

DoD's Lord: Potential for 3-Month Slowdown in Defense Acquisition



Ellen M. Lord, deputy secretary of defense for acquisition and sustainment, told reporters on April 30 that the COVID-19 pandemic might cause a three-month slowdown in procurement and sustainment. National Defense Industrial Association via YouTube

ARLINGTON, Va. – The Defense Department's top acquisition official said the department is working closely with the industrial base to mitigate the effects of the COVID-19 pandemic but said there is the potential for a three-month slowdown in procurement and sustainment.

"We continue to assess the impact of a potential three-month slowdown to many programs due to COVID-19," said Ellen M. Lord, deputy secretary of defense for acquisition and sustainment, speaking April 30 at the Pentagon to reporters.

"I intentionally used the word slowdown and impact and not saying the word 'delay,' which carries a very different connotation," Lord added. "We have seen inefficiencies across many programs. COVID-19 is temporarily shutting down defense manufacturing facilities and production lines, disrupting supply chains and distressing the financial stability of the companies DoD relies on to protect the nation. DoD continues to partner with industry to do everything possible to keep programs on schedule and to minimize the cost and schedule impacts."

Lord praised the work of the Defense Contracting Management Agency (DCMA) and Defense Logistics Agency (DLA) in tracking the status of companies up and down the defense supply

chain.

“Out of the 10,509 companies DCMA tracks, 93 are closed, down 13 from last week, with 141 companies having closed and reopened, up very significantly 73 from last week’s number of 68,” she said. “This is the first time we have seen reopening numbers larger than the number of closures.

“Out of the 11,413 companies DLA tracks, 437 are closed with 237 having closed and re-opened, almost 100 companies from last week.”

Lord noted that “while we have seen minor improvements, we continue to see the greatest impacts in the aviation supply chain, shipbuilding and small space launch [companies].”

Lord said her office’s policy team led by Jen Santos is “leading multiple industry calls making calls every week with 18 industrial associations.”

“Tim Harrington, director of Defense Pricing and Contracting, has issued 22 defense pricing and cost memos, aggressively responding to industry needs and impacts. The memos include guidance for increased telecommuting, increased progress payment rates, acquisition timeline impacts, reimbursement for those prevented from working, and more,” she said.

Lord gave an update on the \$3 billion of increased cash flow due to increased progress payment rates, noting that this week the Defense Department processed more than \$1.2 billion in invoices at the higher progress payment rate.

“We have spoken with each of our major prime companies, and they have each confirmed their detailed plans to work with their supply chains to accelerate payments and to identify distressed companies and small businesses,” she said. “I want to particularly commend Lockheed Martin, who publicly committed to accelerating \$450 million to their supply chain.”

Lord said that her acquisition and sustainment team “remains focused on partnering with industry to maintain readiness and drive modernization.”