

Teledyne Technologies comments at DoD OCI Industry Meeting, 8 December 2009

Good afternoon. I am Steve Kuffner and I am representing Teledyne Technologies, Incorporated, accompanied by Dr. Ron Greenwood and Rob Schaefer. Teledyne is a leading provider of sophisticated electronic components and subsystems, instrumentation and communications products. We also provide engineered systems and information technology services for defense, space and environmental applications, manufacture general aviation engines and components, and supply energy generation, energy storage and small propulsion products. Approximately 29% of our \$1.9B in 2008 revenue was from business with the Department of Defense. As such, we provide broad-based technical expertise in systems engineering, systems analysis, and hardware support – both as a supplier of components, subassemblies and subsystems, and as a provider of development support for prime contractors as well as directly with the Government.

We are here today to share our views on one of the Organizational Conflict of Interest (OCI) issues addressed in the Weapon Systems Acquisition Reform Act of 2009: that is, possible conflicts arising from one company affiliate performing engineering services for the Government, while another affiliate supports weapon system development with a prime contractor. Our experience is that the same broad based technical skills realized through performance in a variety of roles, result in a depth of skills that significantly benefits the Government both directly and through prime developers – in fact, this diversity of experience provides a highly desirable contrasting perspective regardless of the work performed. In the past, the DFARS allowed contracting officers considerable latitude to accept mitigation plans resolving real or perceived OCI issues. Like many

DoD contractors, Teledyne also supports a diverse array of other government agencies. It is very important in this environment to have consistent OCI policy and application guidelines across the spectrum of supported government agencies.

Teledyne's experience is that the current DFARS permits significant variation concerning acceptability of mitigation strategies among, and often within, DoD agencies. Teledyne believes that the recommendations set forth in the 1423 Panel report for the Service Acquisition Reform Act of 2003 is a good approach to deal with existing OCI issues. The government should adopt new, uniform and government-wide clauses dealing with OCIs and it should develop training and techniques for procurement personnel to deal with OCI situations. If the recommendations of the 1423 Panel are not adopted, then Teledyne believes that there is an approach that will assure OCI concerns are mitigated.

Language in the Conference report for the Weapons System Acquisition Reform Act mandated that the Department consider measures such as those set forth in Foreign Ownership, Control or Influence, or "FOCI", programs. This approach provides the necessary framework for a potentially acceptable OCI mitigation approach in the extreme. DFARS implementation of the Weapon System Acquisition Reform Act is also the opportunity to provide uniform guidance for OCI analysis and protections across all elements of DoD.

The FOCI methodology has worked to avoid influence of a parent or affiliate firm and associated information flow in the opposite direction. DoD has precedence and experience successfully implementing FOCI processes and procedures. There is reason to believe that adopting mitigation measures similar to FOCI programs, to the issues

found with OCIs, could serve to fully mitigate OCIs, while allowing continued successful business execution and protecting DoD interests. Guidelines that preserve the interests of national security concerning foreign-owned firms and the transfer of controlled information, can similarly preserve DoD interests concerning OCI.

The Conference report on Section 207 of the Act expects the Department to consider measures similar to those contained in Section 205 of the Senate Bill. That section recommends five measures similar to those found in FOCI programs. Teledyne recommends measures similar to those called out in the Senate Bill as it would fully protect Government interests while continuing to allow industry to provide DoD the best possible technical support.

It turns out that Teledyne has implemented the intent of WSARA in structuring 2 affiliates in a way which strengthens the classic firewalls and protects Government interests. We recommend the following FOCI-like measures:

- establishment of the affiliate as a separate business entity, geographically separated from related entities, with its own employees and management and restrictions on transfers for personnel;
- a governing board for the affiliate that has organizational separation from related entities;
- appropriate informational separation, including the execution of nondisclosure agreements;
- initial and recurring training on organizational conflict of interests, and protections against organizational conflicts of interest; and

- contractor compliance programs with annual audit, subject to Government oversight

By implementing regulations consistent with existing FOCI-like requirements:

- DoD would benefit from maximum competition (from having more qualified sources) as U.S. companies would not be subject to unnecessary contracting restrictions resulting from OCI concerns.
- DoD would be assured of the best technical solutions and support, as companies would be less likely to make strategic business decisions that adversely impact the Government, such as restricting participation in SETA program phases, selling-off SETA businesses, transferring key technical resources out of SETA business, or even exiting key markets.
- Industry would continue to leverage significant investment and technical expertise in support of all phases of government program execution

DoD's experience of the past few years indicates that implementing OCI mitigation guidelines that include measures, similar to those found in the successful FOCI mitigation approach, is in the best interest of the Government. This approach also serves to preserve government interests without diminishing industry's ability to develop products and deliver services to meet DoD requirements. Consistently applied, these guidelines would provide an acceptable path to minimize DoD program risk and will allow industry to continue providing its best possible technical advice and support.

Thank you