



SAF/SB Media Summary

17—24 February 2011

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ARTICLE SUMMARIES

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SMALL BUSINESS

America's 10 Most Helpful SBDCs

Inc. Magazine

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Obama Opens Ear to Small Businesses

By Stephen Collinson, AFP, February 22, 2011

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Business Insider

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Women-Owned Firms Growing Fast, According to SBA

The News-Herald

Women entrepreneurs are a major and growing dimension within the economy, as far as government contracting, said Sonya M. Wagasky, business development specialist for the U.S. Small Business Administration's Cleveland District Office. "But, they still receive a relatively small share of the federal procurement pie — less than 5 percent," Wagasky said. "In 2008, women-entrepreneurs received only 3.4 percent of all government buys." According to the SBA, women-owned businesses employ more than 12 million people and generate nearly \$2 trillion dollars in sales. In addition, they account for some 41 percent of all privately held firms and are growing at a rate twice as fast as all firms.

Bill Would Protect Minority, Women-Owned Firms

Federal News Radio

Sen. Bob Casey (D-Pa.) proposed a bill Wednesday that would require prime contractors to notify minority-owned businesses and women-owned businesses when including them on contracts - or face strict penalties. "This piece of legislation will help women and minority-owned businesses by protecting them from fraud and providing support for them to grow and create jobs," Casey said in a release. Casey said prime contractors have a habit of naming these firms on their contracts to strengthen their appeal to the agency. But a lot of the time, subcontractors have no idea they have been included and do not receive the business they are entitled to, he said. The bill calls for penalties on prime contractors, such as prohibiting them from seeking federal contracts for a year, or even permanently.

ANCs Get New 8(a) Regulations

Trading Markets

The U.S. Small Business Administration announced a series of regulations Feb. 11 that will address some, but not all, of the criticisms levied at the way Alaska Native corporations utilize a federal sole-source contracting program meant for small, disadvantaged businesses. One key provision of the new regulations will require Alaska Native corporations, or ANCs, to provide the SBA with data on how the federal dollars acquired through the contracts actually benefit their communities.



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Government Belt Tightening May Squeeze SBA

FOX Business News

If the flurry of boisterous politicians currently floating federal budget-cutting proposals can be likened to a big party, the Small Business Administration is looking more and more like the Congressional piñata. In recent weeks, both houses of Congress and the president have signaled their intent to scrutinize, slash and burn any of the lending agency's programs deemed superfluous or ineffective. "We have to tighten our belt, too," SBA Administrator Karen Mills told reporters on a conference call that day.

TANKER

U.S. Air Force Tanker Award will be Announced Thursday

Defence Professionals

The U.S. Air Force will announce the winner of the \$35 billion KC-X tanker contract on Thursday, February 24 after financial markets close. Judging from the frequency with which Pentagon acquisition chief Ashton Carter has been talking up the notion of a "globalized" defense market recently, European aerospace giant EADS is the winner. If EADS rival Boeing has indeed lost, it probably will not issue substantive comments on the outcome until it has been debriefed by the Air Force. Once it has heard how the decision was made, it can determine whether there are grounds for a formal protest.

BUDGET & ACQUISITION

What's DOD's Worst Acquisition Policy? Ashton Carter Wants to Know

Washington Technology

Here's your chance, defense contractors, to give the department a piece of your mind. Defense Department officials want industry input on rules that provide little value while driving up costs. In a notice in the Federal Register, DOD officials said they understand that the various reporting requirements and other acquisition practices make industry adopt processes and make investments that increase costs, especially overhead costs. At the same time, some of those requirements add little value to the overall work. So, DOD wants to know the policies that industry believes fit that description. It will take submissions through March 31.

Pentagon Gambles on Savings

Defense News

Analysts see great risk in the Pentagon's 2012 budget proposal, which bets procurement plans on the services' ability to squeeze billions of dollars from overhead and other spending. But the military's acquisition chief says Defense Department planners are playing it safe. "We were actually quite conservative in our programmatic projections," DoD acquisition executive Ashton Carter said during a Feb. 18 taping of This Week in Defense News. "We did not book the entire estimated savings ... and we'll only book them as our confidence in them grows."



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DoD, White House Say No to Continuing Resolution; Veto Threatened

ExecutiveGov

New voices have entered the fray, calling for Congress to pass a 2011 spending bill instead of a continuing resolution, which would threaten to disrupt the Defense Department's funding and result in a cut of \$23 billion. Undersecretary of Defense for Acquisition, Technology and Logistics Ashton Carter urged Congress to pass this fiscal year's long-delayed appropriations bill and warned of what the consequences would be.

Acquisition Chief Urges Congress to Pass 2011 Appropriation

DVIDS

The Defense Department's chief acquisition officer added his voice to calls for Congress to approve the DOD appropriations bill, Feb. 16, for fiscal 2011. Speaking at Aviation Week's Defense Technology and Requirements Conference here, Ashton B. Carter -- undersecretary of defense for acquisition, technology and logistics -- also called for flexibility to get warfighters the equipment they need quickly.

Gridlock on Spending is 'Hidden Tax' on Defense, Pentagon Buying Chief Says

The Hill

Pentagon acquisition chief Ashton Carter on Tuesday prodded lawmakers to pass a stand-alone bill to fund defense for the rest of the year. With Pentagon spending locked at 2010 levels, military program managers are putting off scheduled tasks on their combat platforms, Carter said. Such changes will alter program plans and drive up overhead costs, he said, calling it a "hidden tax" on the Defense Department. The top weapons buyer also reiterated Defense Secretary Robert Gates' call for a \$540 billion 2011 defense appropriations measure.

Carter on Mergers: We're Watching

DoD Buzz

Ashton Carter, the Pentagon's top weapons buyer today emphasized that the DoD will not condone defense industry mergers done for the sake of short term profit over the long term health of the defense industrial base; warning that the Pentagon will keep a close watch on future mergers and acquisitions to ensure they result in long-term good. Free "market forces will undoubtedly lead to an uptick in the volume of [mergers and acquisitions] and this is normal," said Carter during a speech at an Aviation Week-sponsored conference in Washington.

USAF Space, Bomber Programs Move Forward

Aviation Week

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.



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LEADERSHIP

Lieberman Could Be Best Choice To Succeed Gates As U.S. Defense Secretary

Aviation Week

Pentagon insiders say there are growing signs that defense secretary Robert Gates will make good on his plan to depart public service this year. President Obama will probably make one more push to convince Gates to stay on through the 2012 presidential elections, but Gates has already served much longer than he intended when he took the job in 2006, and retirement beckons. So the search is on for a successor.

USAF Space Chief Wants More Contractor Accountability

Aviation Week

The U.S. Air Force is not seeking funding to push the technological edge in military space projects, setting the stage for potentially more fixed-price contracts with companies already struggling to make money in this business. By reducing the inherent risk in development projects, according to one senior Air Force official, there is an opportunity to hold contractors more responsible for missing development targets. "We are not going to be pushing technology nearly as hard as we've done in the past," says Gen. William Shelton, who now oversees Air Force Space Command.

Vice CSAF: Air Force Must Prepare for More Complex, Varied Ops

Air Force Print News Today

The Air Force is working to balance today's needs and tomorrow's challenges while operating under intense fiscal pressures, the service's vice chief of staff said here Feb. 17. During remarks at the Air Force Association's 2011 Air Warfare Symposium and Technology Exposition, Gen. Philip M. Breedlove said the Air Force must remain committed to the joint and coalition team, adaptable to an ever-changing battlefield, and keener about acquisition in response to a more restrained budget. "Our nation demands and relies on us to fight across the full spectrum of conflict, not just the wars we find ourselves in today," General Breedlove said.

CYBERSECURITY

Pentagon to Invest in Cyber Security

Center Beam

Deputy defense secretary William Lynn recently announced plans to spend approximately \$500 million on research into new cyber security technologies. According to Lynn, the Department of Defense plans to invest in researching encrypted data processing and cloud computing, as well as other technologies. The department also plans to provide seed capital for private companies to develop dual-use technologies that can be utilized for cyber security, he said.



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JOINT STRIKE FIGHTER

Pentagon F-35 Chief Sees no Change in Total Buy

Reuters

The Pentagon on Tuesday said it remains committed to buying a total of 2,443 Lockheed Martin Corp F-35 fighter jets despite a major restructuring that postponed production of 124 airplanes until after 2016. "We have not changed our inventory objective," U.S. Navy Vice Admiral David Venlet told industry executives at his first public appearance since taking over as program manager of the Pentagon's largest acquisition program last May. Venlet said the Air Force still planned to buy 1,763 of the stealthy new fighter jets, and the Navy planned to buy 680 for the Navy and Marine Corps, although it was considering whether to change its mix of carrier and short takeoff variants.



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Small Business

America's 10 Most Helpful SBDCs

By Tiffany Black, Lou Dubois and Venuri Siriwardane, Inc. Magazine, February 22, 2011

There are more than 900 small business development centers in the United States. Sponsored by the Small Business Association, these centers are often run in partnership with state and local governments, colleges, and the private sector. Counselors are on hand to help an entrepreneur craft a business plan, fill out a loan application, or come up with a winning marketing strategy.

"The SBDCs exist to help entrepreneurs and small business owners obtain capital to support their companies, and make better decisions on key aspects of their business operations," says Antonio Doss, associate administrator for the Office of Small Business Development Centers, a group within the SBA that coordinates the program. "The advisors at the SBDCs work with entrepreneurs to make the necessary adjustments to establish a business that's sustainable and profitable."

SBDCs also assist companies in gaining access to capital—a service that has been particularly crucial of late. In 2009 and again last year, SBDCs nationally helped clients secure funding in excess of \$3.8 billion in the form of debt, equity, and grant money. "It was surprising the amount of support SBDC's were able to get in the area of capital infusion," Doss says. "We expected to see a downturn the last two years but our business advisors were able to help clients get additional money because of the relationships they have in the lending community."

To help identify the most active and innovative SBDCs around the country, a team of Inc.com reporters interviewed 45 entrepreneurs and small business advocates. The centers that stand out provide exceptional support for their local entrepreneurial communities while at the same time they serves as national models for effective small business advocacy.

<http://www.inc.com/articles/201102/americas-10-most-helpful-sbdc.html>

Obama Opens Ear to Small Businesses

By Stephen Collinson, AFP, February 22, 2011

President Barack Obama Tuesday promised to listen and learn from small-scale entrepreneurs for ideas on how to drive growth, in his latest bid to repair his ties with the business world.



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Obama traveled to Cleveland, Ohio, with heavy-hitting members of his cabinet including Treasury Secretary Timothy Geithner and Commerce Secretary Gary Locke, to swap ideas with small business leaders at a forum on innovation.

"This is a working session, not a photo-op," Obama said, opening the forum at Cleveland State University, which included a cluster of "break-out" sessions with key members of the local business community.

"We are here to hear from you directly, we want your stories, your successes, your failures, what would make it easier for you grow, what would make it easier for you to create new jobs," Obama said.

"I did not come to Cleveland to talk, instead I came here to listen," Obama said, pledging that he was committed to retooling the economy to ensure America remained "the best place on Earth to do business.

The president was repeatedly asked in various sessions with business people about the problem small businesses find in securing financing to expand in the aftermath of the deepest economic crisis in decades.

Obama acknowledged that many of those wanting financing to expand had been hampered by the fact that assets many of them would normally use for collateral for loans had dipped in value during the economic meltdown.

He highlighted Small Business Administration and Treasury programs on tax breaks designed specifically to nurture the growth of small businesses, which he sees as the engine of the US recovery.

Obama also singled out Cleveland, which saw its decaying industrial base overtaken by foreign competitors, as a city which was reinventing the Midwestern rust belt and developing a new tech belt economy.

"The truth is when it comes to our economy it is small businesses that pack the biggest punch," Obama said.

"Entrepreneurs like the ones here today create two out of every three jobs in this country. When the bet concerns America, you have gone all in."

Obama warned during his State of the Union address last month that America must embrace innovation, reform education and invent new technology if it is to survive the economic challenge from rising nations like India and China.

"He wants to hear from small business owners in this forum about what drives success and what barriers lie in the way of success," Obama spokesman Jay Carney told reporters aboard Air Force One.



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The president was joined at the forum by AOL co-founder Steve Case, whom he said was an example of someone who had built a small business that turned into a large one. Case is serving on Obama's Jobs and Competitiveness Council.

Obama had a rough relationship with the business world during his first two years in office, at a time when he was pushing a massive bill to reform regulation of Wall Street.

But since the Republican victory in mid-term congressional elections last November, Obama has sought to reframe his relationship with small businesses, in what has been perceived as a shift to the political center.

He has held events with corporate leaders and Internet technology pioneers ahead of his event with the small business sector.

Tuesday's event also had an important political dimension, as it took place in the critical political bellwether state of Ohio, which will be crucial to Obama's hopes of reelection in 2012.

http://www.google.com/hostednews/afp/article/ALeqM5hlUidwkg6TNjp1YRS_yb_FeZtXAQ?docId=CNG.6958fb04d3c57d0b70f59e2da6073d5e.4e1

SBA Overhauls Rules for 8(a) Set-Aside Program

Business Insider, February 23, 2011

The Small Business Administration has announced major changes to the rules for its primary set-aside contracting program. The changes to the 8(a) program were made in an effort to reduce fraud and make sure contracts go to deserving small businesses.

“The regulations, first and foremost, help ensure the benefits flow to the intended recipients,” SBA Administrator Karen Mills said in announcing the rules. “By tightening the regulations, along with unprecedented oversight over the past two years, SBA is demonstrating its commitment to preventing waste, fraud and abuse.”

The new changes will include:

Joint Ventures –the 8(a) firm is now required to perform at least 40 percent of the work of each joint venture contract awarded.

Economic Disadvantage – the new rules clarify how economic disadvantage is determined related to total assets, gross income, retirement accounts and other factors.

SAF/SB internal document—not for public release.



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Mentor-Protégé Program – mentors must provide assistance to protégés or face consequences. The Washington Post, reporting on the changes, noted that the 8(a) program has been abused by large companies and entrepreneurs who don't meet the criteria as disadvantaged, but still take advantage of the rules. Enforcement could remain problematic, though, since agencies are short-staffed and many procurement officials are too unfamiliar with the rules to administer them properly.

In October, a Washington Post investigation led the SBA to temporarily suspended a large contractor, technology company GTSI, from doing business with the government after evidence came out that GTSI had used two small businesses to get contracting work to which it wasn't legitimately entitled.

I think we can all agree that ensuring contracting opportunities go to the right companies is a worthwhile goal. These changes are the first comprehensive overhaul of the 8(a) program in over 10 years, and were made based partly on input from small business owners at public meetings held nationwide.

SBA announced the new rules on February 11; will become effective in 30 days on March 14, 2011. You can get full details on the revisions and a guide to the 8(a) program at the SBA website.

<http://www.businessinsider.com/sba-overhauls-rules-for-8a-set-aside-program-2011-2>

Qualcomm Exec Calls for Small-Business Research Funding

By Brooks Boliek, Politico, February 17, 2011

The co-founder of Qualcomm and one of America's foremost inventors will call on Congress on Thursday to increase support for the Small Business Innovation Research program.

In an interview with POLITICO, Irwin Mark Jacobs said the wireless company is living proof of the program's success.

Jacobs holds 14 patents for code division multiple access technology, one of the major building blocks for advanced wireless communications. He is scheduled to testify Thursday before the Senate Small Business and Entrepreneurship Committee.

"When we started Qualcomm back in July of 1985, we fairly early on applied for some of the SBIR grants and did receive a number of them. I think the total was about \$1.5 million," Jacobs said.



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The grants funded research that led to some of Qualcomm's most successful wireless technologies. "With one of the grants, we developed some of the first chips we did at Qualcomm, if not the first," Jacobs said. "Of course, making chips for cellphones is about two-thirds of our revenue today, and that was the base."

The SBIR program, along with a sister initiative, funnels roughly \$2 billion in grants each year to companies that are at the cutting edge of technology. But the program has been on a short leash over the past two years as Congress has temporarily reauthorized it half a dozen times. Despite bipartisan backing, efforts to ensure long-term funding for the program have stalled.

Earlier this year, President Barack Obama signed a stopgap measure to continue funding the program through the end of May.

Jacobs, who was named to the SBIR Hall of Fame this week, said programs like this are necessary if the nation is serious about innovation.

"SBIR was something you could get very quickly," he said. "They weren't large, and they didn't have the follow-on that direct contracts might have had, but they really did help us get going. Small investments go a long way."

<http://www.politico.com/news/stories/0211/49659.html>

Women-Owned Firms Growing Fast, According to SBA

By Betsy Scott, The News-Herald, February 19, 2011

Libby Hill noticed a pattern in the way she was treated by men when she was setting up operations at her Mentor business, Family Karate, in 2005.

"Interviews with different copier suppliers were the most amusing," recalls the Painesville resident. "First, there was a salesman who brought along a female associate. It may have been to double-team me, but it came off as 'See, we like women.' Another copier salesman kept wondering where my husband was. The third seemed at a total loss because he felt he couldn't tell off-color jokes."

Since then, the master black belt has built up a clientele of 115, but still experiences some flak as a woman business owner.

"I have a double challenge: being a woman in business and a woman in the martial arts," she said. "There are many men — other businessmen, salesmen, customers — that continue to treat a woman business owner like a patsy. It is assumed a woman doesn't know what she is doing."

SAF/SB internal document—not for public release.



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However, women entrepreneurs are a major and growing dimension within the economy, as far as government contracting, said Sonya M. Wagasky, business development specialist for the U.S. Small Business Administration's Cleveland District Office.

"But, they still receive a relatively small share of the federal procurement pie — less than 5 percent," Wagasky said. "In 2008, women-entrepreneurs received only 3.4 percent of all government buys."

According to the SBA, women-owned businesses employ more than 12 million people and generate nearly \$2 trillion dollars in sales. In addition, they account for some 41 percent of all privately held firms and are growing at a rate twice as fast as all firms.

Changing times?

Hill sees some inroads have been made for women in business since she owned her first one in the 1980s.

"At that time, women were not invited to be chamber of commerce, Rotary, or Kiwanis members," she said. "We created our own networking group, Women Business Owners of the Western Reserve, to have such an outlet. Now women are not only members, but leaders of these groups.

"I, myself, am the current president of the Painesville Area Chamber of Commerce," she added. "This is a huge improvement. To have the ability to share our business stories and work together not only helps women business owners, but the men as well. Sharing ideas and problems at networking events has helped me grow."

Wagasky noted that there is a new Women-owned Small Business Federal Contract Program rule that SBA is implementing, beginning this month.

The program will be fully implemented over the next several months, with the first contracts expected to be awarded by the fourth quarter of fiscal year 2011.

"As we continue to look to small businesses to grow, create jobs and lead America into the future, women-owned businesses will play a key role," said program Administrator Karen Mills. "That's why providing them with all the tools necessary to compete for and win federal contracts is so important. Federal contracts can provide women-owned small businesses with the oxygen they need to take their business to the next level."

Assistance is available

The program will provide greater access to federal contracting opportunities and allow contracting officers, for the first time, to set aside specific contracts for certified women-owned small businesses and will help federal



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agencies achieve the existing statutory goal of 5 percent of federal contracting dollars being awarded to such businesses.

Eighty-three four-digit North American Industry Classification Systems codes have been identified as underrepresented or substantially underrepresented by such businesses.

To qualify as a women-owned small business, a firm must be at least 51 percent owned and controlled by one or more women, and primarily managed by one or more women. The women must be U.S. citizens and the firm must be considered small according to SBA standards.

For more information on the program, visit www.sba.gov/wosb.

SBA already offers help via the Office of Women's Business Ownership, which exists to "establish and oversee a network of Women's Business Centers ... throughout the United States and its territories." Through the management and technical assistance provided by these centers, entrepreneurs — especially women who are economically or socially disadvantaged — are offered comprehensive training and counseling on a wide range of topics in many languages to help them start and grow their own businesses.

Marie S. Pucak, executive director of the Mentor Area Chamber of Commerce, offers a practical approach to competing well: Take up golf or some other such pastime often enjoyed by businessmen.

"Make sure you think about the environment outside of 9 to 5 of where transactions might take place and networking happens," she said. "Think about how you need to be involved and engage yourself in those types of activities."

By the numbers

As of 2005, there are an estimated 10.1 million majority-owned, privately held, women-owned firms in the U.S., employing 18.2 million people and generating \$2.32 trillion in sales. Women-owned businesses account for 28 percent of all businesses in the United States and represent about 775,000 new startups per year and account for 55 percent of new startups.

Between 1997 and 2002, women-owned firms grew by 19.8 percent while all U.S. firms grew by 7 percent. Employment increased by 30 percent — 1½ times the U.S. rate — and sales grew by 40 percent—the same rate as all firms in the U.S.

Between 1997 and 2004, the number of privately held firms owned by women of color grew by 54.6 percent.



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Meanwhile, the overall number of firms in the United States grew by only 9 percent over this period. Women's business ownership is up among all groups, but the number of Hispanic- (up 63.9 percent) and Asian-owned firms (69.3 percent) has grown especially fast.

<http://news-herald.com/articles/2011/02/19/news/nh3574301.txt>

Bill Would Protect Minority, Women-Owned Firms

By John Buckner, Federal News Radio, February 17, 2011

Sen. Bob Casey (D-Pa.) proposed a bill Wednesday that would require prime contractors to notify minority-owned businesses and women-owned businesses when including them on contracts - or face strict penalties.

"This piece of legislation will help women and minority-owned businesses by protecting them from fraud and providing support for them to grow and create jobs," Casey said in a release.

Casey said prime contractors have a habit of naming these firms on their contracts to strengthen their appeal to the agency. But a lot of the time, subcontractors have no idea they have been included and do not receive the business they are entitled to, he said.

The bill calls for penalties on prime contractors, such as prohibiting them from seeking federal contracts for a year, or even permanently.

This bill would:

- Require subcontractors identified on a solicitation for a competitive proposal made by an executive agency be notified by the prime contractor before the application is submitted. A written agreement between the prime contractor and the subcontractor must be submitted to the contracting officer that includes the identity of the subcontractor, the scope of the work to be performed under the subcontract and the dollar amount of the subcontract.
- Impose penalties for failure to notify subcontractors of their inclusion on proposals will result in the following: First time offense: fine of 20 percent of the overall contract; second time offense: fine of 50 percent and prohibited from seeking federal contracts for one year; third time offense: permanently prohibited from seeking federal contracts.
- Establish a reporting mechanism that allows a subcontractor to report fraudulent activity by a contractor.



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"Especially in the current economic climate, supporting small business is vital to our economic recovery," Casey said.

This legislation comes a week after the Small Business Administration announced changes to its 8(a) program that helps keep minority- owned businesses on equal footing with each other.

<http://www.federalnewsradio.com/index.php?nid=35&sid=2275678>

ANCs Get New 8(a) Regulations

Trading Markets, February 20, 2011

The U.S. Small Business Administration announced a series of regulations Feb. 11 that will address some, but not all, of the criticisms levied at the way Alaska Native corporations utilize a federal sole-source contracting program meant for small, disadvantaged businesses.

One key provision of the new regulations will require Alaska Native corporations, or ANCs, to provide the SBA with data on how the federal dollars acquired through the contracts actually benefit their communities.

These benefits include funding to "cultural programs, employment assistance, jobs, scholarships, internships, subsistence activities and other services to the affected community," according to the text of the final rule, which goes into effect March 14.

Another provision would require ANCs that partner on a contract with more experienced companies to perform at least 40 percent of the work involved in a contract. Previously, the ANCs were required to perform an unspecified "significant" amount of the work, according to the text of the new rule.

The 8(a) business development program allows small, historically disadvantaged and minority-owned small businesses to acquire federal contracts without competition from more experienced firms. Since 1986, Alaska Native corporations have been given special privileges under the program, among them to ability to acquire a contract of any dollar amount.

Other businesses utilizing the program are limited to \$3 million or \$5 million, depending on the contract. Alaska Native corporations have acquired contracts worth hundreds of millions of dollars for a variety of work, including missile and weapons research, construction and guarding Army bases, according to media reports and federal investigations.



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Companies must begin reporting data six months after the rules are enacted. SBA will conduct a series of meetings with ANCs and other involved parties to determine what kind of data will be collected and how, said Darryl Hairston, associate administrator for business development with the SBA.

"What we will do is define for them the type of data that we would expect that they would be able to provide. And that's something that we're actually working on right now," he said in a telephone interview.

It is not yet clear what will happen if the corporations do not show they are providing sufficient benefits to the communities. The SBA will not provide a threshold for adequate performance or preclude anybody from the program on that basis, Hairston said.

"Obviously, it'll be difficult to make those kinds of determinations as to what the appropriate levels might be and where that money should be going," he said.

But the information will likely be available to the public, he said.

The final rule released earlier this month differs from SBA's proposed rulemaking in 2009. Among the differences is that, originally, individual firms owned by a parent ANC would have to come up with the community benefit data on their own.

In response to more than 60 comments complaining that the requirement would be burdensome, SBA will now only require the parent companies to report the benefits.

William Anderson, president and CEO of Koniag Inc., a regional corporation that represents shareholders on Kodiak Island, said he isn't worried about any ill effects the regulations may have on his company.

"Some of the regulations require more reporting, but I think in the big picture it doesn't inhibit our ability to get a foothold into a given business sector or anything like that," he said.

Anderson believes that with the new reporting requirements, people will be able to see more clearly how beneficial these contracts really are. Some 60 percent of Koniag's income goes into benefits for its shareholders, Anderson said. The company grossed \$116 million in 2009.

The requirement that 8(a) firms perform 40 percent of the work in a joint venture with a non-8(a) company will "enforce the intent of the whole joint venture arrangement," Hairston said.

"The whole idea of allowing the joint venture was to allow ... two firms to come together ... primarily for the purpose of bolstering the capacity of the 8(a) firm," he said.



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Media reports have previously alleged that 8(a) ANC firms have at times served mostly as a means for larger outside firms to acquire large federal contracts more easily.

Hairston said he thinks that firms have occasionally failed to utilize the program the way they were supposed to.

"There were a lot of inconsistencies as to how a 'significant portion' was being interpreted," Hairston said.

Another provision of the regulations will prevent one subsidiary of an ANC from passing a contract on to another company owned by the same ANC once the original company graduates from the 8(a) program.

Contracts passed on in this way are typically continuous contracts, such as maintaining a building's information technology infrastructure, Hairston said.

Last year, Cook Inlet Region Inc., Doyon Ltd. and Arctic Slope Regional Corp. went public with a proposal to reform the way ANCs are able to utilize 8(a) contracting. Among those proposals was an increase in transparency and accountability, as well as a recommendation to prohibit sharing a contract between firms owned by the same ANC.

The three corporations praised the new SBA regulations in a statement released Feb. 10, saying they introduced much-needed reforms while allowing those with a stake in the corporations to continue to benefit from the 8(a) program.

In a joint statement, three Native American organizations -- the National Congress of American Indians, the National Center for American Indian Enterprise Development and the Native American Contractors Association -- praised the SBA's communication with Native groups throughout the process of ironing out the regulations, but voiced concerns as to how they might be implemented.

"We are concerned that some of the SBA's regulations dramatically reform Native 8(a) (contracting) and significantly impact the way Native enterprises can operate and return meaningful benefits to their individual communities," said Sarah Lukin, executive director of contractors' association.

In 2006, a report from the Government Accountability Office recommended that the SBA provide increased oversight of the program to ensure that 8(a) ANCs that partner with larger firms get the benefits they're supposed to under the program.

This followed intense media and congressional scrutiny in response to a 2005 incident where a firm owned by two regional corporations acquired a \$39.5 million U.S. Army Corps of Engineers contract to establish classrooms in Mississippi.



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A Mississippi contractor called the award unfair, damaging to the local economy and excessive. Mississippi Rep. Bennie Thompson, a Democrat, has proposed a House bill that would scrap the special provisions for ANCs, following the introduction of a similar bill by Sen. Claire McCaskill, D-Missouri.

Rep. Don Young, R-Alaska, released a statement about the House legislation the day before the SBA regulations were unveiled, and had stern words for Thompson and his bill.

"I will do everything in my power to ensure that this ill-conceived legislation never sees the light of day," he said.

http://www.tradingmarkets.com/news/stock-alert/sbcod_ancs-get-new-8-a-regulations-1504712.html

Government Belt Tightening May Squeeze SBA

By Rob Reuteman, FOX Business News, February 18, 2011

If the flurry of boisterous politicians currently floating federal budget-cutting proposals can be likened to a big party, the Small Business Administration is looking more and more like the Congressional piñata.

In recent weeks, both houses of Congress and the president have signaled their intent to scrutinize, slash and burn any of the lending agency's programs deemed superfluous, ineffective or outside its core mission:

*On Jan. 25, the Senate Committee on Small Business and Entrepreneurship sent letters to top SBA administrators, asking their recommendations "for programs within the SBA that you believe could be eliminated or substantially reduced."

*On Jan. 28, the House Committee on Small Business said it will conduct "hearings and investigations into the SBA," to gauge the "effectiveness of its programs to generate jobs," with an eye toward "elimination of those programs" that don't pass muster.

*On Monday, President Obama released his proposed budget for the SBA of \$985 million – 45% less than it received in 2010.

"We have to tighten our belt, too," SBA Administrator Karen Mills told reporters on a conference call that day. "We looked through to see if there are programs that are duplicative or that we could eliminate."

What makes the SBA, which supports small business through loan guarantees, counseling help, and other assistance, such a lightning rod? The country is slowly emerging from a deep recession, with lingering



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unemployment. If small businesses aren't hiring, something is wrong with the system. Which leads many to argue that something's wrong with the SBA.

"Tinkering with the SBA is the closest politicians get to be able to tangibly show they are proactively doing something to foster job growth," said Brian Burke, a principal with the consulting firm SBA Access.

Congress ultimately will decide how much money the SBA gets for next year; Obama's 2012 budget proposal is meant as a blueprint. The \$985 million he seeks for the SBA may be 45% less than the \$1.8 billion it received in 2010, but its original allotment for last year was \$824 million, before \$963 million in stimulus money was added to address a severe small business credit crunch.

In the president's budget plan, the SBA "fared well given the extreme pressure to cut spending," said Molly Brogan, vice president for public affairs with the National Small Business Association. "I've seen a few articles pointing to a 45% cut, but that's really only when you take into account the stimulus funds. That being said, there are cuts, but they're not as drastic as some have made them sound."

But the ink on a final budget is still quite a ways from drying. GOP House Speaker John Boehner declared Obama's version "dead, gone, over" in an interview this week, and by the time Congress finishes its fiscal debate, the SBA budget is likely to shrink more.

"It's budget season," Brogan said. "That's what politicians do, especially when there's a new chairperson."

She's referring to Rep. Sam Graves, R-Mo., new chairman of the House Committee on Small Business. When Graves took the reins in January, reflecting the new GOP majority in the House, he issued the following statement: "Small business owners have been under attack by this administration. We need to get government off their backs and let them do what they do best - create jobs. Government does not create jobs, but it can help set the table for economic growth with the right policies."

His first task was to produce a document detailing the committee's plans over the next two years. The bipartisan document came out Jan. 25, "drafted in consultation" with Rep. Nydia Velázquez, D-N.Y., its immediate past chair, and had been approved by voice vote during an organizational meeting.

Though Graves has served on the Small Business Committee since his election in 2001, he told FOXBusiness in an interview this week, "I have no preconceived notions of what SBA programs work or not. The position we're in, government has got to tighten its belt, become more efficient and eliminate areas that are a poor use of taxpayer dollars.

"I want to take a close look at the SBA, to see what works, what doesn't, what is duplicative and what isn't even being utilized," Graves continued. "We'll focus on what they do well and strengthen those areas."



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Burke, a former vice chair of the National Association of Government Guaranteed Lenders, said “Graves seems to have a good approach. If I were in his shoes, I’d do the same thing. SBA is one of the smallest - yet most politicized - agencies in government. Everyone has an opinion and few are really informed on just how effective this rather small element of the budget actually does monumental work to support and sustain the small business sector.”

Asked what he thinks the SBA does well, Graves replied, “Its loan guarantee programs, where they work side by side with lenders, where lenders with exposure to risk make the final determination as to whether a proposed loan is a good opportunity or not.”

Burke agreed. “The SBA 7(a) guaranteed loan program is the ‘bread and butter’ program, and it works. It could be better, there are opportunities to further streamline it, but this is government paperwork, after all. Just ask the thousands of small businesses that got well-structured credit that allowed them to expand, grow, sustain and create jobs and at the end of the day, have a retirement.”

In his committee document and in interviews, Graves has said he wants to ensure that the SBA stick to its knitting, and cut back programs that stray from its core mission. The committee report mentions scrutinizing things like the SBA’s Drug-Free Workplace Program, which offers businesses financial assistance in setting up anti-drug programs.

He specifically mentions an intent to investigate the SBA’s HUBZone program, which offers assistance to firms located in economically distressed areas. The name stands for “Historically Underutilized Business Zones,” and some 14,000 firms nationwide are “HUBZone certified.”

But in 2008, a General Accounting Office investigation in the Washington, D.C. area found that 10 of 17 certified firms surveyed lacked crucial eligibility requirements. Many of them listed addresses in HUBZones, but employed no workers there. The GAO also told Congress it obtained certification for four fictional companies.

“I worry about whether SBA programs are still doing what they are meant to do – support lenders who fund good business startups and good expansion plans,” Graves said.

Part of SBA’s mission is to ensure that a percentage of federal government contracts go to small businesses, a process that insiders say has become somewhat thwarted, with those contracts instead going to big business. Graves said he’ll put an end to that.

“Over the past 10 years, bundling has definitely been an ongoing issue,” NSBA’s Brogan said. “Let’s say there are two government contracts to be let, one for paper supplies, one for IT support. A contracting officer decides if he goes with Staples, he can bid out one contract instead of two and avoid half the paperwork. Bundling has sprung from a tendency to ease paperwork, to ease the contracting officer’s burden.”



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Burke, of SBA Access, said, “Personally I think this is one of those areas that maybe SBA should be relieved of their duties and leave the contracting stuff to agencies that deal with it more.”

Graves pledged, “We’ll strengthen government’s contracting out to small businesses - which is what they’re supposed to do – instead of bundling contracts together so that small business can’t compete.”

On the Senate side, the Committee on Small Business and Entrepreneurship is chaired By Sen. Mary Landrieu, D-La., with ranking member Sen. Olympia Snowe, R-Maine. They made history in 2009 as the first two female lawmakers to lead a full committee in either the Senate or the House.

Their letter to SBA Administrator Mills said their committee will make a “careful examination of ways to improve and strengthen small business programs within the SBA, including the possibility of eliminating duplicative, ineffective or redundant programs.”

Rather than respond to the committee’s letter directly, Mills indicated that Obama’s budget blueprint would speak for the agency. When the budget was released, she outlined its contents in a conference call. Among other things, the elimination of 150 jobs, she said, will save \$8 million. A reduction in counseling services will result in another \$10 million savings. Another \$8 million savings will come from eliminating the PRIME (Program for Investment in Microentrepreneurs) program, whose benefits are mostly delivered by other programs.

According to the activist group Citizens Against Government Waste, which issues an annual Pig Book, “The SBA has long been a bastion for pork, and this trend continued in fiscal year 2010.”

In a U.S. fiscal year already dominated by widespread calls for deficit reduction and spending cuts, the SBA will likely get a through going-over during Congressional debate.

The prospect certainly worries some small business advocates.

“I understand the need to streamline every agency into a lean, mean fighting machine, but not all small businesses fit into one box,” said NSBA’s Brogan “The concern is, at this time, when small-business growth is so critical - and just now starting to kick in following the recession - significant cuts could have very negative consequences.”

<http://smallbusiness.foxbusiness.com/finance-accounting/2011/02/18/government-belt-tightening-squeeze-sba/>



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Tanker

U.S. Air Force Tanker Award will be Announced Thursday

By Loren B. Thompson, Ph.D., Defence Professionals, February 23, 2011

The U.S. Air Force will announce the winner of the \$35 billion KC-X tanker contract on Thursday, February 24 after financial markets close. Judging from the frequency with which Pentagon acquisition chief Ashton Carter has been talking up the notion of a "globalized" defense market recently, European aerospace giant EADS is the winner.

If EADS rival Boeing has indeed lost, it probably will not issue substantive comments on the outcome until it has been debriefed by the Air Force. Once it has heard how the decision was made, it can determine whether there are grounds for a formal protest.

EADS is already acting like it has won, which isn't surprising since it knows its plane received a higher warfighting effectiveness rating. Boeing could challenge the rating methodology and several other facets of the selection process, but since price is the key discriminator in the outcome, it is more likely to pursue a political strategy focusing on EADS use of prohibited trade subsidies in developing and marketing its planes.

<http://www.defpro.com/news/details/22280/?SID=337fe8a2b36b5f2a1e45c2d95a72abc6>

Budget & Acquisition

What's DOD's Worst Acquisition Policy? Ashton Carter Wants to Know

By Matthew Weigelt, Washington Technology, February 18, 2011

Here's your chance, defense contractors, to give the department a piece of your mind.

Defense Department officials want industry input on rules that provide little value while driving up costs.



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In a notice in today's Federal Register, DOD officials said they understand that the various reporting requirements and other acquisition practices make industry adopt processes and make investments that increase costs, especially overhead costs. At the same time, some of those requirements add little value to the overall work.

So, DOD wants to know the policies that industry believes fit that description. It will take submissions through March 31.

The request for industry's comments is the next stage of DOD's Better Buying Power Initiative, launched in 2010 by Ashton Carter, undersecretary of defense for acquisition, technology and logistics.

Industry sent defense officials more than 500 suggestions last summer, and Carter incorporated these comments into a Sept. 10 memo. The memo sets out 23 ways the government can improve its performance and incentivize better performance from industry. It is aimed at lowering prices without sacrificing quality.

"It is guidance from me to the acquisition workforce in the Defense Department on how we can get more without more," Carter said in a Feb. 9 speech at the Cowen Investment Conference in New York, N.Y.

Under the new request for comments, DOD will use the suggestions as part of internal deliberations on the buying initiative, officials said. When contractors submit a suggestion on a costly policy, officials want to know the magnitude of the cost and have the recommendations identify the sources of the costs, backed by credible and convincing data.

"DOD's goal is to develop a fact-based program to reform cost-inflating practices," the Federal Register notice states.

With detailed suggestions, officials can evaluate and prioritize them. More specifically, they want to follow up on industry's recommendations from 2010 on the thresholds related to the provisions in the Truth in Negotiations Act. In particular, they want to review audit practices and certain barriers to correctly balancing industry's abilities as DOD's buying shifts and moves based on demands, the notice states.

<http://washingtontechnology.com/articles/2011/02/17/dod-inustry-finding-unnecessary-requirements-to-lower-costs.aspx>



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Pentagon Gambles on Savings

By Marcus Weisberger, Defense News, February 21, 2011

Analysts see great risk in the Pentagon's 2012 budget proposal, which bets procurement plans on the services' ability to squeeze billions of dollars from overhead and other spending. But the military's acquisition chief says Defense Department planners are playing it safe.

"We were actually quite conservative in our programmatic projections," DoD acquisition executive Ashton Carter said during a Feb. 18 taping of This Week in Defense News. "We did not book the entire estimated savings ... and we'll only book them as our confidence in them grows."

Carter said DoD could find more efficiencies when contracting for services and through the implementation of his Better Buying Power initiative unveiled last year.

But analysts said executing the plan to save more than \$150 billion between 2012 and 2016 will be difficult.

"They would be lucky to achieve what they plan to do," said Todd Harrison, a senior fellow for defense budget studies at the Center for Strategic and Budgetary Assessments.

And if the savings don't materialize, they say, it could mean deep cuts to programs, end strength or even DoD's roles and missions.

\$671B Top Line

On Feb. 14, DoD sent its \$671 billion 2012 budget request to Congress, a total that includes \$117.6 billion in Overseas Contingency Operations (OCO) funding for the wars in Afghanistan and Iraq.

It slates \$113 billion for procurement; \$75.3 billion for research, development, test and evaluation; \$204.4 billion for operations and maintenance; \$13.1 billion for military construction; \$142.8 billion for personnel; \$1.7 billion for family housing; and \$2.7 billion in revolving management funds.

The request also contains DoD's five-year spending outlook, which includes plans to spend \$571 billion in 2013, \$586 billion in 2014, \$598 billion in 2015 and \$611 billion in 2016. The figures do not include planned requests for supplemental, or OCO, funding.

"This is a budget that grows modestly ... in real terms" between 2012 and 2016, Pentagon Comptroller Robert Hale told reporters Feb. 14.



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As Pentagon planners worked on the request, the services were instructed to find ways to save money that could be plowed into weapons procurement. They responded with promises to save a collective \$178 billion over five years.

The original idea was to put \$100 billion of that toward procurement, but increased operations and maintenance costs trimmed procurement's share to \$70 billion, according to Clark Murdock, a senior adviser at the Center for Strategic and International Studies.

Yet even that amount may be at risk, said CSIS senior fellow Maren Leed. For example, the Pentagon intends to shrink the number of contractors, even as it freezes civilian hiring. Yet the workload will not decrease.

"That leads me to believe that some of the efficiencies that we're counting on from those reductions aren't likely to materialize," Leed told reporters Feb. 16.

Worse, she said, the 2012 budget "didn't really take on a lot of the tough issues facing the department, and that suggests that the harder choices are really in the coming years."

Leed said DoD did not adequately address one of the biggest budget problems.

"It is clear that if the current trend of cost and military personnel continues, that it will increasingly crowd out other things, and it has already done that to a certain extent," she said. "That's a problem that is only going to get worse."

Harrison characterized military personnel as the big winner in the 2012 budget and procurement as the loser. The Pentagon's budget request last year pegged 2012 procurement coffers at more than \$120 billion. Research-and-development funding fell nearly \$800 million in 2012, compared with the 2011 request.

"It's hard to take a procurement holiday from the holiday we're already on," Leed said, adding that the military cannot reduce its force structure given the number of troops deployed in Afghanistan and Iraq.

"Given those constraints, it's not particularly surprising that they didn't make any really dramatic changes," she said, "but I'm a little concerned about things that they did not do and may have overpromised in some things that they did do."

Gates Testifies

In what he called his final budget testimony on Capitol Hill, U.S. Defense Secretary Robert Gates acknowledged that Congress is facing even more challenges down the road as many of the Pentagon's ships and aircraft reach the end of their service lives in the 2020s.



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It will be tough to find the money to reach the Navy's goal of 313 warships, Gates told the House Armed Services Committee on Feb. 16. He questioned whether the Air Force would be able to afford new aerial refueling planes, the F-35 Joint Strike Fighter and a new bomber in the mid-2020s.

Early in the week, Gates warned of a looming crisis, should Congress fail to pass its long-overdue 2011 Pentagon spending measure. For nearly five months, DoD has been operating under a continuing resolution (CR). Slated to expire in early March, the resolution limits Pentagon spending at \$526 billion, \$23 billion below its 2011 request of \$549 billion. Gates told reporters Feb. 14 that DoD could get by with a \$540 billion appropriation if it would advance the measure.

Carter said the continuing resolution was costing the Pentagon serious money.

"I would say in terms of the economic inefficiency attendant upon starting and stopping things ... I think there are billions of dollars that are being wasted by having to operate under a CR," he said.

Hale, the DoD comptroller, said that if a continuing resolution is extended to cover the full year, "bad things would occur."

"We won't have enough funds to meet our national security commitments," he said. "We won't have enough flexibility. For example, we can't have any new starts under this CR, nor can we have any increases in procurement rates."

Although House lawmakers introduced a new 2011 defense spending measure on Feb. 11, Hale said the Pentagon is "concerned that the funding levels in that bill are quite low," even though the top line is higher than the continuing resolution.

Sens. Susan Collins, R-Maine, and Bill Nelson, D-Fla., recently penned a missive to Senate leadership urging them to take up the 2011 defense appropriations bill, according to Collins. "It's a disaster, and there's just no need for us to be debating a bill that isn't urgent when we should be doing a high-priority bill," she said during a Feb. 17 Senate Armed Services Committee hearing. "Certainly the passage of the defense appropriations bill is the highest priority."

The Pentagon's 2012 spending request does not include funding for the F-35 alternative engine program. However, Gates said the Pentagon would continue funding the program on a month-by-month basis to give Congress more time to debate it, along with the rest of the 2012 budget. The initiative is costing \$28 million per month, Gates said, noting he "will look at all available legal options to close down this program" once the continuing resolution expires. The U.S. House voted to kill the program Feb. 16.



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The Air Force would be able to award its much-anticipated KC-X next-generation tanker contract if a continuing resolution is in place since Congress appropriated funding for that program in 2010, according to Hale.

<http://www.defensenews.com/story.php?i=5760951&c=FEA&s=CVS>

DoD, White House Say No to Continuing Resolution; Veto Threatened

By Jack Moore, ExecutiveGov, February 17, 2011

New voices have entered the fray, calling for Congress to pass a 2011 spending bill instead of a continuing resolution, which would threaten to disrupt the Defense Department's funding and result in a cut of \$23 billion.

Undersecretary of Defense for Acquisition, Technology and Logistics Ashton Carter urged Congress to pass this fiscal year's long-delayed appropriations bill and warned of what the consequences would be.

"Each and every program manager in the department is having to upset carefully calibrated plans, stop or slow activities only to start them later or deferring the commencement of important new programs," he said at the Aviation Week Defense Technology and Requirements Conference.

It's also no secret that continuing resolutions are no picnic for government contractors, either.

"The result is not only delay," Carter added. "It's inefficient and uneconomical to proceed in this herky-jerky fashion with our programs and procurements."

Defense Secretary Robert M. Gates said earlier this week the Pentagon needs at least \$540 billion so the "military can "properly carry out its mission, maintain and prepare for the future."

A continuing resolution through the end of the 2011 fiscal year (Sept. 30) would provide the department with \$526 billion.

The other voice urging Congress to pass an appropriations bill may carry even more weight than DoD's top acquisition chief.

The word from the (very) top — the White House — is that they don't want to see a fiscal-year-long CR, either.



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A Feb. 15 statement said the administration “strongly opposes” such a measure, with the White House even vowing to veto a CR that “undermines critical priorities or national security through funding levels or restrictions ... or curtails the drivers of long-term economic growth and job creation while continuing to burden future generations with deficits,” the statement said.

<http://www.executivegov.com/2011/02/dod-white-house-say-no-to-continuing-resolution-veto-threatened/>

Acquisition Chief Urges Congress to Pass 2011 Appropriation

By Jim Garamone, DVIDS, February 16, 2011

The Defense Department's chief acquisition officer added his voice to calls for Congress to approve the DOD appropriations bill, Feb. 16, for fiscal 2011.

Speaking at Aviation Week's Defense Technology and Requirements Conference here, Ashton B. Carter -- undersecretary of defense for acquisition, technology and logistics -- also called for flexibility to get warfighters the equipment they need quickly.

Defense Secretary Robert M. Gates has called for more than a month for Congress to pass the appropriations bill. If the department is forced to operate under a continuing resolution for the rest of fiscal 2011, it would mean an unanticipated cut of \$23 billion. On Feb. 14, Gates called on Congress to pass a bill giving DOD \$540 billion for fiscal 2011.

"It's Feb. 16, and we don't have an appropriations bill for the department for fiscal '11," Carter said. "Each and every program manager in the department is having to upset carefully calibrated plans, stop or slow activities only to start them later, or deferring the commencement of important new programs.

"The result is not only delay," he continued. "It's inefficient and uneconomical to proceed in this herky-jerky fashion with our programs and procurements."

The process now not only is inefficient, "it's anti-efficient," Carter said, noting that the process adds a dollop of cost to everything the acquisition field does.

"Secretary Gates has called this a crisis on his doorstep, and I can tell you that every program manager in the department experiences that crisis in his or her program," he said.



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Getting gear and equipment to warfighters operating in Afghanistan is another issue that needs to be addressed, even as Congress debates the fiscal 2012 defense budget request. In 2010, President Barack Obama ordered another 30,000 U.S. troops into Afghanistan, which Carter called "the most austere logistics environment you can possibly imagine." The last of the surge brigades arrived in August, and 97,000 American service members and another 45,000 coalition troops are serving in Afghanistan.

"Those forces and their commanders have now been there for some months, and they understand what's working, what they need more of, what new capabilities they need," he said. "For myself, the acquisition community and the department, giving them what they need [and] supporting those urgent operational needs is Job No. 1. It comes before all the rest."

Answering these urgent requirements means the department must reprogram funds, acquire the capability and then field it, Carter told the group.

"But the first step is to obtain funds," he added, "and I mention it because it is another matter we are working with the Congress in these months even as the [fiscal 2012 budget] is debated. These are things that I would like to be able to deliver to the troops in Afghanistan this spring and summer as the fighting season heats up again."

<http://www.dvidshub.net/news/65531/acquisition-chief-urges-congress-pass-2011-appropriation>

Gridlock on Spending is 'Hidden Tax' on Defense, Pentagon Buying Chief Says

By John T. Bennett, The Hill, February 22, 2011

Pentagon acquisition chief Ashton Carter on Tuesday prodded lawmakers to pass a stand-alone bill to fund defense for the rest of the year.

With Pentagon spending locked at 2010 levels, military program managers are putting off scheduled tasks on their combat platforms, Carter said.

Such changes will alter program plans and drive up overhead costs, he said, calling it a "hidden tax" on the Defense Department.

The top weapons buyer also reiterated Defense Secretary Robert Gates' call for a \$540 billion 2011 defense appropriations measure.



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The House has approved a full 2011 defense spending bill that was included in a federal government-wide continuing resolution, but it is short of the department's top line wishes.

Meantime, Carter made clear the years of "double-digit growth" annually for the Pentagon budget are over. For that reason, DoD officials will require cost be a top spec for all new major weapon programs, Carter said.

Keeping prices low will be a major driver for the Navy's new nuclear-powered submarine, the Air Force's new bomber, and the Army's Ground Combat Vehicle (GCV). Holding the line on cost will be a top requirement, as well, for a multi-agency effort to design and build a new helicopter fleet for the president.

"We must shape designs from the beginning with affordability" as a top priority, he said. "We're going into one of those periods where we can't afford everything we can think of."

Carter cited work already done on the next-generation nuclear submarine program as an example. Initial cost estimates were too high, and ultimately rejected by Navy and DoD brass.

The sea service has trimmed the projected cost of each submarine to \$6 billion, Carter said. He also revealed the Navy's ultimate price goal is \$4.9 billion per sub. Navy officials are planning to buy 12 of the new underwater vessels.

Avoiding cost spikes on major programs will require locking in specs and not changing them late in the development phase or even after a platform is in production, DoD officials and analysts say.

During the last few decades, schedules have been changed and cost estimates surpassed because of constantly changing specs.

House Armed Services Committee Ranking Member Adam Smith (D-Wash.) told reporters last Thursday that for most military systems "good enough is good enough."

<http://thehill.com/news-by-subject/defense-homeland-security/145597-pentagon-chief-says-spending-impasse-is-hidden-tax-on-defense>

Carter on Mergers: We're Watching

By John Reed, DoD Buzz, February 16, 2011

Ashton Carter, the Pentagon's top weapons buyer today emphasized that the DoD will not condone defense industry mergers done for the sake of short term profit over the long term health of the defense industrial



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base; warning that the Pentagon will keep a close watch on future mergers and acquisitions to ensure they result in long-term good.

Free “market forces will undoubtedly lead to an uptick in the volume of [mergers and acquisitions] and this is normal,” said Carter during a speech at an Aviation Week-sponsored conference in Washington. “For our part, the Defense Department welcomes these adjustments and the need to create overall efficiency. But we require transparency when it comes to all contemplated transactions; we will examine these transactions to ensure the department’s long term interests in a robust and competitive industrial base are not dominated in the near term for one time proposed savings. The potential for organizational conflicts of interests should be avoided and that we have full visibility of the restructuring costs.”

Carter was expanding on comments he made during a speech in New York last week.

He also reiterated a point he made last week; that while small to mid-sized companies will likely be the subject of most mergers, acquisitions and spinoffs, the Pentagon does not want to see any more consolidation of the big time defense firms such as Boeing, Lockheed Martin or Northrop Grumman.

Carter then said that once the dust has cleared and the U.S. defense industry has “right sized” to function in an age of flattened defense spending, the Pentagon will work to keep the industry at that size and ensure its long term health and competitiveness.

The acquisition czar then went on to say that the Pentagon will also have to buy its weapons on the international market, not just from domestic sources due to the fact that when the best weapons can be found abroad, “we owe it to the warfighter” to buy them. Hmm, Does this make anyone else think KC-X?

He also called on foreign nations to open their doors to purchasing U.S. weapons in a similar manner.

<http://www.dodbuzz.com/2011/02/16/carter-on-industry-ma-were-watching-closely/>

USAF Space, Bomber Programs Move Forward

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

SAF/SB internal document—not for public release.



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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.

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



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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 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.



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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.

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

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Lieberman Could Be Best Choice To Succeed Gates As U.S. Defense Secretary

By Loren B. Thompson, Ph.D., Aviation Week, February 21, 2011

Pentagon insiders say there are growing signs that defense secretary Robert Gates will make good on his plan to depart public service this year. President Obama will probably make one more push to convince Gates to stay on through the 2012 presidential elections, but Gates has already served much longer than he intended when he took the job in 2006, and retirement beckons. So the search is on for a successor.

Personally, I think Secretary of State Hillary Clinton would be the best choice, but the former senator shows little interest in running the Pentagon. Some people around Gates seem to favor CIA director Leon Panetta for the job, but he's in his seventies now and he likes being able to fly home to California for the weekend -- a luxury he would have to forgo as defense secretary. Apparently Navy secretary Ray Mabus and former deputy defense secretary John Hamre have been to the White House for discussions, but it isn't clear either of them could insulate Obama from partisan attacks over national security the way Gates has. That's doubly true of



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other prospective internal candidates like acquisition chief Ashton Carter, a protégé of former defense secretary William Perry.

What the White House really needs is another Gates -- somebody with impeccable defense credentials who is above politics. There seems to be only one public figure who fits that description: Connecticut Senator Joe Lieberman. Lieberman disclosed last month that he will not seek re-election to the Senate in 2012, apparently signaling the end of a political career that began when he ran for the state senate in Connecticut as an antiwar candidate in 1970 (with help from fellow Yale law student Bill Clinton). Lieberman is that rarest of political commodities, a politician who has successfully mixed progressive domestic priorities with strong, consistent support for national defense. According to the Almanac of American Politics, it's possible that without his backing, the Gulf War resolution would not have passed in 1991. He has been a vigorous supporter of the global war on terror, chairing the Senate's homeland security committee and serving on the armed services committee.

As everyone in Washington knows, Joe Lieberman has a political problem: he supported his old friend John McCain in the 2008 presidential race against Barack Obama. But that move only came after his state Democratic Party abandoned him over his support for the Iraq war in the 2006 primary, a setback from which Lieberman recovered to win re-election as an independent. Lieberman's willingness to nonetheless caucus with Senate Democrats gave them a working majority in the upper chamber, but he nearly lost his committee chairmanship after he campaigned for candidate McCain. Some people in the White House political operation will never forgive him for his dismissive comments about Obama during the campaign.

Ironically, though, it is precisely that maverick streak that now puts Lieberman in position to be a plausible successor to Gates at the Pentagon. He may have been Al Gore's running mate in the 2000 presidential race, but he is first and foremost a man of principle. He would never compromise his support for a strong national defense in order to curry favor with the White House. How many of the other candidates for the defense secretary's job can say that? And because of his track record of principled leadership, Lieberman is well positioned to protect the President from any Republican attacks over defense policies -- just as Gates has done during the first two years of Obama's tenure.

Picking Senator Lieberman to run the Pentagon would send a strong signal that the interests of warfighters will be well represented in deficit reduction deliberations. His grasp of regional security issues is unsurpassed in the Senate. His support of Israel has been unwavering. So maybe Mr. Obama ought to do what Bill Clinton did during his second term, and select as his next defense secretary a leader who can work closely with members of the opposition party on security issues. A leader like Joe Lieberman.

<http://www.defpro.com/news/details/22219/?SID=6ef84ee1b23ea75252b6ff963c49d0c7>



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USAF Space Chief Wants More Contractor Accountability

By Amy Butler, Aviation Week, February 22, 2011

The U.S. Air Force is not seeking funding to push the technological edge in military space projects, setting the stage for potentially more fixed-price contracts with companies already struggling to make money in this business.

By reducing the inherent risk in development projects, according to one senior Air Force official, there is an opportunity to hold contractors more responsible for missing development targets. “We are not going to be pushing technology nearly as hard as we’ve done in the past,” says Gen. William Shelton, who now oversees Air Force Space Command.

During the past decade, the Air Force has not been able to deploy any space systems on time and on budget. As a result, the service appears to be suppressing its appetite for leap-ahead technology in an attempt to get back to basics and begin delivering on its promises. “We are not going to be taking a lot of risk,” Shelton says. He made his remarks during a press roundtable at the annual Air Force Association conference in Orlando, Fla.

Fixed-price contracting has been sought by Pentagon acquisition czar Ashton Carter, but some in industry suggest this is not an appropriate contract strategy for space projects because of the inherent risk in developing satellites and rockets. “I’m not particularly concerned about” these views from industry, Shelton says.

Shelton says he is concerned that contracts written during the past decade, which set the parameters for companies delivering the next generation of space capability, limit his ability to reward or punish industry for its work. Thus, he hopes any new contracts will have more clear guidance on how much risk the government and industry bears for projects.

He says he is frustrated that he is unable, for example, to financially punish a company for an on-orbit failure owing to contract language. Furthermore, Lockheed Martin’s liability for the introduction of foreign object debris into a propulsion system line of the first Advanced Extremely High Frequency Satellite (AEHF), prompting the failure of its liquid apogee engine and at least a 10-month delay in service, is unclear based on the existing AEHF development contract. Shelton says the financial risk-sharing must still be negotiated.

Also unclear is who will pay for the “exoneration” exercises Lockheed has undertaken to ensure that other A2100-based satellites don’t experience the same problem in orbit.

http://www.aviationweek.com/aw/generic/story_channel.jsp?channel=defense&id=news/asd/2011/02/21/08.xml&headline=USAF%20Space%20Chief%20Wants%20More%20Contractor%20Accountability

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Vice CSAF: Air Force Must Prepare for More Complex, Varied Ops

By Master Sgt. Amaani Lyle, Air Force Print News Today, February 18, 2011

The Air Force is working to balance today's needs and tomorrow's challenges while operating under intense fiscal pressures, the service's vice chief of staff said here Feb. 17.

During remarks at the Air Force Association's 2011 Air Warfare Symposium and Technology Exposition, Gen. Philip M. Breedlove said the Air Force must remain committed to the joint and coalition team, adaptable to an ever-changing battlefield, and keener about acquisition in response to a more restrained budget.

"Our nation demands and relies on us to fight across the full spectrum of conflict, not just the wars we find ourselves in today," General Breedlove said. "We face static or even declining real budgets, and certainly decreased purchasing power, yet we have to be prepared across the entire spectrum of operations."

The general said that this task will be increasingly daunting as previous permissive budget environments, which enabled the Air Force to buy advanced weapons systems and capabilities, become a thing of the past.

To better prepare for financial and battlefield uncertainties, he said the Air Force must apply irregular warfare lessons learned, normalize the career fields most strained by today's fight, and recapitalize its most stressed platforms.

"We've ramped up remotely piloted vehicle orbits from one in 2001 to 48 today," General Breedlove said. "We've given eyes to the ground commander that they never anticipated, and eyes that they cannot now live without."

General Breedlove said remotely piloted aircraft and other platforms supporting the joint and coalition team overseas are so critical to the current fight that they have been at surge rates for years.

"Our remotely piloted aircraft operators have had assignments extended, leaves canceled, and test and training sorties foregone in order to fly and fill our combat requirements," the general said. "We'll need to incorporate these capabilities to a more normalized air expeditionary force structure, one that brings more predictability to our Airmen's lives."

General Breedlove lauded the "inherent flexibility and adaptability" of airpower and Airmen, as seen in today's irregular warfare.



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"They have repeatedly proven invaluable in our wars in both Afghanistan and Iraq," the general said. "They've helped develop vital airlift, precise air drop, refueling capabilities and, most importantly, they have ensured many other tactical and operational accomplishments that have direct effect on our strategic goal in Afghanistan."

Airmen have shown this innovation in the face of an incredibly high operations tempo, which has also taken a toll on the Air Force's aircraft, the general said.

"With an eye toward the long term viability of our tactical forces, we will ensure that our current fighters are fully mission-capable long from now as the F-35 (Lightning II) comes on line," General Breedlove said. "We're outfitting the service's F-15 (Eagle) fleet with new radars and investigating extending the service life of our F-16 (Fighting Falcons)."

While the Air Force continues to support today's fight, the service must also be ready to deter and defeat others who may impede the interests of the U.S. and its partners, the general said.

"There are potential adversaries who are currently developing capabilities and strategies that can test our ability to operate in those global commons around the world, key regions where some of our most vital national interests lie," the general explained.

As a result, officials continue to develop a force that can contend with anti-access and area-denial, or A2AD, environments, General Breedlove said. One such example is the Air Force's collaborative efforts with the Navy and Marine Corps on the Air-Sea Battle concept.

"In the past, we've succeeded by using temporary and sometimes ad hoc arrangements where our air and naval components have collaborated," the general said. "Lacking an institutional underpinning, these institutional arrangements have not evolved."

Service leaders hope to remedy this through Air-Sea Battle, which will create an enduring partnership between the nation's air and sea services, General Breedlove said.

In addition to concepts like Air-Sea Battle, new platforms like the long range strike bomber will further help the Air Force contend with A2AD environments, the general said.

However, development of the system will differ from past procurements, he said.

"It will not be a vast and prohibitively expensive acquisition program," he added. "Long range strike will improve upon the capability that our nation already has and will balance weapons integration, new electronic warfare techniques, and penetrating intelligence, surveillance and reconnaissance."



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Underpinning Air Force efforts across the full spectrum of operations are the critical capabilities provided by U.S. space systems, General Breedlove said.

To ensure the U.S. continues to have these important capabilities, the general said the Air Force is looking to end the current practice of purchasing satellites one at a time or on a just-in-time basis, which has resulted in debilitating cost increases.

"These short-sighted acquisition strategies have caused production line breaks, parts obsolescence and inefficient use of labor, all of which have raised the cost of our satellite systems, reduced the number of spacecraft we can procure, and contributed to the fragility of our space industrial base," General Breedlove said.

To remedy these acquisition fissures, the general cited a new acquisition strategy for buying military space systems called evolutionary acquisition for space efficiency, or EASE.

"Through EASE and with the support of Congress, we will propose block purchases of satellites, fixed-price contracts, stable research and development, and modified annual funding to cover the systems," the general said.

The general expressed confidence in the Air Force's ability to achieve new levels of efficiency and effectiveness across its mission set by working together with the private sector.

"Perhaps now more than ever before, we depend on each other," General Breedlove said. "I am sure that working together, we can end up playing a winning hand, no matter which cards we have been dealt."

<http://www.af.mil/news/story.asp?id=123243334>

Cybersecurity

Pentagon to Invest in Cyber Security

Center Beam, February 16, 2011

Deputy defense secretary William Lynn recently announced plans to spend approximately \$500 million on research into new cyber security technologies.



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According to Lynn, the Department of Defense plans to invest in researching encrypted data processing and cloud computing, as well as other technologies. The department also plans to provide seed capital for private companies to develop dual-use technologies that can be utilized for cyber security, he said.

Like land, sea, air and space, the digital realm is a fully fledged warfare domain, Lynn said. More than 100 foreign intelligence agencies have attempted to access U.S. government networks, he added.

According to Lynn, the private sector will be involved in digital security initiatives. "Cyber defense is not a military mission, like defending our airspace, where the sole responsibility lies with the military," he said. "The overwhelming percentage of our nation's critical infrastructure - including the internet itself - is largely in private hands. It is going to take a public-private partnership to secure our networks."

Cloud computing, once seen as a potential security risk, is now viewed by many as more secure than in-house IT solutions. According to a recent Network World report, many cloud providers have implemented security measures more effective than traditional data protection solutions.

<http://www.centerbeam.com/news/Security/Pentagon-to-invest-in-cyber-security-CB0ID76098072-GRPOID50590018/View.aspx>

Joint Strike Fighter

Pentagon F-35 Chief Sees no Change in Total Buy

By Andrea Shalal-Esa, Reuters, February 15, 2011

The Pentagon on Tuesday said it remains committed to buying a total of 2,443 Lockheed Martin Corp F-35 fighter jets despite a major restructuring that postponed production of 124 airplanes until after 2016.

"We have not changed our inventory objective," U.S. Navy Vice Admiral David Venlet told industry executives at his first public appearance since taking over as program manager of the Pentagon's largest acquisition program last May.

Venlet said the Air Force still planned to buy 1,763 of the stealthy new fighter jets, and the Navy planned to buy 680 for the Navy and Marine Corps, although it was considering whether to change its mix of carrier and short takeoff variants.

Decisions on that issue would be announced by the service chiefs in coming weeks, Venlet told a luncheon hosted by the National Aeronautic Association.

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Venlet said he was confident that the latest restructuring, the program's second in less than a year, was realistic and achievable because it was based on "very deep assessments" of all facets of the program, including technical issues, the manufacturing process, testing, and the supply chain.

Earlier reviews were more top down, while these assessments were bottom up, he noted.

Venlet said the decision to add \$4.6 billion to the program was carefully and repeatedly vetted, and he was confident that the extra money would suffice to complete its development.

He said Pentagon acquisition chief Ashton Carter had told him that officials had been disappointed when earlier minor tweaks did not produce results. Venlet said he took it to heart when Carter told him, "I don't want to be disappointed."

The admiral acknowledged that postponing production of 124 jets as part of this restructuring on top of 100 jets already deferred earlier would drive up short-term unit costs since the program was still on a very "steep learning curve."

For the next few years, he said it would add in the range of \$4 million to the cost of each airplane, tapering off to around \$1 million in a few years.

Venlet said he had briefed the eight original partners and Israel on the details of the restructuring plan and its impact on cost, but he sensed continued commitment from the partners.

There had been no change in the plan to sell over 3,100 fighters to partner nations, although he said other countries would revisit their purchase commitments this year.

He said Japan, which had also expressed interest in the F-35 fighter program and had been briefed on its capabilities, could issue a request for proposals for new fighter jets soon.

"They're real serious and I think we'll have some important engagement with them this year," Venlet said.

Venlet said he supported Defense Secretary Robert Gates' drive to cancel development of an interchangeable engine for the F-35 that is being developed by General Electric (GEA.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Britain's Rolls Royce (RR.L: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)).

Gates this week called the program "an unnecessary and extravagant expense," and said he would look at all available legal options to close it down when a current stop-gap measure funding the government ends on March 4.



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House lawmakers are due to vote later today or tomorrow on an amendment that would strip funding for the program out of a fiscal 2011 funding measure.

He said the debate over the second engine was driven by budget considerations, not questions about the engine makers' performance.

"This question about the engine is not about one company over another, one engine over another ... It's about constrained resources," he said, noting that he had flown military aircraft with all three engines, and all three companies offered great production and support.

Venlet acknowledged that the cost of the primary engine being built by Pratt & Whitney, a unit of United Technologies Corp (UTX.N: Quote, Profile, Research, Stock Buzz) had risen by nearly \$1 billion to account for too-optimistic previous cost estimates and to guard against some added risks. The final cost was still being negotiated.

<http://www.reuters.com/article/2011/02/15/lockheed-fighter-idUSN1522311520110215>