-case analyses that need to be completed and also just the real-world operational --

Q: (Off mike) -- 10?

College: Don't know the answer. Make that yes. FOC -- I don't know if 10 will be the right number by the time we work the issues some more, but FOC would be to have the program in place and functioning.

Q: Sir, you said that one of the initiatives didn't work, and so you've sort of terminated it. Could you explain what it was and what the problem was?

College: We had a couple of initiatives that we wanted to pursue. One was a legislative initiative. It's one that's been around for quite a while and then had to do with contracting for federal construction contracts. We pursued that for a little bit, realized that we weren't going to get any support within the legislative process, and so we simply stopped.

Q: Is that the Davis-Bacon?

College: Yes.

Q: That's still on your list as being an initiative.

College: It was one of the 48 initiatives -- okay? -- but it is also one of the two that we have since discontinued.

Q: It says "withdrawn" at the end of --

Q: Ah. You're a careful reader, (Tim/Jim?).

College: The other one that we were working on had to do with the excise tax on DOD tactical vehicles. You may or may not know that all the vehicles that are produced and sold in the United States pay an excise tax to help defray the cost of the federal highway system. We tried to make the argument to Department of Treasury, who runs that particular policy, that the vast majority of the vehicles that we purchase -- wheeled vehicles that we purchase, frankly, don't run over the public roads and highways, and we were asking to be forgiven from paying that tax. We made some other resource management, internal budgeting arguments to try to make that case. Treasury told us no, that there were other reasons that were more important that we had not taken a look at; in their view they didn't think it was appropriate for the Department of Defense to not pay the tax and so we've decided to stop pushing on that one as well.

Q: Did they suggest what those were?

College: I'm sorry?

Q: Did they suggest why you should pay access fees?

College: I don't have that with me, so I don't know how to best answer your question. But sure, when we got together with their deputy assistant secretary of the Treasury, they made a series of arguments about the nature of tax financing and revenue sharing within the federal governments. Basically, the answer was no. And so we decided that we would not pursue that any more.

Q: On the same subject, how much is involved? What percentage of the price? Do you have any numbers?

College: We thought that we were talking on the order of just a few tens of millions of dollars a year. Again, most of what we do in the BIC is not big dollar kinds of things; it's a series of small initiatives that we're trying to use to make better use of our money and of our resources. This was something on the order of a few tens of millions, and we were turned down, so we decided not to pursue it.

Q: Sixty million -- (off mike).

Q: Sixty million a year?

Q: In number three, there's a description.

Q: Oh! Again with the careful reading!

Q: Mm-hmm.

Q: (Off mike) -- savings estimate is around \$60 million per year.

College: Yes, sir?

Q: The Army came with its own alternatives to competitive sourcing or A-76. Can you tell me a couple of unique ones you maybe came up with that were different than the other branches?

College: A couple of months ago, as we began to put together this program called Alternatives to A-76, the one that the Army submitted had to do with municipal services partnerships. You might be familiar with the work that was done out at Monterey. We discovered that by partnering with the local community for things like fire and police services and other kinds of municipal services, we could save some money. Out at Monterey, we're saving something on the order of \$6 million a year. So our proposal was to expand that kind of a process to other posts and camps and stations around the country.

Q: Just to follow up on that. You said initially \$200 million to \$400 million a year that BIC would save eventually. What time frame are we looking at there?

College: What I've asked the cost folks to do is take a look at the period between FY '04, the beginning of the current FYDP cycle, and FY '09. So we looked at a six-year window.

Q: So \$200 million to \$400 million?

College: On average, we expect to get \$200 million to \$400 million a year.

Q: Okay. Thanks.

College: Yes, ma'am?

Q: A follow-up on the C-17 question. Wasn't that a program that the Air Force was managing? How did it become a Business Initiative Council issue? I mean, the Air Force was doing that for the last couple of years, I believe.

College: Well, the Air Force had not -- as I understand it, the Air Force had not begun this program yet with C-17s. They wanted to do it. They understood that this would be a very complicated issue, that they'd have to work it with OMB and the Hill and OSD. So they brought it forward -- the Air Force brought it forward as a DOD BIC initiative to say, hey, shouldn't we work this within the DOD BIC? Let us work together. Let's work it as a team. We hope that it will have impacts for the other services for other weaponry and other pieces of hardware.

So the Air Force brought it forward, looking to work it as a team across the DOD. In particular this is important because it affects TRANSCOM, you know Joint Command, joint warfighting impacts. It's not just an Air Force initiative, but also affects the Navy and the Army as well. So that's why the warfighter inputs were very important as we work through how to do this in the future.

Q: And the savings -- hypothetically, any savings from any program goes to the service that manages the program? Or how does the savings get allocated?

College: What's happening is there are in essence two kinds of savings. I mentioned earlier cost avoidances, which in essence just reduced the cost of doing particular kinds of activities. The fixed-price remediation is a wonderful example. The Army has bills in the environmental remediation world that it can't pay as quickly as it would like. So in that case what we're doing is reducing the cost of getting individual remediations done so I can get more remediations done more quickly. It doesn't come out of my budget, it just lets the money that's in my budget get more work done.

The other ones that we're looking at are legitimate cost savings, that where I can look inside a budget and find a particular line item or a particular activity and say, okay, I have now reduced the cost of

getting that activity completed, and by doing that, I can take those dollars and put them elsewhere.

The agreement that we have with the secretary of Defense is that as the DOD components, whether those are the military services or the defense agencies, as we execute these BIC initiatives, to whatever extent we generate cost avoidances or cost savings, he and the folks at OSD will not try to scoop those out of our budgets in an effort to do something else with them. The agreement is that the service or defense agency who executes those should be able to rearrange those dollars within their own programs to support defense transformation, war-fight transformation, other issues that may need to be addressed.

Since we're only getting started, right now we're talking very small amounts of money. It's not really until '04, with this new set of initiatives, as we finally take these to the Hill and write the management review decisions that the OSD comptroller is going to write, this'll be the first year that we'll actually go over to the Hill and say, "Here, these are the kinds of things that we've changed. These are the kinds of dollars that we're talking about in '04. And this is where -- this is how the money has been moved around." And that'll be our first real attempt to be able to do that.

Yes, sir.

Q: Yeah, two I guess -- (inaudible.) What's the progress on the consolidating of defense agency overhead functions? And on modifying joint professional military education, that requires a change in laws, doesn't it? Have you introduced that in -- (inaudible.)

College: We have not introduced anything in law for the joint professional military education. That one's a fairly recent start. We haven't gotten to the detailed end of that yet. But what we're trying to do is figure out whether we can reduce the length and provide the same amount of education and whether we can be more flexible in how that education is provided.

Now whether that means that we're going to try to do it in other places, whether there is necessarily a change in the law that's going to be required, I don't know the details on. And we've only begun to work that. That'll come, I hope, here in the next couple of months as we continue to work it.

The first one?

Q: Consolidating defense agency overhead.

College: Right. That's another one that was just recently approved. The idea here is relatively straightforward. The defense agencies by and large are fairly small organizations. There's 19 of them just here in the national capital region. Each one of those agencies is providing its own IT, its own manpower, its own budget, its own supply and property. (But I mean ?) the list goes on, all those administrative things that one has to have to run an organization. The question was, was there a more effective way to get that work done? This was raised by OSD. And the proposal here is to look for best-value analyses to see if there aren't better ways to get that work done, whether that might involve consolidating in a single organization to get that work done, whether the Washington headquarters services at OSD might be the right people to do that, or whether there's some other kind of consolidation or privatization that might be a way to get forward. The proposal there is a three-step process: first to get an outside, independent contractor to do an analysis of what the current state of affairs is. The second step will be to get OSD and the services together to take that analysis into account and see what kind of recommendations they might make to the BIC to save money and increase effectiveness in the Defense agency administrative sector.

Then the third step would be to take these to OSD and the Defense agencies themselves and try to reach final decisions on how to get forward on this.

As you might expect, everybody's very careful, hesitant about giving up their own support. They're worried about quality of support. They're worried about cost. You know, the Army's done this several times in its headquarters realignment and so on. So all those issues have to be addressed in a careful way before we can decide what the right answer is.

Yes, ma'am?

Q: I have a two-part question. Were any of the ideas for the initiatives generated outside of the Pentagon? And if so, how do the ideas from the field differ from those at HQDA levels?

College: The answer to the first question is, within the Army, a great deal of our initiatives come from outside the Pentagon. Mr. White -- Secretary White is running an Army BIC process that parallels the DOD BIC process. I run that for Secretary White.

Every three months we get in initiatives from the field and within the Pentagon. Every three months I take those up to Secretary White for approval or disapproval, and then I've got another month after that to get implementation plans in place.

So we get a tremendous number of ideas from the field. I'm aware -- yes, sir?

Griffin: Many things can be in service. So you can fix those things in service that you don't have to take to -- you do not need to take to the -- say, to the other service bodies. So the answer to your question is, I mean, it works very well. And I'll assume it works for the other services the same way, because a lot of great ideas come from the field. A lot of those are service-unique.

College: The majority of the Army's ideas these days are coming from the field, and it's kind of interesting to see how that works.

The second question you asked was, do they differ in kind? And I would say, by and large, the answer is yeah. You do get a little bit of a difference. The field is much closer to, you know, what's going on down on the ground. Their ideas tend to be sharply focused. They tend to be more detailed in nature. They're worried about little operational things that need to get fixed. So a big idea, to them, you and I might think of as a much smaller idea, from a wide DOD perspective.

The ones you get up here tend to have more policy and process issues, and so I think that's the difference that I tend to see. And I think it's a good thing. The Army very much benefits from getting the ideas from the field, because there's a lot of things out there that if they were done more efficiently, the field would benefit -- things that we just don't see because we spend too much time in the building. And so getting information from the major commands and also from the headquarters is a very effective way for us to go in the Army.

Q: Any from-the-field -- maybe -- 48 initiatives that you were talking about earlier?

College: The answer is yes. But frankly, I don't have them coded that way, so I can't tell you which ones. I can get you that answer later, if that's important. But I don't have them coded that way. So I'm unable to -- to tell you which are which.

Yes, sir.

Q: On activity-based costing, can you give me a sense of what the time frame is to start having other services and installations do that?

College: Well, that's an interesting one. The Army has already begun to put activity-based costing in many of its installations, in particular TRADOC -- FORCECOM is the one who's gone out and quite a bit of work in this area. The Marine Corps has been trying to take lessons learned and business -- best business practices from the Army and other places as they begin to put together their program. What makes the Marine Corps initiative so interesting -- and they're the ones who suggested this to the DOD BIC -- what makes this so interesting is they want to set up a review and coordination team that includes all the military services and folks from OSD so that as they continue to figure out how best to use activity-based costing in the base operations world they can all work together as a team and learn these lessons more quickly and get them into place more quickly. So you have folks from the Army installations world working already with the Marine Corps; the Marine Corps is learning from that. They're reaching out now to the Navy and the Air Force, and they're working together as a team to accelerate this process with the notion that a couple of years down the road they can come back to OSD and say hey, here are some procedures, here are some policies that you ought to put into place to standardize and increase the benefit of using activity-based costing across the installations in DOD.

Q: So it's not really a requirement, you're not looking for bases to do it, this is more of a we're-going-to-get-some-best-practices-and-share-it-with-the-field initiative.

College: That's right. At the moment, the Marine Corps has come in and said we would like to be the pilot, we'd like to take what we've already learned plus what else we can learn. Let us see if we can't build a standard package. And then when we think that's working, we'd like to bring that back in to become the standard package for DOD. So this is an effort at discovery and trying to do well for the department as a whole.

Sir.

Q: You said the -- some of these initiatives require legislation. Did I understand you to say you're going to take it up to the Hill next year? Would some of these legislation enable you to do some of these things?

College: We -- two things. We worked some of these initiatives for the '03 budget. For example, we're expecting in the authorization bill -- we believe that we've gotten four of these already that are going to be in the authorization bill. One has to do with contracting security guard services. One of them has to do with conveying land for conservation purposes. What we've got is a lot of land around some of our camps, posts and stations that would be suitable for conveyance -- for conservation to local organizations. We'd like to do that, but we needed some legislative help to make that happen in an effective manner.

The third one that we think is going to be in there has to do with supporting guaranteed fixed-price remediation. What we're looking for here is the ability to spend O&M money for environmental remediation, but just for environmental remediation, permit that money to be more than one-year money. Some of these remediation projects are very large. If you want a private contractor to come in and commit to getting that work done for you and accepting the risk with regard to the cost, we need to be able to make what's in essence a more-than-one-year commitment. Doing that with O&M money, you can't do this. O&M money is one-year money. So we're asking for permission to think of

O&M money for environmental remediation as much as four- or five-year kinds of money.

The last issue that we think is going to arrive in the authorization bill for '03 is what we call "buy to budget". As you know, when you look at appropriations bill today, the Congress might appropriate \$100 million to buy 100 pieces of equipment. If, during the year of execution, we figure out a way to reduce the cost from a million to 900,000, the department's not authorized to buy the 11 pieces of equipment that have now become affordable.

And so what we've proposed is, to the kill (sic) was, "Look: If we have a legitimate requirement and we're able to work the price down with the contractor, permit us to spend the same amount of money but buy more pieces of equipment, because everybody wins." And we think that's going to show up in this year's authorization bill.

We've worked several other issues that we think are going to be worked as part of the '04 process. And those are still being worked within the department, with OMB. So which ones of those are going to make it? I don't know. But there's about a half a dozen that we'd like to work with the Hill for FY '04.

Q: Does that mean, like, some of the privatization initiatives that OMB has to approve -- are they some of what you're talking about?

College: For example, municipal services partnership -- that requires legislation, because that was a one-time deal out at Monterrey. And what we'd like is the permission to expand that to some number of more installations. I would expect that to be part of our '04 program this year, but until we run through the process within the building and OMB, I really don't know the answer.

Yes, sir.

Q: On the conveyance initiative, it says here that you would like to convey without having to comply with existing state and federal environmental laws and regs. What does that mean?

College: You're probably familiar with the fact that local, state, federal all has a whole series, a whole interlocking mesh of environmental laws. Some of those are designed to get property and land to reach standards of cleanliness that might be appropriate for human habitat or schools or what have you. If we could sign a deal with a conservation organization that those lands would not be developed, then it might be appropriate if we could work a deal with the local regulators to say, hey, we probably don't need, for public safety, to reach that same high-standard level as if I was going to build a school; it might be more appropriate to convey the land and let it remain fallow as a conservation area and hit some other standard.

We think what that does is it permits the conservationists to get what they need, it permits us to reduce some of the costs of being good environmental stewards, but yet it keeps the local regulators in the loop because they have to come in and work with us to agree on what those standards ought to be, given the proposed use of the parcel of land that's being looked at.

So what we're looking for is just the ability to go out and negotiate with the locals and figure out ways to make that a win-win for everybody.

Q: How does that initiative dovetail or work with the current efforts under way to get some exemptions from a host of environmental regulations that are separate from the BIC? I mean, does this marry up with that at all?

College: Well, it sounds to me like they're complementary. I don't work the environmental area full time, so I'm not sure what else is going on on that side of the ledger, but I would say to you that it doesn't sound to me to be the least bit contradictory. The notion here is we'd like permission to work with state and local regulators and the conservationists to see if there isn't a win-win situation where we all think we've done the right thing to protect the American public but also to extend conservation around the country.

Q: One more?

College: Sure.

Q: If you're able to get this one station through, and many of the branches throughout the services start having municipal partnerships on their bases, you're talking about a tremendous amount of savings, aren't you? I mean, billions? Am I wrong?

College: Well, I suspect it's not billions. Within the Army, we spend something like -- I don't know what the exact number is, but a single-digit number of billions per year on installations. Okay? I don't know what the number is. But the vast majority of those are not near large municipalities. So if you looked at a map of Army installations around the country, there are maybe six or seven installations that are actually near large enough municipalities to actually have this kind of an agreement. The Navy and the Air Force, I don't know their numbers, but I suspect it's also a smaller number. So the first thing you have to remember is there's probably less than a -- I don't know, less than a fourth or a fifth of our installations that are really worth looking at to see if this will work. At Presidio, it's about 6 million a year. If you think you can do that kind of a number across the Army to, say, six or seven other places, you're still talking less than \$100 million a year.

So it's the right thing to do, but it certainly isn't -- you know, it isn't a panacea. It's not going to make the world all of a sudden almost costless to run. And I discovered over 16 months of doing this that this is an aspect of what goes on in BIC. It's very similar to what I read about changing management in the private sector. If you read the literature, what you see is a series of small incremental increases. You save a million here, you save a million there, you reduce the cost of doing something else, you keep doing this over and over again. You don't come in and immediately save 20 or 30 percent of your business's cost of operation. And I think the same is true here. The political leadership and the career civilians and the military that have been in and out of this building for the last couple of decades, knew about all of these issues and have worked all of these issues over and over again through the years. So the notion that there's some really big thing out there that we've missed is probably not a good notion. I suspect we will continue to make progress, it will continue to be relatively small progress but, frankly, it will be important, because the longer we do it and the more we burn this level of cooperation into the processes around here, the better off the department is going to be.

Q: Thanks.

College: Yes, ma'am?

Q: What types of things might be divested under the new plan, what types of -- you know, the Army --

College: I don't know the answer with surety. You know, in the Army we're just getting started with this process of trying to look through our 9 Corps functions and which might be permissible to out-source. But what we're looking for are the kinds of activities that aren't warfighting and aren't core to the military, and we're asking: One, do they need to be done; and two, do I need to do them? If I don't

need to do them, we'd like to divest of those activities and let the private sector pick up that responsibility.

Q: So in that case would they not be competed, they would just be sent out to -- competed among the private sector but not allowed to be competed with --

College: I believe what -- at least what we'll be doing in the Army is -- and OMB has asked us to ensure that whatever alternatives to 876 we use, that there still be elements of competition. So one of the first questions will be to do the business case analysis, what the boss called the value proposition. You know, can I get out of a business in such a way that I'm getting better service at a sufficiently lower cost to make this a good thing to do.

So there will still have to be some kind of a competition up-front, because one of the things we do know is OMB is going to insist on that, because that's one of the safeguards, you know, for civilian employees within the Department of Defense. That's one of the reasons A-76, although it's cumbersome and difficult, is a viable system; it provides that level of competition to ensure that we're making good business choices. And I think we'll be -- have to do the same thing here, even though we're looking for alternatives to the narrow A-76 process itself.

Q: I guess what I was asking, will there be places where federal employees will be shut out of the process entirely, where you just -- we don't want to have any --

College: Right. I cannot imagine -- the only potential place where that could even remotely happen would be with regard to military personnel. If I've got military personnel who are performing administrative functions and we decide that we need to free those folks up to put them back into our warfighting units, you know, I don't believe there's any requirement for me to run a competition because I'm not protecting their job in the same way that I would a civilian employee of the federal government. But I can't imagine shutting out civilians anywhere, frankly, because of the rights and the good work that they've done for us through the years. We've got to do this in the right way, but we also have to be careful stewards of the resources that are made available to us. And so as part of the president's management agenda, we're going to go ahead and look at these non-core functions and see what the right business case -- what the right business case is that can be made about whether we should keep it in-house or outsource the function.

Q: One last question. The C-17s, are they going to be maintained and flown by private people, or are they going to be still maintained and flown by the military?

College: We haven't written any contracts. We haven't worked out all the details. But the idea here is to get these planes out to the private sector for their use, their maintenance, their sustenance, their profit-making, if you will, as part of the private sector, and that we would have a string on them to bring them back for the war-fight if and when that was necessary. So the notion here is -- precisely, is to get out of the O&M process, get out of the ownership costs and only bring them in on an as-needed basis.

Okay, thank you very much. Appreciate your time.

"THIS TRANSCRIPT WAS PREPARED BY THE FEDERAL NEWS SERVICE INC., WASHINGTON, D.C. FEDERAL NEWS SERVICE IS A PRIVATE COMPANY. FOR OTHER DEFENSE RELATED TRANSCRIPTS NOT AVAILABLE THROUGH THIS SITE, CONTACT FEDERAL NEWS SERVICE AT (202) 347-1400."