



SAF/SB Media Summary

4—10 March 2011

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ARTICLE SUMMARIES

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SMALL BUSINESS

Air Force Mentor-Protégé Team Wins Nunn-Perry Award for Cyber Applications

Air Force Print News Today

A mentor-protégé team earned the Nunn-Perry award March 2 for achievements in cyber applications for the Air Force, officials from the service's office of small business said here March 4. Ball Aerospace, Colorado Engineering, Inc. and Florida International University were recognized at the annual Mentor-Protégé Conference in Virginia Beach. The mentor firm, Ball Aerospace, specializes in intelligence, surveillance and reconnaissance, space science and tactical systems. The protégé small business, CEI, provides advanced engineering services in the design, development and testing of software and hardware systems. FIU, a participating minority-serving institution, emphasizes research as a major component of its mission. Ranked first in the nation in awarding bachelor's and master's degrees to Hispanic students, FIU also is one of the 25 largest universities in the nation.

Business Workshop Geared Toward Veterans

New Mexico Business Weekly

If you're a veteran who owns a small business and would like to expand your operations, or if interested in starting a small business, there is a workshop that might interest you. The Veteran Business Development Workshop takes place March 24 at Kirtland Air Force Base. Organizers said the workshop will assist service-disabled veteran business owners who want to know more about federal laws that are making it easier to secure federal contracts. The workshop is sponsored by the New Mexico Department of Veterans' Services, Veteran Business Outreach Center and the New Mexico Small Business Development Center Network.

AVIRTEK, INC. Awarded \$750K Phase II SBIR Grant from the United States Air Force

Digital Media Net

AVIRTEK, Inc., a leader in Autonomic Management Solutions, announced today that the United States Air Force (USAF), has awarded the company a \$750K Phase II Small Business Innovation Research (SBIR) grant. In a teaming arrangement with Ball Aerospace and the University of Arizona, AVIRTEK will apply the grant to develop an Autonomic Software Protection System (ASPS), to enable pro-active learning and representation of system state's knowledge in order to defend against attacks or failures.

SAF/SB internal document—not for public release.



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Change in Rules May Help Women do Business With Government

Fay Observer

The new guidelines from the Small Business Administration, which began to take effect last month, allow federal agencies to set aside certain contracts that will go exclusively to small businesses owned by women. The rule changes have the potential to significantly affect federal contracts that are awarded out of Fort Bragg, said Scott Dorney, executive director of the North Carolina Military Business Center. Last year, the Department of Defense awarded procurement contracts to private companies worth \$1.2 billion in Cumberland County. The federal government's goal, across all departments, is for 5 percent of contract spending to go to women-owned small businesses.

Teaching Women Entrepreneurs How to Win Federal Contracts

The Epoch Times

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LEADERSHIP

Gates Says U.S. Air Force May Resist Change Once He Leaves

Bloomberg

U.S. Defense Secretary Robert Gates said he is concerned the Air Force may revert to a Cold War-era focus on fighter jets and bombers at the expense of drones and other new weapons after he leaves office later this year. While manned aircraft are needed, the Air Force must recognize "the enormous strategic and cultural implications of the vast expansion in remotely piloted vehicles" that already play a major role over Afghanistan and Iraq, Gates told about 2,000 cadets in a speech to the U.S. Air Force Academy in Colorado.

On His Way Out the Door, Robert Gates Gives the Military Some Refreshingly Frank Advice

Slate

And so it seems, Robert Gates really will be leaving the Pentagon soon. He's been going around to the military academies—West Point last week, the Air Force Academy today, Annapolis sometime soon—bidding farewell to the cadets, pointedly noting at the start of each speech that it will be his "final" address to them as secretary of defense. But Gates is not indulging in valedictory bromides. He's using the occasions to lay out his vision of what each branch—and each future officer—of the U.S. armed forces must do, and not do, to meet the threats of the 21st century.



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SPEECHES

A Strategy Toward Full-Spectrum Capabilities

Air Force Chief of Staff Gen. Norton Schwartz, Remarks at the Defense Programs Conference, Arlington, Va., March 2, 2011

This is a challenging time for our Nation, for the military as well as the private sector. Our emergence from economic distress continues to be slow and uncertain, and may remain so for some time. Many have noted that the surest path toward recaptured economic vitality can be charted largely by our Nation's private industry—from small businesses to major firms, and including investors who help to underwrite the entrepreneurial spirit that has propelled America throughout its entire economic history.

BUDGET & ACQUISITION

DoD Major Weapons Acquisition

Business Insider

According to GAO 11-394T 17 Feb 2011, DoD Major Weapons Acquisition continues to be a high risk item watched by GAO. In the testimony the GAO is concerned about waste and mismanagement in the 102 largest DoD acquisition programs. The testimony states that in the five years starting in 2011 that \$300B are spent by the programs GAO reviews annually, while the rest of the Trillion plus dollars in the budget for those years is to develop and acquire things in DoD and are smaller programs which are far less well managed, whose decisions are made less formally and whose engineering has much less experience and authority to do the job well.

Gates: No More Major DOD Program Cuts

Washington Business Journal

In a speech at the Air Force Academy in Colorado Springs, Colo., Friday, Defense Secretary Robert Gates explained planned cuts to programs and called any additional cuts of major programs unlikely for the next couple of years. "Right now I think that we're in a pretty good place," Gates said in response to a question regarding his plans to make additional cuts to Defense programs. Of the 32 programs he recommended to cap or cancel in 2009, only one remains unchanged: The program to fund development of an alternative engine for the F-35 Joint Striker Fighter jets.

Pentagon Brass See Delays, Higher Costs With CR Funds

The Hill

Senior Pentagon officials and senators on Tuesday warned that the Defense Department will pay more for some hardware and services because Congress has failed to pass a 2011 spending bill. Without a full appropriations bill, the military services also would be forced to put off maintenance on platforms already strained by years of combat, delay buying new systems and skip some training, Deputy Defense Secretary William Lynn said.



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In Budget Talks, DoD 'Not the Holdup'

Federal News Radio

The ranking Democrat on the House Armed Services Committee said Tuesday that he and the committee chairman, Rep. Buck McKeon (R-Ca.), were determined to pass a 2011 Defense budget that would bring at least DoD out of continuing resolution mode — even if the rest of the government has to continue to operate under a continuing resolution. "Mr. McKeon and I are in total agreement that we have to continue to work hard to try to find a way to get a Defense appropriations bill passed this year," said Rep. Adam Smith (D-Wa.). "Defense is not the holdup. There's quite a bit of agreement in the House and the Senate. The question is the CR that it's attached to, and how that's going to work. That will continue to be a significant challenge."

DoD Pushes for 2011 Spending Increase

Federal News Radio

Defense Department officials Tuesday made their case to Senate lawmakers to push through a spending bill for fiscal 2011. Defense Deputy Secretary William Lynn detailed to members of the Senate Appropriations Subcommittee on Defense the snowball effect a year-long continuing resolution would have on the military. Lynn said DoD would end up "robbing Peter to pay Paul."

INDUSTRY

Feds Award \$170B Without Competition

The Washington Business Journal

The tactics agencies take to avoid legitimate competition of contracts seem to exploit the procurement system. A fair number of agencies, for example, take advantage of a competition exemption that exists in some small business programs — allowing them to forgo competition if they award the contract to a certain small disadvantaged business. (Congress and the Small Business Administration are starting to crack down on this, as a result of recent investigations that showed exorbitant numbers of non-competed contracts going to Alaska Native Corporations, which have special advantages in the SBA's contract program.)

TANKER

USAF Evaluated Rivals' Bids on Price

FlightGlobal

The US Air Force's evaluation in the second round of competition elevated a single criterion - price - over all other factors. Even judging the competitors by their past performance, a standard and sometimes controversial metric, was reduced in significance. Ashton Carter, under secretary of defense for acquisition, technology and logistics, confirms the KC-X evaluation considered past performance only as one of 372 pass/fail requirements, which also included the amount of water that must be stowed in the aircraft's lavatory.



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REMOTELY PILOTED AIRCRAFT

U.S. Air Force Accepts Delivery of Last Predator UAS

Defence Professionals

The U.S. Air Force accepted MQ-1 Predator tail number 268, the last manufactured for the service, in a ceremony Mar. 3 at General Atomics' Gray Butte Aeronautical Systems' Flight Ops Facility. Col. James Beissner, Air Combat Command's Chief Irregular Warfare Division, accepted the aircraft on behalf of the Air Force in front of a crowd of more than 800. "This event marks a milestone in Air Force history given the path this Aircraft took from conception to operational excellence," said Col. Christopher Coombs, Aeronautical Systems Center's Chief of Medium Altitude UAS Division. "The Predator is a great example of the Air Force's response to an immediate Warfighter need."

Aerosonde Unmanned Aircraft System to Support U.S. Air Force Academy Mission

Military & Aerospace Electronics

AAI Unmanned Aircraft Systems, an operating unit of Textron Systems, a Textron Inc. company, won a fee-for-service contract from BOSH Global Services to provide an Aerosonde unmanned aircraft system (UAS) for use by the U.S. Air Force Academy. The contract includes an Aerosonde Mark 4.7 system; support personnel to launch, fly, and recover the aircraft; and computer-based training and simulation software for Cadets to utilize in their training. The academy also will gain use of AAI's On-the-Move Command and Control (OMCC) capability, which allows the aircraft to be controlled by personnel in a moving command and control station. The contract is for a one year period with an option to extend for one additional year.

CYBERSECURITY

Congress Cuts \$20 Million from Cyber-Security in Interim Bill

eWeek

Congress passed an interim law slashing \$20 million from cyber-security funding while continuing the debate on other budget cuts. The short-term continuing resolution, signed into law March 2, keeps the government operating till March 18 and buys the House of Representatives and the Senate time to negotiate other cuts for the rest of fiscal 2011, which ends in September, and finalizes the federal budget for fiscal 2012, which starts Oct. 1.



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Small Business

Air Force Mentor-Protégé Team Wins Nunn-Perry Award for Cyber Applications

Air Force Print News Today, March 7, 2011

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Ball Aerospace, Colorado Engineering, Inc. and Florida International University were recognized at the annual Mentor-Protégé Conference in Virginia Beach.

The mentor firm, Ball Aerospace, specializes in intelligence, surveillance and reconnaissance, space science and tactical systems. The protégé small business, CEI, provides advanced engineering services in the design, development and testing of software and hardware systems. FIU, a participating minority-serving institution, emphasizes research as a major component of its mission. Ranked first in the nation in awarding bachelor's and master's degrees to Hispanic students, FIU also is one of the 25 largest universities in the nation.

"The Air Force Office of Small Business Programs ensures the mentor-protégé program develops small business capabilities in areas linked to the Air Force's mission and priorities," said Karen Holloman, Air Force Office of Small Business mentor protégé program director. "The program is designed to focus on mentor-protégé agreements that provide innovative, state-of-the-art technology transfers in the domains of air, space and cyberspace."

The award-winning team is one of six active Air Force mentor-protégé contract agreements. Ball Aerospace, CEI and FIU are developing capabilities in digital processing technologies and command, control, communications, computers, intelligence, surveillance and reconnaissance.

All eligible protégés are certified by officials with the U.S. Small Business Administration as small disadvantaged businesses or minority-serving institutions.

The mentor-protégé program encourages large-business contractors to assist in developing the technical and business capabilities of small disadvantaged businesses.



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Mentor firms benefit by establishing long-term business relationships with qualified suppliers. Mentors also receive reimbursements or credits for their developmental costs as well as a boost in meeting their small business goals.

Protégé firms gain valuable expertise in technology and business-knowledge transfer, which increases their competitiveness in the marketplace as well as their access to other subcontracting opportunities.

<http://www.af.mil/news/story.asp?id=123245572>

Business Workshop Geared Toward Veterans

By Damon Scott, New Mexico Business Weekly, March 7, 2011

If you're a veteran who owns a small business and would like to expand your operations, or if interested in starting a small business, there is a workshop that might interest you.

The Veteran Business Development Workshop takes place March 24 at Kirtland Air Force Base. Organizers said the workshop will assist service-disabled veteran business owners who want to know more about federal laws that are making it easier to secure federal contracts.

The workshop is sponsored by the New Mexico Department of Veterans' Services, Veteran Business Outreach Center and the New Mexico Small Business Development Center Network.

Organizers said one in seven New Mexico businesses are veteran-owned.

"At this workshop, business owners and potential owners will get some excellent advice on not only how to survive, but thrive," NMDVS Veterans' Business Development Director Lloyd Calderon said. "We believe anyone who's served our country deserves to be served when they've finished their military service and start anew as private citizen business owners."

NMDVS, SBDC and VBOC representatives will present information on low-interest business loans, alternative financing, Procurement Technical Assistance and laws, which set a goal that 3 percent of all federal contracts be awarded to qualified businesses owned by service-disabled veterans.

The workshop, which runs from 8 a.m. to noon, is free for all veterans, but space is limited and registration is required. Call (505) 841-2956 for more information.

The VBRC, in Albuquerque, was created by the NMDVS to assist veterans throughout New Mexico who own or want to start a business. Officials said it was the first center in the nation created solely for assisting veterans,

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and has now been duplicated in other states. Since its creation in the summer of 2008, the VBRC has assisted 125 veteran-owned New Mexico companies secure more than \$36 million in federal contracts.

<http://assets.bizjournals.com/albuquerque/blog/2011/03/business-workshop-geared-toward-veterans.html>

AVIRTEK, INC. Awarded \$750K Phase II SBIR Grant from the United States Air Force

Digital Media Net, March 4, 2011

AVIRTEK, Inc., a leader in Autonomic Management Solutions, announced today that the United States Air Force (USAF), has awarded the company a \$750K Phase II Small Business Innovation Research (SBIR) grant. In a teaming arrangement with Ball Aerospace and the University of Arizona, AVIRTEK will apply the grant to develop an Autonomic Software Protection System (ASPS), to enable pro-active learning and representation of system state's knowledge in order to defend against attacks or failures.

"In Phase I, we tailored our existing technologies to demonstrate critical capabilities for building ASPS. In Phase II, we intend to develop prototypes to protect several diverse environments that are currently under served by the security industry," said Dr. Salim Hariri, CEO and Chairman of AVIRTEK.

"In continuing with proven defensive technologies, we will be extending them to support new environments and protocols. We intend to provide enhanced security solutions for wireless networks, data centers, and critical infrastructure such as electrical grids," commented Dr. Youssif Al-Nashif, Computer Research Scientist at AVIRTEK. "At this point, it is only a matter of using AVIRTEK's proven algorithms to protect critical infrastructure and cyber infrastructures and detect their vulnerabilities," said José W. Gifford, Principal Software Engineer at AVIRTEK.

<http://hollywoodindustry.digitalmedianet.com/articles/viewarticle.jsp?id=1386163>

Change in Rules May Help Women do Business With Government

By Michael Zennie, Fay Observer, March 4, 2011

Ann Borden founded Solutions-IES 12 years ago as an environmental consulting and engineering firm.



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In that time, her business has competed against much larger firms for lucrative government contracts - including work with the Navy engineering command at Camp Lejeune Marine Corps base.

The Raleigh-based businesswoman hopes new federal rules that make accommodations for women-owned small businesses will level the playing field for her company to land a share of federal work in North Carolina, especially with the military.

The new guidelines from the Small Business Administration, which began to take effect last month, allow federal agencies to set aside certain contracts that will go exclusively to small businesses owned by women.

The rule changes have the potential to significantly affect federal contracts that are awarded out of Fort Bragg, said Scott Dorney, executive director of the North Carolina Military Business Center.

Last year, the Department of Defense awarded procurement contracts to private companies worth \$1.2 billion in Cumberland County. The federal government's goal, across all departments, is for 5 percent of contract spending to go to women-owned small businesses.

"I think it's fair to say that government agencies are not meeting their 5 percent goal, and that's part of the reason that these rules have been enacted," Dorney said.

For the federal government to set aside contracts for women-owned small businesses, the contract must be less than \$5 million and has to be in an industry where small businesses by women are significantly under-represented. Additionally, the agency must believe that at least two companies will bid for the contract.

"The bottom line is, this is not a way to award sole-source contracts," Dorney said.

There are more than 2,400 federal contractors in North Carolina that say they are owned or run by women, according to the Central Contractor Registration.

Not all of them will qualify for the specific standards of the new rules, but those that do can get a leg up on some federal contracts, Dorney said.

Many should benefit

But regardless, Borden said, there are large numbers of North Carolina businesses owned by women that will benefit from the new rule.

"So many women-owned businesses have cropped up here in the last 10 years," Borden said. "They are very strong, very viable companies that represent North Carolina well. This will give them a footing to represent themselves."



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Borden, who has both a master's degree in geology and an MBA in finance, founded her company because she wanted to find new, innovative ways to clean up environmental contamination.

Solutions-IES recently worked with the Department of Defense to develop a way to clean up a chemical found in rocket fuel using a simple mixture of cooking oil, she said.

She hopes to be one of the first companies awarded a women-owned business contract when federal agencies begin implementing the new policy in July.

<http://www.fayobserver.com/articles/2011/03/04/1075768?sac=Bus>

Teaching Women Entrepreneurs How to Win Federal Contracts

By Jenny Jing, The Epoch Times, March 9, 2011

Government officials, women-small business owners, and advocacy groups celebrated a new program, called Give Me 5, in the Washington Metropolitan area to help educate women-small business owners in procuring a share of federal contracts. They gathered at the J.W. Marriott Hotel on 1331 Pennsylvania Avenue on March 2.

The Small Business Administration (SBA) newly created Women-Owned Small Business (WOSB) Federal Contract Program helps ensure a level playing field in which women-owned small businesses can compete for Federal contracting opportunities.

Whether it actually will work remains to be seen but this was the intention of the SBA's directive issued in Oct. 7, 2010. WOSB may better position women-owned businesses to meet the government's 5% federal contracting goal, which is equal to roughly \$27 billion of the federal government's total \$536 billion spent on government contracting.

In an effort to help more women business owners get their fair share of federal contracting opportunities, the SBA is introducing the Give Me 5 program government contracting curriculum to its network of 110 Women's Business Centers (WBCs) across the country.

"Launched in 2008 by Women Impacting Public Policy (WIPP) and American Express OPEN, the Give Me 5 program curriculum aims to educate women business owners and increase the number of government contracts awarded to women," says the AmericanExpress.com website.



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WIPP describes itself as a national bi-partisan group comprising over half a million members. The non-profit organization lobbies on behalf of 45 national Women in Business groups. American Express OPEN says it is "the leading payment card issuer for small businesses in the United States and supports business owners with products and services to help them run and grow their businesses."

At the Marriott conference, WIPP and American Express OPEN led the celebration.

According to the AmericanExpress.com, the Give Me 5 program has educated more than 250,000 women on federal contracting opportunities and helped more than 24,000 women business owners get their businesses on the Central Contractor Registration (CCR), the primary vendor database for the federal government.

"This is a huge victory for the women business owners' community," said Barbara Kasoff, President of WIPP.

"What we are celebrating today is it increases the number of the industries that are able to participate in the 5% set aside for women business owners, and brings opportunities for about 680,000 women business owners to compete for these contracts that would be set aside for just women business owners. " said Karen-Michelle Mirko, Director of Customer Advocacy Marketing of American Express OPEN.

"We are hoping to get more government contracts," said Lorena Chambers, CEO of Chambers Lopez & Gaitan LLC, a Virginia based Hispanic Advertising Public Relations and Strategic Marketing business.

Ms. Chambers said they had been very fortunate because of demographic growth among Hispanic community. So, the last couple of years has been very good for them.

Jennifer Bisceglie opened her own business four years ago. The Give Me 5 program made her very excited. She said, "It gives women business owners another tool for their tool box, and access to the government we've never had before. This gives us just one more way to access contracts."

After eleven years of work, the Women-Owned Small Business Federal Contract Program is finally a reality. With \$30 billion in contracts set aside specifically for women, this is an enormous opportunity.

<http://www.theepochtimes.com/n2/united-states/teaching-women-entrepreneurs-how-to-win-federal-contracts-52676.html>



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Gates Says U.S. Air Force May Resist Change Once He Leaves

By David Lerman, Bloomberg, March 8, 2011

U.S. Defense Secretary Robert Gates said he is concerned the Air Force may revert to a Cold War-era focus on fighter jets and bombers at the expense of drones and other new weapons after he leaves office later this year.

While manned aircraft are needed, the Air Force must recognize “the enormous strategic and cultural implications of the vast expansion in remotely piloted vehicles” that already play a major role over Afghanistan and Iraq, Gates told about 2,000 cadets in a speech to the U.S. Air Force Academy in Colorado.

“The view still lingers in some corners that, once I depart as secretary and once U.S. forces draw down from Iraq and Afghanistan in accordance with the president’s and NATO’s strategy, things can get back to what some consider to be real Air Force normal,” he said. “This must not happen.”

Even as it buys the manned F-35 Joint Strike Fighter built by Lockheed Martin Corp. (LMT) and develops a new strategic bomber, the Air Force must give equal weight to unmanned drones and “the service’s important role in the cyber and space domains,” Gates said.

The Air Force now has 48 Predator and Reaper combat air patrols flying in Iraq and Afghanistan compared with 18 in 2007, Gates said. Predators and Reapers, for surveillance or striking ground targets, are drones made by closely held General Atomics of San Diego. The Air Force is now training more pilots for advanced unmanned aerial vehicles than for any other single weapons system, he said.

As he prepares to step down as defense secretary this year, Gates has used his public appearances to press for changes in the Pentagon structure that he says will better prepare the country for 21st-century threats.

Congressional Audience

In a speech at the U.S. Military Academy at West Point, New York, he last week said any future defense secretary “should have his head examined” if he advocates sending a large land army into the Middle East, Asia or Africa.



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His words may carry weight in Congress, where he enjoys bipartisan respect, if not outright support. Gates, who took office in 2006, is the only defense secretary to have served under both a Republican and Democratic president.

“I suspect that my remarks today will be construed as an attack on bombers and fighters,” Gates said. “But my actions and my budgets over the last four years belie these mistaken interpretations.”

He noted his support of Air Force plans to buy 2,400 of the F-35 fighters, with the first Air Force training versions due to arrive in about two months.

F-22 Upgrade

His proposed 2012 budget, he said, includes money to develop an “optionally manned, nuclear-capable, penetrating Air Force bomber,” and money to modernize the F-22 Raptor fighter jet with radar and electronic protection technologies borrowed from the newer F-35 program.

Manned aircraft, he said, continue to play a pivotal role in Afghanistan, where the pace of air operations has increased over the past year in support of a surge in ground operations.

The Air Force conducted more than 33,000 close-air-support- mission flights in 2010, an increase of more than 20 percent compared with 2009, Gates said.

Budget Pressures

Taking questions from cadets, Gates also addressed the budget pressures that caused him to cut \$78 billion worth of programs over the next five years.

Noting the House decision to kill money for the alternative engine to the F-35 that the Pentagon doesn’t want, Gates said, “My hope is we can finally shed this potential extra \$3 billion expenditure that we don’t need.”

He said the budget “discipline” he has imposed will leave the Defense Department in a “good place” and he doesn’t foresee the need to put “other major programs on the block for the next year or two.”

In the longer term, Gates said he worries whether the Air Force will be able to build new refueling tankers and a new bomber simultaneously, and whether the Navy will be able to build all the surface ships it needs and a new ballistic missile submarine at the same time.

Gates, 67, has said he plans to leave office sometime this year, without specifying a month. He described his appearance today as his “third and final visit” to the Air Force Academy as defense secretary.



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Gates was appointed to his job in December of 2006 by former President George W. Bush, following the departure from the Pentagon of Donald Rumsfeld.

Bush and Gates had their first public reunion last night since Bush left the White House. The two men appeared briefly on stage together in Dallas to headline a fundraiser for the Boy Scouts of America.

<http://www.bloomberg.com/news/2011-03-04/gates-says-he-fears-air-force-will-resist-change-once-he-leaves.html>

On His Way Out the Door, Robert Gates Gives the Military Some Refreshingly Frank Advice

By Fred Kaplan, Slate, March 4, 2011

And so it seems, Robert Gates really will be leaving the Pentagon soon.

He's been going around to the military academies—West Point last week, the Air Force Academy today, Annapolis sometime soon—bidding farewell to the cadets, pointedly noting at the start of each speech that it will be his "final" address to them as secretary of defense. But Gates is not indulging in valedictory bromides. He's using the occasions to lay out his vision of what each branch—and each future officer—of the U.S. armed forces must do, and not do, to meet the threats of the 21st century.

He's given bits and pieces of these speeches before: The Army needs to shift from a garrison peacetime force that's preparing for a possible head-on armored clash against a foe of comparable strength to a mobile force that's fighting actual "asymmetric" wars against rogue states and insurgents. The Air Force needs to pull back from its traditional obsession with high-tech air-to-air combat and focus more on joint operations—surveillance, precise air strikes, cargo transport, and rapid rescue—that help the troops on the ground. The Navy needs to focus less on aircraft carriers and more on vessels that can maneuver in coastal waters.

In short, as he put it in these most recent speeches, the "defense bureaucracy," with its "parochial tendencies" and "institutional constipation," must abandon its "nostalgia" for Cold War ways and adapt to the modern, messy world. The Pentagon has to learn the lessons of Iraq and Afghanistan, and incorporate those lessons into its culture.

Gates has spent much of these past two years force-feeding these lessons to the Pentagon bureaucracy, and his big worry is that—once he's gone and, especially, once the current wars wind down and thus the urgency dissipates—things will revert to form. The bureaucrats will heave a sigh of relief and go back to doing what they've long thought a "normal" Army, Air Force, and Navy should be doing.

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His still bigger fear is that, as the restoration sets in, the most creative and capable junior officers will leave the military out of frustration and boredom. These officers have led men and women in multiple combat tours, charted the boldest innovations, taken the most extraordinary risks, accepted the responsibilities and rewards. Yet when they're rotated into a staff job, often in the prime of their professional lives, they find themselves trapped in a cubicle, reformatting PowerPoint slides and preparing quarterly readiness reports. "The consequences of this terrify me," Gates said in his West Point speech.

Gates urged the cadets to take adventurous detours in their careers—go to graduate school, teach for a few years, become foreign-area specialists: in short, to broaden their perspectives, diversify their talents. Some of the most prominent officers of the past decade—Gen. David Petraeus among them—have done just that.

In 2007, soon after Petraeus took over the command in Iraq and shifted to a counterinsurgency strategy, Gates brought him to Washington to chair the Army's annual promotion board. Several of the most creative colonels, who had adapted to the new strategy in Iraq with greatest success and innovation, were seeing their careers blocked by the traditionally minded generals who usually ran the promotion board (and who had no experience in this style of combat).

The Petraeus-run board (which was packed with other like-minded generals) rammed through the creative colonels' promotion—and thus took the first steps at fomenting a cultural revolution within the Army.

On another front, Gates rammed through several weapons systems that he saw as vital to the war effort but that the defense bureaucrats were resisting. The systems included, most notably, new "unmanned aerial vehicles" (popularly known as "drones") and a new armored troop-carrier, the MRAP, which provided more protection against the roadside bombs that were beginning to kill so many U.S. soldiers and Marines.

Gates told the Air Force cadets today that getting their top generals to go along with the drones in particular was like "pulling teeth." (He didn't tell them, though most of them must have known, that one way he finally got his way was to fire the Air Force chief of staff and replace him with an officer in more accord with Gates' views—namely, Gen. Norton Schwartz, who rose through the ranks not as a bomber or fighter pilot, like every Air Force chief before him, but as a Special Forces pilot and head of the Transportation Command.)

In his four years as defense secretary, split 50-50 between Presidents Bush and Obama, Gates has managed not only to get these new kinds of officers promoted and these kinds of weapons systems funded and deployed—he's also begun to see a broader acceptance of a new view of warfare and what kind of personnel, equipment, and training it requires.

But the reforms are far from complete, and, as Gates put it in his West Point speech, "the tendency of any big bureaucracy is to revert to business as usual at the first opportunity." For the military, "that opportunity is, if not peacetime, then the unwinding of sustained combat"—which is already underway in Iraq and will be in the



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next few years in Afghanistan. If Gates really does leave this year, as he has said he'd like to do, then the first steps of this bureaucratic relapse could coincide with his last steps out the door.

Some in the defense world are incredulous that Gates might leave with so much of his legacy as yet unsettled. But part of this incompleteness is of Gates' own making. For better or for worse (and probably for a bit of both), Gates has never wanted the total overhaul that his rhetoric has at times suggested. As he emphasized in both of his recent speeches, he has never called for the elimination of heavy armor or fighter planes or aircraft carriers. To the contrary, his budgets have added, and continue to add, billions of dollars for these sorts of weapons. He has slashed or killed some of the services' most cherished programs (the Air Force's F-22 fighter plane, the Army's Future Combat Systems, the Navy's DDG-1000 destroyer), but he has boosted alternative programs that perform the same mission. He has pursued efficiencies, sometimes in rapier fashion, and he has forced the services to take on new missions. But he has rarely ordered them to drop the missions that they've long cherished.

He has always stressed—and did again in his two speeches to the cadets—that he is aiming for "the right balance" between what's needed for "conventional" combat (which, though unlikely, may still happen decades from now) and what's needed for the sorts of "irregular" wars that we're fighting now and that we're more likely to face in the near future.

But he hasn't spelled out what the right balance is or how to go about calculating it. Perhaps it's because he hasn't figured it out himself (who has?). Perhaps, as a product of the Cold War himself, he can't break away completely from that era's assumptions. Perhaps the defense bureaucracy, against which he's inveighed so often these past four years, is just too entrenched to challenge too much.

During an interview that I conducted last August for Foreign Policy, Gates noted at one point that, while he was cutting lots of Navy programs, he wasn't cutting out any aircraft carriers. When I asked why not, he replied, "I may be bold, but I'm not crazy."

In one sense, then, it's a shame that Gates isn't sticking around for another couple of years, until at least the end of Obama's first term, so that he can continue grinding his reforms into the gears of the bureaucracy. He may be the only person with the experience and credibility to do this with the full backing of the president and at least the tolerance of Congress. It may be that a still-bolder defense secretary is needed to carry what Gates has done to the next stage. The problem is that, at this point, it's just not clear who this figure might be.

<http://www.slate.com/id/2287213/>



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A Strategy Toward Full-Spectrum Capabilities

Air Force Chief of Staff Gen. Norton Schwartz, Remarks at the Defense Programs Conference, Arlington, Va., March 2, 2011

Introduction

Thank you, Jim, for that kind introduction. And, thanks to Credit Suisse, and McAleese and Associates, for hosting this conference. To all: thank you for the opportunity to share some thoughts this morning. I am truly privileged to speak before this distinguished audience, and I am grateful for what you do to bolster our Nation's productivity, and contribute to her security.

Strategic Complexity

You're all very well aware of how our global interconnections are creating an increasingly elaborate geostrategic environment—economically, materially, politically, and militarily. This complexity can work to our benefit, but presents difficult challenges as well. We have both opportunities for cooperation and prospects for competition with rising powers like China, while we face potential aggression from erratic regimes like North Korea and Iran.

And, as we carefully monitor decades-old tensions in the Middle East and North Africa, which have erupted into waves of protests in Tunisia, Egypt, Libya, the Arabian Peninsula, and the Levant, we are reminded yet again of the impact that events halfway across the world can have on our Nation's economy, from Wall Street to the local gas station or coffee shop.

And in addition to nation-states, a growing number of non- and sub-state actors, increasingly empowered by the proliferation of highly-capable yet relatively inexpensive technologies, are becoming more able to shape the geostrategic environment that once was the exclusive domain of nation-states with substantial materiel and human resources. Amidst this complexity and expanding slate of actors, we invariably will face agendas that are at odds with our vital national interests.

Moreover, as we address these numerous challenges, we will have to contend with budgetary pressures that, for the foreseeable future, will constrain our ability to merely purchase future solutions with insufficient attention to cost, and instead will compel us to be more innovative, creative, and efficient. Prevailing in this complex and fiscally-constrained environment will depend on the extent to which we are able to strike



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delicate, difficult, and elusive balances, simultaneously on several levels—for example, between efficiency and effectiveness, and between our commitments to today’s requirements and tomorrow’s contingencies.

And, since our ability to foresee the future with even just a modest degree of certainty is limited, we must also balance between the likelihood of future threats and the severity of their potential consequences. In other words, we will have to manage risk, and assure maximum return from our investments.

As a starting point to a comprehensive strategy, the Defense Department is working to increase its ability to invest in necessary capabilities by trimming bureaucracy and overhead, thus attempting to effectively create up to two to three percent of budget growth in the next five years, to apply to operational and acquisition needs. But, even with this shifting of costs in overhead, toward investments in capabilities, we still must face the stark reality that we cannot completely compensate for our decreased purchasing power without being even more efficient in our processes and operations across the board. We also are scrutinizing all of our business practices, and identifying areas that are inefficient, needlessly redundant, or in some cases, both. From ongoing operations to future acquisition programs, the Department of Defense is strengthening its efforts to distinguish between capabilities that are actually required versus those that are merely desired. This will translate to approximately 100-billion dollars in DoD-wide efficiencies over the next five years, which then can be transferred to war fighting capabilities and requirements, and modernization or recapitalization efforts.

Given this strategic and fiscal context, your Air Force is taking inventory of its current suite of assets and capabilities, paying particular attention to what it must do to achieve a diversified portfolio for the future, capable of flexing across the full operational spectrum. The first decade of the new century has certainly demonstrated the need for full-spectrum air and space power, with its ability to traverse vast distances with unparalleled speed and versatility. So, from providing airspace control, airlift and air refueling, close-air support, personnel recovery, aeromedical evacuations, and much, much more in counterinsurgency operations in Afghanistan and Iraq, to providing life-saving and life-sustaining first response to natural disasters in Haiti, Chile, and Pakistan, Airmen have been answering our Nation’s call, alongside their Army, Marine, Navy, and Coast Guard teammates.

But, looking to the future, we are planning our force structure to be at least equally versatile, including being prepared for higher-end conflict involving aggressive actors. To that end, we continue to recognize the growing interconnectedness in the land, maritime, air, space, and cyber environments, and the need to strengthen Joint and Interagency collaboration. We know that now, more than ever, our ability to operate in any single domain relies on a substantial level of control in the others. This complexity increasingly requires a wide-angle view of the operating environments, to ensure that our domain control efforts are undertaken through close collaboration with our Joint partners, and that our intended effects span multiple domains as necessary.



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Correspondingly, we continue to shift our paradigm away from compartmentalized air, space, or cyber capabilities, toward more integrated, broadspectrum solutions as the operating standard. With a more comprehensive, capabilities-based focus rather than an emphasis on specific platforms, we will be better informed in our air and space power employment, and in our modernization and recapitalization strategies.

A Strategy toward Full-Spectrum Capabilities

But, we cannot overcome these challenges by merely investing in exquisite materiel solutions. Rising to these challenges will require more disciplined spending, efficiency, and innovation, while curbing the assumption of risk that past acquisition strategies incorporated in their development plans. If we are to prevail as a Nation, this risk must be shared mutually by both the private and public sectors, toward common purpose.

It will also require a far-sighted view toward genuine strategic significance, which frequently clashes with our natural tendency to focus on short-term demands. We'll continue to amplify our efforts to reform DoD-wide acquisition processes, and resolve ongoing serious issues. For example, a recent GAO assessment of 54 major weapons programs across the DoD found that most of them suffered cost increases and schedule delays because the programs attempted to proceed through critical junctures on the strength of insufficient scientific knowledge and technical ability. And, a full 85 percent of the programs began development without having demonstrated that all of the required technologies were mature.

There are times when we will push to the very edge of the envelope, but in the environment unfolding before us, bringing such efforts prematurely to production will be the exception—and probably a rare exception. Historically, the Defense Department has spearheaded many quantum leaps in the state of the art by investing substantially into research and development; and, the current vision for the Air Force Manufacturing Technology Program acknowledges the Air Force's continued role in such project investments, because we know that we cannot afford to compromise the superior status of our defense industrial base by allowing it to atrophy.

Therefore, rest assured that recapturing acquisition excellence remains an earnest commitment of your Air Force—to be better stewards of hard-earned taxpayer dollars; to create more efficiency and predictability for both industry and government, in what otherwise is a highly complex process; and, ultimately, to provide warfighters with what they need to succeed, when they need it. We learned tough lessons in the recent KC-X air refueling tanker procurement competition, so you can expect that the recent awarding of the KC-46A contract will serve as the standard for open, fair, and disciplined acquisition as we move forward. I urge that we respect the decision and allow this important procurement to proceed unimpeded.

We all appreciate that the success of industry and the military are mutually related now, perhaps more than they have ever been. The measure of our shared success will depend on our ability to achieve greater affordability, reliability, efficiency, and versatility in our Air Force systems. But our prospects for achieving all



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of this hinge on wise investments in researching and developing promising technology; our ability to implement the most advanced industrial and manufacturing techniques; and the efficiency with which we employ these techniques toward future weapon systems that can be delivered on budget and on time.

This strategic environment and associated challenges are described in the “Technology Horizons” study, a key internal Air Force document that independently and objectively informs the Air Force corporate process on future S&T opportunities for investment. Prepared by the Office of the Air Force Chief Scientist, it says, among other things, that as a result of proliferating technology and explosive growth in computing power, we will likely see an increased number of near-peer competitors and potential adversaries. Relatively small investments by potential adversaries can enable them to decrease or perhaps even negate the capabilities that we have acquired at great expense. One example is in the area of burgeoning anti-access and area-denial, or “A2/AD” capabilities, which is why Admiral Roughead—from whom you will hear shortly—General Amos, and I are working on an initiating concept called “Air-Sea Battle,” to more efficiently and effectively integrate our maritime and air capabilities toward maximum strategic effect.

Many of these advanced capabilities, including for A2/AD, are largely software-driven, with upgrades and changes that are enabled by mere software updates. This calls not just for “more” or “better” systems in response, but also for more autonomous and evolvable systems, which, we believe, would prove effective in helping us contain, at least in part, our problem of rising costs. In the Air Force, costs have been increasing practically across the board. For instance, in the last 10 years or so, total personnel costs rose around 15%, despite the fact that Air Force personnel strength dropped by 7%; and operating costs rose nearly 20%, despite a reduction in number of manned aircraft by 10%. Similar increases can be found across our operations and sustainment obligations.

Therefore, systems and processes with broader and deeper autonomy will be in high demand, for they can help alleviate our growing costs. Research and development can help us find technological solutions that are more autonomous and efficient, so that we can optimize increasingly complex processes without correspondingly growing manpower requirements. Our remotely-piloted aircraft enterprise is an operationally-relevant example, where we need automated solutions to enable us to deal with massive data processing, exploitation, and dissemination requirements. This is an operational predicament that was created by technology—one that we have accepted because of its tremendous advantages—but it is also a problem that can, and must, be solved by technology. Being evolvable and adaptable will be vital in our efforts to optimize and squeeze every bit of value from each taxpayer dollar, and every bit of capability from our weapon systems. With capabilities that can be scaled and tailored toward the desired effect, airpower, with its intrinsic versatility, will be an important leverage point as we operate under ongoing budgetary pressures, as we seek greater efficiencies in our processes and operations, and as we maintain a national, broad-based portfolio of capabilities across the full spectrum of operations. Ultimately, this expands our Nation’s strategic options, at a time when we face more varied challenges, while we contend with fewer material resources to address them.



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Strategic Inflection Point

This is a challenging time for our Nation, for the military as well as the private sector. Our emergence from economic distress continues to be slow and uncertain, and may remain so for some time. Many have noted that the surest path toward recaptured economic vitality can be charted largely by our Nation's private industry—from small businesses to major firms, and including investors who help to underwrite the entrepreneurial spirit that has propelled America throughout its entire economic history. I agree with this sentiment, but I believe that our recovery will require a concerted whole-of-nation approach, involving dedicated professionals from across the private sector, academia, and government—all acting in common cause, and with constant purpose.

There are many ways to view this moment of strategic inflection, so to conclude, I offer only three thoughts for your consideration today.

First, we require more efficiency, agility, and responsiveness, as I have outlined so far. If we are to address the root causes of explosive cost growth in many of our Major Defense Acquisition Programs, we must be innovative in advancing immature technology more efficiently. We must be firmly committed to stemming the tide of readiness shortfalls and widening gaps in manufacturing technology. And, we must work to shift the manufacturing focus earlier in the acquisition process, so that we can deliver better, rapid-response solutions where 10- to 15-year development cycles are insufficient in keeping pace in our highly dynamic environment.

Second, we require straight, candid talk from everyone—investors, manufacturers and service providers, and the government. We need honest and realistic evaluations of requirements and capabilities, pricing and timelines, and development and delivery. With the confluence of ongoing fiscal pressures and strategic uncertainty, there is no trade space to do otherwise, so as I said recently, we can't afford to overpromise and then under-deliver. Quite simply, there is neither time nor patience for it.

Conclusion

Finally, we must keep the faith. America's exceptional stature is owed to our ability to be critical of ourselves and cautious, yet optimistic and undaunted—all at the same time, and in equal measure. In the great history of our Nation, we have endured ebbs and flows, ups and downs, successes and setbacks. On balance, we have leveraged cautious optimism with innovation and energy to tremendous effect. In our private sector, the overall upward trajectory of economic growth and productivity is unparalleled.

And today, I stand before you, proudly representing the men and women of the United States Air Force, who with Integrity, Service, and Excellence, uphold the storied heritage of a service that was forged in fire in World War II, became an independent service in 1947, helped to win the Cold War, and for more than two decades,



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has sustained combat operations—from DESERT SHIELD and DESERT STORM, to the Balkans, and most recently, in Iraq and Afghanistan.

Despite having to face a great deal of uncertainty, we can reflect on our collective experience, integrate our individual strengths, and move forward with an unshakeable belief in what we can achieve together. You in this room, and others, have an entrepreneurial spirit that will unleash innovation and creativity to the benefit of our Nation, while your Air Force and Armed Forces—the best military team that has ever been assembled—will find ways to continue ensuring our Nation’s security, even in times of economic contraction and more limited resources.

I look forward to partnering with you as we shoulder this challenge, and pick up our game—all of us together. I thank you all for your contributions to national security. I am privileged to be able to spend time with all of you today, and I sincerely wish each of you all the very best.

<http://www.af.mil/shared/media/document/AFD-110302-044.pdf>

Budget & Acquisition

DoD Major Weapons Acquisition

Business Insider, March 2, 2011

According to GAO 11-394T 17 Feb 2011 , DoD Major Weapons Acquisition continues to be a high risk item watched by GAO. In the testimony the GAO is concerned about waste and mismanagement in the 102 largest DoD acquisition programs. The testimony states that in the five years starting in 2011 that \$300B are spent by the programs GAO reviews annually, while the rest of the Trillion plus dollars in the budget for those years is to develop and acquire things in DoD and are smaller programs which are far less well managed, whose decisions are made less formally and whose engineering has much less experience and authority to do the job well.

From 2011 through 2015 the DoD will spend appropriations totaling \$1.1 Trillion dollars for R&D and Buying new war making stuff. If recent reviews hold, none of it will be spent well.

I have followed the GAO annual reports over the past several years. Refer to GAO 10-388sp, 30 Mar 2010: Assessment of Selected Weapon System Programs.



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Some of the findings: few of the 102 major programs, about \$300B in funds the next 5 years, met statutory requirements to have their Selected Acquisition Reports (SAR) to Congress by May 2009, most had not delivered their SAR by Nov 2009 when GAO needed the data to do the report.

Specific observations: cost over growth is hard to measure this year as the management is too late with data, decisions on spending money for systems are consistently made without sufficient "product knowledge" or without managing the technical work using Congress' required configuration steering boards (CSB), nor managing the programs' system engineering and finally with too many requirements change (which ironically is not much of an issue since the programs were not managed by knowledge or understanding of the performance of the configurations).

Pretty revealing and no one makes any changes even though congress adds to its direction the programs are not managed.

No one will kill a bad program.

No wonder DoD cannot pass an audit.

I have a note on my calendar to look for the March 2011 release to see if anything is better.

<http://www.businessinsider.com/dod-major-weapons-acquisition-2011-3>

Gates: No More Major DOD Program Cuts

By Jill R. Aitoro, Washington Business Journal, March 7, 2011

In a speech at the Air Force Academy in Colorado Springs, Colo., Friday, Defense Secretary Robert Gates explained planned cuts to programs and called any additional cuts of major programs unlikely for the next couple of years.

"Right now I think that we're in a pretty good place," Gates said in response to a question regarding his plans to make additional cuts to Defense programs. Of the 32 programs he recommended to cap or cancel in 2009, only one remains unchanged: The program to fund development of an alternative engine for the F-35 Joint Striker Fighter jets. Pratt & Whitney is the primary engine contractor for the fighter, while General Electric Co., with partner Rolls-Royce Group PLC, would manufacture the alternative engine if funded by Congress.

"I think we'll know the outcome of that fairly shortly," Gates said. "The House budget bill does not contain any money for the extra engine [and] the Senate voted against it two years ago, so my hope is we can finally shed this potential extra \$3 billion expenditure that we don't need."

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Gates pointed to cancellation of the Marines Expeditionary Fighting Vehicle as the major program change for the 2012 budget – reiterating prior statements that the program would require another \$12 billion to build, beyond the \$3 billion already spent, which would eat up the entire ground vehicle budget for the Marine Corps through 2025. As an alternative, the Defense Department will upgrade some of the amphibious assault vehicles now in use, and then start a new program for a new version “that doesn’t have all the bells and whistles of the EFV,” Gates said.

He also noted that “some very difficult choices” will probably have to be made toward the latter part of this decade, as surface ships that were built in the Reagan era will be too old.

“I worry about whether the Navy can afford to continue building both the number of surface ships that it needs and also fund building and deploying a brand-new ballistic missile submarine,” which has had its budget trimmed from \$7 billion to \$5 billion per boat, Gates said. “But whether they can do both of them at the same time, I think, is going to be a challenge.”

Despite that, major program cuts are not expected for the near term.

“From my perspective at this point, I don’t see other major programs on the block for the next year or two, but we’ll just have to see how serious the budget situation gets,” Gates said.

http://www.bizjournals.com/washington/blog/fedbiz_daily/2011/03/gates-no-more-major-dod-program-cuts.html

Pentagon Brass See Delays, Higher Costs With CR Funds

By John T. Bennett, The Hill, March 1, 2011

Senior Pentagon officials and senators on Tuesday warned that the Defense Department will pay more for some hardware and services because Congress has failed to pass a 2011 spending bill.

Without a full appropriations bill, the military services also would be forced to put off maintenance on platforms already strained by years of combat, delay buying new systems and skip some training, Deputy Defense Secretary William Lynn said.

The Navy already has been unable to award contracts for long-planned work on new submarines and destroyers. The Air Force, without a full bill, will not be able to afford new MQ-9 Reaper unmanned vehicles needed in Afghanistan. And the Army has let go 300 workers at two maintenance facilities because the service cannot afford to repair war-worn Humvees.



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“These are costly [moves] we will want to reverse” as soon as ample funding is provided by Congress, said Pentagon Comptroller Robert Hale. “But we won’t ... at the same cost.”

Sen. Susan Collins (R-Maine) pressed Lynn and Hale about concerns that defense acquisition program costs would swell if DoD is funded at 2010 levels for the remainder of the fiscal year.

Pentagon officials have said 2010 funding levels would force them to alter weapons program plans because of a lack of funds for some major efforts. Collins said she worries that program managers will be left unable to “plan work in an efficient way,” driving up costs.

Sen. Jack Reed (D-R.I.) also sounded alarms about the department deferring work, adding a full 2011 CR would restrict officials’ ability to shift monies between military accounts.

Lynn and Hale told the panel they expect Congress would have to provide it legislative flexibility to reprogram funds allotted under a CR.

“The friction” of not having the kind of budget flexibility afforded in a regular appropriations bill “costs the taxpayer,” Lynn told Reed. That’s because contracts are not awarded and work is stopped or delayed — forcing costly program delays.

Congress has yet to pass a full defense spending measure for 2011, managing so far only a continuing resolution that expires March 4. The House has passed a yearlong CR that contains a \$526 billion defense bill, \$14 billion under what defense leaders say is sufficient.

House and Senate lawmakers are in the midst of a largely rhetorical dance — so far — about a temporary CR that would keep the federal government operating for several more weeks while congressional leaders search for a compromise.

“We’re in talks” with the lower chamber, Sen. Daniel Inouye (D-Hawaii), Senate Appropriations Defense subcommittee chairman, told reporters Tuesday. The House has floated a two-week extension to the current CR, but Inouye said he would support a bill that keeps the government open “for a few more weeks.”

It still seems likely the House-passed CR for all of 2011 would be dead on arrival in the Senate.

Asked whether the Senate likely would support the House-passed defense appropriations bill, Inouye grinned and told The Hill: “Well, we’ll have to look at it first.”

In the meantime, the DoD leaders’ message Tuesday was clear: Give the Pentagon a full 2011 appropriations bill because, as Lynn told the committee, “a yearlong CR will damage national security.”



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The military services are prepared to cut costs by slashing flight hours for Air Force pilots by 10 percent, canceling naval exercises and not putting some Army brigade combat teams (BCTs) through certain kinds of training when they return from Afghanistan “when these units will need it most,” Lynn told the Senate Appropriations Defense panel.

“All of these cuts would have a significant impact on readiness,” the deputy Defense secretary said, using Pentagon parlance for troops’ preparedness for military operations.

The officials assured the panel they would find ways to fund military healthcare and other personnel programs, even if the department is funded at 2010 levels for the remainder of the fiscal year.

But to fund these and other essential programs, “we would be forced to play a shell game, robbing Peter to pay Paul,” Lynn said, largely by raiding hardware accounts.

And that, he told the panel, “would exacerbate the detrimental effects I have ... described to our readiness, modernization and business practices.”

Collins said she has written Senate leaders this week urging them to bring a full 2011 defense spending bill to the chamber floor immediately.

<http://thehill.com/business-a-lobbying/146909-pentagon-brass-see-delays-higher-costs-with-cr-funds>

In Budget Talks, DoD ‘Not the Holdup’

By Jared Serbu, Federal News Radio, March 2, 2011

The ranking Democrat on the House Armed Services Committee said Tuesday that he and the committee chairman, Rep. Buck McKeon (R-Ca.), were determined to pass a 2011 Defense budget that would bring at least DoD out of continuing resolution mode — even if the rest of the government has to continue to operate under a continuing resolution.

"Mr. McKeon and I are in total agreement that we have to continue to work hard to try to find a way to get a Defense appropriations bill passed this year," said Rep. Adam Smith (D-Wa.). "Defense is not the holdup. There's quite a bit of agreement in the House and the Senate. The question is the CR that it's attached to, and how that's going to work. That will continue to be a significant challenge."

The GOP budget that passed the House two weeks ago included two sections. One was a modified continuing resolution that would fund most of the government for the remainder of 2011. The other was a full appropriations act for the DoD, funding the military at the level of \$533 billion for fiscal year 2011.

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That is less than the \$540 billion that Defense Secretary Robert Gates recently said was the bare minimum that DoD needed in its base budget to complete its missions in 2011, but more than the \$526 billion in spending permitted under the continuing resolution now in effect.

The figures do not include separate overseas contingency operations funding designated to fund the wars in Iraq and Afghanistan.

"We need a budget, and I'm pleased that the House chose to put a Defense appropriations budget on top of the CR, even if I wasn't pleased with the four-day, 125-vote approach to how we passed that CR. It is good that there's now a Defense appropriations bill out there," Smith said.

Michael McCord, DoD's deputy comptroller said DoD felt the House-passed funding level was too low, but that the appropriations bill would be preferable to operating under a continuing resolution for the duration of 2011. The lower funding level is not the only problem with the CR, he said. Locking the department into 2010 funding for specific programs was preventing the department from carrying out important plans, even if it had adequate funding to carry them out, he said.

"We don't have the ability to do new starts, which affects a great deal of our procurement program," he said. "We also can't increase rates of production, so if we bought 100 of something last year we can't buy 110 this year even if we need to. We could buy 100 of something that we were budgeted for last year that we have no need for this year — we wouldn't, but we could. But that's just an example of how formulaic things don't really work for an enterprise as large and complicated as ours."

McCord and Smith both spoke at the McAleese/Credit Suisse Defense programs conference for investors in Virginia on Tuesday.

McCord said virtually all of DoD's military construction program has been halted by the constraints of a continuing resolution.

"By definition, you don't build the same buildings you built last year, you build new buildings," he said. "So technically, virtually everything we're doing for our troops and their families is a new start that's not allowed. There are quite a few projects that we would have awarded by now—I think we're up to about 75 by my last count—that have now missed their projected award dates because we don't have the legal authority to proceed with the construction program. These are maintenance shops, dormitories, all kinds of things across the country that we're not doing because we can't."

<http://www.federalnewsradio.com/?nid=35&sid=2291316>



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DoD Pushes for 2011 Spending Increase

By Jason Miller, Federal News Radio, March 2, 2011

Defense Department officials Tuesday made their case to Senate lawmakers to push through a spending bill for fiscal 2011.

Defense Deputy Secretary William Lynn detailed to members of the Senate Appropriations Subcommittee on Defense the snowball effect a year-long continuing resolution would have on the military.

Lynn said DoD would end up "robbing Peter to pay Paul."

"Moving funds in this way is detrimental to our readiness, our modernization and to efficient business practices. For example, funding would likely be reduced for some or all of the three brigade combat teams that will be returning Iraq and Afghanistan soon. The Navy would likely be forced to reduce flying hours and steaming days, and to cancel exercises and training events. The Air Force would face a 10 percent cut in its flying hours. Equipment maintenance would also have to be deferred. All of these cuts would impact on readiness."

If Congress passes a bill to fund agencies at the 2010 levels through Sept. 30, DoD's budget would be \$23 billion less than President Obama's request, Lynn said. The House's version of a full-year CR currently would give DoD a bump in spending, but still about \$9 billion below the President's request. Without any increase from 2010 levels, Lynn said DoD would be short about \$23 billion.

Former federal officials say DoD could live with the cuts. Gordon Adams, a professor of international relations at American University who used to handle Defense programs in the Office of Management and Budget in the 1990s, said military officials are overstating the financial problems. He said DoD has faced these challenges before and came out in good shape.

But Lynn said if DoD had to continue spending at 2010 levels, it would have about \$8 billion in unpaid bills, including meeting payroll and ensuring they have enough to pay for healthcare costs.

Lynn reassured lawmakers that DoD would pay its military and civilian employees, and healthcare would continue to be a top priority.

"We'd be short at least \$2.5 billion in DoD personnel accounts," said Robert Hale, DoD comptroller and chief financial officer. "Since they are essentially entitlements for the workforce—we will pay you—we would be forced into some really fairly brutal reprogramming actions to try to move that money into personnel in order to meet paydays."



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President Obama requested a 1.6 percent pay raise for servicemen and women and Congress is expected to approval the proposal, but not give DoD any more money.

Hale says many services already have frozen civilian hiring so if a person who repairs tanks leaves, they are not replacing them. This leads to delays in getting things done across the board, he said.

Lynn says DoD also would have to transfer money from other accounts to meet the \$1.3 billion it needs for healthcare.

"The impact of the CR would more be on the accounts we transferred from rather than the medical accounts themselves," Lynn said. "A billion dollars in a \$530 billion budget seems like a small amount of money. But in fact even with a budget that size all of the money is spoken for. All of the money is dedicated to a particular mission, whether it is a readiness mission, an acquisition mission or medical mission. We would have to deprive one of those readiness or acquisition missions of a \$1.3 billion in order to make sure we paid our military medical bills."

Lawmakers offered support for DoD. Sen. Susan Collins said the Senate should be considering the military spending bill for 2011 instead of the patent reform legislation currently on the floor for debate.

But none of the members promised to aggressive push for DoD's 2011 spending bill to the floor and get it passed.

In the meantime, Lynn said DoD already is making changes. It has stopped work on 75 military construction projects, and stopped or delayed the purchase of new weapons systems.

And Lynn said acquisition may take the biggest hit.

"We would have to move resources from areas in contracts," he said. "We would have to defer and cancel some contracts. Surely some of those would be small and disabled businesses. That would be inevitable. In order to pay those personnel and medical bills, it would require decisions at multiple levels to decide exactly which contracts you are going to defer and which contracts you are not."

Additionally, Lynn said program managers will delay contracting actions and then have to make up time and contract out too quickly, which in the end could cost DoD more money. He said other contracting officers will have to use short term contracts that also adds more cost to the government and brings instability to the vendors.

DoD's ability to audit contracts already is feeling the budget pinch. Hale said the Defense contract audit agency already is under a hiring freeze, meaning it is not filling new positions to oversee acquisitions.



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Taking money from one area to pay for another isn't straightforward for DoD, either. Hale said DoD has some authorities to move money around in some account, but as it moves more and more money to meet their needs, the military will run out of areas to pull from and then they will need Congressional approval.

"We can't meet our national security needs without reprogramming if we did end up under a continuing resolution," Hale said. "We will need help with agreement on sources, which is always very difficult. We will have to look to some acquisition programs and terminate them or at least cut back significantly on them, and that is always very painful because are affecting jobs and commitments made by the Congress. But we will not have a choice."

Lynn added that DoD makes up between three-and-four percent of the country's economy so stopping contracts even for a short time will have a large impact.

"The money we do have wouldn't be in the right places so we would have to move enormous amounts of money around, which is a very difficult process and causes great inefficiencies," Lynn said. "We wouldn't have the management authority that we would need to do new starts, to increase production and to do new military construction projects. It isn't just money, it's management and having the money in the right places."

<http://www.federalnewsradio.com/?nid=35&sid=2291124>

Industry

Feds Award \$170B Without Competition

By Jill R. Aitoro, The Washington Business Journal, March 3, 2011

Is the phrase "full and open competition" something of a misnomer? A report from the Government Accountability Office released Tuesday would imply it is, with federal agencies opting to forgo competition in as much as 35 percent of the total contract dollars awarded (which added up to \$170 billion in non-competed contracts in fiscal 2009 alone).

Those numbers don't even take into account contracts that agencies categorized as competed, despite only receiving one bid.

What's the rationalization? Apparently, agencies claim that some contracts can't be fairly competed without proprietary information from the contractors that currently perform the work to assist in the development of requirements; they also say that the project requires a specific contractor's expertise.



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Regardless of whether those explanations are fair, the tactics agencies take to avoid legitimate competition of contracts seem to exploit the procurement system. A fair number of agencies, for example, take advantage of a competition exemption that exists in some small business programs — allowing them to forgo competition if they award the contract to a certain small disadvantaged business. (Congress and the Small Business Administration are starting to crack down on this, as a result of recent investigations that showed exorbitant numbers of non-competed contracts going to Alaska Native Corporations, which have special advantages in the SBA's contract program.)

Another problem involves re-competes of contracts. When existing contracts expire and are opened to competition, agencies will tailor the new contract's requirements toward the holder of the current contract, which ultimately results in no other bids. (According to the GAO, billions of dollars every year are awarded for contracts categorized as competitive, even though only one offer was received.) They also habitually award blanket purchase agreements — which are used to order goods or services quickly when specific needs arise — to just one vendor, even though multiple vendors could satisfy the requirements.

Does such lack of competition really make a difference? Certainly it does to contractors, who feel they aren't getting a fair shake; but it also does to the federal government, which is wasting billions of dollars by overpaying for products and services. For example, the State Department awarded a noncompetitive contract for installation and maintenance of technical security equipment at U.S. embassies in 2003, then competed the opportunity at the recommendation of the GAO and saved more than \$218 million. In another case, the GAO found in 2006 that the Army had awarded noncompetitive contracts for security guards, but later spent 25 percent less for the same services when the contracts were competed.

These issues could be addressed, if the Obama administration has its way. In 2009, the Office of Management and Budget called for agencies to reduce the number of awarded "high-risk" contracts — includes those that forgo competition and those that receive only one offer — by 10 percent in fiscal 2010. The OMB has yet to reveal whether agencies met that requirement.

Even the GAO notes, however, that legislation and guidance alone won't fix the problem.

"Promoting competition in contracting to the greatest extent possible requires overcoming conventional thinking," GAO reported. For example, "keeping an incumbent contractor in place without competition simply because the contractor is doing a good job, or resisting legitimate suggestions that competition be used even though it may take longer, could result in missed opportunities for savings."

http://www.bizjournals.com/washington/blog/fedbiz_daily/2011/03/feds-award-170b-without-competition.html



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USAF Evaluated Rivals' Bids on Price

By Stephen Trimble, FlightGlobal, March 3, 2011

The US Air Force's evaluation in the second round of competition elevated a single criterion - price - over all other factors. Even judging the competitors by their past performance, a standard and sometimes controversial metric, was reduced in significance.

Ashton Carter, under secretary of defense for acquisition, technology and logistics, confirms the KC-X evaluation considered past performance only as one of 372 pass/fail requirements, which also included the amount of water that must be stowed in the aircraft's lavatory.

The goal of the highly prescriptive KC-X evaluation process seemed focused on driving any potentially subjective criteria out of the system, reducing the decision to a mathematical formula as much as possible.

"The unsuccessful offerer has a right to protest as part of the process," Deputy Secretary of Defense William Lynn told reporters on 24 February. "We think we've established a clear and open and transparent process. We think we've executed on that, and it will not yield grounds for a protest."

Despite EADS North America Ralph Crosby's confidence preceding the contract award, it was Boeing's price that Carter declared a "clear winner" in the competition. The difference between the two bids was at least greater than 1%, or about \$330 million, Carter says.

A key factor in the review by EADS officials is likely to be how the USAF adjusted the original price proposals submitted by both companies.

As part of the unique formula that was devised for the KC-X competition, the air force established three criteria - an operational assessment, the cost of fuel consumed over 40 years and construction of new hangars - to adjust each bid to determine a "total evaluated price".

A week before contract award, Crosby acknowledged that the KC-45 faced a shortfall of at least \$1 billion on lifecycle fuel burn and construction costs compared with Boeing's smaller aircraft. But Crosby said he believed the KC-45 could still be the cheaper aircraft in the competition.

Since the KC-45 was based on the Airbus A330, which boasts a higher production rate than the 767, EADS's manufacturing costs could be more efficient, Crosby says. And since EADS was offering a nearly off-the-shelf



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tanker, he adds, the KC-45 could be priced more aggressively. In the previous competition, which EADS won, the price of the KC-45 was nearly identical to the KC-767.

In the subsequent round, EADS had shed Northrop Grumman as the prime contractor, which is estimated to have wiped at least 10% off the cost of the proposal with almost no decrease in value.

<http://www.flightglobal.com/articles/2011/03/03/353883/usaf-evaluated-rivals-bids-on-price.html>

Remotely Piloted Aircraft

U.S. Air Force Accepts Delivery of Last Predator UAS

Defence Professionals, March 8, 2011

The U.S. Air Force accepted MQ-1 Predator tail number 268, the last manufactured for the service, in a ceremony Mar. 3 at General Atomics' Gray Butte Aeronautical Systems' Flight Ops Facility.

Col. James Beissner, Air Combat Command's Chief Irregular Warfare Division, accepted the aircraft on behalf of the Air Force in front of a crowd of more than 800.

"This event marks a milestone in Air Force history given the path this Aircraft took from conception to operational excellence," said Col. Christopher Coombs, Aeronautical Systems Center's Chief of Medium Altitude UAS Division. "The Predator is a great example of the Air Force's response to an immediate Warfighter need."

Since its first flight in July of 1994, the MQ-1 series has accumulated over 900,000 flight hours and maintained a fleet fully mission capable rate over 90 percent, making it one of the Warfighters most valuable assets, according to Colonel Coombs.

The MQ-1B Predator is a Medium-Altitude, Long-Endurance, Remotely Piloted Aircraft. Its primary missions are close Air Support, Air Interdiction, and ISR. It acts as a Joint Forces Air Component Commander-owned theater asset for Reconnaissance, Surveillance and target acquisition in support of the Joint Forces Commander.

<http://www.defpro.com/news/details/22667/?SID=bfac6148af1b9f383394398f36050d3f>



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Aerosonde Unmanned Aircraft System to Support U.S. Air Force Academy Mission

By Courtney E. Howard, Military & Aerospace Electronics, March 3, 2011

AAI Unmanned Aircraft Systems, an operating unit of Textron Systems, a Textron Inc. company, won a fee-for-service contract from BOSH Global Services to provide an Aerosonde unmanned aircraft system (UAS) for use by the U.S. Air Force Academy.

The contract includes an Aerosonde Mark 4.7 system; support personnel to launch, fly, and recover the aircraft; and computer-based training and simulation software for Cadets to utilize in their training. The academy also will gain use of AAI's On-the-Move Command and Control (OMCC) capability, which allows the aircraft to be controlled by personnel in a moving command and control station. The contract is for a one year period with an option to extend for one additional year.

"The fee-for-service arrangement provides the academy with a flexible, cost-effective, comprehensive system to train Cadets in the planning and executing UAS missions," says Stephen Flach, division vice president of AAI's Small Unmanned Aircraft Systems. "The academy will be able to draw upon the considerable assets of this AAI system as they train a core group of future U.S. Air Force leaders."

First unveiled in March 2009, the Aerosonde Mark 4.7 is part of AAI's modular fleet of small unmanned aircraft systems, and was jointly developed and produced by personnel at AAI's Hunt Valley, Md., headquarters and Aerosonde Pty Ltd, the company's small unmanned aircraft systems business unit in Melbourne, Australia. A standard-bearer in unmanned innovation for the last several decades, AAI has spent more than 25 years designing, producing, fielding, and sustaining UAS for use in a variety of military, scientific, and civilian applications.

<http://www.militaryaerospace.com/index/display/article-display/1487392860/articles/military-aerospace-electronics/online-news-2/2011/3/aerosonde-unmanned.html>



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Cybersecurity

Congress Cuts \$20 Million from Cyber-Security in Interim Bill

By Fahmida Y. Rashid, eWeek, March 4, 2011

The short-term bill that keeps the government operating while Congress dithers over the budget debate has cut \$20 million from cyber-security funding, far less than the originally proposed \$60 million reduction.

Congress passed an interim law slashing \$20 million from cyber-security funding while continuing the debate on other budget cuts.

The short-term continuing resolution, signed into law March 2, keeps the government operating till March 18 and buys the House of Representatives and the Senate time to negotiate other cuts for the rest of fiscal 2011, which ends in September, and finalizes the federal budget for fiscal 2012, which starts Oct. 1.

The \$20 million reduction is far less than the original \$60 million cut the House had asked for in February and was achieved by eliminating earmarks. These funds have not yet been allocated to specific infrastructure protection or information security projects at the DHS (Department of Homeland Security), according to NextGov. Previous earmarks from 2009 and 2010 went toward state and local cyber-security training, a multistate information-sharing and analysis center, and various analysis and testing centers around the country.

With negotiations for more cuts under way, other DHS cuts may be in store. A project to install Einstein-3, a traffic-monitoring system, on federal computer networks may be targeted next, DHS Secretary Janet Napolitano said at a House hearing on March 3.

The National Cyber Security Division at DHS plans to install five monitors and nodes on the .gov domain used by federal agencies. The intrusion-detection system would monitor network traffic entering or leaving federal computer networks, conduct real-time full-packet inspection and threat-based decision making, and automatically respond to certain threats, according to Napolitano.

The system will allow the federal government to identify and characterize malicious network traffic to enhance cyber-security analysis, situational awareness and security response, according to the DHS.



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DHS requested \$233.6 million in the 2012 budget for this project, which also includes upgrades to the existing National Cyber Security Protection System.

Further cyber-security cuts, either in the rest of 2011 or in the 2012 budget, would “cause significant delay” in deploying Einstein-3 by as much as two or three years, according to Napolitano. “And talk about an area where there's urgency, the cyber area has real urgency associated with it, so we hope we can work with the Congress to revisit that issue,” she said.

A number of security experts had speculated a network-monitoring tool would have detected the traffic anomalies caused by Pvt. Bradley Manning downloading large amounts of classified data. DHS is also worried about the security risk of sophisticated hackers sponsored by an unfriendly country breaching federal systems.

President Obama asked for roughly \$1 billion for information security at DHS in his fiscal 2012 budget proposal unveiled in early February. Cyber threats are “one of the most serious economic and national security challenges we face as a nation,” he said.

DHS also requested \$40.9 million to conduct 66 network assessments to improve security across all federal agencies, \$24.5 million for cyber-security training and education, \$1.3 million to coordinate cyber-security operations with the Department of Defense’s National Security Agency, \$18 million for research and development projects, and funding to support cyber investigations conducted by the Secret Service and Immigration and Customs Enforcement.

Even so, a current bill in the House of Representatives (HR 408) proposes reducing DHS fiscal 2012 spending to fiscal 2006 levels, or \$10.7 billion less than what the department had requested for its total budget.

<http://www.eweek.com/c/a/Security/Congress-Cuts-20-Million-from-CyberSecurity-in-Interim-Bill-456776/>