



STATEMENT OF

MARC A. PEARL
PRESIDENT AND CEO

HOMELAND SECURITY & DEFENSE BUSINESS COUNCIL

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Hearing on:

*“TSA Reform: Exploring Innovations in Technology Procurement to Stimulate Job Growth,
Part II”*

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Chairman Rogers, Ranking Member Lee, and distinguished Members of the Subcommittee, I thank you for giving the Homeland Security & Defense Business Council an opportunity to appear before you today to discuss the important issues involved with technology procurement at the Transportation Security Administration (TSA), particularly as they relate to innovation and job growth in the private sector.

I am Marc Pearl, President and CEO of the Council, a non-partisan, non-profit organization of the leading homeland security solution providers. The purpose of the Council is to facilitate two-way substantive dialogue between the private sector and government on critical homeland security issues and to ensure that the private sector's perspectives, innovation, expertise, and capabilities are integrated into our nation's security.

Collectively, our members employ more than 3 million Americans in all 50 states and provide expertise in technology development and integration, facility and networks design and construction, human capital, financial management, and program management. In particular, many of our member companies specialize in the technologies and services needed and used by TSA.

The Council's testimony today will focus on providing the Subcommittee with industry's perspective on how TSA, in particular, and the Department of Homeland Security (DHS), as a whole, can work more effectively with the private sector to improve the technology acquisition and procurement process and stimulate job growth. As recognized in the September 2011 Government Accountability Office Report on "*DHS and TSA Acquisition and Development of New Technologies*," TSA acquisition programs represent billions of dollars in life-cycle costs and support a wide range of aviation security missions and investments including technologies used to screen passengers, checked baggage, and air cargo. These technologies make up a significant part of TSA's annual budget and play a critical role in its ability to accomplish its mission.

The full acquisition life cycle process is quite complex and requires effective and efficient strategies, processes and procedures, and a strong organization capable of determining if what is needed is technologically feasible, economically reasonable, and will not result in unintended consequences. The life cycle process begins with identifying a capability need; analyzing and selecting the means to provide that capability; obtaining the capability through the appropriate types of acquisitions; and producing, deploying, and supporting the capability through its useful life until disposal. If any infrastructure component is deficient, the entire process is at risk for failure.

The DHS Acquisition Management Directive 102-01, updated in January 2010, provides the overall policy and procedures to support acquisition management at the agency. While it offers a strong indication that acquisition management processes are in various stages of development, it is critical that the programs resulting from these policies actually operate and function as intended and in a manner that is transparent to all parties.

Government and industry share the same goal: to achieve the capabilities needed by TSA for mission success through processes that are transparent, accountable, coordinated, timely, cost

effective, and policies that encourage competition, innovation, and investment in the homeland security marketplace. No one, particularly in tough economic times, wants to see, nor can afford, to have time, money, and resources wasted.

Reform solely at TSA, however, will not solve the current challenges with technology acquisition. A truly successful process and system will require that component parts of DHS stop operating in silos. DHS – across all of its platforms, within all of its components – must work to achieve the development of a common operating picture that facilitates communication, collaboration, coordination, and cooperation in a triangulated fashion between and among operations at TSA, the research and development (R&D) process, and the procurement process. To achieve the shared goal, the Council strongly recommends the development of the following:

- 1) A long term acquisition strategy, multi-year budgets and deployment plans, and adequate and predictable funding;
- 2) Open, transparent, and coordinated processes, practices, and procedures that facilitate early and ongoing dialogue with the private sector and well-defined technology performance and testing requirements; and
- 3) A strong organization that can coordinate both the R&D and procurement processes and has a workforce capable of planning and executing that process.

If the entire acquisition process is harmonized (and perhaps even “standardized”) within DHS, and includes earlier and continuous engagement and communication with industry throughout the process, we can drive innovation and investment towards the technologies needed for mission success. This process does not pick winners; rather, it provides a foundation for competition at the very highest level. The Council believes these actions will go a long way in ensuring that TSA (as well as other components within DHS) can acquire the best, most effective and cost efficient technologies (as well as services and products).

1. DEVELOPMENT OF A MID- TO- LONG-TERM STRATEGIC ACQUISITION PLAN, MULTI-YEAR BUDGETS, AND ADEQUATE AND PREDICTABLE FUNDING

The private sector serves an important role in developing, testing, and providing the technologies that TSA needs to operationalize its mission. Industry, however, does not have limitless resources to devote to technology development in a void. Particularly in the current economic environment, the private sector cannot waste time and money on building speculative technologies that they believe TSA “might” want to incorporate into aviation security. Industry wants to develop and deliver the technologies that TSA needs now and long into the future. To accomplish this, the homeland security industry must have greater insight and predictability into TSA’s long-range acquisition and procurement plans. It currently only receives high level, near-term technology plans in the form of an annual Congressional budget justification. This information comes too late and is not detailed enough to enable industry to redirect R&D investments to align with TSA’s goals. Development and testing typically requires several years before a security technology is ready for implementation and deployment.

The Council strongly believes that TSA must strive to develop a mid- to long-term strategic acquisition plan and consider the possibility of multi-year budget plans. A strategic acquisition plan would provide all interested companies with an insightful blueprint for government's future needs, and give them the necessary time to align and focus financial and personnel resources towards addressing the highest priority needs. While no doubt difficult to do under the current budget approval process, Congress and the Department could work together more closely to develop multi-year budget plans, or at least a credible forecast of future budget activities at the time of an annual budget justification. This would provide all interested parties, including and particularly industry, with a level of certainty needed to make multi-million dollar technology investments and hiring decisions.

TSA could also improve transparency in the acquisition planning process by sharing, through appropriate channels, the relevant findings, from the Transportation Sector Security Risk Assessment. Sharing long term technology acquisition and deployment plans, including a prioritized, risk-based, multi-year list of required capabilities and intended deployment plans would help industry provide more timely and cost-effective solutions. New technology development is hindered when industry is uncertain as to whether DHS will undertake testing, much less purchase newer, higher performing systems.

In conjunction with budget forecasts, it is also critical that TSA have confidence that it will receive adequate funding to address evolving threats. Enhanced budget planning and communication of budget requirements will result in taxpayer savings and increase industry's ability to understand whether business risk justifies future job creation. Any and all assistance that Congress can provide in guiding the development of a mid- to long- term strategic acquisition plan, multi-year budget plans, or ensuring adequate funding for TSA would go a long way in providing the foundation for all interested parties to achieve mission success.

2. DEVELOPMENT OF OPEN, TRANSPARENT, AND COORDINATED PROCESSES, PRACTICES, AND PROCEDURES THAT FACILITATE WELL-DEFINED TECHNOLOGY AND TESTING REQUIREMENTS

A. ENGAGING THE PRIVATE SECTOR LONG BEFORE THE PROCUREMENT PROCESS BEGINS WILL RESULT IN WELL-DEFINED TECHNOLOGY PERFORMANCE REQUIREMENTS AND BETTER RESULTS

The private sector wants to develop and provide the capabilities that TSA (and the entire Department) needs to achieve mission success. To accomplish this, it is incumbent upon government to provide industry with well-defined technology and testing requirements. If the technical performance needs and testing requirements for technologies are not clear to industry, it increases the potential for an increased or lost cost of development, longer time before deployment, duplication of effort, and a resulting product or technology that fails to meet TSA's expectations and operational needs. Well-defined requirements also help motivate industry and are critical to promoting competition.

Defining mission needs in a clear and concise fashion is not a job that government can or should do alone. DHS and TSA must develop coordinated processes, procedures, policies, and

practices that facilitate early, substantive engagement with the private sector in an open, transparent, and predictable manner long before a Request for Proposal (RFP) is initiated. Industry input is essential to help define and calibrate technical requirements to match mission objectives and achieve mission goals. The more complex the procurement, the more critical the need for an open information exchange. Transparency in this process is also necessary to ensure that no one feels that a particular technology is being highlighted or unfairly selected. If all participants understand and adhere to “rules of engagement,” that are both predictable and consistent, we can optimize the input and exchange between government and industry.

The members of the Council strongly support DHS engaging the private sector by conducting more conversations or discussions surrounding general needs and conceptual frameworks that are NOT tied to any upcoming or projected program or contract. Whether called “Industry Days” or something else, such interactions between and among the interested parties **sufficiently in advance** of any specific procurement will enable government to gather the information needed to help shape the desired outcome, define requirements, identify what is economically reasonable and technologically feasible, and allow all interested parties to explore any unintended consequences before a contract is initiated.

Contracting professionals in government often have a limited understanding of what industry is (or may not be) capable of providing, and limited exposure with the skills, business practices, and experiences of potentially valuable companies. By engaging with the private sector long before the procurement process begins, DHS personnel, for example, can conduct more effective market research and gain a greater understanding of existing and emerging technologies, including Commercial Off The Shelf (COTS) products, which may offer significant opportunities for reduced development time, faster insertion of new technology, lower life-cycle costs, and an overall substantial cost savings to government. This type of engagement with industry would allow government to understand the business practices supported by the commercial item, learn the appropriate industry terminology and concepts associated with the desired service or equipment, identify potential contractors that provide the item, and determine the correct scope of the requirements that best fit the existing vendor base.

The Council has been in ongoing discussions over the past year with representatives from the Science and Technology (S&T) and the Management Directorates to begin to address some of these needs and issues to further the goal of transparency and how best to achieve mission success. We have raised the idea, for example, of creating a government - industry advisory council that could coordinate an open dialogue on specific topics that could bring about a greater understanding between the two sectors, such as having industry days earlier in the process. A jointly led advisory council could conduct work sessions to share perspectives on the timing, manner and substance of communications, and the best ways to conduct industry days so that both sectors receive mutual benefit. We are currently exploring options for how to facilitate such an important and potentially effective activity.

Industry is also encouraged to see the government issuing more Requests for Information (RFIs) on the *FedBizOpps* website, and hopes this trend continues in the future. This is another manner for the government to conduct market research to identify what kind of products or service solutions are commercially available. It asks industry to offer solutions for agency

requirements or objectives; and facilitates the collection of information about companies with the appropriate capabilities, products, experience and expertise. Through this interactive tool, government and industry can have a continuous two-way dialogue that results in requirements that are greatly improved from when the RFI was first issued.

We must stress that the exchange of information with industry cannot stop at the issuance of a RFP, it must continue throughout the entire procurement process, particularly when information previously provided has changed. DHS should continue to use and further develop acquisition websites that provide information for specific identified procurements, definitions of terminology and milestones, and regular updates to time schedules, future needs, and other previously provided information.

B. STANDARDIZE TECHNOLOGY TESTING REQUIREMENTS AND SPEED UP THE PROCESS FOR CERTIFICATION BY USING A CLEARLY DEFINED SERIES OF LAB, FIELD, AND OPERATIONAL TESTS THAT CAN BE PROVIDED BY THIRD PARTIES

The process by which DHS tests technology is not standardized. TSA uses a series of lab, operational, and field tests to validate some equipment but not all equipment. Other components, like Customs and Border Protection, rely on a single demonstration test every five years to evaluate inspection equipment. The lack of consistency and continuity creates a great deal of unpredictability and inefficiency, which can cause delays in deploying the most up to date, qualified technology in a cost effective manner.

DHS must do more to communicate with industry to ensure that technology testing and certification requirements are realistic, consistent, and not cloaked in mystery. It must develop a process that relies on a clearly defined series of lab, field, and operational tests on a rolling schedule to allow for the testing and validation of new technologies. An open schedule will encourage technology companies to invest in new research with more assurance that its investment will receive vetting and possible acquisition by DHS.

The current process for testing and certifying new technologies is often confusing, cumbersome, and can result in wasted time, money, and resources. DHS needs to provide industry with greater transparency into the process and should also consider alternative arrangements, such as paying a third party to test and certify the technologies based on standards established by the government. This is something that has been successfully done in the United Kingdom. The use of national labs, non-profits, or for-profit corporations for this process could greatly speed up the deployment of technology to TSA.

3. DEVELOPMENT OF A STRONG ORGANIZATION THAT HAS A COORDINATED ACQUISITION PROCESS AND A WORKFORCE CAPABLE OF PLANNING AND EXECUTING THE PROCESS

A. DEVELOPMENT OF A COORDINATED ACQUISITION PROCESS THAT LINKS OPERATIONS, R&D EFFORTS, AND THE PROCUREMENT PROCESS

DHS needs a stronger, more coordinated acquisition process that moves away from the current stove piped environment and can harmonize and link operational considerations with

R&D efforts and procurements. While much progress has been made since its creation, DHS still has more work to do in ensuring collaboration, coordination, and communication across the agency.

The Council believes that it is critical to implement an acquisition process that facilitates effective engagement between and among DHS' components and with the private sector. There are at least 11 unique procurement and R&D processes occurring across the agency. Large components run their own processes in different ways and many times inconsistently. This can result in duplicative efforts.

Current R&D efforts are spread not only among different component organizations within DHS but also across federal agencies. The S&T Directorate is highly dependent on other federal agencies to achieve its mission. There does not appear to be a clear strategy for how to do it effectively and in collaboration with the Department of Defense, the Department of Energy, NIST, and other scientific organizations. This lack of collaboration may result in duplicative efforts and unleveraged technologies. To increase the likelihood of success, Congress should determine whether the S&T Directorate needs greater authority to perhaps direct the government wide R&D agenda, rather than having to compete against numerous organizations inside and outside of DHS.

With more communication within and among federal agencies, DHS has the opportunity to effectively link efforts and identify potential technologies that it could leverage in support of other missions. The development of a standardized and coordinated DHS-wide acquisition process and the use of the same communication tools would not only enhance efficiency, but would provide needed transparency so that end-users, acquisition and operations officials, and industry can work together. If we can improve coordination of these programs and processes throughout the Department, it will contribute to a strong organization and we will get better results with procurements at TSA.

B. ENSURE A WORKFORCE CAPABLE OF PLANNING AND EXECUTING THE ACQUISITION PROCESS BY INCREASING THE QUANTITY AND QUALITY OF PUBLIC SECTOR CONTRACTING PERSONNEL

We urge Congress to recognize and help address the shortage of acquisition and procurement staff across the Department. DHS needs the ability to increase the number of procurement officers with expertise in technology, engineering, and management to accomplish the complex operational aspects of oversight and review. Contracting officers must be accessible, interactive and open to sharing concerns and approaches for various aspects of a particular procurement. They must also value and understand input and substantive dialogue with the private sector both pre- and post award. Such an exchange is particularly valuable at a time when procurements have become more complex. To accomplish these goals, Congress should support programs that further the development, training, and retention of acquisition professionals. This could be accomplished, in part, by ensuring continued funding for the acquisition "intern" program.

The Council has also long advocated, for example, that DHS develop an exchange program with the private sector to improve the management abilities and the technical and professional competencies of its employees. A professional exchange program would offer DHS direct insight into the philosophy, procedures, and practices of industry. It would provide public sector professionals with an opportunity to examine industry policies and processes, as well as learn first hand how industry addresses both R&D and contracting and procurement issues. This would allow DHS to interpret the needs of the Department in industry terms. By studying the best practices of the industry, government professionals are able to bring new knowledge, understanding, and empathy back into the Department to improve its processes. The process would also benefit industry, which would gain a better understanding of the unique perspective and experience of the DHS professional. Obtaining such direct insight and experience is currently unavailable in DHS. There are a few programs that bring private sector experts into government, but none, as far as we know, that encourage or permit public sector employees to be temporarily detailed into the private sector to gain the knowledge and/or perspective that would help them better understand the multiple factors that go into the relationships between R&D, procurements, and operations.

CONCLUSION

As I stated in my introduction, we all share the same goal: to achieve the most successful outcome for all stakeholders through a process that is transparent, accountable, predictable, timely, cost effective, and that encourages competition, innovation, and investment in the homeland security marketplace. Today's acquisition process and specifically the procurement process need to be more flexible, inclusive, and dynamic to change. The Council and its members have worked closely and successfully to nurture a substantive relationship with the Management and S&T Directorates in particular to discuss how we can best develop a dialogue that identifies a successful process that could lead to even more effective and efficient innovative solutions to protect our country. But even amidst the establishment of these relationships, the business sector, as a whole continues to struggle to comprehend the long-term strategic needs and goals of TSA. This has made our long-term investments toward new and innovative technologies that might become effective solutions, challenging at best.

We respectfully ask Congress and this vital and interested Subcommittee to consider the following recommendations, provide guidance and continued oversight, and help facilitate the dialogue necessary between industry and government to improve the process and outcome for all stakeholders:

- 1) Development of a long-term acquisition strategy, multi-year budget plans, and predictable and adequate funding for TSA;
- 2) Development of open, transparent, and coordinated processes, practices, and procedures that facilitate well-defined technology and testing requirements; and
- 3) Development of a strong organization with a standardized and coordinated acquisition process and a workforce capable of planning and executing the process.

While TSA in particular and the Department as a whole are still evolving, this is not about “reinventing the wheel,” but rather identifying and encouraging the many best practices and lessons learned available from other federal agencies that have decades of experience with acquisitions.

On behalf of the Homeland Security & Defense Business Council, I appreciate the opportunity to provide the collective perspectives of industry on the important issues before the Subcommittee. The Council is willing to provide or facilitate any support, expertise, and input you need to ensure that we can all work together to achieve mission success.