DEPUTY SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1010

MAY 2 6 2013

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Defense Business Board Terms of Reference – "Best Practices by the Department of Defense to Achieve More Effective Participation by Industry"

The Department of Defense (DoD) depends on the industrial base and the private sector to obtain essential materiel and services. DoD works closely with industry to inform and align near- and long-term investment decisions with its requirements and acquisition processes. Requirements determination should take into consideration industry's ability to innovate and advance technology. However, industry often lacks knowledge of DoD's near- and long-term strategic concerns so that it can better apprise DoD of available solutions and technology advancements that would allow DoD to better meet its future requirements.

DoD awards complex service and materiel contracts to the private sector and conducts management and oversight of contractors' performance. Large private sector companies also award complex contracts with their suppliers and subcontractors and also have various means of oversight. DoD's oversight practices may be incongruent with best business practices for effective management. DoD's oversight processes may unnecessarily add costs and discourage private companies from doing business with DoD, or its prime contractors.

As DoD's advisory board for providing independent advice on best business practices, the DBB is directed to conduct, through a DoD established Task Group, a study that reviews best business practices for contract oversight and ways to encourage broader participation with the private sector. As a minimum, the DBB's recommendations should address:

- A number of studies have been conducted to increase participation with the industrial base. Of recommendations from these studies, what has worked, what has not, and why?
- How can DoD gain greater access to innovation from the private sector marketplace?
- In a lower budget environment, are there segments of the industrial base that are at higher risk for exiting the industry or reducing investment in innovation?
- What could be done to promote better industry understanding of DoD known and future requirements to enable firms to apprise DoD of potential solutions and technology enhancements?
- What are the low-value added overhead cost drivers currently imposed by the Department that may be reduced or eliminated to achieve savings?

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- Where can DoD reduce or eliminate impediments and barriers to entry for high technology firms that would not otherwise choose to participate in the defense sector?

- What policy or statutory changes would be required to implement the recommendations?

As a subcommittee of the DBB, this Task Group must comply with the Federal Advisory Committee Act of 1972, the Government in the Sunshine Act of 1976, Federal regulations, and DoD policies and procedures. The Task Group will not work independently of the DBB's charter and will report its recommendations to the DBB for full deliberation and discussion in open session. The Task Group does not have the authority to make decisions on behalf of the Board, nor can it report directly to any Federal officer. The Task Group will avoid discussing "particular matters" within the meaning of Section 208 of title 18, U.S. Code.

Ashton B. Carter