



# SAF/SB Media Summary

25 February—3 March 2011

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## **ARTICLE SUMMARIES**

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### **SMALL BUSINESS**

#### **Maryland Contractor Faces Being Barred from Federal Work Over SBA Documentation**

*The Washington Post*

A Bethesda consultant who received more than \$15 million in pay from a disadvantaged Alaska native corporation could be barred from federal contracting because he allegedly submitted "false or misleading documents" to the government, according to a letter from the Small Business Administration. H. James Nunes, whose consulting firm was based at his home in Bethesda, worked for a subsidiary of the Nome-based Sitnasuak Native Corp. until 2009. Under consulting contracts, his firm received as much as \$32,500 a month and up to 36 percent of the pre-tax profits from government contracts. At issue in the SBA letter are oversight forms that require firms operating in the SBA's 8(a) business development program to disclose their use of representatives in connection with federal contracts, a person familiar with the matter said.

#### **Alphabet Energy Awarded \$1.48M In SBIR Phase II Contracts**

*San Francisco Chronicle*

Alphabet Energy Inc., maker of thermoelectric materials for waste-heat recovery, has secured two Phase II contracts from both the U.S. Air Force and U.S. Army Small Business Innovation Research (SBIR) programs. The contracts, valued at \$750,000 and \$730,000, respectively, are for delivery of products that generate electricity from waste heat for use by the Air Force and Army in specific field applications, including mobile auxiliary power generation aimed at boosting energy efficiency throughout the armed services' front-line operations. Reducing energy use is a top priority for the United States military; improving energy efficiency in the military's battlefield operations would lead to fewer costly and dangerous fuel resupply missions.

#### **Black-owned Businesses Increase at Triple the National Rate**

*Hispanic Business*

According to recently released census figures covering that period, the number of black-owned small businesses increased 60.5 percent nationwide to 1.9 million, which is triple the national rate of 18 percent of all businesses. The U.S. Census Bureau's Survey of Business Owners found over the same period that income generated by black-owned businesses increased 55.1 percent to \$137.5 billion.



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## **New SBA Initiative to Award Projects to Women**

### *Active Filings*

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## **INDUSTRY**

### **DoD to Contractors: Tell Us Which Policies Impede Cost Savings**

#### *ExecutiveGov*

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## **BUDGET & ACQUISITION**

### **Defense Science Board Urges New Technology and Tactics**

#### *NextGov*

Facing agile enemies in Afghanistan and Iraq who can quickly adopt new technology and tactics, U.S. forces must adapt in response and soon, not over the course of decades, as occurs under the current bureaucracy-driven process, the Defense Science Board said in a report released on Friday. In its 194-page report titled "Enhancing Adaptability of U.S. Military Forces," the Defense Science Board recommended quick changes to tactics, techniques and procedures to meet evolving battlefield conditions, as well as developing a rapid acquisition system to speedily deliver the needed technologies.

### **Defense Acquisition University Conference Focusing on Building Strength With Leaner Budgets**

#### *The Huntsville Times*

Hundreds of men and women who work to develop and buy equipment and services for troops around the world listened intently Tuesday morning as Frank Kendall told them what they're up against in the coming years. Basically, everyone must get much bigger bang for the taxpayer's buck, he said. "We have got to be more efficient. There is no alternative," said Kendall, the principal deputy undersecretary of defense for acquisition, logistics and technology. "It's either that or bring back Ronald Reagan and have a much bigger defense budget than we have today. "And I don't think that's going to happen anytime soon."



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## FUTURE AIR FORCE

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*Air Force Magazine*

The Air Force science and technology community has begun work to demonstrate a high-velocity penetrating weapon, reusable space-access system, and new cyber capability under a promising new initiative, said Stephen Walker, USAF's deputy assistant secretary of science, technology, and engineering, Tuesday. These projects are part of the service's new "flagship capability concept," under which the Air Force Research Lab is pursuing capabilities that address the service's highest priority needs.

## REMOTELY PILOTED AIRCRAFT

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U.S. Air Force Academy cadets will receive unmanned aircraft flight training under a \$2.2 million contract to BOSH Global Services of Virginia. The training, which will incorporate AAI's Aerosonde Mark 4.7 Unmanned Aircraft System, will familiarize cadets with unmanned aircraft operations and provide basic instruction in Air and Space Operations Center and intelligence, surveillance and reconnaissance operations.

## CYBERSECURITY

### [Digital Management Wins \\$10 Million Dollar Contract to Support the Advancement of Trusted Computing Technologies for the Air Force Research Laboratory](#)

*PR Newswire*

Digital Management, Inc. announced today it has been awarded a \$10 million dollar contract to support the advancement of Trusted Computing Technologies for the Air Force Research Laboratory (AFRL). The contract covers execution of a sustained, multifaceted program that combines both technology and communications strategy and execution.

## TANKER

### [How Boeing Won The Tanker War](#)

*Forbes*

Boeing offered a very low price to build and own its plane, while over-confidence and maybe funding constraints led EADS to bid less aggressively. Since the two rival tankers had already satisfied 372 mandatory performance requirements, price determined the outcome and Boeing emerged victorious. In other words, Boeing won because EADS made a mistake — it failed to tap the European government subsidies that have allowed it to develop every commercial transport it currently offers to a sufficient degree so it could overcome the pricing advantage Boeing had from offering a much smaller plane.



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## Small Business

### **Maryland Contractor Faces Being Barred from Federal Work Over SBA Documentation**

*By Robert O'Harrow, The Washington Post, February 26, 2011*

A Bethesda consultant who received more than \$15 million in pay from a disadvantaged Alaska native corporation could be barred from federal contracting because he allegedly submitted "false or misleading documents" to the government, according to a letter from the Small Business Administration.

H. James Nunes, whose consulting firm was based at his home in Bethesda, worked for a subsidiary of the Nome-based Sitnasuak Native Corp. until 2009. Under consulting contracts, his firm received as much as \$32,500 a month and up to 36 percent of the pre-tax profits from government contracts.

At issue in the SBA letter are oversight forms that require firms operating in the SBA's 8(a) business development program to disclose their use of representatives in connection with federal contracts, a person familiar with the matter said.

In early 2007, Nunes submitted two of the forms on behalf of the subsidiary, SNCT, for the previous year. Although he was working as a consultant under contract, he wrote "none" on the documents where it requested the names of any representatives. Nunes signed them as "President, Partner, or Proprietor."

Nunes's attorney, John W. Nields, said Nunes did not file any misleading paperwork. "The 'none' was in response to a different question," Nields said.

The documents first came to light last year in a Washington Post investigation of Alaska native corporation contracting, which found that only a tiny fraction of more than \$29 billion in federal contracts awarded to the corporation's subsidiaries went back to native shareholders.

In a Feb. 18 letter to Nunes, an SBA official said the agency had recommended that Nunes be considered for debarment from federal contracting because it "has information demonstrating" that Nunes "submitted false or misleading documents."

"Specifically you submitted documents claiming that [SNCT] did not utilize or pay for the services of representatives, agents, or consultants," the letter said. "However, the documentation shows that not only were consultants utilized and paid for by [SNCT] at this time, but that you yourself were one such consultant."



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If proven, the allegations could have deeper implications for Nunes. Under federal law, individuals found to have submitted false or misleading statements could ultimately face up to \$500,000 in fines, 10 years in prison or both.

The SBA letter said Nunes "may provide SBA with any and all information you deem may be useful" before the agency decides if it will proceed with debarment.

Nields emphasized that the inquiry is in its early stages.

"They haven't decided anything," Nields said.

Nunes was hired as an SNCT consultant in 2002. Although he worked on staff as chief executive in 2005, he went back to being a consultant to SNCT and the parent corporation. During his time as a consultant, the native subsidiary received Pentagon contracts worth hundreds of millions of dollars for uniforms.

Sitnasuak's annual revenues soared from about \$20 million in 2004 to \$213 million in 2009, according to disclosures filed by the company, most of it through contracts set aside for small businesses or awarded without competition, The Post found. Nunes received \$6.4 million in pay in 2009. Sitnasuak's 2,238 shareholders received about \$305 each in direct payments that year, a Post analysis found.

<http://www.washingtonpost.com/wp-dyn/content/article/2011/02/25/AR2011022506856.html>

## **Alphabet Energy Awarded \$1.48M In SBIR Phase II Contracts**

*San Francisco Chronicle, February 24, 2011*

Alphabet Energy Inc., maker of thermoelectric materials for waste-heat recovery, has secured two Phase II contracts from both the U.S. Air Force and U.S. Army Small Business Innovation Research (SBIR) programs. The contracts, valued at \$750,000 and \$730,000, respectively, are for delivery of products that generate electricity from waste heat for use by the Air Force and Army in specific field applications, including mobile auxiliary power generation aimed at boosting energy efficiency throughout the armed services' front-line operations. Reducing energy use is a top priority for the United States military; improving energy efficiency in the military's battlefield operations would lead to fewer costly and dangerous fuel resupply missions.

"The efforts of Alphabet's outstanding team over the past eighteen months, with the U.S. government's support, have resulted in an enormous amount of technology derisking. The Army and Air Force are



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recognizing this through their Phase II awards and we're excited to deliver prototypes to them and to our non-military customers for pilot testing during this next phase," said Matt Scullin, Alphabet's CEO and founder.

The new contracts are based on successful completion of goals set for Phase 1 of the projects, awarded last year, which included fabricating multiple inch-sized thermoelectric devices using 150 mm semiconductor technology. The company's ability to manufacture its products "fablessly" has allowed it to efficiently leverage government financing and meet milestones quickly. Alphabet Energy continues to gear up for customer pilots in 2012 with commercial partners in industries that include transportation, manufacturing, power generation, and aerospace. The Department of Energy continues to evaluate Alphabet's technology for possible extension to a Phase 2 contract after similarly successful completion of Phase I contracts.

Alphabet Energy's goal is to become the leader in the potential \$100 billion global market for sales of its products for the conversion of waste heat into electricity, part of a \$75 billion/year market for energy efficiency and a \$6 billion/year market for industrial equipment. The company is positioned to deploy what it believes will be the lowest-cost waste-heat-to-power products for recovering wasted energy from exhaust gas. The technology has the ability to offset as many as 500 million metric tons of carbon per year, and could help generate thousands of jobs in the United States.

What are thermoelectrics?

Thermoelectric materials are semiconductors that, when placed in a temperature gradient, generate electricity in the solid state-with no moving parts. Alphabet's breakthrough thermoelectric materials can be used to turn heat directly into electricity in applications such as metals refining, cement and glass production, power generation, automotive, aerospace, and military. The company's proprietary thermoelectric technology is the only known solution that can lend itself to massive scale, utilizing abundant materials and existing, inexpensive manufacturing know-how. The output range of power generation systems incorporating Alphabet's thermoelectrics can range from microwatts to megawatts.

<http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2011/02/24/prweb5103074.DTL>

## Black-owned Businesses Increase at Triple the National Rate

*By Ike Wilson, Hispanic Business, March 2, 2011*

Daryl Boffman opened Acela Technologies in 2003, one of many black-owned businesses that opened their doors between 2002 and 2007.



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According to recently released census figures covering that period, the number of black-owned businesses increased 60.5 percent nationwide to 1.9 million, which is triple the national rate of 18 percent of all businesses.

The U.S. Census Bureau's Survey of Business Owners found over the same period that income generated by black-owned businesses increased 55.1 percent to \$137.5 billion.

Black-owned businesses in Frederick County grew from 439 in 2002 to 1,259 in 2007, according to the survey. During the same five-year period, the black population also increased by 62 percent, from 12,429 to 20,148 in 2007.

Though some error is associated with the numbers, said Jane Traynham, technology manager of Maryland Data Center, much of the increase could be due to an increase in small-business owners who work out of their homes.

The Survey of Business Owners defines black-owned businesses as companies in which blacks or African-Americans own 51 percent or more of the equity, interest or stock of the business.

"I'm not surprised at the data at all," said Keith Patterson, owner of Atlantic Coast Real Estate Services.

Patterson said black professionals realize that growth comes with independence.

"The black community realizes you can't grow working for someone else," Patterson said. "More money circulating in the black community means more money will go to a black hairdresser or a black barbershop."

Randy Jones, who co-owns Caf? 611 restaurant and catering service in downtown Frederick with his wife, Karen, said the survey's results ring true because more African-Americans are better-educated than ever before.

"However, that doesn't always equate to employment that pairs with their education, so the alternative is entrepreneurship," Jones said.

Missing pieces

Boffman said the U.S. Census Bureau report is positive but is missing vital pieces of information needed to make a fair and accurate assessment of its impact.



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"The report does not state an average number of years of operation for the businesses," Boffman said. "You could have 100 businesses start during this 10-year period; however, if 95 percent of these businesses fail during the same period, the report would not be deemed as positive."

Another key factor to consider is profitability, Boffman said.

"Certainly, the volume of revenue will have great implications for national, state and local tax dollars, but what is the business owner's financial status?" Boffman said.

He also noted that the report's description of the types of black-owned businesses failed to mention engineering, professional services, software development or information technology.

"It would be interesting to know the statistics of these types of businesses," Boffman said.

Boffman doesn't believe Frederick reflects the survey's results.

"I don't have the statistics but based on my communication with minority business owners in Frederick County, I don't see that same level of growth," Boffman said. "We are not experiencing the same level of increase in black businesses."

In addition, Boffman said he feels the Frederick community has not fully embraced diversity insofar as supporting black-owned businesses.

"I started Acela Technologies Inc. in Frederick County over eight years ago, and over that period, more than 99 percent of Acela's revenue was generated outside of Frederick County," Boffman said.

For most black-owned, minority-owned and women-owned businesses to thrive in a state, city or community, the decision-makers and leaders must embrace diversity, Boffman said.

"There has to be a collaborative effort to include minority businesses in the success of the economy by providing capital, opportunities, resources and training," Boffman said.

## Barriers

Jones said one barrier to entrepreneurship for blacks is they don't have the financial base to sustain their business over the long haul.

Other ethnic groups such as Asians who open a dry cleaning business or a restaurant enter the business world with a more solid financial base built by longevity in their respective fields, Jones said.



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"They are coming in with three generations of experience, having owned restaurants and laundromats in their countries," Jones said.

A young black professional who has worked at IBM for eight years and was laid off has the skill but not the financial backing to stay in business for a lengthy period, Jones said, and many black businesses, including Caf? 611, started at ground zero.

The restaurant succeeded because of a small family financial base, a lot of prayers and a loan from the Frederick County Bank, the businessman said.

"If it hadn't been for the bank, we wouldn't be in business today," Jones said. "They trusted us even though we had never done business with them, and we've never missed a payment."

## Working together

The survey's results represent "a good thing," said Allen Edwards, owner of EBA Enterprises Inc., a HUB Zone-certified small business started by a service-disabled veteran in 2004.

EBA Enterprises was born under the umbrella of the Veterans Benefits Act of 2003, which permits contracting officers to restrict competition to small-business concerns owned and controlled by service-disabled veterans.

To make a bigger presence in the business arena, "blacks need to organize, strategize and plan better, and God knows, we need to work together," Edwards said. "We're not doing it as well as we should."

Edwards said he was once a homeless veteran.

"If I can make it, anyone can make it," he said.

Repercussions from one failed business are not limited to one community. It affects the country, he said.

"It's not about a paycheck. It's about the USA," Edwards said. "We as a people need to think big, not small. We need to think about what's good for the country."

[http://www.hispanicbusiness.com/news/2011/2/28/blackowned\\_businesses\\_increase\\_at\\_triple\\_the.htm](http://www.hispanicbusiness.com/news/2011/2/28/blackowned_businesses_increase_at_triple_the.htm)



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## New SBA Initiative to Award Projects to Women

*Active Filings, March 1, 2011*

The United States Small Business Administration is ramping up its efforts to assure that more government contracts are awarded to women owned businesses as well as women-owned businesses where the women is economically disadvantaged.

In 1994, congress enacted legislation that required the United States Government to award at least 5% of its contracts to certified women-owned businesses. This law was championed by women's advocates yet considered discrimination by others. Proponents of the law argue that it's not discrimination because agents are only empowered to use their discretion to decrease the amount of competition.

This problem, along with other problems has caused the government to not yet comply with this mandate. Although the legislation was enacted, there are no penalties if the government falls short and there are no incentives for compliance. This has caused the federal government to only come as class as 3.8%.

Now, there are new efforts to see this legislation satisfied. The SBA is heading up the women-owned small business contract program which will allow certain contracts to be set aside for certified women owned businesses. As of February 4th, 2011, businesses may apply to be a certified women owned business and the SBA hopes that by the fourth quarter of 2011 contracts utilizing this program will begin to be awarded.

In order to be a certified women owned business, 51% or more of the owners must be women who are actively participating in the day to day decision of the business. Additionally, all female owners must be United States citizens. Owners may self-certify or later, be certified by a third party government approved certifier.

Additionally, the same program allows contracts to be set aside for economically disadvantaged women owned businesses. Women qualify for this designation if their personal net worth is less than \$750,000, she has made less than an average of \$350,000 over the past 3 years and the total value of her assets are less than \$6 million.

With the average yearly revenue of most designated small businesses being less than \$250,000, women who own small businesses have a great chance of qualifying as an economically disadvantaged women owned small business. This may allow for small businesses all over the United States to qualify for government contracts that they were not able to get prior to this program. If you're a women who owns a small business, now is the time to make sure that your business is properly registered with your state and federal governments so you are eligible to bid on contracts once the program is fully active.

<http://www.activefilings.com/startups/new-sba-initiative-to-award-projects-to-women/>

**SAF/SB internal document—not for public release.**



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## [Industry](#)

### **DoD to Contractors: Tell Us Which Policies Impede Cost Savings**

*By Jack Moore, ExecutiveGov, February 24, 2011*

As the Defense Department seeks to bolster its better buying strategies, led by procurement chief Ashton Carter, the Pentagon is now reaching out to the defense industry to help identify DoD practices that hamper cost savings.

A notice published last week in the Federal Register requested information from contractors and DoD's other private-sector partners to identify which DoD policies and regulations actually get in the way of saving money.

DoD "understands that some of its mandates, reporting requirements and other acquisition practices encourage industry to adopt processes and make investments that increase costs, especially overhead costs, but do not contribute to value added in systems and services delivered to the department," the notice reads.

So, DoD wants its industrial base — the government contractors it does business with — to "identify these costs, backed by specific credible, convincing data."

In other words, DoD is open to contractor complaints, but it wants facts to back them up.

The latest call for industry input follows a similar solicitation for comments last summer focusing on ways to cut back on "non-value-added costs," Federal News Radio reported. That call to action prompted 500 comments, and Carter used some of them to formulate the 23-point strategy for Pentagon purchasing, he has said in recent speeches.

The current request for comments runs until March 31. Because company submissions are likely to contain proprietary information, the notice assures them the information will be exempt from Freedom of Information Act requests and will only be used in formulating DoD policy.

<http://www.executivegov.com/2011/02/dod-to-contractors-tell-us-which-policies-impede-cost-savings/>



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## Budget & Acquisition

### **Defense Science Board Urges New Technology and Tactics**

*By Bob Brewin, NextGov, February 28, 2011*

Facing agile enemies in Afghanistan and Iraq who can quickly adopt new technology and tactics, U.S. forces must adapt in response and soon, not over the course of decades, as occurs under the current bureaucracy-driven process, the Defense Science Board said in a report released on Friday.

The report echoes comments made last week by Army Vice Chief of Staff Gen. Peter Chiarelli, who said enemy forces in Afghanistan have adopted the use of cell phone technology on the battlefield far faster the Army has.

In its 194-page report titled "Enhancing Adaptability of U.S. Military Forces," the Defense Science Board recommended quick changes to tactics, techniques and procedures to meet evolving battlefield conditions, as well as developing a rapid acquisition system to speedily deliver the needed technologies.

During the past decade, all four services and the Office of the Secretary of Defense have established more than 20 rapid acquisition organizations. They have met some urgent needs, the report said, but have not followed through with ways to support and sustain new equipment after deployment. The board said many of these rapid acquisition organizations ended up overstaffed with personnel who in some cases lacked the requisite technical or acquisition expertise.

The report recommended each of the services establishes a single rapid acquisition organization modeled after the Air Force's secretive Big Safari, a program focused on developing and fielding airborne intelligence systems with a staff of 20 to 50 people.

According to the report's 98-page appendix, the Air Force first set up Big Safari in 1952 and called it the "special operations force of the acquisition community." It said Safari can quickly field new systems by focusing on delivery of "80 percent solution now" capabilities rather than waiting years for the 100 percent solution.

The U.S. military derives much of its current capabilities from networked systems, information technology and communications, intelligence and GPS satellites. But, the report said, adaptability means the ability to continue to operate when an enemy attacks those systems and degrades them.



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Defense has to train forces to operate in a degraded environment so they can continue when systems are attacked, the report said. This is "especially important in the areas of space and cyber systems, which are particularly vulnerable to potential disruption," the report said.

The board urged the Pentagon to enhance the adaptability of its workforce and develop a skills inventory of active-duty reserve and retired personnel, as well as the civilian workforce, a change that would allow better matching of skills with requirements.

Defense also needs to change a risk-averse culture that usually says no to a new idea to one that says, "It can be done," the report said.

Paul Kaminski, who served as undersecretary of Defense for acquisition and technology from 1994 to 1997 and who chaired the Defense Science Board panel that produced the report, wrote in a cover memo that Defense can adapt to changing roles and missions by "moving beyond the cultural, organizational and regulatory barriers that [currently] exist."

[http://www.nextgov.com/nextgov/ng\\_20110228\\_5171.php?oref=topnews](http://www.nextgov.com/nextgov/ng_20110228_5171.php?oref=topnews)

## Defense Acquisition University Conference Focusing on Building Strength With Leaner Budgets

*By Kenneth Kesner, The Huntsville Times, February 23, 2011*

Hundreds of men and women who work to develop and buy equipment and services for troops around the world listened intently Tuesday morning as Frank Kendall told them what they're up against in the coming years.

Basically, everyone must get much bigger bang for the taxpayer's buck, he said.

"We have got to be more efficient. There is no alternative," said Kendall, the principal deputy undersecretary of defense for acquisition, logistics and technology. "It's either that or bring back Ronald Reagan and have a much bigger defense budget than we have today.

"And I don't think that's going to happen anytime soon."

Kendall came from the Pentagon to kick off the Defense Acquisition University Alumni Association - South Region's 7th annual Conference and Expo at the Von Braun Center.



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He said the 2012 budget - \$553 billion plus war costs - announced by Secretary of Defense Robert Gates is realistic, but efficiency goals must be met to avoid crippling problems in the future.

"People were saying before our budget was put out, and before the Hill did anything and even before the election, that we're headed for a dramatic drawdown in defense. I don't think that's true," Kendall said.

The proposed defense budget, with modest growth the first two or three years and then flat after that is reasonable, he said. But other factors are affecting the Defense Department, including the rising costs of personnel, operations, health care and more. All of which must be dealt with as forces are replenished and modernized.

"If we don't do a better job, we're going to have to have some dramatic change in the department that nobody wants to see," Kendall said. "Either a much smaller force structure or a readiness crisis like we had in the '70s." He said Gates recognized this and all the steps announced and taken since last spring have been in this direction.

Kendall presented an overview of some steps that must be taken toward more efficiency, including eliminating redundancy in warfighter programs, achieving stable and economic production rates, removing obstacles to competition and increasing opportunities and roles for small businesses.

"There's a lot of creative, entrepreneurial spirit out there" in smaller companies, he said.

He emphasized they want a healthy defense industry, but a lean, efficient industry as well.

"Part of all this is about us all being sharper businessmen, getting better deals for the taxpayer and enforcing them," he said.

The rest of Tuesday and today featured dozens of speakers, including Lt. Gen. James Pillsbury, deputy commanding general of the Army Materiel Command, and Lt. Gen. William Phillips, principal military deputy to the assistant secretary of the Army for acquisition, logistics and technology.

There were also a number of breakout sessions and panel discussions centered around the conference theme, "Navigating Acquisition through a Changing Environment ... Practical Approaches for the Defense Community."

More than 550 people were registered for the two-day event, said Albert Barnes of DAU, the conference director.

[http://blog.al.com/huntsville-times-business/2011/02/defense\\_acquisition\\_university.html](http://blog.al.com/huntsville-times-business/2011/02/defense_acquisition_university.html)



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## Future Air Force

### **Air Force Launches Flagship Concepts**

*Air Force Magazine, March 2, 2011*

The Air Force science and technology community has begun work to demonstrate a high-velocity penetrating weapon, reusable space-access system, and new cyber capability under a promising new initiative, said Stephen Walker, USAF's deputy assistant secretary of science, technology, and engineering, Tuesday. These projects are part of the service's new "flagship capability concepts," under which the Air Force Research Lab is pursuing capabilities that address the service's highest priority needs, Walker told the House Armed Services Committee's emerging threats and capabilities panel in testimony on the service's Fiscal 2012 S&T funding request. "These are large-scale, integrated demonstrations of technology," explained Walker. The goal has been to line up these activities so that they could smoothly feed into potential future programs of record for fielding the capabilities, he said.

<http://www.airforce-magazine.com/DRArchive/Pages/2011/March%202011/March%2002%202011/AirForceLaunchesFlagshipConcepts.aspx>

## Remotely Piloted Aircraft

### **Air Force Cadets Get UAV Pilot Training**

*United Press International, February 24, 2011*

U.S. Air Force Academy cadets will receive unmanned aircraft flight training under a \$2.2 million contract to BOSH Global Services of Virginia.

The training, which will incorporate AAI's Aerosonde Mark 4.7 Unmanned Aircraft System, will familiarize cadets with unmanned aircraft operations and provide basic instruction in Air and Space Operations Center and intelligence, surveillance and reconnaissance operations.

The award is for one year, with a one-year renewal option.



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BOSH became the inaugural provider of the Air Force Academy's Remotely Piloted Aircraft cadet training program in 2009 when it was selected to provide the first course of this kind at a U.S. military service academy.

The training features academic and practical instruction in RPA flight operations. In addition to command-and-control and ISR-related concepts, the course introduces ground force scenarios and remote video receivers.

Since developing its initial Air Force Academy's course, BOSH has expanded its RPA training program to include a pre-deployment Small UAS schoolhouse at Choctaw Field, Fla., where it similarly trains Air Force Battlefield Airmen and Special Operations Command personnel on their way to overseas combat zones.

[http://www.upi.com/Business\\_News/Security-Industry/2011/02/24/Air-Force-cadets-get-UAV-pilot-training/UPI-14321298550588/](http://www.upi.com/Business_News/Security-Industry/2011/02/24/Air-Force-cadets-get-UAV-pilot-training/UPI-14321298550588/)

## Cybersecurity

### **Digital Management Wins \$10 Million Dollar Contract to Support the Advancement of Trusted Computing Technologies for the Air Force Research Laboratory**

*PR Newswire, February 24, 2011*

Digital Management, Inc. ([www.digitalmanagement.com](http://www.digitalmanagement.com)), a leading IT solutions and business strategy consulting firm, announced today it has been awarded a \$10 million dollar contract to support the advancement of Trusted Computing Technologies for the Air Force Research Laboratory (AFRL). The contract covers execution of a sustained, multifaceted program that combines both technology and communications strategy and execution.

Under the contract, Digital Management will develop a detailed TC technology roadmap, develop, test, and demonstrate TC reference implementations, and conduct strategic technical outreach to support the ongoing development and adoption of emerging TC technologies.

TC technologies show tremendous promise as a new approach to address today's cybersecurity crisis. Trusted devices use TC technologies to securely and reliably report on their identity and state so their safety can be verified before they are used. Commercial TC Technologies available today block several critical cybersecurity threats:



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- Theft of data at rest
- Theft of software certificates and encryption keys
- Unauthorized network access
- Impersonation of authorized devices
- Network access by devices with corrupted software

"We're proud to help AFRL lead the charge in promoting these very powerful technologies in government, business, and the technology vendor community," said Jay Sunny Bajaj, Digital Management's President and CEO. "Trusted Computing represents a new paradigm for cybersecurity – one where trusted devices make it possible for us to live more confidently in our connected world."

<http://www.prnewswire.com/news-releases/digital-management-wins-10-million-dollar-contract-to-support-the-advancement-of-trusted-computing-tc-technologies-for-the-air-force-research-laboratory-afrl-116855618.html>

## [Tanker](#)

### How Boeing Won The Tanker War

*By Loren Thompson, Forbes, February 28, 2011*

After ten years of seeking a replacement for hundreds of Eisenhower-era tankers, the Air Force may have finally found a workable solution last week. On Thursday, Pentagon leaders surprised both teams competing for the prize — a program initially worth \$35 billion that eventually could grow to \$100 billion — by declaring Boeing's proposal was the "clear winner." The losing team, led by Airbus parent EADS, was stunned. Not only had it won an earlier competition to supply the new tanker, but some Boeing executives expected the European company to win this time too. So why did Boeing prevail in an outcome that government officials say wasn't even close?

In this case, the bottom line really was the bottom line. Boeing offered a very low price to build and own its plane, while over-confidence and maybe funding constraints led EADS to bid less aggressively. Since the two rival tankers had already satisfied 372 mandatory performance requirements, price determined the outcome and Boeing emerged victorious. In other words, Boeing won because EADS made a mistake — it failed to tap the European government subsidies that have allowed it to develop every commercial transport it currently offers to a sufficient degree so it could overcome the pricing advantage Boeing had from offering a much smaller plane. Smaller planes cost less to manufacture and to fly, but that has not stopped EADS subsidiary Airbus from beating Boeing on price in scores of commercial competitions. In the tanker contest, though,



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EADS either bid too optimistically or failed to leverage subsidies for some other reason, so it was out of the money.

Before I elaborate on how Boeing won, I need to dispose of one inconvenient truth. A big part of the reason why many people thought EADS would win the tanker competition was because I said it would, over and over again in the national media, in the months leading up to the award. Within minutes after the Boeing victory was disclosed, Politico put up a story on its web-site stating that expectations of a Boeing loss were driven mainly by my pronouncements on the matter. And the biggest newspaper in Alabama editorialized on Sunday that the Boeing win was “unbelievable” in part because “one of the nation’s leading defense analysts” — me — predicted EADS would prevail. Obviously, I was completely wrong. So why would you take seriously my explanation of how the opposite of what I predicted happened?

The reason I’m still halfway credible on the subject is because I said all along that the Boeing plane was the more cost-effective solution to the Air Force’s tanker needs. I simply assumed EADS would leverage the same subsidies that allowed it to aggressively market its commercial product line to also win the tanker competition. It wouldn’t have been hard, because the Air Force methodology for comparing the EADS and Boeing planes actually understated the cost of owning the much bigger European tanker over a 40-year service life. Many people within Boeing assumed the same thing, which is why they were worried in the final stages of the tanker contest despite the fact they were offering a more economical solution to Air Force needs. But EADS didn’t tap subsidies to the degree Boeing or I expected, so Boeing won in the kind of competitive climax that defense industry insiders call a “price shootout.”

Boeing executives sensed during the preparation of final offers that EADS had become overly optimistic, in much the same way that Boeing itself had grown too confident in the earlier round of competition. They now think that EADS lost partly because of its own hubris. They’re probably right, but I suspect something more is going on because concessionary pricing has been the centerpiece of the EADS tanker strategy since it first got into the competition in 2006. I’ll come back to the question of why EADS didn’t fully leverage its pricing power at the end of this essay, after I explain why it is so clear that cost was the reason Boeing won and EADS lost. But it’s important first to demonstrate that Boeing won on the merits, because any protest EADS mounts to try to overturn the outcome is unlikely to prevail, and we don’t need conspiracy theories floating around for the next 40 years about why “the better tanker lost.”

The Air Force’s aerial refueling fleet is unique in the world. Without it, U.S. and allied aircraft would have great difficulty sustaining operations in places like Iraq and Afghanistan. But by the beginning of the new century, the Boeing 707-type tankers that provided 90 percent of the aircraft in the refueling fleet had reached nearly 40 years of age, so Air Force officials began what they thought would be a routine effort to convert an existing commercial transport into a replacement tanker. A decade later, no new tankers had been built. An abortive effort to lease tankers from Boeing was killed by Congress, and then a competition to select a new tanker from between rival Boeing and Airbus offerings was overturned by the Government Accountability Office. By the



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time the Obama Administration was handed the responsibility for finding a new plane the aging tankers in the fleet were approaching half a century of age, and the new team at the Pentagon decided it had to come up with an acquisition strategy that was impervious to further delays.

Its solution was to craft a selection process in which there was virtually no subjectivity that might be challenged by the loser. Rather than weighing the performance features of Boeing and Airbus offerings, the Air Force developed a list of 372 mandatory performance requirements that each team must meet before they could submit a final bid. What this meant in practical terms was that unless one of the teams was disqualified, the key discriminator in the competition would be price. But price was defined to cover more than just the cost of producing the planes. It also reflected the cost of ownership over a 40-year lifetime, including fuel expenditures, construction outlays, and the relative efficiency with which each tanker could accomplish refueling missions. Those life-cycle costs were to prove pivotal in Boeing's eventual victory.

The tanker competition that began in late 2009 was a “come as you are” competition in the sense that the Air Force did not want to pay for the cost of developing a new tanker from scratch. So Boeing and EADS had to pick an airliner from their existing commercial product lineups and adapt it to the refueling mission. The mandatory performance requirements demanded that it be able to offload at least as much fuel as the 707-type planes in the existing tanker fleet while having a main flight deck available for cargo, passengers and other payloads. Boeing had long since settled on its twin-engine widebody 767 airliner as the best available airframe, since other planes in its line-up were either too small for necessary payloads or too expensive to operate. The 787 Dreamliner was not seriously considered because production capacity was committed to commercial customers far into the future. EADS selected as its offering a modified version of the much bigger Airbus A330, which weighed 28 percent more than the Boeing entry and burned correspondingly more fuel — in fact, over a ton more fuel per flight hour when fully loaded.

On its face, the A330 did not look like much of a bargain for the Air Force because it cost much more to build and operate than the plane it was replacing or the Boeing alternative. However, in the first, abortive round of competition with Boeing's tanker, EADS and then-partner Northrop Grumman had convinced Air Force evaluators that by doing refueling missions differently they could benefit from buying the bigger plane. That made a certain amount of sense since bigger planes typically are more efficient per pound of payload delivered. The problem, though, was that existing, smaller tankers typically returned from refueling missions with a lot of fuel still on board, so buying a much bigger successor required the Air Force to completely change its approach to aerial refueling. That became all too apparent when the Air Force tried to apply its scenario-based warfighting model to the rival tankers and discovered that the EADS plane couldn't accomplish some wartime missions due to basing constraints. Under pressure from Congress to keep the Northrop-EADS team in the competition, the Air Force made changes to its model that enabled the bigger plane to execute all the missions.



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Northrop Grumman decided to withdraw from the tanker battle when it saw the Obama Administration's proposed terms for the second round of competition, so EADS elected to go it alone. Despite complaints from Boeing, the Air Force continued using the same modified warfighting model to evaluate the two tanker proposals — which was one reason why EADS thought its bigger plane had a shot at winning. But once the rival tankers met mandatory performance requirements the revised acquisition strategy was all about price, and there EADS faced a big challenge. First of all, the A330 typically sells for about \$40 million more than Boeing's 767, which is a huge difference in cost when multiplied by the 179 planes the Air Force was seeking to acquire in the competition. EADS would need to tap billions of dollars in subsidies to price competitively with the manufacturing costs of the smaller Boeing plane. And then there were the post-production costs — the much higher fuel burn of the A330 over a 40-year service life, and the need to modify hangars and runways to accommodate a bigger plane. The only way Airbus could defray those costs for the Air Force was to offer an even lower up-front pricetag.

Boeing wasn't happy with the way the Air Force calculated the higher fuel costs of the A330, since evaluators used a price escalator for the next several decades that was only about a third of the actual growth rate in fuel costs since 1970. The company felt the government was undercutting the cost-effectiveness of their offering in the real world, especially given the refusal of policymakers to even consider adjusting the EADS price to reflect use of illegal subsidies as long as subsidy cases were still pending before the World Trade Organization. So Boeing entered the final stages of the tanker competition pessimistic about its prospects. However, one message the company heard loud and clear was that if it was to have any chance of prevailing it had to price very aggressively, and that it did — so much so that its board refused to go any lower for fear of losing money on the contract. When the Pentagon announced that Boeing had won last Thursday company officials were pleasantly surprised, but they knew the government had gotten quite a bargain.

Of course, Boeing got something big too: the continuation of its 50-year tanker franchise with the U.S. Air Force, and a deal that would preclude its main rival in the airliner business from setting up commercial operations in Boeing's home market. But in the aftermath of Boeing's convincing win, the question still arises as to why EADS didn't bid more aggressively when it knew price would be decisive in determining the outcome. Was it really just hubris, or was something else going on? Perhaps people like myself over-estimated how much latitude EADS had in tapping government subsidies, given the huge funding infusions it had already received to fix the A380 jumbo-jet, continue the A400M military transport, and develop a rival for the Boeing Dreamliner. Or perhaps the company's willingness to leverage subsidies in a politically charged competition had been muted by the WTO finding of massive impropriety in its past use of subsidies to steal commercial market share. We'll have to wait a while to learn why EADS failed to price its tanker competitively. The one thing we know for sure is that the real-world costs of the rival tankers weren't even close, because EADS lost even though evaluators gave the company big breaks in calculating the cost of owning its plane. In other words, the Boeing tanker won on merit, and no protest of the outcome by EADS is going to change that fact.

<http://blogs.forbes.com/beltway/2011/02/28/how-boeing-won-the-tanker-war/>