

NTIB: Global Competitiveness



**Industrial Committee of Ammunition Producers
94th Meeting
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ICAP

NDIA
National Defense Industrial Association

Action Item:

Identify what can be done to improve competitive position of NTIB versus foreign competition

Backdrop

- **Dynamic US Foreign Policy**
- **Constricting US DoD budget**
 - Reduced US volumes / demand for munition natures
 - Increasing significance of munition exports to maintain viability of NTIB producers
- **Reliance on NTIB producers: unique & strategic capabilities**
- **Globalization of economies & markets**
- **Current NTIB posture within global munitions marketplace ?**
 - Impediments to success ?
 - Measures to improve global competitiveness ?

Current Landscape

- **USG and munitions industry do not operate in a collaborative export environment**
 - *Foreign competition is highly organized and more efficient*
 - *Can overwhelm disjointed US efforts*
- **Unintended consequence of current US export environment:**
 - *Disruptive vs Supportive USG involvement*
 - *Countries are being driven towards “ITAR-Free” solutions*
- **Measurable shift towards Direct Commercial Sales**
 - *FMS system viewed as non-responsive*
 - *Erodes P-Go & P-Win for NTIB producers*

Current Impediments to Success

Sector Inputs . . .

- “inconsistent technical evaluations across services - licenses”
- “insufficient USG & Industry coordination throughout LOR/LOA process”
- “prohibitive contracting lead times for FMS programs”
- “onerous “broker” definition & pre-notification requirements”
- “restrictive access to US TDPs”
- “burdensome “Side FMS Cases” – US Navy”
- “overly-restrictive US export licensing”
- “current state of disrepair on most USG TDPs”
- “offload-selling of USG stockpiles”

Current Impediments to Success (cont)

- “lengthy processing time for licenses prevents NTIB from participating”
- “US tech base for conventional munitions is woefully behind foreign competitors”
- “USG imposing impractical price constraints on FMS programs – not commensurate with risk and marketing investments”
- “excluding offsets as part of FMS cases – when it is a condition of sale”
- “regulatory burden of Part 129 ITAR requirements for sales agents”
- “prohibitive overhead rates at GOCOs makes them non-competitive”
- “lack of USG after sales support and customer service on FMS sales”
- “extensive risk of non-compliance with US export regulations”
- “lack of industry awareness on pending / upcoming FMS opportunities”

Potential Areas for Improvement

Favorable developments already in play:

- *Ratification of new Trade Cooperation Treaties: UK & Australia*
- *Pres Obama's Export Reform measures – greater efficiency*
- More proactive & direct USG participation in support of competitive export opportunities for NTIB producers
 - Marketing of “US natures” on G-G basis
- Eliminate “side FMS cases” where no value is derived for customer
- Coordinate more robust and meaningful LOR responses with assistance from industry: creativity vs rigidity
- More flexibility in honoring FMS customer desires
 - Directed sourcing, systems contractor, read-across of qual testing
- Coordinate and communicate inventory stockpile sales with NTIB producers

Potential Areas for Improvement (cont)

- Remove disincentives for NTIB to market internationally
 - Allow FMS pricing to accommodate risk and return on BD investments
- Promote formal dialogue between NTIB and foreign procurement officials
 - Exploit organizations such as FPG to expand discussions on NTIB Munitions base
 - Explore building inventories dedicated for foreign sales
- Exploit successful PEO M&S model to create strong, recurring demand and loyal FMS customer base
- Improve communications with NTIB suppliers regarding foreign demand - up-front during RFI & LOR phases

Potential Areas for Improvement (cont)

- Revise Part 129 of ITAR to enable NTIB suppliers ready access to agents
- Actively support NTIB suppliers in a collaborative export environment – versus arms length, business as usual approach
- Provide cultural awareness and international business training to PCOs and PMs – create sensitivity to foreign customs and perspectives

Wrap-Up & Summary

- Pending Export Reform and new Defense Trade Treaties will have a highly favorable and material impact to NTIB export efficiencies
 - ✓ Removes overly-restrictive export licensing
 - ✓ Improves licensing cycle times
- Over-arching industry perspective on current state of affairs:
 - ✓ FMS shortcomings – unique to munitions enterprise
 - ✓ NTIB lacks price competitiveness in global marketplace
 - ✓ Contracting timelines eliminate opportunities for NTIB producers
- Suggested focus areas for improving global competitiveness of NTIB:
 - ✓ Collaborative USG & Industry efforts
 - ✓ Improved communications – sustained dialogue
 - ✓ Remove disincentives for NTIB participation in global markets
 - ✓ Flexibility versus rigidity
 - ✓ Explore FMS Best Practices within other enterprises