



# ***Responsive Munitions Support to the U.S. Warfighter***

National Defense Industrial Association Munitions Executive Summit

**LTG Bill Phillips**  
Principal Military Deputy  
Assistant Secretary of the Army  
(Acquisition, Logistics and Technology)  
and Director, Acquisition Career Management  
3 FEB 2011



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# Agenda



- **Army Contracting and Acquisition**
- **Importance of Requirements, Resources and Acquisition Strategy**
- **Efficiencies**
- **How Industry can Help**





# PEO Ammo's "Next Challenge"



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# Army Contracting - Did You Know?



***Q: How much did the Army spend in Contracted dollars in FY2010?***

**A: \$138B on over 500,000 actions**



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# Army Contracting - Did You Know?



**Q: *What proportion of Federal contracting is executed by the Army? Of Defense contracting?***

**A: 26% (\$138B / \$535B)**  
**38% (\$138B / \$367B)**



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# Army Contracting - Did You Know?



***Q: How long have contractors been supporting Warfighters on the battlefield?***

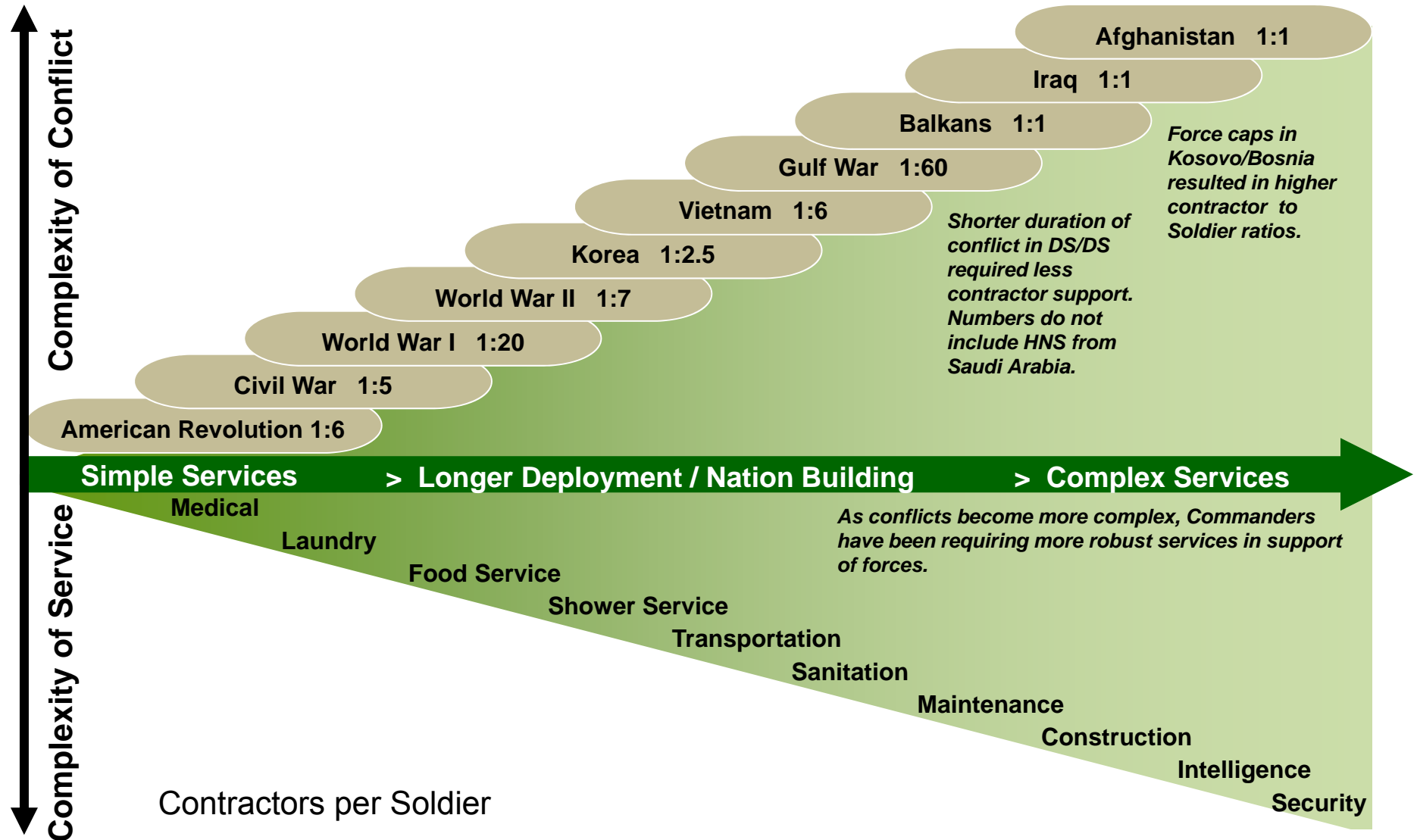
**A: Since the American Revolution**



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# Contractors on the Battlefield



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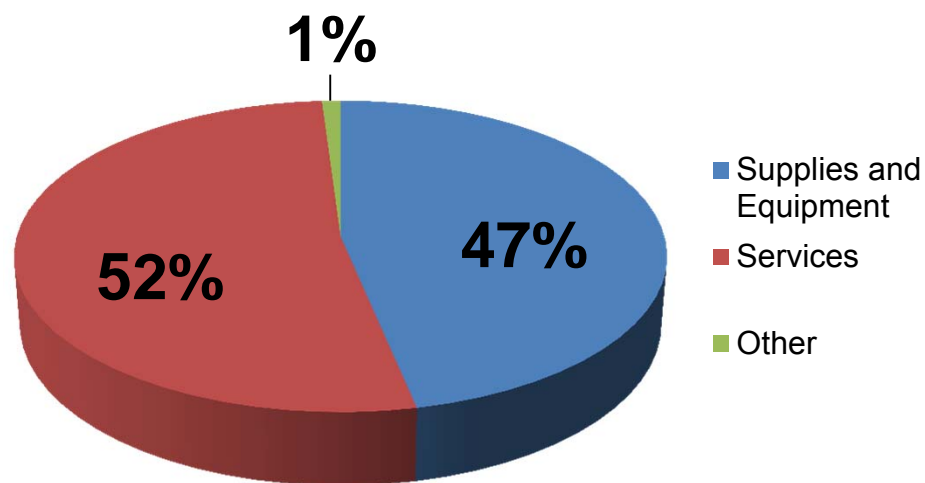
# Financial Scale



2010 Top U.S. Firms (*Fortune*)

Rank	Company	Revenues (\$ billions)
1	Wal-Mart Stores	378.8
2	Exxon Mobil	372.8
3	Chevron	210.7
4	General Motors	182.3
5	ConocoPhillips	178.5
6	General Electric	176.6
7	Ford Motor	172.5
8	Citigroup	159.2
9	Bank of America	119.2
10	AT&T	118.9

Annual contracting spend is comparable to the revenue of **top** U.S. firms...



...with **52 percent** of open contracts dedicated to Services.







# Army Contracting Mission



## Purchaser

Obtain the best equipment and services for Warfighters at the best price

## Business Advisor

Provide timely and sound procurement advice to Army Leadership

## Executive Agent

DoD Executive Agent for Theater Contracting

## Manager

Recruit, develop, retain, and grow the acquisition workforce

**There is a contract behind every building, system, piece of equipment, clothing, service, etc...our Soldiers touch!**





# Increasing Complexity



**SIGNAL CORPS SPECIFICATION, NO. 484**

**APPENDIX AND MODIFICATION FOR A RECONSTRUCTION AIRCRAFT WARING**

**1. The object of this specification is to provide for the construction of a biplane aircraft which shall be capable of carrying a load of 1000 pounds and shall be capable of flying at a speed of 100 miles per hour.**

**2. The aircraft shall be of the biplane type and shall be capable of flying at a speed of 100 miles per hour.**

**3. The aircraft shall be capable of carrying a load of 1000 pounds.**

**4. The aircraft shall be capable of flying at a speed of 100 miles per hour.**

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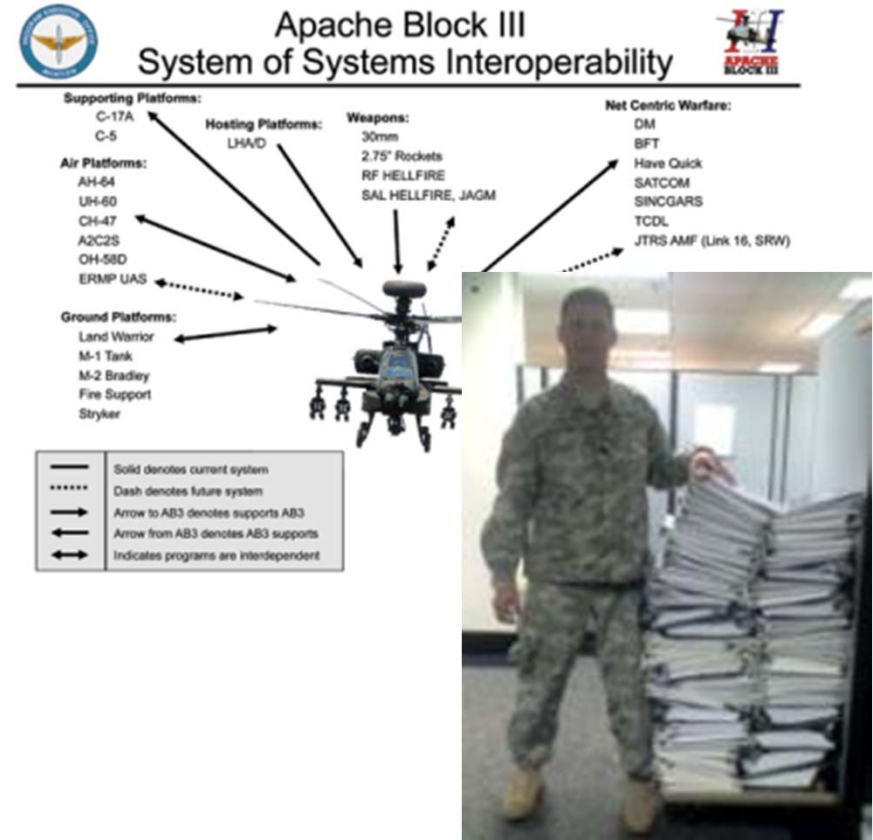
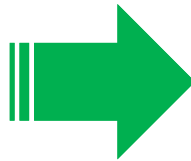
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**100. The aircraft shall be capable of flying at a speed of 100 miles per hour.**



## • Contract Law

- Title 10 and Title 41 Authorities
- FAR and supplements
- DFARS and supplements
- DFARS Procedures, Guidance and Information (PGI)
- AFARS and supplements



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# Delivering Capabilities: “Acquisition Equities”



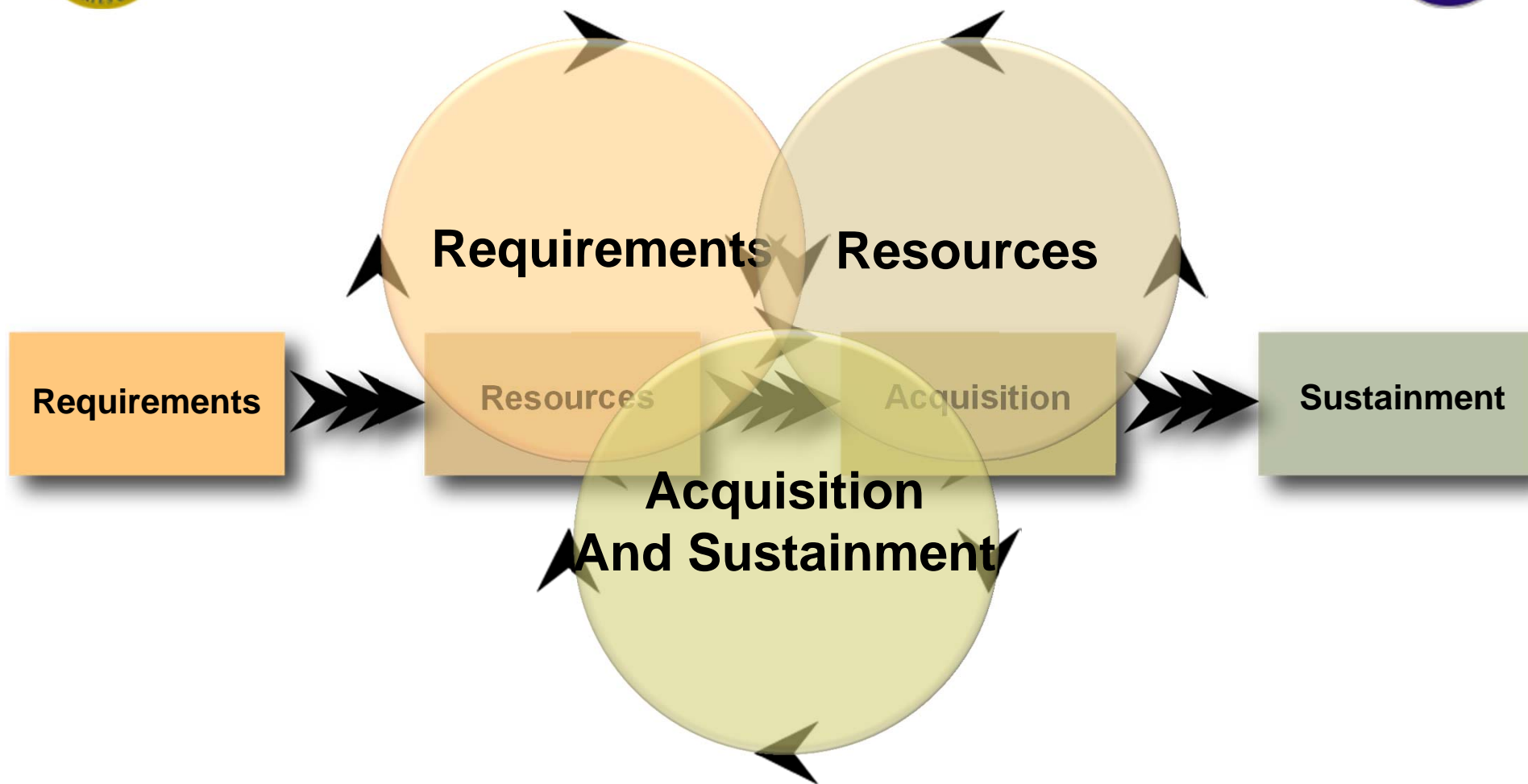
- Portfolio Reviews
- Configuration Steering Boards
- Defense Acquisition Boards
- Joint Capabilities Integration and Development System (JCIDS)
- Budget/POM
- Acquisition Study

**“We need an agile system that rapidly develops, purchases, and fields innovative solutions for our Soldiers without breaking our commitment to be good stewards of taxpayers’ dollars.” – Army Secretary John McHugh**





# Delivering Capabilities: “Acquisition Equities”



**Acquisition Must Stay Linked to Requirements and Resources**





# SSG SALVATORE GIUNTA



...Giunta kept going. Over the ridgeline, he saw two Taliban fighters dragging away Sgt. Joshua Brennan, who had taken the brunt of the fire as the lead paratrooper on the trail...Giunta, tossing his last grenade and emptying his rifle's magazine, killed one of the Taliban and chased off the other. He tried to keep Brennan alive until a medevac helicopter could get there. **He is the first living Soldier to receive the award since the Vietnam War.**





# Doing More Without More



## OSD Efficiencies Initiative



### Goal:

**Two to three percent** net annual growth in warfighting capabilities **without** incurring a commensurate budget increase.





# Restoring Affordability & Productivity



## 1. Affordability/Cost Reduction

- Leveraging
- Should cost vs. Will cost
- Affordability as Requirement
- Stable Production Rate
- Portfolio Reviews

## 2. Contract Terms

- Type of contract
- Cash flow
- Non-value added
- Improved audits

## 3. Incentives

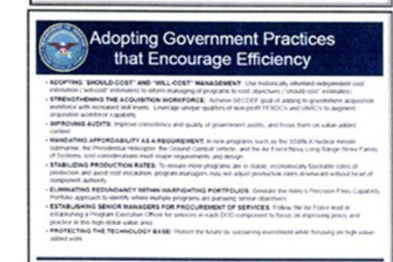
- Policy
- Small business
- Rewarding excellence
- Protect tech base

## 4. Measure Productivity Growth

- Metrics
- Develop out-year wedge (2-3%)
- CAPE (Industry Savings Assessment)

## 5. Services Tradecraft

- Management of services





# LSS Status – PEO Ammo

As of Jan 2011



- 3 completed projects in FY11 for PEO Ammo, with \$1.6M in type II savings (cost avoidance)
- We have no shortfalls on training or certification status
- Attained maturity model assessment level 5, and plan to sustain that level in the future through benchmarking and continuous process improvement
- Leaders Engaged: 100% compliance with policy for supervisors to include CPI in their performance objectives, and to sponsor at least 2 projects
- PEO Ammo selected as pilot program site with PEO Missile and Space leading the Army (OBT) in streamlining and improving the GB and BB program of instruction
- \$28.9M type II savings in FY10 for PEO Ammo
- \$19.9M in validated FY10 Value Engineering Total Savings/Cost Avoidance

**Mature Level 5 LSS organization,  
On Track to Meet CPI and LSS Efficiencies and Effectiveness Goals for FY11**







# Stewardship Of National Resources



## Lean Six Sigma Excellence Award Program

**\$2.5 Billion Cost Avoidance!!!**

### ASA(ALT) WINS 2010 U.S. ARMY LEAP ORGANIZATION AWARD

ASA (ALT)) won the Lean Six Sigma Excellence Award Program (LEAP) award for the best LSS Deployment at the Headquarters Department of the Army level.



### MRAP PROGRAM ACHIEVES \$2B COST AVOIDANCE

PEO CS&CSS and our Army Materiel Command and Marine Corps partners achieved an unprecedented \$2.0B cost avoidance for FY11-FY17 by establishing an improved process and prioritization tool that addresses limited resources, MRAP sustainment facilities capacity, warfighter needs, and priorities of Services and stakeholders.



### CHEMICAL DEMILITARIZATION AND DISPOSAL: 80% DESTROYED

The Army has destroyed more than 24,943 thousand tons of chemical agent in more than 2.2 million munitions and storage containers. In October 2010, the Army announced destruction of 80% of the National Stockpile of chemical agent.

The Pine Bluff Chemical Agent Disposal Facility (Arkansas) became the fourth facility to complete demilitarization of approximately 12 percent of the Nation's stockpile of lethal chemical agents.

**20 August 2010 Memo: Leading Continuous Process Improvement**

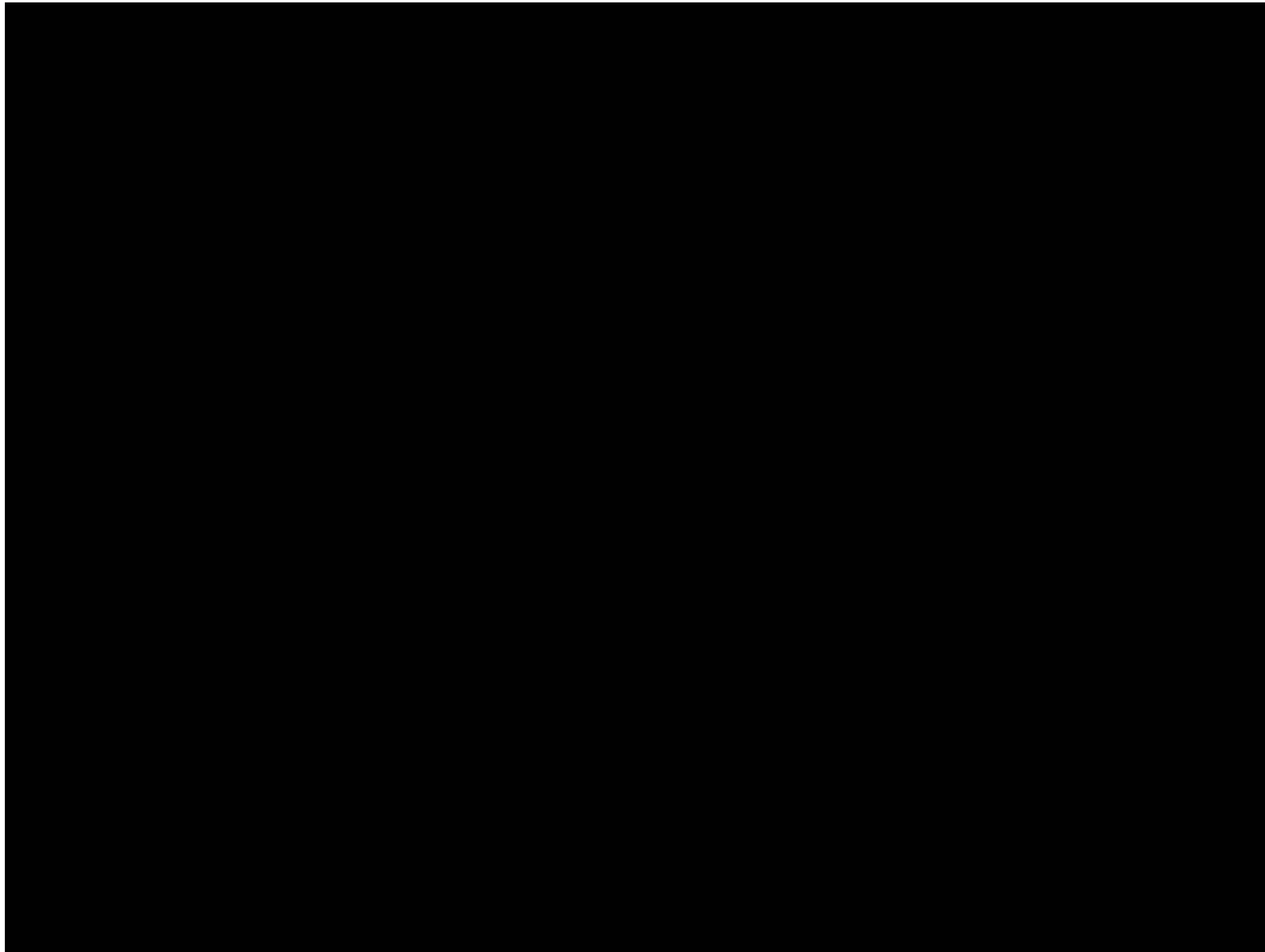


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# Innovation



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# Industry Outreach



- Secretary of the Army Initiative to host key Industry Leaders
- DoD efficiencies demand open, honest and transparent discussions with Industry...in compliance with regulations
- ASA(ALT) managing frequent, fair, even and open One-on-Ones; group meetings; and technical referrals
- We have a lot to learn from each other!!!

**Purpose: Improve Comms w/ Industry  
Learn from each Other  
Revitalize Industry Relationships**





# Security Cooperation Trends



- Foreign Military Sales (FMS) Trends
  - The US Army Security Assistance Command (USASAC) is focused on strengthening global partnerships and building national defense industrial base through FMS
  - In FY2010 USASAC achieved \$14.6 billion in new FMS, continuing an upward trend
  - This increase can be attributed to the renewal national strategic push for partnership, quality of our equipment as well as on-going Contingency Operations
- Deputy Assistant Secretary of the Army – Defense Exports and Cooperation (DASA DE&C) Priority:
  - Align Materiel Enterprise Security Cooperation activities with COCOM regional objectives
  - Support COCOM and Army Service Component Command materiel requirements for priority nations to build capacity
  - Support US industrial base if aligned
  - DASA DE&C has put together a research team to build country profiles

**Trend is toward proactive international engagement v. reactive response**





# Export Control Reforms



- Export Control Reforms in-process to:
  - Protect most critical technologies
  - Expedite technology sharing and cooperation with partners
  - Assure exports are not made to certain countries
  - Assure compliance with international export control obligations
- New system being designed with:
  - Single export control license authority
  - Single control list
  - Single primary enforcement agency
  - Single IT system (integrate DoS and DoC systems)
- Impacts primarily Direct Commercial Sales
- Residual impacts on FMS classifications for Major Defense Equipment and Significant Military Equipment

**New system will have higher walls around fewer items**





# Policies/Oversight That Impact Acquisition Process



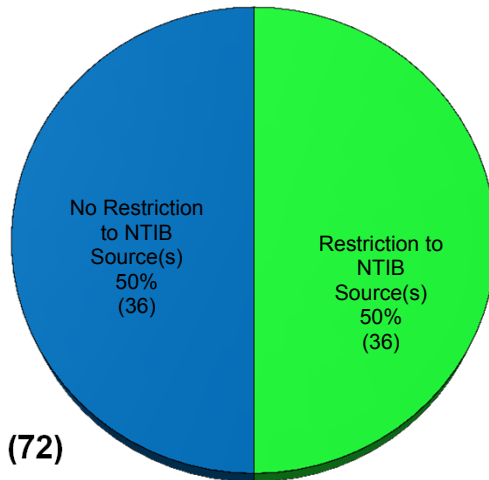
- Planning, staffing and approval of Acquisition Strategy Report/Acquisition Plan
- DA Justification and Approval (J&A) approval process
- Separate J&A and Section 806 requirements for conventional ammunition items that limit competition within the National Technology Industrial Base (US and Canada)
- Limited contracting expertise due to past hiring freezes
- Reduce level of assistance from Defense Contract Audit Agency (DCAA)

**Known Issues That Must be Mitigated With Efficient Execution**



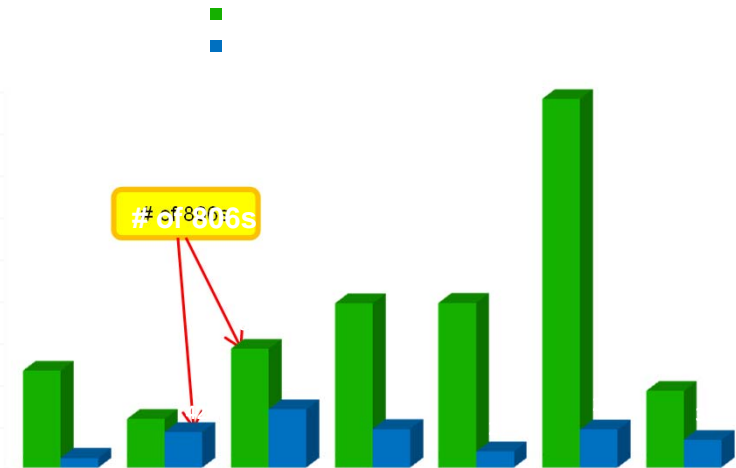


# FY10 Section 806 Statistics



FY10 Section 806 (72)

NTIB Restrictions vs. No NTIB Restrictions



- Full and Open Competition is required for Government contracts with limited exception
- Section 806 provides the SMCA the authority to limit competition to the NTIB in order maintain NTIB capability when necessary.
  - Examples of items that have been restricted under Section 806 are Nitrocellulose, RDX, HMX, Projectile Metal Parts, etc.
- The end goal is to have NTIB producers competitive on their own without Section 806 Restriction.

**Significant International Competition for PEO Ammo Products Exists**





# ASA(ALT) Science & Technology Partnership Opportunities



- ***Small Business Innovation Research(SBIR)/Small Business Technology Transfer(STTR)***
  - Congress established the SBIR and STTR programs to provide small businesses and research institutions with opportunities to participate in government-sponsored research and development.
  - Additional information on Army SBIR and STTR programs is at <http://www.armysbir.com>
- ***Venture Capital Corporation (VCC)***
  - The Army VCC is OnPoint Technologies, Incorporated; and the goal is to discover, invest in, and support companies developing technologies at the intersection of Army and commercial markets.
  - More information on the Army venture capital initiative is available at <http://www.onpoint.us>.
- ***Army Domestic Technology Transfer Program***
  - The Army Domestic Technology Transfer program, which includes Cooperative R&D Agreements (CRADAs) and patent license agreements (PLAs), facilitates the transfer of technology between military and civilian applications
  - More information on the domestic technology program is at <http://www.dtic.mil/ird>
- ***Independent Research and Development Program (IR&D)***
  - The Army IR&D program promotes communications between the Army and industry on Army technology needs and industry IR&D accomplishments through technical interchange meetings, promoting face-to-face technical interaction between contractors and the government and providing feedback to both parties ensuring IR&D activities are aligned with government needs
  - Further information on IR&D is available at <http://www.dtic.mil/ird>

Source: 2010 Army Science & Technology Master Plan



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# Ammo Industrial Base Outlook



- Future Budget/Resource Picture (especially for Ammo)
- Reliance/focus on Joint & International
- Reliance/focus on FMS
- Implications of new policies on technology transfer/FMS
- Capability Portfolio Reviews





# How Can Industry Help



- Understand and Embrace Efficiencies
- Revise Investment strategies

*(we're doing very well producing huge Quantities of individual items on a line, we need to become better at producing Smaller amounts of multiple products on that same line)*

- Share Risk with Government
- Seek Improvements – Implement Savings
- Support our Warriors – Save Lives!!!



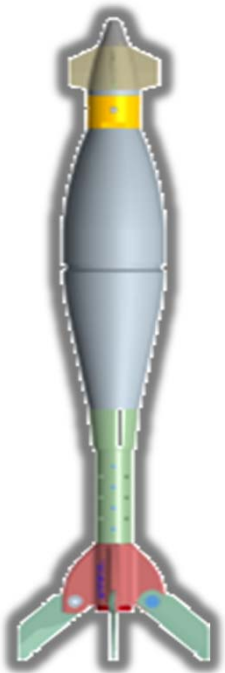


# Ongoing Support and Responsiveness to Warfighter



## Rapid Acquisition

- Over 40 Current / Pending Products Supporting JUONS & ONS
- Focus Areas



- Lethality & Precision
  - Advanced Precision Mortar Initiative (Precision 120mm Mortar Ctg) (Mar 11 FUE)
  - Spider Network Anti-Personnel Munition System
  - 5.56mm EPR
- IED Defeat & Force Protection
  - IED Detection & Pre-Detonation (Jackal,
  - SPARK Rollers
- Countermine & Explosive Ordnance Disposal
  - Vehicle Optics Sensor System
  - Husky Mounted Detection System





# THANK YOU!



*for Supporting our  
Warfighters*





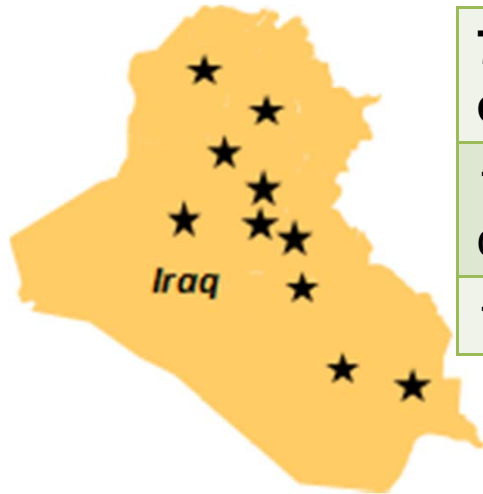
# BACK-UP



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# Contractors in the Fight Today



<b>71,142 contractors</b>	<b>87,483 contractors</b>
1.29 to 1 contractors/soldier	0.84 to 1 contractors/soldier
14% local nationals	53% local nationals

1<sup>st</sup> quarter FY2011



## How much do contractors cost in theater?

	Iraq	Afghanistan
LN	\$34K	\$31K
TCN	\$70K	\$48K
US	\$258K	\$258K





# Supporting Ops in Iraq: An Analogy



**Contracted Support  
is Essential!**

Equivalent to providing  
meals, housing,  
utilities, and services to

**250,000**  
people scattered over  
terrain the size of

**California!**



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# Acquisition Overview



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FOX NEWS  
FOX NEWS  
.COM

**GEN GEORGE CASEY JR**  
**ARMY CHIEF OF STAFF**

FOX NEWS :  
ON THE  
JOB HUNT

KNOWLEDGES UNEMPLOYMENT WILL PROBABLY RISE EVEN MORE



# Acquisition and Contracting Initiatives



## Workforce Expansion

- Hiring 1885 acquisition professionals by FY15
- Created an enlisted contracting MOS for NCOs (51C)

## New GO Positions

- Five new contracting GO positions (four filled)

## ACC, MICC, ECC

- Established 2-Star Army Contracting Command
- 1-Star Mission and Installation, Expeditionary Commands

## OCS/P

- Established new Operational Contracting Support and Policy Directorate under the DASA(P)

## Training and Doctrine

- Two-week OCS Course
- GO/SES Contracting Course
- BCTP
- MRE/MRX

## CORs

- Increased and renewed emphasis on training
- COR EXORD

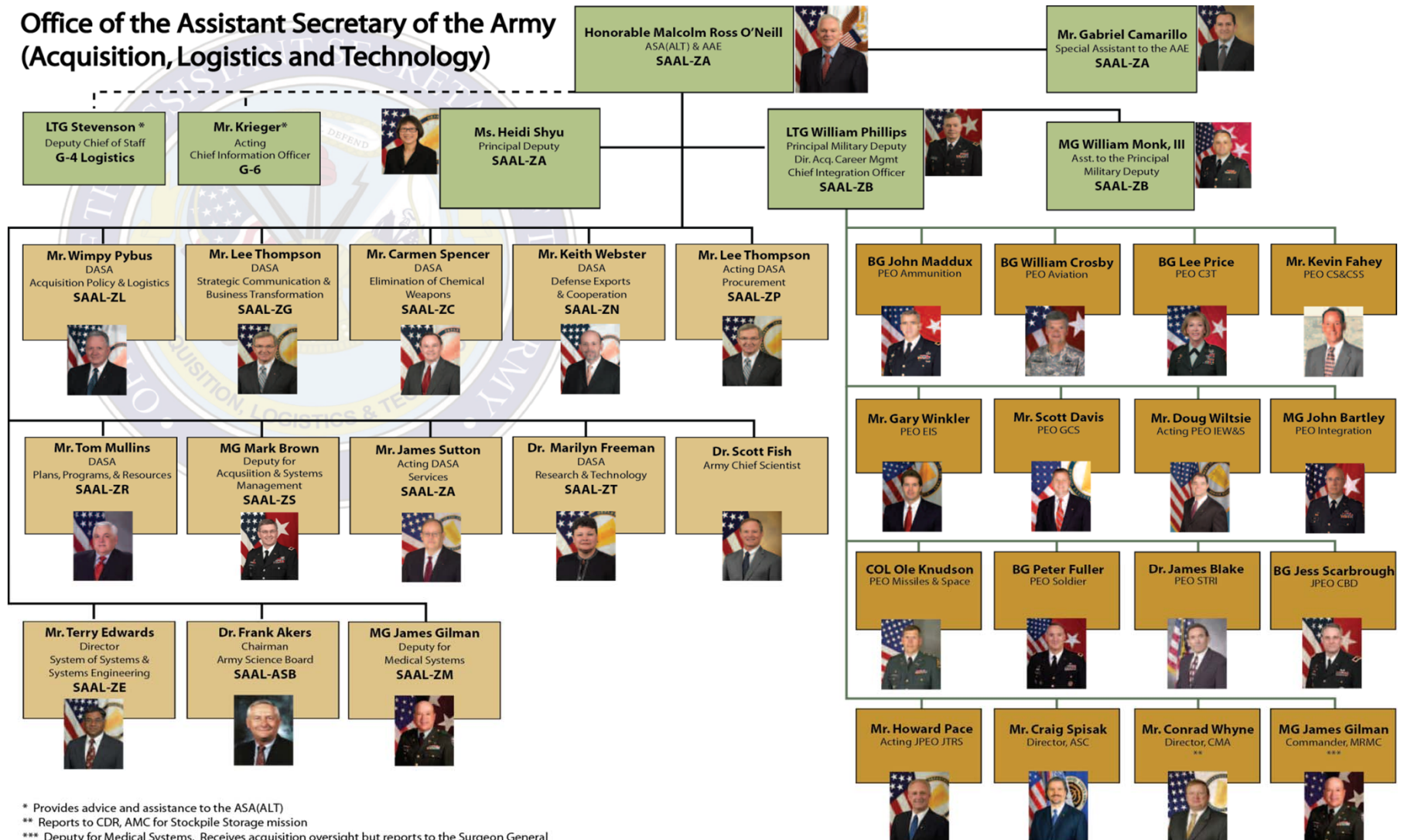


## Leadership Involvement in Contracting



# Acquisition Leaders

## Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology)



\* Provides advice and assistance to the ASA(ALT)  
 \*\* Reports to CDR, AMC for Stockpile Storage mission  
 \*\*\* Deputy for Medical Systems. Receives acquisition oversight but reports to the Surgeon General





# ASA(ALT) STRATEGIC CONTEXT: MOVING FORWARD...



1. **Soldiers are our Most Precious Asset!**
2. **While accomplishing the mission, Soldiers will be protected to the maximum extent allowed by their equipment, tactics, and joint support.**
3. **Acquisition Focus:**
  - i. Maintain high quality of Army end items which prove decisive for mounted Soldiers
  - ii. Exploit to the maximum, the joint arena (air and maritime) which dominate these venues
  - iii. Create a decisive dismounted Soldier**





# High Standards of Ethics & Discipline in Contracting is Key



## FRAUD! DO THE CRIME - DO THE TIME

### Major John Cockerham

- USA Contracting Officer
- Sentenced for bribery, conspiracy, and money laundering of over \$9M in bribes



On 2 December 2009 Cockerham and his cohorts were sentenced to the following:

#### John L Cockerham

210 Months in Prison  
\$9.6M in Restitution

#### Melissa Cockerham (Wife)

41 Months in Prison  
\$1.4M in Restitution

#### Carolyn Blake (Sister)

70 Months in Prison  
\$3.1M in Restitution

#### Nyree Pettaway (Niece)

12 Months in Prison  
\$5M in Restitution

### Iraq Fraud Detachment (CID)

Camp Victory, APO AE 09342

DSN: 485-6005, SVOIP: (302) 243-4796

1/3 of the procurement fraud cases being investigated involve "contracting professionals"



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# Dr. Carter Efficiencies

## PEO Ammo Implementation Status

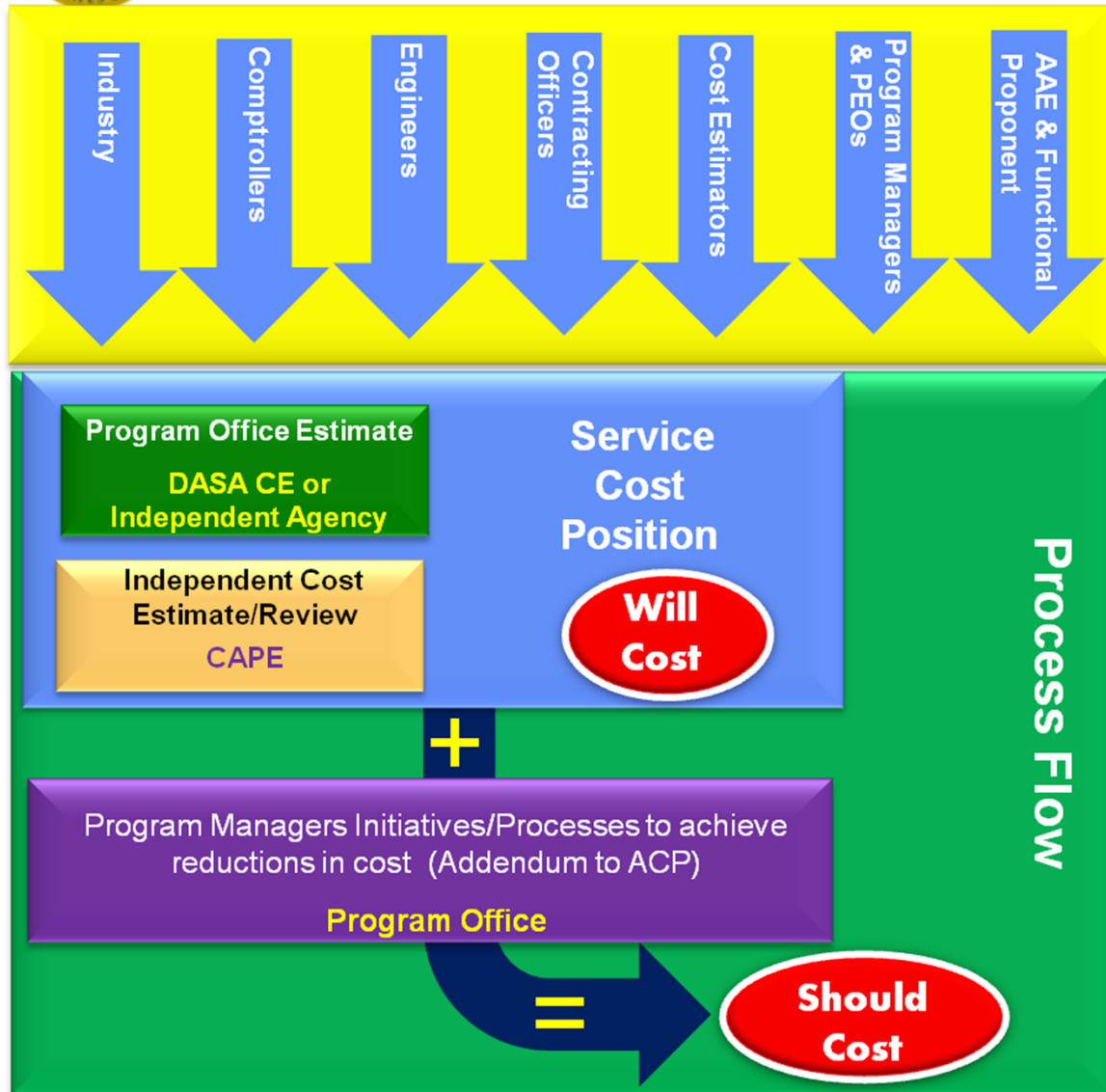


- **Establish “Should Cost” Estimates for ACAT II and III Programs**
  - Guidance on Methodology Provided to PM’s
  - First Estimates Planned for ACAT II Program Reviews – April 2011
  - Estimates for ACAT III’s Planned for Semi-Annual Program Reviews in Summer 2011 or Next Milestone Decision – Whichever Comes First
    - ✓ Exemption for Legacy Ammunition
- **Conduct Portfolio Reviews for ACAT II and ACAT III Programs**
  - Planned to Be Integrated with Semi-Annual Program Reviews in Summer 2011
  - By 30-SEP-11 PEO Will Provide Summary of the Review Results to ASA(ALT), as Well as a Cover Memo Highlighting Major Efficiency Activities Performed
- **Make Production Rates Economical & Hold Stable – for ACAT I Programs**
  - Done for Excalibur, Will Track and Report Any Deviations
- **Conduct Business Case Analysis with Engineering Trade Analysis at MS B**
  - Recommendation to Not Implement Until Official Clarification/Guidance Provided
- **Incentivize Supply Chain and Indirect Expense Management**
  - Recommendation to Not Implement Until Official Clarification/Guidance Provided
- **Adjust Progress Payments to Incentivize Performance**
  - AAE to Identify Pilot Programs on Behalf of Army. Not Asking for PEO Ammo Nomination





# “Should Cost” Management Construct



- **Service Cost Position**
  - A reconciliation of the POE and the ICE
  - Represents the “Will Cost” for the program
  - Identifies key cost drivers and areas of risk
  - Independent Cost Verification for smaller programs vis-à-vis ICE
- **Program Managers Initiatives**
  - Leverages information from the Service Cost Position on key cost drivers and risk
  - Relies on cross-functional collaboration and commitment
  - Includes cost elements against the Will Cost to track projected savings
  - Includes Risk Mitigation and Cost Reduction Plan
  - Discusses and identifies how savings can be reasonably achieved by changes in processes, materials, or investment in new technology
- **Program “Should Cost” Management**
  - Determined by subtracting the projected savings from the PM Initiatives from the Approved Cost Position funding
  - Tracked by Army Acquisition Executive or designee and reports progress over time





# Innovative Financing Pilot Program



## Adjust progress payments to incentivize performance:

Effective January 1, 2011, you will identify pilot programs to use innovative financing methods as a negotiating tool. To assist in this effort, I have directed the Director, Defense Procurement & Acquisition Policy (DPAP) to immediately develop a cash flow model and to provide guidance for the use of a preferred hierarchy of innovative financing methods described in the model that takes into consideration the lifecycle phase of weapon system programs. Emphasis should be placed on flow-down provisions to subcontractors as well.

**Status:** According to ASAALT staff the onus is on the AAE to identify pilot programs on behalf of the Army. They are not asking for a PEO Ammo nomination. The cash flow model, guidance and preferred hierarchy has not been released.

**Recommendation:** Based on our own research into this topic, it will be fairly risky for programs that are on the leading edge here. Reference - DOD IG Audit IG-98-033 "Early Payment and Billing Frequency on Long-Term Contracts" September 28, 1998. Specifically, when using increased billing frequency or accelerated payment of invoices as a negotiation concession it is very difficult to show that the government has received proper value in return. The "cash flow model" that DPAP is on the hook to develop is required to value the innovative financing method to ensure government receives correct value for what the treasury will lose in interest. Director of JM&L contracting center Mr Bruce Berinato has seen a pre-release demonstration of the cash-flow model and attests to its utter complexity.







# Summary of Army Efficiency Initiatives

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- VCSA Portfolio Reviews (Purpose and Outcomes wrt Ammo)
- MECC/MALT
- Business Transformation
- LSS
- Value Engineering
- Employee Cert/CLPs





# Lean Six Sigma and Continuous Performance Improvement



- 10 Critical Success Factors to measure deployment success and higher maturity levels across each PEO, outlined in MilDep Sends, Dec2010

PEO  
AMMO  
Score  
**92**

1. Results: higher ROI (return on investment), validated benefits for projects documented in Army PS **96**
2. Organization: full time DD and MBB on TDA to boost performance of projects and teams **92**
3. Leadership: leaders committed and engaged as project sponsors, supervisors and GOs must sponsor and complete 2 projects per year **93**
4. People: Business Transformation, CPI and LSS are in performance objectives of employees **93**
5. Project Management: integrate information flow, select projects through fact based objective process linked to organization's mission and priorities, cancel <10% or projects after the define tollgate **95**
6. Measurement, Analysis and Knowledge Management: integrate information flow, improve enterprise management, share best practices, monitor projects with Power Steering dashboard, review performance against mission and strategic priorities **90**
7. Training: train and sustain a CPI culture, certify 5% of TDA in Green Belt, certify 1% of TDA in Black Belt, train 100% of project sponsors (GS14 and above) **93**
8. Strategy & Doctrine/Strategic Planning: Fully link strategic planning, business transformation process and execution of CPI/LSS projects to improve mission. Have strategic plan in place to achieve organizations strategic goals **93**
9. Customer Focus: engage customers to generate improved value and build productive relationships **93**
10. Process Management: design, manage and improve key work processes to deliver value & achieve sustainable organizational success **93**

**100**

**Mature Level 5 LSS Organization, leading the way in meeting Critical Success Factors**





# Continuous Learning Points, Acquisition Position Certification



- Continuous Learning Points are critical to ensure a highly qualified workforce is in place to support the Warfighter
  - Historically, PEO Ammo employees are 100% compliant with 80 CLPs or more for every 2 year cycle
  - 46% of PEO Ammo employees have begun CLP activity for the new reporting period (01 Oct 2010 – 30 Sept 2012)
- Acquisition Position Certifications
  - 98% PEO Ammo employees are certified in their designated career field (only 4 not certified, 2%)
  - All 4 have attained Level II and are scheduled to attend classes to attain Level III certification in FY11

**Highly Qualified Munitions Workforce to Support the Warfighter**





# Precision Fires Capability Portfolio Review



- Led to Precision Fires Configuration Steering Board Decisions
  - Excalibur
    - Army Procurement Objective Reduction from 30,000 to 6,264
    - Total Reduction on Program Funding >\$800M
    - APUC Increases from \$47k to an Estimated \$98k
    - Continue Incremental Acquisition Strategy of Increment Ib - More Affordable and More Reliable
  - Precision Guidance Kit
    - This Program Was a Key Decision Factor in the Excalibur Quantity Reduction Decision
    - Milestone Decision Authority Change from PEO to AAE Due to High Interest
  - Accelerated Precision Mortar Initiative (120mm Urgent Material Release Effort)
    - Confirmed Requirement & Emphasized Urgency
  - Non Line of Site Precision Attack Missile Cancelled





# Secretary of the Army-Designated Capability Portfolio Reviews



- Purpose: To Conduct Army Wide Reconciliation of Requirements
- Approach: Holistically Examine, Validate, or Modify Requirements Driving Capability Development
- Reconcile and Have Full Visibility of Requirements Being Acquired Through Programs of Record and Rapid Acquisition
- Reconcile Portfolios Through Examination of:
  - COCOM requests (ONS/JUONS)
  - Wartime Lessons Learned
  - Ability to support ARFORGEN (Capability Packages, Theater Provided Equipment, Readiness Indicators, Reset/Recap, etc)
  - Emerging technologies (REF, DARPA, etc)
  - Affordability
  - Opportunity





# Mobility/Counter-Mobility Capability Portfolio Review



- Led to Ammunition Configuration Steering Board Decisions
  - Airborne Surveillance, Target Acquisition, and Minefield Detection System (ASTAMIDS) & Ground Standoff Mine Detection System (GSTAMIDS)
    - Army terminated ASTAMIDS platform, Firescout, and GSTAMIDS platform, the Multifunction Utility/Logistics Equipment –Countermine/MULE-C
    - No further requirement has been approved
    - Orderly terminate the Programs of Record (POR)
  - Scorpion Intelligent Munition System and Spider Munition System
    - Merge Anti Personnel/Anti Vehicle alternative systems into a more affordable Spider Increment 2
    - Reinvest other savings from Scorpion program into Explosive Hazard Defeat and Route Clearance technologies
    - Spider Increment 2 would leverage technology investments to provide:
      - Improved Control Station, capable of interfacing with the Net
      - Capability to employ a suite of Army common AP and AV/lethal and nonlethal munitions
      - Accept near term, temporary risk against heavy armored threats but investigate options to develop and procure a lower cost heavy AV munition





# Immediate Effects of Efficiency Initiatives on Industry



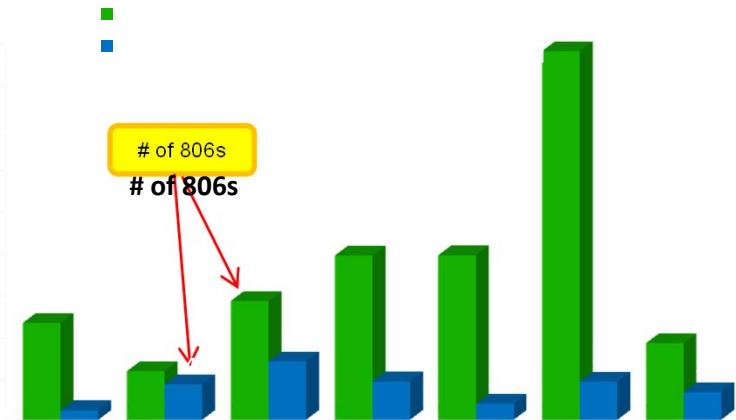
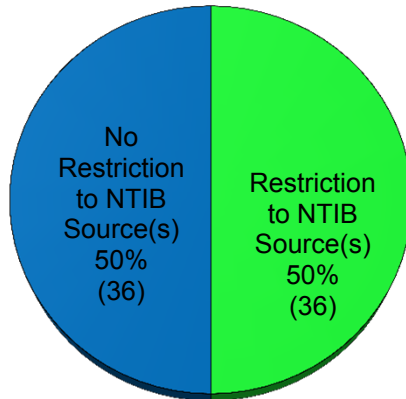
- Reduction of “1-bid” Contract Competitions
  - When only 1 bid is received, contracting officer will require cost & pricing data and must negotiate
  - Solicitations open for less than 30 days that receive only 1 bid will re-advertise for additional 30 days
- Reduction of Time & Materials Type Contracts
- More Frequent Re-competes of Service Contracts
  - 2 to 3 year contract terms instead of 5 year
- Increase use of Fixed-Price Incentive Firm Contract Type
  - Specifically in transition from Development to Production
  - Default position 50/50 sharing and 120% ceiling
- Closer Scrutiny on Supply Chain and Indirect Expense Management
  - Expect government to relook current component breakout vs. system integrator arrangements
  - “Weighted Guidelines” for profit policy expected soon





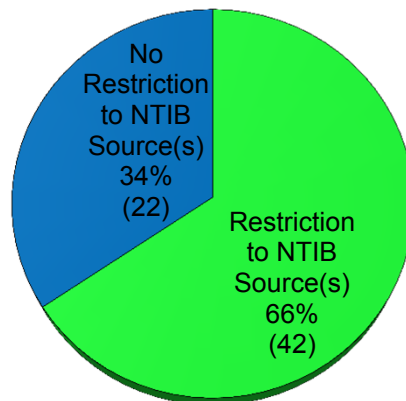
# FY10 Section 806 Statistics

**FY10 Section 806 (72)  
NTIB Restrictions vs.  
No NTIB Restrictions**



**NTIB Restrictions vs.  
No NTIB Restrictions by Fiscal Year**

**FY09 Section 806 (64)  
NTIB Restrictions vs.  
No NTIB Restrictions**



- Full and Open Competition is always encouraged.
- Section 806 gives the SMCA the authority to limit competition to the NTIB in order to protect NTIB capability when necessary.
  - Examples of items that have been restricted under Section 806 are Nitrocellulose, RDX, HMX, Projectile Metal Parts, etc.
- The end goal is to have NTIB producers competitive on their own without Section 806 Restriction.

**Significant International Competition for PEO Ammo Products Exists**

