



A Tale of Two Cities: Transatlantic Defence Acquisition Priorities

by Dr Jeffrey Bradford

Dr Bradford is North American correspondent for Great North News and Principal at Rubicon Strategic Counsel. Formerly, Jeffrey was Group Business Development Manager for Babcock International Group PLC. In this article he compares the acquisition priorities of the UK MoD and the US DOD in terms of large programmes, rapid acquisition in support of operations and in-service support.

Attempts to consider the acquisition priorities of the USA and United Kingdom are often hindered, it could be suggested, by a sense of awe at the sheer quantum of money available to the United States' Armed Forces and an inferiority complex, reinforced by third parties berating the paucity of research and development (R&D) funds allocated by the UK.

This article seeks to move a little deeper, ignoring the financial values to look at

the similarities in acquisition priorities of each military establishment, as well as to propose some ideas as to what may underpin the differences between them, given their current engagement in the same theatres of operations. The article will focus in turn on major acquisition programmes, acquisition in support of operations¹ and spending in support of legacy platforms and infrastructure.²

Major Acquisition Programmes

Traditionally, the most transparent elements of acquisition activity are the long-range, major investment programmes of the armed forces in successive generations of platforms and supporting technologies.

A starting point for this comparison is the audit of programmes conducted by the National Audit Office (NAO) and its American counterpart the Government Accountability Office (GAO).³ Taking the most recent editions

of both reports, and the 20 largest programmes by value, highlights some differences as well as some very intriguing similarities.

"The most transparent elements of acquisition activity are the long-range, major investment programmes of the armed forces"

In both UK and US cases, the two largest programmes account for around 50% of the combined value of the top 20 acquisition projects. Figure 1 illustrates an uncannily similar curve in terms of the value of the top

Figure 1: Top 20 programmes by value (USA & UK)

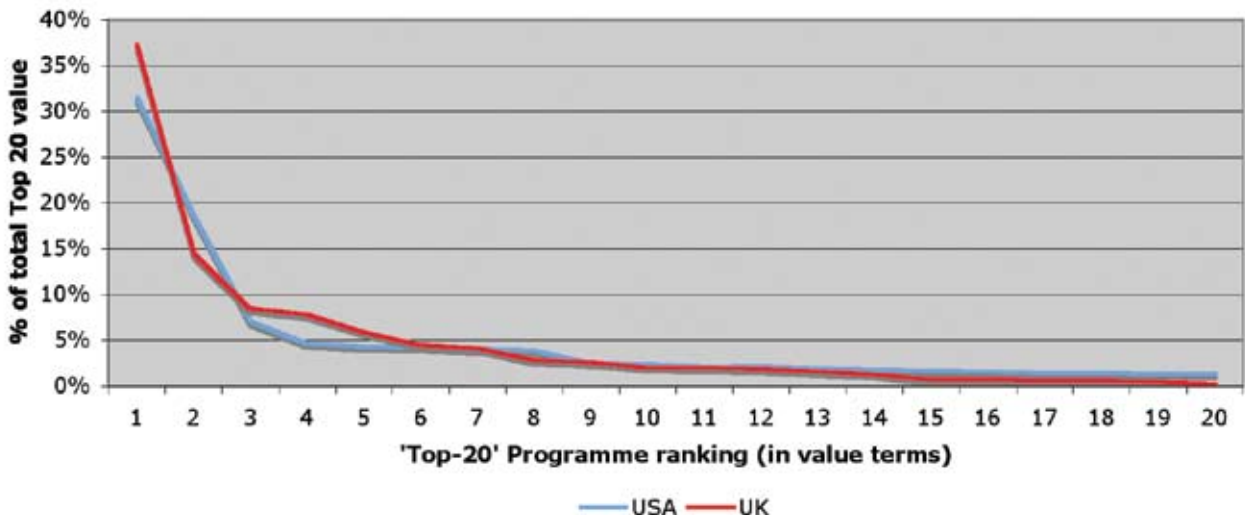
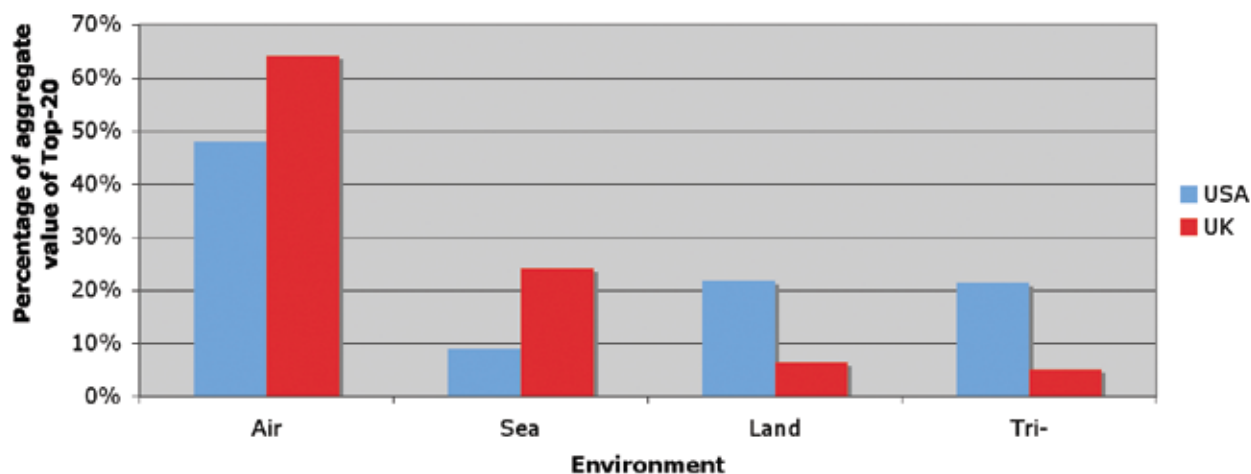


Figure 2: Proportion of total value of Top-20 acquisition projects by environment (USA & UK)



20 major programmes. The second-ranked programme is half the value of the first, and the third half again of the second in terms of proportionate value. This suggests that the politics and industrial-technological effort required for the top programmes of the day is similar in each nation's defence acquisition cycle.

In terms of the composition of the top 20 ranked programmes by environment (air, sea, land or tri-service) there are greater differences in the most recent reports. The air environment for both countries is the major area of spend, driven by cost, technological requirements, as well as the defence-industrial spin-offs. In the American case there is a greater emphasis, again in value terms, placed on tri-service programmes. Currently these include space-based satellite and radar programmes as well as communications projects.

In terms of split by environment the UK has, in the most recent analysis by the NAO, a much smaller proportion of land systems projects (some 6%) under way amongst its 20 most important programmes than the USA (22% of the aggregate value of the top 20 programmes).

The marked difference in spending on tri-Service programmes by the United States is interesting, and possibly reflects two key differences in approach. Firstly, the greater

investment in R&D made by the Department of Defense (DOD) through the past decade has drawn on the information technology and communications revolution manifesting itself in projects with high communications and IT content coming to the fore. The UK's more modest efforts are contained, at the major projects end of the spectrum, principally in the Bowman programme. Secondly, the impact on acquisition of political doctrine manifests itself, in this analysis in terms of the anti-ballistic missile programme (known as GMD), accounting for around 25% of the tri-service programmes (by value) within the top 20. Figure 2 illustrates these differences.

Rapid Acquisition in Support of Operations

In the case of both the US and UK, the tempo of operations can conflict with established procurement processes where a plethora of relatively small items, and some not so small, are needed to have immediate effect in the theatre of operations. Unlike a corporation that can keep finances on the balance sheet year-in, year-out to deploy in such emergencies, government organisations are subject, in effect, to annualised budgeting and public scrutiny, which militate against such a move.

The NAO's recent report into UK practices identified rapid acquisition (known as UORs) as accounting for some 2–3% of the defence

acquisition budget.⁴ The figure for such activity in the United States is substantially higher – one think-tank recently suggested a figure as high as 25% of the entire DOD budget in testimony to the US Congress.⁵ Such a disparity can be suggested as reflecting pressures both within the US Armed Forces as well as externally.

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It could be suggested that the move in the late 1990s by the United Kingdom to integrate the separate logistics functions of the three Services has staved off significant outsourcing of support activity close to the theatre of operations. The UK Defence Industrial Strategy highlighted this in its own analysis.⁶ In the United States there has been greater outsourcing, and possibly a medium-term push towards investment over sustainment of legacy equipment



driven by Service desires and domestic politics. Between 2000 and 2005 the GAO noted that the support budget for the US military increased by some 60% as a result of wear and tear caused by operations.⁷ The 2007 supplemental budget request by DoD saw a near doubling of the funds for reconstituting forces as part of a 25% increase in request for emergency funds for Operations & Maintenance.⁸

“In the United States there has been greater outsourcing, and possibly a medium-term push towards investment over sustainment of legacy equipment”

Acquisition Related to Support of Legacy Platforms and Infrastructure

Information concerning the breakdown of funding for logistics support is somewhat more detailed in US budgetary reporting. The latest figures covering fiscal years 2006 to 2008 see a near halving in the US Army budget for operations and maintenance, with the Air Force taking some reductions and the US Navy roughly being flat in budget terms.⁹ Analysing the budget on a line-by-line basis suggests that for the Army more depot maintenance and funding for ‘additional activities’ have been substantially reduced.¹⁰ In the case of the US Air Force budget, reductions seem to have been conducted ‘salami-style’ with each element sharing the pain, though military airlift operations in particular have been curtailed in budget terms.¹¹ These budgetary shifts could reflect an expectation that operational commitments in the run-up to a Presidential election are likely to be reduced, with a more substantial post-election review likely.

In comparison, the UK decision to integrate its logistics activity, and rationalise its physical footprint, could suggest that significant economies have been enabled. Detractors, however, might suggest that,

several years after its formation, the Defence Logistics Organisation (DLO – now part of Defence Equipment and Support (DE&S)) retains a single-Service mind-set away from the front line and a strong survival instinct. Operations in Iraq and Afghanistan have contributed to a near doubling in the estimated 2006–07 outturn of budget for the Chief of Defence Logistics.¹²

Conclusions

Despite the disparity in terms of sheer volume of money thrown at the defence enterprise in the United Kingdom and United States, there are, perhaps surprisingly, many similarities in terms of the dynamics of the acquisition cycle.

At the major programme level, the scale of leading programmes is quite similar, though the composition of the top programmes reflects the fruits of greater R&D spend in the USA, and perhaps greater agility in the UK to skew its acquisition programme towards more medium-term needs.

“The US clearly is further behind the UK effort to integrate its tri-Service logistics activity and realise major economies”

In terms of meeting the challenge of supporting operations through rapid acquisition of emergency items which impact on the battlefield, both countries have ways to address the need. However, the budgetary and political process shape the way in which this activity is done. The US undoubtedly has a greater proportion of budget being funnelled into these types of procurements, suggesting that their model for outsourcing certain tasks close to the battlespace needs refinement.

Lastly, the support of legacy equipments and infrastructure appears to be a definite case where both countries’ armed forces could make further efforts. The US clearly is further behind the UK effort to integrate its tri-Service logistics activity and realise

major economies. However, the UK case possibly illustrates the length of the journey required to make the changes – doubly so whilst stretched to the limit in support of operations. ■

NOTES

- ¹ Defined in the United Kingdom as urgent operational requirements (UORs) and in the United States as emergency supplemental funds
- ² Activities undertaken in the United Kingdom by the Defence Equipment & Support (DE&S) organisation, though formerly by the Defence Logistics Organisation (DLO), and in the United States by the Defense Logistics Agency (DLA)
- ³ See HC98-I, *Ministry of Defence Major Projects Report 2007*, NAO, London 2007 and GAO-07-406SP, *Defense Acquisitions: Assessment of Selected Weapons Programs*, GAO, Washington 2007
- ⁴ See HC1161, *Ministry of Defence: The Rapid Procurement of Capability to Support Operations*, NAO, London, 2004
- ⁵ Adams, Gordon, *Testimony: Committee on the Budget*, US Senate, 6 February 2007
- ⁶ See Cm6697, *Defence Industrial Strategy*, Defence White Paper, The Stationery Office, London, 2005
- ⁷ See GAO-07-631, *Trends in Operations and Maintenance Costs and Support Services Contracting*, GAO, Washington, 2007
- ⁸ See Department of Defense, *FY2007 Emergency Supplemental Request for the Global War on Terror*, DOD, Washington, 2007
- ⁹ See Department of Defense, *Military Personnel Programs (M-1) Operations and Maintenance Programs (O-1) Fiscal Year 2008*, DOD, Washington, 2007
- ¹⁰ Ibid. page 21
- ¹¹ Ibid. page 34
- ¹² See Cm7098, *Ministry of Defence: The Government’s Expenditure Plans 2007–08*, The Stationery Office, London, 2007, Page 16