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36th ATLANTA EXECUTIVE SEMINAR

"Challenges & Opportunities in a New and Changing Environment"

Atlanta, GA

4 – 6 April 2011

Agenda

Tuesday, April 5, 2011

Guest Presentation: Defense Efficiencies

- The Honorable Frank Kendall, Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics, OSD

ASAALT Perspective

- The Honorable Malcolm R. O'Neill, Assistant Secretary of the Army (Acquisition, Logistics and Technology) and Army Acquisition Executive

AMC Perspective

- General Ann E. Dunwoody, USA, Commanding General, U.S. Army Materiel Command

Army Budget Outlook

- Major General Phillip E. McGhee, USA, Director, Army Budget, Office of the Assistant Secretary of the Army (Financial Management & Comptroller)

Forrestal Award Presentation to Robert J. Stevens, Chairman and Chief Executive Officer, Lockheed Martin Corporation

Outlook for the U.S. Army -- A Congressional Perspective

- Mr. Bernard P. Ingold, Principal Deputy, Office of the Chief Legislative Liaison, United States Army

Contracting Challenges Panel

Panel:

- Mr. Patrick Fitzgerald, Director, Defense Contract Audit Agency

Wednesday, April 6, 2011

Progress Report on Achieving Efficiency and Productivity Initiatives

- Ms. Teresa W. Gerton, Executive Deputy to the Commanding General U. S. Army Materiel Command
- Mr. Thomas E. Mullins, Deputy Assistant Secretary of the Army (Plans, Programs & Resources), Office of the Assistant Secretary of the Army (Acquisition, Logistics & Technology)
- Mr. Robert T. Murphy, Executive Vice President Products Sector, BAE Systems, Inc.

Future AMC Workload and Industry Partnership Opportunities

- Mr. James C. Dwyer, Deputy Chief of Staff for Logistics, G-4,U.S. Army Materiel Command



*The National Defense Industrial Association
welcomes you to the...*

36th Atlanta Executive Seminar

**“Challenges & Opportunities in a New and
Changing Environment”**

**April 4 - 6, 2011
The Ritz-Carlton (Downtown)
Atlanta, Georgia**

Monday, April 4, 2011

5:00 PM -

7:00 PM

Registration/Mixer

Ballroom Pre-Function Area (Lower Level)

Tuesday, April 5, 2011

7:00 AM

Registration/Continental Breakfast

Pre-function Area (Lower Level)

8:00 AM

Opening Remarks

Lieutenant General Lawrence P. Farrell, Jr., USAF (Ret)

President & Chief Executive Officer

National Defense Industrial Association

8:15 AM

Guest Presentation: Defense Efficiencies

The Honorable Frank Kendall

Principal Deputy Under Secretary of Defense for
Acquisition, Technology and Logistics, OSD

9:15 AM

ASAALT Perspective

The Honorable Malcolm R. O'Neill

Assistant Secretary of the Army (Acquisition, Logistics and
Technology) and Army Acquisition Executive

9:45 AM

AMC Perspective

General Ann E. Dunwoody, USA

Commanding General

U.S. Army Materiel Command

10:15 AM

BREAK

Tuesday, April 5, 2011 cont.

10:30 AM **Economic Conditions Affecting Defense**

Mr. Pierre Chao

Managing Partner and Co-Founder
Renaissance Strategic Advisors

11:15AM **Army of the Future**

Brigadier General Edward P. Donnelly, Jr., USA

Director, Joint & Futures
Office of the Deputy Chief of Staff, G-8, United States Army

11:45 AM **Army Budget Outlook**

Major General Phillip E. McGhee, USA

Director, Army Budget, Office of the Assistant Secretary of the Army
(Financial Management & Comptroller)

12:15 PM **Move to Lunch (Plaza Ballroom 2nd Floor)**

12:30 PM **LUNCH**

2:00 PM **Forrestal Award Presentation to Robert J. Stevens, Chairman and Chief Executive Officer, Lockheed Martin Corporation**

Lieutenant General Lawrence P. Farrell, Jr., USAF (Ret)

President & Chief Executive Officer
National Defense Industrial Association

2:15 PM **Defense Industry Reflections and Insights**

Mr. Robert J. Stevens

Chairman and Chief Executive Officer, Lockheed Martin Corporation

2:45 PM **Outlook for the U.S. Army -- A Congressional Perspective**

Mr. Bernard P. Ingold

Principal Deputy, Office of the Chief Legislative Liaison
United States Army

Tuesday, April 5, 2011 cont.

3:15 PM **BREAK**

3:30 PM **Contracting Challenges Panel**

Chair: **Mr. Jeffrey P. Parsons**
Executive Director
U.S. Army Contracting Command

Panel: **Mr. Shay Assad**
Director
Office of the Secretary of Defense
Defense Procurement and Acquisition Policy

Mr. Lee Thompson
Deputy Assistant Secretary of the Army for Strategic
Communications and Business Transformation,
Office of the Assistant Secretary of the Army
(Acquisition, Logistics & Technology)

Mr. Patrick Fitzgerald
Director
Defense Contract Audit Agency

Mr. James Russell
Deputy Director
Defense Contract Management Agency

5:00 PM **Transition to Reception**

5:30 PM - **Reception Honoring Army Leadership & Corporate**
7:00 PM **Executives**

Wednesday, April 6, 2011

7:00 AM **Continental Breakfast**

7:55 AM **Opening Remarks**

Lieutenant General Lawrence P. Farrell, Jr., USAF (Ret)

President & Chief Executive Officer
National Defense Industrial Association

8:00 AM **Report On 2010 Army Acquisition Review**

General David M. Maddox, USA (Ret)

9:00 AM **BREAK**

9:15 AM **Progress Report on Achieving Efficiency and Productivity Initiatives**

Ms. Teresa W. Gerton

Executive Deputy to the Commanding General
U. S. Army Materiel Command

Mr. Thomas E. Mullins

Deputy Assistant Secretary of the Army (Plans, Programs & Resources),
Office of the Assistant Secretary of the Army (Acquisition, Logistics & Technology)

Mr. Robert T. Murphy

Executive Vice President
Products Sector, BAE Systems, Inc.

10:45 AM **Future AMC Workload and Industry Partnership Opportunities**

Mr. James C. Dwyer

Deputy Chief of Staff for Logistics, G-4
U.S. Army Materiel Command

11:15 AM **Closing Remarks**

Lieutenant General Lawrence P. Farrell, Jr., USAF (Ret)

President & Chief Executive Officer
National Defense Industrial Association

Mr. Shay Assad

Director, Defense Procurement and Acquisition Policy



Mr. Shay Assad assumed the role of director on April 3, 2006. As the Director of DPAP, he is responsible for all acquisition and procurement policy matters in the Department of Defense (DoD). He serves as the principal advisor to the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L), Deputy Under Secretary of Defense for Acquisition and Technology (A&T), and the Defense Acquisition Board on acquisition/procurement strategies for all major weapon systems programs, major automated information systems programs, and services acquisitions. He is responsible for procurement/sourcing functional business process requirements in the Department's Business Enterprise Architecture (BEA) and Enterprise Transition Plan (ETP). Mr. Assad is DoD's advisor for competition, source selection, multiyear contracting, warranties, leasing and all international contracting matters. He is the functional leader for Contracting within the Department of Defense and he is also responsible for overseeing all Strategic Sourcing activities

within the Department of Defense.

Before assuming this position, Mr. Assad was the Assistant Deputy Commandant, Installations and Logistics (Contracts), Headquarters, Marine Corps, Washington, D.C. He had held the position as the Marine Corps' senior civilian contracting official since June 2004.

Upon graduating with distinction from the U.S. Naval Academy in 1972, he served two tours of duty aboard U.S. Navy destroyers and won recognition as Outstanding Junior Officer, Fifth Naval District. He then served as a Naval Procurement Officer at the Naval Sea Systems Command, where he was responsible for the negotiation and administration of the Aegis Weapons Systems engineering and production contracts.

In 1978, Mr. Assad began working for the Raytheon Company. Between 1978 and 1994 he served in several increasingly responsible contract management positions in Raytheon's largest Electronics and Missile divisions gaining extensive experience in defense, commercial and international contracting. He was intimately involved in numerous major programs such as PATRIOT, HAWK, AMRAAM, PAVE PAWS, BMEWS, Standard Missile, Aegis ER, Sparrow and Ballistic Missile Defense. In 1994, he was promoted to Vice President - Director of Contracts for Raytheon, and was subsequently promoted to Senior Vice President, Contracts in 1997. As such, he was responsible for the contract negotiation and administration activities (\$20 Billion) in all of Raytheon's businesses - both government and commercial.

In addition to his contracting duties, Mr. Assad was given numerous program and business management special assignments by Raytheon's Executive Office. These assignments spanned participation in all three of Raytheon's major operating businesses - Government, Aviation, and Engineering and Construction. In 1998 he was promoted to Executive Vice President and served as the Chief Operating Officer and subsequently, as the Chairman and Chief Executive Officer of Raytheon's Engineering and Construction (RE&C) business. RE&C was a \$2.7 billion international company with more than 15,000 professional and craft employees, 24 product lines and 11 major offices worldwide. After his retirement from the Raytheon Company, in 2001, Mr. Assad established a small business primarily providing consulting and retail services.

Major General Barry D. Bates, USA (Ret)

Vice President, Operations, National Defense Industrial Association



Major General Barry D. Bates, USA (Ret) prior to retirement from the United States Army on 1 January 2003 , served as the Commander, 19th Theater Support Command, Eighth U.S. Army, Republic of Korea. In this capacity he was responsible for logistics support and installation management for U.S. Army forces in Korea, as well as for planning wartime logistics to support U.S. Army units deploying to Korea in the event of hostilities.

Previous positions held include Commander, Army and Air Force Exchange Service, Dallas, Texas; G4, Eighth U.S. Army / J4, U.S. Forces Korea / Deputy C4, Combined Forces Command (ROK/US), Republic of Korea; and Vice Commander, Army and Air Force Exchange Service, Dallas, Texas.

During his 32 years of military experience, General Bates has held a variety of command and staff positions in both the continental United States and overseas, serving multiple tours of duty in a joint command environment. He has held both command and staff positions in supply, maintenance and field services organizations, and in the Army's Training and Doctrine Command.

General Bates is a graduate of Oklahoma State University with a BS in Business and holds an MS Degree in Logistics Management from the Florida Institute of Technology. He is a graduate of the Industrial College of the Armed Forces and has been recognized as a Certified Professional Logistician by the Society of Logistics Engineers.

Mr. Pierre A. Chao

Managing Partner, Renaissance Strategic Advisors



Pierre Chao is a Managing Partner and co-founder of Renaissance Strategic Advisors, a strategy and financial advisory firm. Pierre brings over 20 years of management consulting, investment banking and policy expertise in the aerospace/defense industry.

He is also a Senior Associate at the Center for Strategic and International Studies, a Washington D.C.-based, non-partisan defense and foreign policy think tank. He was a Senior Fellow and Director of Defense-Industrial Initiatives at CSIS from 2003-2007. At CSIS he directed a team of five focused on policy issues related to the defense-industrial base, including defense industrial policy, acquisition reform, trans-Atlantic relations, export controls, and technology/innovation policy.

Before joining CSIS in 2003, Pierre was a managing director and senior aerospace/defense analyst at Credit Suisse First Boston from 1999-2003, where he was responsible for following the U.S. and global aerospace/defense industry. He remained a CSFB independent senior adviser from 2003-2006.

Prior to joining CFSB, Pierre was the senior aerospace/defense analyst at Morgan Stanley Dean Witter from 1995-1999. He served as the senior aerospace/defense industry analyst at Smith Barney during 1994 and as a director at JSA International, a Boston/Paris-based management-consulting firm that focused on the aerospace/defense industry (1986-88, 1990-93). Pierre was also a co-founder of JSA Research, an equity research boutique specializing in the aerospace/defense industry. Before signing on with JSA, he worked in the New York and London offices of Prudential-Bache Capital Funding as a mergers and acquisitions banker focusing on aerospace/defense (1988-90).

Over the course of his Wall Street career, Pierre participated in 31 aerospace/defense equity offerings/IPOs raising \$11.7 billion and dozens of buy-side and sell-side M&A assignments. In addition, Pierre garnered numerous awards while working on Wall Street. Institutional Investor ranked Pierre's team the number one global aerospace/defense group every year eligible from 2000-02 and he was on the Institutional Investor All-America Research Team every year eligible from 1996-2002. He was ranked the number one aerospace/defense analyst by corporations in the 1998-2000 Reuters Polls, the number one aerospace/defense analyst in the 1995-99 Greenwich Associates polls, and appeared on the Wall Street Journal All-Star list in four of seven eligible years.

He was a member of the 2005 Defense Board Summer Study (Assessment of Transformation), 2006 DSB Summer Study (Strategic Technology Vectors), the 2006/2007 DSB Task Force on the Health of the Defense Industry, the 2007/2008 Defense Business Board Capability Requirements Identification and Development Processes study, the 2007/2008 DBB Task Force on Relations with the Industrial Base and the 2008 DBB study on Export Control Best Practices. He was also a member of a National Research Council study on Critical Technology Accessibility (2006) and a member of an Army Science Board task force on Use of Venture Capital (2001). In 2000, Pierre was appointed by President Clinton to the Presidential Commission on Offsets in International Trade. He is also a guest lecturer at the National Defense University and an Intermittent Professor at the Defense Acquisition University.

Brigadier General Edward P. Donnelly, Jr., USA

Director, Joint & Futures, Office of the Deputy Chief of Staff, G-8



SOURCE OF COMMISSIONED SERVICE USMA

EDUCATIONAL DEGREES

United States Military Academy – BA – No Major
Webster University – MA – Management
United States Army Command and General Staff College – MMAS
– Military Science
University of Missouri – MPA – Public Administration
Suffolk University – JD – International Law
United States Army War College – MA – Strategic Studies

MILITARY SCHOOLS ATTENDED

Armor Officer Basic and Advanced Courses
Armed Forces Staff College
United States Army Command and General Staff College
United States Army War College

PROMOTIONS DATE OF APPOINTMENT

2LT	7 Jun 78
1LT	7 Jun 80
CPT	1 Jan 82
MAJ	1 Mar 90
LTC	1 Jan 95
COL	1 Jul 02
BG	8 Dec 08

FROM	TO	ASSIGNMENT
Apr 79	Sep 81	Platoon Leader, later Executive Officer, A Company, later S-3 (Air), 4th Battalion, 64th Armor, 3d Infantry Division (Mechanized), United States Army Europe and Seventh Army, Germany
Sep 81	Apr 83	Commander, B Company, 4th Battalion, 64th Armor, 3d Infantry Division (Mechanized), United States Army Europe and Seventh Army, Germany
Apr 83	Dec 83	S-3 (Air), 3d Brigade, 3d Infantry Division (Mechanized), United States Army Europe and Seventh Army, Germany
Jan 84	Jul 84	Student, Armor Officer Advanced Course, United States Army Armor School, Fort Knox, Kentucky
Jul 84	Aug 87	Project Officer, later Program Manager, United States Army Combined Arms Training Activity, Fort Leavenworth, Kansas

General Ann E. Dunwoody, USA

Commanding General, United States Army Materiel Command



General Ann E. Dunwoody assumed the duties as the U.S. Army Materiel Command's Commanding General on November 14, 2008. AMC is one of the largest commands in the Army, with more than 61,000 employees in 149 locations worldwide, including more than 30 states and 50 countries.

General Dunwoody received a direct commission as a Quartermaster officer in 1975, after graduating from the State University of New York at Cortland. She later earned a Master of Science Degree in Logistics Management from the Florida Institute of Technology in 1988 and a Master of Science Degree in National Resource Strategy from the Industrial College of the Armed Forces in 1995.

Her command assignments include: the 226th Maintenance Company Fort Sill, OK; 5th QM Detachment (ABN) Kaiserslautern, Germany; the 407th Supply and Service Battalion/ 782d Main Support Battalion (MSB) Fort Bragg, NC; the 10th Division Support Command (DISCOM) Fort Drum, NY; the 1st Corps Support Command Fort Bragg, NC; the Military Traffic Management Command (MTMC)/ Military Surface Deployment and Distribution Command (SDDC) Alexandria, VA; and the Combined Arms Support Command (CASCOM) Fort Lee, VA. She most recently served as AMC's Deputy Commanding General.

Her key Staff Assignments include 82d Division Parachute officer; strategic planner for the Chief of Staff of the Army (CSA); Executive Officer to the Director, Defense Logistics Agency; and Deputy Chief of Staff for Logistics G-4. She deployed with the 82d as the Division Parachute Officer for Desert Shield and Desert Storm from September 1990 to March 1991, and in 2001, as 1st COSCOM Commander she deployed the Log Task Force in support of OEF1 and stood up the Joint Logistics Command in Uzbekistan in support of CJTF-180. As Commander of SDDC, she supported the largest deployment and redeployment of U.S. forces since WWII.

Her awards and decorations include: the Distinguished Service Medal with Oak Leaf Cluster; Defense Superior Service Medal; Legion of Merit with two Oak Leaf Clusters; Defense Meritorious Service Medal; Meritorious Service Medal with Silver Oak Leaf Cluster; Army Commendation Medal; the Army Achievement Medal; the National Defense Service Medal with Bronze Star; SWASM (2 campaign stars); and the Kuwait Liberation Medal. Her badges include the Master Parachutist Badge and the Parachute Rigger Badge.

She has been recognized as a 2001 Distinguished Alumni for Cortland State SUNY, the 2004 recipient of the National Defense Transportation Association's DoD Distinguished Service Award, the 2007 recipient of the Military Order of the World Wars (MOWW) Distinguished Service Award and the 2009 recipient of the Association of the Industrial College of the Armed Forces Eisenhower Award.

Mr. James C. Dwyer

Senior Executive Service, Deputy Assistant Secretary of the Army for Plans, Programs & Resources, ASA (ALT)



Jim Dwyer is a retired Army Colonel with over 27 years of military experience, specifically in combat logistics. Currently he is serving as the Deputy Chief of Staff for Logistics, G-4, Headquarters U.S. Army Materiel Command (AMC).

Mr. Dwyer also served as the Acting Director for the U.S. Army Tank-automotive and Armaments Command's Integrated Logistics Support Center. There, he led TACOM's logistics community in providing weapons systems management and responsive life cycle logistics support to a wide array of customers including the U.S. Army, Army Reserves, National Guard, other Department of Defense components and worldwide foreign military sales allies. He managed a multi-sited, multi-functional workforce of approximately 2,500 people. He was also responsible for administering over a \$5

billion budget, supporting a worldwide fleet of 650,000 vehicles and managing a 70 country Foreign Military Sales program valued at an estimated \$17 billion.

Prior to the TACOM position, he was the Vice President for Land Systems for Vision Technologies Systems in Alexandria, VA. He was responsible for marketing and business development activities for the company's land systems products and capabilities, which ranged from small arms and ammunition to howitzers and combat fighting vehicles.

Mr. Dwyer's last military assignment was as the Executive Officer for the Commander, U.S. Army Materiel Command in Alexandria, Va. Prior to that assignment, he served as Commander, Red River Army Depot in Texarkana, Texas. His logistics experiences encompass assignments as an Army Division G-4, Divisional Support Battalion Commander, Divisional Material Readiness officer, and Support Battalion Executive officer during Operations Desert Shield/Storm.

He was an Army Acquisition officer with tours in the Bradley Fighting Vehicle System and Armored Gun System Program offices. He also served a tour as a Contract Administration Team leader for the Defense Contract Management Agency.

Ms. Teresa W. Gerton

Executive Deputy to the Commanding General, United States Army Materiel Command,
Fort Belvoir, VA



Selected for the Senior Executive Service in June of 2003, Teresa W. Gerton became the Executive Deputy to the Commanding General, U.S. Army Materiel Command (AMC) on January 31, 2010. She is responsible for the preparation and sustainment of materiel for military operations to support full spectrum operations, current global operations, contingency planning, supply chain management, and sustainment of Warfighters. Ms. Gerton is also responsible for all personnel management; information systems, technology, modernization, and assurance; facilities management and industrial operations; intelligence, counterintelligence and technology protection; and resource management efforts and actions across all appropriations and funds during programming, budgeting, and execution. Ms. Gerton directs stationing activities and execution of changes throughout the command associated with 2005 Base Realignment and Closure legislation.

Prior to her current assignment, she served as AMC's Deputy Chief of Staff for Resource Management. She oversaw the planning, programming, budgeting, and execution of more than \$40 billion annually in appropriated and working capital funds and the maintenance of force structure documents for more than 66,000 military, civilian, and contractor personnel in support of the command's mission to provide sustainment support of Warfighters and military materiel worldwide.

Ms. Gerton also served as the Director, Program Resource and Information Systems Management Division in the Office of the Secretary of Defense, Program Analysis and Evaluation. There, she was responsible for planning and executing the annual program review of over \$400 billion in Department of Defense resources and for annually preparing, maintaining, and providing the Department's Future Year Defense Plan to Congress.

CAREER CHRONOLOGY:

- Jun 2000 – May 2003: Analyst, Force and Infrastructure Cost Analysis Division, Office of the Secretary of Defense, Program Analysis and Evaluation (Resource Analysis) (Retired at the rank of LTC after 20 years of active military service.)
- Jul 1997 – Jun 2000: Sustaining Programs Analyst, Army Program Analysis and Evaluation, Washington, DC
- Jul 1995 – Jul 1997: Executive Officer, Corps Maintenance Battalion; Corps Material Management Officer, Corps Support Command; Fort Hood, Texas
- Jul 1991 – Jun 1994: Research Analyst, Office of Economic and Manpower Analysis; Instructor of Economics, Department of Social Science; West Point, N.Y.
- Jun 1986 – Jun 1989: Commander, Forward Support Maintenance Company; Executive Officer, Missile Maintenance Company, 8th Infantry Division, Germany
- Dec 1983 – Jun 1985: Shop Officer, Forward Support Maintenance Company; Platoon Leader, Forward Support Maintenance Company; Fort Ord, Calif.

Mr. Patrick Fitzgerald

Director, Defense Contract Audit Agency



Mr. Fitzgerald was selected for the Senior Executive Service in December 1998. He assumed the duties of The Auditor General, U.S. Army on March 20, 2006. As the Army's Auditor General, Mr. Fitzgerald is responsible for managing the worldwide operation of the U.S. Army Audit Agency which provides internal audit service throughout the Department of the Army. The Agency's mission is to provide objective and independent auditing service to help the Army make informed decisions, resolve issues, use resources effectively and efficiently, and satisfy statutory and fiduciary responsibilities. Mr. Fitzgerald is also responsible for audit policy, training, follow-up, and liaison with external audit organizations.

He served as the Principal Deputy Auditor General from July 2004 to March 2006. Mr. Fitzgerald was the principal advisor to The Auditor General on all matters relating to the Agency's audit mission. His responsibilities included developing and overseeing the execution of the Agency's strategic audit plan to ensure it met the needs of Army leadership and overall management of audit operations to include prioritizing audit workload, allocating audit resources, and optimizing audit processes. In addition, Mr. Fitzgerald directed the planning, execution, and reporting of the Army's most sensitive and significant efforts. He collaborated with other accountability organizations such as the Department of Defense Inspector General and the Government Accountability Office on issues concerning the Agency's audit plans, projects, and results.

Mr. Fitzgerald served as the Deputy Auditor General, Policy and Operations Management from 2001 to 2004. He was principal advisor to The Auditor General on all matters pertaining to audit policy, follow-up, and liaison, auditor training and recruiting, and Agency resources. He provided management control over the Agency's operating budget, facilities, and management information system, and also oversaw the Agency's strategic plan and special studies.

He served as the Deputy Auditor General, Forces and Financial Management from 1998 to 2001.

Lieutenant General Lawrence P. Farrell, Jr., USAF (Ret)

President & Chief Executive Officer, National Defense Industrial Association



Lieutenant General Lawrence P. Farrell, Jr., USAF (Ret.) became the President and CEO of NDIA in September 2001. Prior to his retirement from the Air Force in 1998, General Farrell served as the Deputy Chief of Staff for Plans and Programs, Headquarters U.S. Air Force, Washington, D.C. He was responsible for planning, programming and manpower activities within the corporate Air Force and for integrating the Air Force's future plans and requirements to support national security objectives and military strategy.

Previous positions include Vice Commander, Air Force Materiel Command, Wright-Patterson Air Force Base, Ohio, and Deputy Director, Defense Logistics Agency, Arlington, Virginia. He also served as Deputy Chief of Staff for Plans and Programs at Headquarters U.S. Air Forces in Europe. A command pilot with more than 3,000 flying hours, he flew 196 combat missions in Southeast Asia, and commanded the 401st Tactical Fighter Wing, Torrejon Air

Base, Spain. He was also the system program manager for the F-4 and F-16 weapons systems with the Air Force Logistics Command, Hill Air Force Base, Utah.

General Farrell has had in-depth business development experience, having served on various business strategy groups for such companies as LABBLEE Corp, Raytheon, Labat-Anderson Inc., KPMG, Huber Corp, The Boeing Company, and Philadelphia Electric Company. He has also served on a number of study groups supporting The United States Air Force, The Rand Corporation, and The Logistics Management Institute. In addition, he has been a member of the advisory boards of UNISPHERE Inc., BAE Systems Simulation and Training, Learning Byte International, The Camber Corporation, and is past Chairman of the Board of Miltope Corporation. He currently serves on the Boards of Global Healthcare Exchange, Advanced Technology Institute, and the National Center for Defense Manufacturing and Machining.

General Farrell is a graduate of the Air Force Academy with a BS in Engineering and an MBA from Auburn University. Other education includes the National War College and the Harvard Program for Executives in National Security.

Mr. Bernard P. Ingold

Principal Deputy Office, Chief Legislative Liaison, U.S. Army Headquarters



Mr. Bernard Ingold was appointed as Principal Deputy Chief, Legislative Liaison on June 6th, 2010. The Principal Deputy provides guidance, supervision, and synchronization for the daily activities of the Office of the Chief Legislative Liaison.

Mr. Ingold joined Office of Chief, Legislative Liaison in 1999 as the Deputy Chief Legislative Counsel. In addition to supervising the daily operations of the division, Mr. Ingold managed the Army's Legislative program. He also represented Army interests in Congressional investigations, coordinated the confirmation process for over 25 senior Army civilian officials, and served as Army liaison to Congress on issues concerning acquisition policy, service contracts, and contingency contracting operations.

Mr. Ingold was born in Sault Ste. Marie, Michigan, in 1954. He received a Bachelor's degree from the University of Michigan in 1975 and a Juris Doctor from the University of Arkansas in 1979. He earned Masters of Law degrees from the Army Judge Advocate General's Legal School and Center in 1987 and the University of Virginia School of Law in 1990. Mr. Ingold attended the Industrial College of Armed Forces in 2004 where he earned a Master of Science in Resource Strategy.

Mr. Ingold received a direct commission in the U.S. Army, Judge Advocate General's Corps in 1979. His assignments include Assistant Staff Judge Advocate at Fort Devens, Massachusetts, Appellate Defense Counsel for the U.S. Army Legal Services Agency in Falls Church, Virginia, instructor and branch chief in the Administrative Law Division, Judge Advocate General's School, in Charlottesville, Virginia, and as Deputy Staff Judge Advocate in Berlin, Germany. Mr. Ingold served as a legislative counsel in the Office, Chief of Legislative Liaison from 1993 to 1996. In his last assignment on active duty, he was the Deputy Director, Office of Legal Policy, Office of the Under Secretary of Defense (Personnel and Readiness) until his retirement in 1999.

Mr. Ingold's military awards include the Defense Superior Service Medal, Legion of Merit, Meritorious Service Medal with two oak leaf clusters, Army Commendation Medal, Humanitarian Service Medal, and Army Achievement Medal. Mr. Ingold also was awarded the Superior Civilian Service Award.

The Honorable Frank Kendall

Principle Deputy Under Secretary of Defense for Acquisition, Technology and Logistics



Mr. Frank Kendall was sworn in as Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics on March 8, 2010. He has more than 35 years of experience in engineering, management, defense acquisition and national security affairs in private industry, government and the military. He has been a consultant to defense industry firms, non-profit research organizations, and the Department of Defense in the areas of strategic planning, engineering management, and technology assessment. Mr. Kendall was Vice President of Engineering for Raytheon Company, where he was responsible for management direction to the engineering functions throughout the company and for internal research and development. Before assuming his current position, Mr. Kendall was a Managing Partner at Renaissance Strategic Advisors, a Virginia-based aerospace and defense sector consulting firm.

Within government, Mr. Kendall held the position of Director of Tactical Warfare Programs in the Office of the Secretary of Defense and the position of Assistant Deputy Under Secretary of Defense for Strategic Defense Systems. Mr. Kendall is a former member of the Army Science Board and the Defense Intelligence Agency Science and Technology Advisory Board and he has been a consultant to the Defense Science Board and a Senior Advisor to the Center for Strategic and International Studies. Mr. Kendall also spent ten years on active duty with the Army serving in Germany, teaching Engineering at West Point, and holding research and development positions.

Mr. Kendall is an attorney and has been active in the field of human rights, working primarily on a pro bono basis. He has worked with Amnesty International USA, where he served as a member of the Board of Directors, with Human Rights First, for whom he was an observer at Guantanamo, and with the Tahirih Justice Center, where he was Chair of the Board of Directors.

Mr. Kendall is a Distinguished Graduate of the U.S. Military Academy at West Point and he holds a Masters Degree in Aerospace Engineering from California Institute of Technology, a Master of Business Administration degree from C.W Post Center of Long Island University, and a Juris Doctor from Georgetown University Law Center.

General David M. Maddox, USA (Ret)



David M. Maddox is an independent consultant to civilian corporations, government agencies, and defense industries regarding concepts, systems requirements, program strategies, operations and systems effectiveness, and analytic techniques and analyses. He served on the Defense Science Board study of Tactics and Technology for 21st Century Military Superiority, the study Joint Operations Superiority in the 21st Century: Integrating Capabilities Underwriting Joint Vision 2010, and the study of Integrated Fire Support; co-chaired the Army Science Board study on Strategic Maneuver and the study on Intra-theater Logistic Distribution, assisted on the ASB Study on Technical and Tactical Opportunities for Revolutionary Advances in Rapidly Deployable Joint Ground Forces in the 2015-2025 Era and on Ensuring the Financial Viability of the Objective Force; and was a member of the National Academy of Sciences study of C4ISR and the study on Defense Modeling, Simulation, and Analysis. He served as a member of the Commission on Army Acquisition &

Program Management in Expeditionary Operations and the Secretary of the Army's Review of Army Acquisition. He is vice-chair of The National Academies' Board on Army Science and Technology, a Senior Fellow of the Army Science Board, a member of the National Academy of Engineering, The Washington Institute of Foreign Affairs, the George Mason University's Volgenau School of Engineering Dean's Board of Advisors, and a member emeritus of the Corporation of the Draper Laboratory. He has served as a trustee on the Virginia Military Institute Foundation and also serves as a member of corporate boards.

His consulting involves a myriad of issues ranging from corporate acquisition strategies, leadership requirements during acquisitions and mergers, future organizational strategies and objectives, application of new technologies, software design and development, justification of new programs and systems, rationale and justification of proposals for new major contracts, assessment and justification of new concepts, and design and conduct of analytic studies of complex problems. His reputation is based upon his unique combination of practical experience and strong analytic expertise.

Major General Phillip E. McGhee, USA

**Director, Army Budget Office of the Assistant Secretary of the Army
(Financial Management & Comptroller)**



Major General Phillip E. McGhee was commissioned a second lieutenant in 1979 in the Infantry after graduating from Columbus State University with a bachelor's degree in Business. He later obtained a master's degree from Webster University in Management and a Master's of Strategic Studies from the Army War College.

Major General McGhee's past combat arms assignments include: Light Infantry Platoon Leader; Heavy Weapons Platoon Leader; Battalion Maintenance Officer; and Scout Platoon Leader with 2nd Bn, 39th Infantry, 9th Infantry Division. His finance assignments include: Cash Control Officer and Chief Pay Examination with the Finance and Accounting Office, Ft. Jackson SC. His financial management assignments include: Comptroller, 470 Military Intelligence Group, Panama; Comptroller, Flight Concepts Division, Ft Eustis, VA; Comptroller, 1st Special Forces Operational Detachment-Delta, Ft. Bragg NC; Deputy Comptroller, U.S. Special Operations Command,

MacDill AFB, FL; Comptroller, US Army Special Operations Command, Fort Bragg, NC; Executive Officer to The Assistant Secretary of The Army Financial Management and Comptroller; Director of Resource Management, Installation Management Command; and Director of Resource Management, U.S. Army Central and the Combined Forces Land Component Command USARCENT/CFLCC in Camp Arifjan, Kuwait. He is currently assigned as the Director of Army Budget, Pentagon, Arlington, VA.

His military education includes: Infantry Officers Basic Course, Finance Officer Advanced Course, Combined Arms Services Staff School (CAS³), U.S. Army Command and General Staff College, Army War College, and the General Officer Installation Command Course. Additionally, Major General McGhee is senior parachutist qualified and a Certified Defense Financial Manager.

His decorations include: Distinguished Service Medal, Legion of Merit, Bronze Star Medal, Defense Meritorious Service Medal w/2 oak leaf clusters, Meritorious Service Medal, Army Commendation Medal w/2 oak leaf clusters, Army Achievement Medal, National Defense Service Medal w/bronze service star, Global War on Terrorism Expeditionary Medal, Global War on Terrorism Service Medal, Armed Forces Reserve Medal, Army Service Ribbon, Overseas Service Ribbon and the Senior Parachutist Badge. He is also a recipient of the Installation Management Command Stalwart Award.

Mr. Thomas E. Mullins

Senior Executive Service, Deputy Assistant Secretary of the Army for Plans, Programs & Resources, ASA (ALT)



Mr. Mullins became the Deputy Assistant Secretary for Plans, Programs and Resources on November 13, 2005. He leads the planning, programming and execution of the Army's Research, Development, Test and Evaluation and Procurement Appropriations totaling over \$ 55B annually. His oversight includes serving as the co-chair of the Equipping and Sustaining Program Evaluation Groups that direct the Army's long-term Sustaining and Acquisition strategies. Mr. Mullins provides fiscal and resource counsel to the Assistant Secretary of the Army (Acquisition, Logistics and Technology). He provides oversight and direction to Reserve and National Guard acquisition efforts.

Prior to his appointment as the Deputy Assistant Secretary, Mr. Mullins served as the Deputy Director for Plans, Programs and Resources under the Deputy Assistant Secretary for Plans, Programs and Resources. Prior to this assignment he was the Director of Maneuver Systems for the Deputy for Acquisition and Systems Management and the Program Executive Officer Representative for Ground Combat Systems. Mr. Mullins has also served as a project manager and as a member of the staff of the Under Secretary of Defense for Acquisition, Technology, and Logistics, Strategic and Tactical Systems, Land Warfare.

Mr. Mullins has over 34 years of federal service including 20 years as an active Army officer with expertise in program management and business and financial management. His civilian education includes a Bachelor of Science in Physics and a Bachelor of Science in Mathematics from the Central State University in Edmond, Oklahoma, and a Master of Science in Management from the Naval Postgraduate School. He has been a member of the civilian Army Acquisition Corps since 1992 and has achieved a Level III certification in Program Management. Awards include the Legion of Merit, Office of the Secretary of Defense Award for Excellence, and numerous Exceptional Performance awards.

Mr. Robert T. Murphy

Executive Vice President Products Sector, BAE Systems, Inc.



Robert Murphy is the executive vice president of Product Sectors for BAE Systems, Inc. and a member of the Executive Committee of BAE Systems plc. He is responsible for delivering value to shareholders by ensuring the Product Sectors are the leaders in understanding the dynamic needs of their global defense and aerospace customers and developing effective customer relationships. Further, Murphy is responsible for the development and deployment of integrated business strategies that leverage the highly skilled workforce of the company and its discriminating technology and global market positions to generate timely, cost-effective solutions that enable customers to complete their missions safely.

The Product Sectors consist of Land and Armaments, Electronic Solutions and Platform Solutions, and these businesses employ approximately 30,400 people on a global basis, with 23,000 employees in the U.S. The global operations of the Product Sectors are located in 27 states in the United States, as well as the countries of Germany, Israel, Mexico, South Africa, Sweden, Switzerland, Turkey and the United Kingdom.

Prior to taking his current role, Murphy was president of the Land and Armaments Operating Group and previously held positions in BAE Systems, Inc. as chief financial officer and president of the legacy Technology Solutions Sector. Murphy joined BAE Systems in 1999 and was previously employed by GE, where he spent 18 years holding numerous financial leadership positions of increasing responsibility, culminating in his financial leadership role with the military engines operation of the GE Aircraft Engines Group.

Murphy holds a Bachelor of Science degree in Business Administration and Marketing from the State University of New York at Plattsburgh, and has completed numerous advanced financial management and senior leadership programs.

Murphy currently serves on the Board of Visitors for the Clark School of Engineering at the University of Maryland, on the National Defense Industrial Association Board of Trustees, and is a member of the BAE Systems/FNSS Joint Venture Board of Directors.

The Honorable Dr. Malcolm R. O'Neill

Assistant Secretary of the Army (Acquisition, Logistics and Technology) and Army Acquisition Executive



The Honorable Malcolm Ross O'Neill became the Assistant Secretary of the Army for Acquisition, Logistics and Technology [ASA(ALT)] on March 4, 2010, following nomination for the position by President Barack Obama and confirmation by the United States Senate. As the ASA(ALT), Dr. O'Neill serves as the Army Acquisition Executive, the Senior Procurement Executive, the Science Advisor to the Secretary of the Army, and the Army's Senior Research and Development official. He also has principal responsibility for all Department of the Army matters related to logistics.

Dr. O'Neill leads the execution of the Army's acquisition function and the acquisition management system. His responsibilities include providing oversight for the life cycle management and sustainment of Army weapons systems and equipment from research and development through test and evaluation, acquisition, logistics, fielding, and disposition. Dr. O'Neill also oversees the Elimination of Chemical Weapons Program. In addition, he is responsible for appointing, managing, and evaluating program executive officers as well as managing the Army Acquisition Corps and the Army Acquisition Workforce.

Prior to this position, Dr. O'Neill served as Chairman of the Board on Army Science and Technology for the National Academies and the National Research Council. From 2000 to 2006, he was Vice President and Chief Technical Officer of the Lockheed Martin Corporation and from 1996 to 2000, Dr. O'Neill served as Vice President for Operations and Best Practices in the Space and Strategic Missiles Division at Lockheed Martin Corporation.

A veteran of 34 years of active military service, Dr. O'Neill retired as a Lieutenant General in the United States Army following a highly decorated career. Some highlights of his career include serving as Director of the Ballistic Missile Defense Organization for the Department of Defense which followed his position as Deputy Director of the then-Strategic Defense Initiative Organization (SDIO); Director of the Army Acquisition Corps and Deputy for Program Assessment and International Cooperation in the Office of the Assistant Secretary of the Army for Research, Development and Acquisition, now the Office of the ASA(ALT); Commander of the U.S. Army Laboratory Command; Director of Kinetic Energy Weapons at SDIO; Program Manager (PM) for the Multiple Launch Rocket System; and Deputy PM for the North Atlantic Treaty Organization's Patriot Management Organization in Munich, Germany; as well as PM for Strategic Fire Control and Talon Gold at the Defense Advanced Research Projects Agency. Dr. O'Neill was commissioned in the U.S. Army as a Field Artillery Officer in 1962 and has served with the 82nd Airborne Division; as an Advisor with the 21st Recon Company of the 21st Army of the Republic of Vietnam Division; and Assistant Chief of Staff (Ammunition) with the Danang Support Command in Vietnam.

Dr. O'Neill holds a Bachelor of Science Degree in Physics from DePaul University in Chicago, Illinois, a Master of Science Degree in Physics and a Doctorate in Physics, both from Rice University in Houston, Texas. His military education includes degrees from the Command and General Staff College, the Defense Systems Management College, and the Army War College. He is an Honorary Fellow of the American Institute of Aeronautics and Astronautics and a Member of the National Academy of Engineering.

Mr. Jeffrey P. Parsons

Executive Director, U.S. Army Contracting Command



Mr. Jeffrey P. Parsons is the Executive Director of the U.S. Army Contracting Command, a new major subordinate command of the U.S. Army Materiel Command (AMC). The Army Contracting Command provides global contracting support to the operational Army across the full spectrum of military operations and in garrison. Mr. Parsons commands over 5,500 military and civilian personnel worldwide, who award and manage over 270,000 contractual actions valued at more than \$80 billion per fiscal year. He exercises command and procurement authority over two subordinate commands, the Installation Contracting Command and the Expeditionary Contracting Command, and also leads the AMC Acquisition Centers which support AMC's other major subordinate commands and Life Cycle Management Commands. Mr. Parsons was appointed to the Senior Executive Service on December 15, 2003.

Prior to assuming his current position, Mr. Parsons served as the Director of Contracting, Office of Command Contracting, Headquarters, AMC, Fort Belvoir, Virginia. Responsibilities from the Office of Command Contracting transitioned into the Army Contracting Command. Mr. Parsons continues to serve as the Principal Advisor to the Commanding General of AMC and his staff on all contracting matters and as the AMC Career Program Manager for the Contracting and Acquisition Career Program, with responsibility for the recruitment, training, education, and professional development of the civilian and military contracting professionals who are part of the acquisition workforce.

Prior to his appointment to the Senior Executive Service, Mr. Parsons was the Director of Contracting, Headquarters, U.S. Air Force Materiel Command, Wright-Patterson Air Force Base, Ohio, where he retired from active duty as an Air Force Colonel after 26 years of service. He was responsible for developing and implementing contracting policies and processes to annually acquire \$34 billion in research and development, production, test, and logistics support for Air Force weapon systems. He was directly responsible for the training, organizing, and equipping of more than 3,000 contracting professionals.

Mr. Parsons' contracting career began in 1977 as a base procurement officer supporting the 90th Strategic Missile Wing at F. E. Warren Air Force Base, Wyoming. He held a variety of positions as a contracting officer with a wide range of experience touching on all aspects of systems, logistics, and operational contracting. He was the Director of Contracting for a multi-billion dollar classified satellite program operated by the National Reconnaissance Office and served twice as a plant commander in the Defense Contract Management Agency. Mr. Parsons also held several key staff positions at Headquarters, U.S. Air Force, the Air Force Secretariat, and with the Office of the Secretary of Defense, in which he was responsible for the development, implementation, and management of integrated, coordinated, and uniform policies and programs to govern DoD procurement worldwide.

Mr. James Russell

Deputy Director, Defense Contract Management Agency



Mr. James M. Russell serves as the Deputy Director for Defense Contract Management Agency (DCMA). He is the principal adviser to the DCMA Director on all Agency mission and management issues. This includes leadership of over 10,000 civilians and military personnel at over 800 locations who execute worldwide contract management responsibilities, covering more than 18,000 contractors and over 300,000 active contracts with well over \$200 billion in unliquidated obligations.

Most recently, Mr. Russell was the Executive Director of Financial and Business Operations/Comptroller for DCMA. He was the senior advisor to the DCMA Director on the management of the organization's business infrastructure. His duties included strategic planning; resourcing and budgeting; agency review, assessment, and evaluation; and business development and marketing. He was responsible for an annual budget of over \$1.2B per year.

Mr. Russell began his government career as a Supply Corps Officer in the U.S. Navy with tours at sea aboard the USS Callaghan and at the Defense Logistics Agency (DLA). He began his civilian career at DLA as an analyst in the DLA Operations Research Office in Richmond, Virginia. In 1987, Mr. Russell moved to Defense Contract Administration Services Region-Chicago as a Senior Operations Research Analyst.

In 1990, Mr. Russell transferred to DLA Headquarters to accept the position of Senior Studies Director for Acquisition Management. Following that assignment, he served as the Senior Program Director on the DLA Program Objective Memorandum Team, leading financial programming efforts in support of both Defense Logistics Support Command and Defense Contract Management Command. In 1998, Mr. Russell was named Director of Strategic Planning, Programming, and Analysis in DCMC where he led strategic and business planning, performance planning, resourcing, management review and assessment, and the Agency's unit cost and activity based management systems.

Mr. Russell graduated from the Ohio State University in Columbus, Ohio with a Bachelor of Science Degree in Computer and Information Science. He received a Master of Management Degree in Finance and Organizational Behavior from the J. L. Kellogg Graduate School of Management at Northwestern University in Evanston, Illinois. Mr. Russell also earned a Master of Science Degree in National Resources Strategy from the Industrial College of the Armed Forces.

Mr. Robert J. Stevens

Chairman and Chief Executive Officer, Lockheed Martin Corporation



2010 James Forrestal Industry Leadership Award Recipient

Robert J. Stevens serves as Chairman and Chief Executive Officer of Lockheed Martin. He has held a variety of increasingly responsible executive positions with the Corporation, including President and Chief Operating Officer, Chief Financial Officer, and head of Strategic Planning through a career that has included experience in program management, finance, manufacturing, and operations.

Mr. Stevens is a Fellow of the American Astronautical Society, the American Institute of Aeronautics and Astronautics, the Royal Aeronautical Society, and the International Academy of Astronautics. He serves on the International Advisory Boards of the Atlantic Council

and the British-American Business Council and serves as a member of the Aerospace Industries Association's Board of Governors. He is a member of the Council on Foreign Relations, is Lead Director of the Monsanto Company, and a member of the Board of Directors of the Congressional Medal of Honor Foundation. Mr. Stevens also served on President Bush's Commission to Examine the Future of the United States Aerospace Industry.

Born in McKeesport, Pennsylvania, Mr. Stevens is a summa cum laude graduate of Slippery Rock University from which he received the Distinguished Alumni Award. He earned a master's degree in engineering and management from the Polytechnic University of New York and, with a Fairchild Fellowship, earned a master's degree in business from Columbia University. He is a graduate of the Department of Defense Systems Management College Program Management course and also served in the United States Marine Corps. He has been recognized by the National Management Association as Executive of the Year, by Government Computer News as the Industry Executive of the Year, by the Partnership for Public Service with the Private Sector Council Leadership Award, and by the Marine Corps Scholarship Foundation with the Globe and Anchor Award. In 2010, he received the Marine Corps Heritage Foundation's inaugural LeJeune Recognition for Exemplary Leadership.

Mr. Lee Thompson

Deputy Assistant Secretary of the Army for Strategic Communications and Business Transformation, Office of the Assistant Secretary of the Army (Acquisition, Logistics & Technology)



The new Deputy Assistant Secretary of the Army (DASA) for Strategic Communications and Business Transformation, Lee Thompson, enthusiastically looks forward to helping his organization improve business and communications and to identify opportunities for efficiency. In his new role, Thompson will be responsible for strategic planning, business transformation, congressional, and communication activities for the Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASAALT).

Lee Thompson, the new Deputy Assistant Secretary of the Army for Strategic Communications and Business Transformation, plans to help foster an environment of openness and transparency to properly inform media stakeholders. (U.S. Army official photo.)

Thompson plans to strongly support the ASAALT, Army, and DOD-wide efforts to improve business practices and gain efficiencies where possible in an increasingly constrained fiscal environment. In short,

Pentagon and Army leaders recognize that the DOD budget is not likely to increase at to the degrees it has in recent years, therefore challenging acquisition professionals to “do more” with what they have. The acquisition community must maximize productivity and efficiency without necessarily receiving large increases in procurement dollars as in recent, post-Sept. 11 years.

“I am pleased to be here and look forward to continuing to develop and establish more efficient practices during this time of important change for the Army,” Thompson said.

The DASA for Strategic Communications and Business Transformation is tasked with maintaining and strengthening ASAALT’s relationships with its key partners and stakeholders, including members of Congress, industry, the media, and essential partners within the Office of the Secretary of Defense.

In his congressional role, Thompson will oversee efforts to reach out to members, key committees, and their staffs. His duties will include preparing senior leaders for testimony and congressional engagements, taking the initiative to inform members of pertinent developments in a timely manner, and responding to any concerns or issues raised by members of Congress and their respective staffs.

Business transformation will also be a key focus for the new DASA. This involves working with his staff members to identify and build on opportunities to apply Lean Six Sigma and continuous performance improvement processes to acquisition programs, with an eye to streamlining data and resources and maximizing chances for positive business growth.

Thompson plans to strongly support the ASAALT, Army, and DOD-wide efforts to improve business practices and gain efficiencies where possible in an increasingly constrained fiscal environment.

Engaging the media in a way that best tells the Army story is another essential part of Thompson’s duties. He plans to stay in front of key media issues, foster relationships with vital media members, and help fashion appropriate responses to media queries. In addition, the new DASA will help foster an environment of openness and transparency to properly inform media stakeholders.

NOTES

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NDIA

National Defense Industrial Association

Army Materiel Command



Adapting the Institution . . .
The "Burning Platform" is Beneath Us

5 April 2011



GEN Ann E. Dunwoody

Sustaining the Strength of the Nation!





What I Want to Leave You With

- ✓ Thank you for what you do everyday
- ✓ At a Strategic Crossroad
- ✓ Tactical Partnerships & Strategic Relationships
- ✓ Challenges = Opportunities
- ✓ Want your thoughts and ideas

"We can't solve problems by using the same thinking we used when we created them." – Albert Einstein



Complexity: Supporting Two Wars . . .



Operation Enduring Freedom

- ✓ Support/Sustain the Surge
- ✓ Building Partner Capacity
- ✓ Leveraging Lessons Learned
- ✓ 50% Surge Equipment from Iraq

Operation New Dawn and Beyond

- ✓ Complete Drawdown
- ✓ Build Iraqi Capabilities and Self-Sufficiency
- ✓ Set Conditions for DoS/Others



" My Logisticians are a humorless lot...they know if my campaign fails, they are the first ones I will slay." - Alexander the Great



... in a Complex Asymmetrical Environment ...



BORDER DELAYS



THEFT & PILFERAGE



WEATHER

POLITICAL UNREST
EXPANDING MILITANCY
HOST GOVERNMENT RULE
UNCERTAINTY
ECONOMIC ISSUES
VISIBILITY ISSUES



ATTACKS



LABOR ISSUES



ROAD CONDITIONS

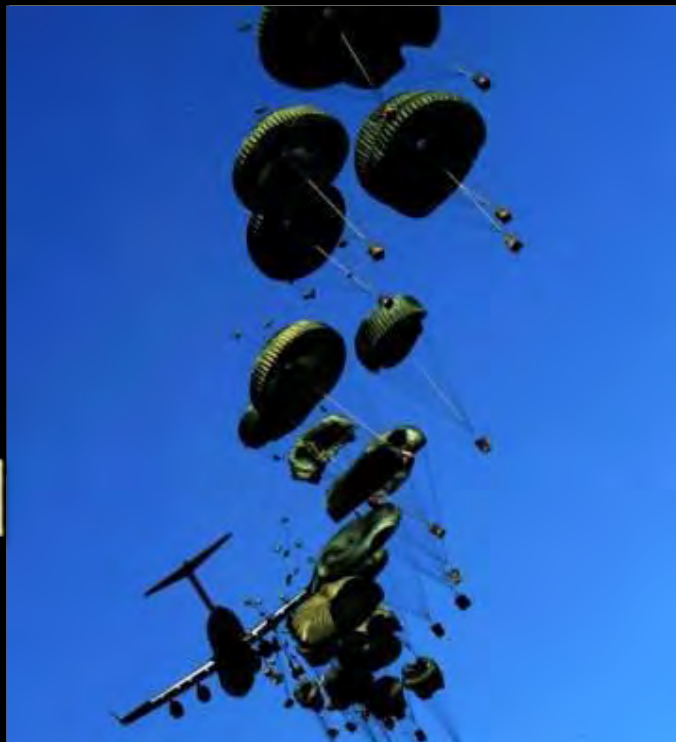


UNCLASSIFIED

... While Supporting Contingency Operations ...



RAPID PORT OPENING



LOGISTIC SUPPORT

HAITI - HURRICANE
HAITI - EARTHQUAKE
CHILE - EARTHQUAKE
PAKISTAN - FLOODS
... AND NOW JAPAN



EMERGENCY RATIONS



WATER PURIFICATION



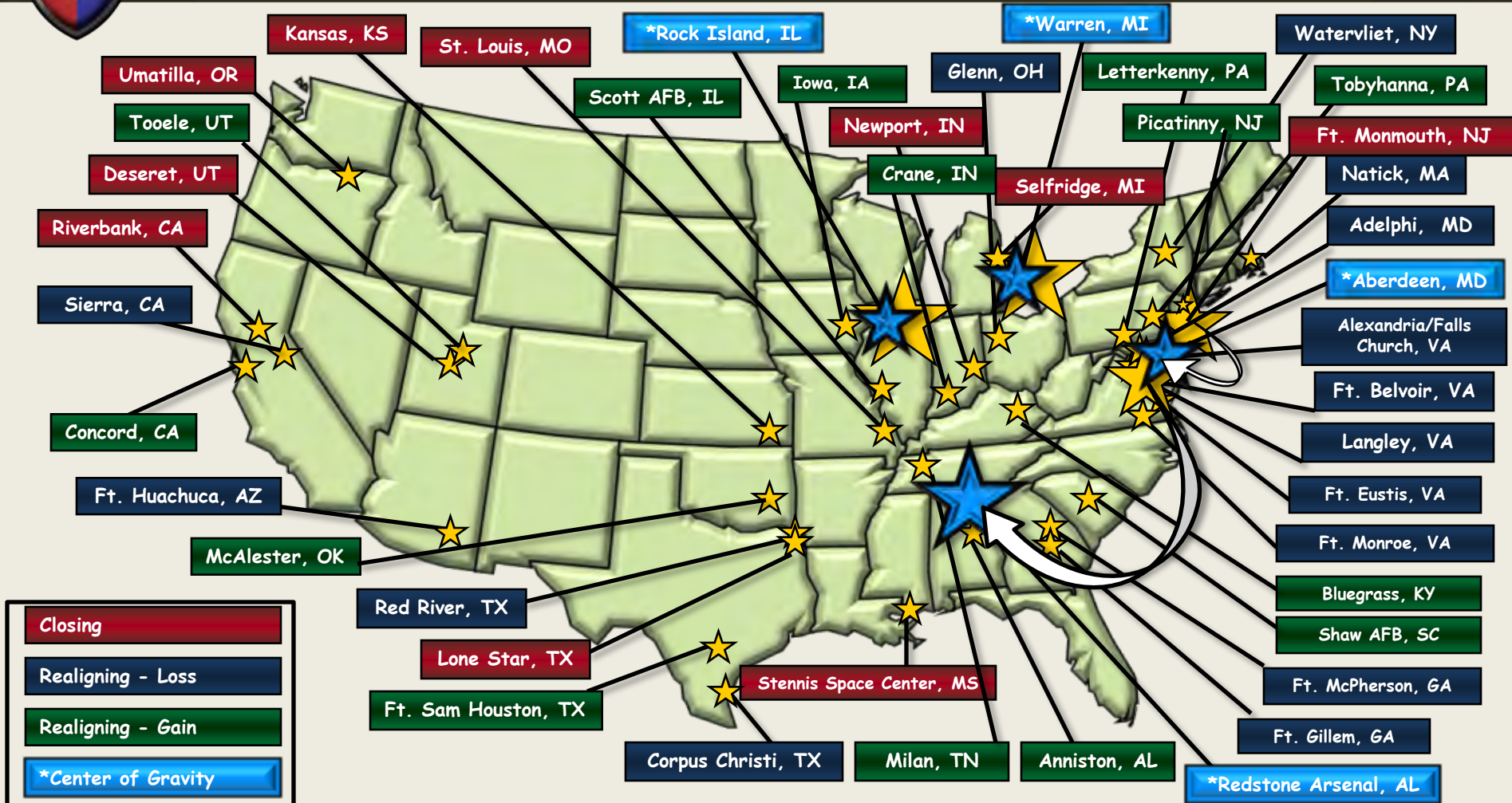
MORTUARY AFFAIRS

UNCLASSIFIED

Whenever We Are Called . . .



... During Complex Organizational State

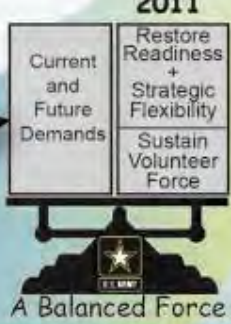


- 1 of 6 employees impacted
- Approx. 11,000 personnel across 25 States
- Center of gravity shifts
- > 50% of all moves complete - must be complete by Sep 2011



SA/CSA Imperatives

Sustain
Prepare
RESET
Transform



Providing America's Warfighter
with the
Decisive Edge

RESEARCH & DEVELOP
ACQUIRE INTEGRATE TEST
EQUIP SUPPLY MAINTAIN
DISTRIBUTE SUSTAIN DISPOSE

Institutionalized
RESET &
Centralized
Materiel Management

Completed
BRAC

A Responsive
Adaptive
Acquisition
Process

Right-sized
Depots
Arsenals
Ammo

Trained & Ready
Workforce

Operate
as the
Materiel
Enterprise

Modernize and
Equip the 21st
Century Army

Challenges

- Persistent Conflict
- Declining Resources



Opportunities

- Optimize Resources
- Collaboration
- BRAC
- Innovation
- Efficiencies



AMC
COMMUNITY

ASA(ALT)
COMMUNITY

INDUSTRY

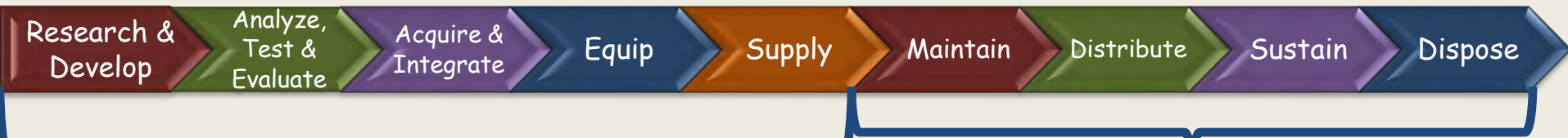
INDUSTRY



Institutionalized ARFORGEN



Lifecycle Management Challenges



But we need to focus more here ...

The Team does a great job here ... up front

No longer readiness at all cost ...
... now readiness at best value



- Maintain
- Distribute
- Sustain
- Dispose



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Can't Afford to Repeat History



Civil War



WW1



WWII



Korea



Vietnam



Desert Storm

Insanity: doing the same thing over and over again and expecting different results - Albert Einstein

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Yet Here We Are . . . 2011



Anniston Army Depot

Including 755 M1s, 232 M109s, 781 M113s, 774 M88s, 233 M992A2s, and 93 M9ACEs



Red River Army Depot

Including 7,979 HMMWVs, 1,364 Bradley's, 2,421 Trucks and 1,387 Trailers



Letterkenny Army Depot

Including 741 HMMWVs



Sierra Army Depot

Over 12,000 Combat Vehicles and related equipment including 1,795 Tanks, 5,977 APCs, 80 MRAPs, 123 Bradley's, 130 Bridge Tanks, 1,003 Towed Howitzers, 1,987 Flatracks, and 1,290 Other Vehicles (mainly heavy construction vehicles and MHE).



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We Must Stop the Madness!



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Doing the Same = Failure



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Fundamentally Different Way of Doing Business



"If you don't like change, you will like irrelevance even less."

- GEN Eric Shinseki

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Expand Opportunities to Work Together



★ Munitions Support



★ Arsenal/Depot Operations



★ Chem Demil



★ Foreign Military Sales



★ Forward Presence
CONUS Reach Back



★ Global Contracting



★ Army's Division
Support Command



★ Research, Dev and
Engineering



★ Global Distribution
and Deployment



★ Army Pre-Positioned
Stocks (APS)



★ LOGCAP

★ Interface with Industry & ASA(ALT)

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Factory to Foxhole . . . From Concept to Combat

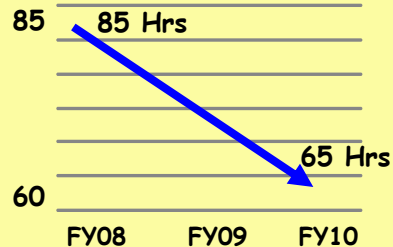
Our Credentials



Anniston Army Depot



**Gunners Primary Site
Man-Hours per Unit**



**McAlester Army
Ammunition Plant**



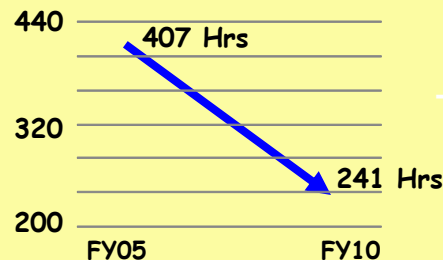
**BLU-109 2000 lb Penetrator
Labor Cost per Unit**



Red River Army Depot



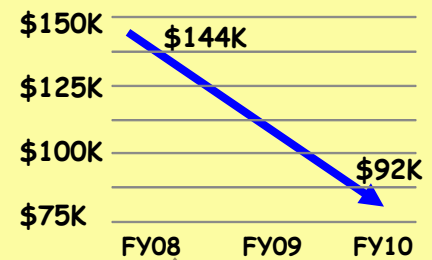
**M1114
Man-Hours per Vehicle**



Letterkenny Army Depot



**Patriot Launcher
Labor Cost per Unit**



**42 ISO
Certifications
across AMC**

4 LSS Excellence Awards in 2010
6 LSS Excellence Awards in 2009,
7 Value Engineering (VE) Awards in 2009
6 VE Awards in 2010
1 Malcolm Baldrige Quality Award (2007)
26 Shingo Medallions since 2005
Self-Sufficiency: AMC has 17 certified
MBBs, representing 33% of all Army MBBs

LSS Benefits
FY11 \$439M (YTD)
FY10 \$402M
FY09 \$250M
FY08 \$310M

VE Benefits
FY11 \$53M (YTD)
FY10 \$2.1B
FY09 \$860M
FY08 \$749M

Total Benefits = \$5.163B!



Tactical Partnerships

*Corpus Christi
Army Depot*

*Anniston Army
Depot*

*McAlester Army
Ammunition
Plant*

*Watervliet
Arsenal*

GE

T-700 Engines

**Repair and
Overhaul**



**General
Dynamic Land
Systems**

**M1 Abrams Family
of Vehicles**

**Services &
Technical Support**



**Raytheon
Systems**

XM795 - Excalibur

**All Up Round
Integration**



BAE Systems

**155mm M776
Howitzer**

Cannon Tubes





Global Demand = Shared Opportunities

2007 \$9.0B
3897 Cases

FMS Portfolio by Region

2010 \$14.6B
4657 Cases

Security Assistance Training
Countries: 15
Personnel: 199



COUNTRIES: 54
CASES: 1423
VALUE: \$13B

COUNTRIES: 20
CASES: 867
VALUE: \$17.2B

COUNTRIES: 20
CASES: 1682
VALUE: \$85.3B

COUNTRIES: 31
CASES: 471
VALUE: \$2.5B

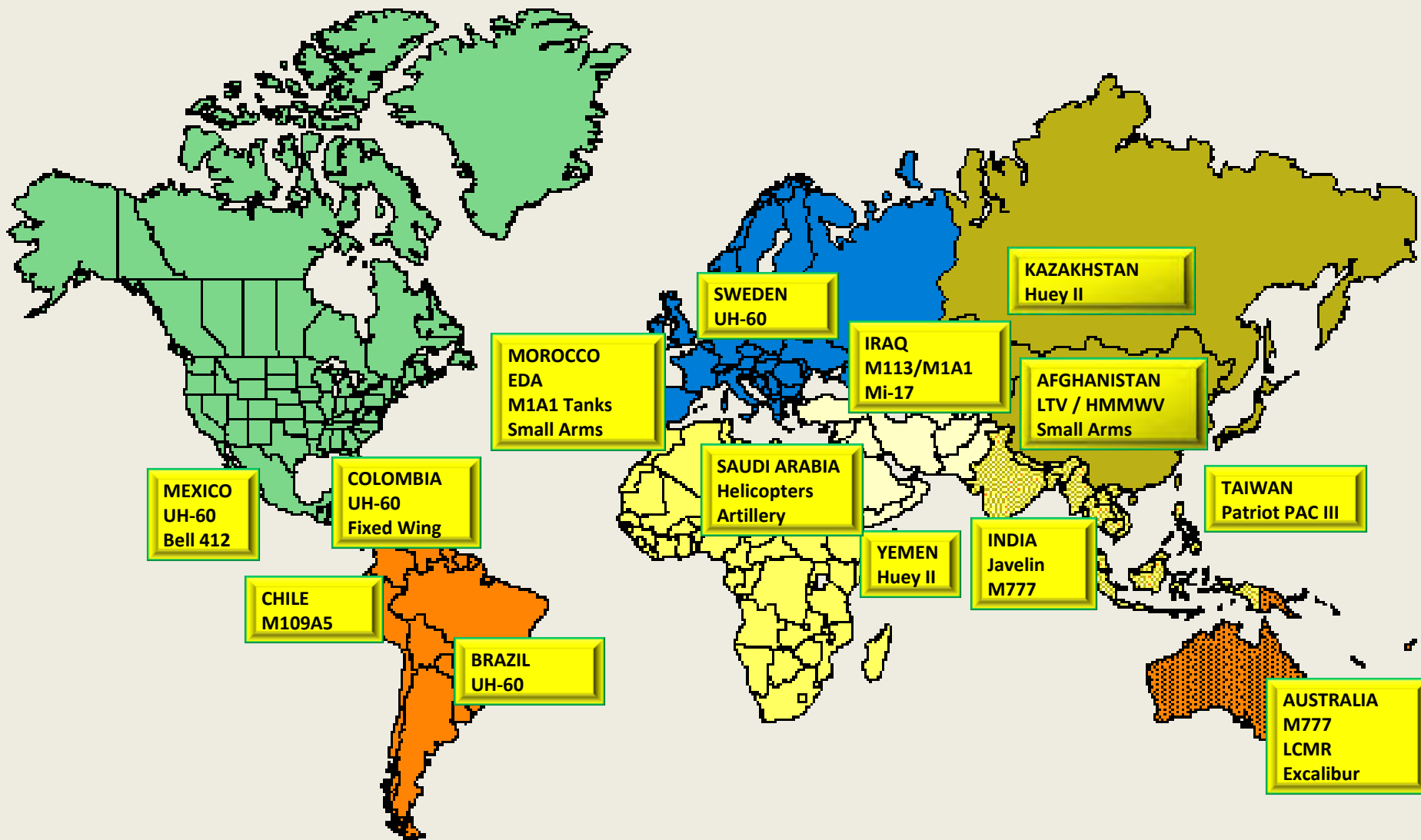
TOTAL ACTIVE FMS
COUNTRIES: 155
CASES: 4657
VALUE: \$118.6B

COUNTRIES: 30
CASES: 214
VALUE: \$564.4M



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FMS a Growing Business



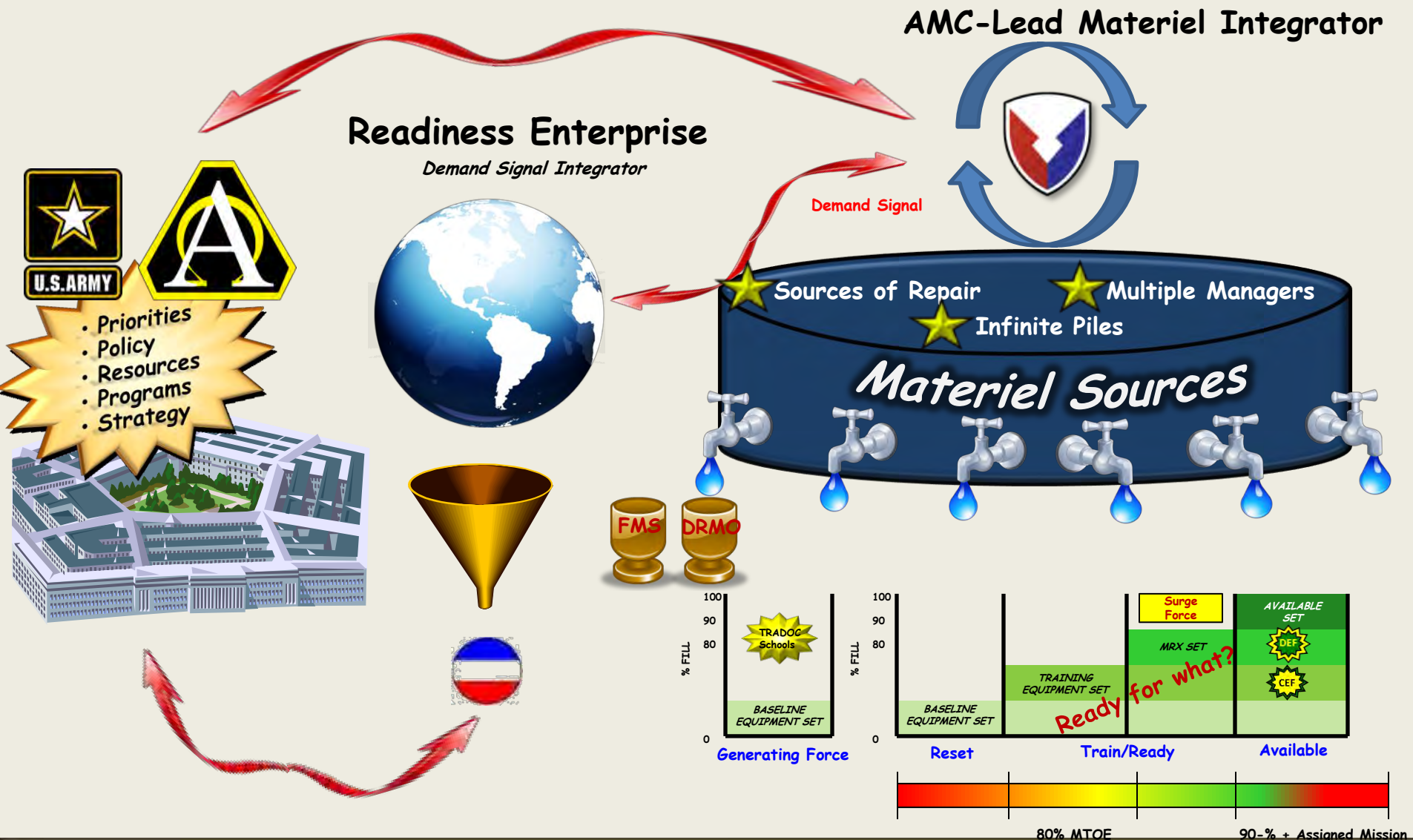
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All Commodities In Demand!



Managing Materiel for the Army

Lead Materiel Integrator develops materiel sourcing solutions IAW Army priorities to support integrated demand signals





Not Business As Usual

- ✓ Institutionalize ARFORGEN Based Rotational Model
- ✓ Eliminate Redundancies
- ✓ Incentivize Efficiencies
- ✓ Enterprise as a Mindset

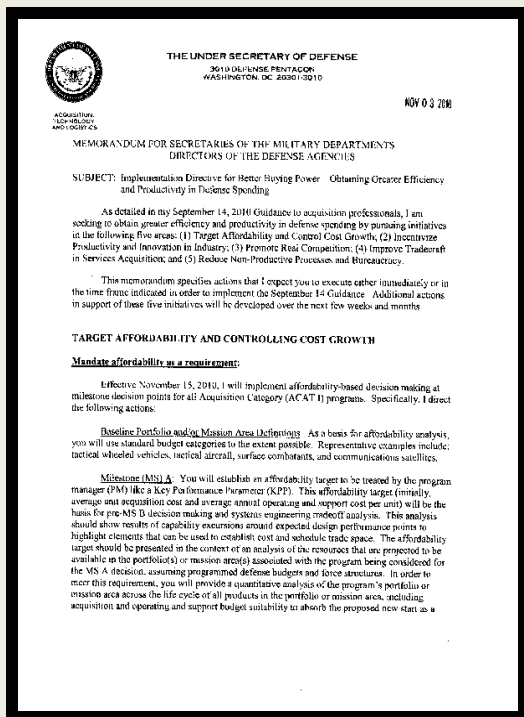
- ✓ Invest in the Most Value
- ✓ Balanced Force
- ✓ Maintain the Combat Edge
- ✓ Cost informed Requirements Process





OSD Better Buying Power Initiatives

Five Key Initiatives



Target Affordability and Control Cost Growth

Incentivize Productivity & Innovation in Industry

Promote Real Competition

Improve Tradecraft in Acquisition of Services

Reduce Non-Productive Processes and Bureaucracy

OSD's Implementation Directive for Better Buying Power (3 Nov 10)

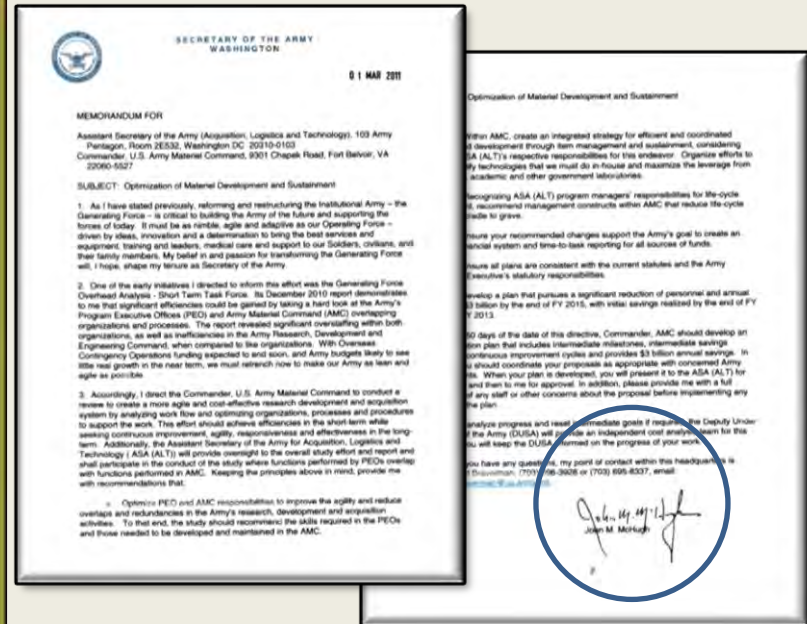


Secretary of the Army Directive

Mission: Conduct a review to create a more agile and cost effective research, development and acquisition system by analyzing work flow and optimizing organizations, processes, and procedures to support the work.

Key Tasks

- 150 day review
- Save \$3B annually by the end of 2015
- Deliberative approach to process and cultural transformation
- Optimize PEO and AMC responsibilities

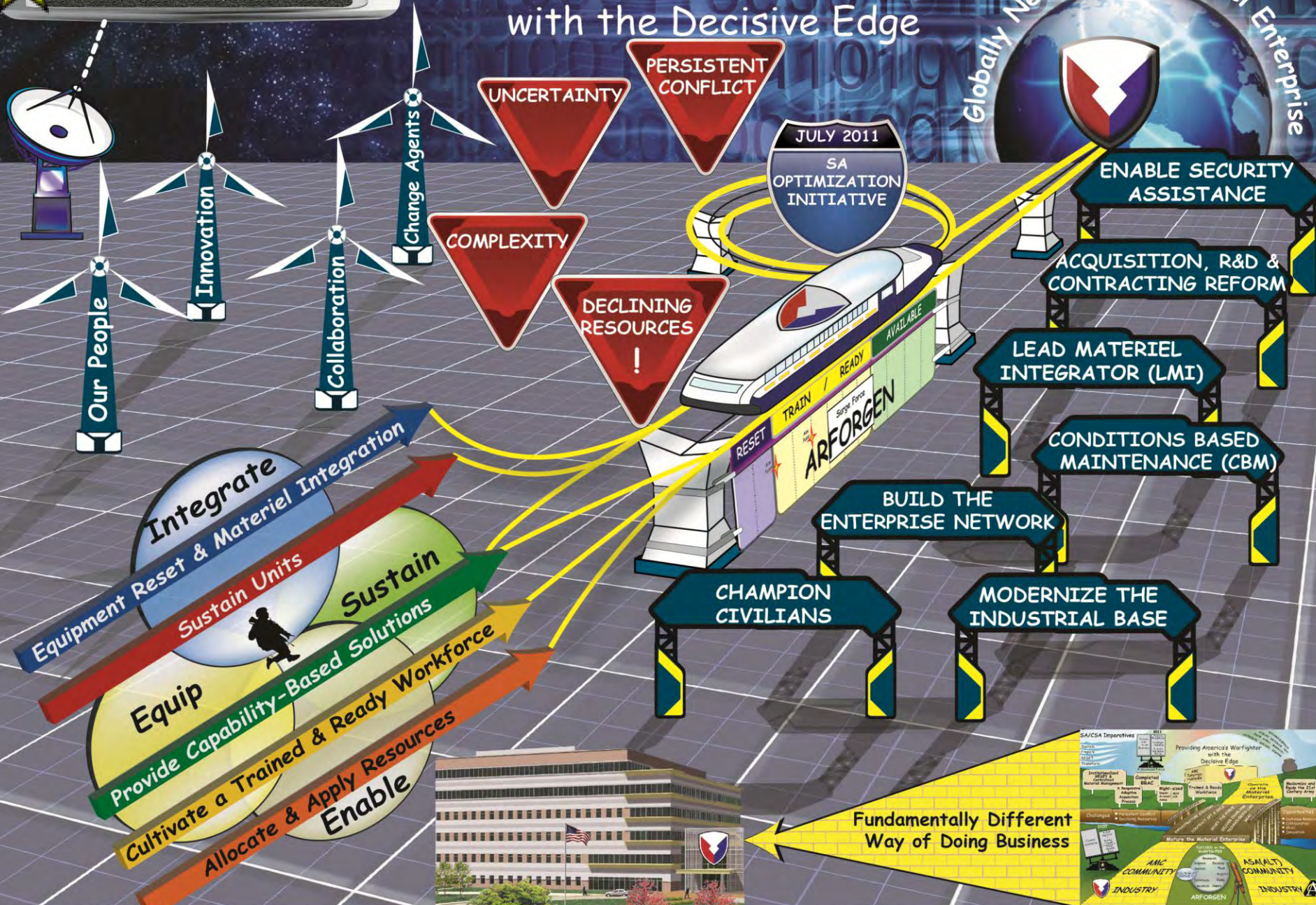


More efficient,
effective, and agile
and free-up
resources to build
the Army of the
future

CSA/SA IMPERATIVE
Continual Adaptation

Providing America's Warfighters with the Decisive Edge

Globally Networked Materiel Enterprise





Taking Care of Our Heroes



Always A Soldier Program



Provide education, training, and employment support to the Soldier who, through no fault of their own, can no longer serve our country in uniform but wants to continue serving our country as an AMC civilian.

AW2
Program,
Transition
Assistance
Program,
Operations
Warfighter

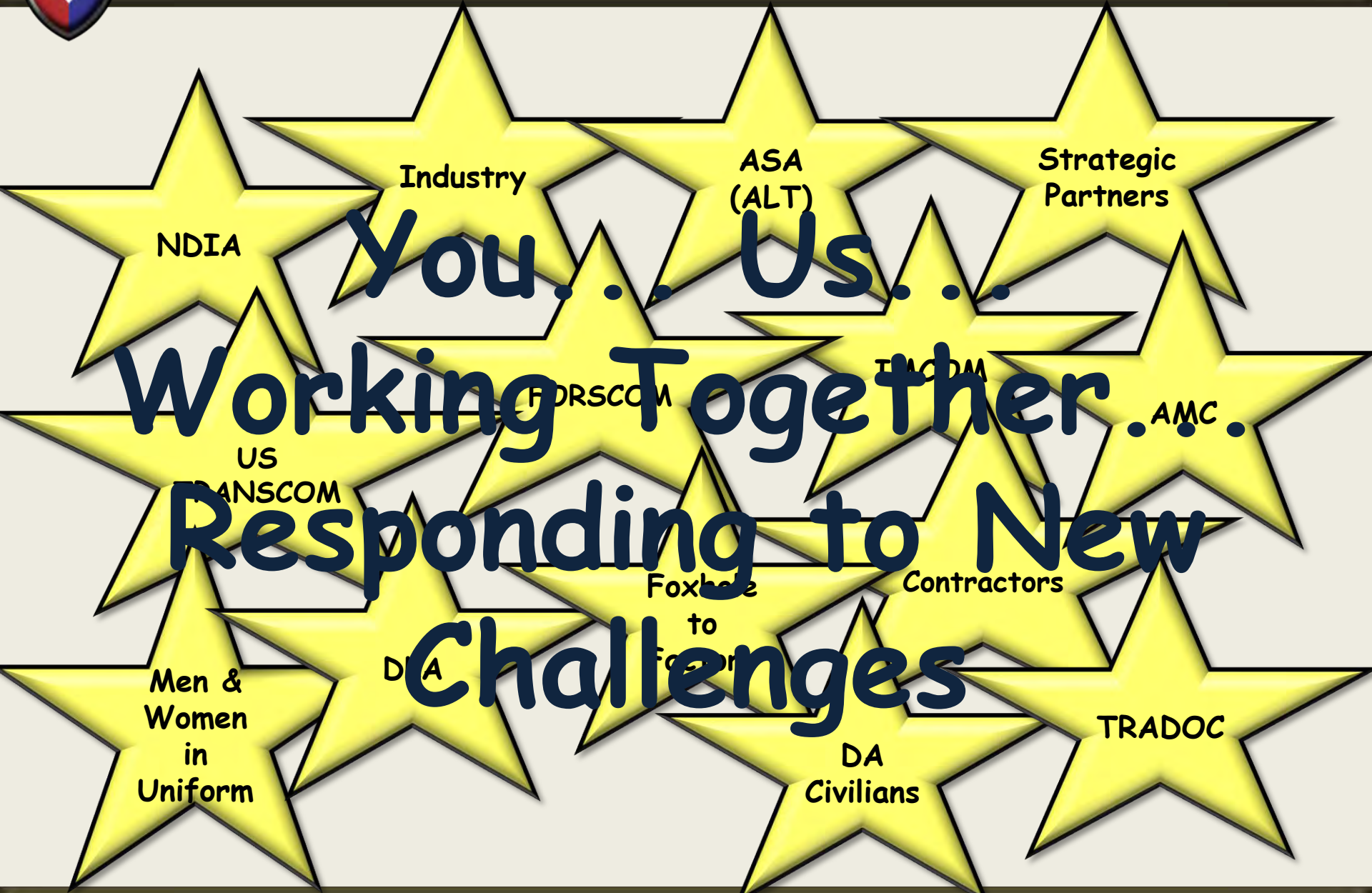
Partnerships



Tangible
Rehabilitation
and
Retraining
Services
(i.e., VA,
ACAP, DoL)



Turning Challenges into Opportunities



Army Materiel Command



NDIA

4-6 Apr 11

Mr. James C. Dwyer

**Deputy Chief of Staff for Logistics,
G-4**

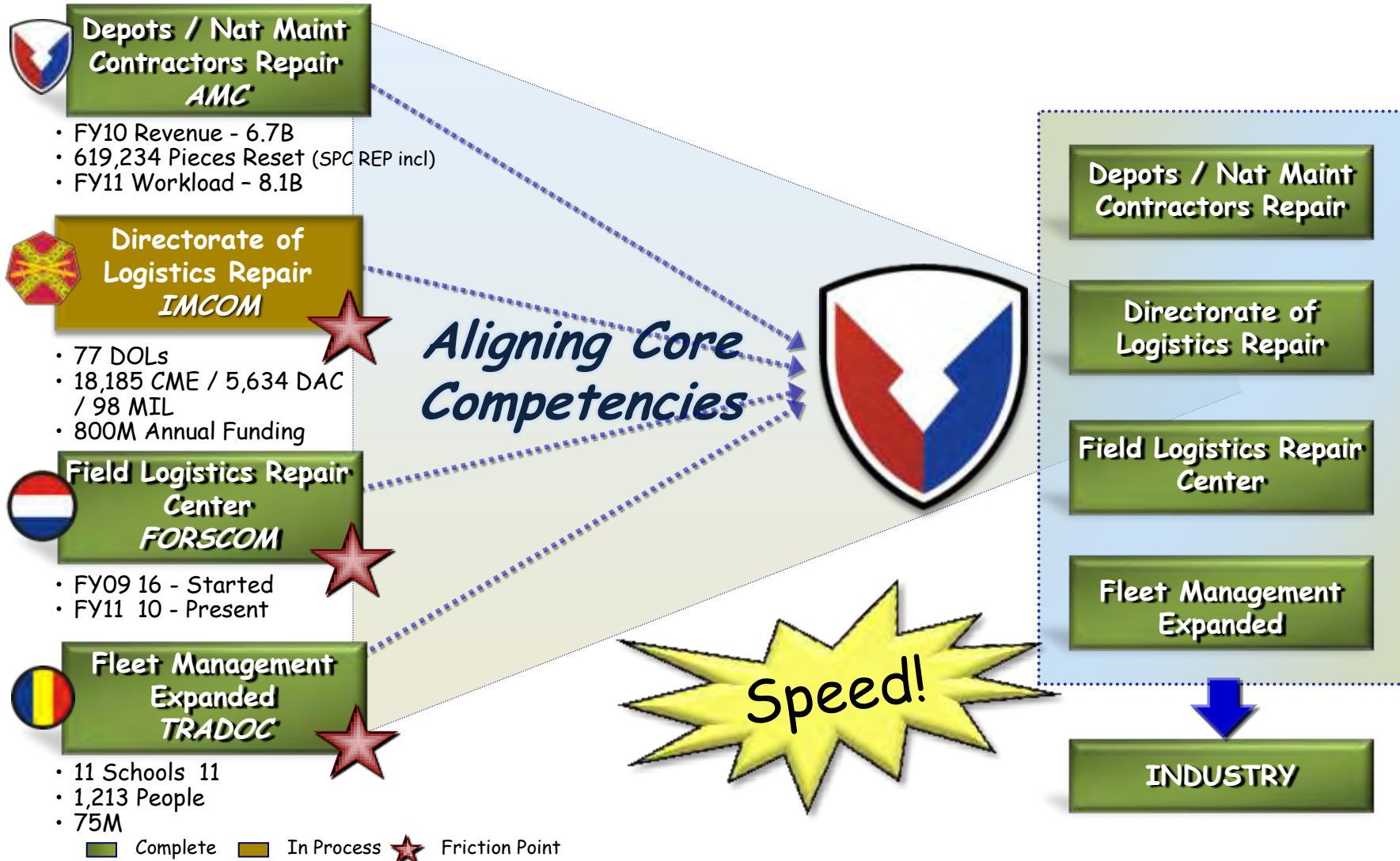


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Adapting the Source of Repair

2007

2011



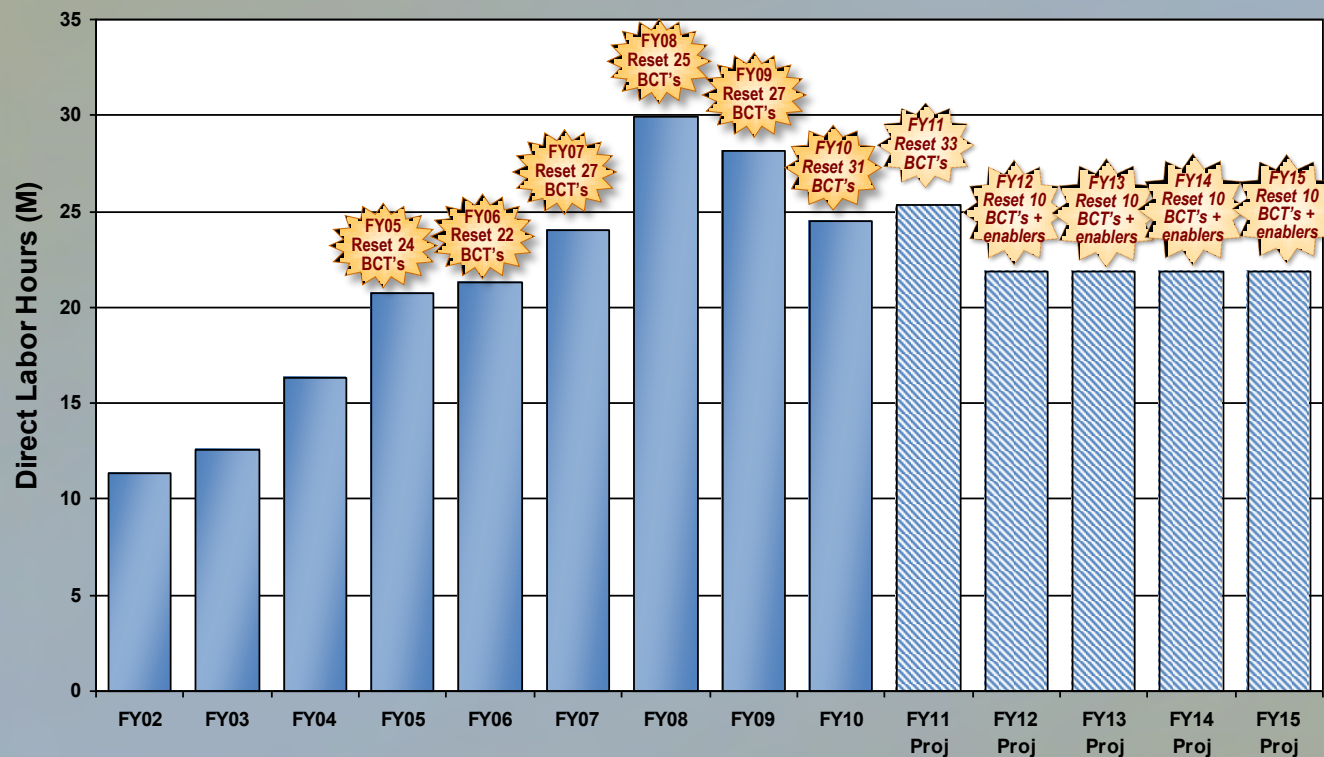
Aligning Core Competencies to Support our Army



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Depot Maintenance - Workload (DLHs)

Actual and Projected



Total - DLHs - Depots Only

Actual FY02 – FY10; Projections FY11 - FY15



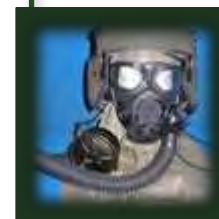
Machine Guns:
Pre-OIF : < 5,000
FY10 : 8,314



Communications:
Pre-OIF : 15,186
FY10 : 109,218
(Incl CEERT)



HMMWV:
Pre-OIF : <100
FY10 : 6,022



Chem-Bio:
Pre-OIF : 7,007
FY10 : 102,966
(Incl CBERT)



Other TWV:
Pre-OIF : < 100
FY10 : 1,374





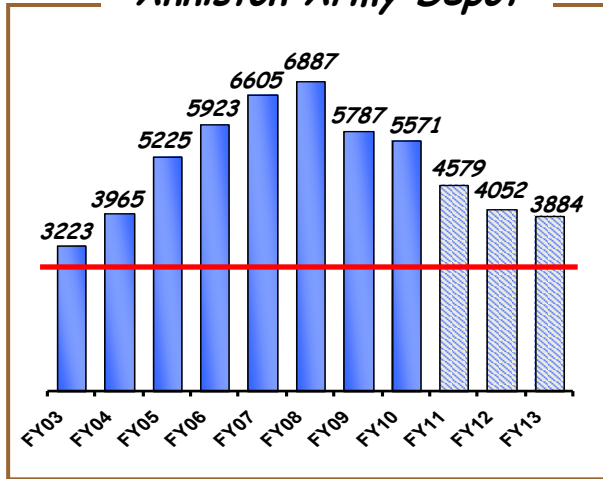
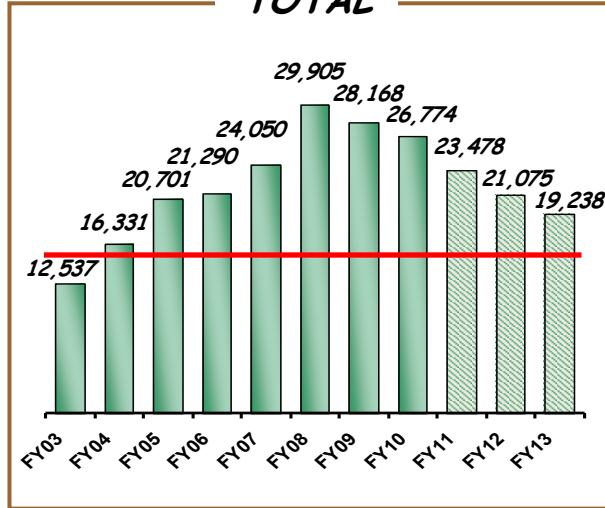
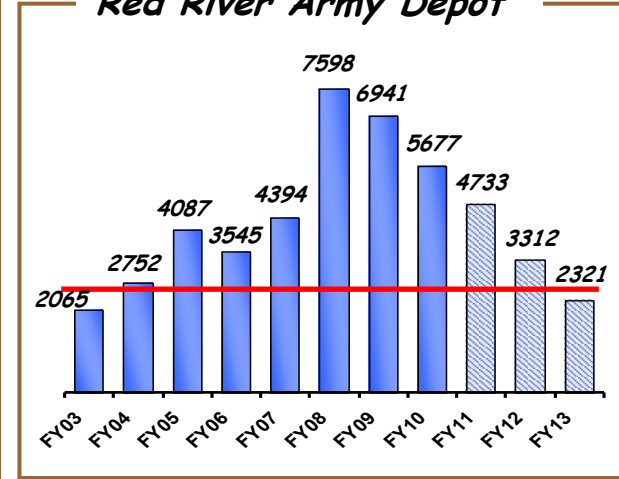
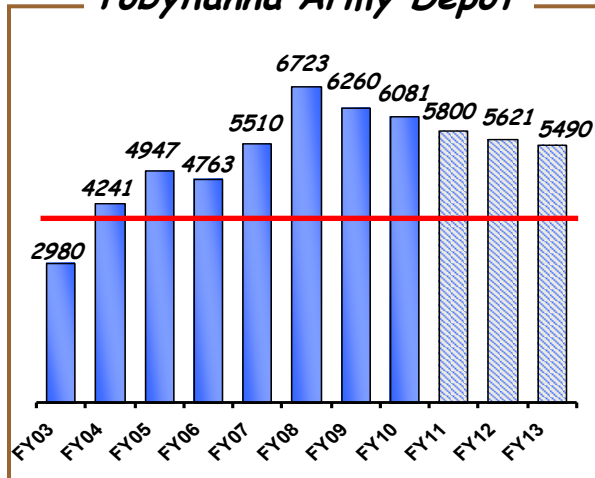
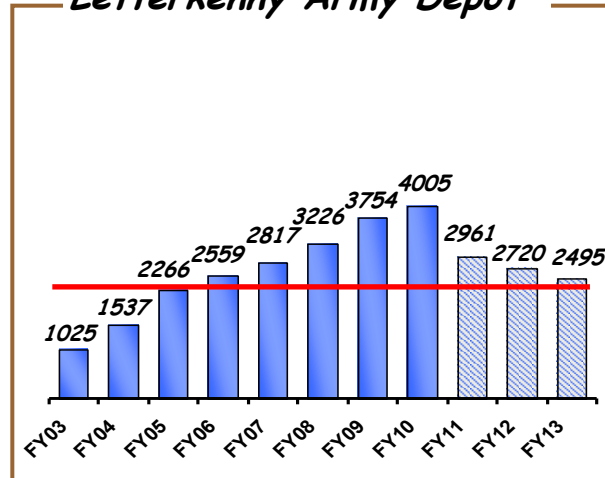
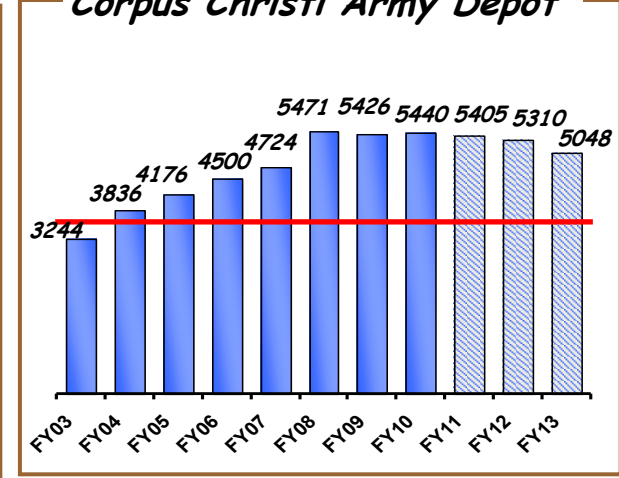
Depot Execution

FY03-FY10 Actual with FY11-FY13 Projections

As of 18 Mar 11

Direct Labor Hours (DLH) (000)

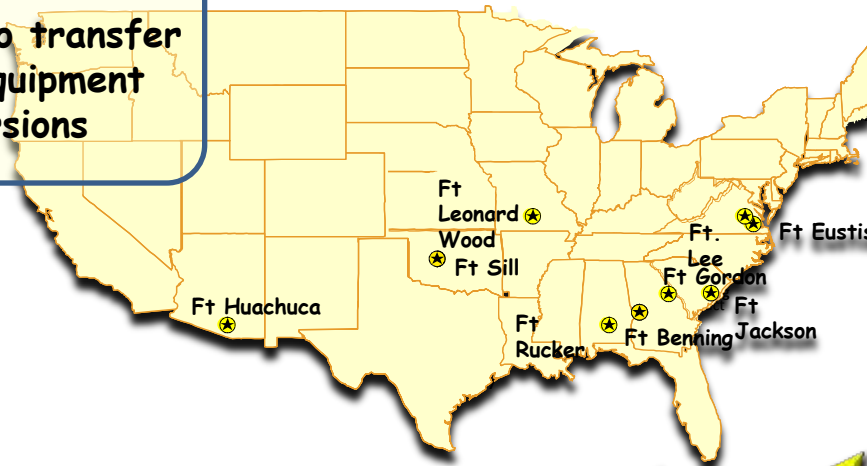
Core = —

Anniston Army Depot**TOTAL****Red River Army Depot****Tobiyhanna Army Depot****Letterkenny Army Depot****Corpus Christi Army Depot**



Fleet Management Expanded

- ✓ 9 FMX Sites
- ✓ 1,213 Auth ~\$75M to transfer
- ✓ \$4M Support tools/equipment
- ✓ 480 Mil to Civ Conversions



Efficiencies Gained

- ✓ Better ARFORGEN Support
- ✓ Equipment Upgrades
- ✓ Fleet Modernization
- ✓ Equipment Fieldings

Overall Operational Readiness Rates

Systems	FY 2007	FY 2010	Army Standard
Ground	90%	93%	90%
Aviation	62%	73%	75%

**\$54M Cost Avoidance
FY 07-11**

✓
**MOA signed
AMC/TRADOC/ACSIM**
to transfer maint to
AMC for TRADOC
training fleet

✓
FMX OPCON: LCMCs
assigned to TRADOC's
Centers of Excellence

✓
**MOA signed
TRADOC and AMC:**
transfer field level
maintenance to AMC

End State: Transfer
the Resources from
TRADOC to AMC
HQDA approved Oct
2012

2007

2008

2009

2010

2011

2012

Fundamentally Different Way of Doing Business!



Directorate of Logistics

77 DOLs - Over 350 Contracts Valued at \$900M Annually

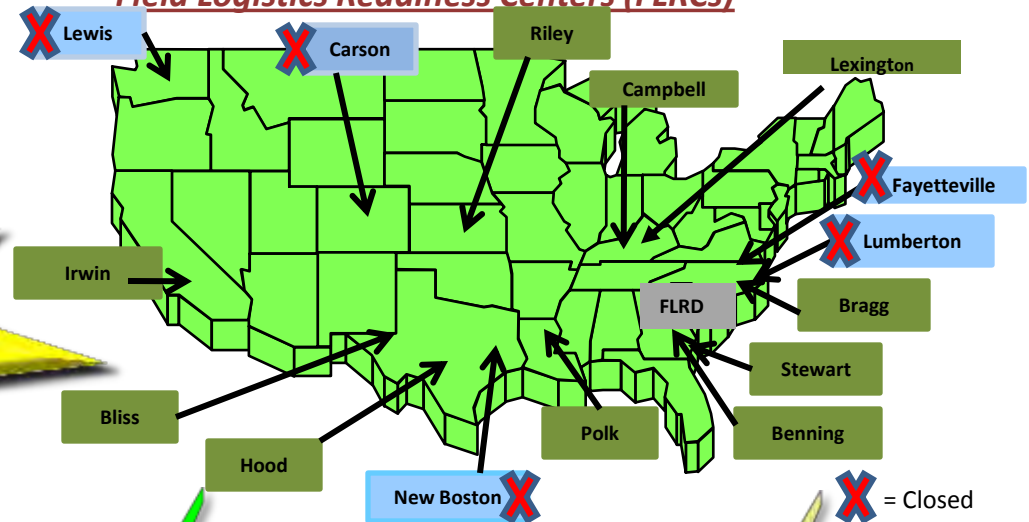
- ✓ 7100+ Army Civilians and Military
- ✓ ~ 15K Contractors
- ✓ \$ Savings Potential:
 - Contract Management
 - Fewer Contracts
 - Contract Management Fees
 - Standardize SOWs

**EAGLE
CONTRACT
STRATEGY**

- AMC Single Logistic Integrator
- ✓ Efficient ARFORGEN Support
 - ✓ One Source of Repair
 - ✓ Right Size the Industrial Base
 - ✓ Eliminate Redundancy

- ✓ 59 of 77 DOLs OPCON'd
- ✓ 5 FLRCs Eliminated
- ✓ >\$1M Overhead Savings
- ✓ >\$100M of parts returned to the wholesale system

Field Logistics Readiness Centers (FLRCs)



X = Closed

MFR; OPCON
Of ME DOL
Functions
(23 JAN 2007)

OPCON MOA:
31 CONUS
Installations
(18 MAR 2008)

MOU: Realign
DOLs to ME
Competencies
(6 MAR 2009)

OPCON:
CONUS DOLs
to AMC
(1 Oct 2010)

OPCON:
USAREUR DOLs
(1 Apr 2011)
Korea DOLs
(1 Jan 2011)

End State
POM 13-17
(Transfer Goal)

2007

2008

2009

2010

2011

2012

Organizing for the Future



FY11 Biennial Core Requirements - DLH

TOBYHANNA ARMY DEPOT	3,958,850
ANNISTON ARMY DEPOT	3,195,274
CORPUS CHRISTI ARMY DEPOT	3,403,586
RED RIVER ARMY DEPOT	2,528,269
LETTERKENNY ARMY DEPOT	2,289,994
SOFTWARE ENGINEERING CENTER (CECOM)	454,579
SIERRA ARMY DEPOT	280,082
PINE BLUFF ARSENAL	212,696
ROCK ISLAND ARSENAL	22,862
WATERVLIT ARSENAL	1,158
TOTAL:	16,347,350

Core is a critical tool
for right-sizing our
depots and arsenals--

*ties our depot
capabilities to
ARFORGEN*

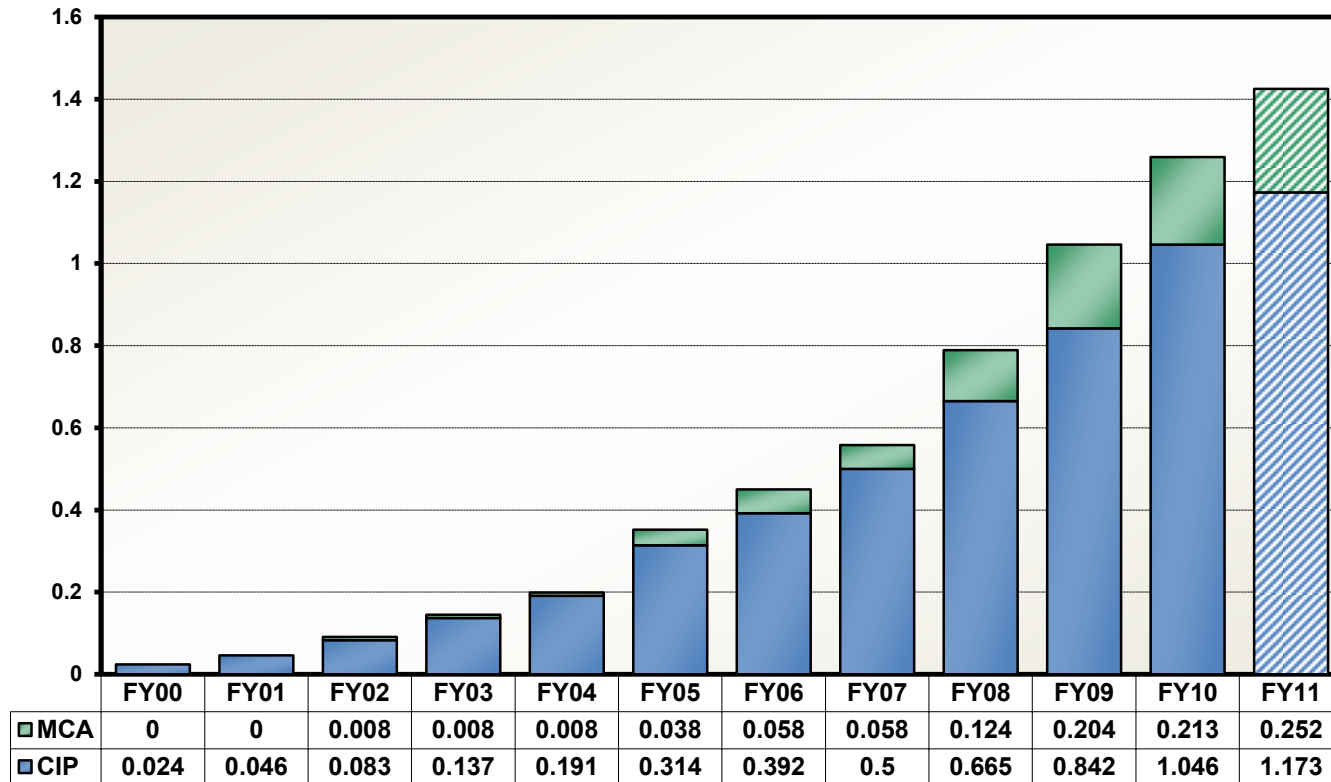
AIRCRAFT	3,647,797	TWV	2,011,376
A/C Components	(2,031,550)	(HMMWV)	(622,097)
UH-60 E.I.	(787,227)	(RCV)	(587,468)
OH-58/CH-47 E.I.	(320,925)	(MRAP)	(286,397)
C-E EQT	3,172,224	(HEMTT)	(137,819)
(Radios)	(1,136,023)	(M900 Series)	(113,747)
(EW)	(500,518)	SUPPORE EQMT	1,500,448
(Avionics)	(443,060)	(Generators)	(416,672)
(SATCOM)	(328,800)	(Chem Defense)	(266,696)
(COMSEC)	(207,979)	(Bridge Eqmt)	(175,927)
CBT Vehicles	3,538,442	ORD WPNS/MSLS	1,272,879
(Abrams)	(1,338,138)	(Patriot)	(721,276)
(Bradley)	(858,719)	(Other Tac MsIs)	(383,212)
(Howitzers)	(337,842)		
(Stryker)	(215,328)		
(M113)	(276,953)		

25 Jan 11



CIP & MCA Investment FY00-FY11

\$B Invested in Depots and Arsenals



Cumulative taxpayer investment of \$1.425B since FY00 in organic industrial capability to support the Warfighter!



Enterprise Capabilities

- ❖ Overhaul/repair/remanufacture
 - ✓ Ground vehicles & helicopters (including components)
 - ✓ Radios, radars & other electronic items
- ❖ Product design, development, engineering & fabrication
- ❖ Heavy and light machining
- ❖ Heat treatment, plating & finishes
- ❖ Wood pallet manufacturing
- ❖ Explosive and propellant production
- ❖ Chemical/Biological protective equipment repair/rebuild





What's Available

❖ Facilities:

- ✓ Manufacturing/repair facilities
- ✓ Warehouses
- ✓ Ranges (firing & test)
- ✓ Secure locations

❖ Equipment (specialized equipment and tooling):





- ✓ Foundry and rotary forge
- ✓ Seven axis machining centers
- ✓ Guided boring of thick wall cylinders
- ✓ Tool, die & gage development/production

❖ Trained workforce:

- ✓ Competent/competitive
- ✓ LEAN Six Sigma experience






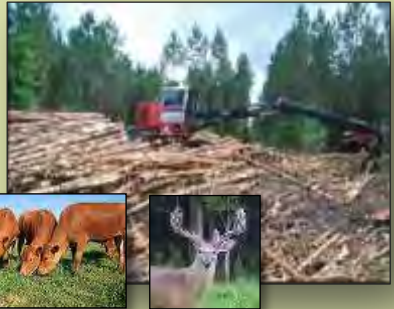
Partnership Examples

<i>Corpus Christi Army Depot</i>	<i>Anniston Army Depot</i>	<i>McAlester Army Ammunition Plant</i>	<i>Watervliet Arsenal</i>
<p>G E</p> <p>T-700 Engines</p> <p>Repair and Overhaul</p> 	<p>General Dynamic Land Systems</p> <p>M1 Abrams Family of Vehicles</p> <p>Services & Technical Support</p> 	<p>Raytheon Systems</p> <p>XM795 – Excalibur</p> <p>All Up Round Integration</p> 	<p>BAE Systems</p> <p>155mm M776 Howitzer</p> <p>Cannon Tubes</p> 



Partnership Examples

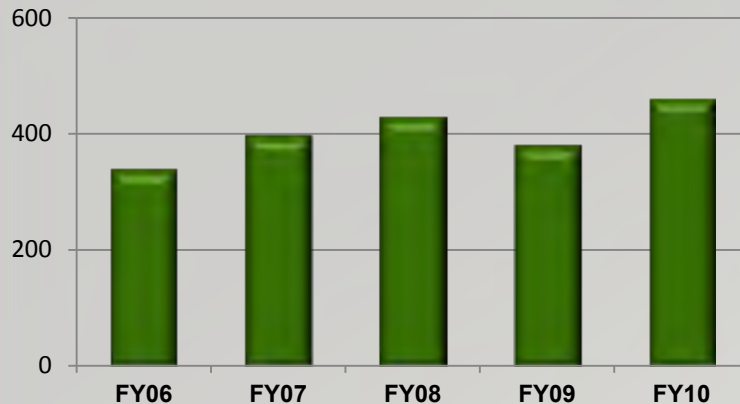
Non-Traditional

<i>Pine Bluff Arsenal</i>	<i>McAlester Army Ammunition Plant</i>	<i>Milan Army Ammunition Plant</i>	<i>Bluegrass Army Depot</i>
Lindsey & Osborne Railcar Storage 	William Woods EXPLO Systems Wood Pallet Manufacturing 	Greenway Nursery Commercial Plant Nursery 	Various Partners Agricultural Land Lease and Wildlife Management 

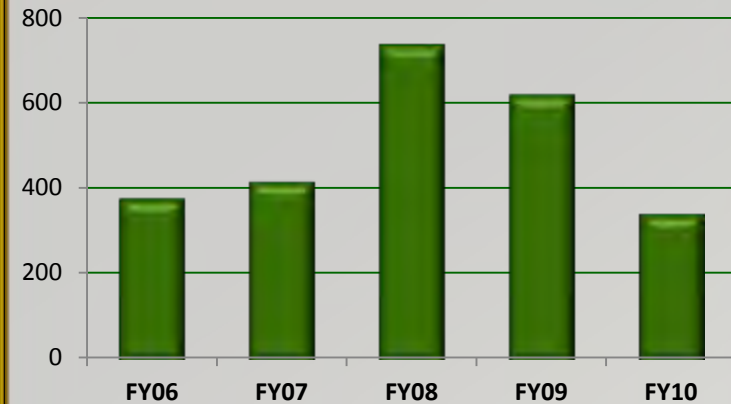


Partnerships are Big Business

Number of Partners



Revenue (\$M)



Sample of Industry Partners

AAI Corporation
ATK
AM General Corporation
Amtec Corporation
BAE Systems
The Boeing Company
CACI International, Incorporated
DRS TAMSCO Manufacturing

General Dynamics Corporation
Gradient Technologies Inc
Honeywell International, Inc.
Lockheed Martin
Oshkosh Corporation
Raytheon Systems
Rockwell Collins
Sikorsky Aircraft

PLUS Many More . . .

Defense Contract Audit Agency

**Presentation to NDIA
April 5, 2011**

Protecting the Taxpayer



Supporting the Warfighter

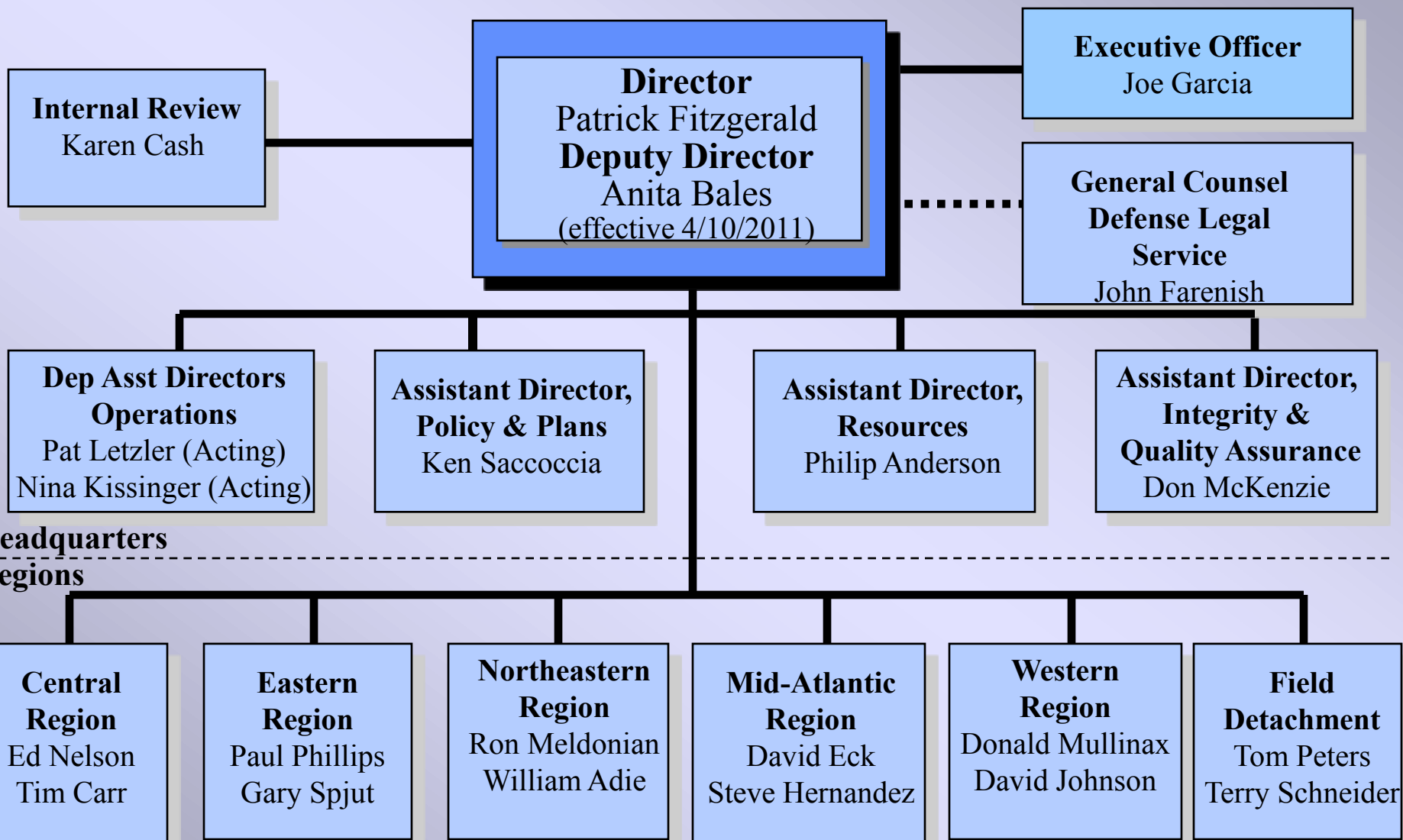


**Patrick Fitzgerald
Director, Defense Contract Audit Agency**





DCAA Organization





Agency Priorities

- Strengthening DCAA's Talented Workforce
- Delivering High Quality Services and Products
- Requirements/Workload and Resources
- Supporting Overseas Contingency Operations
- Improve Communications and Working Relationships with Stakeholders





Deliver High Quality Services and Products Accomplishments

- Established proposal walk-through and early identification of issues/inadequacies
- Initiated Raytheon CAC pilot project
- Issued extensive changes to audit guidance, procedures and processes.
- Agency-wide Audit Training Initiative – QA/Policy Training by April 2011.
- Authorized additional management/supervisory position to allow more time on audits.
- Held Agency- wide FAO Managers Conference.



Requirements/Workload and Resources Accomplishments

- Working with Stakeholders to defer or divest low risk workload - will allow DCAA to focus on higher risk work with larger payback to Warfighter/Taxpayer.
- Added 500 new employees over the last 2 years
- DPAP Memorandum (1/4/2011), “Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending: „Align DCMA and DCAA Processes to Ensure Work is Complementary”
 - ➔ Increased Thresholds for Price Proposal Audits
 - ➔ Forward Pricing Rate Agreements/Forward Pricing Rate Recommendations
 - ➔ Financial Capability Reviews
 - ➔ Purchasing System Reviews
 - ➔ Contractor Business Systems Rule



Improve Communications and Working Relationships with Stakeholders

Making a concerted effort to engage with stakeholders:

- Issued “Rules of Engagement”.
- Initiated regular high level meetings with contracting community.
- Executives participated at speaking engagements with DoD Procurement and Contractor Associations.
- Issued Joint DCAA/DCMA Directors Memorandums.
- Issued Guidance in support of DPAP Memorandum – Resolving Contract Audit Recommendations.



DCAA Rules of Engagement

- Issued guidance on establishing open and effective communications with all stakeholders
- Rules cover communications during each phase of the audit:
 - ➔ Establishing the engagement
 - ➔ Entrance conference
 - ➔ During the audit
 - ➔ Exit conference
 - ➔ Post report issuance
 - ➔ Negotiations



PROPOSED DFARS RULE (1/15/2010)

on Contractor Business Systems

- Contractor business systems and internal controls – the first line of defense against waste, fraud, and abuse
- Proposed Rule
 - ➔ defines systems as accounting, estimating, purchasing, EVMS, MMAS, and property management, and
 - ➔ defines and establishes specific criteria for each business system & provides for withhold provision when a business system contains deficiencies.
- DCAA
 - ➔ aligning its review of contractor's business systems with the proposed rule
 - ➔ proposed process includes reporting contractor compliance with DFARS criteria and reporting any deficiencies to contracting officer for their determination for approving or disapproving business system.



Contractor Support to Facilitate a More Timely Audit Process

- Adequate contractor submissions and assertions
- Adequate supporting data in a timely manner and timely access to **key** contractor personnel responsible for contractor support
- Real-time DCAA access to contractor systems



Defense Contract Audit Agency

Additional information on DCAA
and Points of Contact available at
www.dcaa.mil



Army Materiel Command



Progress Report on Achieving Efficiency and Productivity Initiatives

**"...reforming and restructuring the Institutional Army - the Generating Force - is critical to building the Army of the future and supporting the forces of today."
- The Honorable Mr. John M. McHugh, 01 March 2011**



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Translating Intent into Action



Oct 2008
ACC IOC



Oct 2009
ACC FOC



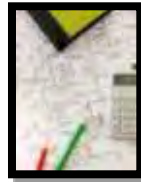
Oct 2010
**CONUS DOLs
OPCON to AMC**



Dec 2010
**Short Term
TF Report**



March 2011
**Optimization
Directive**



July 2011
**Optimization
Plan**



Sep 2008
**AMC HQ
Groundbreaking at
RSA**



Oct 2009
R2TF FOC



Oct 2009
**Special
Installation
Pilot**



Jan 2010
**Haiti Relief
Support**



Jul 2011
AMC at RSA



Oct 2011
FMX FOC



Apr 2011
**LMI/LIW
Full Scale Pilot**



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Efficiencies...Getting There

LMI Directive

SecArmy's
Generating Force
Reform Program TF

Better
Buying
Power

Business Executives
for National
Security Study

Reno Report

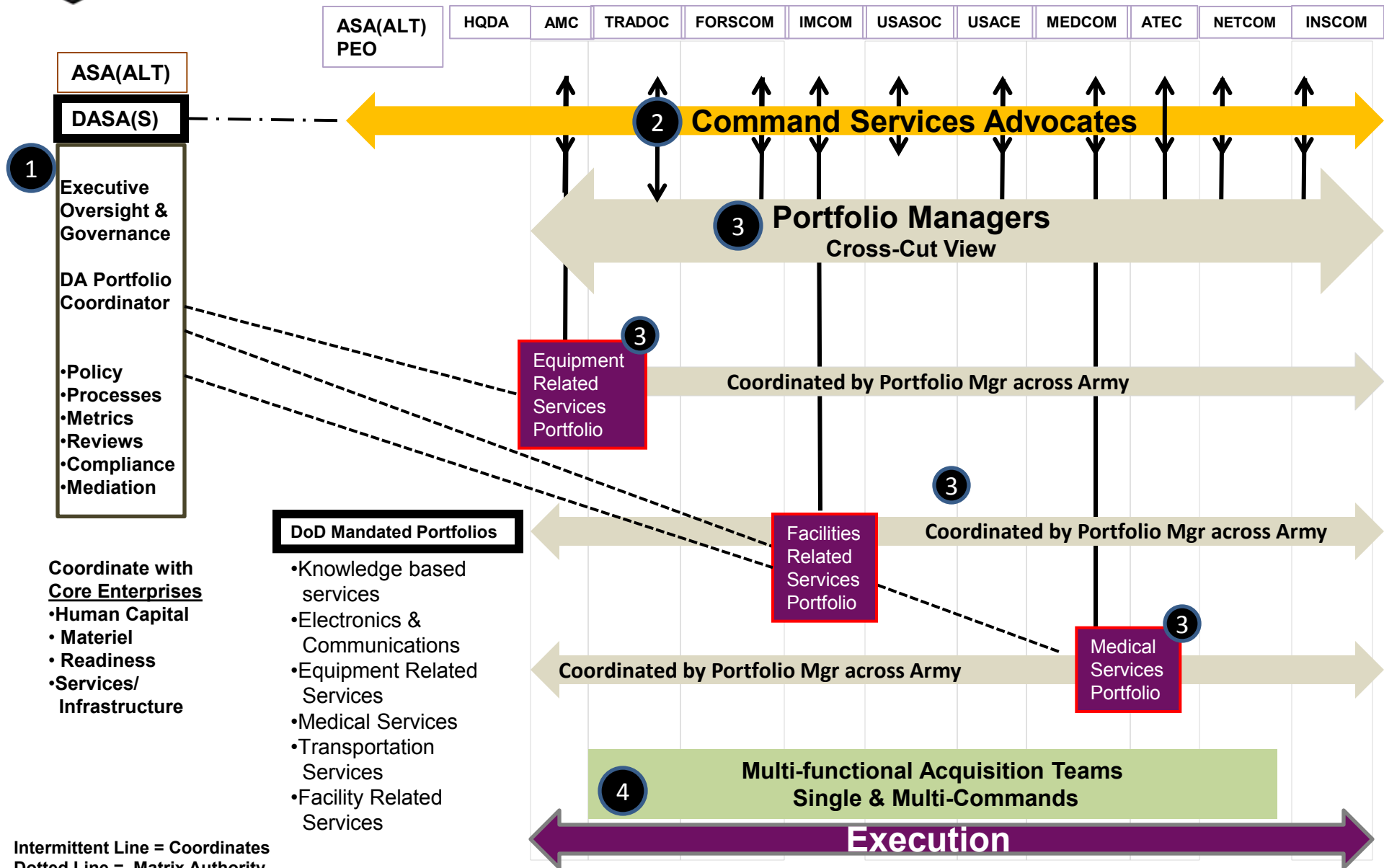
Fulfilling Gansler
Study
Recommendations

Track Four Efficiency
Initiatives Decisions

Wagner-Decker Study
Recommendations



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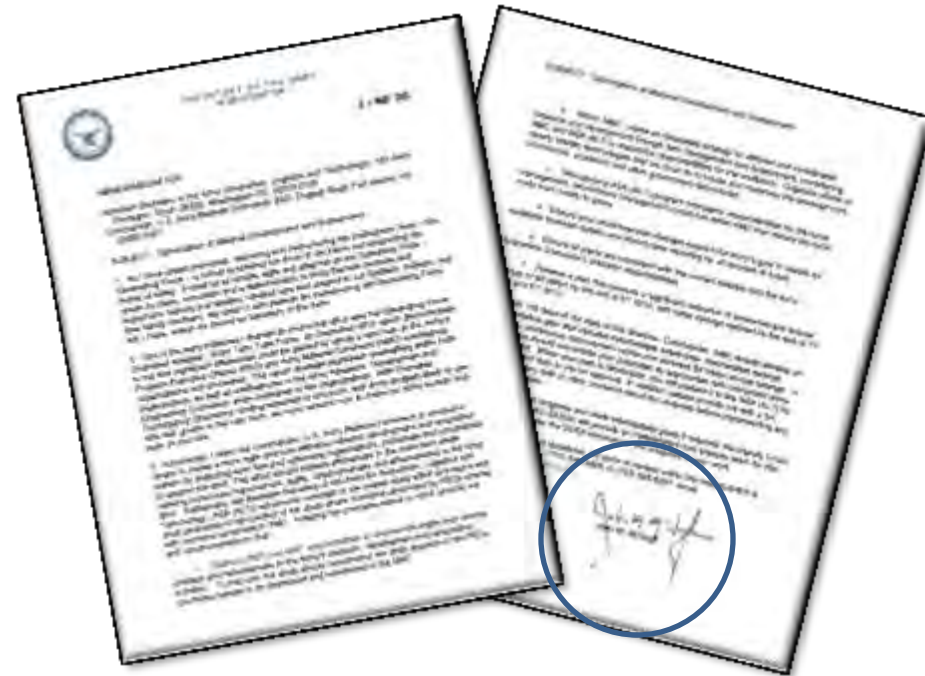
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Secretary of the Army Directive

Mission: Conduct a review to create a more agile and cost effective research, development and acquisition system by analyzing work flow and optimizing organizations, processes, and procedures to support the work.

Key Tasks

- 150 day review
- Save \$3B annually by the end of 2015
- Deliberative approach to process and cultural transformation
- Optimize PEO and AMC responsibilities



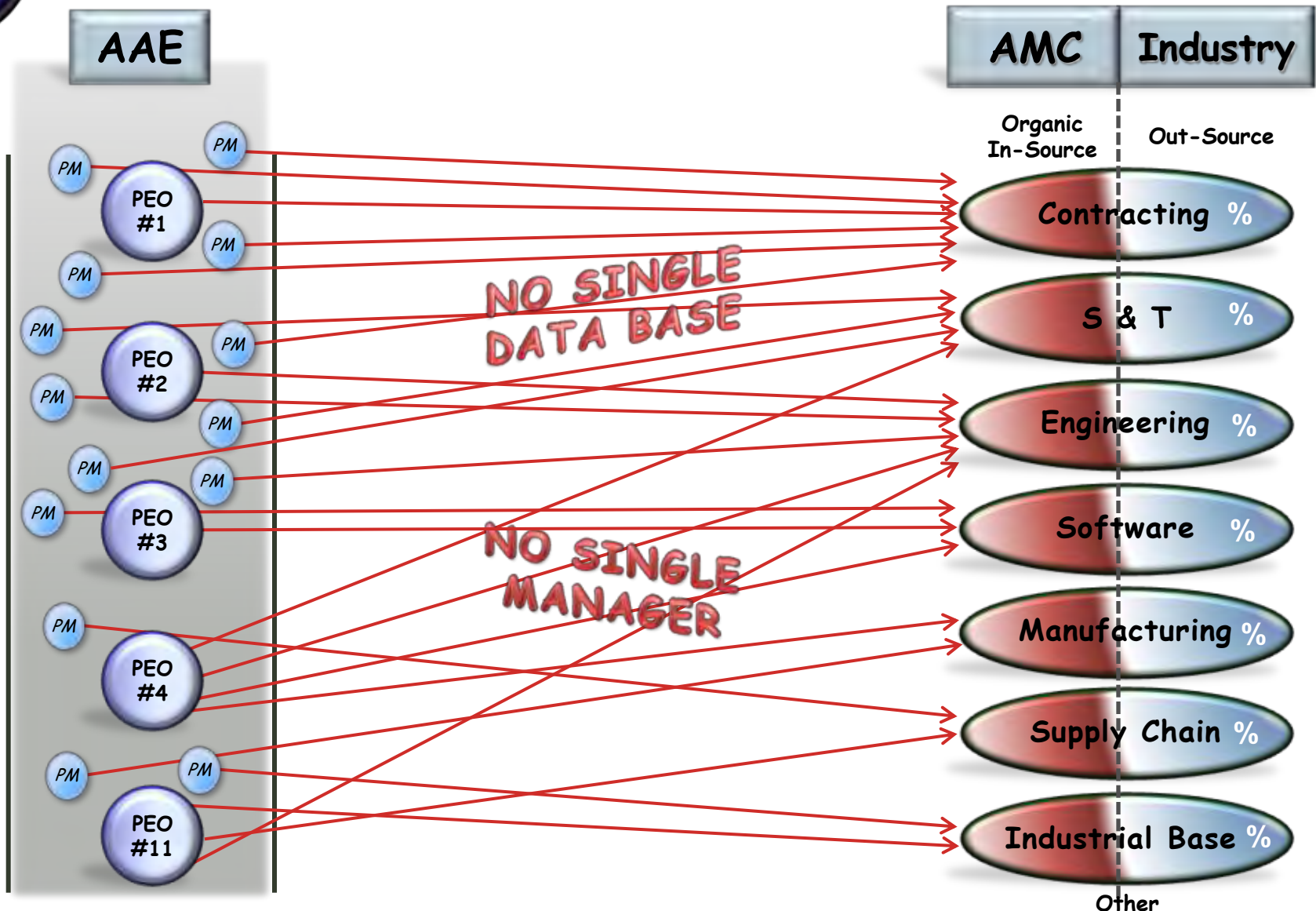
*More efficient,
effective, and agile
and free-up
resources to build
the Army of the
future*

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As Is



Limited Transparency & Accountability

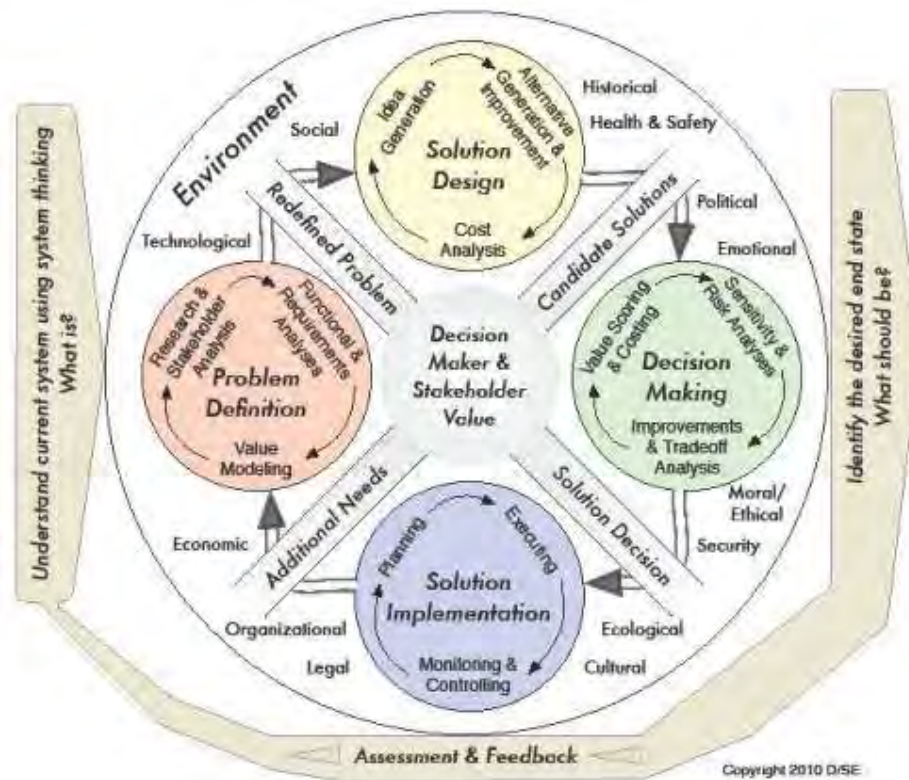
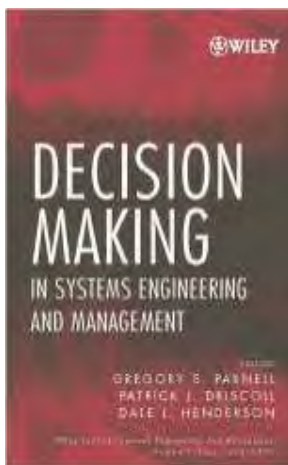
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Analytic Approach

Apply approach widely implemented in Government and Industry to analyzing large-scale systems



Parnell, G. S., Driscoll, P. J., and Henderson D. L., Editors, **Decision Making for Systems Engineering and Management**, Wiley Series in Systems Engineering, Andrew P. Sage, Editor, Wiley & Sons Inc., 2008

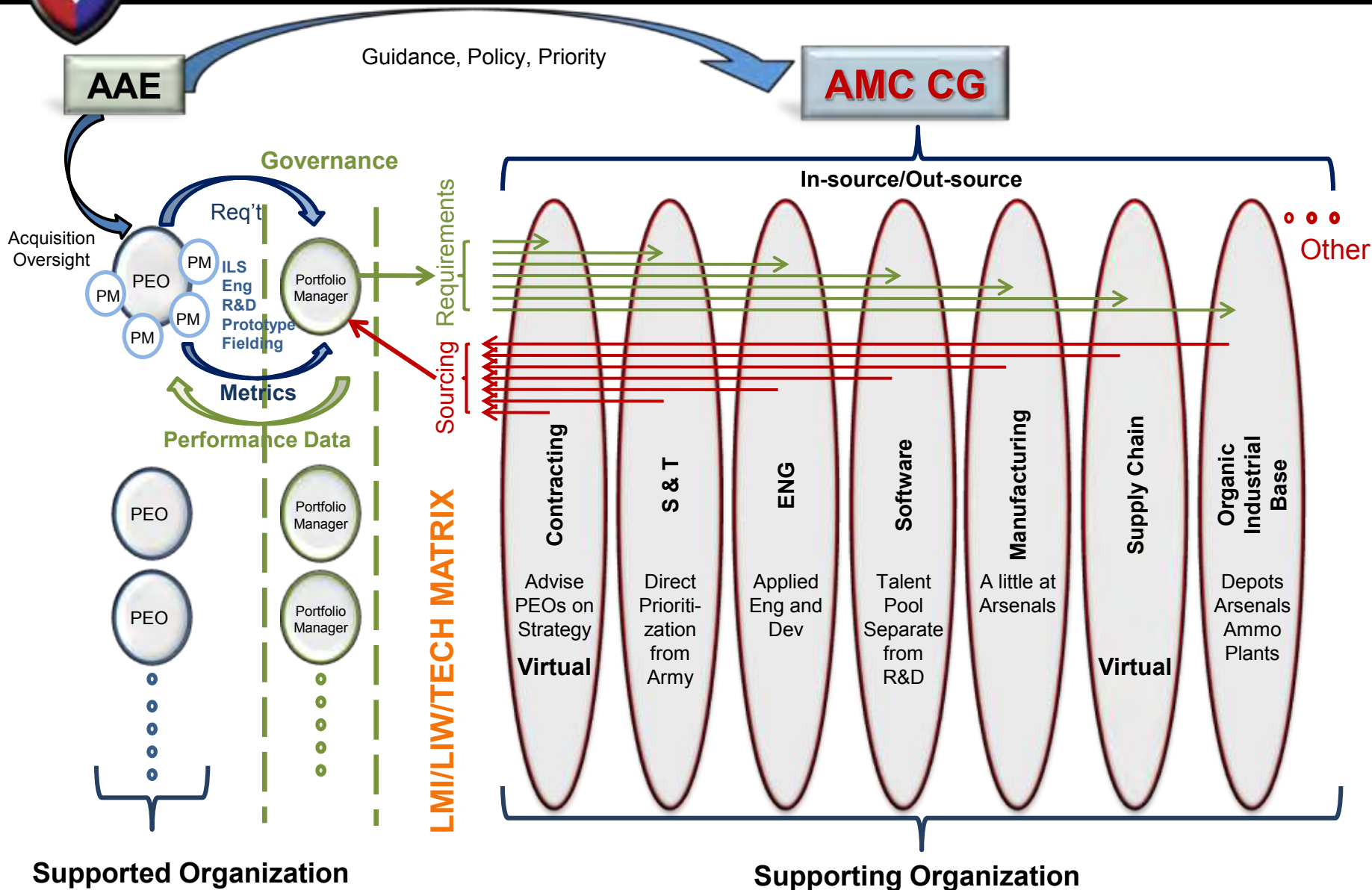
Decision Making in Systems Engineering and Management

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Framework for Discussion



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How You Can Assist

AMC Point of Contact:

Mr. Mark Morrison

Phone: 703-806-8287

Email Address:

mark.lindell.morrison@conus.army.mil



Send your
good ideas
to:

Not later than 15 April 2011

Army Materiel Command



Back-Up

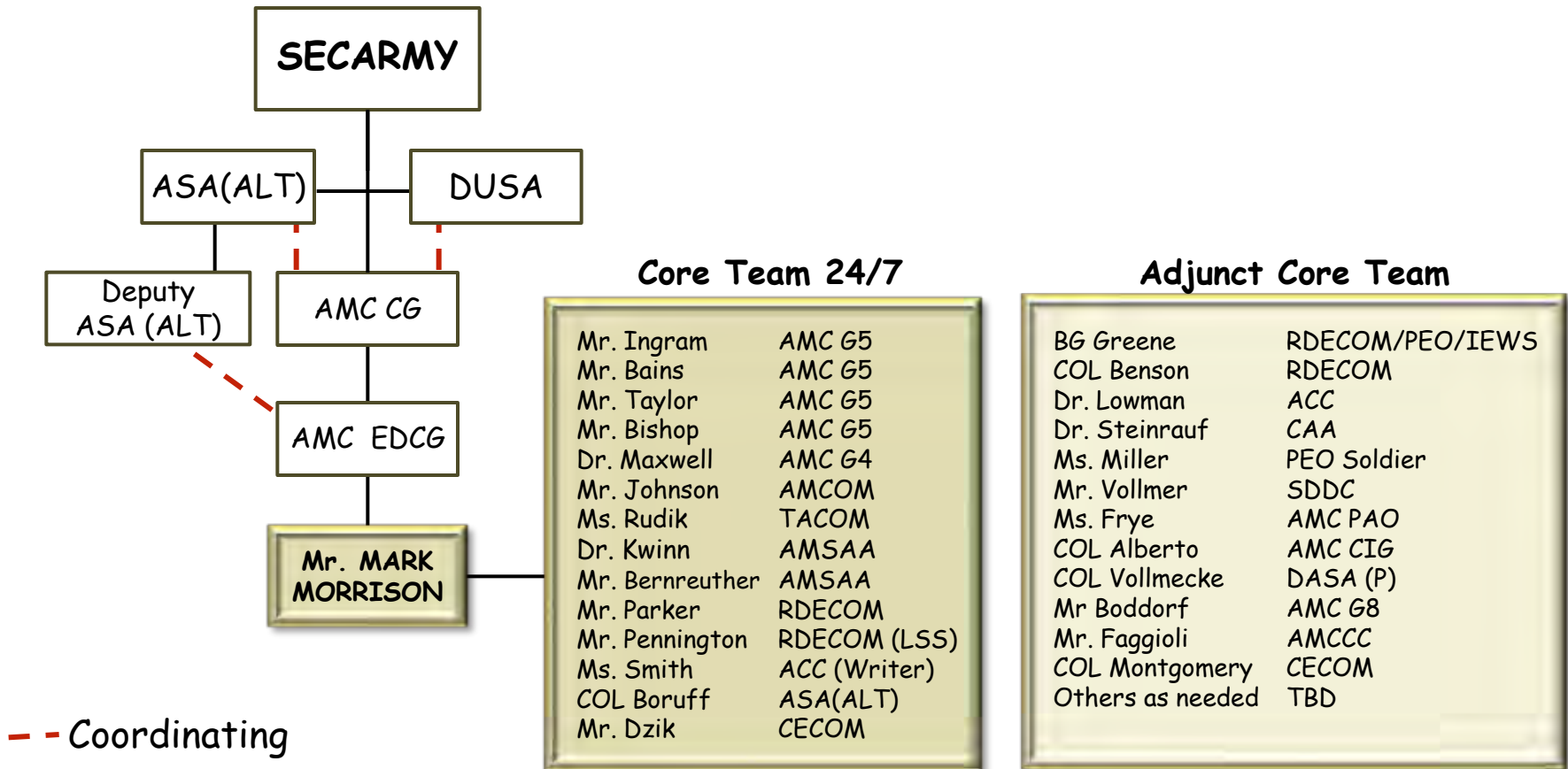


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4/14/2011 1:38 PM



Core Team and Adjunct Core Team

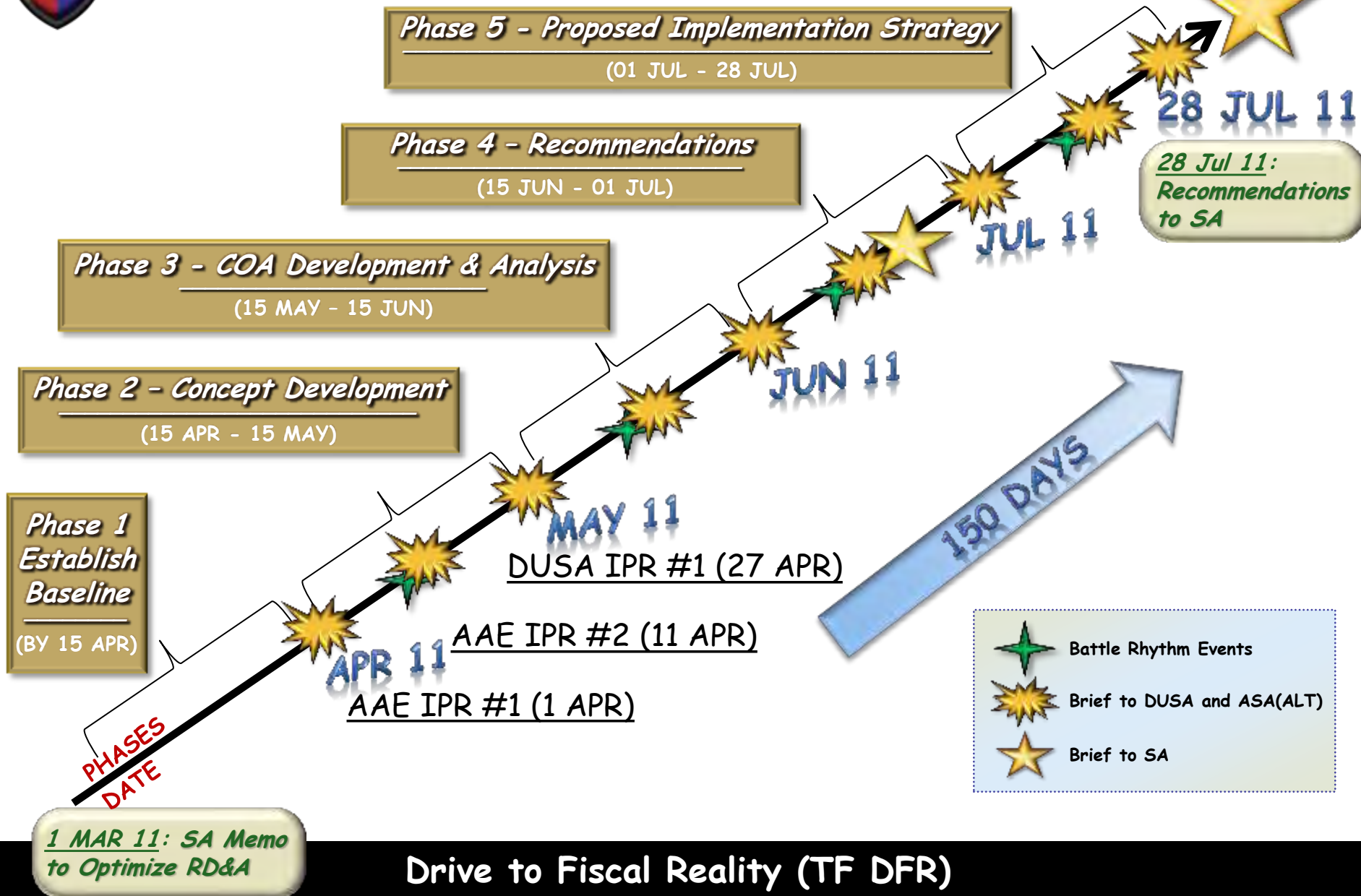


* AMSAA is providing additional personnel on a temporary basis to augment the effort



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Time Line



Drive to Fiscal Reality (TF DFR)

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Congress and the U.S. Army: A Look Ahead

36th Annual NDIA Atlanta Executive Seminar

5 April 2011

**Mr. Bernard Ingold
Office of the Chief Legislative Liaison**

- Congress During Last Decade
- The 112th and Congressional Trends
- Future Congressional Issues and Impact on Army



We the People

The Congress shall have the power: *“To provide for the common defense. . .To raise and support Armies. . .To provide and maintain a Navy . . .To make rules for the Government and Regulation of the land and naval forces. . .To declare war. . .And to make laws which shall be necessary and proper for carrying out the foregoing powers.”*

--Article 1, Section 8, *The Constitution of the United States*





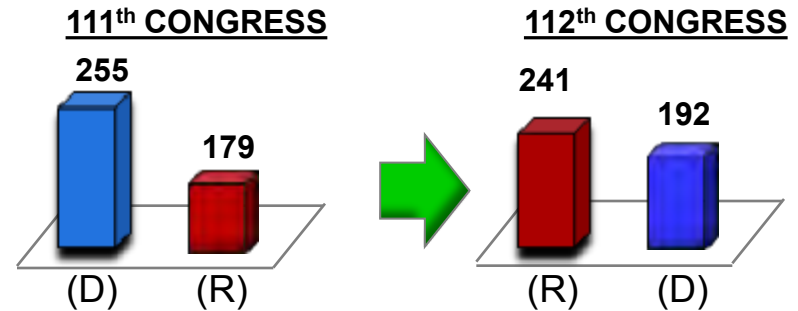
“Many departments are tied-up in a morass of Lilliputian do's and don'ts.”
White House Budget Request for Fiscal Year 2003

- Broad General Support for the Army and DoD:
 - Operations (OIF, OEF, OND, GWOT)
 - Initiatives (Transformation, modernization, restationing, BRAC, modularity, NSPS)
 - Funding Requests (Base and Supplemental)
 - Marginal Modifications to Major Weapons Systems
- Limited Oversight over Programs and Policies
- Acquiescence to Executive Agency National Security Actions (Detainee Policies, Patriot Act)
- Both Parties Strive to Be “Strong on Defense”
- Proactive in Soldier Safety and Welfare
 - Soldier Protection: Body Armor, MRAPs, Up-Armored Humvee
 - Care for Wounded Warriors
 - Counter IED, UAV
 - Family and Quality of Life Programs



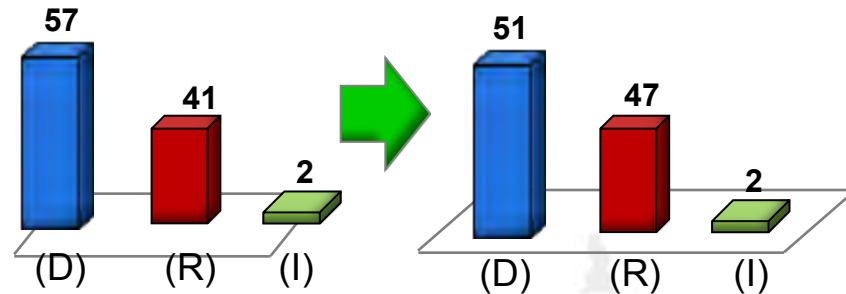
House of Representatives:

- Shift in party control (241-R/192-D)
- GOP gained net 63 seats
- All Committees have new chairs
- Agenda and rule changes
- New members will have impact
- 91 Veterans
- 3 Members of NG and 3 Reserve



U.S. Senate:

- Dem majority decreased (53-D/47-R)
- GOP gained net 6 seats
- Some Committee leadership changes
- Republican leaders have more leverage
- Easier for GOP to obtain cloture
- 26 Veterans
- 2 Members of NG and 1 Reserve



Changing House Landscape

■ Tea Party Influence:

- Internal Republican debate on defense cuts
- Newcomers insist all programs are “on the table”
- Freshmen more likely to vote against leadership
- Republican calls for defense cuts could embolden Democrats
- Skeptical of government

■ Democrat Trends:

- Democrats more liberal and from urban coasts
- Blue Dog Democrats virtually wiped out in 2010
- Committed to social welfare programs

■ New House Rules Will Have an Impact:

- More amendments to be allowed
- Less power for committee chairmen and leadership
- More opportunities for Democrats
- Limits on Earmarks

House Leadership Shifts to Heartland

● 111th Congress ● 112th Congress



- Favorability ratings of Congress at all time low
- Members with military service declining
- Members of both parties want them to move rightward
- Cong. leadership weakened by free agent Tea Partiers
- Social media and ideological journalism making an impact
- Polarization between parties increasing
- Less room for compromise



*Yogi Berra: "It's tough to make predictions, especially about the future."



- Congress Experiencing Fundamental Generational Change:
 - Congress increasingly populated by post-Cold War politicians
 - Past two decades saw departure many who shaped modern military (Reps. Aspin, Spence, and Skelton; Senators Nunn, Warner, Thurmond, Kennedy, Byrd)
 - Members with military service low by postwar standards*
 - Limited knowledge of military
 - More retirements are on the way

- New Post-Cold War Members to Shape Future:
 - Uncertain about effectiveness of military power and preparedness
 - Questions on Iraq and Afghanistan; was bang worth buck?
 - Libya outcome could have huge repercussions
 - Deteriorating fiscal picture hangs over everything

*391 vets in 91st Congress and 117 in 112th



Sense of Congress

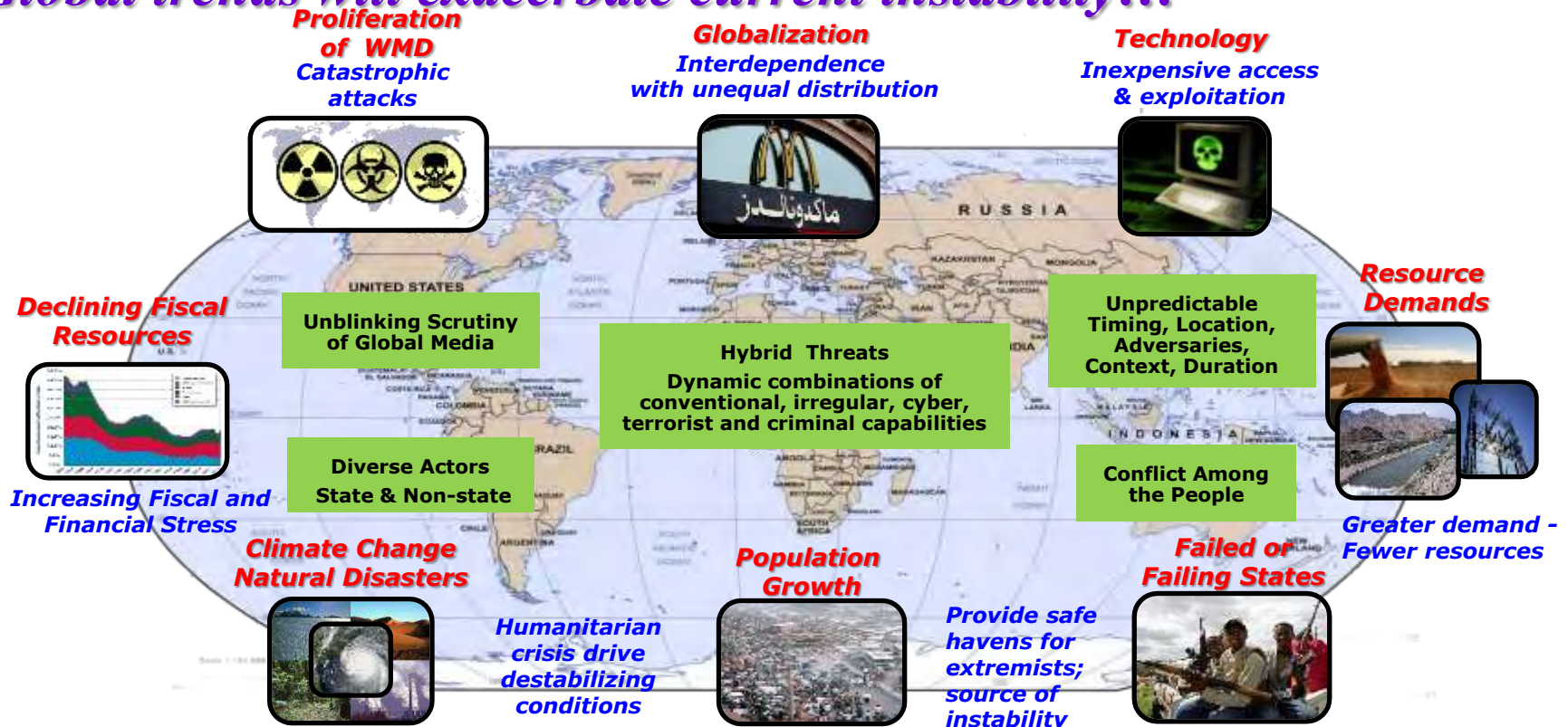
- Budget/deficit issues are at the forefront of 112th agenda:
 - Actions to reduce the deficit, increase debt ceiling and tackle entitlement spending
 - House following limited Government and fiscal responsibility agenda

- Defense Oversight Committee areas of concern:
 - DoD proposed efficiencies and end strength reductions
 - Role of military in Middle East
 - Overall level of defense spending
 - “Health of the Force”
 - Progress in Afghanistan
 - Transition in Iraq
 - Plans for Army modernization programs
 - Implementation of DADT

- Other Congressional oversight issues:
 - Arlington National Cemetery
 - Wikileaks investigation and security of information
 - Homegrown terrorism and Fort Hood
 - Sexual Assault programs
 - Leadership Accountability



Global trends will exacerbate current instability...



Strategic environment of Persistent Conflict...



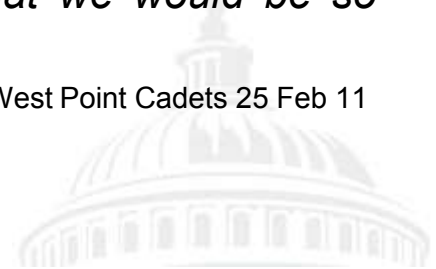
...requires a balanced Army that can:

- Prevail in today's conflicts
- Engage to build partner capacity
- Support civil authorities at home and abroad
- Deter and Defeat future threats

- Future funding levels for national defense and the Army?
 - Will debt and deficit shape future size, capability and use of the Army?
 - How will Congress make trade offs between readiness, modernization and personnel?
- What is the role of the Army (including Reserve Components) and size and structure of all-volunteer force?

“And I must tell you, when it comes to predicting the nature and location of our next military engagements, since Vietnam, our record has been perfect. We have never once gotten it right, from the Mayaguez to Grenada, Panama, Somalia, the Balkans, Haiti, Kuwait, Iraq and more – we had no idea a year before any of these missions that we would be so engaged.”

– Secretary Robert Gates address to West Point Cadets 25 Feb 11



- Energy dependence
- Soldier equipping
- Health of the force
- Costs for benefits and entitlements
 - Retirement pay
 - Pay and allowances
 - Health care
 - Veteran care

“

“ Every aspect of the discretionary budget must be scrutinized, no agency can be off limits, and no program that spends too much or achieves too little can be spared.”

The National Commission of Fiscal responsibility, The Moment, December 2010



- Cost Overruns
- FCS- Overreach (Gold Plating)- Take away is “Get what you can get”
- Congress is taking a harder look at TRLs
- Members want analysis of alternatives when considering new programs
- Program Performance (Cost/Schedule/Performance)
- Acquisition must insist on works in testing. SUG-V and NIK



- Realistic Requirements(Gold Plating)
- Congress is taking a harder look at TRLs
- Members want analysis of alternatives when considering new programs
- Program Performance (Cost/Schedule/Performance)
- Leverage mature technologies and processes
- Establish realistic cost and schedule estimates matched to available resources
- Limit use of contractor employees to manage contracts

“ Every aspect of the discretionary budget must be scrutinized, no agency can be off limits, and no program that spends too much or achieves too little can be spared.”

The National Commission of Fiscal responsibility, The Moment, December 2010



- U.S. population is getting bigger, older and more racially and ethnically diverse
- Legislators must address the changing demographic profile in these critical areas:
 - Work, retirement, and pensions
 - Private wealth and income security, transfer systems
 - Health and well-being of the aging population
- Policy choices in this area will be difficult:
 - Fiscal picture deteriorating
 - An aging population puts enormous pressure on budget
 - Entitlement programs are hardest to cut politically
 - Congress will want to avoid cutting programs for seniors



Questions?

“...But there are also unknown unknowns – the ones we don't know we don't know.”

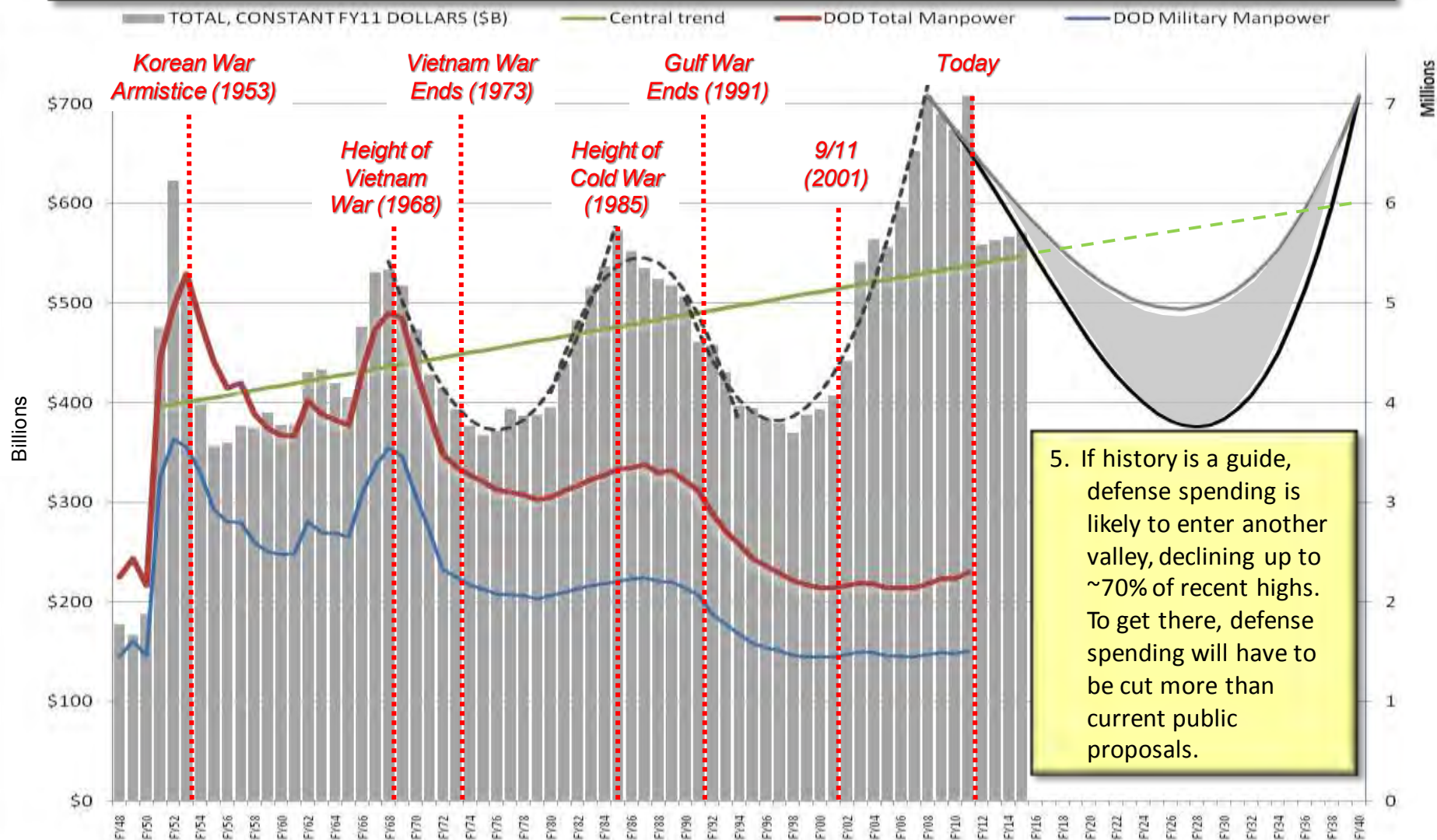
Former SECDEF Donald Rumsfeld

“We will likely not call the future exactly right, but we must think through the nature of continuity and change in strategic trends to discern their military implications to avoid being completely wrong”.

– United States Joint Forces Command, 2010



1. Defense spending over the last 60 years is cyclical with valleys of ~\$400B/year in constant FY11 dollars.
2. National Commission on Fiscal Responsibility and Reform proposals reduce Defense ~\$100B/year in FY 2015
3. The Debt Reduction Task Force proposals would reduce Defense ~\$133B in FY 2015 and \$166B/year in FY 2016
4. Recent electoral changes portend an increased emphasis on reducing spending/deficits – Defense will be one target



America's Army is the Strength of the Nation

- **RESTORING BALANCE:** The Army is achieving our goals to restore balance in 2011. Our plan remains centered on four imperatives—Sustain, Prepare, Reset, and Transform. Beginning in FY '12, deploying Soldiers can expect at least two years at home for every year deployed and a Reserve component Soldier will get four years at home for every year deployed.
- **MAINTAINING OUR COMBAT EDGE:** The war is not over. The Army is transitioning to a period where we must maintain our combat edge at an appropriate tempo while reconstituting the Force for other missions in an era of persistent conflict.
- **MODERNIZING THE FORCE:** The Army is developing and fielding a versatile and affordable mix of equipment to allow Soldiers and units to succeed in full spectrum operations today and tomorrow to maintain our decisive advantage over any enemy we face.
- **BUILDING RESILIENCE:** The Army is continuing to build resilience in our Soldiers, Families and Civilians – all of whom have been affected by the cumulative effects of nine years at war. We have developed a comprehensive approach that puts mental fitness on the same level as physical fitness.
- **RECONSTITUTING THE FORCE:** A decade of combat has taken its toll on our Army's Soldiers, Families, and Equipment. Sustained funding for reset will be essential to restore our capability to surge forces for unexpected contingencies and to sustain our commitments.
- **TRANSFORMING THE GENERATING FORCE:** The sector of the Army that is charged with training and equipping our Soldiers must become a force driven by innovation, able to adapt quickly and field what our Soldiers and their Families will require. We are adapting our institutions to effectively and efficiently generate trained and ready forces for full spectrum operations at a tempo that is predictable and sustainable for our All Volunteer Force.
- **SEEKING EFFICIENCIES AND AFFORDABILITY:** The Army continues to seek ways to improve efficiency and reduce overhead expenditures as good steward's of our Nation's valuable resources.



Acquisition Efficiency Guidance Roadmap

- **Target Affordability and Control Cost Growth**
- **Incentivize Productivity & Innovation in Industry**
- **Promote Real Competition**
- **Improve Tradecraft in Acquisition of Services**
- **Reduce Non-Productive Processes and Bureaucracy**



Acquisition Efficiency Guidance Roadmap

Target Affordability and Control Cost Growth

- Mandate affordability as a requirement
- Implement “should cost” based management
- Eliminate redundancy within warfighter portfolios
- Achieve Stable and economical production rates
- Manage program timelines



Acquisition Efficiency Guidance Roadmap

Incentivize Productivity & Innovation in Industry

- **Reward contractors for successful supply chain and indirect expense management**
- **Increase Use of FPIF contract type**
- **Capitalize on progress payment structures**
- **Institute a superior supplier incentive program**
- **Reinvigorate industry's independent research and development**



Acquisition Efficiency Guidance Roadmap

Promote Real Competition

- **Emphasize competitive strategy at each program milestone**
- **Remove obstacles to competition**
 - **Allow reasonable time to bid**
 - **Require non-certified cost and pricing data on single offers**
 - **Enforce open system architectures and set rules for acquisition of technical data rights**
- **Increase small business role and opportunities**



Acquisition Efficiency Guidance Roadmap

Improve Tradecraft in Acquisition of Services

- **Assign senior managers for acquisition of services**
- **Adopt uniform services market segmentation (taxonomy)**
- **Address causes of poor tradecraft**
 - **Define requirements and prevent creep**
 - **Conduct market research**
- **Increase small business participation**



Acquisition Efficiency Guidance Roadmap

Reduce Non-Productive Processes and Bureaucracy

- **Reduce frequency of OSD level reviews**
- **Work with Congress to eliminate low value added statutory requirements**
- **Reduce the volume and cost of Congressional Reports**
- **Reduce non-value added requirements imposed on industry**
- **Align DCMA and DCAA processes to ensure work is complementary**
- **Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs**



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Army Budget Request

5 April 2011



Agenda



- ❖ America Today
- ❖ Funding Trends
- ❖ FY2011 Budget Status
- ❖ FY2012 Budget Request



America Today



- ❖ Republican House - - Democratic Senate
- ❖ Unemployment
- ❖ Unrest in Middle East
- ❖ Economy
- ❖ Pensions
- ❖ Health Care
- ❖ Housing Market

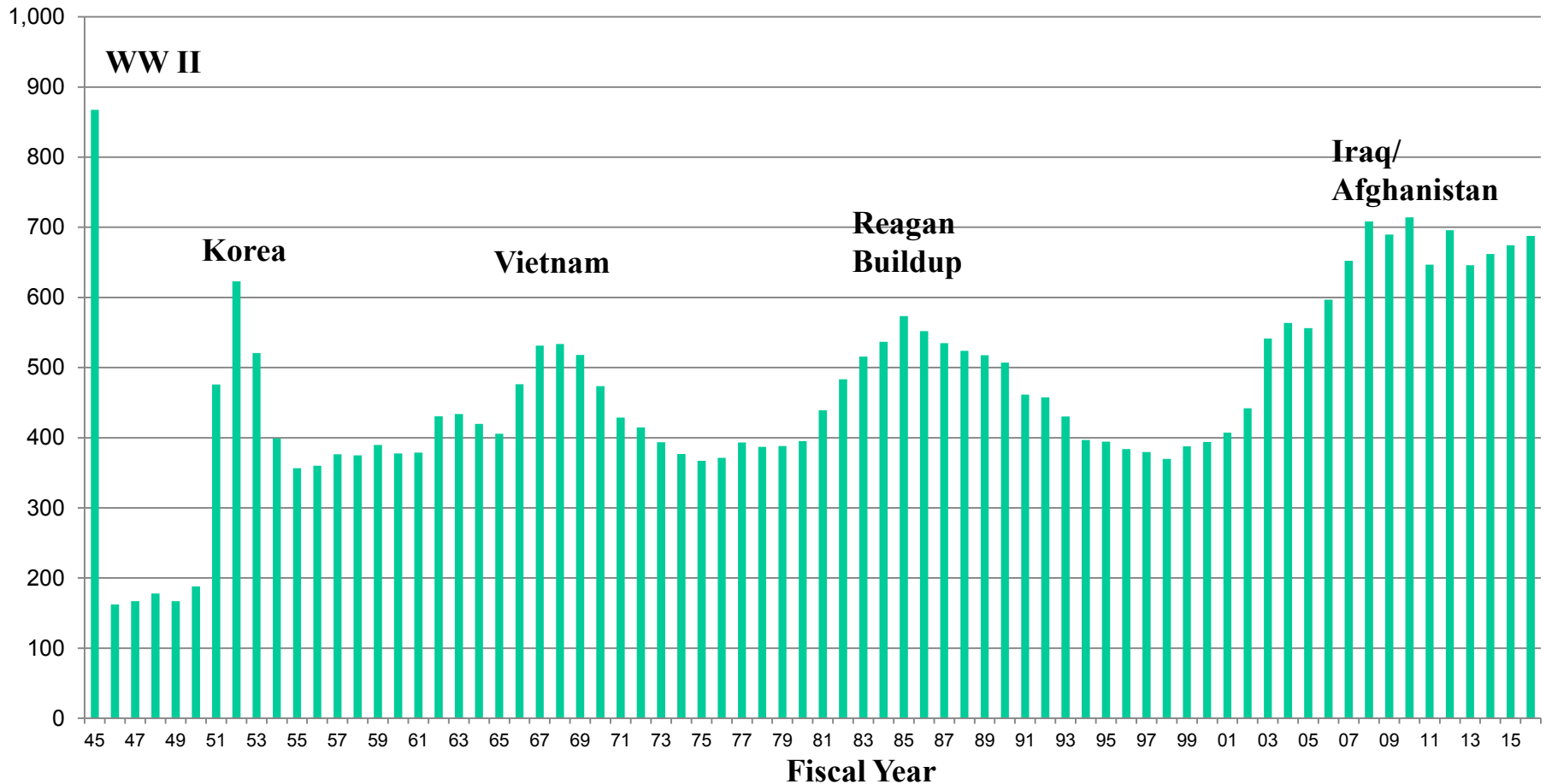


Historic Defense Funding Trends



(Total Defense Budget Authority in constant 2011 Dollars)

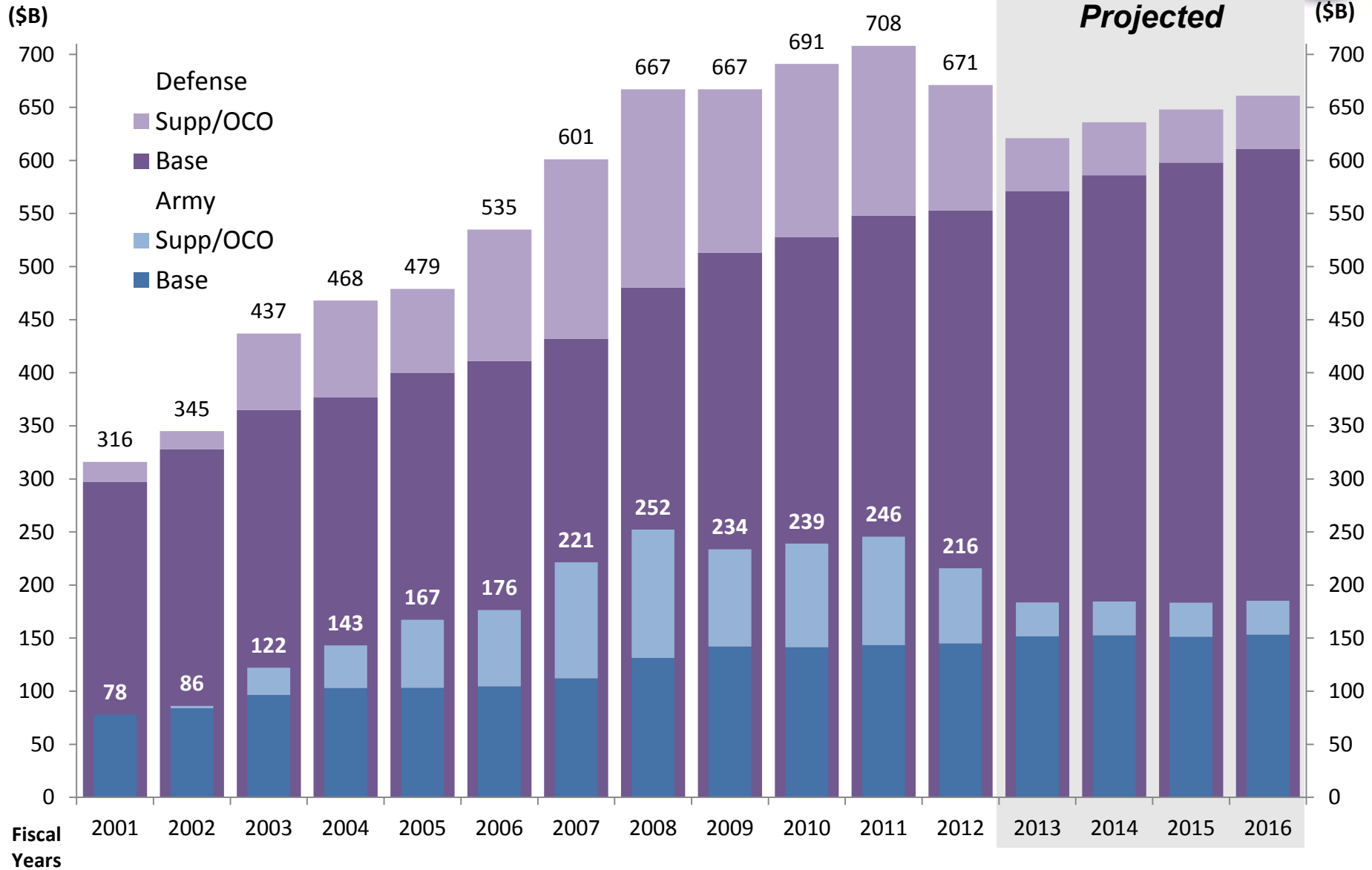
Budget Authority (\$B)



Sources: DoD: National Defense Budget Estimates for FY2011 (Green Book) (1950 -2010); all other years are from Congressional Research Service. The Library of Congress. Defense Authorization and Appropriation Bills: A Chronology



Defense Funding Trends





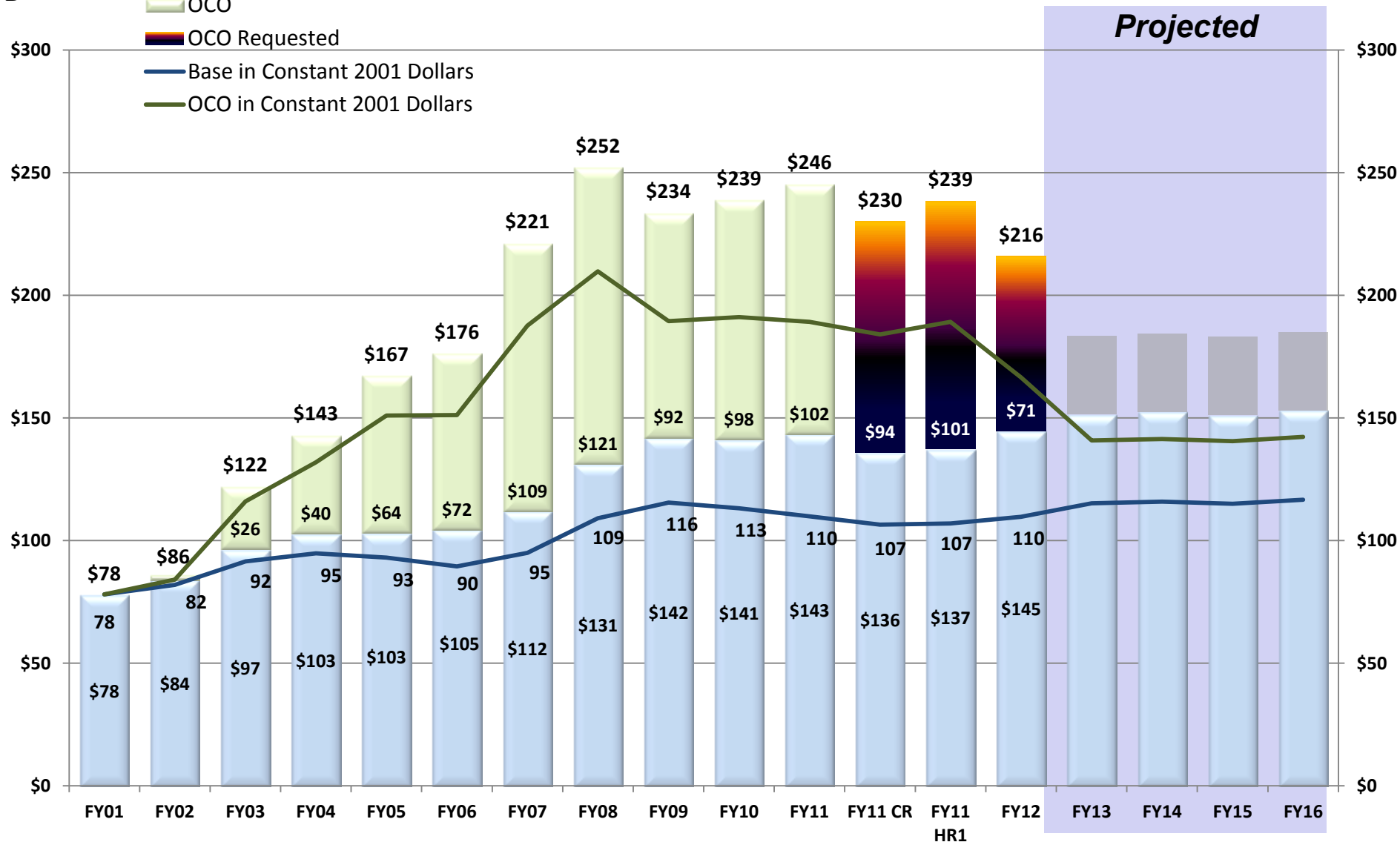
Army Funding Trends



\$B

- Base
- OCO
- OCO Requested
- Base in Constant 2001 Dollars
- OCO in Constant 2001 Dollars

\$B



Army Budget Office

Numbers may not add due to rounding



FY2011 Army Budget Best Case – Worse Case



BASE

OCO

\$143.4

President's Budget Request (February 2010)

\$102.1

\$139.0

(-\$4.4)

"Omnibus" bill (December 2010)

(Never brought to a vote)

\$101.0

(-\$1.1)

\$137.5

(-\$5.9)

House HR-1 Legislation (February 2011)

(Passed House; defeated in Senate 9 March 2011)

\$101.2

(-\$1.0)

\$137.1

(-\$6.4)

(Est) Senate Continuing Resolution (March 2011)

(Defeated 9 March 2011)

\$101.2

(-\$1.0)

\$137.1

(-\$6.4)

Year-Long Continuing Resolution

\$95.2

(-\$6.9)



Base + OCO: Year-Long CR is \$13.3B less than the President's Budget request



Illustrating Possible Topline Changes

Worse Case – Army View

- Assume Army Topline of \$137.1B in FY2011
- Assume nominal freeze in FY2012
- Assume 0% Real Growth in FY2013 and beyond

(Dollars in Billions)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2012 – FY2016
PB12 Base		\$144.9	\$151.6	\$152.6	\$151.3	\$153.2	\$753.6
Revised Topline (Estimate SAC CR)	\$137.1	\$137.1	\$139.8	\$142.8	\$145.8	\$148.8	\$714.3
Change		-\$7.8	-\$11.8	-\$9.8	-\$5.5	-\$4.4	-\$39.3
% Real Growth		-2.0%	0%	0%	0%	0%	



Illustrating Possible Topline Changes

Better Case – Army View

- Assume Army Topline of \$137.1B in FY2011
- Assume 1.0% Real Growth in FY2012 and FY2013
- Assume 0.5% Real Growth in FY2014
- Assume 0% Real Growth in FY2015 and FY2016

(Dollars in Billions)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2012 – FY2016
PB12 Base		\$144.9	\$151.6	\$152.6	\$151.3	\$153.2	\$753.6
Revised Topline (Estimate SAC CR)	\$137.1	\$140.5	\$144.8	\$148.5	\$151.6	\$154.8	\$740.2
Change		-\$4.4	-\$6.8	-\$4.1	+\$0.3	+\$1.6	-\$13.4
% Real Growth		+1.0%	+1.0%	+0.5%	0%	0%	



Army FY2012 Budget Priorities



- ❖ Care for Soldiers, Families, and Civilians
- ❖ Sustain the quality of our All-Volunteer Force
- ❖ Train and equip Soldiers and units to maintain a high level of readiness for current and future operations
- ❖ Reset our Soldiers, units, equipment, and Families to a readiness level for future deployment and other contingencies
- ❖ Modernize the Force to provide Combatant Commanders with tailored, strategically responsive forces



FY2012 Budget Request

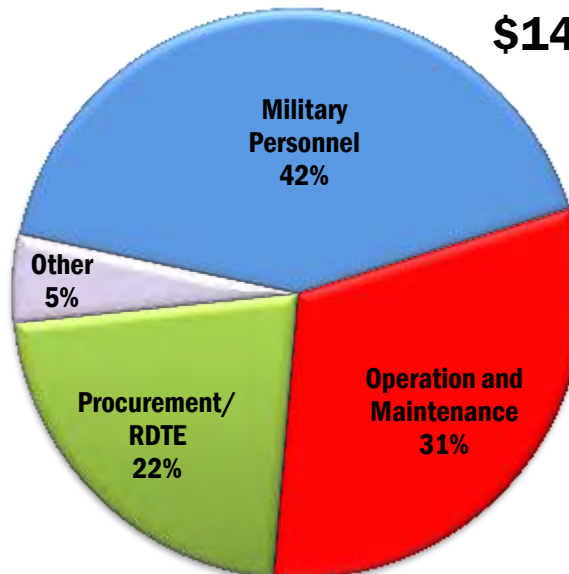


Base and Overseas Contingency Operations (OCO)

\$144.9B

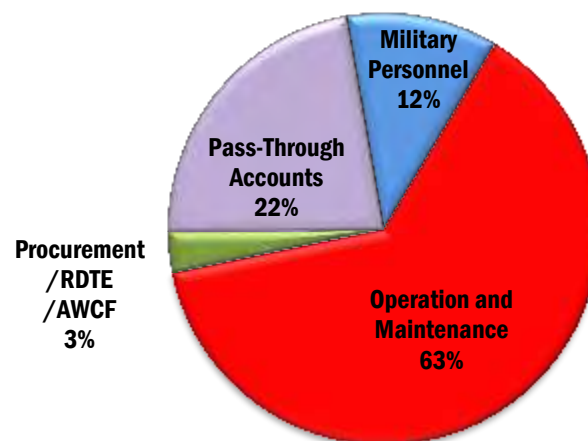
Base Request

	(\$B)	
Military Personnel	60.6	
Operation and Maintenance	45.2	
Procurement/RDTE	31.8	
Military Construction/Family Housing	5.0	
Base Realignment and Closure	0.3	
Army Working Capital Fund	0.1	
Pass-Through Accounts	1.9	
Total	144.9	



OCO Request

	(\$B)	
Military Personnel	8.1	
Operation and Maintenance	44.9	
Procurement/RDTE/AWCF	2.2	
Pass-Through Accounts	15.9	
Total	71.1	



Numbers may not add due to rounding



FY2012 Base Budget Request



	(\$M)
Military Personnel	60,577.9
Military Personnel, Army	43,596.9
National Guard Personnel, Army	7,623.3
Reserve Personnel, Army	4,386.1
Medicare-Eligible Retiree Health Care Fund	4,971.6
Operation and Maintenance	45,231.9
Operation and Maintenance, Army	34,735.2
Operation and Maintenance, Army National Guard	7,041.4
Operation and Maintenance, Army Reserve	3,109.2
Environmental Restoration Fund, Army	346.0
Research, Development, and Acquisition	31,832.8
Aircraft Procurement, Army	7,061.4
Missile Procurement, Army	1,478.7
Procurement of Ammunition, Army	1,992.6
Weapons and Tracked Combat Vehicles, Army	1,933.5
Other Procurement, Army	9,682.6
Research, Development, Test, and Evaluation, Army	9,684.0
Military Construction/Family Housing	4,971.9
Base Realignment and Closure/Homeowners Assistance Program	301.2
Chemical Demilitarization	1,629.7
Joint Improvised Explosive Device Defeat Fund	220.6
Army Working Capital Fund	101.2
Total	144,867.2

Numbers may not add due to rounding



FY2011 and FY2012 Base Comparison

	(\$B)	FY11	FY12	
APPN		Request	Request	Change
MILPERS		59.1	60.6	1.5
O&M		43.9	45.2	1.3
RDA		31.7	31.9	0.2
Facilities		7.0	5.3	(1.7)
Pass-Through		1.9	1.9	
Totals		143.6	144.9	1.3

MILPERS and O&M increased at inflation rates.

RDA - small decrease in buying power.

Facilities: GTA, Modularity and BRAC completion

Numbers may not add due to rounding.

** Pass through accounts include AWCF, Chemical Demil., HAP and JIEDDO*



Military Personnel Summary

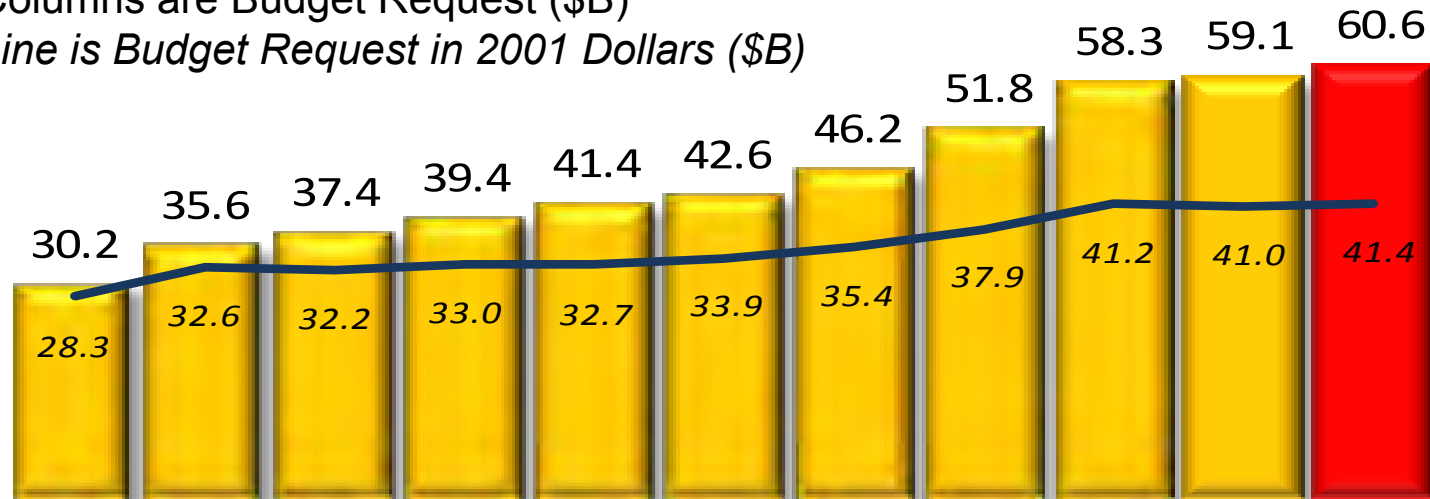


Budget Request (\$M)	FY12 Base
Active Army	43,596.9
Army National Guard	7,623.3
Army Reserve	4,386.1
Medicare-Elig Ret Health Care Fund	4,971.6
Total	60,577.9

** Does not include temporary increase of 22,000 soldiers funded in FY12 OCO request*

Columns are Budget Request (\$B)

Line is Budget Request in 2001 Dollars (\$B)



FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12

Army Budget Office



Operation & Maintenance Summary

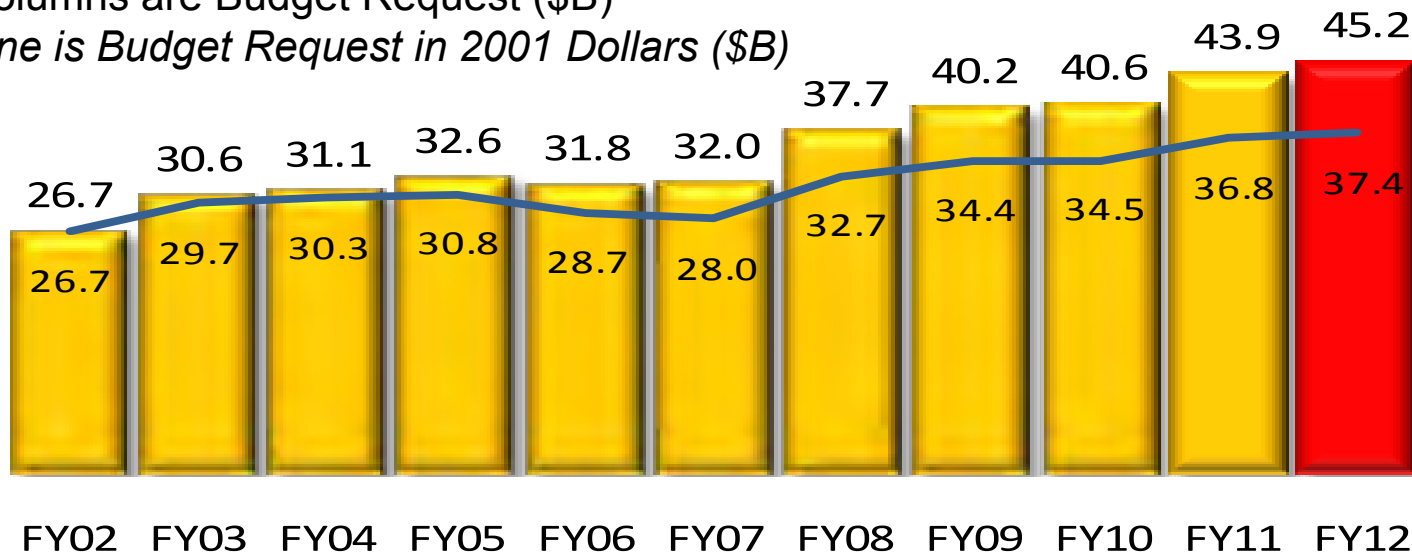


Budget Request (\$M)	FY12 Base
Active Army	34,735.2
Army National Guard	7,041.4
Army Reserve	3,109.2
Sub-total	44,885.8
Environmental Restoration	346.0
Total	45,231.9

Numbers may not add due to rounding

Columns are Budget Request (\$B)

Line is Budget Request in 2001 Dollars (\$B)





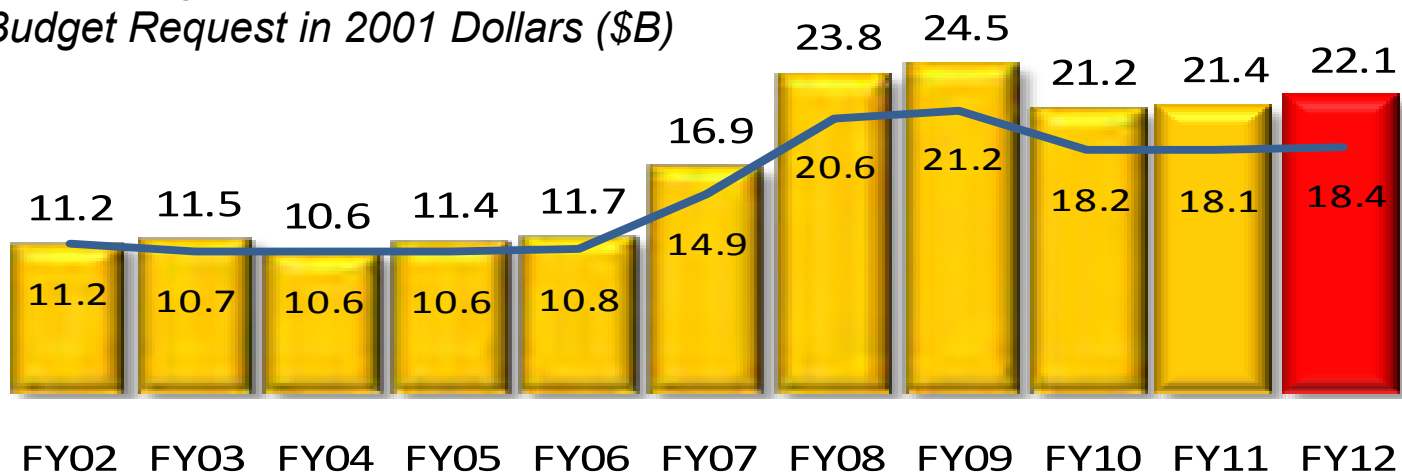
Procurement Summary



Budget Request (\$M)	FY12 Base
Aircraft	7,061.4
Missiles	1,478.7
Ammunition	1,992.6
Weapons and Tracked Combat Vehicles	1,933.5
Other — Tactical and Support Vehicles/Other Support Equipment	4,578.8
Other — Communications and Electronics/Initial Spares	5,103.8
Total	22,148.8

Columns are Budget Request (\$B)

Line is Budget Request in 2001 Dollars (\$B)





Research, Development, Test & Evaluation & Facilities Summary



Budget Request (\$M)	FY12 Base
Research, Development, Test & Evaluation	9,684.0
Includes:	
Science and Technology	
Continued Development	
Combat Vehicle Modernization	
Patriot / Medium Extended Air Defense System (MEADS) Combined Aggregate Program (CAP)	
Network	

Budget Request (\$M)	FY12 Base
Military Construction	4,290.1
Army Family Housing	681.8
Base Realignment and Closure	299.9
Homeowner's Assistance Program	1.3
Total	5,273.1



OCO Requests



OCO Request (\$B)	FY11	FY12
Military Personnel	11.9	8.1
Operation & Maintenance	63.4	44.9
Procurement	8.9	2.2
RDT&E	0.2	0.0
Army Working Capital Fund		0.1
Military Construction	0.9	
Subtotal – Army	85.3	55.2
Executive Agent Accounts:		
Joint IED Defeat	3.3	2.6
Afghanistan Security Forces Fund	11.6	12.8
Afghanistan Infrastructure Fund		0.5
Iraq Security Forces Fund	2.0	
Total	102.2	71.1

Numbers may not add due to rounding



Army FY2012 Base & OCO Requests



The FY2012 Base Budget Request

- ❖ Restores balance to prepare Forces for the full range of operations and reduce stress on the All-Volunteer Force.

The FY2012 OCO Request

- ❖ Supports deployed military operations, and sustains and protects deployed Forces.

AMERICA'S ARMY THE STRENGTH OF THE NATION



Progress Report of Achieving Efficiency and Productivity Initiatives

**Deputy Assistant Secretary for the Army for Plans,
Programs and Resources**

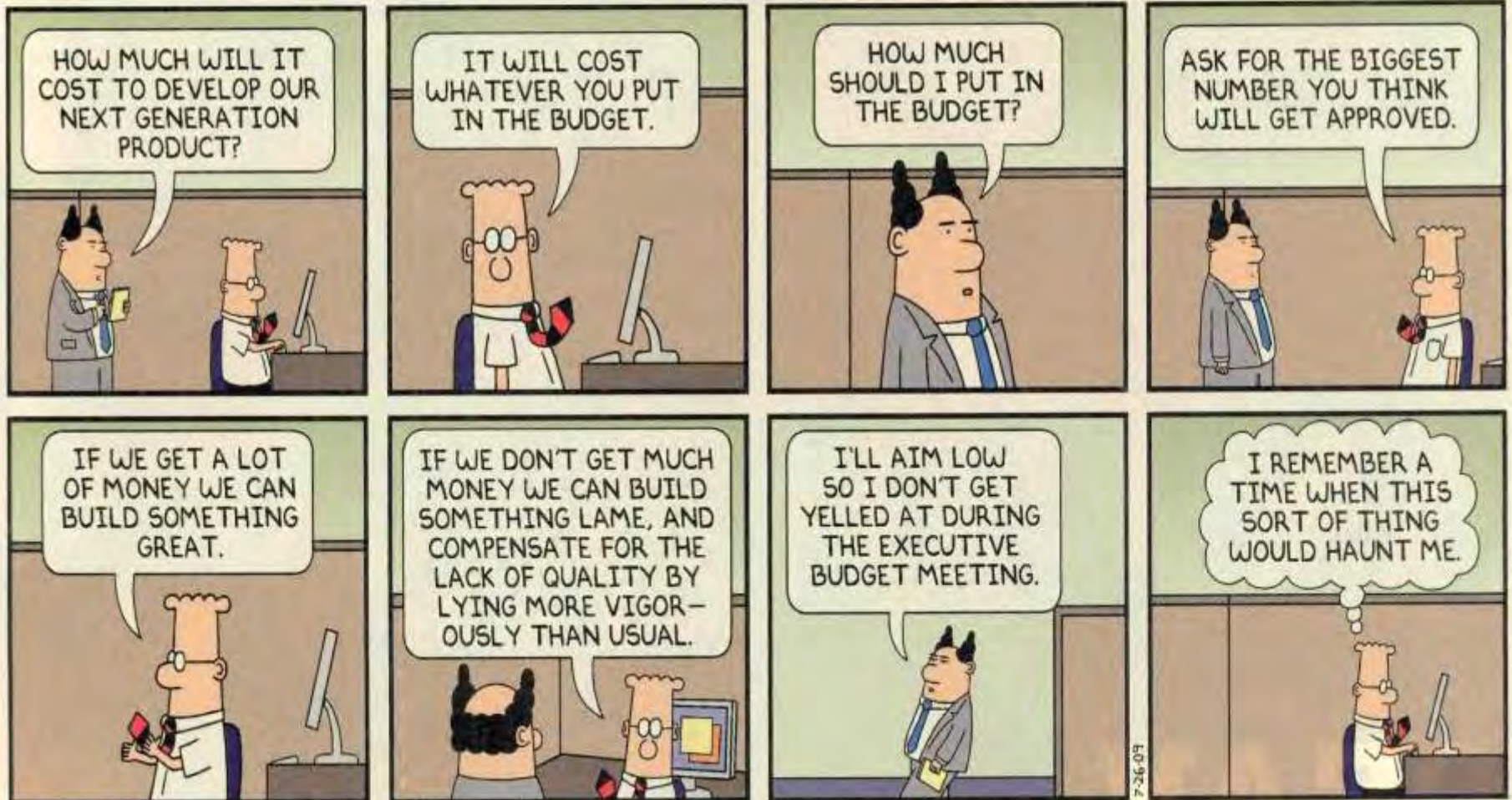
Mr. Thomas Mullins



Dilbert

By Scott Adams

COST ESTIMATION PROCESS





Efficiencies and Enhancements



Doing This

\$29.6B in Efficiencies Submitted

Streamlining operations and organizations

Reducing redundancies in weapons systems

Reducing installation overhead & manpower program adjustments

To Sustain/Enhance

\$26.1B in net enhancements

Forces & Structure

Quality of Life

Urgent & Future Capabilities

Readiness





Restoring Affordability & Productivity

1. Affordability/Cost Reduction

- Leveraging
- Should cost vs. Will cost
- Affordability as Requirement
- Stable Production Rate
- Portfolio Reviews

2. Contract Terms

- Type of contract
- Cash flow
- Non-value added
- Improved audits

3. Incentives

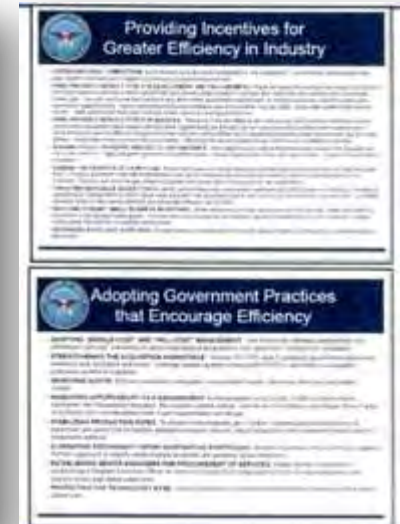
- Policy
- Small business
- Rewarding excellence
- Protect tech base

4. Measure Productivity Growth

- Metrics
- Develop out-year wedge (2-3%)
- CAPE (Industry Savings Assessment)

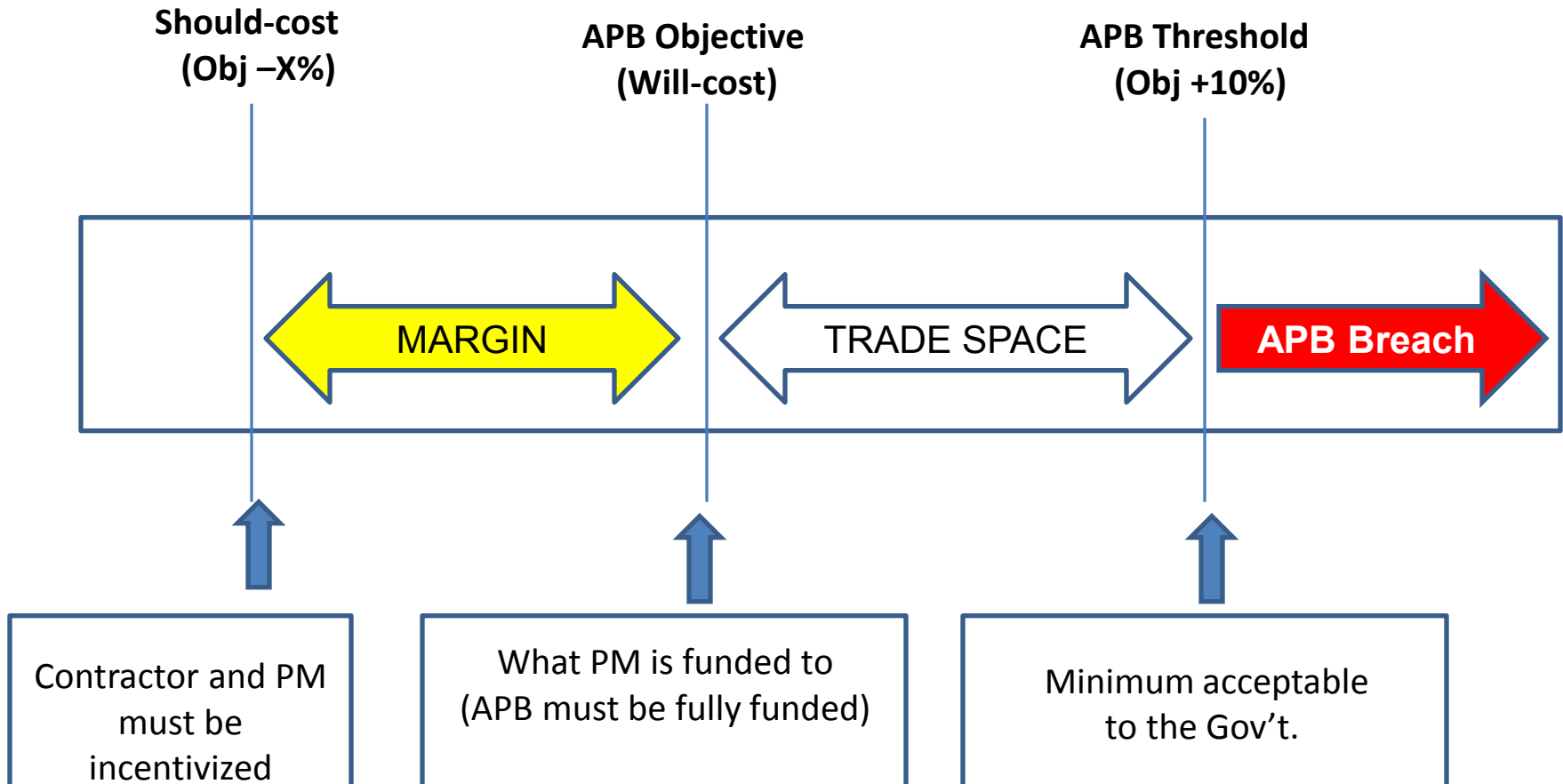
5. Services Tradecraft

- Management of services





Margin vs Trade Space





BACK UP SLIDES





Should-Cost Definition



“Program-Level” Should Cost Estimate - not just the immediate contract!

- **Who owns?**

Program office develops, owns, reports & tracks the program-level should cost estimate. Program manager (PM) recommends to MDA (AT&L/AAE) for approval.

- **When required?**

All milestone decisions or other decisions going before OUSD(AT&L) and AAE; annual updates/progress reporting.

- **Which programs?**

ACAT I, II and III

- **Intent:**

- A DoD internal management tool used to incentivize performance to targets.
- Based on realistic technical and schedule baselines and assumes success-oriented outcomes from implementation of efficiencies, lessons learned, and best practices.
- Designed to drive productivity improvements in our programs and will incorporate results of contract direct and indirect cost reviews (See FAR 15.407-4 and DFARS 215-407-4 should-cost reviews) when they are conducted.





Should-Cost Definition

(What it's not!)



- **What it is not:**
 - Not the FAR/DFARS definition of Should cost.
 - Broad challenges by management to reduce cost through straight reductions by a specified percentage or dollar value against the will-cost estimate are **not** valid should-cost estimates. Estimates are expected to have specific actionable content associated with reductions.
 - Anything requiring significant investment for completion and an increase to the budget is outside the scope of the should-cost estimate and should be shown separately for consideration
 - Most items outside the control of the program office and inconsistent with the current program of record are outside excursions and not appropriate for the should-cost estimate. However, these can be raised with Stakeholder concurrence or if PM/PEO believes Senior Leaders will support implementation
 - Example: economic production rates





Efficiencies and Enhancements

Doing This

To Sustain/Enhance

Streamlining operations and organizations

- ~Training Range Management
- ~Service Contractor Efficiencies
- ~Workforce Management & 4,500 overhead positions
- ~MILCON
- ~Contract Management Efficiencies

Forces & Structure

- ~Fully Fund ES (MILPAY)
- ~Accelerate 13th CAB
- ~Convert 9th HBCT to SBCT

Reducing redundancies in weapons systems

- | | |
|--|-------------------------|
| ~NLOS-LS Termination | ~JLENS |
| ~Abrams Upgrade | ~RQ-7 UAV |
| ~SLAMRAAM Termination | ~Excalibur (reduce QTY) |
| ~GCV – 6 month delay RDT&E | ~War Reserve – Ammo |
| ~GCV-Fixed price contract savings | ~BCT UGV Incr 2 |
| ~EIBCT Network | |
| ~Scorpion Termination | |
| ~Medium Altitude Reconnaissance & Surveillance Systems (MARSS) | |

Quality of Life

- ~HHOP (Korea Family Housing)
- ~Army Substance Abuse Program (prevention/resiliency)

Future Capabilities

- ~JTRS Cluster 5 (Handheld)
- ~Tactical Networks
- ~Counter IED
- ~BCT UGV Increment 2
- ~Modernize Soldier Equipment
- ~Indirect Fire Protection
- ~JLTV
- ~UAS - MQ-1 Payload
- ~Combat Vehicles (Abrams/Bradley/Stryker)
- ~Add'l ISR (ERMP, Vertical UAS, MC-12)

Reducing installation overhead & manpower program adjustments

- | | |
|----------------------------------|--|
| ~Recruiting/Retention | ~IT (Email/
Data Servers) |
| ~Installation Management | |
| ~Logistics Support (sustainment) | ~Other Manpower
Program Adjustments |
| ~Recruiting/Retention (O&M) | |
| ~Service Delivery | |

Readiness

- ~RC OPTEMPO / FTS
- ~RADOE COEs
- ~Reduce PME Backlog
- ~Training Enhancements FSO
- ~BOS Life, Health, & Safety
- ~Installation QOL / ARFORGEN
- ~Energy Security (EISA)



2011 NDIA Executive Seminar

*“Achieving Efficiency and Productivity Initiatives”
An Industry Perspective*

Bob Murphy – EVP Products Sectors BAE Systems



A Challenging Environment

Global Economic Recovery is Still Fragile

- Japanese Crisis

The Worldwide Defense Market is in Decline....

- 20-30% Reduction over Next 5 Years

Still Engaged in Iraq and Afghanistan

Escalating Turbulence in the Mid-East and Northern Africa

- Supporting NATO in the Libya Mission

US Defense Budget Flat

- Sec Gates Seeking \$100B in Savings over next 5 Years

Ongoing Continuing Resolution for 2011

**The Environment is Dynamic...Change is Accelerating...
Be Lean, Agile & Ready to Adapt**

Reducing Cost to Increase Agility

Represent All Industry

- Non-Attribution, No Names, No Numbers
- Small/Medium/Large Companies
- Manufacturers and Services

Present an Industry Wide Perspective

- Find the Themes Applicable to All
- Focus on the General Issues vs. Individual Issues

General Themes that Emerged

- Industry Welcomes OSD Focus On the Issue
- Understand and Support the Deficit Reduction Effort
- Working to Find A Win-Win Scenario
- Must Generate Profit to Serve Our Customers and Provide a Competitive Return to Shareholders
- Providing Required Products, Systems & Services at Fair and Reasonable Prices

Get Required Capability to the Fight as Efficiently as Possible!

Some Notable Industry Responses to the Challenge

Overall

- Implementing Cost Reduction wherever possible
- Reorganization as Required to Support the Market
 - Facility & Headcount Reductions
- Improve/Adopt Best Practices
 - Focus on Continuous Improvement to Deliver Commitments on Cost, Schedule & Technical Performance Consistently

Large Business Specific

- Implementation of Shared Services
- Changes in Benefit Packages
 - Modification to 401k/Pension Plans
 - Adoption of Aggressive Wellness Plans
 - Elimination of Some Benefits

Medium/Small Businesses

- Reduction/Elimination of 401k plans and Medical Benefits
- Elimination of All Benefits

Reduce G&A Cost...
But be Compliant with Regulatory Requirements

Industry Continuously Addresses Efficiency

Industry is Motivated by Markets to Reduce Cost

- Efficiencies Drive Improved Competitive Positions Enabling:
 - Reinvestment in the Business
 - A Reasonable Return to the Shareholders
- Efficiencies Enhance the Ability to Win Follow-on Contracts
- Continuous Efficiency Improvement is a Way of Life (Lean, Six Sigma, BPI)

Lessons Learned in Industry Can be Applied to the Government

- Bureaucracy is a Cultural Issue
 - Increased Surveillance is Not the Answer - Incentives Are
 - Bureaucracy Reduces Efficiencies & Stifles Productivity
 - Once Established , Extremely Difficult to Eliminate
- Requirements Creep
 - 80% Solution Now vs. 95% Solution Later – Later Never Comes....
- Excessive Testing
 - Testers are Incentivized to Test , rather than, Field Equipment

**Reducing Cost Requires Actions From All Stakeholders to
Change the Contracting Environment**

Potential Regulatory Change to Enable Cost Reduction

- Refocus on Commercial Item Acquisition
 - FAR Part 12 vs. FAR Part 15 - Refine “Government Unique”
- Military Purpose Non-Developmental Items (MPNDI)
 - It is Proven – Rapid Fielding Initiative (RFI) & Rapid Equipping Force (REF)
 - It Encourages Product Development Using IRAD Dollars
 - Attracts Non-Traditional Suppliers – Increases Competition
- Consolidate Sub-Contracting Requirements to a “Total Enterprise” Metric
 - Individual Sub-Contracting Plans are Expensive for Everyone
- Consolidate DCAA and DCMA into a Single Entity – Speak with 1 Voice
 - ID & Eliminate Reporting Requirements Providing Minimal Value
 - Institute and Enforce Mandatory Timetables for Contract Administration
 - There are Service Task Orders Open after 7 Years waiting for Audits

**Elimination of Excessive Regulations & Reporting
Will Reduce Cost & Increase Efficiencies**

Other Ideas To Enable Cost Reduction

- Overhaul Export Control/FMS/FMF Process
 - Foreign Sales Augment Domestic Sales
 - Economies of Scale Reduce Cost to Everyone
- Performance Based vs. Progress Payments – More Efficient
- Price Analysis vs. Cost Analysis
- Reduce or Eliminate Incremental Funding of Service Contracts and Contract Options
 - Economies of Scale reduce Cost
- Reduce or Eliminate Testing when Possible
 - Zero Tolerance vs. Reasonable Assurance of Safety & Effectiveness
 - *Do Handcuffs need to be tested before MPs can use them?*
- Focus on Open System Architecture vs. Acquisition of Data Rights
 - Increases Flexibility for Future Competition
 - Maintains Developer IP Rights
 - Incentivizes Additional Product Development

**Industry Focused on Serving the Warfighter's
Dynamic Requirements**

The National Defense Industrial Association 36th Atlanta Executive Seminar

Challenges & Opportunities in a New and Changing Environment

Soldiers as the Decisive Edge



The Honorable Malcolm Ross O'Neill

Assistant Secretary of the Army
(Acquisition, Logistics and Technology)
and Army Acquisition Executive

April 5, 2011



A “Transforming” Challenge to the Army





Agenda

- **Strategic Environment**
- **Decisive Soldier**
- **Cost Efficiencies**
- **Partnering for Success**



“To maintain the kind of military needed for America’s leadership role requires not only adequate levels of funding, but also fundamentally changing the way our defense establishment spends money and does business. That is why it is so important to follow through on the program of reform and overhead reduction . . .”

Secretary of Defense Robert M. Gates





Army Acquisition Vision

A highly innovative organization of dedicated professionals transforming the Army with integrated Acquisition, Logistics, and Technology capabilities to **provide Soldiers a decisive advantage** and win our Nation's wars!



Acquisition is a Team Effort!





Acquisition, Logistics and Technology Strategic Environment



- **Support the War**
- **Develop Materiel and Decisive Edge**
- **Affordability and Productivity**
- **Match Acquisition to Evolution**
- **Rebuild/Rebalance Workforce**
- **Align Program Management with Portfolio**
- **Restore World-Class Science & Technology**
- **Improve Services Acquisition**

Requires a very strong, positive relationship with industry





Progress Towards Decisiveness?

WW I



2011



The individual Soldier as the decisive edge



DESIGN • DEVELOP • DELIVER • DOMINATE
SOLDIERS AS THE DECISIVE EDGE



Evolutionary vs. Revolutionary



WWII Era

Approx. 1941 - 1946



Measures of Effectiveness

35.83 Lbs

\$2,146

M4A2 Sherman Tank

\$50.9K



P51 Mustang

\$51K
(Cost in 1945)

Viet Nam Era

Approx. 1961 - 1973



Measures of Effectiveness

35.06 Lbs

\$1,586



M60 Patton Tank

\$297K



UH-1H Huey

\$1.9M



F-4 Phantom

\$2.4M

OEF/OIF/OND Era

Approx. 2001 - 2008



Measures of Effectiveness

75.31 Lbs

\$19,454



M1A2 Abrams Tank

\$6.2M



AH-64D Apache

\$15.4M



F35 Lightning

\$60.0M



Time for a Paradigm Shift



In the past, the Soldier was an appendage to the fighting system. Today – and for the future – the fighting system must be built around the Soldier individually and as part of a Tactical Small Unit.





Soldiers as a **System**...

- with overwhelming force and capabilities that adversaries fear:
 - protected to the maximum extent allowed by equipment, tactics, and joint support while accomplishing their missions;
 - just as decisive when mounted or dismounted.



The acquisition focus is to maintain high quality Army end items which prove decisive for mounted or dismounted Soldiers





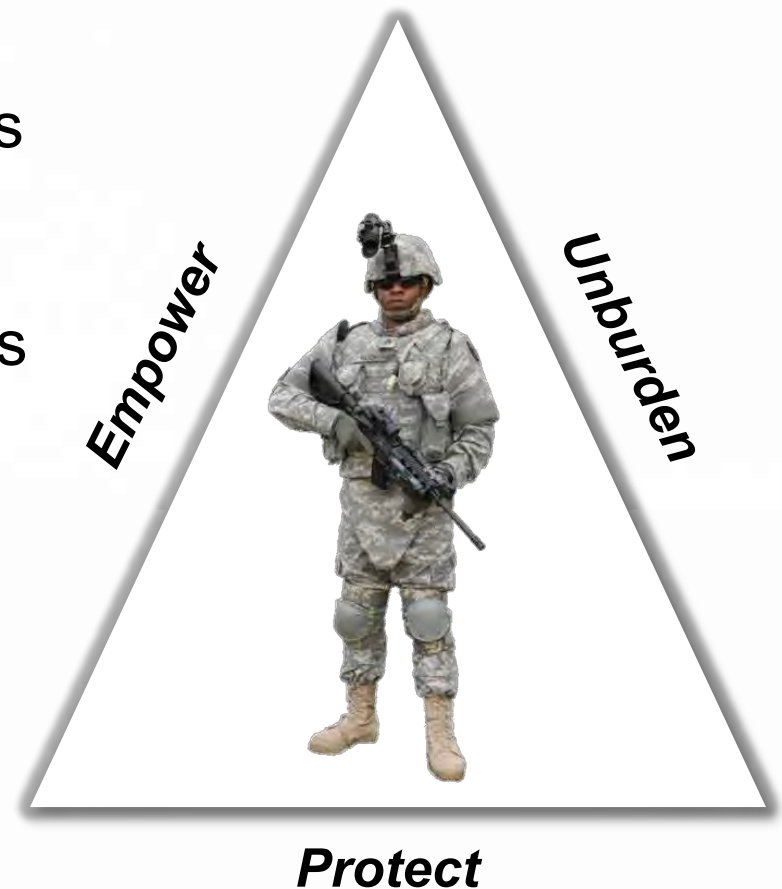
Soldier as a Decisive Weapon



Empower the Soldier to preemptively influence the enemy's will, power, and ability to act.

Unburden the Soldier of influences that inhibit ability to perform the mission.

Protect the Soldier by enabling operation in all environments and against all emerging threats.

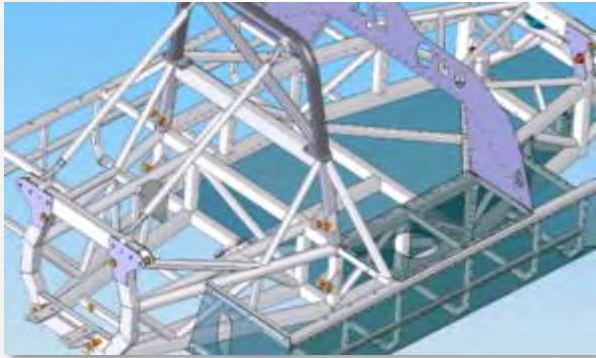




A Tale of Two Platforms: Vehicles vs. Humans

CHASSIS 101: Any good chassis must be structurally sound in every way over the expected life of the platform (and beyond).

Vehicle



- Constant chassis
- Electro-mechanical system
- Extrinsic motherboard
- Externally developed crew (mounted Soldier)



Human

- Variable chassis
- Biological, physiological, psychological, etc. system
- Intrinsic motherboard (brain)
- Inherent, embedded yet variable human operating system

***Power of the soldier is the integrating function of the system!**





Current State of the Art



Can be improved with new technology advancements





Capability Visions for Decisive Dismounted Soldier



Integrated Intuitive Variable Effects Weapon system

“Look/shoot”

Real time situational awareness integrated into COP

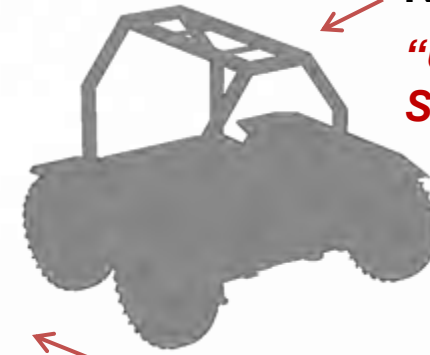
“Right info at right time to right people”

Scalable, ergonomic ballistic and blast protection
Adaptive Camouflage

“Protection and concealment on demand”

Robotic cart

“Unburden the Soldier”



Augmented human physical capabilities

- Robotic enhancements
- Bioengineering

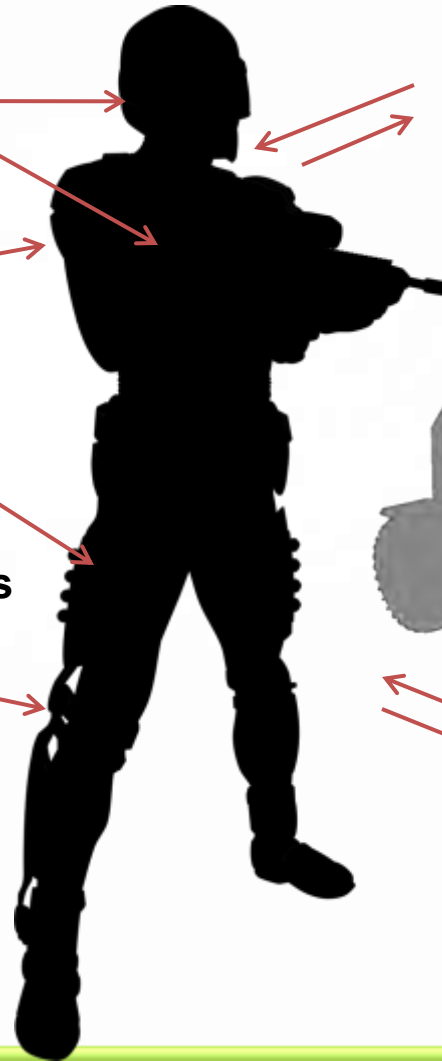
“Super human capability”

Enhanced cognitive and sociocultural skills

“Every Soldier is an individual – maximize potential”

Pervasive Power

“Batteries not needed”



Still able to show a “human side” for interaction with Friendly Population



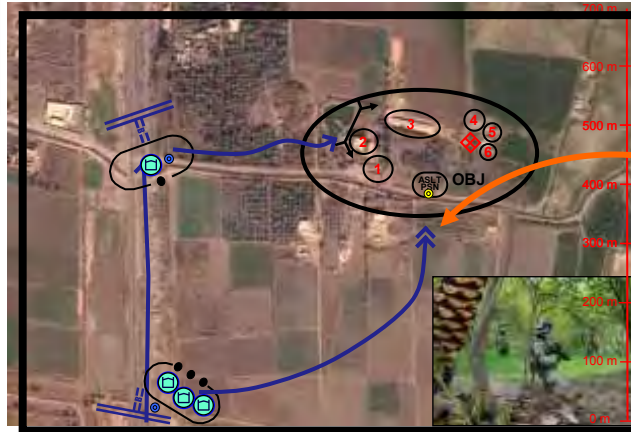


The Dismounted Situational Awareness Advantage

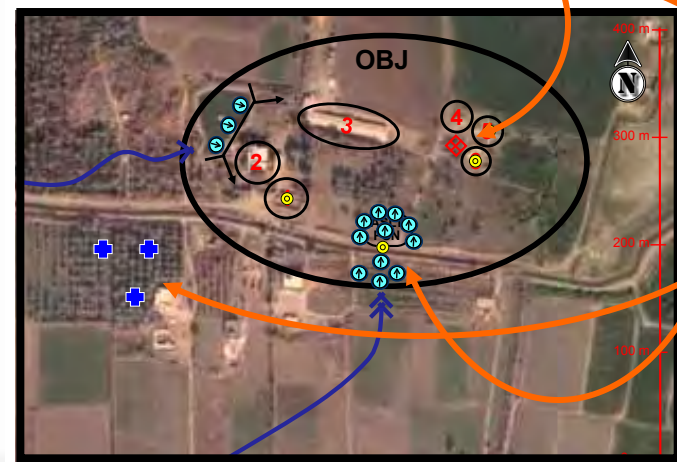
MOVEMENT TO THE ASSAULT POSITION



Leader
Connected
to the
Secure
Tactical
Network



- ✓ Where are you
 - ✓ Where are my friends
 - ✓ Where is the enemy
 - ✓ Where are non-combatants
- EXECUTE THE ASSAULT



DESIGN • DEVELOP • DELIVER • DOMINATE
SOLDIERS AS THE DECISIVE EDGE



Need for Engagement



- **Stimulate Industry Engagement Program**
- **Program Goals and Objectives**
- **Identify Opportunities and Forums**
- **Open Dialog...Answer Questions**

There is a contract and an Industry Partner behind every building, system, piece of equipment, clothing item, and service our Soldiers Use!





Two Worlds...Same Issues (?)



America's Army faces:

- **Increased Need to Provide Soldiers the best equipment and support**
- **Do More Without More**
- **New Products/New Technology**
- **Environmental**
- **Risk Management**

Defense Industry faces:

- **Increased Demand for Speed and Reliability**
- **Downward Fiscal Pressure**
- **New Products/ Capabilities and Technology Evolution**
- **Environmental**
- **Risk Management**





What are we going to do differently



- **Designing systems “around” the Soldier**
- **Decisive Soldier and Small Units**
- **Reinvent S&T around the Soldier**
- **Strengthen partnerships**





Your Challenge



- **Assist in making the American Soldier decisive**
- **Engage in the discussions at this conference**
- **Strengthen your partnership with the Army**
- **See where you can help Army**





Focus: Key Customers and Stakeholders



- **Soldiers**
- **American Citizens**
- **Industry and Academia**
- **Congress**



Provide Warfighters the right capability at the right time and place





Army Ethos



- Honor
- Integrity
- ***Moral Courage***



Always do what is right!!!



Questions



The National Defense Industrial Association 36th Atlanta Executive Seminar

Challenges & Opportunities in a New and Changing Environment

Soldiers as the Decisive Edge



The Honorable Malcolm Ross O'Neill

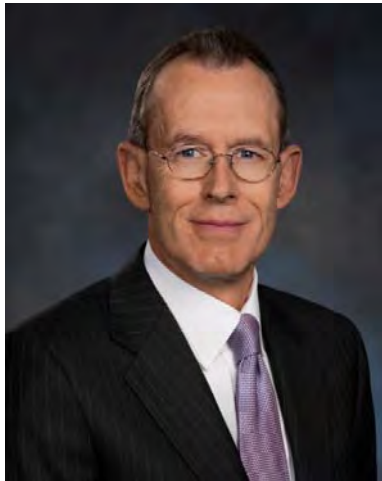
Assistant Secretary of the Army
(Acquisition, Logistics and Technology)
and Army Acquisition Executive

April 5, 2011



Security and Balance Essential in Our New Reality

Robert J. Stevens, Chairman and CEO, Lockheed Martin Corporation
National Defense Industrial Association's 36th Annual Army Executive Summit
Atlanta, Ga. – April 5, 2011
Edited Remarks



Thanks very much for the warm welcome, ladies and gentlemen. It is a really distinct honor and privilege to receive this Forrestal Award from NDIA. And I can only accept it on behalf of 126,000 of my colleagues across Lockheed Martin, whose dedication and talent and integrity make me very proud to come to work each day. I also want to thank the leadership and staff of NDIA. For more than 90 years, you've assured that government and industry can bring forward together the best solutions for our warfighters. Yours is a legacy of great accomplishment over time.

I've always felt very privileged to work in our industry, but I must tell you on more than one occasion I've realized we are a bit of an odd bunch. I would refer to our customers for a description of exactly how many dimensions there are to our oddity. But the one I think of mostly is that, when conditions warrant, we engage vigorously in competitions to drive innovation and better value and better creative ideas. And I will certainly admit that there are some rough spots along the way, but I think over a long arc of history after these competitions conclude, our industry has never really failed to stand shoulder-to-shoulder with one another, to put our customers' interests first, and support them as they discharge the demands of their incredibly important missions.

I've always found this a great source of pride in our industry because when I look across the industrial segments in our country and around the world, I don't really see this kind of behavior everywhere. So it's a great source of pride to me and I want to thank my industry colleagues who are here today for being such trusted partners in enabling us to do that.

I find it especially meaningful to receive this award today at the Army Executive Summit. One in every five of our employees has served in the United States military; one in every four of our leaders has served. As a result, I think we have a good sense of shared values and ideals and objectives. And I will tell you that we hold in very high regard the work that's done in our behest to protect our security ... and all those who participate have our enduring gratitude.

A special thanks to Secretary O'Neill and Gerald Dunwoody and the Army leadership here today, and importantly, those who are beyond the sound of our voices. I think that it is especially noteworthy that at a time in our country where confidence in institutions seems to be on the wane, the reputation of the United States Army truly has soared. That is a reflection of leadership and character and constancy of purpose in the service of others. That is a definition of true nobility, and you are all to be commended.

We gather here today under the most demanding circumstances we've seen in a long time. The headlines today tell the story about the new reality that we're facing together. Global security challenges are only growing more complicated, and the range of these challenges is truly breathtaking. For this audience, so studied in national security issues, there's no need to review the details of Iraq and Afghanistan; of terrorism around the globe; of unrest in Northern Africa and the Middle East; of instability in the Korean peninsula; of an emerging India, an ascending China, a threatening Iran; or the expanding demands of the cyber security domain.

When speaking at West Point recently, Secretary Gates said, "While we can't know with absolute certainty what the future of warfare will hold, we do know it will be exceedingly complex, unpredictable and unstructured."

It will likely be a period of persistent conflict. At home, our economic recovery is uncertain at best. We have a \$14 trillion national debt and a \$1.5 trillion deficit. And Congress is increasingly focused on discussions about how we can best cut federal spending. And I think we all know that spending has to be reduced.

When American voters in polls recently were asked how they as individuals would cut the federal budget, most targeted cuts at the Pentagon first. As support for this proposition, some during recent debates have invoked a voice from the past, that of our 34th President, Dwight Eisenhower, on the occasion of his farewell address that occurred half a century ago.

And everyone in this room, if not every citizen in America, is familiar with the most famous quote from that speech, where he cautioned against the acquisition of unwarranted influence by the military industrial complex. Almost every segment of news coverage of the 50th anniversary of these remarks repeated these words, and almost exclusively only these 10 words, to defend a position of criticism about the size of our nation's military or our defense industry. These 10 words were used to validate concerns and to justify the dismantling of our military and our industry today because Ike's words in 1961 clearly instruct us to do so.

In fact, that farewell address delivered on January 16, 1961, had 1,948 words, not just 10. And some of the other words were devoted to an eloquent explanation of the course of action our nation was on and why. Before offering any warning about the size or influence of our military or our industry, the President established six foundational observations based on his experience and his beliefs.

The President noted that America had a basic purpose to keep peace; that progress toward this peace was threatened and that there would be continuing crises; that a vital element in keeping the peace was in fact our military establishment; that our arms must be mighty and must always be ready for instant action; that we cannot risk the emergency improvisation of our national defense, as had been done before at considerable risk; and that the security challenges we faced compelled our nation to create an armaments industry and the establishment of that industry was indeed a national imperative. Only then did he offer a caution about unwarranted influence.

The President's speech, when you read all of the words, was not at all a justification for dismantling our nation's defense. It was about balance. Let me quote a section from the President's remarks: "Each proposal must be weighed in the light of a broader consideration: the need to maintain balance in and among national programs, balance between the private and the public economy, balance between cost and hoped for advantage, balance between the clearly necessary and the comfortably desirable, balance between our essential requirements

as a nation and the duties imposed by the nation upon the individual, balance between actions of the moment and the national welfare of the future. Good judgment seeks balance and progress; lack of it eventually finds imbalance and frustration."

In seeking balance, the President was absolutely correct in challenging how much defense spending is enough. He had really done this many times before in remarks that he had offered earlier. I always thought he offered a most impressive speech in 1953, early in his first term, titled *A Chance for Peace*. The issue he highlighted is very straightforward: every dollar spent on security is unavailable for schools, or infrastructure, or other purposes. In essence, the President said, "Don't spend a dime more on defense than is absolutely necessary." And I don't believe anyone here today would disagree with that premise. The question is, how much is enough? For those who would use the world view of 1961 to criticize and curtail today's military and industry, a little context may prove helpful.

When Ike entered office, the defense budget was just over 13 percent of GDP. When he left eight years later, it was about 9 percent of GDP. In 2010, the defense budget, including overseas contingency operations funds, is a little more than half that at 4.7 percent. When Ike entered office, military personnel levels were just over six million in the active and the reserve force. About 3.8 percent of our citizens were serving in the military. When he left office in 1961, that total had grown by 7 percent to a little more than 6.4 million in uniform. Today we have about 2.3 million active and reserve forces, constituting just seven-tenths of a percent of the U.S. population.

As a sidebar, I find it absolutely astonishing that the greatest democracy on earth, and the greatest economy on earth, has a security undergirded by a volunteer force of less than one percent of the citizens it serves. That is astonishing to me.

When Ike entered office, our nation had 841 nuclear warheads; when he left, 18,686. A twenty-fold increase in nuclear inventory, and there's no precedent today for that kind of build-up. And when Ike left office, there was a growing number of defense contractors. That number has leveled off and begun to decline, and I would offer you this thought about the economic power of the industry. The top five aerospace and defense companies in America – when you add up all their revenues not just from military sources, but from commercial and civil sources as well – is just barely over half of the annual revenue of Walmart. Taken in total, today's numbers are a fraction of the 1961 totals and hardly seem to reflect the result of a sustained, unwarranted influence.

In the 50 years since the President's speech, our population has grown about 75 percent. Our GDP has expanded more than 25 times, as the strongest economy on earth. Democracy and self-rule prevail in America. Our people breathe free. And the security and liberty that we seek have indeed prospered together. That is what President Eisenhower was looking for.

As a final thought to those who would construe that President Eisenhower's most often quoted words reflected a distrust or fear of the U.S. military, I've always found it most interesting that after that farewell address, after eight years in the White House, after holding the highest office in our land, the President, through intermediaries, requested the restoration of his five-star rank. He forfeited the title of Mr. President, receiving no additional benefit, no monetary gain whatsoever, preferring instead to be called General, which he was until his death in 1969. This is not an act of fear, but an act of respect and admiration for the military that he loved, that continues to serve America so ably and well today. I'm quite sure General Eisenhower would be proud.

As we look forward, the security and economic pressures in our new reality are going to persist and we, together, are going to be challenged to meet them. Cost-cutting and efficiency initiatives are already underway across government, and across industry. Secretary Gates, Secretary Carter and others have quantified the expected reductions across the Department of Defense.

In our company, we have engaged in consolidations internally. We have divested two businesses. We've implemented a voluntary reduction program across our senior leadership. We've reduced attendance at trade shows. We've cut travel expenses and expenses across the board. And we're going to continue to do so.

I believe every company represented in this room and many others who support our industry are doing exactly the same thing. And I think you all know this is a very painful process.

Two years ago, we had 146,000 people in our company. Today we have 126,000 people. And I believe that number may diminish as we move forward. The worst thing I do is tell good people I don't have a job for you, but these reductions are absolutely necessary to meet the challenges of this new reality.

Beyond cost-cutting, other actions will be needed as well. To get genuine economies, our industry needs stability and predictability in programs and in funding. And we recognize across our industry that our execution simply has to warrant your trust and confidence in making investments in us. And I believe across the industry there are genuine initiatives to try to do better at meeting our commitments and run our businesses better.

We know our customers and the Congress are going to need to find fortitude in a difficult budget environment to avoid the pitfalls of the all-too-familiar boom and bust cycle. When I saw some of the earlier charts, the thought crossed my mind that every time we feel that there's a compelling need to reduce the defense budget, we over-correct. There are inefficiencies in that over-correction. And what ultimately happens is that new, unforeseen security demands arise, that the members of the Army community here are often compelled to address first. And we have to increase defense spending again in a more or less inefficient way to meet these new contingencies.

Let me again quote Secretary Gates, on the 6th of January this year: "It's important not to repeat the mistakes of the past by making drastic and ill-conceived cuts to the overall defense budget." I couldn't agree more. Think of this: over the last 20 years or so, our armed forces have been worked hard, with major deployments in Panama, Iraq, Somalia, Haiti, the Balkans, Kosovo, Iraq again, Afghanistan, and a no-fly zone in Libya. And I haven't touched the humanitarian relief missions so many of you have participated in. Few of these demands were adequately recognized in advance. While the operational tempo has remained high, force structure, almost across the board, has been reduced. Fewer systems have been procured, and the age of U.S. combat equipment has grown, and the condition of this equipment has deteriorated.

Recapitalization is sorely needed today. There is no long-term asset life in our inventories to sustain operations over the long haul. There's no "peace dividend." What's most interesting about these deployments over the last 20 years, and the entire task of attempting to plan for our future security, is the highly varied nature of the missions that must ultimately be undertaken: the overall unpredictability of where, when, and how security events will unfold around the world, and the absolute futility of trying to guess right. There's probably no institution on this planet more aware of the value of preparedness and adequate investment than the United States Army.

By 1945, our nation had trained and equipped the most successful army ever to take the field, supported by military spending that increased from 1.7 percent of GDP in 1940 to 37.5 percent in 1945. That Army met every challenge, defeated every adversary and brought peace to a world that had known little. Given the enormity and completeness of their victory, defense spending was dramatically reduced, force structure significantly drawn down, training curtailed.

On June 25, 1950, Communist North Korea invaded the South. This was a surprise. Ten days later, on July 5th, a 540-man battalion-sized task force of the 24th Infantry Division was deployed in the area around Osan, Korea, with orders to delay the advancing North Korean forces, who led with 35 T34 tanks followed by 5,000 dismounted infantry troops. Task Force Smith engaged this enemy with five 105-mm howitzers, two 75-mm recoilless rifles, two mortar platoons and a number of 2.3-inch bazookas. Only the 105's were effective against this armor, disabling four.

Task Force Smith was overwhelmed, not by a lack of courage, but by a lack of preparedness, for an army that just five years earlier had crushed the vaunted Wehrmacht. This example from history is relevant today because as we examine reducing defense budgets to address our economic needs, we stand on the threshold of making decisions about preparedness, training, force structure, capability, and recapitalization.

So I, too, will invoke a name from the past. I'll invoke the name of General Eisenhower because I, too, believe this issue today is all about balance. We live today in one of the most complex and demanding security environments anyone has ever seen. This is not going to change in the near term. The number and velocity of events and the volatility of their consequences have never been greater.

Witness just the first three months of 2011. Now is not the time to under-invest in our military or the capabilities they need to keep our nation free and strong in this complex and evolving world. The worst possible outcome in addressing our nation's economic deficit would be to bring about a security deficit as well, because that deficit, as history instructs, will be repaid in the blood of our troops. I think that our industry and our military have often been at our best when the stakes have been the highest. In those times, we have acted together, as partners and as patriots, committed to our country's best interests, recognizing that our military is indispensable to our security and that our nation's defense industrial base is a vital and irreplaceable strategic asset.

Now, as much as any time in our history, we need to ensure that our military remains strong, prepared, well equipped, and ready for any contingency; that our industrial base remains worthy of the men and women we serve; and that we continue to do right by those who bring this industry to life.

Again, in that spirit, I am very honored today to receive the Forrestal Award. I thank you for your warm reception. I'm enormously proud to be part of an industry that I believe has served our nation so well for such a long period of time. Thank you very much for your attention.