

**Defense Security Cooperation Agency
Security Cooperation Programming Conference**



U.S. AIR FORCE

Air Force Programmatic Guidance Response

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Director of Policy

10 April 2001



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Agenda

- Opening Statement
- Security Cooperation Issues and Challenges
- Anticipated Sales and Workload
- Organizational Improvement
- Budget - Core Functions
- Feedback on the PBB Process
- Out-Year Comments
- Summary



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Opening Statement



The Air Force:

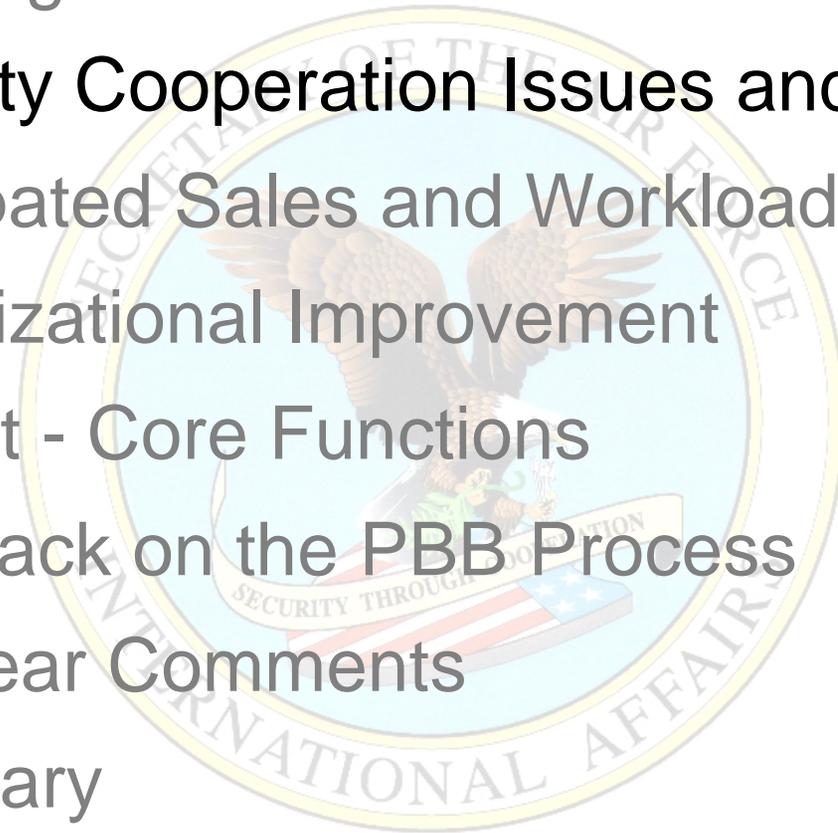
- Fully supports the development of the Performance Based Budgeting (PBB) and Performance Based Costing (PBC) processes
- Will set the stage for a programmatic-level discussion of priorities and funding



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Security Cooperation Issues and Challenges



- Workforce
- Direct Commercial Sales
- Automation
- Program Management Lines
- Policy Formulation
- Development and Standardization of Performance Measures / Metrics



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Security Cooperation Issues and Challenges: Workforce



Human resources are our number one priority.

- Workforce Stability
- Work Environment Improvement
- Career Development
- Aging Workforce
- Training





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Security Cooperation Issues and Challenges: Direct Commercial Sales



Defense sales support national security objectives. Teaming is critical:

- US Industry
- Foreign Allies
- USAF Counterparts



Proposed changes to Section 30 of the AECA will enhance our ability to support our customers.



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Security Cooperation Issues and Challenges: Automation



Our future success is dependent on technology

➤ DSAMS

- Training module schedule challenging
 - Conversion issues
 - Financial/Operational integration unknown
- Case Execution cancellation
 - Interim funding is required to upgrade legacy systems





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Security Cooperation Issues and Challenges: Direct Case Funding



DSCA is developing a policy on the use of program management lines.

- Policy formulation should be delayed until analysis of PBC data can support the proposed policy.
 - PBC effort will capture cost data
 - May diminish the need for FMS surcharges as more costs are linked directly to cases



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Security Cooperation Issues and Challenges: Policy Formulation



DSCA should be proactive in funding nonrecurring costs associated with FMS versions of next generation platforms:

➤ AIM-9X



➤ JASSM





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Security Cooperation Issues and Challenges: Development/Standardization: Performance Measures



Ensure measures and metrics are meaningful:

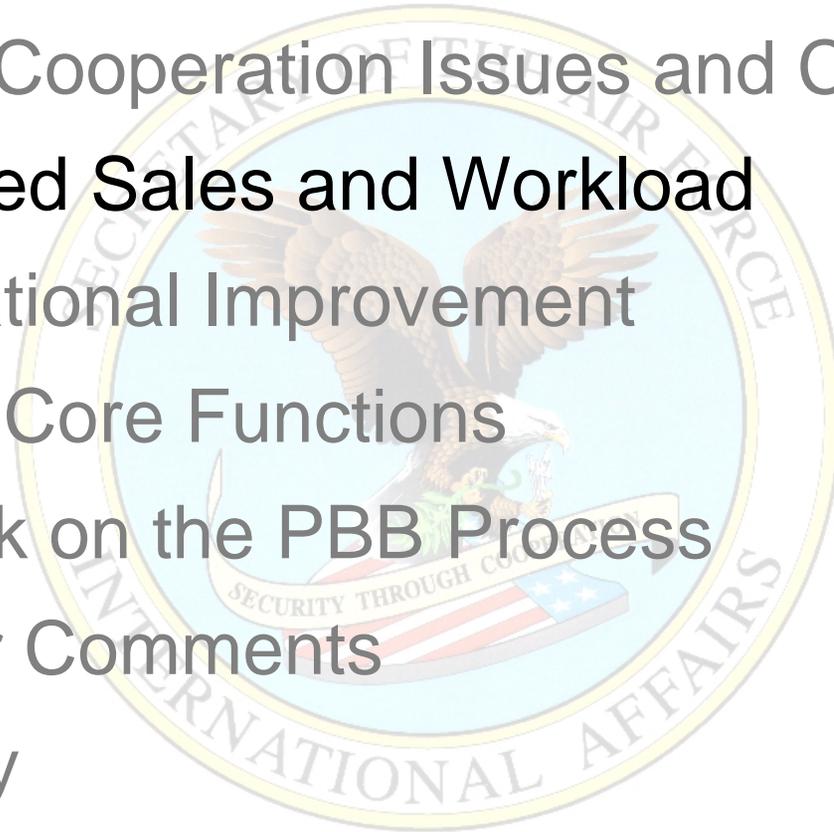
- “What gets measured, gets done”
- Compare “apples-to-apples”
- “Garbage in, garbage out”
- Doing it cheaper



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Anticipated Sales and Workload: New – FY02



- Precision Guided Munitions
 - \$600M
- Fighter Aircraft Platforms – F-15 & F-16
 - \$4.2B
- C4I Platforms
 - \$1.4B
- Airlift/Refueling Platforms
 - \$825M





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Anticipated Sales and Workload: Sustainment



Decreasing defense budgets:

- Worldwide Redistribution System (WWRS)
 - \$1.035B Inventory value for potential sale

Increasing upgrades of older platform versions:

- Parts Repair and Ordering System (PROS)
 - New 5-year Contract - \$240M sales per year





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Anticipated Sales and Workload: Existing Sales and Workload



■ Foreign CONUS Beddown:

➤ Singapore

- KC-135's at McConnell AFB
- F16's at Luke AFB and Cannon AFB

➤ German Tornados at Holloman AFB

➤ Taiwanese F-16 squadrons at Luke AFB

➤ UAE and Israel – TBD

■ Increased Workload:

➤ Clearances / Access

➤ Space / Training slots





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Anticipated Sales and Workload: Support



- UAE F-16, Block 60 Support - \$1.5B
- Australia AEW&C - \$150M
- C-17 Support Strategy - \$350M
- Egypt IFF Platform Integration - \$330M

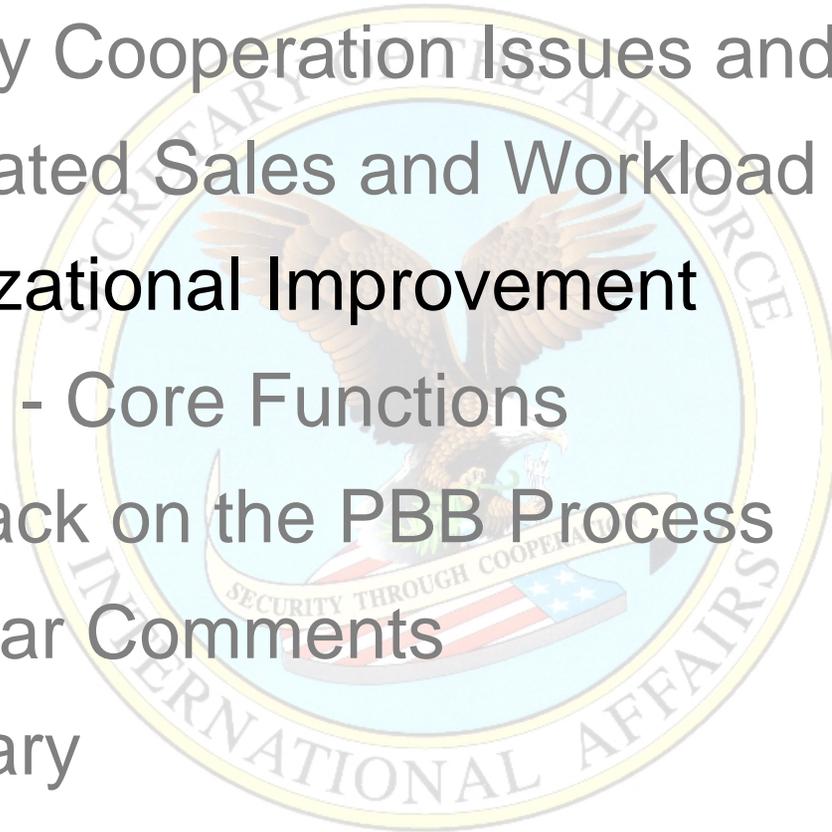




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Organizational Improvement: SAF/IA Vision, Mission, and Core Competencies



■ Vision:

- *Dominant aerospace coalitions*

■ Mission:

- *To build access, interoperability, and coalition partners for the Expeditionary Aerospace Force*

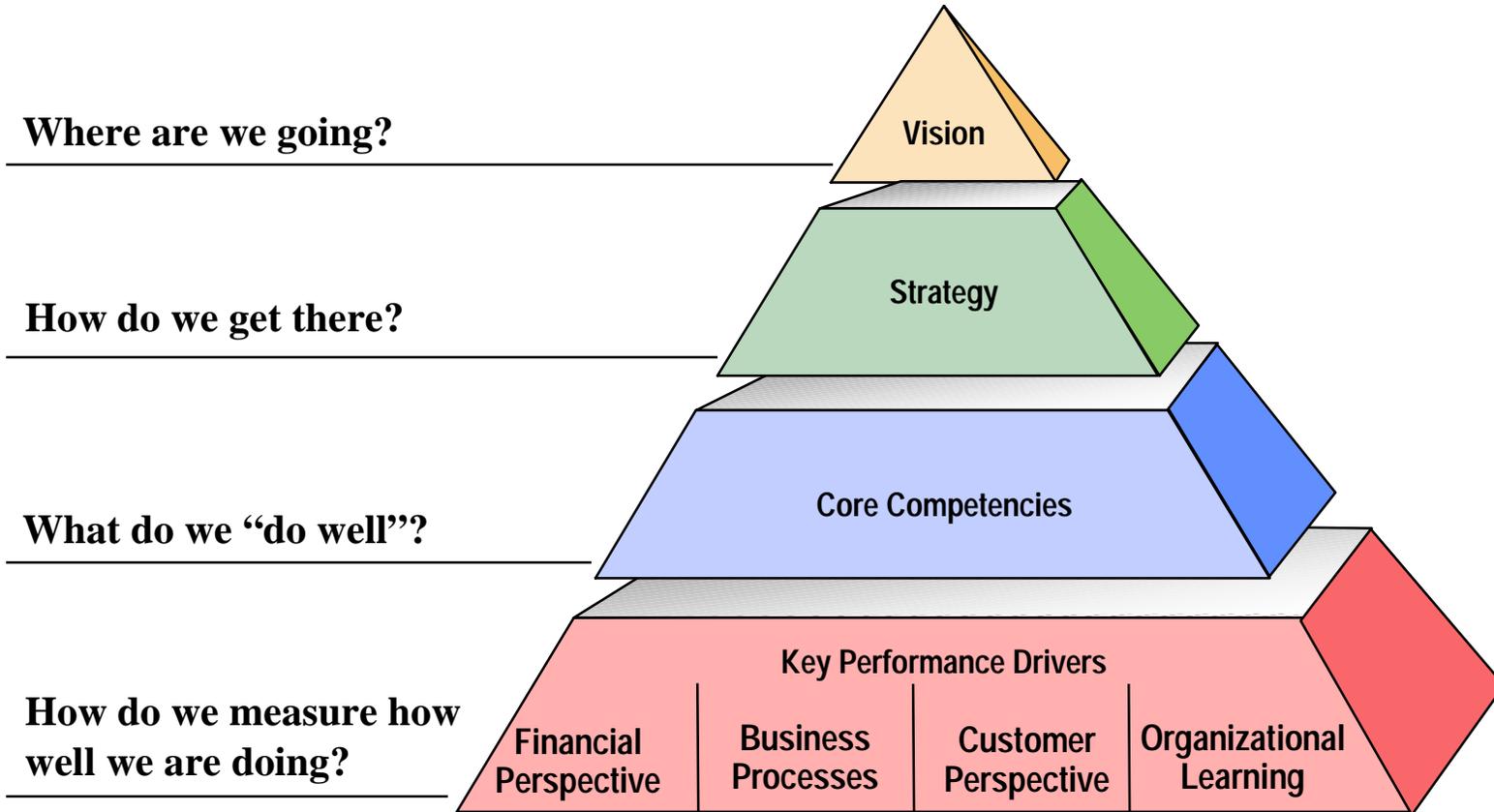
■ Core Competencies:

- *Security assistance*
- *Armaments cooperation*
- *Technology transfer*
- *Pol-Mil assessment*
- *Comparative weapons analysis*
- *International airman programs*



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Organizational Improvement : SAF/IA Vision, Mission, and Core Competencies





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Organizational Improvement : Key Performance Drivers



■ Financial Perspective:

- *Reduce end-to-end costs to deliver FMS programs*

■ Business Processes:

- *Simplify and eliminate steps no longer required by today's level of automation*

■ Customer Perspective:

- *Provide increased FMS value*
 - *Lower costs*
 - *Quicker delivery*
 - *Programs that work*

■ Organizational Learning

- *Accomplishment of mission is dependent on continuous spiral learning*
- *Acquire the skills necessary to continuously improve process*



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Organizational Improvement : Financial



Improve fiscal control and accountability:

- Lower process end-to-end costs
- Ability to identify cost drivers
- Decrease costs to deliver articles and services



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Organizational Improvement : Business Processes



DSCA challenges us to reevaluate processes:

- Simplify/Eliminate un-needed steps
- Educate workforce on “Why” versus “How”



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Organizational Improvement : Customer Relations



Reinvention must improve customer relations:

- Provide continued transparency and access to:
 - Programs
 - Oversight
 - Processes
- Deliver on-time, within budget, and as requested



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Organizational Improvement : Learning



We are only as good as our people:

- Significant investments must be made in education and training
 - Continuous, spiral learning
 - Skills development



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Organizational Improvement : Ongoing Initiatives



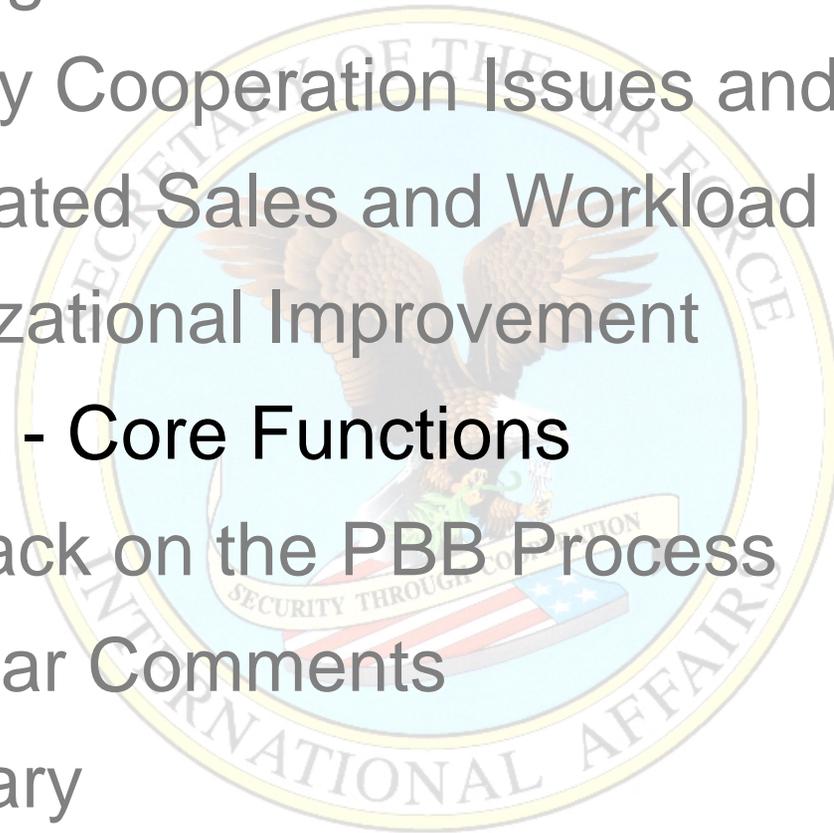
- Case Closure:
 - Eliminate closure as a process through training and continuous reconciliation
- Use technology to improve communication and workflow distribution.



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Budget – Core Functions



Functional Categories						
Acquisition	↑	↑	↑	↑	↑	↑
Platforms	→	→	→	→	→	→
Weapons	→	→	→	→	→	→
Cooperative R&D	→	→	→	→	→	→
Training						
Systems Sales Related	→	→	→	→	→	→
Annual Programs	→	→	→	→	→	→
Dedicated Training	→	→	→	→	→	→
Sustainment						
Publications	→	→	→	→	→	→
Spares	→	→	→	→	→	→
SE	→	→	→	→	→	→
Software	→	→	→	→	→	→
Services						
Technical Support	→	→	→	→	→	→
Transport/Ferry	→	→	→	→	→	→
Integration	→	→	→	→	→	→
Core Function	<i>Pre-LOR</i>	<i>Case Dev</i>	<i>Case Exe</i>	<i>Case Closure</i>	<i>Other SC</i>	<i>Bus Sus</i>



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Budget – Core Functions: Pre-LOR



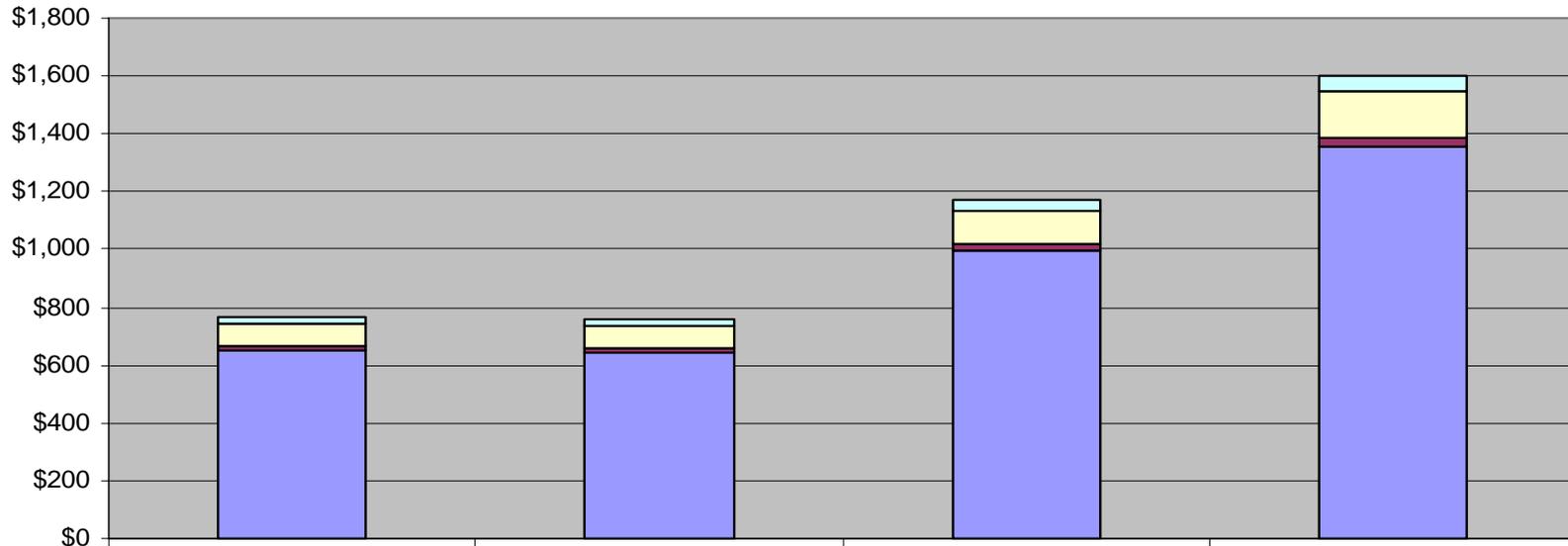
	FY00	FY01	FY02	FY03
	<i>Actual</i>	<i>Planned Execution</i>	<i>Estimate</i>	<i>Estimate</i>
AF Estimate (\$) Thousands	\$764	\$759	\$1,170	\$1,598
Comments:				
<i>Percentage of Total</i>	1%	1%	1.5%	2%
85% Acquisition	\$649.19	\$645.52	\$994.59	\$1,358.16
2% Training	\$15.28	\$15.19	\$23.40	\$31.96
10% Sustainment	\$76.38	\$75.94	\$117.01	\$159.78
3% Services	\$22.91	\$22.78	\$35.10	\$47.94



Budget – Core Functions: Pre-LOR (cont'd)



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	FY00 (actual)	FY01 (current)	FY02 (estimated)	FY03 (estimated)
Services	\$23	\$23	\$35	\$48
Sustainment	\$76	\$76	\$117	\$160
Training	\$15	\$15	\$23	\$32
Acquisition	\$649	\$646	\$995	\$1,358

Activities included in Pre-LOR Core Function:

- Requests for information
- Materiel/Technology transfer analysis
- Customer requirements determination/definition



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Budget – Core Functions: Case Development



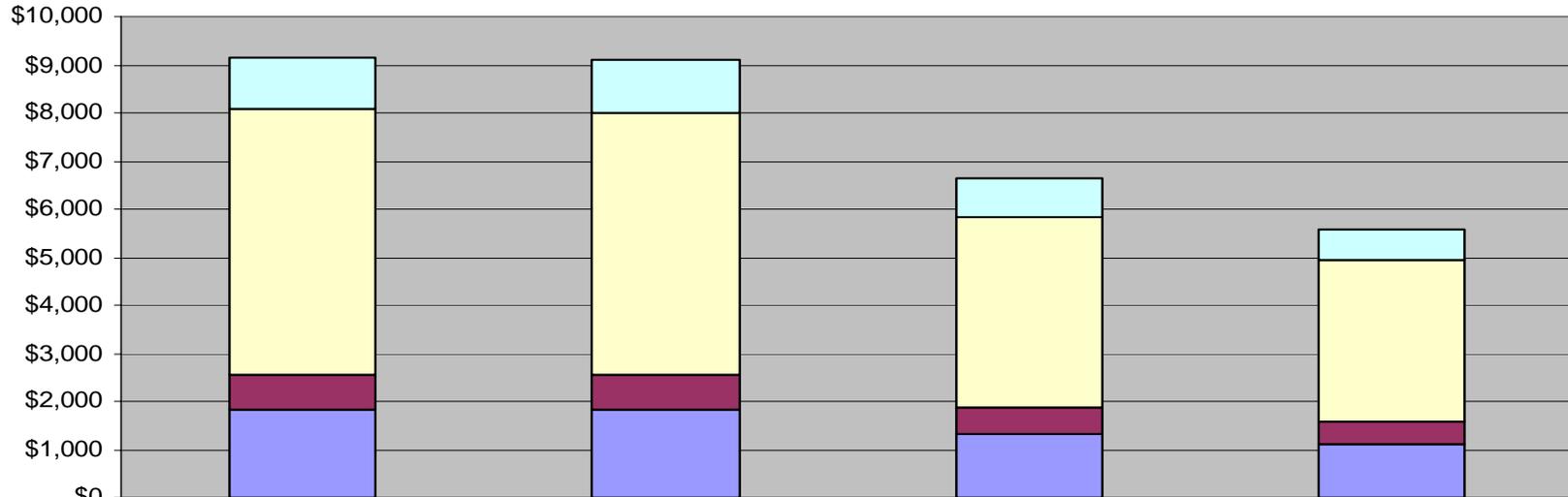
	FY00	FY01	FY02	FY03
	<i>Actual</i>	<i>Planned Execution</i>	<i>Estimate</i>	<i>Estimate</i>
AF Estimate (\$) Thousands	\$9,165	\$9,113	\$6,631	\$5,592
Comments				
<i>Percentage of Total</i>	12%	12%	8.5%	7%
20% Acquisition	\$1,833.00	\$1,822.63	\$1,326.12	\$1,118.49
8% Training	\$733.20	\$729.05	\$530.45	\$447.40
60% Sustainment	\$5,499.00	\$5,467.90	\$3,978.36	\$3,355.46
12% Services	\$1,099.80	\$1,093.58	\$795.67	\$671.09



Budget – Core Functions: Case Development (cont'd)



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	FY00 (actual)	FY01 (current)	FY02 (estimated)	FY03 (estimated)
Services	\$1,100	\$1,094	\$796	\$671
Sustainment	\$5,499	\$5,468	\$3,978	\$3,355
Training	\$733	\$729	\$530	\$447
Acquisition	\$1,833	\$1,823	\$1,326	\$1,118

Activities included in Case Development:

- Develop pricing data
- Documentation preparation
- Staff and coordinate documentation
- Congressional actions



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Budget – Core Functions: Case Execution



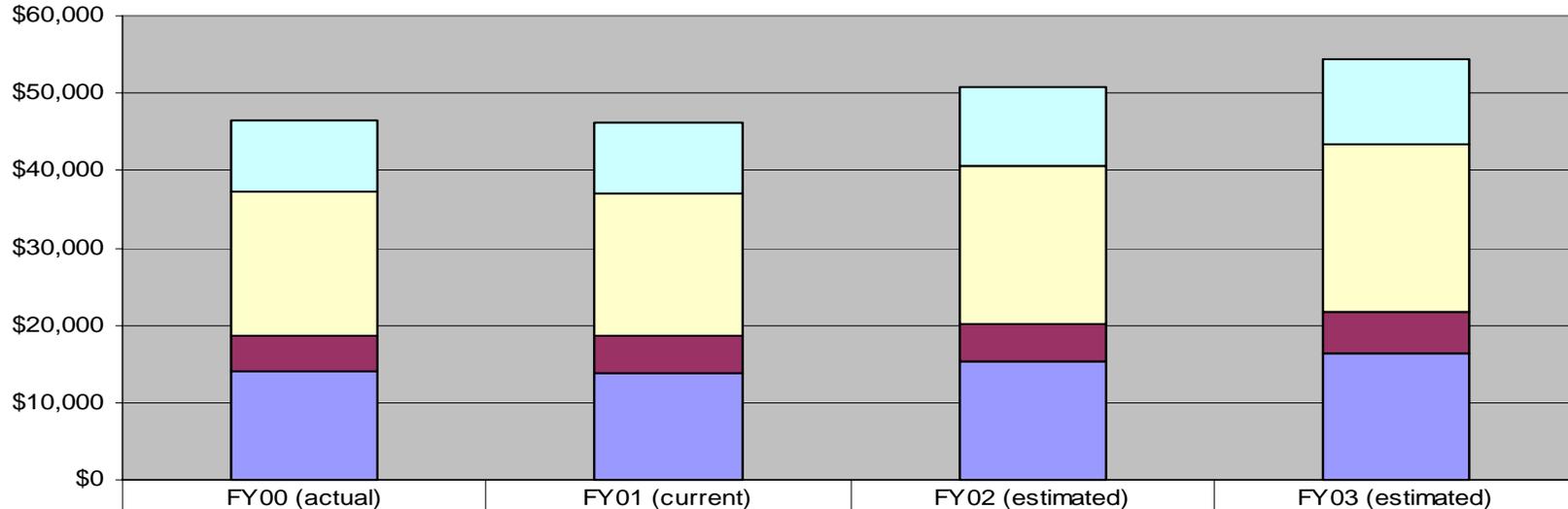
	FY00	FY01	FY02	FY03
	<i>Actual</i>	<i>Planned Execution</i>	<i>Estimate</i>	<i>Estimate</i>
AF Estimate (\$) Thousands	\$46,589	\$46,325	\$50,705	\$54,327
Comments				
<i>Percentage of Total</i>	61%	61%	65%	68%
30% Acquisition	\$13,976.63	\$13,897.57	\$15,211.37	\$16,297.97
10% Training	\$4,658.88	\$4,632.52	\$5,070.46	\$5,432.66
40% Sustainment	\$18,635.50	\$18,530.09	\$20,281.82	\$21,730.62
20% Services	\$9,317.75	\$9,265.05	\$10,140.91	\$10,865.31



Budget – Core Functions: Case Execution (cont'd)



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	FY00 (actual)	FY01 (current)	FY02 (estimated)	FY03 (estimated)
Services	\$9,318	\$9,265	\$10,141	\$10,865
Sustainment	\$18,636	\$18,530	\$20,282	\$21,731
Training	\$4,659	\$4,633	\$5,070	\$5,433
Acquisition	\$13,977	\$13,898	\$15,211	\$16,298

Activities included in Case Execution:

- Case implementation
- Logistical support
- Training management
- Case management
- Acquisition/Contracting
- Technical/Financial support



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Budget – Core Functions: Case Closure



	FY00	FY01	FY02	FY03
	<i>Actual</i>	<i>Planned Execution</i>	<i>Estimate</i>	<i>Estimate</i>
AF Estimate (\$) Thousands	\$6,874	\$6,835	\$7,801	\$8,788
Comments				
<i>Percentage of Total</i>	9%	9%	10%	11%
30% Acquisition	\$2,062.13	\$2,050.46	\$2,340.21	\$2,636.44
10% Training	\$687.38	\$683.49	\$780.07	\$878.81
40% Sustainment	\$2,749.50	\$2,733.95	\$3,120.28	\$3,515.25
20% Services	\$1,374.75	\$1,366.97	\$1,560.14	\$1,757.62



Budget – Core Functions: Case Closure (cont'd)



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	FY00 (actual)	FY01 (current)	FY02 (estimated)	FY03 (estimated)
Services	\$1,375	\$1,367	\$1,560	\$1,758
Sustainment	\$2,750	\$2,734	\$3,120	\$3,515
Training	\$687	\$683	\$780	\$879
Acquisition	\$2,062	\$2,050	\$2,340	\$2,636

Activities included in Case Closure:

- Case reconciliation
- Closure certification
- Management of case closure program



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Budget – Core Functions: Other Security Cooperation



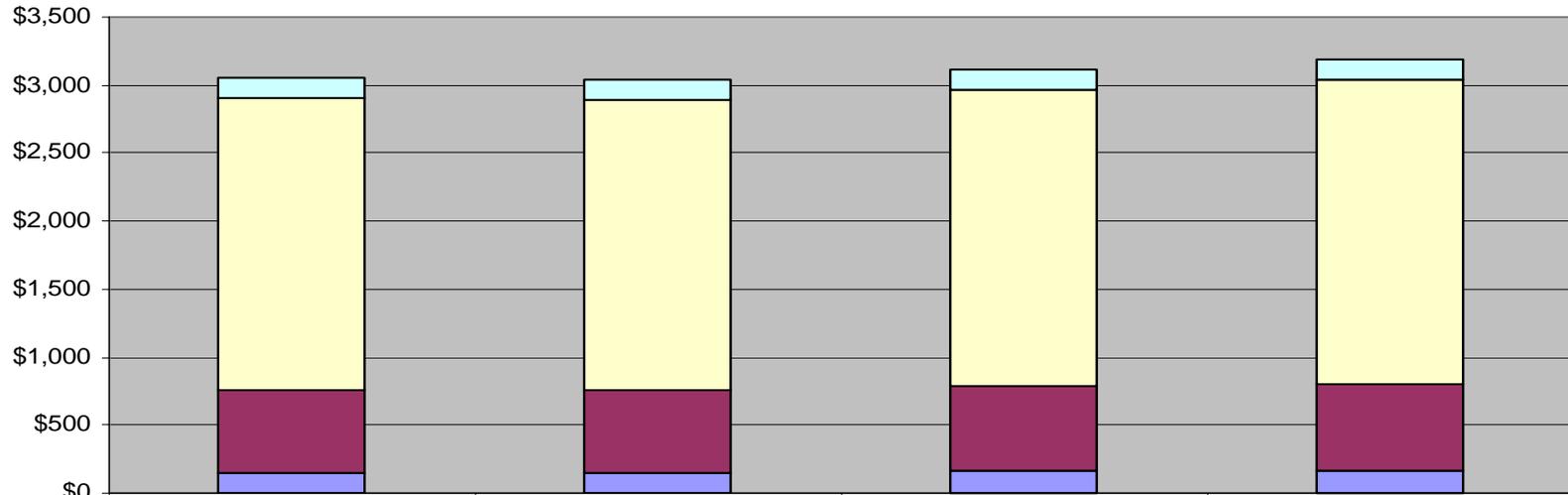
	FY00	FY01	FY02	FY03
	<i>Actual</i>	<i>Planned Execution</i>	<i>Estimate</i>	<i>Estimate</i>
AF Estimate (\$) Thousands	\$3,055	\$3,038	\$3,120	\$3,196
Comments				
<i>Percentage of Total</i>	4%	4%	4%	4%
5% Acquisition	\$152.75	\$151.89	\$156.01	\$159.78
20% Training	\$611.00	\$607.54	\$624.06	\$639.14
70% Sustainment	\$2,138.50	\$2,126.40	\$2,184.20	\$2,236.98
5% Services	\$152.75	\$151.89	\$156.01	\$159.78



Budget – Core Functions: Other Security Cooperation (cont'd)



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	FY00 (actual)	FY01 (current)	FY02 (estimated)	FY03 (estimated)
Services	\$153	\$152	\$156	\$160
Sustainment	\$2,139	\$2,126	\$2,184	\$2,237
Training	\$611	\$608	\$624	\$639
Acquisition	\$153	\$152	\$156	\$160

Activities included in Other Security Cooperation:

- Foreign Assistance Act programs
 - Excess Defense Articles (EDA)
 - Drug Interdiction
 - IMET/FMF
- Leases
- Commercial contract support



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Budget – Core Functions: Business Sustaining



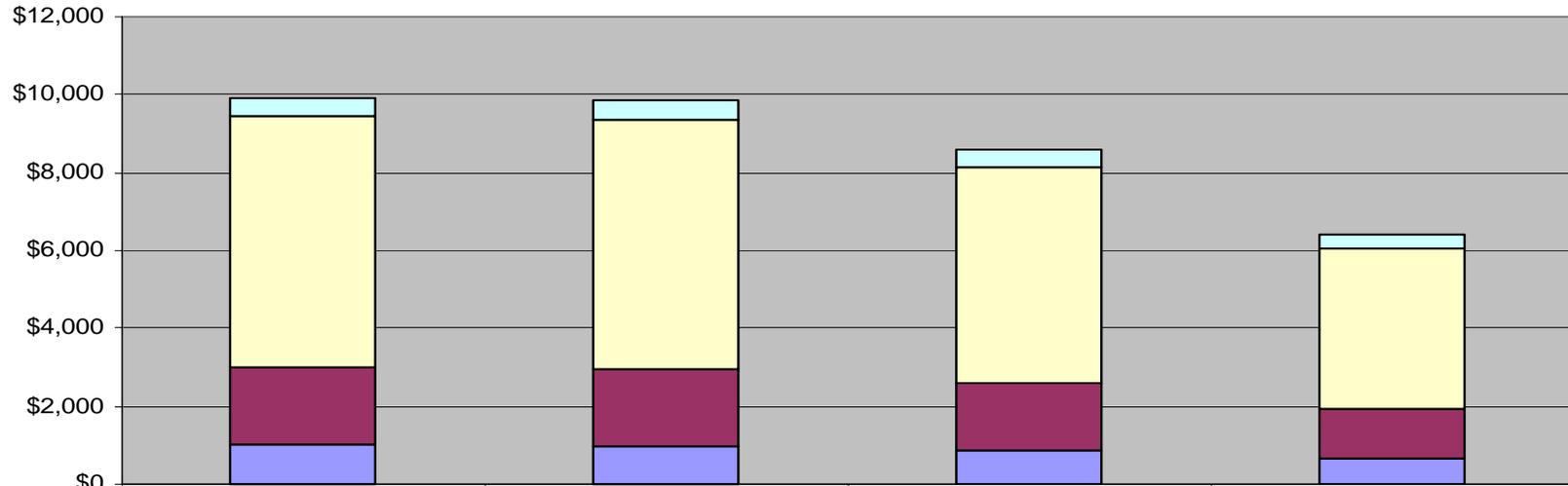
	FY00	FY01	FY02	FY03
	<i>Actual</i>	<i>Planned Execution</i>	<i>Estimate</i>	<i>Estimate</i>
AF Estimate (\$) Thousands	\$9,929	\$9,873	\$8,581	\$6,391
Comments				
<i>Percentage of Total</i>	13%	13%	11%	8%
10% Acquisition	\$992.88	\$987.26	\$858.08	\$639.14
20% Training	\$1,985.75	\$1,974.52	\$1,716.15	\$1,278.27
65% Sustainment	\$6,453.69	\$6,417.18	\$5,577.50	\$4,154.38
5% Services	\$496.44	\$493.63	\$429.04	\$319.57



Budget – Core Functions: Business Sustaining (cont'd)



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	FY00 (actual)	FY01 (current)	FY02 (estimated)	FY03 (estimated)
Services	\$496	\$494	\$429	\$320
Sustainment	\$6,454	\$6,417	\$5,578	\$4,154
Training	\$1,986	\$1,975	\$1,716	\$1,278
Acquisition	\$993	\$987	\$858	\$639

Activities included in Business Sustaining:

- Supervision/Secretarial support
- Budget, manpower policy, and procedures
- Country program oversight
- Non-mission time (jury duty; military reserve service)
- Miscellaneous



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Budget – Total Funding Across Fiscal Years

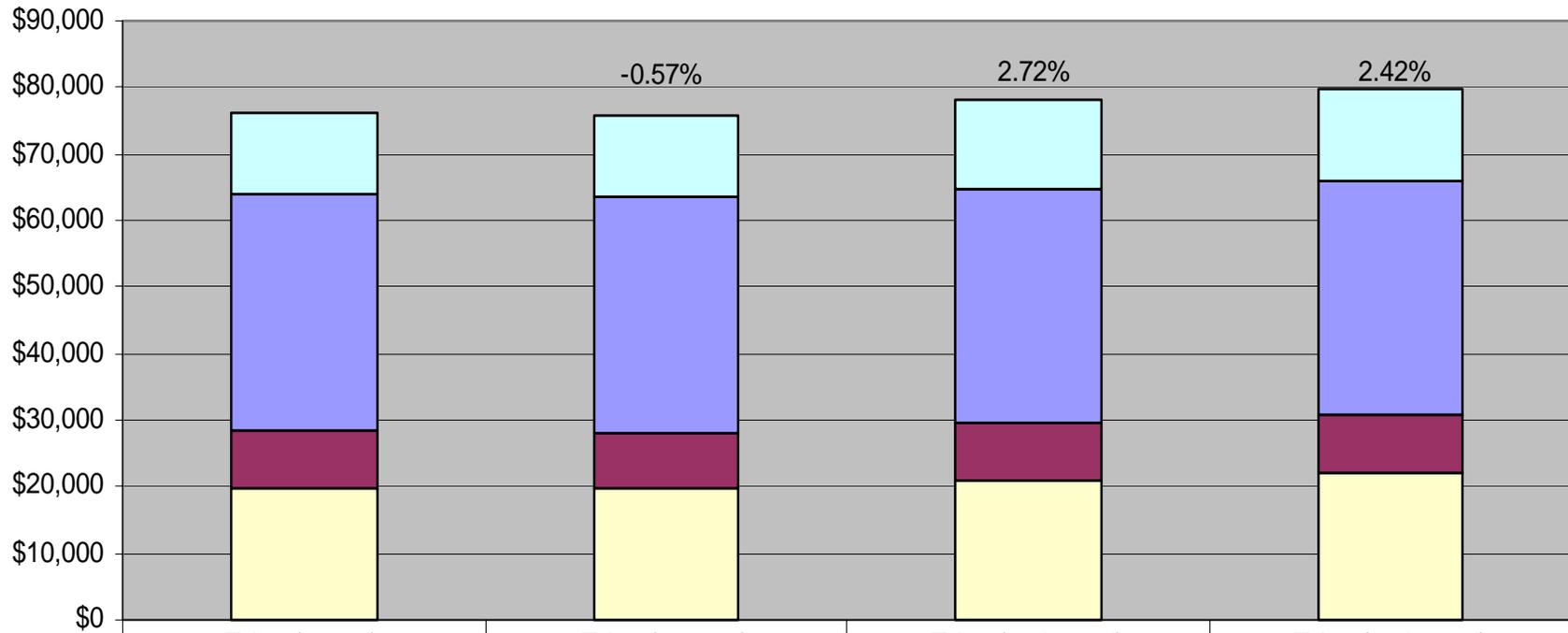


	FY00*	FY01*	FY02	FY03
	<i>Actual</i>	<i>Planned Execution</i>	<i>Estimate</i>	<i>Estimate</i>
AF Totals (\$) Thousands	\$76,375	\$75,943	\$78,007	\$79,892
Comments	<p>* Does not include Peace Sun IX, DSAMS, and CMCS</p>			



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Budget – Total Funding Across Fiscal Years (cont'd)



	FY00 (actual)	FY01 (current)	FY02 (estimated)	FY03 (estimated)
Services	\$12,464	\$12,394	\$13,117	\$13,821
Sustainment	\$35,553	\$35,351	\$35,259	\$35,152
Training	\$8,691	\$8,642	\$8,745	\$8,708
Acquisition	\$19,667	\$19,555	\$20,886	\$22,210

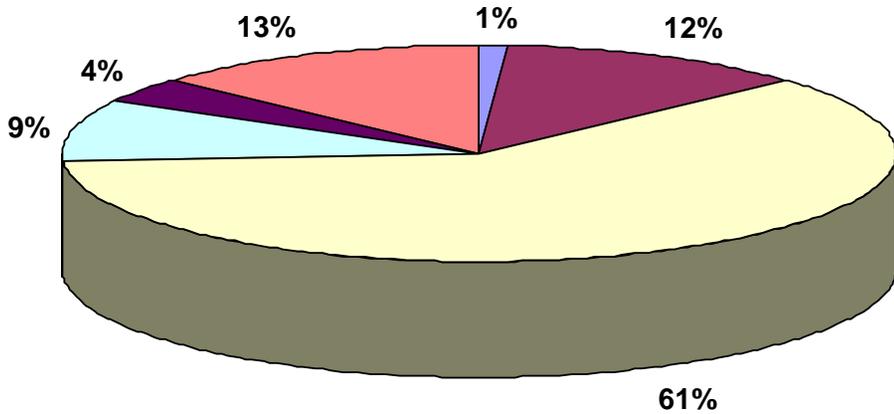


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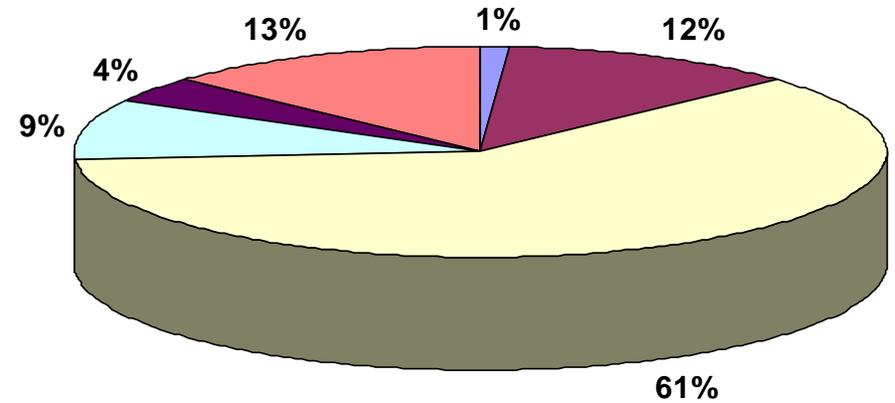
Budget – Core Functions: Percentages of Total Budget by Core Function



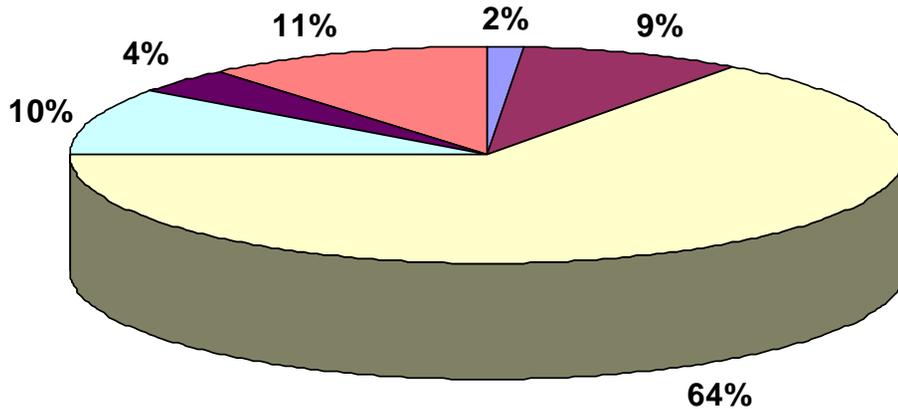
FY00



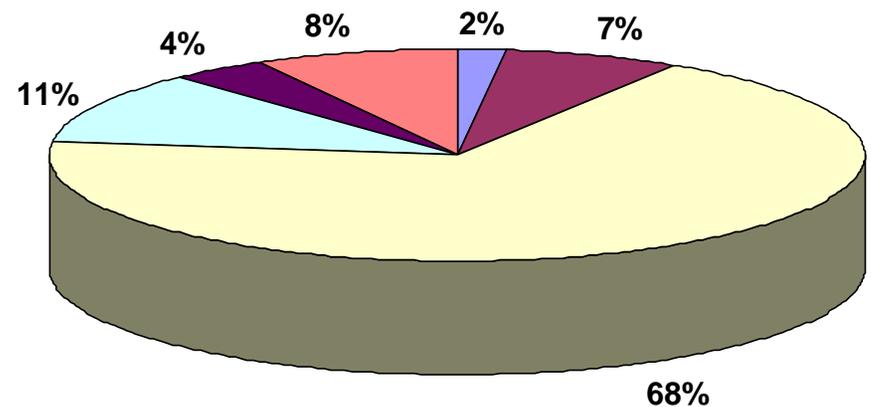
FY01



FY02



FY03





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Budget – Core Functions: Business Sustaining Above Target Needs



■ AFSAC Quality of Life Initiative

- Furniture - \$2.2M (\$740K over three years)
- Communication/Computer Upgrades - \$1.3M
- Facilities - \$1.9M (major repairs to restrooms, lighting, HVAC, electric, and plumbing)

■ Why need cannot be met within target:

- Aggregated Investment requirement is approximately \$5M, and requires incremental funding through FY04
- Dedicated organization to support Security Cooperation

■ Impact beyond FY02:

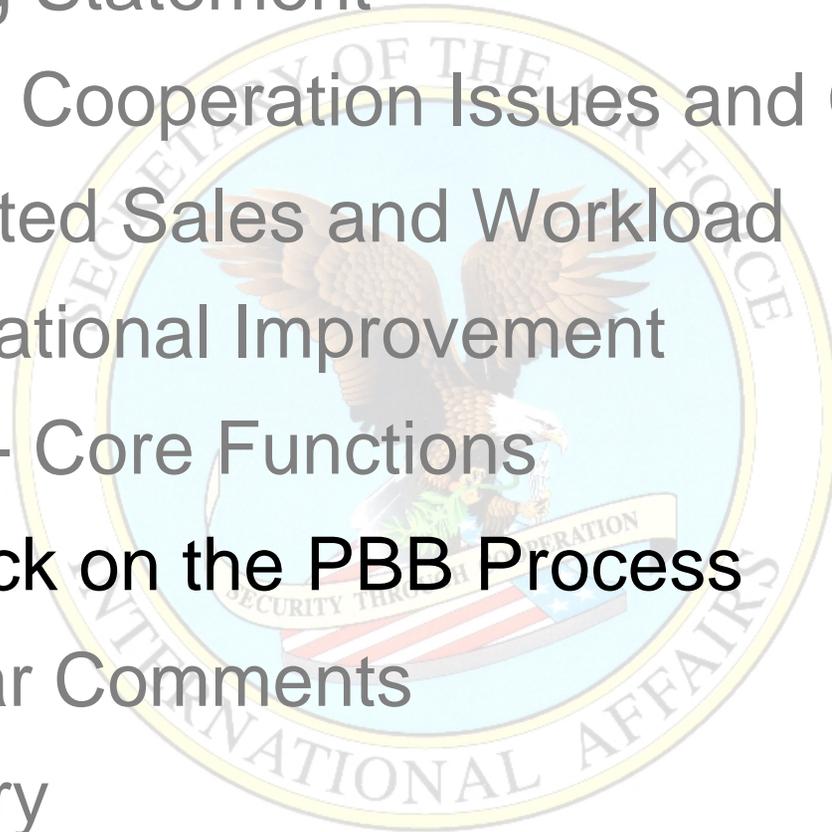
- Furniture: 18+ years old, hard to find replacement parts, electrical wiring brittle, seating is worn and 12+ years old
- Facilities: One building is condemned, all restroom facilities need replacing (broken tile, pipes, non-working sinks, no ventilation), potential safety hazards identified, inability to control temperature consistency
- Communications/Computer: Wiring outdated, phone system old and expensive to support, most computers 4+ years old, network compliance



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Feedback on the New PBB Process

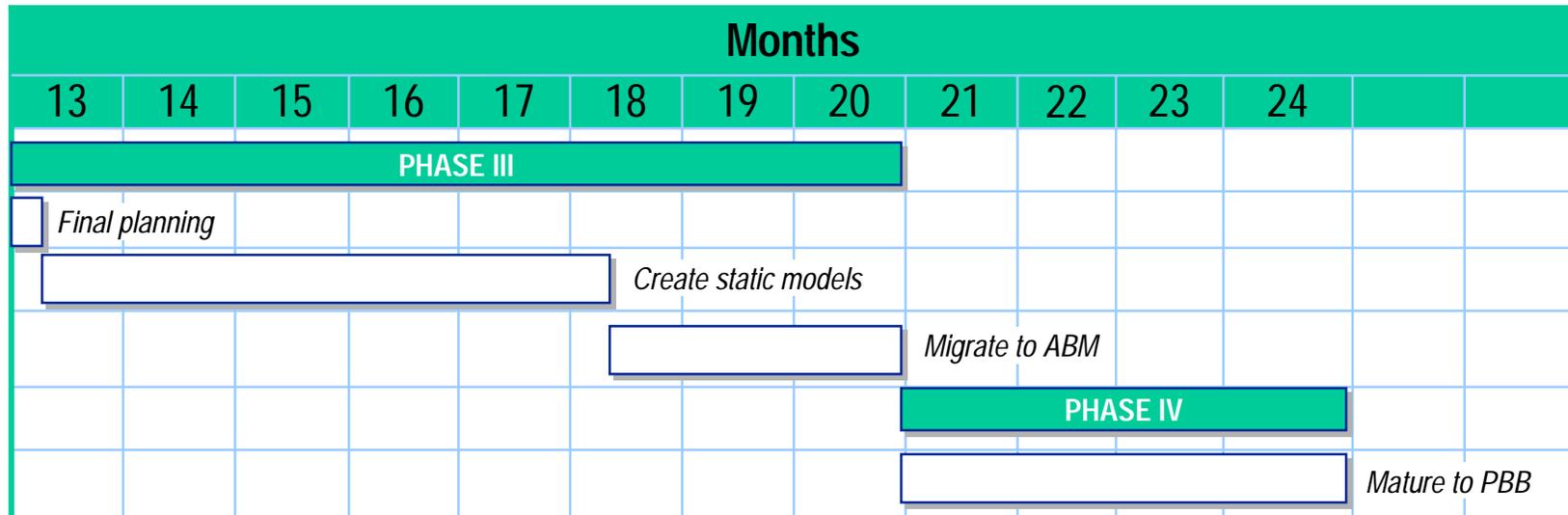
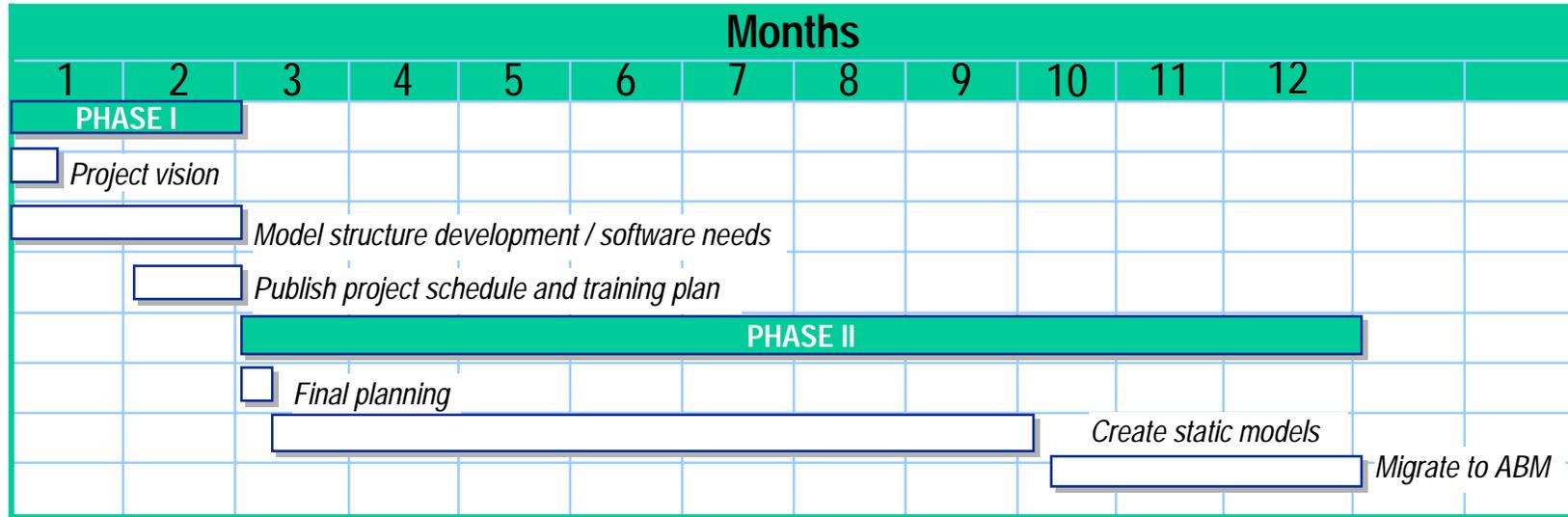


- We will not reach the required PBB end-state without full implementation of PBC.
- PBC will ultimately change the way we cost cases.
 - Phase I will begin the end of this month with a 24-month implementation strategy



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Air Force PBC Timeline

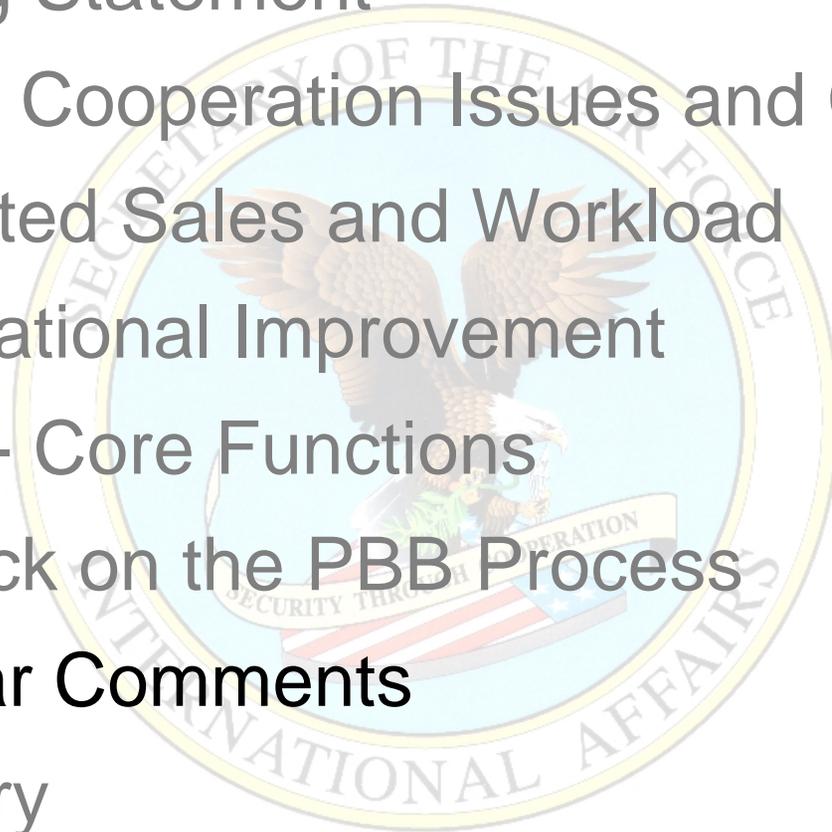




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Out-Year Comments



FY03	<ul style="list-style-type: none">➤ Full implementation of education, training, and career development➤ DSAMS Releases 7 and 8 for training community will impact AFSAT➤ Workforce planning
FY04	<ul style="list-style-type: none">➤ Workforce planning
FY05	<ul style="list-style-type: none">➤ Workforce planning➤ Retirements negatively impact workload➤ Changes to DoD financial systems will affect specific Air Force systems
FY06	
FY07	



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Summary



- Air Force has committed to full PBC implementation
 - Drive better understanding of cost of doing business
 - Better justification for funding

