



Lockheed Martin Perspective On Improving the Defense Acquisition System

Before the Defense Acquisition Performance Assessment Panel

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Priorities



- ***Key Themes***

- ***Budget/Program/Requirements Stability***
- ***Workforce Skills and Experience***
- ***Contract Incentives***

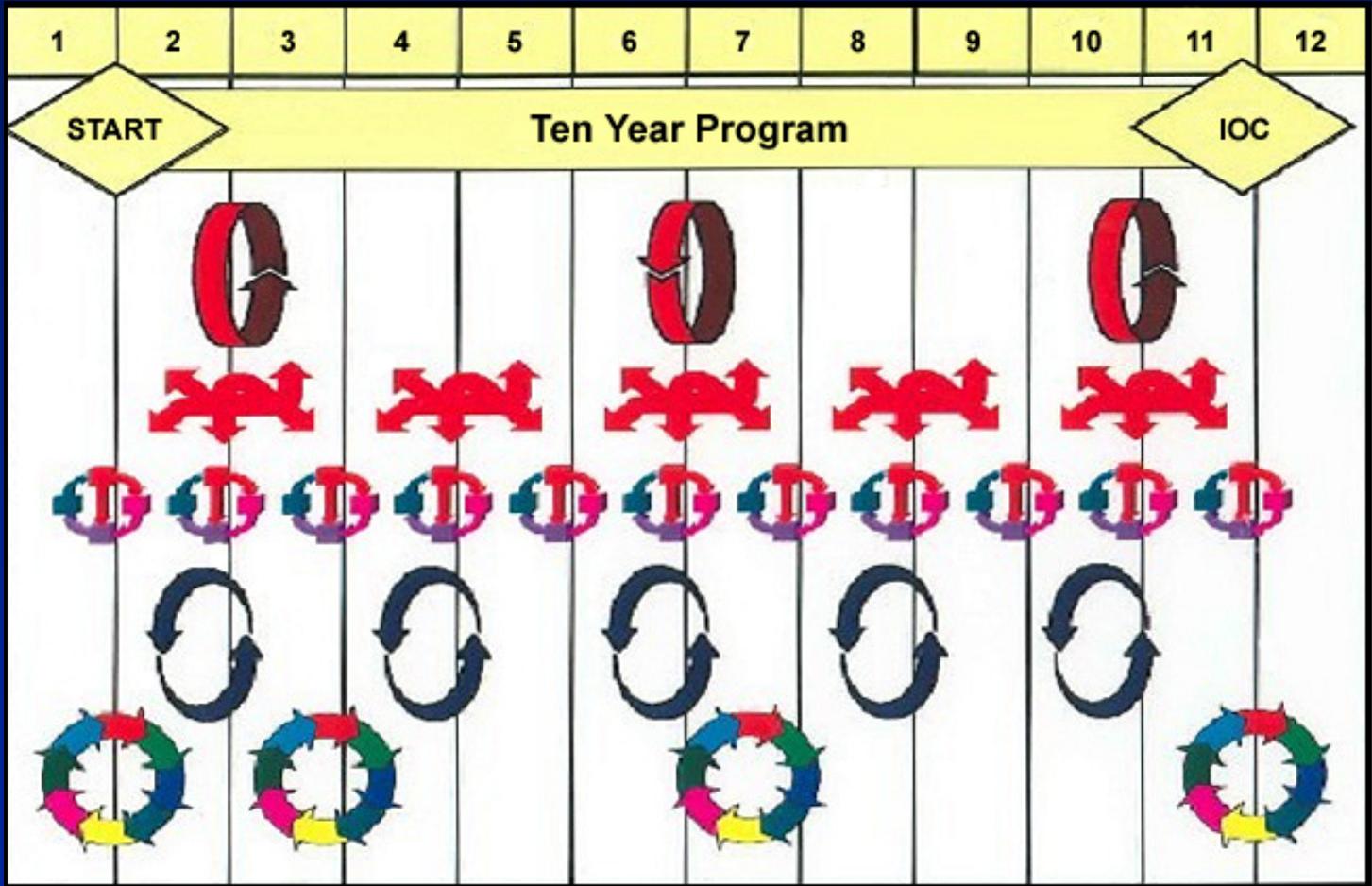
- ***Emerging Challenges***

Formula for Program Instability



Typical 10-Year Program

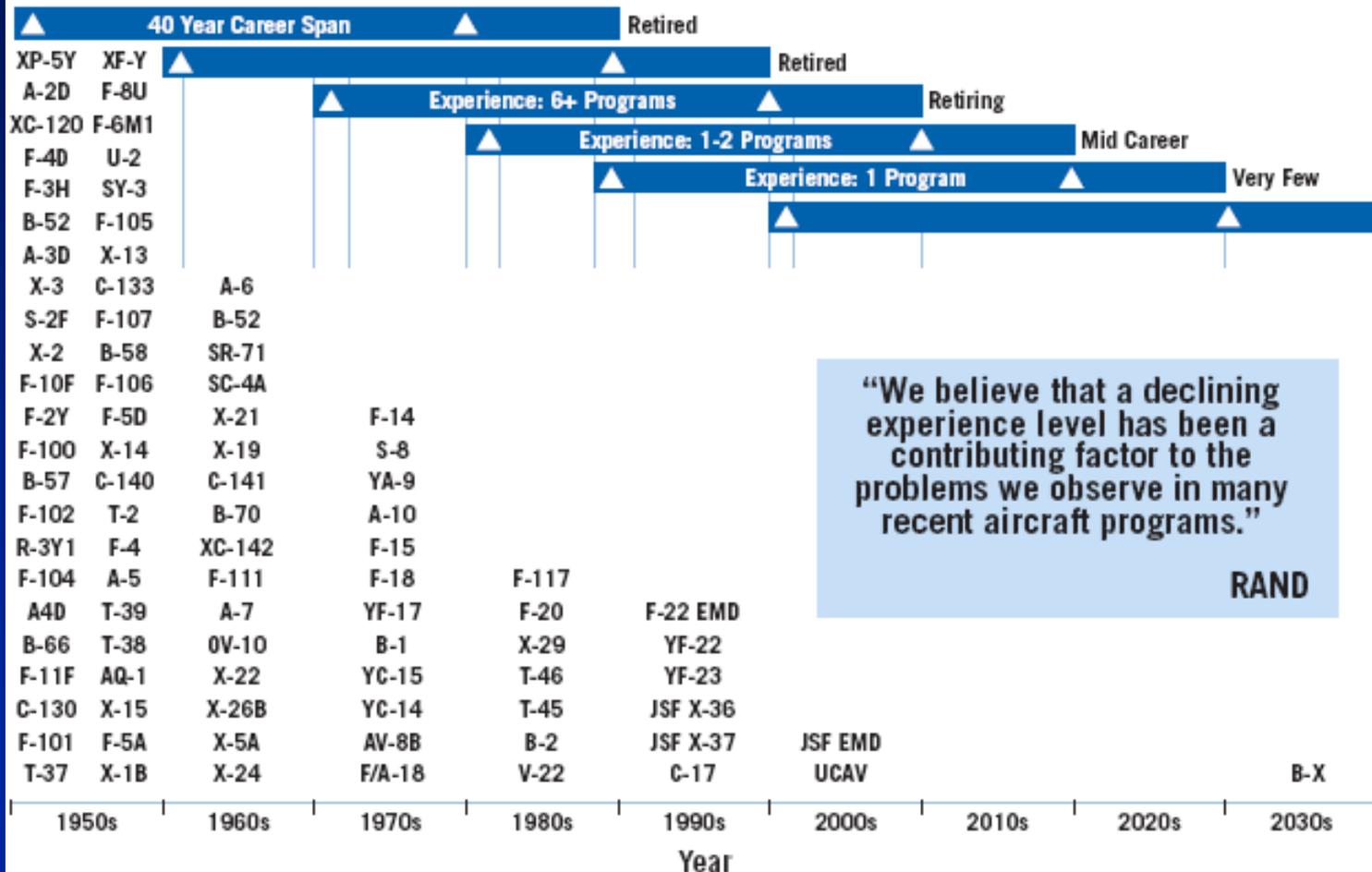
Schedule



Defining the Acquisition Problem: People



Figure 4-3 Declining Experience Levels in Military Aircraft Programs
(Vertical Bars: Military Aircraft Program Starts, Horizontal Bars: Typical 40 Year Career Span)



“We believe that a declining experience level has been a contributing factor to the problems we observe in many recent aircraft programs.”
RAND

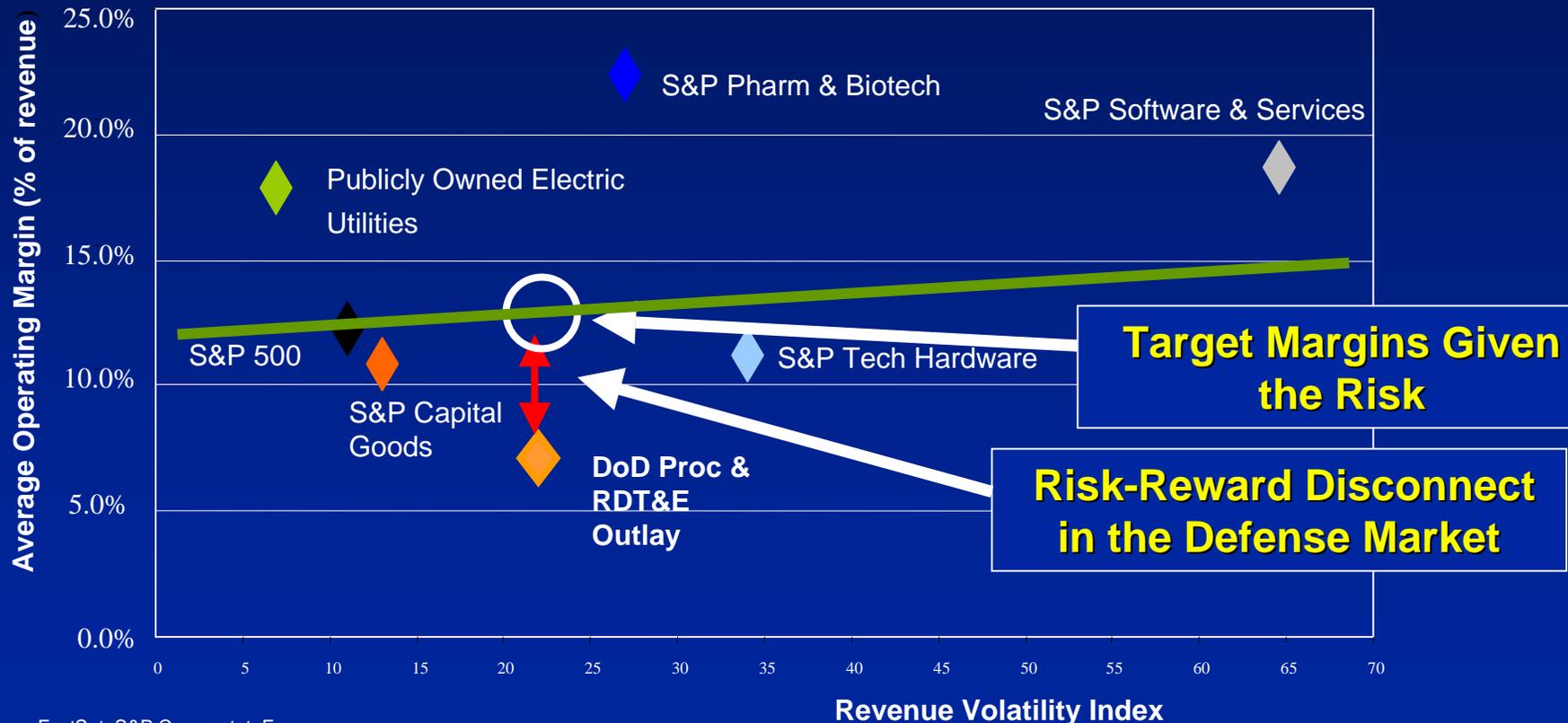
Source: RAND Study (Chart by Northrop Grumman, Aerospace Industries Association)

Risk-Reward Disconnect in the Defense Business

(Source: CSIS Defense Index)



**Industry Revenue Volatility versus Average Operating Margin
1980-2003 (weighted by revenue)**



Sources: FactSet, S&P Compustat, Energy Information Administration, Congressional Reports, CSIS Analysis

Emerging Challenges

- ***Organizational Conflicts of Interest (OCI) Mitigation***
- ***Incentivize Interdependency of Net-Centric Capabilities***
- ***Recognize the Value of Incumbency for Space Systems***
- ***Promote Public-Private Partnerships and Outsourcing***
- ***Need to Address Parts Obsolescence/ Technology Refresh***



Lockheed Martin Summary



- ***Concerned about Adverse Trends and Hopeful DAPA Will Catalyze Improvements***
- ***Cautions That Any Reforms Undertaken Not Upset the Positive Aspects of the Existing System***
- ***Recommends Utilizing a DPACT-like Entity to Enable Continued DoD-Industry Dialogue on Issues***
- ***Believes Industry and Government Alike Must Achieve a Cultural Shift to Enable Reforms to Succeed***