



SVDG Reaction: The Future of Defense Task Force Report

In 2015, Senator John McCain sought help from leaders in tech and finance to improve relations between the innovation hub of Silicon Valley and the technology demands of the defense market.

The result: The Silicon Valley Defense Group.

The Silicon Valley Defense Group seeks to ensure the U.S. and its allies achieve a durable advantage in the global techno-security competition. To achieve this goal, we create the nexus of pioneering ideas, people, and capital that will unlock new sources of innovation for national security and power the digital evolution of the defense industrial base. With questions, or for more information, visit www.siliconvalleydefense.org

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Executive Summary: The Silicon Valley Defense Group (SVDG) endorses the findings of the *Future of Defense Task Force Report* and the “whole-of-nation approach” it calls for to confront emerging threats to U.S. national security. As an organization composed of technologists, investors, and former national security and acquisition professionals, SVDG views the Task Force’s emphasis on removing barriers to leveraging private sector innovation as paramount. SVDG looks forward to bringing an industry viewpoint as the Task Force continues to develop and implement policies and legislation designed to address the issues identified in the report.

At the request of Congressman Banks, SVDG conducted a survey of members and compiled feedback. Of the report’s recommendations, SVDG views the following as the most valuable, and critical, to achieving the Task Force’s objectives:

- Review defense acquisition regulations to make them less onerous, particularly for non-traditional entities seeking to partner with the Department of Defense (DoD).
- Train and incentivize the acquisition workforce to utilize existing flexible authorities to quickly push innovative technology to warfighters in the field.
- Expand funding for new innovation efforts such as Defense Innovation Unit (DIU), AFWERX, and NavalX.
- Improve hiring pathways and increase compensation for STEM careers at the Pentagon and in the private sector; create a military commissioning source for STEM talent.
- Enhance essential partnerships with North Atlantic Treaty Organization (NATO) and Five-Eyes intelligence partners, Canada, United Kingdom, Australia, and New Zealand— as well as with Japan and South Korea including implementing programs like a Five-Eyes innovation framework.

SVDG looks forward to the opportunity to support the Task Force as it works to implement the recommendations outlined in the report. As a first step, SVDG would like to offer the following policy and implementation recommendations for the Task Force’s consideration.

Implementation and Policy Recommendations:

1. AI Competition

- a. SVDG agrees that the United States must undertake and win the AI race. Close collaboration with the private sector is key to success.
- b. Focus limited resources on AI moonshots as to not limit boundaries of impact to existing Major Defense Acquisition Programs (MDAPs).
 1. The Joint Artificial Intelligence Center and other innovation hubs should not outsource the evaluation of AI tools and commercial off-the-shelf capabilities to government contractors as it would be difficult to prevent bias.

2. Human Rights & Emerging Tech

- a. SVDG also recognizes the importance of updating U.S. commitments to human rights to reflect new technologies, in particular AI, that can also facilitate the establishment of international norms. SVDG would like to emphasize the importance of mechanisms to verify compliance for any potential AI treaty, especially as AI becomes widespread among government and industry worldwide.

3. Supply Chain Resiliency

- a. SVDG agrees with the Task Force's goal of securing supply chains, which we believe will take a whole-of-nation approach. As a starting point, SVDG recommends the development of a tiered country system that focuses on limiting the risk posed by China, Russia, and their close allies/surrogates, and promotes supply chain integration and trade with allies, in particular Five-Eyes and NATO.
- b. To offset some of the complications of realigning supply chains and potentially reducing access to foreign capital to small and medium sized enterprises (SMEs), SVDG recommends that the Task Force also consider:
 1. Legislation that promotes, expands, or provides resources to programs like the Department of Defense's Trusted Capital Marketplace. In particular, SVDG would like to see the marketplace expanded to Five-Eyes and NATO allies.
 2. Legislation that funds and directs the Department of Defense, Department of Commerce, and other departments and agencies to develop a set of tools and resources for SMEs to secure their supply chains.
 3. SVDG recommends the development of a National Institute of Standards and Technology like common framework as a baseline and guide for securing supply chains.
- c. From an industry perspective, SVDG has seen a number of innovative U.S. companies seeking to identify and remediate both physical and cyber supply chain risks. SVDG would recommend that Congress focus procurement authorities on examining potential private sector solutions to support its supply chain integrity efforts.
- d. SVDG agrees with the Task Force that emerging technologies such as AI, quantum computing, sensing, autonomy, space, and robotics should be under the purview of The Committee of Foreign Investment in the United States (CFIUS). SVDG recommends developing a mechanism in which the Treasury can add emerging technologies to the list of industries under CFIUS purview without supplemental legislation.
- e. SVDG has seen increased weight and participation in the CFIUS process by the DoD, Office of the Director of National Intelligence, and other national security departments and agencies, in particular since the passing of Foreign Investment Risk Review Modernization Act. SVDG recommends Congress work with the national security departments and agencies to ensure that their CFIUS offices are sufficiently resourced.

4. Retiring Costly Platforms

- a. SVDG strongly supports assessing which platforms are in need of retirement. SVDG would recommend that Congress, in conjunction with the DoD, and industry, also assess the possibility of realigning incentive and accounting structures that promote new production and automatically retire old systems. Ideally this new system should operate like a family buys a new car. Potential options could include mandatory replacements

after a set number of years; transference of depreciated systems to the National Guard, reserves and allies; and implementing accounting systems that consider platform depreciation.

- b. SVDG also recommends that the Congress consider establishing separate modernization funds that are tied to the life of a program rather than to the defense budgets.
- c. Finally, SVDG recommends that as the Congress, DoD, and Industry identify legacy platforms to retire, they consider the impact on the manufacturing communities that build the platforms and identify new investment opportunities specific to those communities.

5. **Homeland Security/Cyber**

- a. SVDG agrees that it's important to continue to better refine U.S. Government roles and responsibilities around cybersecurity so that industry, particularly critical infrastructure and SMEs, understand resources available around IT security and who to call if there is an incident.
- b. Develop a USG task force to be deployed when major U.S. targets are hacked e.g.; hospital systems, state & local governments. This task force should be granted significant resources and should be envisioned more as a deterrent force than a fix all force.

6. **National Service Programs**

- a. As an organization developed to foster cooperation between the private sector and the government, SVDG supports public service initiatives. SVDG recommends the Task Force consider the development of a Cyber Corps program.

7. **Investment in critical technologies**

- a. SVDG agrees with the report that more Research and Development (R&D) spending is critical for maintaining the United States' technological advantage. SVDG endorses the report's proposals to increase R&D spending at the Pentagon to meet 3.4% of the overall budget, to expand innovation efforts such as DIU, to require the military to spend at least one percent of budgets on technology integration, and to cooperate with allies and partners on scientific investments.
- b. In general, SVDG believes R&D needs to be spent on inventing future-focused technologies that do not already have extensive commercial investment or capability and should not be used to fund established large DoD contractors to replicate existing commercial systems.
- c. SVDG also supports increased R&D spending by the civilian agencies, in line with the report's recommendation for a whole-of-government approach.
- d. SVDG recommends a reevaluation of the Small Business Innovation Research program to make it more open for all technology companies, including venture backed companies, by eliminating the affiliation rule.
- e. Establish a stand-alone innovation fund that is designed to help critical innovation companies bridge the "valley of death".

8. Leveraging Private Sector Innovation

- a. SVDG supports the report's recommendations to improve the Pentagon's leveraging of private sector innovation, in particular, the proposals to restore the Pentagon's Rapid Innovation Fund.
- b. SVDG believes that senior Pentagon leaders and Members of Congress should continue to regularly engage with thought leaders from innovation hubs and universities to promote opportunities to collaborate with the US Government and ensure that technology entrepreneurs understand the unique missions and challenges that they can work on in partnership with the USG.
- c. SVDG also suggests the DoD regularly review its cadre of contractors, including technology focused contractors and SMEs that have become well established DoD vendors, to ensure that it is bringing in new innovators.

9. Alliances & Allies

- a. Working with our allies will be critical to America's national security, as identified in the Task Force's report. In line with this recommendation, SVDG would recommend creating a more flexible, export control regime for Five-Eyes and NATO countries and removing barriers to joint R&D with International Traffic in Arms exemptions. SVDG would also recommend a lend-lease type program for smaller allies that would not have defense budgets necessary to develop their own capabilities and platforms.
- b. SVDG supports the investment in synthetic training architecture to enable less costly and more frequent training exercises with our allies and partners.
- c. SVDG also recommends establishing a Five-Eyes innovation framework similar to the Five-Eyes intelligence sharing framework.

10. Workforce Development

- a. From an industry perspective, SVDG views the ability of the USG to attract talent, in particular in STEM, as critical to U.S. national security. SVDG supports the recommendations in the Task Force's report and suggests that the committee consider the additional step of new "GI bills" directed at STEM and/or legislation similar to the 1958 National Defense Education Act.
- b. SVDG also recommends that the DoD leverage technological advances and invest in future learning architectures and distributed point-of-need learning. This should include data rich learning records that follow warfighters throughout their career, whether involved in an education or training event, etc.

11. New Operational Concepts

- a. SVDG supports the recommendations in the report regarding responding to and planning for new operational concepts, in addition the recommendations in the report, SVDG also recommends giving Combatant Commanders limited acquisition authority and a small budget to address Integrated Priority Lists in their domain.

12. Use of Military Force Authorization

- a. SVDG supports the passage of an updated Authorization for the Use of Military Force that ensures the US can operate in a dynamic threat environment.

13. Acquisition Refinement

- a. SVDG agrees that the Pentagon's acquisition process must become nimbler and that there should be a full review of defense acquisition regulations to make them less

burdensome. As a general principle, SVDG believes the Pentagon must focus on timely acquisition, which may include a preference for mid-tier acquisitions over MDAPs and restoring and enhancing program manager authority over contracting officers and other stovepipes.

- b. In addition, SVDG recommends that Congress encourage the DoD to leverage all authorities in its arsenal, including Section 804 mid-tier and Other Transaction Authority (OTA) production pathway, commercial item preference, and sweeping up end of year funds to use to develop innovative new capabilities. Congress should work with the DoD in a way that ensures DoD has maximum flexibility but ensures Congressional insight into how money is spent.
 1. In particular, SVDG recommends further use of OTA authority with an emphasis on moving from prototype to production, e.g., The Naval Information Warfare Systems Command's recent transition of prototypes to production in the Information Warfare Research Project.
- c. SVDG supports the call to train and incentivize the acquisition workforce to utilize existing flexible authorities, to quickly push innovative technology to warfighters in the field. SVDG would also support the restoration of the Defense Acquisition Workforce Development Fund as it was originally authorized.
- d. SVDG recommends that Congress consider funding the expansion of DoD acquisition pilot programs such as the "color of money" for software to allow for agile acquisition.
- e. SVDG suggests that the DoD in consultation with Congress review the Operational Test and Evaluation criteria and implement changes that focus on incremental improvements.
- f. SVDG recommends that the DoD implements the Defense Modernization Account that Congress authorized in FY 2017 to support technology insertion.
- g. Finally, SVDG supports the removal of Federal Acquisition Regulation (FAR) 12 from the Defense Contract Audit Agency and Defense Contracting Management Agency jurisdiction and establishing a new oversight process for commercial items.

14. Whole-of-Government Approach

- a. SVDG supports a whole-of-government strategy that leverages both national security and civilian resources to compete with adversaries around the world.