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14. ABSTRACT

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:

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19a. NAME OF RESPONSIBLE PERSON

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19a. NAME OF RESPONSIBLE PERSON
Estimated Global Defense Expenditures 2006

USA: 39%
Russia: 6%
Japan: 3%
Other: 2%
Other NATO: 7%
Non-NATO Europe: 2%
Middle East and Africa: 6%
China: 10%
India: 2%
Japan: 3%
Central & S. America: 3%
Other Asia: 8%
UK: 4%
France: 3%
Germany: 3%
Italy: 2%

$1,300 B

Sources: IISS The Military Balance and Other Estimates
# Force Structure Reductions

<table>
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<th>1990</th>
<th>2006</th>
<th>Change</th>
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<tr>
<td>Army Divisions</td>
<td>18</td>
<td>10</td>
<td>- 45%</td>
</tr>
<tr>
<td>Aircraft Carriers</td>
<td>15</td>
<td>11</td>
<td>- 27%</td>
</tr>
<tr>
<td>Attack Submarines</td>
<td>97</td>
<td>52</td>
<td>- 46%</td>
</tr>
<tr>
<td>Surface Ships</td>
<td>546</td>
<td>285</td>
<td>- 48%</td>
</tr>
<tr>
<td>Naval Aviation Wings</td>
<td>13</td>
<td>10</td>
<td>- 23%</td>
</tr>
<tr>
<td>Air Force Wings</td>
<td>24</td>
<td>12</td>
<td>- 50%</td>
</tr>
<tr>
<td>Marine Corps Divisions</td>
<td>3</td>
<td>3</td>
<td>- -</td>
</tr>
</tbody>
</table>

Source: Center for Strategic and Budgetary Assessments
US Combat Equipment – Average Ages

- B-52 Bombers/C-135 Tankers: 44 years
- C-130 Transports/H-53 Helicopters: 34 years
- F-15 and F-16 Fighters: 17 years
- U-2 Reconnaissance Aircraft: 22 years
- Naval Amphibious Ships: 20 years
- Coast Guard Cutters: 35 years
- M1 Abrams Tanks: 20 years
- HUMVEE Fleet: 16 years
- Army Medium Trucks: 21 years

Sources: Air Force Association, AUSA, Navy League
Defense Systems Procured

Aircraft Procurement

Missile Procurement

Ship Procurement

Helicopter Procurement

Source: DoD Procurement Programs P-1
International Sales Can Be Vital

International Sales Brought:
• $39.6B In Additional F-16 Sales
• Continued Production Options For USAF

F-16 Line Break Without Int’l Sales

682 deliveries to 12 Countries; 32 to U.S.

International Sales Brought:
• $39.6B In Additional F-16 Sales
• Continued Production Options For USAF
U.S. Defense Industry is Diversifying

Lockheed Martin
- Aeronautics
- Space
- Systems & Information Technology

Boeing (Defense)
- Aeronautics
- Space
- Systems & Information Technology

Northrop Grumman
- Aeronautics
- Space
- Systems & Information Technology
- Ships

Raytheon
- Systems & Information Technology
- Space

General Dynamics
- Marine
- Combat
- Systems & Information Technology

Note: Commercial Aerospace not included

Sources: Company Reports
Relative Dependence on Home Market

For Europeans, ~ 75% of A&D Sales are Exports

Source: Company Annual Reports
F310 Norwegian Frigate

Fridtjof Nansen Launch – Ferrol, Spain - 2006

Robust Global Defense Supply Chain Exists
Genuine Collaboration on Defense Opportunities Expanding
New Business Models Are Required

Previous Model
- Domestic Markets
- Defense Products
- Government Funded Development
- Exports and Co-Production

Recent Models
- VH-71
- PFI/PPP
- RD 180
- Defense & Civil Govt.
- Customer-Funded R&D
- International Launch Customers
- Global Supply Chain

Future Models
- F-35 (JSF)
- Maritime AMD
- MEADS

Global Products for Global Markets
What the A&D Industry Needs to Do

• Generate Innovative, Affordable Solutions
• Reduce Costs with Targeted R&D Investments and Streamlined Production Processes
• Meet Government Customer Expectations on Cost, Schedule and Performance
• Retain Competitive Suppliers
• Leverage State-of-the-Art Commercial Technologies and the Global Marketplace
• Recruit and Retain a Skilled and Diverse S&T Workforce
What Government Can Do

• Engage Industry to Promote a Common Understanding of Defense and Civil Gov’t Strategies and Acquisition Objectives

• Maintain Stable Program Requirements and Funding

• Adopt Multiyear Procurements for Mature Programs

• Promote a Rational Technology Transfer / Export Control Regime

• Support Efforts to Increase the Pool of Young, Diverse Scientists and Engineers