

STATEMENT OF JOHN W. BARNUM, DEPUTY SECRETARY,
DEPARTMENT OF TRANSPORTATION, BEFORE THE SENATE
GOVERNMENT OPERATIONS SUBCOMMITTEE ON FEDERAL
SPENDING PRACTICES, EFFICIENCY, AND OPEN GOVERNMENT,
ON MAJOR SYSTEM ACQUISITIONS, THURSDAY, AUGUST 26, 1976.

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you to discuss DOT's implementation of OMB Circular A-109, which provides direction to agencies on how to manage their acquisitions of major systems.

Achieving economy in Government and ensuring that major systems acquisitions are properly planned, organized, and controlled are common goals. In DOT, our objective has been and will be to acquire the most effective product at the most economical price. We support OMB Circular A-109 and will fully implement the Circular in accordance with a time-phased action plan presently being developed. This action plan will be completed by October 5, 1976, as required by Circular A-109.

Since we are now developing DOT's action plan, we are unable, at this time, to advise you precisely how our implementation activities will be conducted. Conceptually, however, I can tell you that we plan to use our current procedures on major system acquisitions as a basic framework for implementation.

Since 1972 DOT has managed its major system acquisitions using many of the same management concepts and principles now set forth in OMB Circular A-109. For instance, we require:

- o high level review and approval of major system acquisitions at appropriate milestones in the acquisition process;
- o the development of an acquisition strategy for major systems programs and the refinement of that strategy when changes are necessary; and,
- o the establishment of clear lines of authority for the management of major system acquisitions.

We have been applying these management concepts and principles to the acquisitions of major systems which have a total cost of \$10 million or a research and development cost of \$1 million.

We are reviewing these current procedures to determine the degree to which we already comply with the Circular and, where revisions or new procedures are required. In addition, we will establish management task forces of policy, procurement, and budget personnel to develop formal implementation procedures.

One particular management concept covered by the Circular will have a significant impact on the way DOT acquires major systems. That concept involves the identification of mission needs in terms of the job to be done, rather than in equipment terms. Implementation of the concept will result in changes in the way DOT identifies procurement requirements in Requests for Proposals. Offerors now submit proposals on the basis of performance or engineering specifications provided by the Government. Under OMB Circular A-109, the Government will identify mission needs and ask offerors to develop design concepts which can satisfy those mission needs. This approach may provide more flexibility and greater innovation, and may allow us to work in partnership with the private sector to satisfy the Government's requirements, [It may also, however, result in offerors' expending more effort and money in developing viable proposals. Under those circumstances unsuccessful offerors may be reluctant to submit proposals for similar Government requirements in the future. The expense to the Government and the risk to contractors in extended parallel development

must also be considered. In view of this, we will have to monitor carefully our implementation procedures to ensure that the Government is dealing fairly with contractors while at the same time achieving the goals of the Circular.

There are other issues to resolve before full implementation can be achieved. For instance, we are considering changes in the dollar levels at which Secretarial consideration of major system acquisitions is required. Higher dollar levels may be warranted because of inflation since 1972 and because OMB Circular A-109 will require a more detailed review than may have been appropriate for our lower value major system acquisitions.

Another issue we need to resolve is how to apply the requirements of OMB Circular A-109 to major system programs already in existence. Many of our on-going major system acquisitions have proceeded beyond the point at which the identification of mission needs and the development of alternative system design concepts are warranted or feasible. Nevertheless, these programs involve significant acquisition decisions, and we will probably develop

procedures which provide for some type of A-109 review for the remaining program decisions.

I am confident that the issues I have identified today will be resolved. My purpose in identifying them is to advise you about some of the activities we are conducting to implement the Circular. We continue to support the management concepts and principles set forth in OMB Circular A-109 and believe that their implementation should improve the way agencies acquire major systems.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or other members of the Committee may have.

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