

MITRE Reforming the Budget

[00:00:00] Welcome to acquisition. Talk a podcast on the management technology and the political economy of weapons systems acquisition. I'm your host, Eric Lofgren. You can find this podcast and more information, including links, commentary, and articles on acquisition. talk.com. Thanks for listening.

[00:00:37] **Eric Lofgren:** I'm pleased to have on the podcast, Matt McGregor, Greg Grant, and Pete Modigliani from the MITRE corporation to discuss their new paper: five first steps to a modern defense budgeting system. Guys. Thanks for joining me on acquisition. Talk.

[00:00:49] **Matt MacGregor:** Good to be here. Thanks, sir.

[00:00:52] **Eric Lofgren:** Yeah. Thanks.

[00:00:53] Matt, you and Pete have been on the podcast before and by the way, for everybody, Pete has a new newsletter out defense acquisition innovation. So you should definitely check that out. How can our audience find that beat?

[00:01:04] **Pete Modigliani:** Through my Twitter account at Pete M O D I or on LinkedIn there's links right there.

[00:01:09] Thanks for the plug.

[00:01:10] **Eric Lofgren:** Yeah, it's it is a great newsletter comes out every Saturday. So I've recommend it. And then I'd also like to welcome Greg to the program who has not been on before, but he's the director of the center for technology and national security at Mir. And before that he was senior director of strategy at the defense innovation unit D IU supported the deputy secretary of defense in various capacities was a speech writer for the secretary of defense.

[00:01:33] And it actually had a career in journalism before that. Greg, I wanna start with you, the paper's title on defense budgeting, it seems narrow, but then you guys take a very sweeping look at strategy, execution oversight and everything else, but ultimately budget policy is military policy.

[00:01:47] So let's just start it from the top here. What's the problem with strategic guidance today?

[00:01:51] **Greg Grant:** I think the biggest problem and DODs long suffer from this one is a, lack of focus and a lack of prioritization. And that starts at the very top. I, and particularly in the post cold war era that defense establishment re larges lacked some, any kind of real top down direction for the department of senior leadership in terms of a specific threat to design against, or even a unifying concept of operation for which the services should design towards.

[00:02:16] Instead the strategic guidance usually provides some kind of amorphous direction to prepare to dominate across, the full spectrum of conflict was a very popular phrase for a long time. But without , prioritizing either threats or specific operational challenges. And because there's this absence of specific strategic direction, And any real prioritization of specific challenges to design against the services have really broad latitude in terms of providing their own interpretation of what they wanna include in their Palm.

[00:02:46] And that just makes change inherently difficult. I think it's a, we see the services it's the Palm building, it's a, it's basically a built a bottom up process in many ways because,

[00:02:56] The

[00:02:56] services, once, they bring the, their budget forward. It's, it's a complex process to even build the Palm by the time it gets in any kind of a review process.

[00:03:06] It's hard to make any real changes. I think I think it was Peter Levine was on one of your podcasts and he made the point that it. The process has just gone too far in empowering the services over OS D the bottom of approach versus the top down, if you will.

[00:03:19] And I think you made it, you made a good point that you really have to if the PPE system's gonna work at all, it has to start with the objectives and then prior prioritize those objectives and then figure out what you most need to meet those priorities. So it's, going down rather than going up.

[00:03:35] And I think that, that the let's take the 2018 NDS, if you will. It was originally tattered as oh, this big changing doc is gonna change Dodd's direction. It had some emphasizing great power competition and emphasizing China and Russia.

[00:03:49] Sure. But then didn't get into the specifics of what the services needed to do or what was the strategic deter and if necessary defeat, what,

where are the specifics? Like we had during the cold war era where, the entire building was focused on, defeating a Soviet threat to NATO in central Europe.

[00:04:11] And so it was this, that unifying vision, if you will. And that's just as it, that was lacking in that my own interpretation anyway, is that was lacking the 2018 NDS. And then you just didn't have any follow through really in terms of implementation. Which I think it as we see that the duty has suffered from just the lack of implementation, if you will all indications are that the.

[00:04:33] The force isn't any more any stronger, more capable today than it was, beginning, back in 2018. In fact, if anything, things have gotten worse, as we've seen, China on this, hyper modernization program. And if you just look across the board, , be it in the air superiority or the maritime, balance of it's just that things have gotten seem to have gotten worse over time.

[00:04:56] **Matt MacGregor:** One of the examples uh, just of show the disconnect. And I think Greg will agree with this is, you know, the air force came out with its agile combat employment. And, theoretically that syncs up with the joint warfighting construct that says, capabilities will have to disaggregate aggregate to DISE, right?

[00:05:13] So the idea being you won't be able to approach a China conflict with, all forces coming in this big, sweeping campaign. It's gonna be more chaotic that you're gonna have multiple capabilities operating in, in different places, different domains at different times, coming together to achieve effects.

[00:05:30] So conceptually right, the agile combat employment aligns with that. But then you look at the investments that the air force is making against it. And those platforms that we're investing in really don't achieve that they are not things you can just land on any old runway, anywhere, or things that you can, are easy to maintain, like an F 35 or something or NGAD, or these advanced platforms.

[00:05:53] There's really not the investments that actually show that joint vision is being achieved. So I think that's just one example to me that we noted in the paper that, that strikes me as one of those, one of those disconnects when D O D is not looking across the services to say, Hey, you guys are investing in all these different things, but that's not coming together to provide the joint capabilities we need.

[00:06:14] So I dunno if you agree with that, Craig, but

[00:06:17] **Greg Grant:** yeah, I think that's right. I An example I'd like to point to is you know, ask yourself the question. So what is the best ship killer? I know DOD is wrestling with this one right now. If we're gonna stop a PLA invasion of Taiwan.

[00:06:29] One of our objectives from the beginning has gotta be sink a lot of PLA Navy ships and amphibious ships carrying troops. So what is the most effective means of doing so? Surface warfare guys will tell you it's the Navy destroyers and PRS, if you will. The carrier, when guys will say, no, it's a it's air power off of carriers.

[00:06:48] Then the air force comes in and sometimes they'll say we can take on, we can take on part of that mission, but it's, but they don't seem to be wholeheartedly embracing it. And then, so you've, now you've got the Marine stepping in the army saying, oh, we can, it's just everybody saying, oh, we can get a piece of that.

[00:07:02] But who's laying out the guidelines that the specific guidance to all right. In 70, I think it was David ed said in 72 hours, we need to demonstrate the capability to sync the PLA invasion fleet. Okay. There's your objective then? How do you best go about that? And it doesn't matter if it's an anti-ship missile launch off of a care of a, of a bomber coming from a submarine, it's how do you combine all of those to be most effective?

[00:07:30] And I just really think that the guidance has gotta, it's gotta be more specific in that regard is first of all, OSD and joint staff have to come up with a, they really need to come up with a common vision, a clear vision of what it takes to defeat Chinese or Russian ingressions. And then they've gotta test the services proposals against that vision and through, more robust experimentation and more gaming, if you will.

[00:07:53] And I really believe that, they just, the palms need to be held rigorously accountable against those stated objectives. And only those programs that prove their value in achieving those objectives. Those are the ones that should get priority funding. But it's just that's not how the process seems to be from everything I can tell seems to be working at this point.

[00:08:16] **Eric Lofgren:** Yeah. So since the 1980s, at least with Goldwater nickels, they've been trying to Jack up the authority and responsibility for like the chairman of joint chiefs and the combatant commanders to provide inputs on these program priorities. So you have, of course the chairman's assessment and

program recommendations which are also fed by the combat commanders integrated priority lists.

[00:08:39] You have. Unfunded priority lists and requirements and all this type of stuff. Are they just not using their authorities adequately? Like my interpretation of certain people is all of the authorities are there. It's just for some reason, where are the people that can translate that broad strategic guidance into actionable things. Is all the authorities there and people just aren't using 'em or is something different need to be done.

[00:09:04] **Greg Grant:** I think this is where the senior leadership really needs to step in. Because I don't, again, the COCOMs are supposed to in a, in an ideal world, they're the ones who are supposed to be setting in the requirements.

[00:09:13] They're the ones who are tasked with executing the O plans. If they can't execute that O plan, then they should be saying, telling the services or the sec, the secretary should be telling the services. Deliver the capabilities that Paycom UCOM, what have you need to execute that oh, plan.

[00:09:31] But when I was in the building, we constantly saw the Kaan commands coming and saying we can't execute X, Y, Z, because we don't have that capability. And it still wasn't getting delivered. And that's, again, that's a failure of the senior leadership to be more direct. They've gotta be more directive and say, look, deliver that, be it air force Navy that, what have you, the army, whoever deliver that capability that, that combatant command needs and do it now, kinda thing,

[00:10:00] One thing

[00:10:00] **Eric Lofgren:** here for me, at least like you guys talked about let's, we need to sync a bunch of Chinese ships, and you look at something like El RASM or something, and. They're gonna get up to 400 within a few years, but you probably need thousands of those things. Oh, absolutely.

[00:10:15] So how much of this is just we had procurement plans and those are the procurement plans and we don't wanna pivot them. But we should be pivoting 'em. And how much of this is, how do we inject new and novel things that we haven't done before? Do you think of there being a difference in this guidance cuz for a near term thing, it seems we just need to get munitions ramped up.

[00:10:32] We need the right type of munitions, weapons platforms, contested logistics, things. And then it seems like a little kind of a separate problem in terms of, okay. What types of autonomous things will start to fill these gaps in the future? How do you think about that?

[00:10:46] **Greg Grant:** I think you hit it right?

[00:10:47] That it's there's the near term deterrents credibility challenge. And then there's longer term thinking right in the near term. It's not a matter of platforms cuz you're not gonna, I see anything big, new and special within the next, five to six years, if you will. So it's going to have to be a payloads a munitions issue.

[00:11:05] And that means just ramping up production of what we have now and trying to get that out to the command and commands as fast as we can. But it's also using things, hopefully we're coming, we're thinking of using things in new and creative ways to try to confound the adversary and pose, put them on the horns of dilemma, if you will and come at them from, multiple vectors and multiple domains.

[00:11:23] And we're at that point where. We're limited in our response options. So we've gotta start thinking creatively. I think longer term where you can start to see things flow into the force in terms of more, more autonomous, aircraft, more autonomous undersea or surface, what have you, but man, we're still years away from delivering that for those capabilities.

[00:11:44] **Matt MacGregor:** If I could add one thing there. I there's no excuse on the munitions front in general. I think that's just always been a bill payer for a lot of different things, but I think you did hit one thing on the head, Eric, in terms of the trade space. So when the services are going through and developing the Palm, one of the major constraints that they have is this idea of full funding.

[00:12:05] And that essentially means that all the MDAP programs that they've already signed up for, they have a funding profile. And so the requirement from Congress is that they be fully funded. And so they know right off the bat, okay, what are my MD DS? What's the updated cost estimates for them, phased for execution issues or whatever.

[00:12:24] And once they get those numbers, they plug 'em in and it's almost like law, right? They put those numbers in and then they're like, okay what do we have left? And then they run down that list. Okay. This is a priority. This is a new thing that we're gonna start.

[00:12:35] Or we're gonna add, some additional dollars to this ongoing thing. So they really do think when the services are going through it, they think about it in those three ways. They think about it as a new initiative. They think about it as, a plus up to an ongoing initiative or if they could actually decrease something, consider it an offset.

[00:12:54] They might try to retire something, and that's what you've seen recently, where the services go through this and they say, here's all the must pay bills, essentially. And they go crap, I don't have any money left for all the other things I want to do. So I'm gonna try to offset that with some retirements.

[00:13:06] And then it gets into that battle, of we don't want you to retire that. It's where do I get the money to do all these other new things? So it is a tough one for the services in that regard.

[00:13:14] **Pete Modigliani:** And I'll just jump in on one other area. One of the key challenges we're always harping on is everything's program centric.

[00:13:21] So we really need to get more toward. Broader mission threads, mission themes, Hey, anti surface warfare here's the strategic objective and not get down into the well here's the individual ,program programmed out over the next five to 10 years to open it up that as new technologies emerge as autonomous systems, as new weapons capabilities emerge that they can get folded into the environment to go after, key threats, key strategic objectives.

[00:13:49] So building in more dynamic portfolio management, as we'll talk about later is gonna be a key effort and use that iteratively. So as industry comes in with new solutions, whether it's commercially available or something in development use that to then shape, some of these strategic plans and some of the CONOPS with the combat commands and then iterate as opposed to laying it all out ahead of time via five year long term plan.

[00:14:12] **Eric Lofgren:** I hear you guys on the full funding. I just had a little blog post on the idea of Gresham's law, where like program behavior drives out unprogrammed behavior. And I think that's, part of the issue with the innovation piece, as opposed to, how do we get the right mix of the current procurement stuff to deter in the very near term.

[00:14:31] And, I was concerned, the discussion was, Hey, we need more top down direction on this strategic guidance. And it definitely feels that way for things that we can war game out and know pretty well what the certainties or uncertainties are. But it also makes me fearful on the other front where you're

trying to push too much direction and top down guidance too early in the research and development phase. So like when you require full funding before you start prototyping something, it feels like a little bit too much. When I look back in time, at least my nostalgia the forties and fifties, it seems like the problem was the surfaces were actually going too fast.

[00:15:06] They wanted to put and take on new systems at scale, like missiles, nuclear ships, hypersonic vehicles, all this other stuff radars everyone had their own kind of programs and it looked very competitive and wasteful to some degree. But they were able to get them out really fast. And the idea was we can't afford all these things.

[00:15:23] You're gonna have to make trade offs, but it seems like it like that ability to have diversity on the front end actually gave you more options on the back end to do that kind of optimization from strategic guidance. Because when you say let's stop China in a way what emerging technology can be applied in that it's all a bunch of opinions that will conflict.

[00:15:41] There's no one kind of way you can rack and stack 'em in my mind. Was there something different about the forties and fifties, or am I off base on, on that assessment? What's you guys view? I mean,

[00:15:50] **Matt MacGregor:** I don't know. My quick take is that the one thing that the forties and fifties had is that they were staying a little bit more to the basics, in terms of, yeah. Some of the bombers were cutting edge in terms of how they were designed and things like that, but they didn't have some of the complexities that I think we've taken on today. I think we've really allowed sort of the requirements to drive us to where every single platform now is pushing this huge technology barrier and having to, you know, as Dr.

[00:16:18] Roper used to say, have four or five miracles for it to, to be able to fill on time. And I think back in the forties and fifties, they adopted more of that mindset of okay, maybe we need one miracle to make this, this new high altitude bomber, but, I don't think they were wrapping so many requirements into one package.

[00:16:33] And I think that's a little bit of the problem we've had. Where we are like Pete was saying, we are very reliant on the single platform because we've put all of our hopes and faith into that. And I think we do need to move to a place like, like where you were getting at and a reference using a venture capital approach to research and development where maybe you do have four or five things floating out there, and that's not inefficient.

[00:16:55] What it's doing right. Is giving you options. And at some point you're gonna have to make a down select and say, I can't afford all of these, these two look very promising. And if you get to where you're specializing a little bit more and not trying to create a single fighter that can do, be the best dog fighter, the best, interdiction the best suppression of air defenses.

[00:17:13] You're not trying to do all those things in one, one package. Then you can actually say well, take this and that. And together, those can, they can achieve the effects I need. So I don't know. That's a little bit, my quick take on that.

[00:17:23] **Greg Grant:** , I think also it was a more exploratory time.

[00:17:26] , I look back at the, the, the early missile era and the, the post Sputnik era where, all the services went all, all in, on developing missiles. And there was a real, there was a real push to see who could, get the longest range and most part, most payload, et cetera, et cetera.

[00:17:41] But, it was just this kind of exploratory time in terms of weapons development. And I don't think, I don't think we're a, we don't have the same imperative, right? When the cold war arms. L a certain imperative to every action that he was taking, especially when you have something like, the sput moment where it was like, oh my God, we're far behind the Soviets and development bomber gap, if you will, what have you.

[00:18:05] And we just, we, again, it back to, and this is why I say top down, I, one example I use is looking back at sec, what secretary gates was trying to do when he first came into the building, right? He had a specific mandate, it was reverse the really awful trends that were happening in Iraq and Afghanistan.

[00:18:23] And so he issued, some very specific directives and he was very public about it. It was interesting the way that the method he used of going about achieving what he, the vision, he, or the direction he thought the building should go, he used public speeches to do he would barely publicly say, look, we need more.

[00:18:42] M wraps. If you will, we need more UAV orbits. If you will, we need to get the, the, that golden hour, we need to be able to achieve this. So we set these very public objectives and which gave very little wiggle room then for the services they had to meet these. And of course he fired a service secretary and a service chief when he didn't think they were moving fast enough.

[00:19:04] But again, I think that's a good example of what, if there is an imperative, which was then the, the Iraq and Afghanistan war slipping away then I think you can get, you can marshal the forces or the impetus needed to get, people moving in the direction you think they should be going.

[00:19:19] But if we look back at that period and say, oh, the, it was very important that we win these wars or at least change the trend of those wars. It's even more so today because any kind of conflict obviously any kind of a conflict with China would be so critical to our standing in the, the strategic landscape and our standing in the world.

[00:19:36] I I don't see why there's, not that same imperative holding today and it's it. It's so frustrating.

[00:19:42] **Eric Lofgren:** Yeah. So you guys in one of your recommendations was it was a challenge driven defense planning guidance. And of course, like the whole idea, we do have a very linear top down, at least on paper informally, right?

[00:19:55] Strategy driven program and budgeting system. So it's supposed to go the national security strategy to the national defense strategy to the national military strategy. And these are all at different layers of the hierarchy and then they feed that The defense planning guidance, which tells the services what the strategy and what the top leadership wants to see in their program objectives, memorandum, or their build for the budget and the types of systems and programs that they're gonna want to request in the next budget.

[00:20:23] But a lot of people have been, saying. There needs to just be more concrete guidance in that DPG, that defense planning guidance.

[00:20:31] What does that look like? Can you give us like a real specific kind of look at what a challenge driven DPG might look like and how that would actually drive the services to pivot what they're doing?

[00:20:42] **Greg Grant:** Yeah. It goes back to, some examples I was deciding earlier. I think. It would take the secretary coming out and saying, all right, again, lay out the example.

[00:20:51] We need to be able to, sync the PLA amphibious fleet within this timeframe and stated publicly. This was, the 2018 NDS had a few, it laid out a few in the classified version. Anyway, it talked about a few operational challenges, but it would, the NDS the review commission, criticize that for

keeping it classified, because then it doesn't give any, then it doesn't provide anybody, a yard stick where they can measure whether the components are moving in the right direction to enable achieving those, taking Or reducing those challenges or overcoming those challenges if you will.

[00:21:22] And so it, we're at a very different period today than we were, back when the NDS was written when you, when people were so very wary of even mentioning, a competition or conflict with China. Now you have senior leaders openly talking about, a war fight with China.

[00:21:35] Spell it out in specifics, so that then, Congress, the public, they can all see, they can, all, they can all have open discussions about, are you making progress towards achieving these specific objectives and the most specific, the better and, and it's a, take the most complicated scenario we have, which is, trying to defeat a PLA invasion of Taiwan, break it down into the steps of what you need to achieve, what you need to do to be able to defeat that.

[00:22:03] And and then issue, that's the challenge, if you will, and then hold the services again, that's that hold them accountable. It's components rigorously accountable to executing against that scenario.

[00:22:16] **Matt MacGregor:** And Eric, I know you, you mentioned, a concern about being too top down. And I think that was a concern of mine as well throughout this paper was we don't wanna tell the services, every little thing they have to do. Like you have to buy that UAV with that weapons package with that range.

[00:22:29] Like some of the, some of that does, need to come out in the innovation at the lower levels. And so I think this is the happy marriage that, that needs to occur, where, you do what Greg says and you lay out. Those key challenges be as specific as possible the services say, okay, here's my contribution.

[00:22:47] Here's the, my services piece to that challenge. And maybe you do have, some duplication so that there's coverage there. So it's not just like it's parse super precisely, but services generally know how they can contribute. Is that gonna be more of a maritime thing or air domain.

[00:23:02] So with that, they can then give the PS and the programs and say, Hey guys, we need you to go figure out what's out in industry. How can we apply, new autonomy technologies or new networking functionality and, space technology.

[00:23:16] How can we bring all those new technologies there? Some that might be commercial services some that might be military unique things that coming outta military labs or what have you. But how can we employ all of that? To develop most cost effective capabilities to achieve those effects against that challenge.

[00:23:31] So I think that's where the marriage comes in where it's not it's not completely ed on, micromanaging services but giving enough guidance so that they have clear vectors and then they can bring innovation to.

[00:23:43] **Eric Lofgren:** So, Let's move into kind of the budget planning and collaboration. I think we've already delved into that front, that kind of bridge between strategic guidance and then actual programming for the budget and how the services do that.

[00:23:54] You guys talked a little bit about, the services moving away and DOD moving away from jointness. What are those signs? What do you mean by that?

[00:24:02] **Matt MacGregor:** There's a lot of indications, right? If you look at, if you look at the joint strike fighter that was a the 35 was a joint program, but the Navy was never really totally on board with it. And I think you've seen now with end GAD, they wanna go off and do their own thing.

[00:24:17] And so that's one example. You have a lot of different hypersonic programs that are going on. Some of that is good. You want that duplication. But there's clearly sort of a, an eye to, I want to get this mission set because it makes my service relevant. And so it's less of a, where does it make sense?

[00:24:36] Like where does where does it make sense to employ persons for this particular these operational challenges? Like we said, so I think in general you can see it when you kinda look at the different platforms and the focus on, we can do that mission, even though it seems sometimes suboptimized for that service to take that on.

[00:24:52] And then the other one, the big one right now is right, is Ja C two. There's all kinds of big money being put into sort of developing these different capabilities. But the services are not really coordinating and collaborating the way they need to make it all come together in the end.

[00:25:08] And that's probably one of the bigger ones, but the thing that always struck me and where I think if you're in the building, that jointness is not a

priority for the services in general, Is that they don't talk very often about their individual programs or technologies during the budget development, there's very minimal amount of coordination.

[00:25:29] And that was what really of struck me when, during my time there and why I highlighted it in the paper so much about, we need that collaboration. We need to get away from thinking about how you preserve the mission for your own service and seeing and supporting where it makes sense. So is that best done in the air domain?

[00:25:48] Okay. Maybe the air force is the best one to execute that. And yeah, I don't think there's enough of that. So hopefully that can conveys a little bit of it, but there's a lot more to, to unpack there.

[00:25:58] **Pete Modigliani:** And some of that is just, just the various nature of establishing joint programs.

[00:26:04] Having a joint program is, 10 to a hundred times more complicated and riskier than having a service unique program. So I think everyone, anyone who's been around DOD for any period of time understands, we need to give the combatant command a joint force that's integrated.

[00:26:17] But then to have something that's funded by multiple services, with different requirements, different priorities, different ways of operations is just adds to the risk and complexity of managing that system. So there, there are plenty of systems, plenty of capabilities that the army and the army Navy and air force have that overlap, or, critics would hear duplicative of each other.

[00:26:39] But I think there is value in some interservice. Competition but having a, fully integrated joint force we're still not there, but I think part of that's just the nature of, building and executing and deploying individual systems and capabilities. It's so much harder to do it as a joint force than just meeting your service unique requirements in priorities.

[00:26:59] **Greg Grant:** , I think the services are somewhat low to pursue missions. They can't individually solve. And then do, it's doing large part to the perennial resource competition with the other services and their focus.

[00:27:11] And it, it makes sense. This is what this surfaces arguably should be doing, but their, for their focus is the subset of the operating domains over which they understand and have direct influence and control and developing solutions to the tactical problems that arise in those specific domains.

[00:27:28] And that sure, that makes sense. But the problem is as the surfaces controlled the vast majority of resources in DOD, this it results in DODs, the routine innovation ecosystem solving for micro level problems and not large macro level problems, such as, how do you dismantle China's counter intervention network and destroy a PLA amphibious invasion of Taiwan.

[00:27:47] So you need to, you need some kind of forcing mechanism to solve for those larger macro

[00:27:54] **Eric Lofgren:** problems.

[00:27:55] Yeah, it's interesting. Cuz you'd think that you build up from the requirement and then based on the merit of each individual plan, you decide, yeah, this one's gonna meet the objective. So I select that one, but it also seems as you guys were just talking that's actually a root cause of some of the parochialism and the inability to work together.

[00:28:18] We've had this mentality of how much is enough build from the requirement. Don't just like peanut butter spread money across the services. but in the end, the services just basically get a third or third or third, wouldn't it just be, make more sense, just give them their budget ceilings top line, make them feel comfortable that this is the kind of amount of money you're gonna get now, just optimize within that, to do your thing.

[00:28:40] That's the best for these mission threads because each of the services will have something to provide and the services themselves may even morph a little bit. And that might be healthy for them to morph where their domains intersect like the missile domain, like like missile technologies multi domain in of itself.

[00:28:57] It's good that these organizations can potentially drift any responses to that.

[00:29:01] **Matt MacGregor:** Yeah. I think the one thing that did change recently was, the Navy has been getting more of a plus slip and the army has been taking a little bit more of a hit. I think, it's not quite the one third and the air force would always argue is because of its big pass classified pass through that.

[00:29:15] They never got the one third, but yeah, you're right. I think this is, we've had these discussions internally about, the army clearly is a, better

postured for the Russia fight, right? They they know how to employ the capabilities that you would need in, in those conflicts.

[00:29:31] That's that the Ukraine is fighting right now. And, but in the Pacific, it's a little bit more challenging for them. And you'll see this, you see this with Marine Corps, right? In terms of, they need different ships and different things to be able to be as mobile and responsive as they need to be.

[00:29:45] And it's a complicated, it's a complicated thing they have, but they're expeditionary force. So they're experienced at that. But the army has clearly been trying to work a niche for itself in the Pacific. . And so you do have to have, I think going back to Greg's point about leadership to say, guys, actually we're really, really focused on this, trying to fight.

[00:30:00] I think we have mostly what we need for the Russia fight. So yeah, we're gonna give a much larger chunk to the Navy because we need to deal with that under sea threat, or we're gonna give a lot more to air force bombers because or long range UAVs or what have you, cause we need to be able to take out those penetrating targets.

[00:30:17] So I think they're, I think you're right. I think those are some of the big priority, big muscle movers that the DOD leadership needs to make.

[00:30:25] **Eric Lofgren:** One of the issues seems to be that, it always takes two or three years to get something programmed and appropriated. I think you guys, in the report we're talking about, Hey, can we bring some of congressional participation earlier into that process during president's budget review?

[00:30:40] So before it goes to the hill why bring more meetings and more stuff forward? Why not push, more of those decisions back into congressional review and DOD maybe comes with an update or something like that and says no we didn't know, two years ago, but like now we think that these are some of the priority changes that we'd like does that, does one make more sense than the other?

[00:31:00] Or

[00:31:01] **Pete Modigliani:** Yeah, I could see, people initially cringing to say getting Congress involved early in the budget development. Absolutely not. But the overall theme is we need increased collaboration.

[00:31:11] Services and O S D the combatant commands involved with the Pentagon D O D and the hill and OMB involved as well. So getting that collaboration, not going down into too much of the details of one off budget line items and get that, increased collaboration between duty and the hill to then align some of the thinking, cuz right now the process is linear and long that, the services developed a budget, send it up to OSD, to OMB, to the hill, knowing that, when the hill is doing markups, , the services know that's already out of date and when it change and does some things and the hill gets.

[00:31:44] Ticked off that, that they're not looking at a accurate picture. So the more we can, shrink the timelines and get a iterative set of collaboration touchpoints should help throughout the budget life cycle.

[00:31:58] **Greg Grant:** Yeah. And I'd say, at least when I was there, one, one process I saw that was effective was bringing not necessarily bringing them into the budget process per se, but bringing them into illustrating the threat and then, war gaming scenarios so that they could see what those capability gaps were.

[00:32:18] And they became aware of those gaps. And what that meant in terms of in operational terms, oh, we don't have the right anti-ship missiles or in the quantity that we need. So then that they could. Translate that themselves into what they need to do budget wise. But I think that can be a very effective tool.

[00:32:38] The, there was a, an organization within the Pentagon that put together a briefing let's call it that our eroding overmatch capability briefing that was classified and they took it to the hill. And I remember the, responses from this, from senators and such, they were, oh my gosh, we had no idea it was this bad.

[00:32:57] And it was just, it was laying out what the threat was, how fast they're moving and where those capability gaps are. And, and Bro's writes about Chris, Bro's writes about that in his book this light bulb that goes off when they were finally getting, these briefings from the Pentagon at how bad things really were.

[00:33:15] But I think, if DD can do that effectively, then it hopefully the, the hill will respond,

[00:33:21] **Pete Modigliani:** In the right way. Yeah. That's a great point to Simon. Cynic says, start with the why, and if you can get buy in on the why then you can get better agreement on how great point Rick.

[00:33:29] **Matt MacGregor:** Just having seen this with some of the retirements attempted retirements, it's also the only way to really get across the fact that this is why these platforms, while they may have served a fantastic role in the past that's why these platforms are not as relevant for today's.

[00:33:48] And Craig said, why we need XX capability. And that, that was a little bit of some of our recommendations about, the joint vision, having the services, having a joint vision is if you can take that joint vision, translate that into the budget inputs that, that the different services are proposing and you can tie those thread, those threads together with the operational picture as Greg was articulating, then Congress really has a much broader view.

[00:34:13] I think of the budget when they go into deliberations. Of the individual investments and how they roll up into this larger, effective fighting force. And I think that has been missing for a really long time. I think the way that most of the congressional staffers look at the budget is by the service, by the individual platform.

[00:34:33] And it's not this holistic capability kind of approach. And sometimes they will focus on for structure and things like that. But I think what to Greg's point that would give a much more holistic picture to the budget. Yeah.

[00:34:42] **Eric Lofgren:** So the services like to retire a bunch of stuff, we've seen the F 22, the E 18 GS. And a lot of times the Congress will block 'em right. They'll be like, no, we can't get rid of these things. But then D O D will say Eighteens, they theyit all sorts of stuff. They're just gonna get shot outta the sky. I don't know if you guys saw those, supposedly I don't know if it's true, but an MQ nine that got shot down over Syria. [Correction: Lybia]

[00:35:07] So some of these things might not be as survivable in the future battlefield. And it's hard to get that across sometimes. So in my mind it seems like, how do you get that all together? No one human can comprehend how all this stuff comes together.

[00:35:20] We need to get in the same wave form as Congress. And it's just Congress isn't doesn't exist. There's no such thing as Congress. There's a bunch of members and people that sit in a building. And it's the same thing with DOD. So there's not like these monolithic entities.

[00:35:32] How do you break that down? As things go get more and more complex and go faster and faster, how do you keep everyone. On the same page.

[00:35:40] **Greg Grant:** I think you're talking about, the back in the eighties there was, the defense reform caucus. There were these groups within Congress that, they prided themselves on knowing the, the minutiae of weapons systems and how to fight the Soviets and the Soviet thread, Sam nun being a, the archival example probably, but the, we're seeing, there's a few of those folks on capital hill, but clearly not enough of them.

[00:36:03] It's how do you bring, the kind of that quorum together fellow travelers and educate them on what is needed to to counter China or Russia and. I think it's an education process as much as anything else. And that's probably DODs fault that they're not doing that better, but that, the Congress people have to be, they have to be willing to learn more about it and they have to have an interest in doing so.

[00:36:25] **Eric Lofgren:** Yeah. , it seems like Congress also gets pissed off because it seems like the department is hiding things or does a bunch of shady things. One of which is like this idea of a gold watch in the budget. What are gold watches and why does that piss people off?

[00:36:39] **Matt MacGregor:** Yeah. I, I definitely understand why Congress does not like that, but yeah, this is a natural part of the budget budget process in internal to the building in terms of. If you have to make some really hard trade offs and you decide I'll mark my F 30 fives down from, 45, which I know is the number that will be most palatable on the hill, but I'll mark it down to 32 that I'll free up money and I can go fund this other thing.

[00:37:05] And I know that the staffers and XX committees will not let me keep that at 45 and they will go find the money. So maybe they'll maybe I'll get lucky and they'll find it from the army or I do think it is a risk though, and I'm not sure it always plays out for the services because they can't predict where that money will come from.

[00:37:24] And it may come from one of their, Keystone programs being shaved or maybe pulled back a little bit. It's a risky strategy, but it does happen. And it's probably not good business.

[00:37:34] **Eric Lofgren:** Yeah, so we're talking like some of the budget issues here, and one of the other ones that constantly comes up is this idea of this valley of death, and SP was talking about earlier with the program of record, you have to do all this documentation. It takes years to do the documentation, then ask, get the requirement and ask Congress for the money and then them to

approve it. So like doing something new in the department of defense literally takes an act of Congress.

[00:37:57] And so it's not hard to imagine why not that many new things relative to the size actually might, may get started or scaled up. There's all this idea of we, we need some special funds to fill that gap, right? We need these funds that are not programmed to a specific weapon system, but can be used to do technology insertion across a broader range of things.

[00:38:17] What are these funds and what characterizes their success?

[00:38:20] **Matt MacGregor:** I guess you're talking about the, all the innovation funds that we went through in the paper and yeah, we've had we've talked before Eric about, this idea of these funds are. Useful in some modest ways. But they really obscure the larger challenges, which, Pete alluded to, right?

[00:38:38] This program of record fully funded kind of mentality where, all of your money gets gets, soaked into these long term efforts that you can't really deviate from. And so these innovation funds are a way of maybe bringing in some new things that might not have made it through the process.

[00:38:58] But. You really need to reform the larger reforms to be able to move to that portfolio construct where, innovation, Val solving the value of death is just something that happens as part of the normal business. It doesn't become this disruptive or special thing. And I think that's a little bit of the fear that I have with these innovation funds is that you have to be super special to get in there.

[00:39:22] And then you don't know what your future life is gonna be, cuz you only get these innovation funds for a year or two. And then, and then you're fighting, Hey, I'm, I've made some progress now. Now I'll take me in and grow me up. But sometimes you're outside of the system that you need to be in to get that advocacy.

[00:39:39] And so you're not even in the right place to get that long term funding. So I think there's a lot of sort of disadvantages of that approach. If those funds were put at a lower level, like we've talked about before those funds were put not at the R E not the highest level of the department, but more at the lower levels to allow the CEOs and the different program managers to solve like those operational challenges we talked about and say, here's some innovation funds for you to go solve these operational challenges.

[00:40:06] And it was just a pot of money to go explore all the commercial, options out there, or what's coming from the lab. Then I think they could be more effective, but as they are right now, I think it's very stovepipe pipe is very limited and it's hard to see them having the long term effect we want.

[00:40:19] **Greg Grant:** I just added, it was. I, there were a number of initiatives that, the COCOMs would come to the deputy or the secretary and say, look, here's a challenge. We just cannot solve and we need, we really need help. We need some, throw us some money or come help, help us come up with some solutions.

[00:40:36] And so there's that need that clearly that need is there, there's the demand signal is there, it's just that, where does that come from the corporate money or, where does that come from? And one of the processes I saw is, typically what happens. The OSD or what have you, it slaps, slaps the SAP on it and to reduce, scrutiny of this program just to keep people from messing with the money

[00:40:59] **Eric Lofgren:** and you're saying special access programs classify, they classify it.

[00:41:02] So no one touches it. Yeah,

[00:41:04] **Greg Grant:** exactly. So it's hands off, try just trying to get these initiatives to survive which is not the optimal way to go about it, for sure.

[00:41:12] **Pete Modigliani:** Yeah. And one last thing in the paper we really highlight, there's so many of these one off things and they're helpful, but in a case they're bandaids.

[00:41:20] So we're trying to fix the underlying system and structures that you don't need. These special funds that you have that flexibility with rigor to effectively manage the budget from early S and T through, field systems. But part of the recommendations are, lay out that primer of here are all the funds.

[00:41:36] Here are the processes, here's the purpose and how do you navigate them? And then, you know what's the measure of success. And, eventually we could sunset these as, they could fold it into the, the broader system and address the underlying issues. But, in the interim, there's so many, one off pots of money that it's confusing to those in the building and on the hill on finding the right funding source for your initiative, your program.

[00:42:00] **Eric Lofgren:** Yeah. One of the concerns I've heard with these types of funds is that let's just say you have a certain type of fund. Like it can either feel like it's a lottery it's held way too high and no one really wants to participate or there's just too many people for too little. or that the services might know that a certain amount of a certain fund might have a certain type of stuff, so they can reduce their CA their budget requests and certain things, and then just fill it in with those funds.

[00:42:25] And one of the ones that's beginning, a lot of attention recently is the Pacific defense initiative and the European defense initiative. And one of the criticisms that's come out from that one is like most of the money goes to these giant platforms, buy a couple DDGs, buy some aircraft, but what the combatant commanders seem to have been prioritizing is, again, these munitions, contested logistics communications and C four ISR type stuff.

[00:42:50] What's going on there. What's the breakdown. You guys had a recommendation on how that might actually work.

[00:42:55] **Matt MacGregor:** Yeah, the, so the Pacific deterrence initiative, as well as the EDI, which was the European one, which just started earlier is the symptom of what we really just discussed as well, which is that the, the integrated priority lists from the COCOMs that the services get that OSD gets they weren't being met.

[00:43:12] So like you said, you there's specific needs that you mentioned contested logistics and. Munitions and things like that, infrastructure. Or outstanding needs of the COCOMs for the fight tonight. And the services were just not prioritizing them in the way that, that maybe they should have or maybe they didn't view it as a, as their service something that their service so should handle.

[00:43:34] And so it's falling through some of those seams, and I think the PDI and ed we're a way for the COCOMs to actually get real money, not to necessarily have to fight through the PBR program and budget review. When OSD has the palms and is trying to adjudicate all these things is actually give them some upfront money.

[00:43:52] So they know, okay, I can get my missile defense system in Guam. I can get, some extra munitions for this particular challenge I have. But ideally this would not necessarily be needed and would just be built into the flexibility of the capability manager at, at the per or the program office where they would

roll this into their planning and say, okay, we need to make sure this is addressed.

[00:44:13] This is addressed. I do think there are some of those infrastructure things, right? When you're building new buildings or standing up new things that probably do need to be handled at the OSD level. So some of this could also come from the 10% withhold that we had recommended

[00:44:27] **Eric Lofgren:** What's that withhold all about? And Greg comment on, and anything else you wanted say on that?

[00:44:32] **Matt MacGregor:** Oh, I was just

[00:44:33] **Greg Grant:** gonna add on the, on the PDF. I, I think it goes back some of this. The whole jointness problem we were talking about.

[00:44:39] Who's, IANS, I think is one of the classic examples, who's gonna fund, that extending that L RASM by,

[00:44:46] is it just gonna be the Navy, is that is, are they left holding the bag on that one or, is the air force gonna chip in?

[00:44:52] So I think that's where something like the, the PDI or ed, if you will, can come in and help,

[00:44:58] but again, there's gotta be a way to fold that into the, to the system itself. So they're not subject to the vagaries of, whoever on the hill that they are, that they seem to be today. But

[00:45:09] **Eric Lofgren:** why, for example, like if I wanted to put a bunch of LSMs in my PDI, wouldn't the Navy just be like, Hey, let me just I already have some buys for the L RASM, let me just cut those in half here, because I know the PDIS gonna cover up some of that shortfall right.

[00:45:25] And then they'll just reprioritize it into something else and you just wouldn't have seen it. Or someone would have to go back and be like what was in your fit up, a couple years ago at first, what you're saying today, and. What do you think about that?

[00:45:36] **Greg Grant:** Yeah, geez. That's gonna always happen.

[00:45:38] That's why I'm a big fan of why don't we have a munitions, stockpile plan, something along a 30 year munitions plan or something, something along the ship building plan. Why do we, why have these things been the constant bill payer they have for years and years? Yeah I wish I had a better answer on that one.

[00:45:56] . I

[00:45:56] **Pete Modigliani:** am shocked that there's gambling in this institution. No one gains the system like that. Yeah, absolutely. And that's just the complexity of the environment. And there's too many of these one off things, so it's trying to fix the underlying system. So we don't have the, these games between the services between the COCOMs and the hill.

[00:46:15] That you lay out the strategic plans, you shape your investments that are gonna have the maximum mission impact. You get agreement at the high level from across D OD and Congress on here's the mission imperatives. Here's, we're gonna focus our investments. And then you get into the more tactical details, but there's always gonna be these budget games throughout the process.

[00:46:34] **Eric Lofgren:** Well, It certainly feels like when you have a super complex regular process and then you have all these little other processes on the side to go around that process. Like all those things are always just gonna have unintended negative consequences to a degree that, from that we're just like pushing on different incentives and then exposing other bad incentives that we didn't intend for.

[00:46:56] Shouldn't the system just be much simpler, much more clean.

[00:46:59] **Greg Grant:** But I think it does go back to that. So contested logistics, for example. So whose mission is contested logistics? Which component is gonna pick that one up? That's, is it, is it the Navy or are they, but no, it's not just a Navy problem.

[00:47:11] The air force is the air force is even in worse shape in the Western Pacific. In terms of throughput. Which component is it gonna get hit with the bill on, on solving the logistics problem in the Western Pacific,

[00:47:22] **Eric Lofgren:** but why isn't it that like the Navy should be like, man, I'm just gonna make all these logistical ships that are aritable and fast and whatever.

[00:47:30] I'm gonna increase my budget share by doing that. How come that just doesn't isn't that the logical way that you would've expected it to happen? The way that you guys are talking about it? I think in

[00:47:38] **Greg Grant:** an ideal world certainly that you would see something like that, but is that the prestige mission for the Navy or is it, how many carrier battle groups and carrier air wings can we have operational at any one time,

[00:47:50] **Matt MacGregor:** but I think to your larger point, Eric, that this system is messy because these decisions are made primarily in a vacuum in the sense that, like contested logistics, there are a few indications that the army air force and Navy are having meetings to say, Hey guys, how are we gonna handle contested logistics in the Navy saying, yeah I got all these ships.

[00:48:10] I can bring these ships and deliver all these things here. If you guys can, get it to Hawaii or if you guys can get it here, those kinds of conversations are the things. That, that we would like to see happen more so that they don't have to happen during the PBR process and or separately as part of these ed I and C and P and PDI funds.

[00:48:29] So I think you're right. The system is messier by virtue by, by the fact that, that collaboration, those early discussions, where the services do actually come up with a joint vision for how to solve some of these real, capability, UHS or, functional issues that have , it could a lot simpler.

[00:48:47] **Eric Lofgren:** One question here, we talked about like the, we have these special funds, right? They give you additional flexibility to put money where you want it in the year of execution. So I got the money. I didn't have to tell Congress exactly where it was gonna go years before. And I have some flexibility to move it around to address emergent needs.

[00:49:05] Another type of execution flexibility is can't just move money between these programs, after you've given it to me, but it seems like, you know, moving all this money around also gets Congress nervous, right? like they don't, they wanna see like a stable executable plan. And I think that's to some degree what you guys have also been saying, get the strategic guidance, tell the services to program for it correctly.

[00:49:29] So do we need all the execution, flexibility type stuff? If you get the strategic guidance and the D PPG, right? Could you go back and actually fix and make P B E better? Hey, we've been trying to do this for 60 years, but we've

just been, we just haven't been able to do it right. Or is there something kinda like fundamental about execution flexibility?

[00:49:48] It just needs to be driven into the system.

[00:49:50] **Pete Modigliani:** Yeah. Getting these strategic plans right. Will help reduce some of the flexibility needs and execution, but I think you're always gonna have a high need for greater execution year flexibility, operations are gonna change. Threats are gonna change.

[00:50:03] Technology's gonna change. When we're still operating with that two to three year lead time you can't effectively, plan to say, you know what technologies are gonna emerge out of the commercial sector, out of, DARPA in the labs to cross that valley death. And then how do we scale that up?

[00:50:18] Or, some new threat in a theater emerges that we weren't thinking about two to three years ago. Matt did some great work, in the paper, in DOD and FY 22 had 246 billion in investment accounts that was broken out across 1700 budget line items with the median size of 38 million each.

[00:50:36] So when you're com compartmentalizing, the budget done to 1700 different boxes and to move funding between one box to another requires an act of Congress. If you want to, move, anything meaningful you're pretty much stuck with what you baked into the system a long time earlier, so you absolutely need greater flexibility.

[00:50:56] And we laid out a whole series of recommendations and scenarios in paper for working through

[00:51:00] **Matt MacGregor:** that. Yeah. New start is one of the, is one of the biggest challenges.

[00:51:04] If you actually do have that model, especially on the R D T and E side, where you are pursuing different options and then letting them filter through, into what's the best things to, to actually take to the field. You inherently need a certain level of flexibility to say yeah, this effort over here that may have been in a separate budget line, and this effort over here, I'm actually gonna, draw down, I'm seeing this.

[00:51:27] One's not quite as successful. It needs more time. We're gonna, we're gonna draw that one down and go all in on, on this one to get that fielded in

order to do that, you would have to shift funding in the year of execution are very near to it to be able to surge the one that's having the most success.

[00:51:43] And that's a lot of the a lot of the vision for having, middle tier of acquisition programs is being able to prototype different things. And if it works and the operator likes it, you scale that. It's very hard to scale in the current system. And that's is one of the things with the valley of death and commercial sectors is really worried about is if you do see something that you're like, Greg's laid out this challenge and he's yeah, the Navy just needs to be able to do this, and some commercial vendor comes in and says, I could do that.

[00:52:08] And you go crap, I don't have a requirement. I don't have a program established, I don't have the new start authority from Congress. So I need to do all that stuff to get after it. That's a huge lag. And so that I think is why we need that flexibility in the year of execution. So yes. Could we do better in some of our planning, if we had that more joint min joint mentality and we had this collaboration.

[00:52:31] Yes. But yeah. Ultimately you would still need that.

[00:52:34] **Eric Lofgren:** For some reason I don't understand to some degree, like why you need so many new starts . I need to get after the mission of deterring China or defeating their ability to land on Taiwan.

[00:52:45] Let's just say I see something from the commercial market that helps me network or, is an improved sensor . I probably have some requirement out there and some money that's going to something similar that has a similar requirement. And, but you hear from people that they're just like, yeah, it's the same thing, but I put AI on it.

[00:53:01] So I didn't need this this human to bang on the boards. Now it's a different requirement. even though it's like a accomplishing the same ends and you could make the trade off with, in that what's going on there? Could you just write these justification documents and have more general requirements and you just have more flexibility within the exact same system?

[00:53:19] **Pete Modigliani:** Yeah. Head with, what we're trying to get to with portfolio requirements. Now, I think today, most, if you say, have I identified a shiny new capability? Yeah. You may be able to find something that you could fold it under, but for the most part, that's already a predefined point solution.

[00:53:36] You may already have a contractor on contract working that solution. So it's harder to then, pigeonhole some new capability in there. But we're trying to get, and this is part of a broader JS reform. Is instead of writing, program and system requirements to write out a broader capability portfolio to say, I need this set of capabilities.

[00:53:58] And then that can more effectively capture all the new capabilities that come on board as well as the stuff that we already have in some stage of, tech development and early R and D to then capture. So we definitely wanna enable much more of a dynamic portfolio. For all the new starts, I would love to see many more new starts, many more new things come on board.

[00:54:19] But it's such a high barrier of entry. It's tough to start new things and it's hard today in the current environment to, to cram it into something that looks looks and smells a lot, like what you're trying to do.

[00:54:30] **Matt MacGregor:** And on the hill side I think Pete addressed the challenges internally.

[00:54:33] But the hill expectations are too that, that you have a minutely defined requirement and that you've spelled that out in the, I, I put an example in the paper on what a major thrust looks like, and, there's a lot of complaints about those not being detailed enough and not having enough information in there.

[00:54:51] And so I think there's a desire also from the hillside to have that discreteness. And while Pete's vision, is where we need to go. I think we do have some hurdles with some some of the committees on they, they actually wanna see. That even be defined in more detail. So that, I think then I think will conflict, with that vision that that you had Eric there with yeah.

[00:55:13] Why don't we just have these more open ended, have more flexible sort of budget lines. Yeah.

[00:55:17] **Greg Grant:** Yeah. I was just, I would just add that. I think one of the most positive things that duty has done recently is moving to a much more threat driven capability development. And the former vice heightened said that. He often remarked that was the most important singular effect of the 2018 NDS is it did shift duties thinking to more , looking at a specific threat and evolving threats and then developing solutions to address those which gets to, mission driven rather than, just some kind of requirements driven if you will.

[00:55:47] **Eric Lofgren:** . you know, He said a lot of the right things in my mind, and then when the new JDS manual dropped in and I think it was like October 21 looks a lot more of the same, if not more detail, even for the software, I C D the initials capability document, which is supposed to be this kind of abbreviated thing, it's 40 days, and you're probably gonna have revisions.

[00:56:07] So probably longer than that. And then there was like 11 pages of all these things you need to fill out of just guidance on the things you need to fill out for software. I CD. So I don't know, what's your view of what that breakdown was there or was there a breakdown?

[00:56:20] Oh, I think

[00:56:21] **Greg Grant:** there would, he, I think he admitted there was a breakdown, but he didn't really, he didn't change the Ja or J rock process as much as he had hoped to.

[00:56:30] Yeah, I, again I think that's part of the broken nature of the system is that part of it isn't working. Matt and I are working on a paper right now, trying to look at alternative ways , of capability development and one of those being, joint concept driven.

[00:56:44] And how do you take the work that, J seven has been doing and coming up with a new joint war finding concept, and how do you translate that into capabilities? And that I think that's gonna take again more reform of Jas or fixing Jas SIDS or blowing it up. I'm not sure what the answer is there

[00:57:03] **Matt MacGregor:** blowing it up.

[00:57:04] **Pete Modigliani:** yeah, I second that, yeah, and the so far ICD was a good stepping stone because they replaced the legacy it box model, where you had to then spell out detailed cost estimates and break it out by appropriation, across the fi up, when at the early stages, the least about the program.

[00:57:19] So don't tell me what in year four your procurement breakout funding is gonna be, cuz that's just a random guess. So it, it did pivot it more to high level outline capability needs. Here are the threats, here's the, strategic elements of the key functionality you need and then go off and then you can iterate on the details in subsequent documents and processes.

[00:57:41] Jason and PPV need to be in a greater, aligned, much more iterative. But I think it was a step in the right direction given where software's headed.

[00:57:48] **Eric Lofgren:** who cares about what's going on in, in year four? That seems to be a fundamental disagreement, right? To me it feels like, okay, you need all this planning and documentation to do like a small new start, but you don't even really know whether, like you just wanted to create the option and prototype it and see what works.

[00:58:05] You didn't want to commit to production before you started and make those trade offs in the out years. So you're not like showing something unaffordable in your future projections

[00:58:15] and it would be like in the commercial sector, giving like a series a firm and say, before you get to this series, a amount of money, like \$5 million, let's just say or series B, you're gonna have to do all of your documentation for an IPO, like an initial public offering. And you gotta have your generally accepted accounting principles, and do all this other stuff.

[00:58:36] But if you force every company to do that, it wouldn't make any sense, right? Because one, a thousand or one 10,000 is gonna generate a lot of those returns in scale. And really like the whole point of investment was the optionality of investment. And of course, if you put 'em all together, they'll look unaffordable, they'll look inconsistent, but you need that inconsistency in a complex system.

[00:58:57] What's you're gonna, what's your view on that? Because, it seems like what Congress is saying, Hey. You can't start something without knowing who the transition partner is. If we're gonna fund something and you're just gonna cycle in and not transition anything, it's just more of the same. So if you're not doing all of this planning, programming, budgeting, all these cost estimates, documentation, test strategies, the same in strategies, intellectual property strategies.

[00:59:20] If you don't do that right now, then you're never gonna do anything. So we need to make sure that you've planned everything out. What's the, how do you guys look at that? Those two views? Is it even possible to think of defense programs in that kind of commercial way?

[00:59:33] **Matt MacGregor:** I would say yes, because, I mean, I've always considered it, just an absolute fallacy that, and this is so predominant in the acquisition system that if you don't have something documented ad nauseam, The

programs just won't do it. And it's just that's not how the execution of a contract or a program or any other kind of effort either about some non-formal program, there are things that you go through and that you wanna make sure you wanna make sure the government is getting a good deal.

[01:00:03] So there is this fallacy that you need a 500 page life cycle support plan and a a 600 page accompanying system engineering plan. Or you're just gonna sit there on your hands all day and do nothing. And no, I think the documentation thing has really been overkilled and I think on the transition front, I think what we have done is we've tried to make prediction.

[01:00:24] The key to our planning. So instead of planning in terms of, Hey guys, how are we gonna form, the right stakeholders here, how are we gonna work together as a team doing that relationship building with the different organizations working out all the kinks instead of the time spent in the things that would be most value added.

[01:00:42] There's an awful lot of time spent developing documents, staffing them, begging people. Can you sign this? Oh, where's that at? In staffing? Oh, I think it needs to go to this person first. There's so much wasted effort in the Pentagon over that types of thing, those types of things. And I think like Dr.

[01:00:58] Roper always used to say, you can have speed with rigor and that's really needs to be the paradigm with this is yes, you can have the rigor, the engineering rigor the planning rigor. But you can do it faster and not as not the way we do it today.

[01:01:11] **Eric Lofgren:** Another one of the concerns here, relatedly, I think is that Congress, doesn't seem to have the most insight onto some of these smaller programs, ACA twos and the threes, for example the middle tiers of acquisition.

[01:01:23] It seems like D O D itself and O S D is having a hard time keeping track of all these things. There was like a report from GAO. I think it was last year or so basically they said, we asked the services for their ACAT twos and they couldn't even give us a list. Don't you think they should be able to compile a list?

[01:01:38] So maybe that's some of the skepticism of Hey, Congress Wal often say, we've given you authorities in the past and you just don't tell us how you use them. And you don't demonstrate that they're useful at all. Why do we even give you these things? You can't even tell us what ACAT twos you have.

[01:01:52] What's your reaction to that?

[01:01:54] **Pete Modigliani:** Yeah, I don't think that's a fair assessment. And don't get me started on GAO, the, DOD does need to do a better messaging on some of the new authorities they get and convey the impact it's having. And there's plenty of challenges and reasons why, whether it's a small sample set or just messaging through the Pentagon gets muddled.

[01:02:11] But for oversight of the smaller programs. So there's a balance between visibility and oversight we're trying to, even Congress recognizing in, the 16 through 20 NDAs, kept focusing on exempting programs from some of the more arduous, MD D P or adjacents oversight responsibilities to say, Hey, these are smaller programs, lower risks, go fast and deliver.

[01:02:34] We don't need congressional and every corner of OSD and joint staff, Reviewing ACA three programs for cost schedule performance. The services should have, what are the ACA twos and three, list of programs. But it's getting into the details of who's responsible for program oversight.

[01:02:50] And that's where, I at least believe, PO should be primarily responsible for a program oversight to make sure they're executing properly with SAEs, overseeing the broader portfolios across the POS and then obviously OOC and Congress have their, their responsibilities as well.

[01:03:04] But it's not to micromanaging ACA three program to say, why 10% behind schedule on, on this release. So they're striking that right balance.

[01:03:12] **Matt MacGregor:** And on the, just on the front about why, they couldn't necessarily give all the programs. It wasn't that, the leader acquisition leadership had forgotten about them.

[01:03:21] It was much more of a, of an it system kind of thing. The POS were managing those lower level programs and the headquarters just wasn't didn't have that direct oversight over, over all of them. And so it wasn't just this like quick turn of the button you could easily sort of provide this comprehensive list.

[01:03:38] So, you know, I think the key there is that it's not as if that wasn't being managed. It was more just an it system, which are, we could have a whole nother podcast on it systems. But yeah, that's one nuance there.

[01:03:50] **Eric Lofgren:** So it's like the basically like the DOD audit problem where it's like, we kind of know where all this money is.

[01:03:56] It's just in a bunch of different systems and they don't aggregate up. So like you can't get a top level view all that easily or conform to all that kind of similar problem mess up.

[01:04:05] **Matt MacGregor:** Yeah. Different information is going to different places and yeah, it doesn't always all feed up the way. Some of that has been corrected as I understand but yeah that's a little bit of the vision with advance is that all of that will flow up and be, more consolidated at the top.

[01:04:20] So you can do analytics and things like that.

[01:04:22] **Eric Lofgren:** Yeah. And also same thing with the OTAs, right? FPDS is not designed to understand where below the consortium level.

[01:04:29] I mean, Is this just like a general problem? Are there always gonna be these niche things like the selected acquisition report style, the defense acquisition, executive summary, those standard reports are those good enough for what this is? Or do we need like a more flexible type of system here that gives visibility at the top, but is also flexible enough to tailor to specific needs?

[01:04:52] **Pete Modigliani:** Yeah, absolutely. And I think we'll hit that in our third paper that lays out, the vision of, what the modern bud defense budget system should be. And it all starts with a robust digital platform. So the more you can have that Uber it system with multi-level security and access so that you can provide, Congress and O S D and other key stakeholders, insights, you filter it to, at appropriate levels.

[01:05:16] Giving them some insight into, near real time information for some high level elements is gonna be key so that everyone could be on the same page while allowing the services to manage, the day to day program execution. Yeah, absolutely. So there is, and that, that goes to building the trust between all the key players is to, have greater insight.

[01:05:35] But historically, being in, in the DC area, that gets abused, once you start getting that phone call of, Hey, I see a red red flag on your program. And then they start getting, 20 calls of, Hey, what's wrong with your program? They're gonna stop reporting the issues of the chain.

[01:05:50] **Matt MacGregor:** Yeah. This, and, I completely agree with Pete on transparency. I think we need to provide. I don't think Congress should have to beg for information from the department. And I thought that was one of the things we noted in our paper is we need to have really radical transparency and I

think that, that goes to the point that we had talked about earlier, where the folks reviewing this information really do need that context so that they understand the the technologies they have some sense of, the capabilities that we're trying to be generated so that the focus can shift less on the tactical that contract slip a month or did they have an issue come up in one of the design reviews?

[01:06:25] That's too tactical. So that they can see the value that's being generated. Yeah, we are. We're being successful in XX tests. We're progressing towards fielding, we're gonna have our first fielded unit, here. We're gonna start scaling here starting to give those big picture things so they can see that prototypes, all these prototypes are not just living in prototype world.

[01:06:44] But that they are moving progressively up a ladder. And so I think we do need to be able to show that picture so that they have confidence that the money is actually gonna result in the capability we need.

[01:06:53] **Eric Lofgren:** Yeah. Sometimes wonder how much of it is like some of it, the reporting is just like a warm blanket for people. But we're dancing around some of this it stuff in terms of, I, I just want you guys to maybe explain a little bit ed Vanna, you, Matt, I think you brought that one up.

[01:07:09] It's like the department's acquisition it system and it's actually a program you can look into the budget for. So they program for that as well. But what is advan? What does it show today and what could it be?

[01:07:21] **Matt MacGregor:** Yeah. That is a good question. And I think there's still is a lot of progression on, what functionalities will be present for the different communities that, that will wanna use it.

[01:07:31] But as it stands today, it's basically aggregating a lot of the historical SAR O and OS all that sort of information. And then building on that, the the incorporation of a lot of new programs that were not being reported at that level. And so the idea is that you can do.

[01:07:47] We can do different analytics on that to identify maybe potential trends or things like that, or to, to maybe give data sets more useful data sets to different communities that might need them. Yeah there's a lot in work there. I won't pretend to understand all the ins and outs even though I said on a couple panels about it, but yeah , I think it will be useful in getting the data in the right place.

[01:08:10] And then I think the challenge will be like, we talked about is to make that data useful. And data's only really useful if you understand what you're looking at. So we have this problem with software metrics, right? You can come up with software metrics, but if you're not a software person and you don't really understand that program you could misinterpret those metrics as being horrible.

[01:08:29] When in, in fact they're actually, at the right place or they're maturing appropriately. So you really do need that context. And I think that would be the challenge as those data sets are opened up. Not just to fixate on this program breached and they have, their R D T E their puck program, acquisition unit costs is higher than what they anticipated.

[01:08:46] Maybe they added more capability. Maybe they accelerated fielding, so you don't know if you don't know those details, this can easily get out of control. But the idea is to enable that a little bit better.

[01:08:58] **Eric Lofgren:** How can oversight actually take time into account. Whether you feel this in five years, 10 years, 50 years like that, doesn't have any bearing on whether a program goes forward or not to a degree or whether I should pay more to, to accelerate something. It seems it's just what's the cost of this thing and here's the requirement go do it.

[01:09:18] There's one answer to it, what's your action to that?

[01:09:20] **Greg Grant:** I think that's the risk calculus is such an important PIP piece. It, we see this at least I see this in the, the whole hypersonic weapons, pursuit. Not that I'm a big fan necessarily of hypersonic weapons, that the problem is the cost per test of these things has got, has gotten so astronomical that no one's willing to shoulder failure.

[01:09:41] And because it's, the price tag is so huge. But if we can, some of these to that that it's not such a catastrophic failure and be more comfortable with yeah, it, sometimes it's gonna work sometimes it's not gonna work, but if it's showing progress, then it's worth pursuing.

[01:09:56] **Matt MacGregor:** And this is a good, another good reminder for why we need some of those budget reform kind of recommendations we made, with regards to like BTRs and consolidation of budget line items and things is, yeah. When you do have something that, that fails, you need to move that money.

[01:10:12] Or when you have something that, that you wanna accelerate because maybe a new threats emerge and you go, we really have to move this timeline up to do that in the year of execution is really hard. And you might have to do an ATR package, which, the timelines on that are like six months.

[01:10:26] You're not gonna be responsive to that. And so that's just one more kind of example, why you need that budget or execution your flexibility.

[01:10:33] **Eric Lofgren:** I think, what Congress might say is just tell us what you're gonna do, detail what you want to do. And we'll usually just, approve that.

[01:10:41] And if you need to move money around, we have a process for that reprogramming, just send it on over. It's not our fault that it takes you six months to get it out of the building and get it to us. , what would you say to that? Because it seems like this gets back to, we need some open-endedness, especially early on in a program.

[01:11:01] But. What's happening with middle tier of acquisition. It seems like they're trying to close that aperture much faster than I think was conceived in FY 2016. OS D and GAO, they kinda wanna conduct oversight by saying what is the life cycle plan? , you should say, I'm gonna go execute at this level.

[01:11:19] This will be when I'm fielding. And this is the transition. I shouldn't be able to say it could be two X that, or zero or 10 X that, like that kind of optionality is scary. Or maybe it signals, you don't know what you're doing, , how would you convince Congress that what we see in the commercial tech sector, in the VC sector actually makes sense when you're using dollars.

[01:11:40] **Pete Modigliani:** Yeah. So it goes back to, looking at the investment budgets, they're broken up into 1700 different subaccounts with tight constraints around them, and they're relatively small. When you look at any one program, you know, there's gonna be a number of different ways. Why a program, is delayed throughout the year.

[01:11:56] There was a protest, there was continuing resolution, any number of things. So you may not be spending your money by the end of the year, or as you're progressing from your technology maturation risk reduction phase and doing, early S and T and R and D moving to development and then production, there's, those are different funding accounts, or, Hey, if you wanna do tech insertion that wasn't planned and you wanna face that in, all of that requires reprogram authority and priorities are gonna change.

[01:12:23] Threats are gonna change. Technology's gonna change it. It's a very dynamic environment that everything shouldn't require. Mother, may I back to Congress. So that's why in the paper, we went through some recommendations to, to not say, to balance the speed with rigor, to give that flexibility and insight to say, Hey, maybe we consolidate some of the smaller budget line items to say, to give that flexibility that you could move funding around to higher priorities.

[01:12:48] Maybe you increased the, the BTR For the new starts, maybe provide greater flexibility. Hey, let's experiment with a pilot or two of, budget portfolios to build around a capability area. And with all those trade offs, you then, agree to we'll give Congress regular notification.

[01:13:05] We'll notify them with 30 days or a quarterly report of all the changes. And if Congress sees that being abused, then you know, they could pull it back. But at least, increase that it goes with the broader aspects of ongoing collaboration through the budget development process.

[01:13:22] But in execution, you need to give those at the, more tactical level, greater flexibility, cuz there's a thousand of one shifting priorities that you can't manage all the way up through the building and then over to the hill.

[01:13:34] **Matt MacGregor:** Yeah. I think the key here is to. Is to pilot. Right now we really haven't tried this new approach of, having a lot more flexibility to start things maybe with smaller dollars and substituting that with more responsiveness to congressional requests more insight, Hey, if there's any interest, come down to the program office or we'll come up and give you a rundown of what we're trying to achieve here.

[01:13:57] Being more responsive and not requiring, not forcing staffers to wait months for a response. And then it's like the super constrained response. It doesn't really answer the mail for them. We talked about adva. It's like getting feedback on what are the kinds of things that you would like to see?

[01:14:12] So say, you say you're willing to give the department that level of flexibility to get after new technology things and AI and autonomy and these new areas that are expanding. What would you wanna see in return? And what would that look like? How could we make that contextual for you? So I think that's some of the pilot things that really need to be started immediately to start to flush out how this could work, cuz no doubt, this is a complex thing.

[01:14:36] There's gonna be a lot of hurdles to changing the system. But the only way I think you can start to make progress is if you actually start trying

some of this and being willing to have trust and and then call out issues as they present oh, you guys, aren't given as information we need.

[01:14:49] Okay. That's a challenge like when we solve that.

[01:14:51] **Eric Lofgren:** I hear you. I think 99% of the workforce is dedicated, honest, hardworking, and can be trusted. And there's just no other way to then to move at that speed of trust, but a hard, I think oversight feels like they've been burned in the past, and so it's hard to get over that.

[01:15:08] Greg, do you wanna bring us home any final thoughts from you from strategy all the way down to execution? Yeah, I just

[01:15:15] **Greg Grant:** say I really hope, it's our collective hope that the PPBE commission really makes some big muscle movements and I'd love to see him swing for the fences and make, and not just say, okay, we're gonna make some incremental changes or changes on the margin but really look at this in the aggregate and say are we losing the military technological competition, or what is, where are the trend lines on the relative military balance right now, and where are they going?

[01:15:43] And if they're not trending in the right direction, then we need to make some fundamental, big changes to the, to, to the whole planning and budgeting process and the way we build programs. And I believe that big change is needed and I'm just hoping that they, they embrace that calling and really and really get after it.

[01:16:04] **Eric Lofgren:** I think that's a good place to wrap Matt McGregor, Greg grant, Pete Modigliani. Their new paper is five first steps to modern defense budgeting system. And they've written a ton of other good stuff as well over there at Mir. Check it out, guys. Thanks for joining me on acquisition talk.

[01:16:20] Thanks,

[01:16:21] **Matt MacGregor:** Eric. Thanks Eric.

[01:16:23] **Pete Modigliani:** Thanks. This was great.

[01:16:24] This concludes another episode of acquisition. Talk, if you have comments, interview recommendations, or just want to chat, please contact us@acquisitiontalk.com. Thanks again. And until next time.