
Security Cooperation Reform Day Conference

By

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[The following is a reprint of the opening remarks given by LTG Michael S. Davison, Jr. at the, Defense Security Cooperation Reform Day Conference, held in Washington, D.C., on 10 June 1999.]

I'd like to begin by offering my sincere thanks to LTG Larry Skibbie for his kind introduction and willingness of NDIA to host this conference on short notice. I also want to thank all of the government, industry, and trade association people who have given their time and contributed their ideas to Security Cooperation reform, commonly referred to as the FMS reinvention process, over the past year. I look forward to continuing this process with you.

We have a great turn-out today; in addition to over two hundred fifty participants from within DoD, we also welcome several representatives from State Department, Congressional staffers, the news media, close to ninety industry representatives, along with over forty-five international customers and foreign government representatives. I'd like to thank all of you for taking time from your busy schedules to be here.

I especially appreciate our highlighted speakers, the Honorable Dave Oliver, Principal Under Secretary of Defense for Acquisition, LTG John McDuffie, Director J-4, and the Principal Deputy Under Secretary of Defense for Policy, the Honorable James Bodner, for stepping in to be our keynote speaker when Dr. Hamre was unable to join us. With this much experience collected in one place, the various panel presentations and, more importantly, the ensuing discussions promise to shed light on the road ahead to security cooperation reform.



Major General Michael Davison's opening remarks highlighted the challenges to reinventing security cooperation in order to provide the best possible value for the purchaser.

Over a year and a half ago, the task of reinventing FMS started as an add-on, in-house task. However, it soon grew into a major undertaking. Over the last year, we have created an office dedicated solely to this effort and enlisted the support of professional contractors. I'd like to thank Ed Ross, Diane Halvorsen, and Bob Keltz for getting the process started. We've also enjoyed great support for our efforts from the rest of the policy community: Assistant Secretary of Defense for International Security Affairs, Frank Kramer; the Principal Under Secretary of Defense for Policy, the Honorable James Bodner; and the Director, International Security Programs for Policy Support, Susan Ludlow-MacMurray. They have freely contributed their intellectual horsepower. We particularly benefited from the guidance, oversight, and hands-on assistance of the Deputy Secretary of Defense, the Honorable John Hamre, who gave us that extra bit of lift when we started to slow down, and who continues to help us maintain pace.

Because of the contributions of all of these people, we've now got a good portion of the intellectual base and broad roadmap for FMS reinvention in place. As many of you know, the two white papers on Process Transparency and Pricing and Cost Recovery are completed and we are already moving out on several of their recommendations. Many of you in this room played an instrumental part in forging the DoD and industry agreements to work together on areas of increased cooperation and teaming.

We have already implemented one of the action items from the transparency white papers in the area of improving our working relationship with industry. The memo, jointly signed by the Under Secretary of Defense for Policy and the Under Secretary of Defense for Acquisition and Technology, promotes DoD/industry partnering when in the U.S. government's interest, so that we can form a united U.S. front in international competitions. Another action item was to look at increasing foreign government visibility into our contracting process. Dr. Hamre signed a memo to this effect in March.

You will find these two memoranda in your registration packages. I am planning to move these proposals along as quickly as possible so that we begin to fully implement the new policies. We are also in the final staffing stages of a new policy on LOA transparency.

I will continue to work on the ongoing reforms in process transparency, pricing, arms and technology transfer, metric and process engineering. We all believe these are necessary if we are to keep the FMS system a vital player in the next millennium. If you have not yet had a chance to read the first two papers, I urge you to access them through the DSCA website: www.dsca.osd.mil.

I am also pleased to report that the third white paper on the arms transfer process is now in final staffing within DoD. This has been a particularly difficult area to work due to the scope and the complexity of the issues and the number of players who have strongly vested equities in the process. However, I think the final product will lead to significant improvements in the transfer process. Please feel free to pick up a copy of the draft of this paper from the registration table.

We have recently brought on board our contractor H.J. Ford, a company which has significant experience is helping Fortune 500 companies reengineer business processes and develop performance metrics. With their help, we will develop a fourth white paper on metrics and business process over the next several months. H.J. Ford has begun mapping our processes, developing project plans, and working with us to prioritize actions. We'll have plenty of opportunity throughout the day to further discuss the details of what we have accomplished to date.

My purpose now, however, is to briefly outline for you some of the challenges I see facing the security cooperation community in the near to mid-term. Many of these will require tough decisions and may be painful to execute. But, we all need to keep the goal of a better system in clear focus.

First, perhaps our most important challenge is to cut costs in the FMS infrastructure, by finding, creating, and exploiting efficiencies wherever possible. We must eliminate redundancies within the service security assistance infrastructure. For example, as you may know, we are in the process of consolidating 13 different service and OSD information systems under the Defense Security Assistance Management System, known as DSAMS. We have already replaced three of those systems with DSAMS.

We must leverage this new security assistance management system to the maximum extent possible. I believe that DSAMS will set the stage for some of our reinvention efforts, will improve customer service and reduce system costs, and will help us make more effective and efficient use of workyear resources, particularly to maintain or improve customer service as those resources decline. We already have the ability in DSAMS to support the total preparation of the majority of LOAs, including pricing and payments schedules, and we will be able to support the management of foreign military training programs by 2001, followed by case execution of all security assistance programs.

We must also continue to look for other opportunities to capitalize and consolidate similar functions across the entire infrastructure. As part of the streamlining process, we may find that there are non-inherently governmental functions suited to competitive outsourcing. We must think creatively and be open to new ideas and ways of doing business.

Our second greatest challenge will be to strengthen our oversight of FMS processes and focus on performance. Much of the attention of the senior security cooperation leadership focuses on new sales. We need to bring the same energy and resolve for success to our performance on case execution and closure. For example, we must ensure that customers are notified in a timely manner about slippages in delivery schedules and cost changes. We must close supply-complete cases sooner. We owe it to our customers to ensure their cases are reconciled and closed as soon as possible. We must improve our record of resolving supply discrepancies. We must move aggressively to speed up delivery reporting. We can, and must, do better.

In order to improve these processes across the board, I urge the services to work with us to examine their business processes, identify areas of improvement, and establish performance metrics and standards to ensure accountability. This requires direct command leadership attention, and our performance should be audited.

Third, we need to achieve agreement with the State Department that there is a process component to the Conventional Arms Transfer Policy that needs to be defined and improved. While recognizing that the Secretary of State decides which transfers the Administration supports and notifies the Congress, the process used to arrive at those decisions needs to be more efficient.

Often FMS customers suffer because the U.S. government is unable to offer predictable decision timelines. For example, most foreign purchasers have planning, programming, and budgeting cycles and their own legislative requirements within their countries that have to be met within a specified timeframe to meet or other special requirements. Moreover, when decisions are

delayed, U.S. industry may not be able to meet short suspense request for proposals if licenses are not approved or disapproved within a predictable timeframe.

Toward this end, we welcome the State Department commitment to work with us to define processes and establish timeline standards and performance metrics. A good example of a process I believe should be considered for elimination is the current requirement for separate Technical Assistance Agreements for certain existing FMS cases. From my perspective, this requirement adds time and complication to the overall process without adding any real value to security.

Fourth, we need to examine all of our pricing and cost recovery. Some of these will require fresh perspectives and new ways of thinking. The most immediate task is to find a means to allow the U.S. government to charge for its services provided in support of direct commercial sales. These costs currently go unreimbursed and can amount to hundreds of uncompensated work years by the U.S. government. This will require a legislative change.

We then need to move on and find mechanisms to allow us to offer firm fixed price LOAs. Our ability to present hard pricing is key to our foreign customers who are trying to evaluate FMS offers in competitive bid procurements. They need to be able to explain to their respective legislatures, finance ministries, and publics what they are buying and how much it will cost. Current FMS pricing simply does not meet this need. In developing a solution, however, we must find a way to do this without exposing the U.S. taxpayer to any additional financial risk.

Finally, we need to look seriously into exploring the development of tiered surcharges and whether such an approach would better serve the interests of both the U.S. government and the foreign customer. These need to be fleshed out and supporting data concerning our actual costs of doing business needs to be generated, but I'm pushing for them to go within the next year because I believe that we need to have more management flexibility than is covered by existing legislation. To accomplish these things, we will need the direct support and assistance of the entire security cooperation community, including our foreign customers, the DoD acquisition and comptroller communities, the State Department and other U.S. government agencies, U.S. industry, and the Congress if we are to be successful.

In a speech before an American Institute of Aeronautics and Astronautics conference in May of this year, Deputy Secretary of Defense Hamre offered some very direct comments concerning the effort to re-engineer the FMS system. He said, "I think we need to get over our hang-ups with the way we deal with Foreign Military Sales. We currently have this paternalistic system for FMS that punishes the customer for wanting to do business with us....We need to revise it and adapt it and change it. It is going to take a lot of work to do that." I couldn't agree more. This is now, and will continue to be, a major effort requiring the work and dedication of many of you in this audience today. It will require you to look beyond our current frames of reference. It will require us all to stop and rethink the impulse to say "it can't be done" or "we've never done it that way".

At the same time, we all need to think through fixes to the system; we need to keep in mind that we are reforming a system built over 40 years ago. Just look at the SAMM. It is over 1000 pages and most of the rules and procedures were originally put there to either fix a problem or prevent one. So, we need to think about the consequences of pulling what appears to be a loose thread - where is it connected? What is it holding together? Who else may be attached to it? This is why we are here today. I want all of you to start to think about how you, and therefore we, can do a better job in serving our national objectives and those of our friends and allies.

Mr. Bodner will expand on the importance of our mission to serving these important goals in his remarks later this afternoon. I hope that we all keep them in mind as we go through our day-to-day business. The work you all do is critical to building and maintaining our nation's international relationships.

I'm looking forward to the day's program and welcome all of your comments during the panel discussions. I hope that all of you come away with a clearer picture of the road in front of us. Again, thank you very much for taking the time to be here today. I look forward to an informative and productive day.

About the Author

Lieutenant General Michael S. Davison, Jr., was born in El Paso, Texas. He was commissioned in Armor from the United States Military Academy in 1964.

General Davison's military education includes the British Army Staff College and the National War College. He also earned a master of science degree in foreign affairs from Georgetown University in 1971.

His initial assignment was with the 3rd Squadron, 2nd Armored Cavalry in Amberg, Germany, where he served as a platoon leader and later as troop commander. In 1967, he joined the 1st Cavalry Division (Airmobile) in Vietnam, where he was first an operations officer in the G-2 section, and then commanded a rifle company in the 5th Battalion, 7th Cavalry. He returned to Vietnam in 1971 as a battalion advisor to the Vietnamese Airborne Division.

From 1973 to 1976, General Davison was a course director in the Department of Military Instruction at West Point and also supervised the Armor Orientation Program there. He returned to Germany in 1977 and served in the 3rd Infantry Division at Schweinfurt, where he was executive officer and then commander of the 3rd Battalion, 64th Armor Brigade from 1979 to 1982. General Davison rejoined the 3rd Infantry Division in 1985 to command the 2nd Brigade in Kitzingen until 1987. During 1988, he served as the Chief of Staff, 3rd Armored Division in Frankfurt.

From 1989 to 1991, General Davison served as Assistant Division Commander, 5th Infantry Division (Mechanized), Fort Polk, Louisiana; he was then assigned as Deputy Commanding General for Training, Combined Arms Command, Fort Leavenworth, Kansas, from August 1991 to July 1992. Assigned to USCENTCOM, General Davison served as the Chief, Office of Military Cooperation, Cairo, Egypt, from 1992 to 1994. He next commanded the U.S. Army Security Assistance Command from July 1994 to August 1997.

General Davison's assignments at the Pentagon included duty on the Army Staff as a Force Integration Officer; Deputy Director, Army Deep Attack Program; and Director of Requirements and Integration for Combat Maneuver and Logistics. He also served as Assistant, DCSOPS, HQ U.S. Army Europe in Heidelberg, Germany.

He assumed his current duties as Director, Defense Security Cooperation Agency, Office of the Secretary of Defense, on 18 August 1997.