



Industrial Base Considerations in the QDR

Overview of Industrial Policy Participation

December 3, 2009

**Dawn Vehmeier
Acting Deputy Director
(Industrial Policy)**



Current Industrial Policy Thrust Areas

- Significantly improve the DoD's outreach and dialogue with industry
 - Individual company meetings
 - Industry associations
 - CEO Forums
 - Financial industry meetings
 - Congress
- Quadrennial Defense Review
 - Participating actively
 - Specific issues and broad themes will be addressed
- Think forward, not backward – get in front of issues before they become issues
 - Concentration on 2nd and 3rd tier suppliers
 - Facilities, not just stock symbols
 - Recognize new policy challenges
 - OCI, in-sourcing, etc, and effects they have on the industrial base
 - Budgetary environment
 - Reset the table



How Is This QDR Different? (according to the Deputy Secretary)

- First time we are planning for the current war – not just future wars
- Unique political context – change and continuity
 - SECDEF holdover from previous Administration
 - Led to an agenda-setting budget
 - Budgeting process doesn't stop while planning strategies - iterative
 - 3 budgets at play at any given time
- Warfare planning has changed
 - Not based on 2 major regional conflicts
 - Scenario-based vs. capability-based
 - Need more ISR, unmanned, vertical lift, littoral, intel, civil affairs
 - Also need space-based command and control, cultural language skills, cyberspace capabilities



Strengthening the Industrial Base – Theme in the QDR

- DoD's laissez-faire approach to the defense industry in the past is not appropriate for the today's complex environment
 - Defense industry has consolidated around 20th century platforms rather than the broad and flexible system of systems we will need in the future
 - Economic crisis and increased globalization call for a more active DoD role in promoting health and vitality of the defense industrial base
 - Requires a long-term approach in partnership with industry and Congress
 - Department will continue to rely on market forces whenever possible and appropriate, but is prepared to intervene when absolutely necessary
 - DoD will take a more active role in shaping an environment in which our industries can thrive and compete globally
- Department must view industry in context
 - Varies from defense-unique items (submarines, missiles, bombers) to purely commercial items and technologies (computer chips, telecommunications)
 - Mix and scope of products and services requires a sophisticated and evolved approach which takes into account items across the continuum
- Partnership with industry is necessary for success
 - DoD goods and services reach deep into overall economy – 2nd, 3rd, and 4th tier suppliers will be primary focus
 - Financial community has an important, and often overlooked, role to play
- Articulate a National Security Industrial Vision which includes:
 - Structuring programs to promote competition and innovation
 - Seeking out the best technologies worldwide
 - Pursuing a balance between leveraging the benefits of a globalized marketplace while minimizing the inherent associated risks
 - Taking into account individual programs with a more holistic view
 - Building a much more robust, interactive, and true partnership with industry



Industrial Policy's Involvement in Program Review Issue Teams

- Fixed-wing & vertical-lift design capabilities
 - Development and design workload at historic low level – insufficient to maintain the existing workforce
 - Aging workforce/retirements likely to compound the problem
 - Military unique skills include: vertical-lift aerodynamics, large transmissions, rotor-design hypersonics, canopy and cockpit design and integration, stores management and weapons separation, loads, stress and aerodynamics
 - Very high risk for execution of new programs
- Shipbuilding
 - Design stability and serial production are key elements necessary to reduce costs
 - Stable workloads to maintain necessary skills
 - Difficult to make business case for capital improvements in facilities without steady workload
 - Little reserve capacity – facilities are bottlenecks, not manpower
- Solid rocket motors
 - No new starts for large SRM systems
 - Declining or ending requirements for strategic systems
 - Inter-agency working group (including NASA) to address future viability of this sector
- Space, C4ISR, IT/Communications
 - Aging and retiring design and development workforce