

Defense Acquisition in the Biden Administration

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The Biden administration inherits a defense acquisition enterprise that has undergone “the most transformational [acquisition policy changes](#) we’ve seen in decades,” following several rounds of significant reform. The acquisition enterprise will only be further challenged in the incoming administration by a relatively flat topline and rising geostrategic competition. Here are four critical questions on the key recent trends in the defense acquisition enterprise and how the Biden administration may impact it.

Q1: What are the big recent trends in the defense acquisition enterprise?

A1: Over the last few years, there have been a few [key trends](#) in the defense enterprise:

- Defense contract obligations have seen a steady increase over the last four years following a period of decline during the course of sequestration and the defense contracting drawdown. Between fiscal years 2015 and 2019, defense contract obligations increased 31 percent. Last year, defense contract obligations increased four percent in FY 2019 and accounted for 55 percent of Department of Defense (DoD) Total Obligation Authority (TOA), the third-highest level over the last 20 years.
- There has been a recovery overall in the development pipeline for major weapon systems, particularly in the middle stages but less so for the later stages. However, we are starting to see a shift in technology development away from traditional acquisition approaches and toward Other Transaction Authority (OTA) agreements. Between FY 2015 and FY 2019, [defense OTA obligations increased a staggering 712 percent](#).
- While there has not yet been a significant shift in DoD’s investment posture toward the emerging technologies emphasized in the 2018 National Defense Strategy (NDS), trends are emerging in the composition of the DoD’s investment portfolio. Last year, the trends were mixed for the platform portfolios corresponding to the [NDS priorities](#): air and missile defense; nuclear; space; cyberspace; and command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR). Electronics, communications, and sensors continued growing steadily, while space systems rebounded last year as air [and missile defense continued its whipsaw](#) between growth and decline over the course of the defense contracting rebound.

Q2: What are the prospects for acquisition reform in the Biden administration?

A2: Following a period of heavy acquisition reform—notably the [dissolution](#) of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L) and development of the [adaptive acquisition framework](#)—DoD has shifted toward implementing and understanding the impact of these reforms rather than pursuing additional

reform efforts. In the immediate future, it is more likely that the Biden administration will make incremental improvements and tweaks to the efforts that were started in previous administrations, rather than the wholesale reform seen in recent years. For example, rather than completely shifting away from the rapid growth in OTAs that has occurred across DoD or the [rapid prototyping and experimentation](#) efforts favored by former assistant secretary Will Roper in the Air Force, it is more likely that those efforts are refined and improved upon.

Q3: What are the key defense acquisition priorities for the Biden administration?

A3: At a higher level, the Biden administration is likely to maintain many of the current acquisition priorities, several of which originate in the innovation initiatives launched during the Obama administration. Some areas of change may include deemphasizing the importance placed on missile defense during the previous administration and instead placing greater emphasis on [uncrewed vehicles, artificial intelligence](#), and cyber security. The biggest change in priorities between administrations is likely to be how the Biden administration uses the acquisition system to achieve its domestic policy goals, largely focused around Biden's initiatives to increase ["Made in America,"](#) combat climate change, and achieve socioeconomic objectives.

The Biden administration has made "Made in America" a priority in its first days in office and throughout the campaign. On the campaign trail, Biden's campaign promised his administration would ["invest \\$400 billion"](#) in his first term in additional federal purchases of products made by American workers." One of his earliest executive orders focused on strengthening various "Made in America" provisions by [tightening domestic content rules](#) and restricting waivers by establishing a more centralized approach under the Office of Management and Budget. Given that DoD accounts for nearly half of all federal acquisitions, strengthening and emphasizing these "Made in America" will have repercussions on the defense acquisition system.

Second, the Biden administration has made combating climate change a top priority. Secretary of Defense Lloyd J. Austin III has stated that "[Climate change] is a [national security issue](#), and we must treat it as such." Given that DoD is the [largest energy consumer](#) across the federal government, leveraging the defense acquisition ecosystem will be a vital part of Biden's plan to combat climate change. In FY 2019, defense spending on green products totaled [\\$30.8 billion](#), a figure that is likely to further increase in the coming years.

Finally, the Biden administration will likely leverage the defense acquisition enterprise in pursuit of its socioeconomic policies. This could include but is not limited to promoting diverse and underrepresented groups in the awarding of federal contracts; ensuring employment non-discrimination for lesbian, gay, bisexual, transgender, and queer (LGBTQ) persons; promoting small business; and strengthening labor laws. These would be achieved and implemented through new binding rules and regulations for all federal contractors, set asides, and shifts in federal contracting spending toward certain areas.

Q4: How will the Biden administration impact defense industry?

A4: The defense industry will face a less favorable environment under the Biden administration than it did under the Trump administration. Instead of the lax environment fostered by the previous administration, industry will face greater scrutiny under the new administration. This does not necessarily forebode a hostile relationship between industry and the Pentagon but will bring about a different set of challenges for industry. Some of the biggest differences between the Biden and Trump administration will come in how the Biden administration handles the ["revolving door" between industry and DoD](#), foreign military sales, and industry consolidation.

Unlike the Trump administration, which selected several high-level Pentagon leaders from the defense industry, the Biden administration is likely to crack down on the [revolving door between industry and government](#) and limit appointees from defense companies.

Second, as my colleague Greg Sanders [recently highlighted](#), there will be “significant continuity over the next four years in security cooperation agreements between the United States and its democratic allies.” However, changes to restrict arms sales to non-democratic allies of the United States are likely, as highlighted by [the recent decision to cut off arms sales](#) supporting the war in Yemen.

Finally, the Biden administration is more likely to take an apprehensive view to further consolidation within the defense industry, particularly any involving the Big Five defense firms (Lockheed Martin, Boeing, Northrop Grumman, Raytheon Technologies, and General Dynamics). Although senior officials expressed concern about consolidation within the defense industry under the Trump administration, they were generally more hands-off in response to several notable mergers and acquisitions, such as the merger between [Raytheon and United Technologies Corporation](#) or [Northrop Grumman’s acquisition of Orbital ATK](#). In her confirmation hearing, Deputy Secretary of Defense Kathleen Hicks expressed concern about consolidations and the potential for extreme consolidation to “[create challenges for innovation](#).” Therefore, while the Biden administration might approve further consolidation amongst some of the smaller and medium-sized vendors, it is less likely to approve mergers and acquisitions involving the largest defense firms—particularly those that reduce the number of suppliers in a given sector.

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