



SAF/SB Media Summary

11—17 February 2011

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ARTICLE SUMMARIES

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SMALL BUSINESS

Small Biz Programs on Chopping Block in 2012 Budget

CNN Money

Like the rest of the federal government, the Small Business Administration is going to get the squeeze in 2012, according to President Obama's budget proposal released Monday. The SBA -- and, most critically, the lending programs it backs -- got some pretty hefty government subsidies through the Great Recession as the White House tried desperately to get capital flowing to small businesses. That stimulus cash vanishes in the government's 2012 fiscal year, which begins in October 2011.

BUDGET

DOD Releases Fiscal 2012 Budget Proposal

U.S. Department of Defense, Office of the Assistant Secretary of Defense (Public Affairs)

President Barack Obama today sent to Congress a proposed defense budget of \$671 billion for fiscal 2012. The request for the Department of Defense (DoD) includes \$553 billion in discretionary budget authority to fund base defense programs and \$118 billion to support overseas contingency operations (OCO), primarily in Afghanistan and Iraq. The fiscal 2012 budget continues the DoD reform agenda, seeking additional efficiencies across the entire defense enterprise, while also strengthening our national security capability. "This budget represents a reasonable, responsible and sustainable level of funding, the minimum level of defense spending that is necessary, given the security challenges we are facing around the globe," said Defense Secretary Robert Gates.

Efficiencies, Balance Main Focuses of FY12 Budget

Air Force Print News Today

Air Force officials said despite a reduction in the top line request, combat capabilities and balance will remain focal points in the Air Force's portion of the president's fiscal 2012 budget presented here Feb 14. The total Air Force budget request for FY12 is \$166.3 billion, down from \$170.8 billion in FY11. The largest portion of the \$4.5 billion decrease from FY11 to FY12 is a \$4.4 billion reduction in Air Force overseas contingency operations.



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USAF Budget Shrinks, Outlines Acquisition Programs

Defense News

Though the overall U.S. Air Force budget will shrink from \$170.8 billion in yet-to-be-passed fiscal 2011 budget to \$166.2 billion in the president's fiscal 2012 budget request, and the service is set to begin several new acquisition programs in the next fiscal year. The programs include a new Long Range Strike family of systems and a new trainer to replace the T-38 Talon. The service will also select the winner of the KC-X tanker aircraft and new Light Attack Aerial Reconnaissance Aircraft.

Think Tank Warns Against Reinvestment Plans Before DoD Efficiency Savings are Realized

Fierce Government IT

The Defense Department is doing what a top official once warned against--using anticipated efficiency savings to fund weapons systems, said Todd Harrison, a senior fellow in budget studies at Center for Strategic and Budgetary Assessments, during a Feb. 10 DoD budget press briefing at CSBA offices in Washington, D.C. Harrison cited a report by Robert Hale, now Undersecretary of the Defense (Comptroller), who as a think tank analyst in 2002 wrote that the Pentagon "should avoid using efficiency savings to fill budget shortfalls until the savings are actually realized."

Pentagon: U.S. Will Not Field MEADS

Army Times

The United States can no longer afford to purchase and field the trinational Medium Extended Air Defense System, according to the Pentagon. DoD has decided to continue the design and development (D&D) phase of the program under the current memorandum of understanding, but after schedule and cost overruns, the United States can no longer afford to fund production of the system, according to a Feb. 11 Pentagon fact sheet on the program. Managed by NATO, MEADS is being developed for the United States, Italy and Germany. Lockheed Martin leads MEADS International, the industry team developing the system for the three countries.

2012 Defense Budget Marks a Shift to Conventional Weaponry

National DEFENSE

It was only three years ago that Defense Secretary Robert Gates warned that the Pentagon's weapons acquisition establishment was infected with "next war-itis." Instead of buying technologies for today's wars, the services were obsessed with futuristic weapons that may never be needed, Gates complained. His comments sent generals, admirals and contractors scrambling for ways to show that their cherished programs were not suffering from the dreaded disease. Circumstances have changed since, and the Pentagon appears to be ready — despite tightening budgets — to start turning more attention to big-ticket weapons that would be needed for high-tech warfare. Of particular concern is the ability to stay ahead of the new weaponry that is now being developed by China, Iran and even non-state groups, analysts said.



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Budget Shrinks; Acquisition Programs Outlined

Air Force Times

Though the overall U.S. Air Force budget will shrink from \$170.8 billion in yet-to-be-passed fiscal 2011 budget to \$166.2 billion in the president's fiscal 2012 budget request, and the service is set to begin several new acquisition programs in the next fiscal year. The programs include a new Long Range Strike family of systems and a new trainer to replace the T-38 Talon. The service will also select the winner of the KC-X tanker aircraft and new Light Attack Aerial Reconnaissance Aircraft. The Air Force will continue to purchase the MQ-9 Reaper unmanned aircraft, F-35 Joint Strike Fighters, C-27 Spartans, several C-130 variants, and the Global Hawk unmanned reconnaissance aircraft.

2012 Budget Offers Pain and Gain for R&D

Science News

President Obama sent the research community a valentine of sorts in his proposed 2012 federal budget. Sent to Congress on February 14, the budget was a pledge to fight for increased investment in research and education even as the president committed to a belt-tightening for most segments of federal spending. The \$3.7 trillion proposal allocates \$147.9 billion to research and development in the coming fiscal year, which begins on October 1. That amounts to a small decrease from the 2011 fiscal year, after accounting for a projected 1.3 percent rate of inflation. Many R&D programs would see expanded or new funding to meet a number of administration goals, said presidential science adviser John Holdren.

Obama Budget: \$14M to Bring Shuttle Atlantis to Dayton

Cincinnati.com

Wright-Patterson Air Force Base in Dayton would receive \$14 million to prepare to house one of NASA's three shuttle orbiters, under President Barack Obama's budget. The decision is far from over, and Congress would have to vote on whether to spend the money. Florida and Texas lawmakers have urged repeatedly for orbiters to be placed at Kennedy Space Center and Johnson Space Center. But a page of the Air Force budget released Monday for the year starting Oct. 1 calls for the one-time expenditure to prepare for the delivery of shuttle Atlantis to the National Museum of the Air Force at the Dayton base.

Gates Warns that Budget Cuts Could Lead to Serious Repercussions

The Warner Robins Patriot

Defense Secretary Robert Gates warned of serious repercussions Monday if Congress allows a cost-cutting push to outdistance "strategic and operational reality." The department is currently adrift in a sea of uncertainty – a condition already impacting the Air Force and systems managed by Robins Air Force Base. A continuing resolution – enacted because Congress has been unable to pass a fiscal year 2011 federal budget – is forcing a \$23 billion de facto cut in this year's spending. At the same time, Gates is fearful that Congress' budget trimming mood likely will lead to more reductions in 2012. Appearing Monday at a Pentagon press briefing, Gates said he could accept \$9 billion less than the \$549 billion the administration requested for 2011.



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Nelson: Obama Budget Includes StratCom HQ Funds

Bloomberg

Funding to start building a new home for the U.S. Strategic Command at Offutt Air Force Base south of Omaha is included in President Barack Obama's 2012 budget proposal. U.S. Sen. Ben Nelson said in a news release that the \$564 million for a new facility is needed so StratCom can carry out its nuclear, space and cyberspace missions. The budget proposal seeks \$150 million for the first phase of construction. The new facility could be ready in 2016. Nelson also says he's been reassured that planning and design for new and replacement structures at the Omaha Veterans Affairs hospital is continuing.

Budget Breakdown: Air Force

Stars & Stripes

This year's defense budget includes the first planned decrease in the Air Force's annual funding in 15 years, as the service trims back on research and construction spending. Air Force officials are requesting \$149.9 billion in non-war spending for fiscal 2012, about \$200 million below what the service wanted last year. Under the budget plans, officials would actually spend almost \$1 billion more in research and development for future systems, even as aircraft procurement is slashed by almost \$2 billion for the near term.

Gates: Defense Needs \$540 Billion for Fiscal 2011

Air Force Print News Today

Congress must provide \$540 billion to the Defense Department for fiscal 2011 or the department will be in danger of not being able to perform its mission, Defense Secretary Robert M. Gates said here Feb. 14. What Secretary Gates has called the crisis on his doorstep - the possibility that DOD will operate through the remainder of fiscal 2011 on a continuing resolution -- drew sharp remarks from the secretary. "Exactly a year ago, the president requested \$549 billion to operate the Department of Defense during fiscal year 2011," Secretary Gates said. "If forced to operate under a full-year continuing resolution, the department would only receive about \$526 billion." This reduction of \$23 billion is magnified because it comes five months into the fiscal year, he said.

Defense Communities Cope with Uncertain Times

Air Force Print News Today

Representatives from around the country have gathered here Feb. 14 through 16 for a three-day Winter Forum sponsored by the Association of Defense Communities to discuss the challenges faced by U.S. military installations, both those which are active and those which were closed over the years during several rounds of Base Realignment and Closure beginning in 1988. The latter are being cleaned of environmental contamination by the military and returned to communities for redevelopment. In a senior-level panel, Kathleen Ferguson, deputy assistant secretary of the Air Force for installations, spoke about savings realized by reducing overhead, energy, logistics, training and acquisition costs. Saved dollars can be shifted to warfighter and readiness programs, Ms. Ferguson said. "The Air Force is committed to enhancing capabilities by reducing overhead and support functions now and into the future," she said.



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ACQUISITION

Feds to Speed Up Acquisition Rule-Making

The Washington Business Journal

In December, the Department of Defense published a rule that explains how agencies should address potential conflicts of interest in contracting. Want to know how long that took to get finalized? Three years. That — in a nutshell — is the problem that the General Services Administration, NASA and DOD have promised to fix, after meeting earlier this week for a brainstorming session. "We're taking too long to issue FAR [Federal Acquisition Regulation] rules and changes," said Kathleen Turco, associate administrator for GSA's Office of Governmentwide Policy. NASA, DOD and GSA, with advice from the Office of Management and Budget, lead the FAR rule-making process.

Air Force Models Rapid IT Development

Federal News Radio

Just a few months ago, the Defense Department laid out its plans to streamline and speed up the way it acquires and develops information technology. As one Air Force official sees it, it's not a pie-in-the-sky idea - in fact, it's already being done. DoD's target for IT acquisition is 19 months. Steve Wert, the Air Force program executive officer for C4ISR - Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance - said he has mandated an even more compressed timeline for his \$3.3 billion portfolio.

INDUSTRY

U.S. Budget Spat Worries Military Contractors

MarketWatch

The White House is slated to unveil a bigger Pentagon budget for fiscal 2012 next week, but a cost-cutting feud in Congress is making military contractors nervous about the funding for some very lucrative long-term programs. President Barack Obama plans to announce next year's federal budget proposal Monday, with a likely DoD base request of \$553 billion, up 5% from fiscal 2011, according to government officials. Funding for the conflicts in Iraq and Afghanistan, requested separately, will decline 26% to \$117 billion.

Advice to Defense Contractors: Rethink Assumptions, Prepare for Downturn

By Sandra Erwin, National DEFENSE, February 10, 2011

The Pentagon currently spends about \$400 billion a year on goods and services, but those funds will shrink over time, analysts predict. Facing soaring personnel and health care costs, the Pentagon increasingly will be dipping into its procurement, services and modernization accounts to cover the payroll. As the pie shrinks, there will not be enough money to keep every company in business, warned Stanley Collender, managing director of Qorvis Communications. One of Collender's new clients is an investment bank startup — Blue Stone Capital Partners — that is predicting a wave of mergers and acquisitions in the government-contracting sector, particularly defense. “



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REMOTELY PILOTED AIRCRAFT

US Air Force Truncates Northrop Unmanned Plane

Reuters

The U.S. Air Force plans to end funding for the newest version of Northrop Grumman Corp's (NOC.N) unmanned high-altitude Global Hawk plane at 11 planes, said a senior acquisition official for the service. Marilyn Flowers, a deputy to the Air Force's assistant secretary for budget, told reporters that the "Block 40" version of the high-flying plane would be truncated or terminated at half the planned buy of 22 planes. Officials familiar with the program said the cuts were part of the Air Force's contribution to some \$100 billion in internal budget cuts ordered by Defense Secretary Robert Gates from all the military services.

USAF Space, Bomber Programs Move

By Amy Butler

The U.S. Air Force is sacrificing part of its Global Hawk unmanned aerial system program while proceeding with a more aggressive buy of satellites and rockets, and moving forward with a bomber program. The Air Force is proposing in its fiscal 2012-16 budget to cut \$428 million from its Global Hawk Block 40 program, which aims to put an active, electronically scanned array (AESA) radar on the high-flying unmanned aerial system (UAS) to collect data on moving targets on the ground and in the air. The Northrop Grumman/Raytheon radar also is capable of taking highly accurate synthetic aperture radar images through weather and dust.

JOINT STRIKE FIGHTER

Obama Wants to Scrap Marine vehicle, Alternate Engine for F-35 Made in Ohio

Dayton Daily News

The 2012 defense budget that President Obama proposed on Monday is a shot in the arm for the Air Force and Wright-Patterson Air Force Base because it commits the nation to building a new bomber to replace aging aircraft, budget watchers said. The as-yet unnamed long-range bomber could fly unmanned and could carry either nuclear or conventional weapons, defense officials have said. It could replace the decades-old B-52 bomber and supplement the newer B-2s. Defense Secretary Robert Gates, in January, endorsed startup of the new bomber program. The Air Force has requested \$3.7 billion over five years to get that program started. "This is basically a good-news budget for the U.S. Air Force," said Loren Thompson, a defense analyst with the Lexington Institute in Arlington, Va. "The nation is going to build its first new bomber in 30 years, and that program will be managed out at Wright-Patterson Air Force Base."



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OP-ED

The Case for Competition in Government Acquisitions

The Daily Caller

Department of Defense (DoD) leaders want more competition but reject real, ongoing competition for engines on their biggest aircraft program. If there is any lesson in government acquisition history, it is this: The best form of competition involves two companies competing to supply a product on a year-to-year basis with the winner awarded the larger share and the loser a smaller share so that it can compete the next year. A pertinent example is “The Great Engine War” on the F-16 program — one of the most successful competitions in government acquisition. In the late 1970s, the U.S. Air Force experienced significant problems with the Pratt & Whitney (P&W) F100 engine powering F-15 and F-16 aircraft.



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Small Business

Small Biz Programs on Chopping Block in 2012 Budget

By Catherine Clifford, CNN Money, February 15, 2011

Like the rest of the federal government, the Small Business Administration is going to get the squeeze in 2012, according to President Obama's budget proposal released Monday.

The SBA -- and, most critically, the lending programs it backs -- got some pretty hefty government subsidies through the Great Recession as the White House tried desperately to get capital flowing to small businesses. That stimulus cash vanishes in the government's 2012 fiscal year, which begins in October 2011.

"We have to tighten our belt, too, and we have to make tough choices," SBA Administrator Karen Mills said in a conference call with reporters.

In the 2010 fiscal year, the SBA received a whopping \$963 million in supplemental appropriations, more than doubling its \$824 million core budget for the year. Most of that cash went toward a very popular series of deal sweeteners that helped entice banks to step up their government-backed small business lending.

The deal sweeteners worked. In a time when lending to small businesses overall contracted by \$43 billion, SBA-backed lending rose in the 2010 fiscal year to \$12.6 billion, after plunging 27% in 2009 to \$9.3 billion.

But as the economy moves toward recovery and spending has become a battleground in Washington, those stimulus efforts were discontinued on Dec. 31.

"We actually saw a big rush right at the end of the year," Mills said, as borrowers raced to get a loan locked with lower borrowing costs and higher government guarantees against default.

Now, borrowers and lenders are readjusting to the SBA's traditional loan terms. "We expected to see a lull, but we have started to see the volume come back," Mills said.

The guaranteed loan program has grown more costly as default rates jumped, especially on loans made between 2004 and 2008. Therefore, the SBA requested that it be given the authority to adjust the program's fees as it sees fit. The idea is to get the loan guarantee program as close to "self-sustaining" as possible, the budget proposal said. The adjustments in fees would become effective in 2013.



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President Obama's 2012 budget proposals calls for SBA funding of \$985 million, down slightly from the \$993 million proposed for fiscal year 2011. The 2012 proposal is an increase from the \$824 million core budget the SBA had in 2010, but a sharp 45% drop from the \$1.8 billion the SBA actually got in 2010, thanks to its supplemental allocations.

The agency will have to cut back to meet those targets. Funding for SBA salaries and expenses dropped by \$7 million compared to 2010, and the agency will have to trim \$5 million from its budget for managing its main loan programs.

What is getting whacked: The SBA warned that funding for its nationwide network of Small Business Development Centers will have to decrease by \$10 million. Small Business Development Centers are mentoring centers run by the SBA in a partnership with colleges and universities throughout the country.

The SBA plans to come up with another \$8 million in savings by reducing the core staff for its disaster loan program. The reserve staff that is "on-call" for emergencies will not be reduced.

Like other government agencies, the SBA has the unenviable task of trying to plan its 2012 spending while still battling uncertainly about its budget for the current year. Congress hasn't yet approved President Obama's proposed budget for the 2011 fiscal year -- which began five months ago. The government has been keeping the lights on with a so-called "continuing resolution." That's a month-by-month stopgap funding measure that keeps the agencies funded at their 2010 budget levels.

http://money.cnn.com/2011/02/14/smallbusiness/sba_budget_2012/

Budget

DOD Releases Fiscal 2012 Budget Proposal

U.S. Department of Defense, Office of the Assistant Secretary of Defense (Public Affairs), February 14, 2011

President Barack Obama today sent to Congress a proposed defense budget of \$671 billion for fiscal 2012. The request for the Department of Defense (DoD) includes \$553 billion in discretionary budget authority to fund base defense programs and \$118 billion to support overseas contingency operations (OCO), primarily in Afghanistan and Iraq. The fiscal 2012 budget continues the DoD reform agenda, seeking additional efficiencies across the entire defense enterprise, while also strengthening our national security capability.



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“This budget represents a reasonable, responsible and sustainable level of funding, the minimum level of defense spending that is necessary, given the security challenges we are facing around the globe,” said Defense Secretary Robert Gates.

The \$553 billion for the base budget provides funding to take care of our people, which is our highest priority, and also provides substantial funding to build capability for possible future conflicts. The OCO portion totals \$117.8 billion, \$41.5 billion below the fiscal 2011 request of \$159.3 billion. The proposal reflects the planned withdrawal of troops from Iraq by the end of the first quarter of fiscal 2012 and a modest decline in funding for Afghanistan operations.

While this budget request seeks continued efficiencies in 2012 and beyond, the absence of an appropriation for fiscal 2011 threatens to cause serious inefficiencies and problems this year. The current continuing resolution, if it remains in effect for the rest of the year, will lead to delays and inefficient, start-and-stop management. It will rob the DoD of the flexibility needed to manage effectively, especially in time of war, and it will not provide the Department with enough resources to maintain training and support while also paying bills for military pay, benefits, and inflation. In short the continuing resolution represents a crisis at our doorstep, and the DoD strongly urges the Congress to pass a defense appropriation bill as part of the overall legislation to fund government activities in fiscal 2011.

Highlights of the proposed DoD budget are outlined in the [attached summary and charts](#). For more information and to view the entire fiscal 2012 budget proposal, please visit <http://www.budget.mil> and download the “FY 2012 Budget Request Overview Book.” Budget-related transcripts can also be viewed at <http://www.defense.gov/transcripts>.

<http://www.defense.gov/releases/release.aspx?releaseid=14263>

Efficiencies, Balance Main Focuses of FY12 Budget

Air Force Print News Today, February 14, 2011

Air Force officials said despite a reduction in the top line request, combat capabilities and balance will remain focal points in the Air Force's portion of the president's fiscal 2012 budget presented here Feb 14.

The total Air Force budget request for FY12 is \$166.3 billion, down from \$170.8 billion in FY11. The largest portion of the \$4.5 billion decrease from FY11 to FY12 is a \$4.4 billion reduction in Air Force overseas contingency operations.



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Maj. Gen. Al Flowers, the Air Force budget director, said the budget request is structured through a deliberate process that interweaves the national military strategy, the quadrennial defense review, combatant command requirements and the service's priorities and core functions.

As military forces poise to leave Iraq by Dec. 31, Air Force officials subsequently have sought funding consistent with one-quarter of FY11 operating levels for overseas contingency operations in Iraq. Although the largest budget request reduction relates to the drawdown in Iraq, Air Force officials still will request full-year support for operations in Afghanistan consistent with the FY11 operating levels.

The "blue," or operational, baseline has remained relatively flat, transitioning from \$119.6 billion last fiscal year to \$119 billion this fiscal year. The FY12 budget request reflects multiple factors, including a Department of Defense mandate to identify efficiencies and cost savings.

"There's a lot of movement in the blue Air Force total obligation authority," General Flowers said. "There are programmatic increases, decreases and inflation adjustments, all offset by efficiencies of about \$1.9 billion in (operation and maintenance) and \$3.4 billion across the budget."

The general said that the efficiency initiative objective was to identify resources in support and overhead that could be moved to warfighter and readiness enhancements.

"Our efficiencies include plans to consolidate four air operations centers, streamline three numbered air forces and introduce cost reduction efforts in the information technology area," General Flowers said, adding that the Air Force exceeded its efficiency target by \$5 billion and moved \$33 billion to enhancement areas.

"With this budget, the Air Force demonstrates its steadfast commitment to Secretary Gates' efficiency agenda by achieving \$3.4 billion in cost savings and balancing measures," said David Tillotson III, the Air Force deputy chief management officer and office of business transformation director.

Care for Airmen, families

Within the \$30.2 billion request for pay and allowances, General Flowers said Airmen can expect a pay raise of 1.6 percent, including a 4.2 percent housing allowance increase and a 3.4 percent subsistence allowance increase.

"There is a significant amount of money in this budget for Airmen and families, with \$813 million alone allotted for family and support programs," General Flowers continued. "This breaks down to about \$189 million for family readiness centers and warfighter support to include \$8 million to fund Air Force resiliency programs."



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Also included is \$224 million for childcare and youth programs, with another \$400 million for community support and education assistance programs. The general also noted \$2.8 million allotted for additional case workers and program managers to meet the growing demands of the Air Force's wounded warrior populations.

"This total force budget provides our Airmen and civilians the necessary funding to protect readiness, reduce overhead costs and apply the savings from efficiencies to force structure and modernization," the general said.

Force structure, modernization

General Flowers explained there is considerable movement within the military personnel account in order to maintain end strength numbers while keeping critical career fields afloat.

"We have realigned 2,100 military manpower billets to support (intelligence, surveillance and reconnaissance) in order to meet our goal of 65 combat air patrols by the end of 2013," the general said. "Even with the improved retention, we still have some career fields in which we have critical shortages."

To address these shortages, the budget includes \$626 million dollars for career fields such as intelligence language specialists, contractors, security forces, nurses, psychologists, civil engineers, special operations forces and explosive ordnance disposal personnel.

"We'll continue to identify enabling capabilities that support the combatant commanders and meet the needs of the warfighter," General Flowers said. "It's all about taking care of Airmen and meeting the mission of our United States Air Force."

In order to provide critical support to the joint and coalition team to win today's fight, General Flowers said, Air Force officials will use innovative acquisition strategies that enable investment in critical mission areas.

Procurement and research, development, test and evaluation accounts include changes based on the Air Force's plan to modernize the force, increase readiness and maintain acquisition excellence, he said.

"The procurement portion of the FY12 budget includes funding for 48 MQ-9 Reapers, the maximum number that can be produced for the Air Force within a given year," General Flowers said.

The Reaper fleet plus-up will help ensure the Air Force meets its goal of 65 combat air patrols by the end of 2013, he added.



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"We're asking for support in buying multiple advanced extremely-high-frequency satellites and space-based infrared system satellites using innovative acquisition strategies in order to procure satellites more efficiently and stabilize work for our industrial base," General Flowers said.

"Many programs will benefit from these efficiencies through reduced costs to procure satellites," he continued. "We'll need special Congressional language that will allow us to use procurement, advanced procurement and advanced appropriated funds to do so."

The Air Force's FY12 budget request includes \$553 million for AEHF satellites, and \$244 million toward advanced procurement for SBIRS.

General Flowers presented another example of acquisition improvement with a reference to "block buying," specifically in the Air Force's evolved expendable launch vehicle program.

"Through these more efficient purchases of launch vehicles, we'll start to see some of our acquisition improvements come to fruition," General Flowers said. "We've already implemented approximately 75 efficiency initiatives that range in scope and impact throughout the acquisition enterprise."

Additional modernization efforts include F-15 Eagle radar upgrades, C-5A Galaxy engine and reliability upgrades and C-130 Hercules avionics modernization and improvements, General Flowers said, adding Air Force officials also are requesting \$5.2 billion to strengthen the nuclear enterprise.

General Flowers said the overall budget reflects the Air Force secretary and chief of staff's priorities: strengthen the nuclear enterprise; partner with the joint and coalition team to win today's fight; develop and care for Airmen and their families; modernize the air, space and cyberspace inventories; and recapture acquisition excellence.

<http://www.af.mil/news/story.asp?id=123242539>

USAF Budget Shrinks, Outlines Acquisition Programs

By Dave Majumdar, Defense News, February 15, 2011

Though the overall U.S. Air Force budget will shrink from \$170.8 billion in yet-to-be-passed fiscal 2011 budget to \$166.2 billion in the president's fiscal 2012 budget request, and the service is set to begin several new acquisition programs in the next fiscal year.



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The programs include a new Long Range Strike family of systems and a new trainer to replace the T-38 Talon. The service will also select the winner of the KC-X tanker aircraft and new Light Attack Aerial Reconnaissance Aircraft.

The Air Force will continue to purchase the MQ-9 Reaper unmanned aircraft, F-35 Joint Strike Fighters, C-27 Spartans, several C-130 variants, and the Global Hawk unmanned reconnaissance aircraft. The service is also pursuing modernization projects for a host of aircraft including the F-22, F-15, C-17, C-130 and C-5, among others. Additionally, the service is launching a new effort to stabilize its space procurement programs.

The Air Force's research and development budget has actually increased slightly over the previous year's budget request, growing from \$18.2 billion in fiscal 2011 to \$19 billion in fiscal 2012. The largest new program in the research and development account is the Long Range Strike Family of Systems, the "centerpiece" of which is a long range, stealthy, penetrating, nuclear-capable optionally manned bomber. The fiscal 2012 budget includes \$197 million for the program, while the Future Years Defense Program includes a total of \$3.7 billion for the new aircraft.

The Air Force hopes the new bomber will be operational by the "mid-2020s," said Pentagon Comptroller Robert Hale.

After the cancellation of a previous effort to build a new bomber in 2009, the service re-examined its options and concluded that the Long Range Strike Family of Systems should include not just a bomber, but Intelligence, Surveillance, Reconnaissance (ISR), Electronic Attack (EA), and communication portions of the program, said Maj. Gen. Alfred Flowers, the Air Force's deputy assistant secretary for budget. He added that there would be one type of airframe, but with different missions depending upon the payload.

The Air Force, however, has not fully fleshed out the exact requirements for the aircraft. Important decisions remain, including how the concept of "optional manning" will work.

"Conceptually: optionally manned. To be determined: how that will work," Flowers said.

The service hopes to eventually buy between 80 and 100 of the new bombers, he added.

The Air Force is launching the T-X program to replace the T-38 trainer. The T-38 is increasingly unable to meet the training needs of fifth-generation fighters such as the F-22 and F-35. The fiscal 2012 budget included \$16 million for the new aircraft, Flowers said.

The Air Force also hopes to award the long-awaited KC-X contract to buy a new tanker. Boeing and EADS have offered the 767 and Airbus A330 respectively to meet the service's requirements. "We're asking for \$900 million for the KC-X tanker and hope make an award within a month or so," Hale said.



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Once the contract finalized, the Air Force will buy four KC-X developmental aircraft for tests, Flowers said. The lack of a fiscal 2011 budget will not affect the tanker program because it is technically not a new start program, Hale said. The Air Force will have to "reprioritize" money to pay for the aircraft, he added.

The Air Force is slated to buy nine Light Attack Aerial Reconnaissance Aircraft, Flowers said.

Other procurement programs are continuing at full-steam.

The Air Force will continue to buy MQ-9 Reaper unmanned aircraft at the maximum possible rate of 48 aircraft a year, Flowers said. The Reaper procurement is part of a service effort to achieve 65 combat air patrols, he said. The Air Force had hoped to buy 48 aircraft in the fiscal 2011 budget, but has thus been stymied by the continuing impasse in Congress, he said.

The Air Force will slow down its purchases of the F-35 Joint Strike Fighter. While the service was to have purchased 23 F-35 fighters in fiscal 2011, the Air Force will only buy 19 jets in the coming year, Flowers said.

The Air Force will also buy nine C-27 Spartan transports and 11 C-130 Hercules transport derivatives. The service will buy six more CV-22 tilt-rotors and four HH-60G helicopters.

While the service is buying three more Global Hawks in fiscal 2011, the purchase of the Block 40 version of the aircraft is being limited to 11, Flowers said. The savings will be used to upgrade the electro-optical infrared cameras on the Block 30 version of the aircraft, he explained. Marilyn Thomas, Flowers' deputy, added that 11 Block 40 aircraft provided two combat air patrols of ground moving target indication radar aircraft, which combined with the existing E-8 JSTARS fleet, provides "sufficient capability." The increasing cost of the Global Hawk aircraft contributed to the decision to truncate the program, Flowers said.

The Air Force will fund modernization of the C-17, C-5, and older C-130s. It is also funding modernization of the F-15, B-1, B-2 and F-22. Under the new fiscal 2012 budget, the entire combat coded Raptor fleet will now receive the Increment 3.2 upgrade.

Previously, only the last 87 (now 86) Block 35 production Raptors would have received the new upgrade, which is now under development. Now, 63 older Block 30 jets will also receive the ability to carry the AIM-9X and AIM-120D missiles and receive the ability to target eight Small Diameter Bombs at eight separate targets.

The Air Force is working to stabilize its space programs, Flowers said.

The service's new approach uses block buys and multi-year contracts, he said, to "stabilize production." The new strategy would use "advanced procurement, procurement, and advanced appropriations" to achieve its goals, he said, which would require Congressional support.



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As part of the new effort, the Air Force will buy two Advanced Extremely High Frequency satellites for \$552 million in fiscal 2012. However, the purchase would function as a down payment of sorts, Flowers explained.

Other satellite programs will follow the same example, he said.

The new approach will also extend to rocket boosters, Flowers said. The Air Force will buy the Evolved Expendable Launch Vehicle in Blocks, he said. In fiscal 2012, the Defense Department will buy five boosters, four for the Air Force, one for the Navy. The service will also buy four more rockets in fiscal 2013 and five more in fiscal 2014.

<http://www.defensenews.com/story.php?i=5714046&c=AIR&s=TOP>

Think Tank Warns Against Reinvestment Plans Before DoD Efficiency Savings are Realized

By Molly Bernhart Walker, Fierce Government IT, February 14, 2011

The Defense Department is doing what a top official once warned against--using anticipated efficiency savings to fund weapons systems, said Todd Harrison, a senior fellow in budget studies at Center for Strategic and Budgetary Assessments, during a Feb. 10 DoD budget press briefing at CSBA offices in Washington, D.C.

Harrison cited a report by Robert Hale, now Undersecretary of the Defense (Comptroller), who as a think tank analyst in 2002 wrote that the Pentagon "should avoid using efficiency savings to fill budget shortfalls until the savings are actually realized."

Defense Secretary Robert Gates announced an efficiency initiative in 2010 that seeks to redirect overhead spending into higher priority programs such as the next-generation jammer, long-range bomber and surveillance aircraft, according to a CSBA report.

Through a number of proposed efficiency strategies, DoD expects to save enough money to warrant further investment of \$90 billion, Harrison wrote in the report.

Harrison also wrote that new, high-profile projects have a history of failing because acquisition and the requirements development process are disconnected from the budget process. This recurring and chronic disconnect has not been addressed due to recent budget constraints and puts the reinvestment projects at further risk of failure, he added.



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Pressure to reduce the federal deficit has grown and legislators refuse to consider revenue increases, through taxation. "This means the deficit reduction efforts in the near future are likely to focus almost exclusively on reductions in government spending," Harrison wrote.

<http://www.fiercegovernmentit.com/story/think-tank-warns-against-reinvestment-plans-dod-efficiency-savings-are-real/2011-02-14>

Pentagon: U.S. Will Not Field MEADS

By Kate Brannen, Army Times, February 14, 2011

The United States can no longer afford to purchase and field the trilateral Medium Extended Air Defense System, according to the Pentagon.

DoD has decided to continue the design and development (D&D) phase of the program under the current memorandum of understanding, but after schedule and cost overruns, the United States can no longer afford to fund production of the system, according to a Feb. 11 Pentagon fact sheet on the program.

Managed by NATO, MEADS is being developed for the United States, Italy and Germany. Lockheed Martin leads MEADS International, the industry team developing the system for the three countries.

The United States cannot afford to increase funding for the D&D phase as requested by the NATO MEADS Management Agency, the fact sheet said. Instead, it will provide up to the cost ceiling established in the current memorandum of understanding (\$4 billion in 2004 dollars).

Since its conception in the mid-1990s, MEADS has suffered from a number of technical and management problems that have led to delays and cost growth.

MEADS was originally slated for production in 2007. When the countries signed an agreement for the D&D phase in 2004, production was moved to 2014.

This fall, the three countries had to consider whether to approve a restructuring proposal by the NATO MEADS Management Agency, which called for extending design and development by 30 months from the original 110-month program established in 2004. This extension would require at least \$974 million of additional U.S. funding. The Pentagon's Cost Assessment and Program Evaluation Office put the figure at \$1.16 billion, according to the Pentagon.

Currently, the U.S. funds 58 percent of MEADS, Germany 25 percent and Italy 17 percent.



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Under this new plan, U.S. production would not begin until 2018.

Three Options Considered

Due to these changes, the Pentagon considered three options: terminating the program immediately, continuing development within the 2004 funding limits, or adopting the NATO MEADS Management Agency's plan and providing the additional funding.

The Pentagon has selected option two, saying "terminating the program now, just after successful completion of the MEADS Critical Design Review, would force the nations to devote significant funding to contractor termination costs instead of using this funding to bring MEADS development to a viable level of maturity."

With the remaining funding, the Pentagon proposes focusing the remaining activities on a "proof of concept" effort "that will provide a meaningful capability for Germany and Italy and a possible future option for the United States."

MEADS was designed to replace the Patriot systems in the United States and Germany and the Nike Hercules system in Italy. The proof-of-concept D&D program would end by 2014, when the current memorandum of understanding expires.

The Pentagon says this is the best option because it allows the countries to harvest the technologies.

To complete the D&D phase of the program under the 2004 cost limits, the United States will pay roughly \$804 million between 2011 and 2013.

"This work would place the D&D program on stable footing should Germany and Italy wish to continue a MEADS development and production effort after the current funding is expended," the Pentagon said. "The same options would be available to the U.S. if its air defense plans should change."

However, the United States cannot afford to both purchase MEADS and make "required" upgrades to Patriot over the next two decades, the Pentagon said.

The Pentagon has already spent \$1.5 billion on MEADS. In addition to the \$974 million required by the NATO MEADS Management Agency, the Pentagon estimates another \$800 million would be needed for U.S.-unique test and evaluation activities.

'Accept Some Risk'

Because of the schedule delays, the United States would not be able to replace Patriot with MEADS when originally envisioned. This means funds would have to be spent on Patriot modernization and MEADS



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purchases simultaneously, something the Pentagon cannot afford in the “current DoD budget environment,” the fact sheet said.

“The U.S. is willing to accept some risk in our air defense portfolio in the near term, not just in MEADS, but in other major acquisition programs (for example, the [Joint Land Attack Cruise Missile Defense Elevated Netted Sensor], which has been scaled back, and [the Surface-Launched Advanced Medium-Range Air-to-Air Missile], which has been canceled) in order to increase investments in new capabilities that our soldiers can use today to counter threats in Forward Operating Bases in Afghanistan, such as capabilities to Counter Rockets, Artillery and Mortars (C-RAM),” the Pentagon fact sheet said.

The Pentagon maintains that the United States can achieve some of MEADS’ promised capabilities through its existing missile defense systems.

Until now, the Pentagon’s main reason for continuing with the program has been its unique opportunity for trans-Atlantic joint development.

In the DoD fact sheet, the Pentagon said that international cooperative programs are just one way that Europe and the United States can interact in the defense industry arena. They are becoming “increasingly less statistically relevant as trade continues to open on both sides of the Atlantic and global supply chains become more robust,” it said.

http://www.armytimes.com/news/2011/02/defense_U.S._will_not-field_MEADS_021411/

2012 Defense Budget Marks a Shift to Conventional Weaponry

By Sandra Erwin, National DEFENSE, February 10, 2011

It was only three years ago that Defense Secretary Robert Gates warned that the Pentagon’s weapons acquisition establishment was infected with “next war-itis.” Instead of buying technologies for today’s wars, the services were obsessed with futuristic weapons that may never be needed, Gates complained. His comments sent generals, admirals and contractors scrambling for ways to show that their cherished programs were not suffering from the dreaded disease.

Circumstances have changed since, and the Pentagon appears to be ready — despite tightening budgets — to start turning more attention to big-ticket weapons that would be needed for high-tech warfare. Of particular concern is the ability to stay ahead of the new weaponry that is now being developed by China, Iran and even non-state groups, analysts said.

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The defense budget proposal that the Obama administration will send to Congress next week shows signs that the Pentagon is concerned about asserting its dominance in aerial and naval warfare, vis-à-vis a rising China and saber rattling by Iran, said Jim Thomas, vice president of the Center for Strategic and Budgetary Assessments, a Washington, D.C., think tank.

The 2012-2018 budget is expected to begin a gradual slowdown in the growth of defense spending, which has doubled since 2001. After 2015, the budget will flatten out, Thomas said Feb. 10. But even with a constrained budget, Gates already has let it be known that he intends to support increased funding for a long-range bomber, naval surface warships, submarines, intelligence collection and electronic warfare systems, all of which would be designed to operate in a “non-permissive environment.” That is Pentagon-speak for fighting in areas where U.S. jets and ships would be vulnerable to enemy missiles or aircraft.

As the Pentagon plans for the future, Thomas said, “We’re looking at less permissive environments than we’ve had in the last 20 years.” In the wars of the past decade in Iraq and Afghanistan, by contrast, U.S. aircraft have flown with impunity, he said.

Most recently, steps by the Chinese military, by Iran’s regime and even by non-state actors such as Hezbollah to expand their arsenals are having an impact on Pentagon’s budget planning, Thomas said. “The theme you begin to see is that we’re going to start to divest systems and programs that were designed for relatively benign operating environments,” he said. “We’re probably going to be investing far more heavily in systems that perform better in non-permissive environments.”

Evidence of the changing emphasis is the decision to cancel the Marine Corps’ Expeditionary Fighting Vehicle, said Todd Harrison, senior fellow for budget studies at CSBA. In the context of dealing with future threats, the EFV “is not a good program,” Harrison said. “It wouldn’t work well in a contested environment.” The EFV is a personnel carrier that deploys from a ship and swims to the beach. In the water, it would be vulnerable to shore-based missiles. On the ground, it would be susceptible to buried explosives.

The current thinking is that money would be better spent on technologies that can help U.S. weaponry stand up to these advanced threats, Harrison said. “And the budget is starting to reflect that.”

<http://www.nationaldefensemagazine.org/blog/Lists/Posts/Post.aspx?ID=308>



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Budget Shrinks; Acquisition Programs Outlined

By Dave Majumdar, Air Force Times, February 15, 2011

Though the overall Air Force budget will shrink from \$170.8 billion in yet-to-be-passed fiscal 2011 budget to \$166.2 billion in the president's fiscal 2012 budget request, and the service is set to begin several new acquisition programs in the next fiscal year.

The programs include a new Long Range Strike family of systems and a new trainer to replace the T-38 Talon. The service will also select the winner of the KC-X tanker aircraft and new Light Attack Aerial Reconnaissance Aircraft.

The Air Force will continue to purchase the MQ-9 Reaper unmanned aircraft, F-35 Joint Strike Fighters, C-27 Spartans, several C-130 variants, and the Global Hawk unmanned reconnaissance aircraft. The service is also pursuing modernization projects for a host of aircraft including the F-22, F-15, C-17, C-130 and C-5, among others. Additionally, the service is launching a new effort to stabilize its space procurement programs.

The Air Force's research and development budget has actually increased slightly over the previous year's budget request, growing from \$18.2 billion in fiscal 2011 to \$19 billion in fiscal 2012. The largest new program in the research and development account is the Long Range Strike Family of Systems, the "centerpiece" of which is a long range, stealthy, penetrating, nuclear-capable optionally manned bomber. The fiscal 2012 budget includes \$197 million for the program, while the Future Years Defense Program includes a total of \$3.7 billion for the new aircraft.

The Air Force hopes the new bomber will be operational by the "mid-2020s," said Pentagon Comptroller Robert Hale.

After the cancellation of a previous effort to build a new bomber in 2009, the service re-examined its options and concluded that the Long Range Strike Family of Systems should include not just a bomber, but Intelligence, Surveillance, Reconnaissance (ISR), Electronic Attack (EA), and communication portions of the program, said Maj. Gen. Alfred Flowers, the Air Force's deputy assistant secretary for budget. He added that there would be one type of airframe, but with different missions depending upon the payload.

The Air Force, however, has not fully fleshed out the exact requirements for the aircraft. Important decisions remain, including how the concept of "optional manning" will work.

"Conceptually: optionally manned. To be determined: how that will work," Flowers said.

The service hopes to eventually buy between 80 and 100 of the new bombers, he added.

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The Air Force is launching the T-X program to replace the T-38 trainer. The T-38 is increasingly unable to meet the training needs of fifth-generation fighters such as the F-22 and F-35. The fiscal 2012 budget included \$16 million for the new aircraft, Flowers said.

The Air Force also hopes to award the long-awaited KC-X contract to buy a new tanker. Boeing and EADS have offered the 767 and Airbus A330 respectively to meet the service's requirements. "We're asking for \$900 million for the KC-X tanker and hope make an award within a month or so," Hale said.

Once the contract finalized, the Air Force will buy four KC-X developmental aircraft for tests, Flowers said. The lack of a fiscal 2011 budget will not affect the tanker program because it is technically not a new start program, Hale said. The Air Force will have to "reprioritize" money to pay for the aircraft, he added.

The Air Force is slated to buy nine Light Attack Aerial Reconnaissance Aircraft, Flowers said.

Other procurement programs are continuing at full-steam.

The Air Force will continue to buy MQ-9 Reaper unmanned aircraft at the maximum possible rate of 48 aircraft a year, Flowers said. The Reaper procurement is part of a service effort to achieve 65 combat air patrols, he said. The Air Force had hoped to buy 48 aircraft in the fiscal 2011 budget, but has thus been stymied by the continuing impasse in Congress, he said.

The Air Force will slow down its purchases of the F-35 Joint Strike Fighter. While the service was to have purchased 23 F-35 fighters in fiscal 2011, the Air Force will only buy 19 jets in the coming year, Flowers said.

The Air Force will also buy nine C-27 Spartan transports and 11 C-130 Hercules transport derivatives. The service will buy six more CV-22 tilt-rotors and four HH-60G helicopters.

While the service is buying three more Global Hawks in fiscal 2011, the purchase of the Block 40 version of the aircraft is being limited to 11, Flowers said. The savings will be used to upgrade the electro-optical infrared cameras on the Block 30 version of the aircraft, he explained. Marilyn Thomas, Flowers' deputy, added that 11 Block 40 aircraft provided two combat air patrols of ground moving target indication radar aircraft, which combined with the existing E-8 JSTARS fleet, provides "sufficient capability." The increasing cost of the Global Hawk aircraft contributed to the decision to truncate the program, Flowers said.

The Air Force will fund modernization of the C-17, C-5, and older C-130s. It is also funding modernization of the F-15, B-1, B-2 and F-22. Under the new fiscal 2012 budget, the entire combat coded Raptor fleet will now receive the Increment 3.2 upgrade.



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Previously, only the last 87 (now 86) Block 35 production Raptors would have received the new upgrade, which is now under development. Now, 63 older Block 30 jets will also receive the ability to carry the AIM-9X and AIM-120D missiles and receive the ability to target eight Small Diameter Bombs at eight separate targets.

The Air Force is working to stabilize its space programs, Flowers said.

The service's new approach uses block buys and multi-year contracts, he said, to "stabilize production." The new strategy would use "advanced procurement, procurement, and advanced appropriations" to achieve its goals, he said, which would require Congressional support.

As part of the new effort, the Air Force will buy two Advanced Extremely High Frequency satellites for \$552 million in fiscal 2012. However, the purchase would function as a down payment of sorts, Flowers explained.

Other satellite programs will follow the same example, he said.

The new approach will also extend to rocket boosters, Flowers said. The Air Force will buy the Evolved Expendable Launch Vehicle in Blocks, he said. In fiscal 2012, the Defense Department will buy five boosters, four for the Air Force, one for the Navy. The service will also buy four more rockets in fiscal 2013 and five more in fiscal 2014.

<http://www.airforcetimes.com/news/2011/02/defense-air-force-budget-acquisition-021511w/>

2012 Budget Offers Pain and Gain for R&D

By Janet Raloff, Science News, February 14, 2011

President Obama sent the research community a valentine of sorts in his proposed 2012 federal budget. Sent to Congress on February 14, the budget was a pledge to fight for increased investment in research and education even as the president committed to a belt-tightening for most segments of federal spending.

The \$3.7 trillion proposal allocates \$147.9 billion to research and development in the coming fiscal year, which begins on October 1. That amounts to a small decrease from the 2011 fiscal year, after accounting for a projected 1.3 percent rate of inflation.

Many R&D programs would see expanded or new funding to meet a number of administration goals, said presidential science adviser John Holdren, including:



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- doubling the budgets for the National Science Foundation, the Energy Department’s Office of Science and the National Institute of Standards and Technology
- spurring development of clean energy technologies and providing national high-speed Internet access
- improving science, technology, engineering and math education
- and promoting private R&D investment by expanding the R&D tax credit and making it permanent.

To pay for those priorities, Holdren says, agencies were asked to make the painful determination of which programs were underperforming or of lower priority to the president’s national objective “to out-innovate, out-educate and out-build the rest of the world.”

“I think it is especially encouraging to have a president who really supports R&D and education,” says Albert Teich, who directs science and policy programs at the American Association for the Advancement of Science in Washington, D.C. “You wish every president saw things this way. What’s discouraging, of course, is that we face this huge deficit. And not everybody in Congress is going to agree with the president’s priorities. So there’s bound to be fights over it.”

How big a tussle? “That’s the question of the hour. And for the answer, I think you should ask the IBM computer on Jeopardy this week,” Teich says.

This “zero sum game” for federal R&D budgeting is novel, Teich notes. It also is virtually impossible to achieve, he adds, since a host of different congressional committees are responsible for eventually drafting the spending bills that will determine how money will be apportioned for individual agencies. And they don’t coordinate their spending plans to allow such a finely balanced ledger.

In some sense, every administration’s budget proposals are subject to extensive revision. They outline what the president hopes Congress will dole out to federal agencies. But this year’s blueprint may prove especially hard to sell in light of the problems that even a Democratic House and Senate had last year. They couldn’t agree on new spending laws by the start of the new fiscal year, so money has been allocated for the first five months of FY 2011 as part of a so-called continuing resolution, which largely holds spending to the previous year’s levels.

That spending resolution expires on March 4. What follows could chart a very different spending trajectory through the end of the fiscal year if the newly Republican-dominated House has its way. Already, leaders there have proposed \$100 billion in cuts that would affect research at a number of agencies.

Who would feel the pain — or gain — under the Obama proposal varies considerably.

For instance, the Department of Education has been slated for a whopping 33.5 percent increase. But owing to its relatively small R&D component, this boost would amount to a rather paltry \$124 million increase. Some



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\$80 million of that boost would pay for research into developing better science, engineering and math teachers. The president has stated a goal of increasing their numbers by 100,000 within a decade.

Among agencies slated to experience a big dip in R&D funding, none stands to hurt more, in dollar terms, than the Department of Defense. The administration has targeted its programs for a nearly \$5 billion drop. Part of the cutbacks would be made possible by terminating several major weapons systems that the administration claims “are experiencing significant development problems, unsustainable cost growth, or are not suited for today’s security challenges.”

The U.S. Department of Agriculture, slated for a 19 percent R&D decrease, would kill all spending on research grants that Congress had initially earmarked for funding and would cancel \$224 million in construction funds. These adjustments would not only allow for some overall savings, but also free up a little money to boost spending for research on human nutrition, obesity reduction, food safety, climate change and crops that could be used to produce biofuels.

Below are summaries of the budget's effects on the following areas of R&D:

Basic research

R&D funding within the National Science Foundation would increase by some 16 percent under the proposed budget. “In these challenging fiscal times, when difficult financial choices have to be made to return our nation to solid financial footing, this budget request reflects the confidence that the president is placing in NSF as an agency,” said Subra Suresh, the agency’s director.

Much of the money is designated for interdisciplinary research and training, with an emphasis on clean-energy initiatives, cyber infrastructure and other programs such as robotics for health care and for deep-sea exploration. Research grants to non-NSF scientists might see a 27.8 percent increase over FY 2010 spending, including boosting the number of faculty career grants and graduate research fellowships.

More than \$998 million is slated for the Science, Engineering and Education for Sustainability portfolio, which would invest in research on clean energy, climate change and rapid response to extreme events. A new National Robotics Initiative would receive \$30 million in the next fiscal year, and another \$117 million would launch a Cyberstructure Framework for 21st Century Science and Engineering, to ensure Internet and computer access to schools and the public.

Several interdisciplinary programs, such as BioMaPS, (which is geared towards clean energy), and Science and Engineering Beyond Moore’s Law (which focuses on research into efficient computing, data storage and communication) also may receive hefty funds. Almost \$200 million could go to research into advanced



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manufacturing, which includes robotics programs, nanomanufacturing and sensor-based “smart” manufacturing.

Earth and climate

The budget proposes nearly \$5.5 billion for the Commerce Department’s National Oceanic and Atmospheric Administration, the second year in a row that the president has requested a significant uptick from the \$4.86 billion NOAA received in FY 2010.

Most of that increase would go to develop satellites vital for weather forecasting, said Monica Medina, the agency’s principal deputy undersecretary for oceans and atmosphere. For instance, the proposed budget asks for \$1.07 billion for the planned Joint Polar Satellite System, the next generation of polar-orbiting satellites.

Also on the administration wish list: several climate initiatives, including \$4.7 million to improve measurements of fossil fuel emissions nationwide and \$2 million for improving the quality of weather forecasts as they relate to clean-energy projects. After the Deepwater Horizon oil spill last year, NOAA is asking for \$2.9 million for research into such spills, plus a host of initiatives to assist coastal communities that depend on fishing. Overall, the budget would give NOAA \$737 million to fund R&D programs on climate, weather and the study of ecosystems.

The U.S. Geological Survey would see an essentially flat budget of \$1.12 billion. That would, however, include a \$48 million increase so that USGS could assume sole management of the Landsat series of Earth-observing satellites, orbiters it had jointly managed with NASA.

Space and planetary research

NASA’s R&D budget would decline by 2.2 percent, to \$9.8 billion, under the President’s proposed budget. “It’s difficult fiscal times and we had to make very difficult fiscal choices,” NASA Administrator Charles Bolden said at a press briefing on February 14.

NASA’s successor to the Hubble Space Telescope, the James Webb Space Telescope, which an independent panel recently found had a minimum construction overrun of \$1.5 billion, is now funded separately from other astrophysics missions, as the panel had suggested (SN Online: 11/11/10). Under the president’s plan, the James Webb would receive \$374 million in 2012, which Bolden said would stabilize the mission but not stem the overrun. A new, later launch date for the telescope, which only a year ago was targeted for 2014, won’t be announced until the summer. Rick Howard, program director for the telescope at NASA in Washington, D.C., said it was unlikely to be launched before 2016 due to funding constraints.



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As many astronomers had feared, money for the Webb telescope appears to have come at the expense of other astrophysics projects. For instance, the president's proposed budget includes no money for the Wide Field Infrared Survey Telescope, recommended as the top astrophysics space mission by a recent National Academy of Science panel. The telescope would search for extrasolar planets and dark energy, the mysterious entity that is thought to be accelerating the expansion of the universe.

Although only three more flights of the space shuttle fleet are scheduled before it's retired, funding for a new vehicle that would take astronauts beyond low-Earth orbit — perhaps to a near-Earth asteroid — and a heavy-lift rocket that would launch that vehicle are slated to remain at roughly the current year's level. That's a 1.3 percent decline after inflation. "We're going to have to make some small steps; we're going to have to move incrementally," Bolden said.

Funding for NASA's earth science programs would decline from \$1.802 billion in fiscal 2011 to \$1.797 billion in fiscal 2012. The cuts would slow development of future missions such as the third generation of the Orbiting Carbon Observatory and a satellite that would monitor changes in Earth's temperature.

Energy sciences

The Department of Energy's budget favors renewable technologies at the expense of fossil fuels. Funding for programs administered by its Office of Science would climb to \$5.4 billion, a two-year increase of 6.2 percent. Funding for renewable energy technology would climb a whopping 70 percent. Within renewable R&D programs, only those focused on hydrogen would take a hit — of about \$70 million, representing a 40 percent cut.

The new budget plan proposes \$550 million for ARPA-E, which invests in high-risk, high-reward energy research. DOE would also double to six the number of Energy Innovation Hubs. These are cross-disciplinary collaborations that Secretary of Energy Steven Chu calls the "Apollo Projects of our time." The new hubs would focus on smart-grid technologies, critical materials such as rare-earth elements and energy storage and batteries.

At a press briefing February 14, Chu said he expects the United States will soon lead the nuclear market in developing small modular reactors, an as-yet-unproven technology highlighted in the \$380 million devoted to nuclear R&D. To encourage the building of more large nuclear power facilities, his agency is requesting a budget increase for loan guarantees for electric utilities — from \$18 billion to \$36 billion.

The president has issued a goal of putting 1 million electric cars on the road by 2015. In addition to \$580 million for advanced-vehicle research, the current \$7,500 tax credit for electric cars would become an instant rebate at the point of sale. DOE would also boost tax credits and grants to improve the energy efficiency of commercial and residential buildings, including \$100 million designated for state and municipal facilities.



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To help offset these costs, management expenses have been reduced across DOE programs, to the tune of \$45 million. But the big cuts are in fossil fuels, where \$418 million will be saved by zeroing out a dozen research programs — from clean coal research to fuel cells. Carbon storage and capture research would survive, receiving an increase of funding to \$184 million. The president also repeats his call to end subsidies for the fossil fuel industry. An unpopular idea in Congress, it could save some \$3.6 billion.

Biomedical research

Research spending budgeted for the Department of Health and Human Services — almost all of which goes to the National Institutes of Health — is \$32.3 billion, a marginal decrease from the current year. NIH research would continue to place strong emphasis on the use of genomics and biotechnology to take on Alzheimer's disease, cancer, diabetes, obesity, autism and other ailments.

NIH also proposes a new addition, the National Center for Advancing Translational Sciences, which would aim to shepherd laboratory findings as they are “translated” into drugs and diagnostics for practical use. “There’s been a great deluge of scientific discoveries that point toward new therapeutics,” says NIH Director Francis Collins. “This is a new arrival on the NIH stage.”

Technology and environment

The president would allocate \$1.001 billion for research within the Commerce Department’s National Institute of Standards and Technology. The gain represents a projected one-year jump of 7.2 percent.

“From NIST’s perspective, this is a historic budget request,” says NIST Director Patrick Gallagher. “It really reflects some strong White House leadership to make some very difficult priority-setting in a tough climate.”

Roughly \$678.9 million would fund a diverse set of in-house research priorities, including a strong emphasis on manufacturing. That includes funding boosts in nanomanufacturing, biomanufacturing, clean manufacturing and advanced robotics.

The proposed budget also looks outward, encouraging collaborations with private industry. One new NIST program — the Advanced Manufacturing Technology Consortia — would receive \$12.3 million to identify problems in particular industries, and work with private firms to find a solution. A pilot program that targets semiconductors has been operating successfully for several years, Gallagher says. “It’s a very powerful approach, where industry is directly cost-sharing and working on a common research agenda,” he says.

“I think it’s particularly noteworthy that it [the increase] is occurring in a time when the administration is also proposing a fiscally responsible budget,” said Gallagher.



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The Environmental Protection Agency's proposed research budget would sag 3.2 percent from the current fiscal year, but would boost the Science to Achieve Results (STAR) program of grants to scientists in academic institutions. These increases would be offset by cuts in some of the agency's other research areas, such as those affecting homeland security.

Research at EPA is getting a bit of a shakeup for a more integrated approach, looking at issues systemically rather than focusing as much on individual chemicals or problems. "Even our scientists can get more efficient," quipped EPA Administrator Lisa P. Jackson when presenting the EPA budget proposal.

http://www.sciencenews.org/view/generic/id/69896/title/2012_budget_offers_pain_and_gain_for_R%2BD

Obama Budget: \$14M to Bring Shuttle Atlantis to Dayton

By Bart Jansen, Cincinnati.com, February 16, 2011

Wright-Patterson Air Force Base in Dayton would receive \$14 million to prepare to house one of NASA's three shuttle orbiters, under President Barack Obama's budget.

The decision is far from over, and Congress would have to vote on whether to spend the money. Florida and Texas lawmakers have urged repeatedly for orbiters to be placed at Kennedy Space Center and Johnson Space Center.

But a page of the Air Force budget released Monday for the year starting Oct. 1 calls for the one-time expenditure to prepare for the delivery of shuttle Atlantis to the National Museum of the Air Force at the Dayton base.

"This request in the president's budget is a recognition of the integral role Dayton has played in the history of flight," said Rep. Mike Turner, R-Ohio. "From the Wright Brothers' test flights at Huffman Prairie to today's work by the U.S. Air Force at Wright-Patterson, the roots of what made the space shuttle possible can be traced to Ohio."

NASA Administrator Charles Bolden will decide where to locate two of the agency's three vessels - Discovery, Atlantis and Endeavour - after the shuttle program is retired this year with three final flights. The goal is to locate the orbiters in educational settings such as museums.

Discovery is headed to the National Air and Space Museum in Washington. But the competition for the other two orbiters has been hotly contested.



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Advocates of KSC, which launches the shuttles, and Johnson, which controls the missions, have each argued their locations deserve the orbiters because of their history with the program.

"We received more than two dozen proposals from museums interested in displaying one of the shuttle orbiters," a NASA spokesman said. "We expect to make a final decision about where these national treasures will be displayed some time in April."

The budget document states that the Air Force "played a central role in the development of space capabilities that are vital to national security, economic growth, public safety and welfare."

"As a historic reminder of the USAF contributions in space the USAF has requested an interagency transfer of the Space Shuttle Atlantis to the National Museum of the United States Air Force to be displayed for viewing."

Congress must still vote on the whether to give the money to Wright-Patterson. NASA had estimated it would cost \$28 million to prepare each orbiter for display.

But Ohio lawmakers have repeatedly urged Bolden to choose their base and they have an ally in House Speaker John Boehner, R-Ohio.

"I look forward to continuing to work alongside the Ohio delegation to make this a reality," Turner said.

<http://news.cincinnati.com/article/20110216/NEWS0108/102170301/1196/BIZ/Obama-budget-14M-bring-shuttle-Dayton?odyssey=nav|head>

Gates Warns that Budget Cuts Could Lead to Serious Repercussions

By Gene Rector, The Warner Robins Patriot, February 15, 2011

Defense Secretary Robert Gates warned of serious repercussions Monday if Congress allows a cost-cutting push to outdistance "strategic and operational reality."

The department is currently adrift in a sea of uncertainty – a condition already impacting the Air Force and systems managed by Robins Air Force Base.

A continuing resolution – enacted because Congress has been unable to pass a fiscal year 2011 federal budget – is forcing a \$23 billion de facto cut in this year's spending. At the same time, Gates is fearful that Congress' budget trimming mood likely will lead to more reductions in 2012.

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Appearing Monday at a Pentagon press briefing, Gates said he could accept \$9 billion less than the \$549 billion the administration requested for 2011.

“However, it is my judgment that the Defense Department needs an appropriation of at least \$540 billion for the U.S. military to properly carry out its missions, maintain readiness and prepare for the future,” he was quoted in a transcript of the session.

Gates said the budget debates in Congress “have largely become exercises in simple math divorced from serious considerations of capabilities, risk and the level of resources needed to protect this country’s security and vital interests around the world.”

Pentagon officials said the \$9 billion reduction in 2011 would come through cuts in the new F-35 fighter program, the federal civilian pay freeze and other program modifications.

Among the programs potentially impacted is installation of new, active electronically scanned array radars on the Air Force’s F-15 fighter fleet managed at Robins. In a statement released Tuesday, officials said failure to begin updates in 2011 could cause major disruptions in 2012.

Air Force budget official Marilyn Thomas warned that 2011 delays could lead to grounding some aircraft in the future.

“At this point, we don’t have any idea how many aircraft could be grounded,” Thomas is quoted. “It’s just a concern and we are doing risk mitigation.”

Other reprogramming moves include the reliability enhancement and re-engining program for the C-5 cargo aircraft, a system also managed at Robins. Those impacts were not specified.

The Pentagon’s fiscal year 2012 budget request, submitted to Congress Monday, calls for \$671 billion in expenditures, including \$118 billion for overseas operations. The overseas portion is \$41.5 billion less than the 2011 request due to the planned withdrawal of U.S. forces from Iraq.

The Air Force share for 2012 would be \$135.4 billion, \$4.5 billion less than 2011 largely due to the Iraqi drawdown.

In the Monday press conference, Gates called the 2012 request reasonable and responsible.

“It is the minimum level of defense spending that is necessary, given the security challenges we are facing around the globe,” he said.



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Gates took particular aim at the GE F136 alternative engine for the developmental F-35 fighter, calling it an “unnecessary and extravagant expense.” The engine has been rejected by the Pentagon but championed by some members of Congress.

Gates said the F136 “would be a waste of \$3 billion needed for other priorities” and he promised to examine “all available legal options to close down the program.”

In other proposals impacting Robins, the FY2012 budget includes only 11 new Global Hawk Block 40. The original plan had been to buy 40 of the remotely piloted aircraft managed at Robins. The Block 40 is equipped with upgraded MP-RTIP radar for ground surveillance.

In an indirect vote of confidence for the Joint STARS ground surveillance fleet operated by the 116th Air Control Wing at Robins, Thomas said Monday the smaller Block 40 fleet “along with the ...capability resident on JSTARS aircraft will be sufficient.”

<http://warnerrobinspatriot.com/bookmark/11412165-Gates-warns-that-budget-cuts-could-lead-to-serious-repercussions>

Nelson: Obama Budget Includes StratCom HQ Funds

Bloomberg, February 15, 2011

Funding to start building a new home for the U.S. Strategic Command at Offutt Air Force Base south of Omaha is included in President Barack Obama's 2012 budget proposal.

U.S. Sen. Ben Nelson said in a news release that the \$564 million for a new facility is needed so StratCom can carry out its nuclear, space and cyberspace missions.

The budget proposal seeks \$150 million for the first phase of construction. The new facility could be ready in 2016.

Nelson also says he's been reassured that planning and design for new and replacement structures at the Omaha Veterans Affairs hospital is continuing. The estimated cost of the project is \$560 million.

Nelson says he expects the first request for construction money is likely to be made in fiscal 2013.

<http://www.bloomberg.com/news/2011-02-15/nelson-obama-budget-includes-stratcom-hq-funds.html>



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Budget Breakdown: Air Force

By Leo Shane III, Stars & Stripes, February 14, 2011

This year's defense budget includes the first planned decrease in the Air Force's annual funding in 15 years, as the service trims back on research and construction spending.

Air Force officials are requesting \$149.9 billion in non-war spending for fiscal 2012, about \$200 million below what the service wanted last year. Under the budget plans, officials would actually spend almost \$1 billion more in research and development for future systems, even as aircraft procurement is slashed by almost \$2 billion for the near term.

The proposal also holds flat the service's end strength and total flight hours outside of war zone requirements. And despite less money for purchasing aircraft, officials still plan on adding 61 manned planes and 51 unmanned drones next year.

WINNERS:

Long-range bomber fans: The Air Force still isn't releasing any details about the family of long-range systems, including the bomber. But they plan on spending \$3.7 billion on the effort over the next five years.

Airmen living in Japan, UK: Even though overall military construction spending is down (and could drop behind schedule if Congress doesn't OK more fiscal 2011 soon), the service plans to refurbish 1,361 units in those two countries next year.

Space specialists: New block-buying plans mean the Air Force will save money by committing to purchase 10 new satellites in coming years, including two in fiscal 2012.

LOSERS:

Joint Strike Fighter pilots: The Air Force still plans on buying 19 of the aircraft next year, but that's three fewer than long-term planners had hoped for in 2012. Over the next five years, they expect to get 57 fewer than originally planned.

Logistics operations: About \$300 million of the service's operations and maintenance cuts will come from behind-the-scenes administrative and management programs.



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Odd-numbered Air Forces: The plans are still in place to consolidate the 13th, 17th and 19th Air Forces as part of cost-savings measures announced last month. The 603rd and 617th air and space operations centers are also set to merge, as are the 601st and 612th.

BY THE NUMBERS:

48 — Total unmanned MQ-9A Reapers the service will purchase next year.

3.3 million — Total tons of cargo moved around the world by the service in 2011

\$77.2 billion — How much the Air Force budget has increased in the last 15 years.

<http://www.stripes.com/news/budget-breakdown-air-force-1.134830>

Gates: Defense Needs \$540 Billion for Fiscal 2011

By Jim Garamone, Air Force Print News Today, February 15, 2011

Congress must provide \$540 billion to the Defense Department for fiscal 2011 or the department will be in danger of not being able to perform its mission, Defense Secretary Robert M. Gates said here Feb. 14.

Secretary Gates also said he will look at "all legal options" to shut down the extra engine for the joint strike fighter - calling it a waste of \$3 billion.

Secretary Gates made the statements during his presentation of the fiscal 2012 defense budget request at the Pentagon. President Barack Obama is asking for a base budget of \$553 billion and an overseas contingency operations request of \$117.8 billion.

But what Secretary Gates has called the crisis on his doorstep - the possibility that DOD will operate through the remainder of fiscal 2011 on a continuing resolution -- drew sharp remarks from the secretary.

"Exactly a year ago, the president requested \$549 billion to operate the Department of Defense during fiscal year 2011," Secretary Gates said. "If forced to operate under a full-year continuing resolution, the department would only receive about \$526 billion."

This reduction of \$23 billion is magnified because it comes five months into the fiscal year, he said.



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"I raise this point today because I am concerned that the debate over the defense budget in recent days and weeks is becoming increasingly distant from the strategic and operational reality -- distant, in other words, from the real world," he said. "In fact, suggestions to cut defense by this or that large number have largely become exercises in simple math - divorced from serious considerations of capabilities, risk, and the level of resources needed to protect this country's security and vital national interests around the world."

Secretary Gates said he understands the department will not get the \$549 billion asked for last year. "It is my judgment that the Department of Defense needs an appropriation of at least \$540 billion for fiscal year 2011 for the U.S. military to properly carry out its mission, maintain readiness and prepare for the future," he said.

Secretary Gates repeatedly and consistently has called for an end to the joint strike fighter extra engine program. President Obama and the military chiefs have agreed with the secretary, and in a statement released May 28, President Obama vowed to veto any legislation that provides for the extra engine.

"We consider it an unnecessary and extravagant expense, particularly during this period of fiscal contraction," Secretary Gates said Feb. 14.

The secretary said that because Congress has provided "ambiguous guidance" on the engine, he has funded the program on a month-to-month basis, hoping the Congress would resolve the matter.

"However, that also means that the American taxpayers are spending \$28 million a month for an excess and unjustified program that is slated for termination," the secretary said. "The president, the military services and I continue to oppose this extra engine and, when the current continuing resolution expires, I will look at all available legal options to close down this program.

"It would be a waste of nearly \$3 billion in a time of economic distress, and the money is needed for higher priority defense efforts," he added.

<http://www.af.mil/news/story.asp?id=123242713>

Defense Communities Cope with Uncertain Times

By Susan Wolbarst, Air Force Print News Today, February 15, 2011

Representatives from around the country have gathered here Feb. 14 through 16 for a three-day Winter Forum sponsored by the Association of Defense Communities to discuss the challenges faced by U.S. military installations, both those which are active and those which were closed over the years during several rounds of Base Realignment and Closure beginning in 1988. The latter are being cleaned of environmental contamination by the military and returned to communities for redevelopment.

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Opportunities to benefit from lessons learned across the country and interact with members of all the military branches simultaneously is what attracts attendees to this conference and another ADC gathering in the summer. Residents of defense communities from around the country and contractors who do business with them attend, along with military representatives.

The prevalent theme throughout the conference is how officials from the Air Force and other service branches must think differently about everything from energy use to "integrated sourcing" of services, and how they can benefit from collaboration with other branches, including sharing best practices.

In a senior-level panel, Kathleen Ferguson, deputy assistant secretary of the Air Force for installations, spoke about savings realized by reducing overhead, energy, logistics, training and acquisition costs.

Saved dollars can be shifted to warfighter and readiness programs, Ms. Ferguson said.

"The Air Force is committed to enhancing capabilities by reducing overhead and support functions now and into the future," she said.

Bob Moore, director of the Air Force Real Property Agency, described Enhanced Use Leases, which allow the government to "unlock the value" of underutilized non-excess property at Air Force installations.

Citing the utility scale solar project at Edwards Air Force Base, Calif., being developed by Air Force engineers in partnership with Fotowatio Renewable Ventures of San Francisco, Mr. Moore said such projects could make installations energy independent, "but you've got to realize it's a 50-year partnership."

Mr. Moore also spoke of the need "to build a better record of success with EULs," predicting that "once it takes off, everybody will want to play."

The conference wraps up Feb. 16, after more discussions of innovation, energy efficiency, deal making, joint basing and public/private partnerships.

<http://www.af.mil/news/story.asp?id=123242763>



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[Acquisition](#)

Feds to Speed Up Acquisition Rule-Making

By Jill R. Aitoro, The Washington Business Journal, February 11, 2011

In December, the Department of Defense published a rule that explains how agencies should address potential conflicts of interest in contracting. Want to know how long that took to get finalized? Three years.

That — in a nutshell — is the problem that the General Services Administration, NASA and DOD have promised to fix, after meeting earlier this week for a brainstorming session (dubbed a "slam," which you can read more about in my column this week).

"We're taking too long to issue FAR [Federal Acquisition Regulation] rules and changes," said Kathleen Turco, associate administrator for GSA's Office of Governmentwide Policy. NASA, DOD and GSA, with advice from the Office of Management and Budget, lead the FAR rule-making process. "The longer that takes, the more impact it can have on the contracting community" that relies on these regulations to dictate how they sell goods and services to federal government, Turco said.

Specifically, the big issues addressed in the slam were backlog and timeliness — and the fact that one directly affects the other. So, with the ultimate goal of a slam being to actually force tangible change, here's what the three agencies will focus on:

Team structure. Right now, there are six inter-agency teams that manage different categories of rule-making and changes to the FAR (small business, acquisition strategy, contract implementation, finance, technology and law). NASA will lead the effort to restructure the teams in such a way that balances the workload (so, for example, the team charged with small business issues isn't overwhelmed while the the team that focuses on finance has little to do).

Case management. The DOD will evaluate how to improve quality and timeliness, ensuring that top-priority changes are addressed first and differences of opinion on how a rule should be implemented are quickly escalated up the chain of command so they can be dealt with.

Onboarding and training. FAR rule-making depends on the expertise of analysts who understand the ins and outs of procurement, but too many of those individuals "are suffering from the brain drain," Turco said. Those with a lot of experience need more consistent training to ensure they are up-to-date in the latest policies, and those who are newly hired must have a better understanding of what they need to know to do their jobs. The GSA will establish a formal onboarding and training program that dictates "how do we bring people through the rotation" and provides some techniques for recruitment and retention.



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All three agencies must establish a plan of action for each of those three areas by March 31, which includes milestones for the FAR Council to review. By June 30, those plans will be put into practice.

So what does this mean for federal contractors? Primarily improved timeliness and quality of rule-making, Turco said. The process for providing comment on proposed rules will, for now, remain the same, though technology will be put in place to improve the way agencies review the comments (a process that is currently handled manually).

Larry Allen, founder of Allen Federal Business Partners, an Arlington consulting company, is happy to see improvements being made to the rule-making process, but added another factor that affects acquisition policy.

"Early on in the administration, too many things were done by executive order that just bypassed the whole FAR process," he said. "I sense that this may have calmed down a bit, which is a good thing."

<http://www.bizjournals.com/washington/blog/2011/02/feds-to-speed-up-acquisition-rulemaking.html>

Air Force Models Rapid IT Development

By Jared Serbu, Federal News Radio, February 8, 2011

Just a few months ago, the Defense Department laid out its plans to streamline and speed up the way it acquires and develops information technology. As one Air Force official sees it, it's not a pie-in-the-sky idea - in fact, it's already being done.

DoD's target for IT acquisition is 19 months. Steve Wert, the Air Force program executive officer for C4ISR - Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance - said he has mandated an even more compressed timeline for his \$3.3 billion portfolio.

"As a milestone decision authority and a PEO, I've made a rule on my programs that development cycles will be 12 months or less," he said. "Depending on the extent of tests, 18 months to field. I do expect rare exceptions, but I actually haven't had to approve any yet. So it is possible."

Wert spoke to industry leaders at an AFCEA luncheon in Pentagon City.

DoD presented its roadmap for IT acquisition reform to Congress in November with shorter, more agile development cycles of IT as its centerpiece. The department said it intended to move toward systems that can be developed and fielded in less than 18 months—a significant shift from a process that deputy Defense secretary William Lynn said was taking up to seven years.

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Wert said shortening the acquisition cycle requires a change in culture and in thinking from the drawn-out weapons system acquisition model that the military services are accustomed to. But he said it can be done, with effective oversight.

"Cost and schedule overruns are really such commonplace occurrences in how we do business that we've kind of become used to it," he said. "That represents a huge waste of resources. On my initial reviews of programs as I became a new PEO, it was a common occurrence for a program manager to walk in and tell me, 'we've had a little issue, it's going to take a few more months.' I said, 'no, it's not. Figure it out.'"

Wert said there's no good reason for IT projects to take a long time any more. He said the days of issuing a solicitation for hundreds of thousands of lines of customized computer code to meet a particular requirement are largely over, for both industry and government.

"Nobody develops software that way anymore," he said. "Literally within the past few years, IT infrastructure-things we call service-oriented architecture-are becoming readily available. It used to be, 'how do we design one?' Now it's 'let's pick one and buy it.'"

But one challenge Wert faces in buying IT off the shelf, or from anywhere else, is a lack of skilled Air Force acquisition experts. He said the service clearly outsourced and downsized too much of its acquisition workforce over the last decade.

"The atrophy that happened, especially in our government workforce, really is shocking," he said. "We went so far below critical mass. Last May I did a deep dive on a billion dollar program, and we had four civilian employees [managing it]. So we clearly went too far."

It's a problem that DoD recognizes as well. The acquisition workforce is one of the few areas that secretary Robert Gates exempted in his hiring freeze in the Office of the Secretary of Defense. And Congress included provisions designed to strengthen the acquisition workforce in the 2011 Defense authorization bill. President Obama signed the measure in January.

<http://www.federalnewsradio.com/?nid=35&sid=2264122>



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U.S. Budget Spat Worries Military Contractors

By Christopher Hinton, MarketWatch, February 9, 2011

The White House is slated to unveil a bigger Pentagon budget for fiscal 2012 next week, but a cost-cutting feud in Congress is making military contractors nervous about the funding for some very lucrative long-term programs.

President Barack Obama plans to announce next year's federal budget proposal Monday, with a likely Defense Department base request of \$553 billion, up 5% from fiscal 2011, according to government officials. Funding for the conflicts in Iraq and Afghanistan, requested separately, will decline 26% to \$117 billion.

Meanwhile, the 2011 budget is still hung up in Congress as House Republicans debate ways to slash domestic spending. Since the beginning of the fiscal year in September, the government has funded itself through what's called a "continuing resolution" that essentially keeps spending flat with 2010.

The lack of a budget also means the military can't start any new development or acquisition programs, sign new contracts or fully fund its operations and maintenance, said Lawrence Korb, a defense budget analyst with the Center for American Progress, a progressive think tank.

"This isn't catastrophic, but it's a pain in the neck to manage," said Korb during an interview.

Continuing resolutions are issued quarterly, with the current resolution set to expire early next month. Contractors said they are worried that resolutions could extend to the end of the fiscal year, leaving the Pentagon about \$27 billion short of its budget request.

"If there were an extended yearlong [continuing resolution], it's just about impossible to predict what would be involved in terms of the decisions that the Department may need to make on individual programs," said Northrop Grumman Corp. /quotes/comstock/13*!noc/quotes/nls/noc (NOC 69.52, +0.98, +1.43%) Chief Executive Wes Bush, on a Wednesday call with analysts. Read about Northrop's results.

Budget drafts currently in Senate and House committees total \$510 billion and \$518 billion, respectively. But even if passed and reconciled, they would still be a cut compared with the original fiscal 2011 request of \$531 billion, excluding construction and housing, according to a research note from RBC Capital Markets.



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Earlier this week, the heads of Northrop, Boeing Defense, Space & Security, Lockheed Martin Corp. [/quotes/comstock/13*!lmt/quotes/nls/lmt](#) (LMT 81.81, +0.53, +0.65%) , L-3 Communications Corp. [/quotes/comstock/13*!lll/quotes/nls/lll](#) (LLL 80.46, +0.76, +0.95%) and 10 other military contractors sent a letter to House and Senate leaders, seeking a workaround for the stalled funding.

“The current [continuing resolution] ... contains provisions limiting production rates and prohibiting new starts,” the industry leaders wrote. “Failure to address funding decisions for individual national security programs on a full-year basis will lead to program dislocations, funding interruptions and adverse consequences on U.S. employment not only in the current fiscal year, but for many years to come.”

House Republicans are seeking \$74 billion in spending cuts for fiscal 2011, while Democrats are looking for a compromise \$32 billion cut. If neither the budget nor another continuing resolution is passed by March 4, the government would shut down for the first time since 1995.

“It’s hurting Boeing’s ability to do the work and get the revenue,” said Boeing Co. [/quotes/comstock/13*!ba/quotes/nls/ba](#) (BA 72.30, -0.18, -0.25%) spokesman Dan Beck. “We haven’t received a stop work order, but that’s a potential after March 4.”

Investors have so far looked beyond the current budget squabble in Congress to bid up defense-sector share prices. Year to date, the NYSE Spade Defense Index [/quotes/comstock/27*!dxs](#) (DXS 2,305, +4.85, +0.21%) is up 9.5% versus a 5.3% climb in the benchmark Standard & Poor’s 500 Index [/quotes/comstock/21z!i1:in\](#)x (SPX 1,338, +1.71, +0.13%) .

Early last month, Defense Secretary Robert Gates provided insight into how he would manage the slowing budget growth by trimming bloated acquisition programs, but not with sharp cuts as many observers had expected. Read more about the January defense cuts.

“It’s a relief in knowing what the plan is going forward and that it’s not as dire as first thought,” said Philip Finnegan of the Teal Group, an aerospace consultancy. “There were lots of concerns that pressure on the federal budget would quickly play out on defense, but it hasn’t so far.”

Since Gates’s January speech, the Spade Defense Index has climbed about 7%, led by gains in shares of SRA International Inc. [/quotes/comstock/13*!srx/quotes/nls/srx](#) (SRX 27.76, +0.30, +1.09%) , Integral Systems Inc. [/quotes/comstock/15*!isys/quotes/nls/isys](#) (ISYS 12.23, -0.02, -0.16%) and Esterline Technologies Corp. [/quotes/comstock/13*!esl/quotes/nls/esl](#) (ESL 72.10, +0.37, +0.52%) .

http://www.marketwatch.com/story/us-budget-spat-worries-military-contractors-2011-02-09?reflink=MW_news_stmp



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Advice to Defense Contractors: Rethink Assumptions, Prepare for Downturn

By Sandra Erwin, National DEFENSE, February 10, 2011

The Pentagon's budget so far remains safe from draconian cuts. But the rampant growth of the past decade officially is coming to an end with the release of the 2012 budget next week.

The Pentagon currently spends about \$400 billion a year on goods and services, but those funds will shrink over time, analysts predict. Facing soaring personnel and health care costs, the Pentagon increasingly will be dipping into its procurement, services and modernization accounts to cover the payroll. As the pie shrinks, there will not be enough money to keep every company in business, warned Stanley Collender, managing director of Qorvis Communications.

One of Collender's new clients is an investment bank startup — Blue Stone Capital Partners — that is predicting a wave of mergers and acquisitions in the government-contracting sector, particularly defense.

"We see a shakeout," Collender said Feb. 10 at a news conference hosted by the Center for Strategic and Budgetary Assessments, in Washington, D.C.

"This is the right time to start an investment bank," he said. Many firms are looking for buyers as they seek to maximize value for shareholders before company valuations drop. Others are exploring ways to diversify into commercial markets, he said. "In the contractor community, they're not running scared but they are significantly reevaluating business prospects."

Wall Street so far has remained skeptical about the prospect of defense budget cuts, which has kept defense industry stock prices high. That state of affairs may not last, Collender said.

Also complicating the outlook for industry is the political drama unfolding in Washington, where Tea Party lawmakers are threatening to force a government shutdown if a fiscal year 2011 budget is not signed by March 4. The government is currently operating under a continuing resolution that allows agencies to keep functioning at the 2010 budget levels.

Fears of possible shutdowns and the general state of gridlock that is paralyzing decision-making will "make it tough for contractors," Collender said. Some firms already are laying off employees, in preparation for the financial chaos that will ensue if the budget standoff is not solved soon. "There is a better than a 50-50 chance that we'll have a shutdown," Collender said.



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Uncertainty is the order of the day, he noted. "Industry will be in a continual 'what do we do now?' mode," Collender said. "I wouldn't be surprised if there are layoffs or furloughs."

Even if the immediate budget crisis is resolved, he added, "I'm expecting 2012 to begin a shakeout in the aerospace sector. I'm expecting a lot more activity in mergers and acquisitions. ... Profit opportunities may not last. Expect corporate restructuring to continue." Smaller companies, particularly, may want to cash out now.

The Pentagon's senior acquisition executive, Undersecretary Ashton B. Carter, acknowledged this week that he expects the industry to consolidate. He said the Defense Department would not oppose corporate mergers or takeovers, as long as they don't involve the top six prime contractors.

<http://www.nationaldefensemagazine.org/blog/Lists/Posts/Post.aspx?ID=310>

Remotely Piloted Aircraft

US Air Force Truncates Northrop Unmanned Plane

By Andrea Shalal-Esa, Reuters, February 14, 2011

The U.S. Air Force plans to end funding for the newest version of Northrop Grumman Corp's (NOC.N) unmanned high-altitude Global Hawk plane at 11 planes, said a senior acquisition official for the service.

Marilyn Flowers, a deputy to the Air Force's assistant secretary for budget, told reporters that the "Block 40" version of the high-flying plane would be truncated or terminated at half the planned buy of 22 planes.

Officials familiar with the program said the cuts were part of the Air Force's contribution to some \$100 billion in internal budget cuts ordered by Defense Secretary Robert Gates from all the military services.

But the move is likely to drive the cost of each of the remaining unmanned planes higher, and it raises concerns about how the Air Force will meet growing demand for sensors that can track moving targets on the ground, the officials said.

The Block 40 version of the unmanned Global Hawk includes a special MP-RTIP sensor that can track moving targets on the ground, a capability that military commanders are clamoring for as they step up their fight against insurgents in Afghanistan.

Northrop gave no details, describing the release of the proposed fiscal 2012 budget as "the first step in a very long and dynamic process."



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More details would emerge in coming days and weeks as Congress considers the budget request, said Northrop spokeswoman Margaret Mitchell-Jones.

"At this early point in the process, we will not speculate on the final outcome for any individual program," she said.

Northrop has delivered nearly 32 different variants of Global Hawks to the military services, and has another 14 in the pipeline, she said.

The Air Force is requesting \$311 million to buy three Block 30 planes in fiscal 2012 and plans to continue buying that model of the airplane over the next five years, an Air Force spokesman said.

The spokesman said the Air Force has purchased nine Block 40 planes to date and has requested funding for two more in fiscal 2011, although Congress has not yet approved a defense budget for this year.

Air Force and Pentagon officials have previously signaled concerns about the Global Hawk program.

The Pentagon's chief tester expressed concerns about the program last month, agreeing with an independent review conducted by Pentagon acquisition officials that the program needed major revisions to ensure its long-term success.

<http://www.reuters.com/article/2011/02/15/usa-budget-northrop-idUSWBT01436820110215>

USAF Space, Bomber Programs Move

By Amy Butler, Aviation Week, February 15, 2011

The U.S. Air Force is sacrificing part of its Global Hawk unmanned aerial system program while proceeding with a more aggressive buy of satellites and rockets, and moving forward with a bomber program.

The Air Force is proposing in its fiscal 2012-16 budget to cut \$428 million from its Global Hawk Block 40 program, which aims to put an active, electronically scanned array (AESA) radar on the high-flying unmanned aerial system (UAS) to collect data on moving targets on the ground and in the air. The Northrop Grumman/Raytheon radar also is capable of taking highly accurate synthetic aperture radar images through weather and dust.

Service officials originally planned to buy 22 of the Block 40 aircraft; the Air Force now plans to buy 11, says USAF budget deputy Marilyn Thomas. This cut will undoubtedly drive up the per-unit cost of the aircraft. It is unclear whether this will trigger yet another breach of program cost limits in the Nunn-McCurdy statute.

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Meanwhile, the service is requesting \$166.3 billion in fiscal 2012. Of that the so-called blue top line — excluding defense health and contingency spending — is about \$119 billion, according to Maj. Gen. Alfred Flowers, deputy assistant Air Force secretary for budget. Roughly 16% of that is dedicated to research and development with 19% for procurement.

Some day-to-day expenses, such as fuel, have gone up. The Air Force paid for this in part with nearly \$33.3 billion shaved from the projected budget through fiscal 2016. The fiscal 2012 budget requests three Global Hawk Block 30 aircraft at \$485 million and continues Air Force research at \$423.5 million, with another \$549 million requested for the Navy's Broad Area Maritime Surveillance version.

"Efficiencies have certainly been used to enhance warfighting and readiness in this budget," Flowers says.

After a two-year hiatus as an official program, USAF is dedicating \$3.7 billion for the so-called Long-Range Strike family of systems, the bulk of which will be dedicated to a penetrating, nuclear-capable bomber. This includes about \$200 million in fiscal 2012, roughly the same amount as last year, to keep technology developing until a proper program is restarted. Defense Secretary Robert Gates put the brakes on the project two years ago to review requirements and assess options; some in the Pentagon were concerned USAF would craft an unrealistically ambitious program that would crater from overreaching for technology. However, details on the requirements, forthcoming request for proposals and schedule are unlikely to be publicly discussed.

Gates said last month he would like for the bomber to be "optionally manned," meaning it can be flown remotely when needed. Boeing, Lockheed Martin and Northrop Grumman are likely to be competitors for this work.

The fiscal 2012 proposal also increases production of Reaper UAS at General Atomics to 48 per year, the maximum rate the factory can handle for Air Force purchases, and 36 Gray Eagle variants per year for the Army. USAF plans to buy 396 aircraft, and the fiscal 2012 request is for nearly \$1.1 billion. The Army request is \$806 million.

USAF's plans to buy a new high-performance trainer appear to be on the back burner in the fiscal 2012 request. Flowers says \$307 million is outlined across the future years' defense plan (FYDP). Though funding begins in fiscal 2012 based on the request, there are no procurement quantities listed. Alenia, BAE Systems and Lockheed Martin/Korea Aerospace Industries are all readying existing designs in anticipation of a competition.

USAF's request removes 57 conventional-takeoff-and-landing (CTOL) F-35s in accordance with the delay and funding cut handed down by Gates. The aircraft will reach the service later than planned, and the Air Force has



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outlined about \$25 million to study how to conduct a life-extension program for the F-16, which the Joint Strike Fighter will replace.

Perhaps the most significant shift in the service's Fiscal 2012 budget request is a new approach to purchasing highly expensive satellites and rockets that are needed for military operations and civilian purposes, such as air traffic control and financial transactions. The Pentagon is proposing to even out purchasing of satellites from various manufacturing facilities. This will begin with a phased purchase of Advanced Extremely High Frequency (AEHF) communications and Space-Based Infrared System (Sbirs) missile warning satellites. The plan is to buy two AEHF satellites (5 and 6) in Fiscal 2012. Officials did not cite the total cost per satellite for AEHF and Sbirs, but \$550 million would be set aside for the AEHF in fiscal 2012 as a first payment, with more payments to follow. Another \$185 million would be set aside in advance procurement for the next two Sbirs spacecraft (also 5 and 6). The full buy of those two Sbirs spacecraft would come in Fiscal 2013, Flowers says, adding they are estimated to cost \$555 million. If realized, this would be a dramatic reduction in the per-unit cost, which is now estimated at \$1.3 billion. Both AEHF and Sbirs are manufactured at Lockheed Martin's Sunnyvale, Calif., facility, and Pentagon procurement chief Ashton Carter says the goal is to stabilize work to reduce the changes of work stoppages and loss of critical skills.

The Pentagon also plans to stabilize funding for the Evolved Expendable Launch Vehicle (EELV) program beginning in fiscal 2012. The Pentagon goal is to buy a total of five of the Atlas V and Delta IV rockets annually rather than three as in previous years. In fiscal 2012-13, the Air Force will buy four, with the Navy requesting one. In fiscal 2014, USAF will buy all five boosters. The price of the program is expected to go up, largely owing to the cost of operations and services from manufacturer United Launch Alliance.

USAF also is starting research funding for the Defense Weather Satellite System (DWSS) in fiscal 2012 at \$444.9 million; this will provide the defense portion of the now-defunct National Polar-orbiting Operational Environmental Satellite System.

Other USAF budget highlights are: \$877.1 million for development of a KC-135 replacement plus acquisition of 10 HC/MC-130Js, one C-130J, nine C-27Js, 19 F-35As, 6 CV-22s (including one in the war contingency budget), nine Light Attack Armed Reconnaissance aircraft, four HH-60G Pave Hawks (including one in the war contingency budget) and two Common Vertical Lift Support Program (CVLSP) helicopters.

Meanwhile, the service also is struggling to keep some programs alive as the government continues to operate at fiscal 2010 levels because Congress has failed to approve budgets for fiscal 2011, which ends Sept. 30. The purchase of AESA radars for F-15 fighters is one project affected by the lack of funding in fiscal 2011, Flowers says. If the funding is not provided, the service could be forced to ground F-15s owing to parts obsolescence in the old, mechanically-steered radar.



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Also considered a “new start” in fiscal 2011 and needing funding are the GPS III procurements of Satellites 3-4. USAF requested an \$80 million reprogramming late last year to provide funding for long-lead parts for Satellites 3-4; the funding is being pulled from the account for purchasing AEHF Satellite 4, which will cost “less than what was budgeted,” the request document says. Without funding to avoid a production gap, the GPS III program faces a one-year slip.

USAF also is pushing to reprogram \$63.1 million to purchase C-5 Reliability Enhancement and Re-engining Program (RERP) kits. Without the funding, “the Air Force will be forced to reopen the contract for negotiations resulting in a significant cost increase to the United States Government,” that reprogramming request states.

http://www.aviationweek.com/aw/generic/story_channel.jsp?channel=defense&id=news/asd/2011/02/15/03.xml&headline=USAF%20Space,%20Bomber%20Programs%20Move%20Forward

[Joint Strike Fighter](#)

Obama Wants to Scrap Marine vehicle, Alternate Engine for F-35 Made in Ohio

By John Nolan, Dayton Daily News, February 15, 2011

The 2012 defense budget that President Obama proposed on Monday is a shot in the arm for the Air Force and Wright-Patterson Air Force Base because it commits the nation to building a new bomber to replace aging aircraft, budget watchers said.

The as-yet unnamed long-range bomber could fly unmanned and could carry either nuclear or conventional weapons, defense officials have said. It could replace the decades-old B-52 bomber and supplement the newer B-2s.

Defense Secretary Robert Gates, in January, endorsed startup of the new bomber program. The Air Force has requested \$3.7 billion over five years to get that program started.

“This is basically a good-news budget for the U.S. Air Force,” said Loren Thompson, a defense analyst with the Lexington Institute in Arlington, Va. “The nation is going to build its first new bomber in 30 years, and that program will be managed out at Wright-Patterson Air Force Base.”

Obama’s budget for the fiscal year beginning Oct. 1 also proposes \$4.8 billion for unmanned aerial vehicles in support of the Pentagon’s drive to boost deployment of unmanned aircraft in war zones, to improve



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surveillance and help hold down troop casualties. Those UAVs include the Global Hawk and Predator aircraft, both programs that are managed at Wright-Patterson.

Obama's \$553 billion budget would eliminate a planned new amphibious assault vehicle for the Marine Corps and stop development of an alternate engine, in which General Electric Co. is involved, for the F-35 Joint Strike Fighter.

Those proposed cuts follow through on the administration's prior statements that the projects are not essential or are too costly in an era when non-critical defense spending must be eliminated to save money for high-priority weapons programs.

Congress was criticizing some of Obama's defense proposals even before their release, and is likely to overhaul them. The administration said the budget represents an increase of \$22 billion from the 2010 appropriation and meets the needs for the nation's military readiness.

The Dayton Development Coalition, a supporter of Wright-Patterson Air Force Base, said last week that it had seen no evidence of any major program cuts for Wright-Patterson amid the preparations for the 2012 defense budget, but cautioned that smaller cuts in some programs were possible. The 27,000-employee base, Ohio's largest single-site employer, is a key hub of Air Force logistics, acquisition and technology research and development.

Obama's defense budget proposed 2012 funding of \$1.182 billion for applied research, down slightly from the \$1.2 billion appropriated for 2010. It proposed \$576 million for advanced technology development for 2012, down from \$735 million in 2010.

There is no 2011 budget since Congress has chosen so far to fund government operations on continuing resolutions that expire next month.

The Obama administration's proposal to end development of the Marines' Expeditionary Fighting Vehicle, to be built at the General Dynamics Corp.-operated Lima tank plant, said the project is among programs with "significant development problems, cost growth, or are not suited for today's security challenges."

The Marine Corps said in January that it agreed with the decision to end the program for the new vehicle, which has seen multibillion-dollar cost increases in recent years. The interim plan would be to upgrade the Marines' current amphibious assault vehicles and consider a possible new design.

General Dynamics delivered seven prototype vehicles to the Marines last year, but full production has not yet started. A study that General Dynamics commissioned projected that full production of more than 500 of the



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vehicles would create about 10,000 jobs between the company and its suppliers in coming years. That includes only a “few hundred” jobs at present, Thompson said.

U.S. Sen. Sherrod Brown, D-Ohio, among the politicians who have urged Obama to continue the Marine vehicle development at least until testing is complete, called Obama’s decision to end it “a wrongheaded move that’s bad for the Marines and for western Ohio.”

GE, with partner Rolls-Royce, is developing the alternate engine for the Joint Strike Fighter as a backup to the main engine Pratt & Whitney is building. The Obama administration has said the second engine isn’t necessary, but congressional supporters that have helped keep it alive say it provides price competition for the Pratt & Whitney engine.

An early test of whether the Pentagon can kill the second engine and the Marine vehicle could come this week when the House debates a temporary spending measure to finance the government for the rest of the current, 2011 fiscal year. That measure includes \$450 million to continue production of the second engine and \$222 million for additional work on the Marine vehicle.

The government’s plan is for the Joint Strike Fighter to modernize the attack fleets of the Air Force, Navy and Marines, as well as key U.S. allies.

The alternate engine supports about 1,000 jobs in the Cincinnati area between GE and suppliers, GE Aviation spokesman Rick Kennedy has said. The government has spent approximately \$3 billion on developing the GE engine and an additional \$1 billion would be needed to complete the development, Kennedy said.

<http://www.daytondailynews.com/news/dayton-news/obama-wants-to-scrap-marine-vehicle-alternate-engine-for-f-35-made-in-ohio-1081281.html>

Op-Ed

The Case for Competition in Government Acquisitions

By Ralph Nash, The Daily Caller, February 16, 2011

Having been engaged in government acquisition issues for more than 50 years, I am befuddled by the debate in Washington over competing engines for the Joint Strike Fighter (JSF).

Department of Defense (DoD) leaders want more competition but reject real, ongoing competition for engines on their biggest aircraft program. If there is any lesson in government acquisition history, it is this: The best

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form of competition involves two companies competing to supply a product on a year-to-year basis with the winner awarded the larger share and the loser a smaller share so that it can compete the next year.

A pertinent example is “The Great Engine War” on the F-16 program — one of the most successful competitions in government acquisition. In the late 1970s, the U.S. Air Force experienced significant problems with the Pratt & Whitney (P&W) F100 engine powering F-15 and F-16 aircraft. Numerous aircraft were inoperable awaiting engines, and pilots faced engine throttle restrictions on those flying. By 1982, a frustrated USAF created an engine competition for the F-16s, and this “Great Engine War” pitted P&W’s significantly modified F100 engine against GE’s F110 engine. The goal was to achieve one engine with better safety, operability, reliability, durability, and supportability with large reductions in life-cycle costs. To USAF’s surprise, significant cost savings were realized for either 100% award or split buys of two engines. Thus, they chose the obvious advantages of continuing competition through annual awards.

The results were extraordinary. The U.S. Government Accountability Office recently reported that the USAF achieved a 21% savings in five years of the F-16 engine competition, through more responsive contractors and sharply lower acquisition and support costs. The operators now had engines with no operating restrictions, excellent safety, and readiness rates climbed to levels never experienced for fighter engine operations.

In 1996, when the DoD competed prototype Joint Strike Fighter aircraft, the P&W F119 engine (from the F-22) powered them. Also, a competing engine from GE was funded, and was in the JSF budget for 10 years. It was never intended as an alternate engine, back-up engine, or second spare engine — but a fully competitive engine. When Lockheed Martin was selected for JSF, P&W was awarded the engine contract without a competition. However, the DoD and Congress continued to embrace and fund competing engines. The JSF was designated the F-35, and the P&W and GE engines designated the F135 and F136 respectively. In 2002, GE and Rolls-Royce formed a 60/40 joint company to develop and produce the F136.

The JSF engine program is now poised to exceed “The Great Engine War” in terms of savings because the procurement will be much larger. The competing F136 engine is now 80% complete, and will be qualified for production next year. The JSF program will procure 3,000 or more engines — competed on both acquisition and maintenance costs for 15 to 20 years. That’s \$100 billion in JSF engine life-cycle cost. GAO concluded that competing JSF engines could reasonably achieve similar savings to those of the “Great Engine War” — savings exceeding \$20 billion.

Numerous studies support the huge impact of ongoing competition between real products in defense procurement. In 2007, Dr. Jacques Gansler, a respected former under secretary of defense, found that competition during production drives continuous process and product innovation, resulting in higher performance at lower costs. Competitors achieve steeper learning curves. He further found that 13 defense program competitions since 1964 had achieved 12 to 50 percent net savings through split buys.



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Why is the JSF engine competition so important? First, it adopts the best technique for inducing contractors to supply a quality product at a reasonable price. Second, terminating the F136 leaves the U.S. with only one contractor team developing unique state-of-the-art large jet engines for fighter jets.

The “Great Engine War” taught us profound lessons that must not be ignored. The DoD is being penny-wise and pound-foolish by not continuing a competition that will produce better products for significantly less cost over time. The U.S. warfighter and taxpayer will be the real beneficiaries for many decades to come.

<http://dailycaller.com/2011/02/15/the-case-for-competition-in-government-acquisitions/>