

Inspections advocated

MDA Mulling Industry's Input For \$4.5M In Costs Due To Counterfeit Parts

Counterfeit parts have cost the Missile Defense Agency nearly \$4.5 million since 2006, and the agency is in the midst of determining how much of that price tag industry must pay, MDA Director Lt. Gen. Patrick O'Reilly said during a Senate hearing last week.

Industry has already paid for nearly \$1.35 million and MDA has covered \$352,000 of those costs. Who will foot the remainder of the cost still has to be determined by MDA, O'Reilly said. These costs come from seven counterfeit incidents, he said during a Nov. 8 Senate Armed Services

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\$308 million for X-Band radar sustainment
Contract Gives MDA Time To Prepare Future Radar Development Competition

The Missile Defense Agency is working to develop a technical data package in order to compete future X-band radar development and sustainment work, but in the meantime has awarded Raytheon a two-year, \$308 million radar-sustainment contract to allow time for the agency to identify the necessary data for such a competition, according to an MDA spokesman.

Agency officials signed a so-called "justification-and-approval" document on July 19, declaring Raytheon as the sole contractor capable of

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Contract amendment approved
Lockheed: Final MEADS Pact Includes Data-Package Transfer Provisions

A final contract amendment for the Medium Extended Air Defense Systems, signed by the national armaments directors of Germany, Italy and the United States on Oct. 31, contains the necessary intellectual-property provisions that would allow each country to utilize technology for future projects once the program's development phase ends, according to the contractor.

"The governments will have rights to use the technology developed under the contract for government purposes and that's, of course, assuming

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DOD: Sequestration Would Cut \$2 Billion From European BMD

Sequestration cuts would hammer the Defense Department's proposed European missile defense apparatus, Defense Secretary Leon Panetta told lawmakers this week.

Plans for missile defense systems in Europe, as well as the intercontinental ballistic missile leg of the nuclear "triad," would be cut to the tune of a combined \$10 billion, according to Panetta. European missile defense would lose \$2 billion in funding, and ICBM funding would be cut by \$8 billion, he warned.

Other top weapons programs that would be hard hit include the Joint Strike Fighter, the Littoral Combat Ship and the Air Force's new bomber, Panetta wrote in a letter to Senate Armed Services Committee Ranking Member John McCain (R-AZ) and Sen. Lindsey Graham (R-SC).

Panetta's letter is the most detailed response yet to the question of what would happen to the DOD budget should "sequestration" result from a congressional supercommittee's inability to meet the terms of a budget-cutting agreement with the president.

Panetta said the Joint Strike Fighter program would receive minimal life extensions and upgrades, saving DOD \$80 billion, while the Air Force's nascent bomber program would be shelved until the mid-2020s, saving \$18 billion. LCS, along with its associated mission modules, would be cut, saving the

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SBIRS Delay

The Space Based Infrared System suffered a six-month development delay, according to the Defense Department's latest Selected Acquisition Reports released this week. "This quarterly exception SAR was submitted to report a schedule slip in the Mission Control Station Increment 2 Certification from December 2015 to June 2016 caused by the Flight Software System (FSS) recovery. This milestone is being revised to align with the revised ground delivery strategy," the Pentagon states, adding: "Since the last SAR, the program successfully launched the first SBIRS High satellite (GEO 1) on May 7, 2011, and all activities are on path to bring GEO 1 into formal operations in the fall of 2012."

Milestone completed 15 days early

Air Force Completes Milestone For SBIRS Audit Readiness Effort

Air Force officials recently defined the data universe for assessing the audit readiness of the Space Based Infrared System, according to a service official.

Service officials achieved the milestone on Sept. 15, which is 15 days earlier than originally scheduled, according to Doug Bennett, the associate deputy assistant secretary for financial operations for the service's office of the assistant secretary for financial management and comptroller. Air Force officials defined the scope of the effort on June 23, according to Bennett.

The data universe for the SBIRS program involves the examination of about 59 contracts, according to Bennett. Service officials are now working to create a reconciliation process for those contracts, he said.

"We have had some discussions about the appropriate methodology for asserting that, whether it is the 100 percent reconciliation or sampling," Bennett said during a Nov. 1 interview with *Inside the Air Force*.

The SBIRS program has become the pilot program for developing an approach to audit readiness, according to Bennett. The program was chosen because it is a major acquisition and a newer program. The first geosynchronous satellite was launched on May 7 from Cape Canaveral Air Force Station, FL, on a United Launch Alliance (ULA) Atlas V rocket. ULA is a joint venture between Lockheed Martin and Boeing, and Lockheed Martin is the prime contractor for SBIRS.

The new system will replace the Defense Support Program, which has provided early warning for intercontinental ballistic missile launches since 1960.

Congress mandated in the 1990 Chief Financial Officers Act that all federal agencies produce auditable financial statements. The Pentagon initially said it would be compliant by 1997, but that deadline was pushed back to 2007 and then to 2016. In the fiscal year 2010 National Defense Authorization Act, Congress mandated that the Pentagon be audit-ready by 2017.

DOD's interim goals and incentives are described in its new Financial Improvement and Audit Readiness (FIAR) Plan Status Report, signed by Pentagon Comptroller Robert Hale. The plan, released in May, states these efforts will help DOD reach the 2017 audit-readiness deadline.

Service officials believe assessing SBIRS will provide more benefits than looking at an older, more established major acquisition program, according to the FIAR report that was released in May. It is a modern program that has readily available data and documentation, according to the report. Air Force officials can test corrective actions for the program immediately, according to the report. The Air Force plans to perform an audit readiness examination for SBIRS on Sept. 30, 2012, according to the FIAR report.

SBIRS will support critical national security missions that include missile defense, technical intelligence and battlespace awareness. -- *Titus Ledbetter III*

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- DOD Memo On 'Joint Services Weapon and Laser System Safety Review Processes'
- Air Force Report To Congress On Future UAS Training, Operations And Sustainability

Still working to enhance inventory control

Nuclear Weapons Center Reports Major Progress On ICBM Test Equipment

Air Force Global Strike Command and Air Force Nuclear Weapons Center officials have been working together to improve the reliability of test equipment for the service's fleet of intercontinental ballistic missiles, and in at least one case, the service has been able to improve the reliability of a test set by more than 30 percent.

Additionally, the center -- which is responsible for keeping an inventory of the Air Force's nuclear-weapons-related material -- is looking to improve its inventory control by linking a central database directly with databases at individual sites, according to the AFNWC's commanding officer.

At an April hearing before the Senate Armed Services Committee, Lt. Gen. James Kowalski, the commander of AFGSC, said that his command was working with the AFNWC "on a lot of the test equipment issues for the ICBM." And according to Brig. Gen. Garrett Harencak, the commander of the center at Kirtland Air Force Base, NM, the service has made significant progress in addressing test equipment deficiencies.

In a Nov. 9 email to *Inside the Air Force*, Harencak wrote that the Reentry System Test Set (RSTS), which helps test the payload carried by the Minuteman III ICBM, used to be the Air Force's least reliable piece of equipment, with an availability rate of just 62 percent. Now, Harencak said, "Due to the renewed focus on solving the longstanding issues with this tester, the current availability for this tester is consistently in the high 90 percent range."

Harencak, in the email provided by a Kirtland AFB spokeswoman, said test equipment suffers from some of the same problems as the ICBM itself, namely aging components, parts obsolescence and diminishing manufacturing sources. To combat those issues, the center has five acquisition programs under way to replace aging support equipment and is actively monitoring potential hardware and software issues.

On the inventory side, the center is responsible for tracking all of the Air Force's nuclear weapons and associated nuclear material on a 24/7 basis, and it fulfills that mission using a system called Positive Inventory Control (PIC) Fusion. The system allows service managers to track those items using serial numbers in near-real-time and is available to users both within the service and across DOD, according to Harencak.

The Air Force is working with the Defense Threat Reduction Agency (DTRA) to make improvements to the PIC Fusion database to enhance accountability, Harencak said, and one area of potential improvement is better linkage of the AFNWC's central database with information kept at other locations.

"A forced electronic reconciliation of the central database with individual site databases would be a significant improvement," he said. "This has been discussed with DTRA and will most likely be implemented at some point in the future."

Harencak added that the Air Force does not use tracking chips on each of its weapons because of the security concerns associated with that technology, but that the concept has been discussed by the Defense Department and the Department of Energy. The Air Force sustains and manages nuclear weapons, but the weapons are "owned" by DOE, meaning that the use of tracking chips or similar technology would require approval from DOE officials. -- *Gabe Starosta*

New START reductions could add to gap

Commanders Express Concern About Experience In Nuclear Enterprise

The commanders of two numbered air forces in charge of nuclear operations are concerned about pockets of inexperience among personnel across the enterprise, and New START treaty weapons reductions could have a particularly detrimental effect on the intercontinental ballistic missile force structure depending on how they are implemented.

Maj. Gen. Donald Alston commands the 20th Air Force, made up of the service's missile wings, and Maj. Gen. Stephen Wilson is the commander of 8th Air Force, the service's bomber presence. In a Nov. 8 interview with *Inside the Air Force*, the two officials said their forces are operating at a very high level in fulfilling missions for both Air Force Global Strike Command (AFGSC) and U.S. Strategic Command, but voiced concern about personnel experience levels in some areas of the nuclear enterprise, notably Alston's ICBM sector.

"I think that over the last 17 or 18 years of benign and active neglect that the Air Force had in the nuclear programs and the nuclear enterprise, I think one thing we absolutely did not do during that time was worry about optimizing the experience levels in the nuclear enterprise, particularly in the ICBM force," Alston said. As a result, Alston said he has capable entry-level forces under his command, yet is in need of more experienced colonels and lieutenant colonels.

Convincing airmen to enter nuclear operations has not been a problem for the Air Force, according to a Defense Science Board report released earlier this year and confirmed by Alston. Instead, the challenge has become keeping those people in the enterprise throughout their careers.

"We're still bringing in the same high-caliber people that we've had, so that's not where I've got a problem," Alston said. "Where I have a problem is in middle management and senior management, where I've got career fields that were diluted. ICBM maintenance is one of them, where we have folks that are aircraft maintainers and are also ICBM maintainers, but we can universally assign those guys. And so without deliberate development of those guys from a

nuclear sense, I find myself right now with some squadron commanders and higher offices where. . . it's the same kind of guy that I would have always had. And next to him or at another wing, I have a guy that has extraordinarily less experience than that guy has." That is partly the Air Force's fault -- Alston explained that over the last two decades, the service encouraged young officers to enter the growing space and satellite career fields, which negatively affected nuclear operations.

According to Wilson, the Air Force has initiated several programs aimed at providing young airmen and officers with high-level experience in nuclear issues. That includes bringing captains from career fields across the nuclear enterprise into major command headquarters for a brief period to experience working in that kind of environment, as well as giving "exceptional" individuals year-long assignments on high-visibility programs. Another point of emphasis has been to assign personnel to important joint nuclear billets, including positions on the joint staff and at combatant commands like U.S. Strategic Command which deal with multiple services and sometimes international partners.

"Until you've worked at some of those places, you just don't know," Wilson said. "You live in your little tunnel of excellence, but you're not exposed to the world at large and dealing with other services or allies."

Both generals -- who spoke with *ITAF* by telephone from a conference organized by AFGSC in Shreveport, LA -- stressed that closing that experience gap will take time, but requirements of the New START treaty could exacerbate the issue, especially on the ICBM side.

To comply with treaty limits, the Defense Department is required to reduce the number of deployed nuclear launchers -- ICBMs, nuclear-capable bomber aircraft and submarine-launched ballistic missiles -- to 700. The Navy is responsible for the submarine fleet, and for the Air Force, that launcher limit will require a reduction in nuclear-capable bombers, active ICBMs, or a combination of the two.

In congressional hearings and at other venues, service officials have said that several options for reducing ICBMs exist to comply with the treaty, including deactivating an entire squadron of 50 missiles and spreading reductions across various wings and squadrons. Alston said he has expressed to his superiors that he prefers to keep as much of his personnel as possible, and that is best guaranteed by not deactivating any wings.

"Fundamentally, if we were to spread the reduction across all three wings, then I'm probably going to keep my force structure, my people," Alston said. "And so there's advantages to that for me, because already at the force structure size that we're at, it's a challenge when you have all these folks get their entry-level experience in the nuclear enterprise at wings. That's typically the place where your young lieutenants and airmen get initiated into this business, and you grow them throughout the course of their career -- and far more deliberately than we have been in some cases, in order to grow those kinds of seriously experienced technicians and leaders in the nuclear business. That would be the advantage if a decision is made to spread them out across wings."

The decision on how to comply with New START limits will be made by STRATCOM, which is still determining its requirements, both generals said. It is possible that necessary launcher reductions could be achieved by deactivating an entire ICBM squadron, but that the personnel in that area could be kept if STRATCOM deems it necessary to regenerate that squadron in the future, Alston said.

Alston and Wilson's numbered air forces are also heavily involved in the inspection aspect of the New START treaty. Alston said Russian inspectors had visited two of the three missile wings under his command, including an inspection at F.E. Warren Air Force Base, WY, on Nov. 7, and Wilson said Russia has inspected all the bomber wings with the exception of Minot Air Force Base, ND. An inspection was scheduled at that site earlier this year but was postponed because of heavy flooding in the state over the summer.

The two commanders are not involved in the inspection of Russian nuclear sites by American officials.

The 8th Air Force operates bomber wings at Minot AFB, Whiteman Air Force Base, MO, and Barksdale Air Force Base, LA, which is also the location of AFGSC headquarters. The 20th Air Force's three main wings are located at Minot AFB, F.E. Warren AFB and Malmstrom Air Force Base, MT, and the numbered air force also operates a squadron at Offutt Air Force Base, NE, the home of STRATCOM. -- *Gabe Starosta*

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U.S. has list of prospective countries

Kehler Sees SSA Sharing Efforts With Allies Starting This Calendar Year

The commander of U.S. Strategic Command expects to be given the authority to negotiate space situational awareness arrangements with allies for the first time by the end of the calendar year.

STRATCOM officials will begin having conversations with U.S. allies very soon about the possibility of moving from a Joint Space Operations Center to a future Combined Space Operations Center (CSpOC), Gen. Robert Kehler said last week. He said the U.S. has a list of countries that have already expressed interest in creating SSA sharing agreements but would not disclose the names of the countries on the list.

The authority to enter into these agreements has resided with the defense secretary, but the release of the National Security Space Strategy helped officials to delegate that responsibility to the commander of STRATCOM, according to a DOD spokeswoman.

“I think it is exactly the right thing to do because what we are talking about, at the level of authority that I’m talking about, is essentially a military-to-military activity,” Kehler told *Inside the Air Force* during an interview after testifying during a Nov. 2 House Armed Services strategic forces subcommittee hearing.

Kehler said that officials are “very close” to being able to give him SSA sharing authority because all of the agreements have been put in place.

Kehler will first negotiate with a specific country before requesting the authority to formally conclude that agreement with the Office of the Secretary of Defense and the State Department, according to the DOD spokeswoman. DOD officials are discussing the possibility of SSA sharing arrangements with Canada and France, according to Amb. Gregory Schulte, the deputy assistant secretary of defense for space policy. If a CSpOC was created, officials from multiple countries would be able to tell each other if they detect space debris, Schulte told ITAF Oct. 4. He had made a presentation at a hosted payload conference in Washington.

STRATCOM officials will help allies through the arrangements for activities that include launch support, maneuver planning, support for on-orbit anomaly resolution, electromagnetic interference reporting and on-orbit conjunction assessments, according to the DOD spokeswoman.

The space strategy, which was released in January, contains elements of both the National Security Strategy and the National Space Policy, according to an unclassified summary. Co-signed by then-Defense Secretary Robert Gates and Director of National Intelligence James Clapper, the strategy was developed during the Space Posture Review that was conducted last year with the help of other agencies and U.S. allies.

The strategy emphasizes that commercial firms and U.S. allies should become stronger partners to enhance space capability. The department should adjust its strategic approach to space due to recent changes within the domain that have made it more contested, congested and competitive, according to the summary.

The strategic objectives outlined in the policy include strengthening security in space, building on the strategic national security advantages the U.S. holds in space and energizing the space industrial base, according to a summary of the strategy. The report’s strategic approaches include partnering with other nations, preparing to defeat attacks in space and promoting safe use of space. -- *Titus Ledbetter III*

Policy fosters critical thinking

SMC Surprised By Level Of Industry Dedication To ‘Should-Cost’ Goals

A top Space and Missile Systems Center official has been surprised by the level of cooperation the space industry has provided during the implementation of the Pentagon’s “should-cost” policy.

The space industry is just as committed as Air Force officials are in identifying the right price for products and services because contractors recognize that the practice could have an impact on whether the technology is purchased in a tight budget environment, according to Doug Loverro, the center’s executive director. The policy is working well because SMC officials are now examining the cost of a technology to be purchased and have more determination in trying to see if prices can be reduced, Loverro added.

“It has made us all think a lot more than we used to think, which is great,” Loverro said during a Nov. 8 interview after participating in a panel discussion at a military communications conference in Baltimore, MD.

In September 2010, then-Pentagon acquisition chief Ashton Carter directed the implementation of a new program management tool he dubbed “will-cost and should-cost” for all acquisition category I, II and III programs. The idea is to have program managers inject productivity improvements into their programs during contract negotiations and throughout a program’s development.

In an April 2011 memorandum, Carter, now the deputy defense secretary, reiterated the need to continuously perform should-cost analyses to scrutinize government and contractor cost. He stated that the analyses would help eliminate cost overruns and deliver programs below budget. The Air Force included three space programs among the five pilot projects it selected for the should-cost effort: the Space Based Infrared System, the Evolved Expendable Launch Vehicle system

and the Advanced Extremely High Frequency satellite system.

The three space programs were included because they are expensive and are in production, Loverro said. SMC officials were not as concerned about cost in the development stage of those programs, but the production stage is a good place to start, he said. Air Force officials worried more about providing the right capability and were not as determined to reduce cost in the past, Loverro said.

Carter asked officials to set and achieve manageable should-cost targets for programs that are lower than the “will-cost” estimates used for budgeting, programming, setting acquisition program baselines and addressing other program reporting requirements external to the Defense Department. The April memo directed the acquisition executives for each of the services to develop incentive plans for their program managers to reinforce and reward commitment to the will-cost and should-cost process.

The memorandum also directed the services to prepare new annual reports on should-cost progress. The first reports were due on Nov. 1. -- *Titus Ledbetter III*

Additional assurance activities under consideration

Air Force Developing Plan After Partial Denial Of Requested GPS IIF Funds

Air Force officials are evaluating the options for addressing Global Positioning System Satellite Block IIF problems after the Pentagon comptroller denied a portion of a reprogramming request for a funding increase for the production of space vehicles 1-3, according to a service spokeswoman.

Pentagon Comptroller Robert Hale approved only \$38.1 million of a \$47 million reprogramming request approved by Congress for financing cost growth associated with GPS IIF program production in the final version of the reprogramming request that he signed on Sept. 13. Hale wrote in the Sept. 13 final version that he made those adjustments to the requests in an effort to balance the overall reprogramming request.

The service will address the remaining \$8.9 million requirement during fiscal year 2012 and anticipates minimal impact to the program, according to Maj. Tracy Bunko, a service spokeswoman.

“The approved funding will be applied toward costs incurred for final assembly, integration and test, and launch preparation of the first three GPS IIF vehicles,” Bunko wrote in a Nov. 2 email.

The cost growth of \$47 million will raise the total cost of the space vehicles’ production from \$655 million to \$702 million, according to the reprogramming request. Hale submitted the original reprogramming request to lawmakers on June 30. Additional mission assurance activities may be required to complete assessments of factory testing to make sure that program officials understand possible fleet-wide implications of the problems, according to Bunko.

The second GPS Block IIF satellite has been performing well since the 50th Space Wing’s 2nd Operations Squadron (2 SOPS) accepted command and control of it in August, Lt. Col. Dean Holthaus, the director of operations for 2 SOPS, said during a telephone interview in August. The GPS IIF-2 satellite was launched on July 16 after it was delayed more than two weeks due to an investigation into IIF satellite anomalies discovered during factory testing, according to a company statement. The current GPS constellation has the most satellites and the greatest capability in the history of the system after the acceptance of GPS IIF-2, according to Holthaus.

The GPS IIF satellites have a jam-resistant military signal, improved atomic clock technology, a civilian L5 signal to aid commercial aviation and safety-of-life applications. The L5 will stay in development status until operational capability is declared. The satellites also have a longer design life than previous GPS satellites and will form the core of the constellation for years to come, according to a service statement.

GPS is a joint-service precision, navigation, and timing space program that provides information for military and civilian users. The program is operated by the Air Force. -- *Titus Ledbetter III*

DOD Could See 23 Percent Budget Cut . . . begins on page one

Pentagon \$22 billion.

Under maximum sequestration, Panetta wrote, the reduction in defense spending could soar up to 23 percent beginning in FY-13, with the exact percentage dependent on whether President Obama chooses to exercise his authority to exempt military personnel from cuts.

“A cut of this magnitude would be devastation in itself, but it gets worse,” Panetta wrote. “Under current law, that 23 percent reduction would have to be applied equally to each major investment and construction program. Such a large cut, applied in this indiscriminate manner, would render most of our ship and construction projects unexecutable -- you cannot buy three quarters of a ship or a building -- and seriously damage other modernization efforts.”

Panetta wrote the Nov. 14 letter in response to questions he received from McCain and Graham on Nov. 3. The two lawmakers asked Panetta to describe the specific options and types of actions DOD would be required to take should a sequester result from the supercommittee’s inability to reach an agreement by Nov. 23. McCain and Graham wrote in their letter to Panetta that it was imperative that Congress “be fully informed of the effects of a sequester on our military”

-- stating "concrete information" was necessary for Congress to do its job.

Also included on the Pentagon's termination list are all ground combat vehicle modernization programs, allowing for minimal life extensions and upgrades to existing forces -- a savings to the Pentagon of \$17 billion. The Army's helicopter modernization programs would be cut to salvage \$11 billion, once again leaving room for only minimal life extensions and upgrades.

Two other areas that could be hit are unmanned ISR systems, which would save the Pentagon an additional \$8 billion; and major space initiatives, including space protection, communications satellites and intelligence, surveillance and reconnaissance systems, which could save \$27 billion, Panetta's letter states.

One program that could be delayed rather than cut is the Navy's next-generation ballistic missile submarine. Panetta's letter states the Pentagon would be forced to reduce the program to only 10 subs in exchange for \$10 billion in savings.

DOD would also have to re-size the military should a 23 percent cut in defense spending be instituted, according to Panetta.

"Facing such large reductions, we would have to reduce the size of the military sharply," he said. "Rough estimates suggest after 10 years of these cuts, we would have the smallest ground force since 1940, the smallest number of ships since 1915, and the smallest Air Force in its history."

Panetta asked lawmakers to remember that cuts to DOD's budget would not reduce threats to national security. "As a result, we would have to formulate a new security strategy that accepted substantial risk of not meeting our defense needs," he said. "A sequestration budget is not one that I would recommend." -- *Maggie Ybarra*

Joint Staff Outlines New Steps To Boost JROC's Effectiveness

The Joint Staff plans to limit participation in deliberations over whether to validate proposals for major programs in a bid to boost the effectiveness of the Joint Requirements Oversight Council, which today has "little impact on shaping the force," according to a senior defense official.

On Nov. 2, Air Force Brig. Gen. Richard Stapp, Joint Staff deputy director of requirements, force structure, resources and assessment (J-8), outlined steps in the works to give the JROC -- a Pentagon body that includes the service vice chiefs and is chaired by the vice chairman of the Joint Chiefs of Staff -- a more influential role in shaping the future force.

Future JROC meetings will be restricted to five voting members -- the service vice chiefs and the JROC chair -- and one guest each, as well as the statutory advisors to the committee, which include the Pentagon's acquisition executive, policy boss, comptroller, top weapons' tester and the head of the office of cost assessments and program evaluation. "Minimal others by invitation only," states the briefing slide Stapp used to address the PEO/SYSCOM Commanders Conference at Ft. Belvoir, VA, held Nov. 2-3.

The current JROC construct, which relies on a process for vetting new requirements established in 2002 as well as an alternate track designed to deal with wartime needs, is "ineffective," according to Stapp's briefing slides. The process, called the Joint Capabilities Integration Development System, does not encourage "incisive questions" like those concerning potential tradeoffs between cost, schedule and performance -- key factors that influence the trajectory of all new acquisition efforts.

Documentation requirements under the current process are "intensive," "bureaucratic" and "time-consuming," states the briefing, which concludes that the process "has little impact on shaping the force."

Gen. Martin Dempsey, the new chairman of the Joint Chiefs of Staff, told lawmakers in July that he agreed with the conclusion of his predecessor, Adm. Michael Mullen, that over the last decade -- a period in which the Pentagon budget nearly doubled -- the military has lost its ability to prioritize.

"When times are kind of flush with resources, the culture becomes that you just aren't forced to make those kinds of decisions," Dempsey told the Senate Armed Services Committee on July 26. "And then when the cycle returns and resources are more constrained, it requires a change in culture."

Adm. James Winnefeld, the vice chairman of the Joint Chiefs of Staff and the JROC chair, told Congress this summer that the requirements process needed improvement, and added that the JROC would play a key role in helping DOD navigate a less bountiful budget environment.

"As we move into a period where it appears there will be great downward pressure on the defense budget, I believe the JROC and joint requirements process will need to play a key role in prioritizing what capabilities are most important to the department," Winnefeld said in a statement prepared for his July 21 confirmation hearing. "This will enable the JROC to make informed decisions to ensure the department's most important warfighting capabilities remain intact. I also believe we must do a better job of controlling requirements creep within programs, and that tight synchronization between requirements, budgeting, and acquisition will become even more important in the coming years."

Stapp's briefing states that the intent is to "create a more dynamic and iterative process" that allows Pentagon leaders to "make difficult choices throughout the requirements-process continuum." This will include making "difficult choices

earlier” based in part on a higher-fidelity picture of a program’s estimated cost, schedule and performance. The J-8, according to the briefing, intends “more analytic rigor and . . . portfolio analysis.”

A briefing slide titled “Where we are going” says the JROC will “take the lead in shaping the force” through actions including “stronger emphasis on prioritizing” requirements and capabilities. These actions, according to the briefing, will include steps to “limit the audience” so “decisions can be made.” -- *Jason Sherman*

Pentagon Formally Announces New AirSea Battle Office

The Defense Department last week formally announced the creation of an AirSea Battle Office to implement a newly developed concept of warfare in anti-access and area-denial (A2/AD) environments.

Defense officials described the AirSea Battle (ASB) concept, which has been approved for implementation by the Office of the Secretary of Defense, as designed to counter systems, technologies and capabilities and not potential enemies with A2/AD capabilities, notably China. The new office has a core staff of 12 to 15 individuals from across the military services; it will have access to officials from the combatant commands, individual services and the Joint Staff that deal with A2/AD challenges.

The office was stood up on Aug. 12, according to a DOD statement. *Inside the Pentagon* reported on Nov. 2 that the new office would be staffed by captains and colonels from the different services and overseen by more senior officials. Rear Adm. Sinclair Harris, head of the Navy’s irregular warfare office, is expected to be one of those officers.

At a Nov. 9 Pentagon briefing, defense officials -- who spoke on the condition of anonymity -- singled out the development and proliferation of new, longer-range munitions among potential adversaries as a prime reason for the office’s creation as well as a renewed emphasis on the integration between DOD’s air and sea components.

“We’re not saying A2/AD is new -- it’s been around in warfare for a long, long time,” one of the officials said. “In this century, what does it mean when these new long-range . . . precision systems are employed? What are those consequences? The concept attempts to answer some of those questions and get after it.”

The officials said the new office would contribute to the efforts of Gen. Martin Dempsey, the new chairman of the Joint Chiefs of Staff, to write a new strategic vision for DOD. *ITP* reported earlier this month that the Joint Staff was in the process of determining whether a new strategic document, called a Capstone Concept for Joint Operations, is needed.

According to the officials, the ASB office is envisioned as a long-term, “enduring relationship” between the services, like the AirLand Battle concept was years ago. “I don’t want to make this sound like an AirLand Battle and give those expectations,” a second official said. “However, the parallel here is that was a long-developing concept before it came to fruition. We believe we have the same kind of journey that we’re beginning here.”

The same official said the new office does not yet have a plan for acquisition efforts needed to further DOD’s readiness for conflict in an A2/AD environment, and stressed that the individual services already consider those needs in their budgets. However, he added, “We do expect in the future to have interdependencies that are programmatic as well as operational.”

The officials also said they expect to finalize a strategic document that will explain how the office plans to refine and operationalize Air-Sea Battle, but gave no time line for that report. -- *Gabe Starosta*

MDA Chief Counts Cost Of Counterfeit Parts . . . begins on page one

Committee hearing.

One case resulted in the removal and replacement of nearly 800 parts.

“MDA has no indication of a counterfeit part in any of our fielded [Ballistic Missile Defense System] hardware, but aside from the financial impacts, our greatest concern from the use of counterfeit parts is the operational cost of the malfunctioning interceptor, a cost measured in lives lost or the negative impacts on our national security strategy,” O’Reilly said.

He noted the BMDS is only as reliable as its least reliable component, noting that there are more than 3,000 suppliers in the system supply chain. O’Reilly said the best way to eliminate counterfeit parts is to eliminate their source.

MDA has instituted a policy that states that only parts from original manufacturers and authorized distributors will be accepted in agency contracts. If an independent parts distributor must be used in cases where parts are no longer manufactured, the contractor must first verify an authorized distributor cannot be used, and then do intensive testing on the parts. The MDA must also have site assessments of these distributors.

MDA has assessed 51 unauthorized distributors so far and more than 50 percent of those assessed were viewed as unacceptable, according to O’Reilly’s written statement.

In light of findings that China is flooding the worldwide market with counterfeit electronic parts, the Senate Armed Services Committee wants the United States to scrutinize all Chinese electronic parts entering the country and to require contractors to foot the bill for replacing counterfeit parts in weapon systems.

During the Nov. 8 all-day hearing, committee Chairman Sen. Carl Levin (D-MI) requested industry leaders and the

MDA director to provide input on the best way to shape proposed legislation to deal with what he dubbed “a clear and present danger” to U.S. troops.

Levin also wants to develop a certification process for parts that don’t come from the original manufacturer or authorized dealer. A committee investigation found that the majority of counterfeit parts originate in China. The committee also discovered contractors were failing to promptly notify the government or fellow companies of the problems.

Levin wants to ensure that companies inform the government of all counterfeit issues. During the hearing, he chided a Boeing representative for failing to report to the Navy a suspect part in the ice-detection module on the P-8A Poseidon for more than a year and a half. Contractors and distributors also should be better at filing reports with the Government Industry Data Exchange Program, a DOD-run system that’s supposed to provide a forum to report suspected counterfeit parts and suppliers who sold them.

The goal is to amend language to the fiscal year 2012 defense authorization bill when it comes before the Senate, which is expected to occur in the near future. The chairman anticipates a number of his colleagues will cosponsor the bill. “We’re going to do everything we can to stymie and stop this at the source,” Levin said.

Having contractors -- not the taxpayer -- cover counterfeit-related costs will force them to more diligently inspect their supply chains, Levin said. The senator also noted that the planned inspection on all electronic parts from China would be similar to how the U.S. screens potentially dangerous agricultural products. This cost would be borne by the shippers.

It is up to the United States government to take a stand, he said.

“We cannot rely on the Chinese to act,” Levin said during the hearing. “I think that’s been proven for a long period of time. The Chinese say that they have an effort going on to act against counterfeits, and it’s baloney.”

Witnesses at the hearing said they were interested in providing input to the proposed legislation.

During a press conference Monday, Sen. John McCain (R-AZ), the committee’s ranking member, noted that Congress can’t change the problem in China, but can work to address it at home. He noted that counterfeit parts could have a detrimental effect on a weapon system’s life-cycle cost, as well as a safety risk.

A committee investigation delving into more than 100 cases of suspected counterfeit electronic parts found that more than 70 percent of them came from China. The city of Shenzhen in Guangdong Province is “the primary source of counterfeit electronic parts,” Levin said. In the other cases, parts were traced back to the United Kingdom and Canada, known resale points for counterfeit Chinese parts, according to the panel’s findings.

As part of the study, committee staffers asked defense contractors to identify cases of suspected counterfeit parts over a two-year period, and got back nearly 1,800 cases covering nearly one million individual parts.

Many of these parts come from electronic waste, which is taken apart, washed in rivers and dried on city sidewalks. Counterfeiters sand down numbers and other markings, and recoat and reprint the parts with new fake markings. Thomas Sharpe, the vice president of SMT Corp., testified that when he was in China in 2008, he saw piles of electronic scraps everywhere, and witnessed parts washed in rivers and dried on river banks, and “nylon sacks with harvested components being dumped onto sidewalks, and sorted by women and children.” SMT Corp. specializes in the sourcing, authentication testing and supplying of obsolete components to the defense and aerospace industry, according to Sharpe’s prepared statement.

“Since the Chinese government is so well aware of what’s going on as far as the counterfeiting in the country, it would seem to me that they could get a handle on this rather quickly, if they were to make that effort to do so,” Sharpe said.

Committee staffers attempted to go to China, but were denied entry. Levin also noted the Chinese ambassador declined to send representation to Tuesday’s hearing.

These counterfeit parts, which are both fake parts and older parts remade to look new, are entering the Defense Department’s supply chain, posing a risk to national security and affecting defense system reliability. Suspect counterfeit parts have been found on mission computers for MDA’s Terminal High Altitude Area Defense missile, and military airplanes, including the C-17, C-130J, C-27J and P-8A, according to Levin’s prepared statement. Two C-27Js with suspect counterfeit parts are in Afghanistan.

“Our fighter pilots rely on night vision systems enabled by transistors the size of paper clips to identify targets. Our troops depend on radios and GPS devices, and the micro-electronics that make them work, to stay in contact with their units and to get advance warning of threats that may be just around the next corner,” Levin said. “The failure of a single electronic part can leave a soldier, sailor, airman or Marine vulnerable at the worst possible time. A flood of counterfeit electronic parts has made it a lot harder to have confidence that won’t happen.”

He noted that industry has been cooperative in the investigation.

In a fact sheet released Tuesday, the Pentagon said there “has been no loss of life or catastrophic mission failure due to counterfeit parts.” DOD is coordinating an anti-counterfeit policy that’s expected to be released in March 2012.

Despite knowing that Chinese counterfeit electronic parts are flooding the market, the federal government is not avoiding the companies selling those parts, a Government Accountability Office official told senators. GAO Managing Director of Forensic Audits and Investigative Service Richard Hillman said inferior products continue to be available to

suppliers looking for equipment.

Hillman's comments came in response to an inquiry from Sen. Joe Manchin (D-WV), who demanded to know whether the U.S. government and DOD are still doing business with these companies. Hillman said the Internet purchasing platforms provide contractors a place to acquire these parts.

But Manchin was not pleased with the response. "I just asked a very simple question," Manchin said. "Is the United States government still purchasing from these counterfeiters that are putting out inferior products?"

"The Internet trading platforms have 40 million to 60 million line items and parts that are purchased on a regular basis," Hillman said.

Preliminary results of a GAO investigation discovered firsthand the availability of counterfeit parts on Internet platforms. As part of the study, GAO created a fake company to get access to Internet platforms that sell military-grade electronic parts, and requested quotes from vendors on 13 parts. Some of these requests were for real obsolete and rare parts. GAO also sought parts with date codes after the last date they were manufactured, as well as parts with "bogus part numbers" according to Hillman.

None of the seven parts received and tested are authentic. GAO also received three parts in response to made-up numbers.

"We will be referring the results of our investigation to the inspector generals at the Department of Defense for further review and potential action," Hillman said.

Sharpe said the U.S. government and industry could avoid China if desired. "The open market of China is definitely not a place to go," he said.

Levin noted that the committee might hold an additional hearing to determine what the Pentagon is doing to keep counterfeit parts out of its supply chain. -- *Jordana Mishory*

Raytheon Gets X-Band Radar Contract . . . begins on page one

sustaining the family of X-band radars. The radars are used by the Army and the Navy in support of the Ballistic Missile Defense System. The contract, which covers fiscal years 2012 and 2013, funds sustainment efforts for X-band radars already produced by Raytheon for MDA and the Ballistic Missile Defense Organization for the past 18 years, according to the J&A notice.

Justification documents are required in all cases of sole-source contracts. They detail reasons for picking a single company for an award, versus inviting bids and picking among several. In this case, officials chose Raytheon because it would take eight months following a contract award for a new contractor to become familiarized enough to sustain the system "without unacceptable risk," the document states.

MDA intends to establish a data package that would allow for competition for future sustainment requirements, the J&A notice states. "It is estimated that it will take a minimum of twenty-one months to establish a TDP and conduct a full and open competition," according to the document.

While the MDA works toward the opportunity to compete the X-band radar development, Raytheon "has the unique technical expertise to sustain the existing software builds; develop and maintain models and simulations that accurately replicate the operational software used on the fielded radar units; provide engineering services to deployed radars; and provide the X-Band radar planning, execution and analysis to support BMDS tests," the J&A document states. The

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contract does not include new development work.

The software systems running the X-band radars consist of over a million lines of code primarily developed in legacy software language and within “a monolithic architecture,” the document states. Monolithic architecture combines the user interface with the data access code into one platform. The architecture “results in a reliance” of Raytheon’s expertise, according to the notice.

The MDA intends to convert the X-band radar architecture from monolithic to modular, which will take place incrementally, according to MDA spokesman Rick Lehner. “Modular architecture will be developed under the future competed contract,” he said. This architecture allows for components to be changed without affecting the entire system.

The J&A document makes note of a pre-solicitation notice posted on the *Federal Business Opportunities* website on August 2, 2010. The pre-solicitation announced the government’s intent to award a sole-source, follow-on contract to Raytheon. However, the notice included a provision for other potential sources to respond.

Boeing responded on August, 19, 2010, proposing an alternative acquisition strategy, according to the J&A notice. But MDA decided Boeing could not meet existing sustainment requirements “without introducing unacceptable program delay.”

However, the notice stated that Boeing provided “excellent examples in their response of their abilities as a system integrator,” but, “they do not currently have the requisite familiarity with the software system to perform the effort described herein without a technical data package and additional time to become familiar with the current system developed by Raytheon.”

The X-band radar recently made headlines when the United States announced its intentions to set up a base in Turkey equipped with an Army Navy/Transportable Radar Surveillance (AN/TPY-2) X-Band radar by the end of the year. -- *Jen Judson*

MEADS Contract Amendment Covers Three Tests . . . begins on page one

the contract is funded through completion,” Marty Coyne, Lockheed Martin’s MEADS business development director, told *Inside the Army* in a Nov. 3 phone interview.

Coyne said all three nations involved in developing MEADS, as part of the contract, will get ownership of the system’s technical data package. Each nation will have access to the same intellectual property developed under the MEADS contract, such as the 360-degree sensor, the lightweight launcher, the battle manager and the software, according to Coyne.

The United States in February said it would abandon the program after its development phase ends in 2014, and after spending an additional \$800 million on it until then. The program is years behind schedule and would require an additional \$1 billion to accomplish the goals it set in the 2004 memorandum of understanding, according to the Pentagon. The cancellation of the program following its TD phase sparked a debate on Capitol Hill as to whether the program should be funded even to that point.

House defense authorizers and appropriators slashed \$150 million from the Army’s \$400-million fiscal year 2012 request. Senate defense authorizers proposed not to fund the program at all; Senate appropriators fully funded it. A conference committee will determine the final funding level.

As the owner of the data package, the United States would not be bound to use Lockheed Martin for future work relating to the technology garnered from MEADS, but, Coyne said, “As you would imagine, with any project, there is an incredible amount of expertise, experience and know-how that comes with the folks that develop the technology, so to now start over from scratch on that aspect just because you have the technical data package, to give it to somebody brand new without the years of experience . . . it’s a scenario, maybe, but maybe an unlikely scenario.

“But there is nothing in [the contract] that says you have to use Lockheed Martin,” he said.

Either way, Lockheed is expected to keep a stake in further developments because the company makes the Missile Segment Enhancement missile, which MEADS was designed to fire.

Besides intellectual-property transfers, the recently signed contract amendment covers three flight tests. The first, a test of the launcher, is set for Nov. 17 at White Sands Missile Range, NM.

The test will demonstrate the 360-degree engagement capability of the launcher, a Lockheed Martin statement released on Nov. 3 said. The test involves an “over-the-shoulder launch of a Patriot Advanced Capability-3 MSE Missile against a simulated target that attacks from a rear quadrant,” the statement said.

Two intercept tests will follow, according to the statement. A first test will be against an air-breathing threat in late 2012 and in 2013 a tactical ballistic missile intercept test will be conducted.

For Lockheed, the contract amendment signifies stability, Coyne said. “We have contractual guidance for the next two years so that gives us a level of stability that really allows us to simply focus on the job at hand.”

Coyne said Lockheed sees the possibility of MEADS surviving past the TD phase. “What we think is going to happen is that we are going to be exceedingly successful in these three flight tests starting this November and there is going to be a follow-on to complete the development and go into production. That is what we believe is going to happen, but we have work to do to get to that point, obviously,” he said. -- *Jen Judson*

Budget shares could shift

Flournoy: DOD Strategy Review Sparking Programmatic Debates

As the Defense Department moves to cut security spending by hundreds of billions of dollars over the next decade, it faces “fierce” internal debates about the impact on programs, according to Pentagon policy chief Michèle Flournoy.

The department has made headway developing elements of the strategy that will drive budgetary and programmatic decisions, she said, noting the effort will inform the fiscal year 2013 budget request slated to be released next February.

DOD’s ongoing strategic and budgetary review is an opportunity to “go back to first principles” in defining priorities and stating how to protect and advance those priorities, Flournoy told reporters at National Defense University last week. The National Security Strategy released in 2010 by the Obama administration is the closest thing the nation has to a grand strategy, she said.

“I think a lot of the debate now is given the changing economic circumstances, do we need to rethink our strategy or rearticulate the strategy in light of those constraints,” she said. “I mean, strategy should never be driven by budgets, but it has to be informed by budget constraints.”

But even when there is consensus on strategic issues, the impact on Pentagon programs can be hotly debated. “It is hard to do because there’s so much debate about connective tissue between a given element of strategy and what does that mean in terms of programs,” she said. “You can have a lot of people in a room agree on the strategy and then have fierce debates over whether a given program ties to that strategy or not.”

Moreover, the fiscal challenges facing the nation are forcing the department to make hard decisions about where to place emphasis and where to manage risk, Flournoy said.

“When you’re in a period of extreme budgetary austerity that could get even worse, those questions become front and center on the table,” she said. “And the only way you answer them coherently is to answer them first as a matter of strategy.”

The Asia-Pacific region is a very high priority because of its increasingly strong economic ties to the United States, but other areas such as the Middle East and Europe remain important, she said.

Flournoy said she is worried the imbalance between the nation’s relatively high investment in defense compared to diplomacy could grow “more severe.” That would impede efforts to develop a coherent approach to future national security challenges, she said.

Further, Flournoy acknowledged DOD could change the way it divides its budget among the armed services.

“If you take a strategy-driven perspective, there are no going-in assumptions about, you know, the division of the pie or . . . what the proportional shares will be by component,” she said. “I mean, obviously we’re starting from a baseline where that’s been the case. But we’re trying to look at the puts and takes from the strategy-driven perspective first and foremost.”

In September, then-Chairman of the Joint Chiefs of Staff Adm. Michael Mullen questioned the wisdom of continuing to treat the Army, Navy and Air Force as fiscal equals, noting the “one-third, one-third, one-third” approach to funding the three military departments could be obsolete.

“I don’t know if that’s right,” Mullen said. “Actually, if it isn’t right, we need to change that.”

The Army’s share of the budget is very likely to drop over the next decade, according to John Nagl, president of the Center for a New American Security and a retired Army officer. The budget share has “shifted substantially over the past decade” because ground forces received substantial funding for the Iraq and Afghanistan wars in the “overseas contingency operations” account, which is outside the base budget, Nagl noted.

“Save for that accounting trick, the Army share of the overall budget would have been appreciably more than one-third,” he told *Inside the Pentagon* in September. -- Christopher J. Castelli

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