

Defense Security Cooperation Agency Security Cooperation Programming Conference



Department of the Navy (DoN) Security Cooperation (SC) Plan

**RADM Larry D. Newsome, USN
Mr. Gibson LeBoeuf**

10 April 2001



RADM Larry “Don” Newsome Director Navy International Programs Office





Agenda

- **Navy IPO Overview**
- **Issues and Trends**
- **Director's Summary**
- **DoN FMS Admin Budget**
- **Core Functions**
- **Out-Year Comments**
- **Summary**



What We Do

Security Assistance

- Foreign Military Sales
- Foreign Training
- Ship/Aircraft Transfers

Technology Security

- Disclosure Policy/Oversight (TTSARBs)
- Export Licensing

Cooperative Programs

- Data and Personnel Exchange (DEAs/ESEP)
- International Agreements (MOUs)
- Foreign Comparative Testing (FCT)

Customer

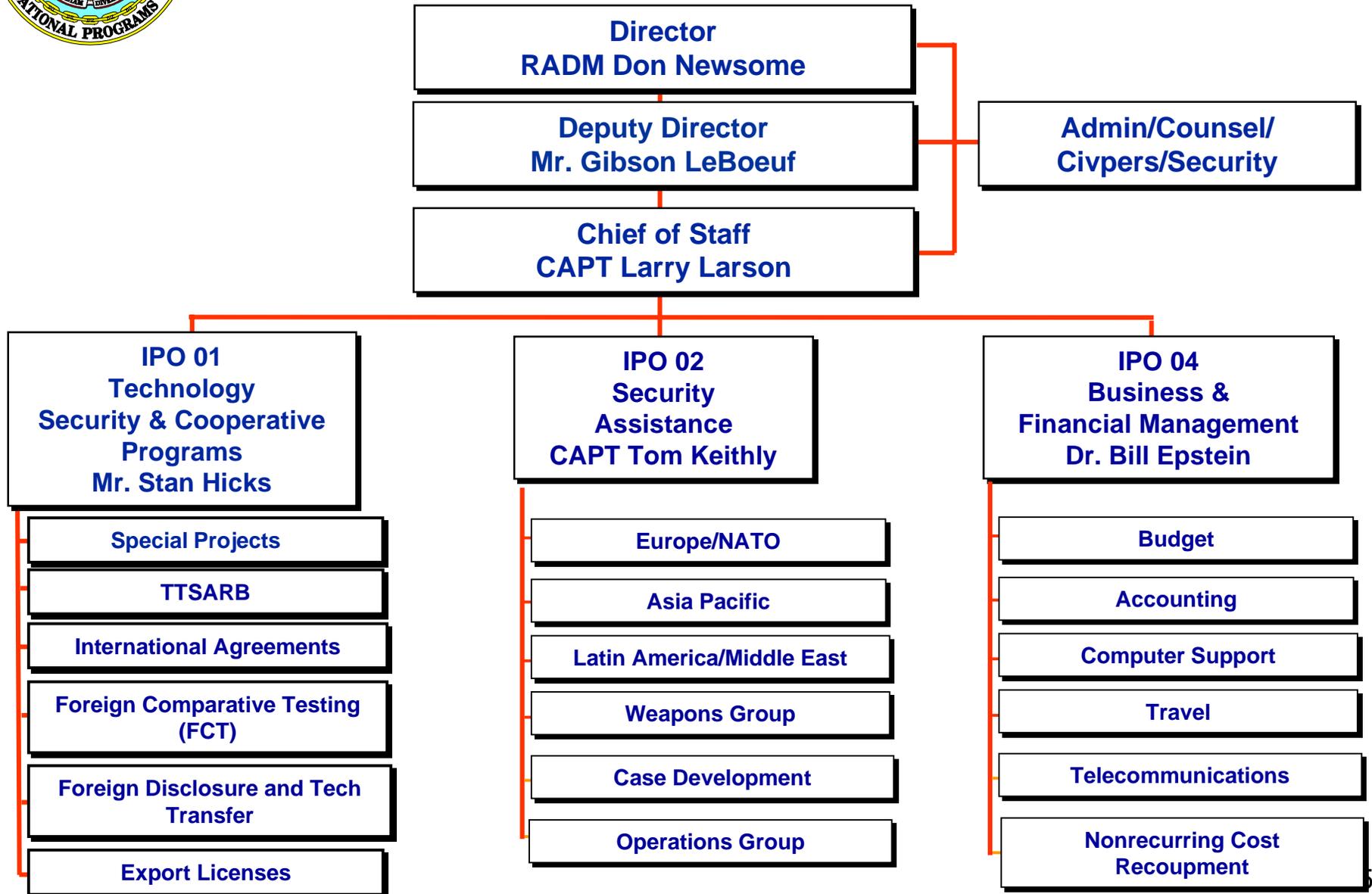
Foreign Countries

Stakeholders

CinCs
OSD
Secretariat
OPNAV
State Dept.
Industry
PEOs/SYSCOMs
Commerce Dept.

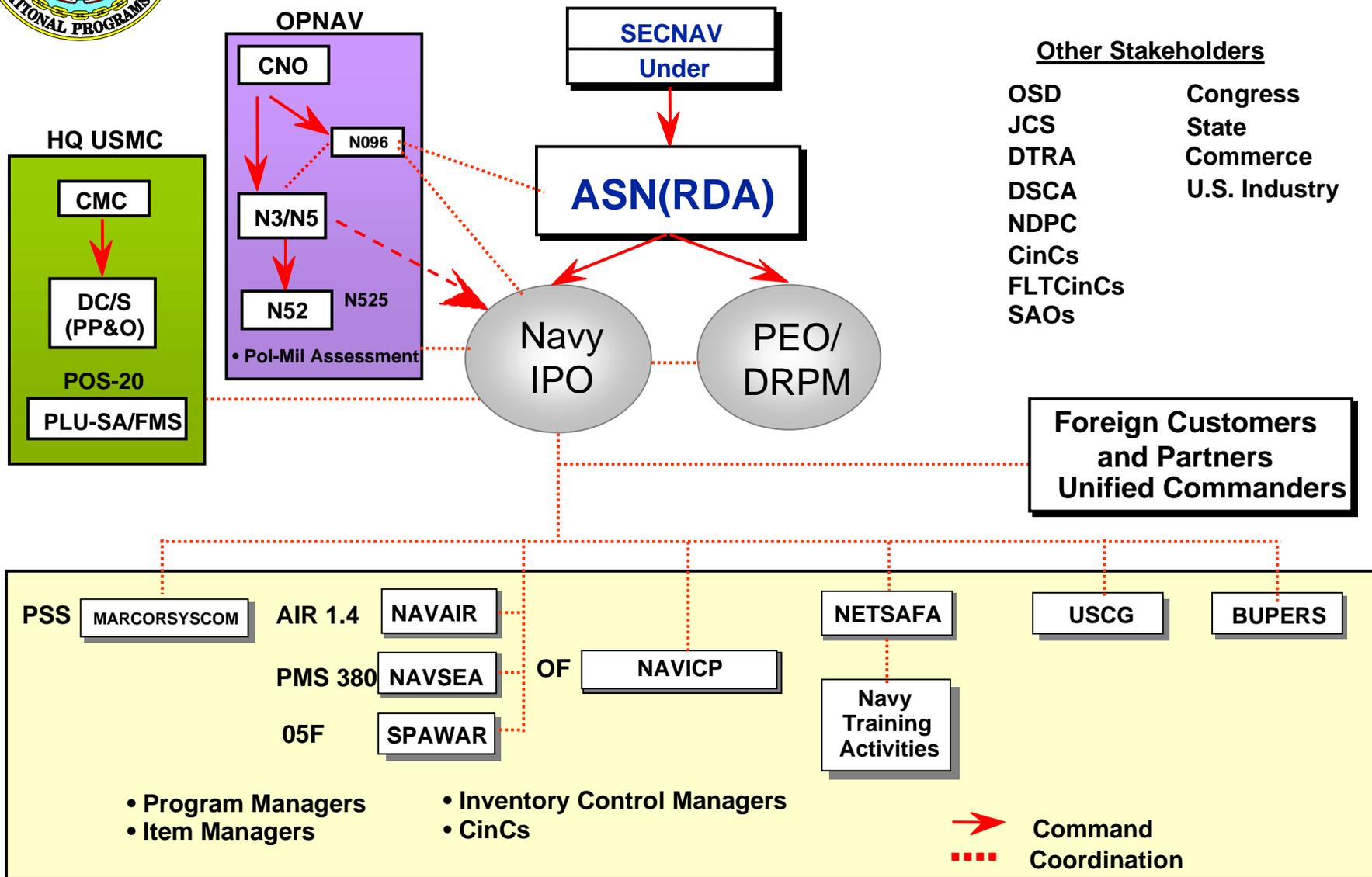


Who We Are





Where Do We Fit?





DoN Security Cooperation Community



NAVY IPO



NAVICP



(AP Photo)

NAVAIR



NAVSEA



FMS ADMIN

Broad Support



USCG



CINCPACFLT



CINCLANTFLT



SPAWAR



USMC



CNET



BUPERS



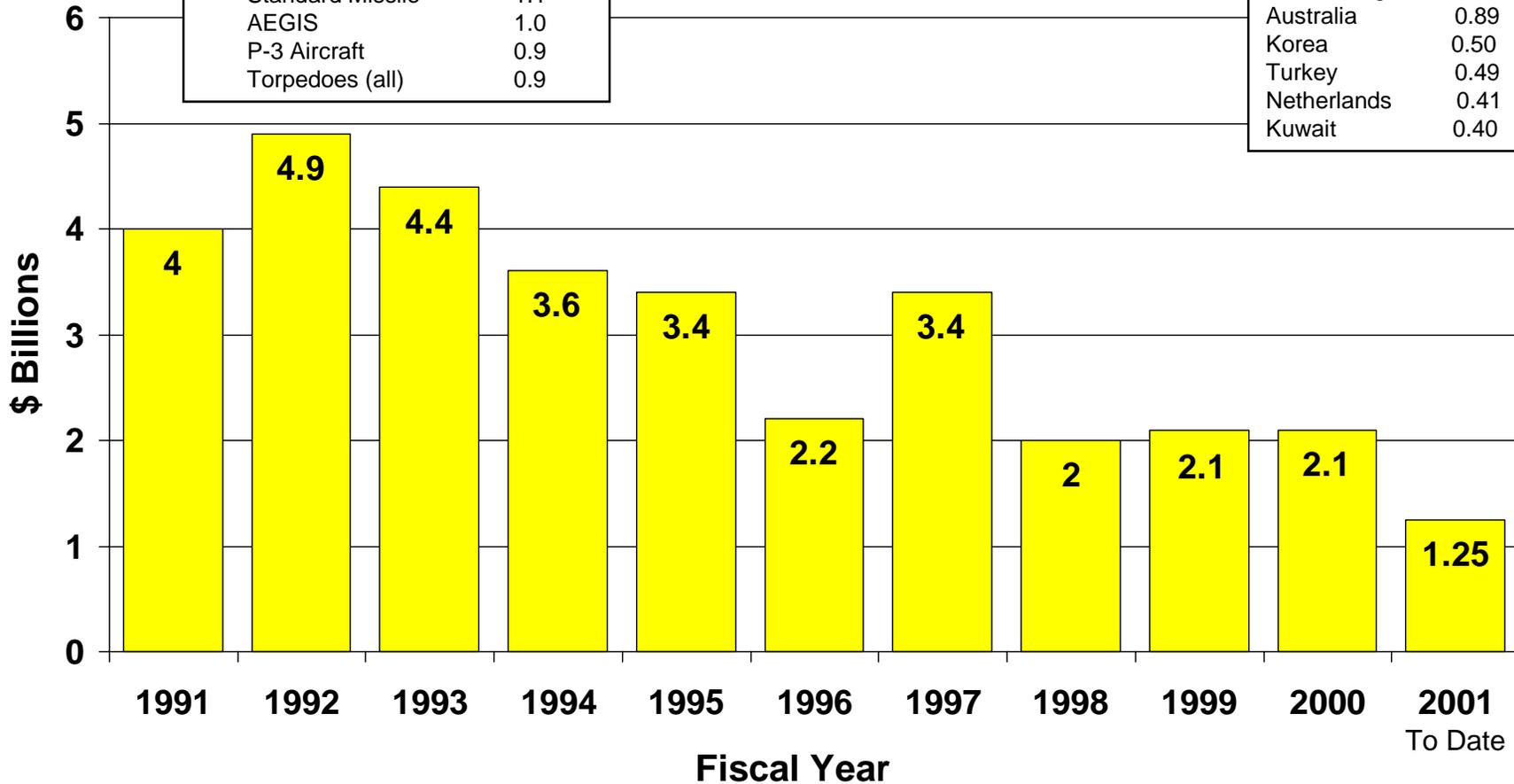
DoN FMS Sales

Top Selling DoN Systems
(Through July FY00 - Sales in \$ billions)

F/A-18 Aircraft	\$9.2
Harpoon Missile	3.5
E-2C Aircraft	1.5
Sidewinder Missile	1.1
AH-1 Helicopter	1.1
Standard Missile	1.1
AEGIS	1.0
P-3 Aircraft	0.9
Torpedoes (all)	0.9

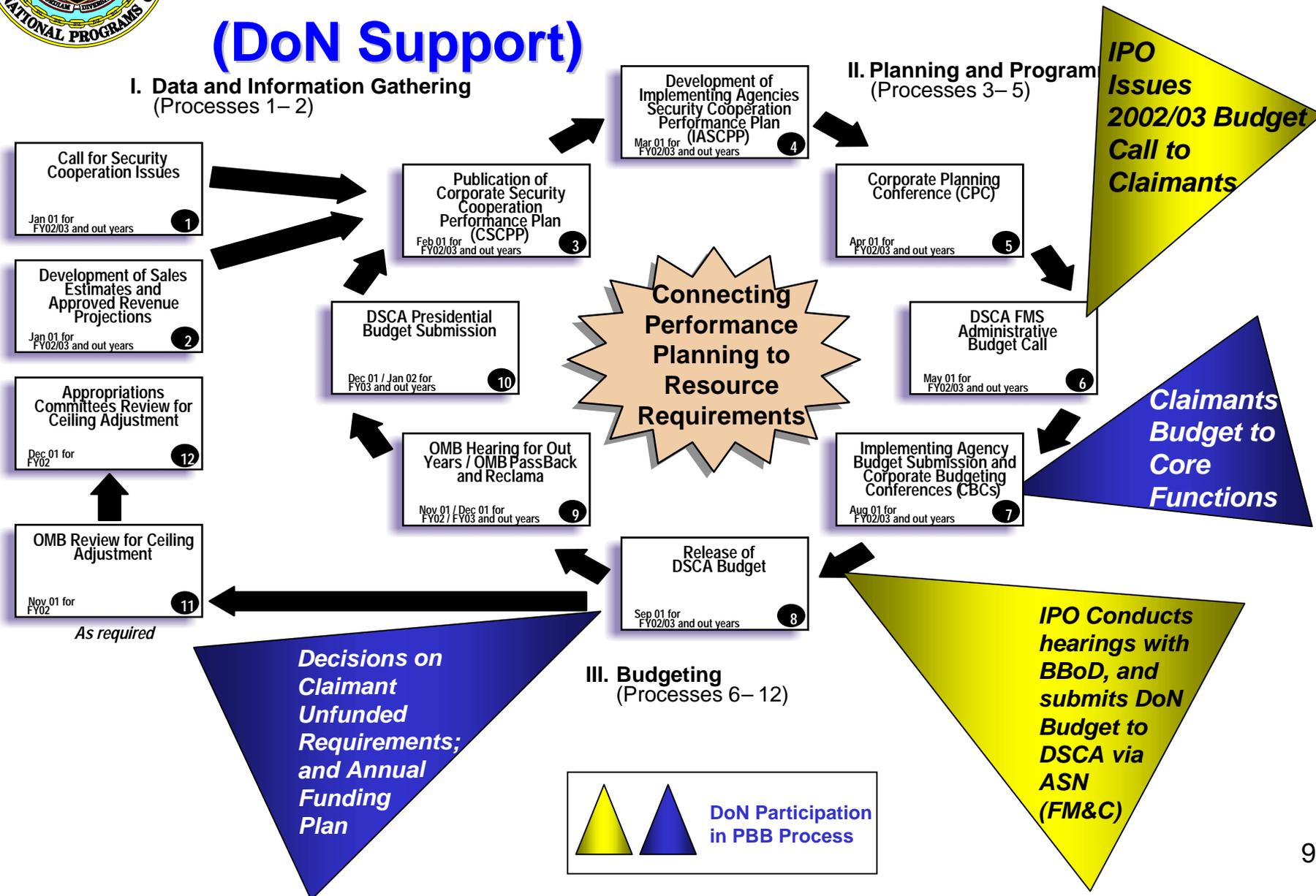
Top DoN Customers
(FY 96-00 sales in \$ billions)

Taiwan	1.90
Spain	1.27
Egypt	1.22
Japan	1.14
Switzerland	1.10
United Kingdom	0.97
Australia	0.89
Korea	0.50
Turkey	0.49
Netherlands	0.41
Kuwait	0.40





Overview of FMS Admin Multi-Year PBB Process (DoN Support)





Issues and Trends

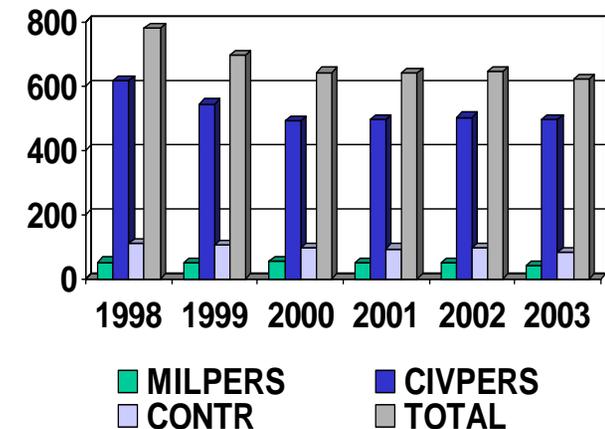
- Workforce
- Direct Commercial Sales
- Automation
- Program Management Lines
- Policy Formulation
- Performance Measures



Issues and Trends

- WORK FORCE
 - Reductions have leveled off
 - Personnel/Training Goals:
 - DSAMS training facility established at IPO
 - Development of Security Cooperation Career Path
 - Professionalize workforce
 - Growth

DoN FMS Admin Workforce



**Funding increases
match inflation – work
years stay level**



Issues and Trends

- **DIRECT COMMERCIAL SALES**
 - Team International concept
 - Determine customer requirements, THEN develop a program to best meet the need
 - Hybrid combination of FMS, DCS, and Cooperative Programs
 - Afford customer the opportunity to participate directly with U.S. Industry
 - Partner wherever possible with industry
 - Ensure wins for U.S.-origin defense goods and services in the wake of increased international competition



Issues and Trends

- **AUTOMATION**
 - Navy Marine Corps Intranet
 - Implementation in FY 02
 - Seat Costs
 - \$3.1K Unclassified
 - \$6.2K Classified
 - Estimated cost to FMS Admin is \$2.5M / yr (Military/Civilian/Contractor)
 - ASN(FMC) guidance requires all offices to charge reimbursable sources of funds such as FMS Admin



Issues and Trends

- PROGRAM MANAGEMENT LINES
 - Agree with need for standardized policy
 - Question of distribution of costs
 - Savings to case funds will increase FMS Admin (and vice versa)
 - Current DSCA Guidance forces Execution costs on FMS Admin (fewer cases approved with PMLs)



Issues and Trends

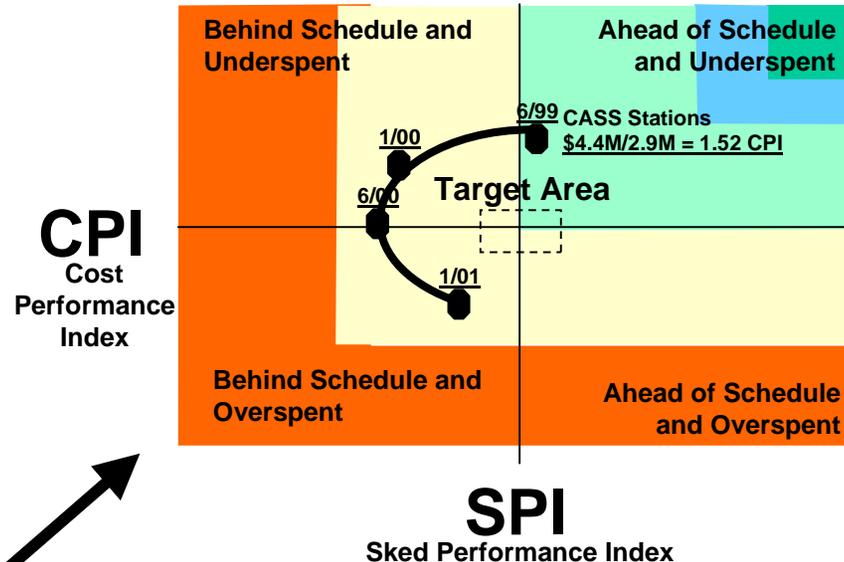
- POLICY FORMULATION
 - Need to recognize financial impacts and time delays caused by new policies
 - Preparing manpower worksheets
 - Reviewing for Missile Technology Control Regime (MTCR) Compliance
 - Justifying usage of Program Management Lines



Issues and Trends

- **PERFORMANCE MEASURES**

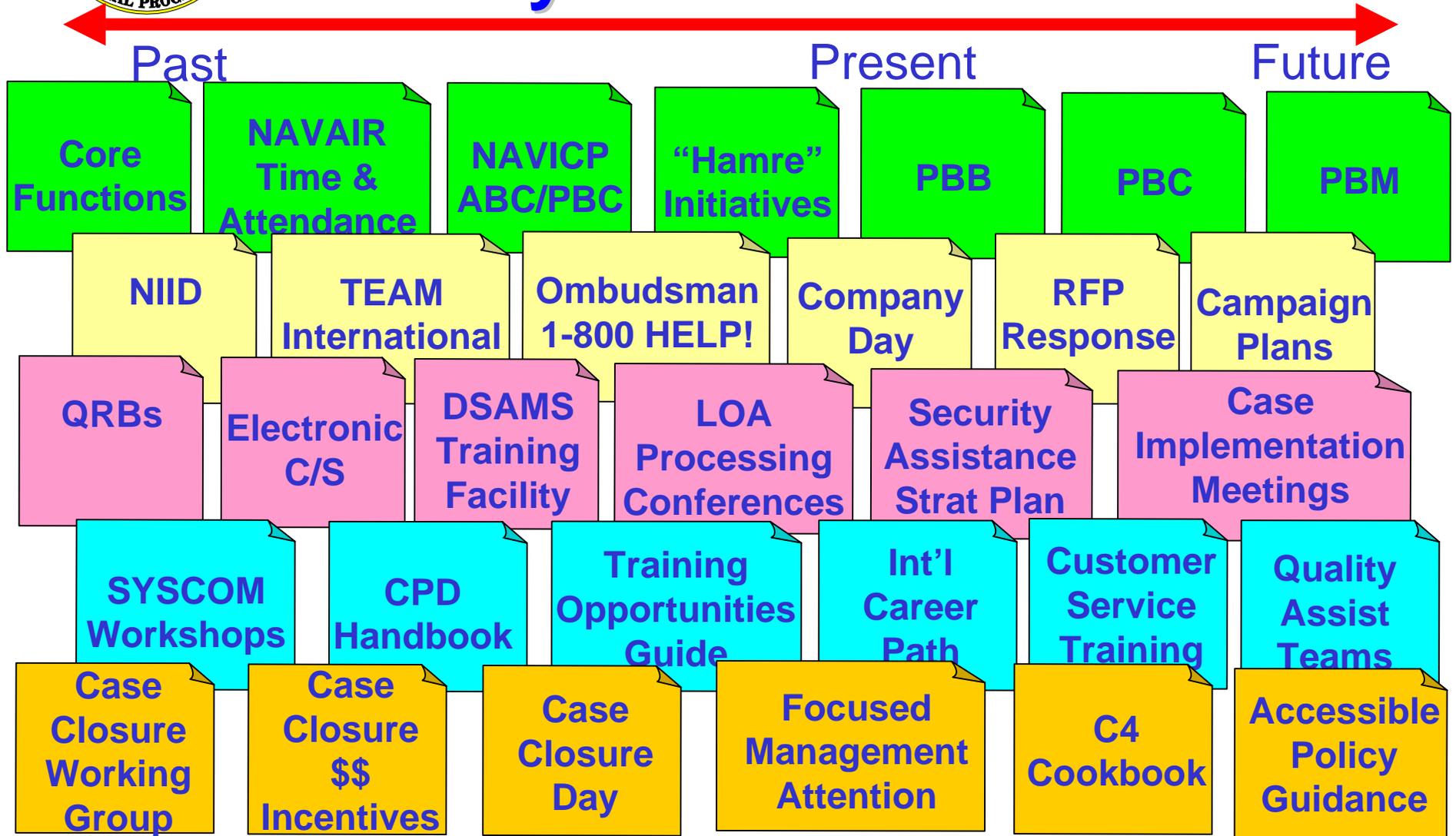
- Navy IPO collects a wide variety of metrics data (e.g., Case Development processing time, Case Closure, etc.)
- Developing new methodologies to support “customer” requirements
- Consistency needed.



ASN – “don’t change EVM to fit “unique” FMS LOA... use existing EVM data to report contractor performance....”



Director's Summary: Security Assistance Innovations



 Financial

 Industry

 LOA Process

 Employee Development

 Misc



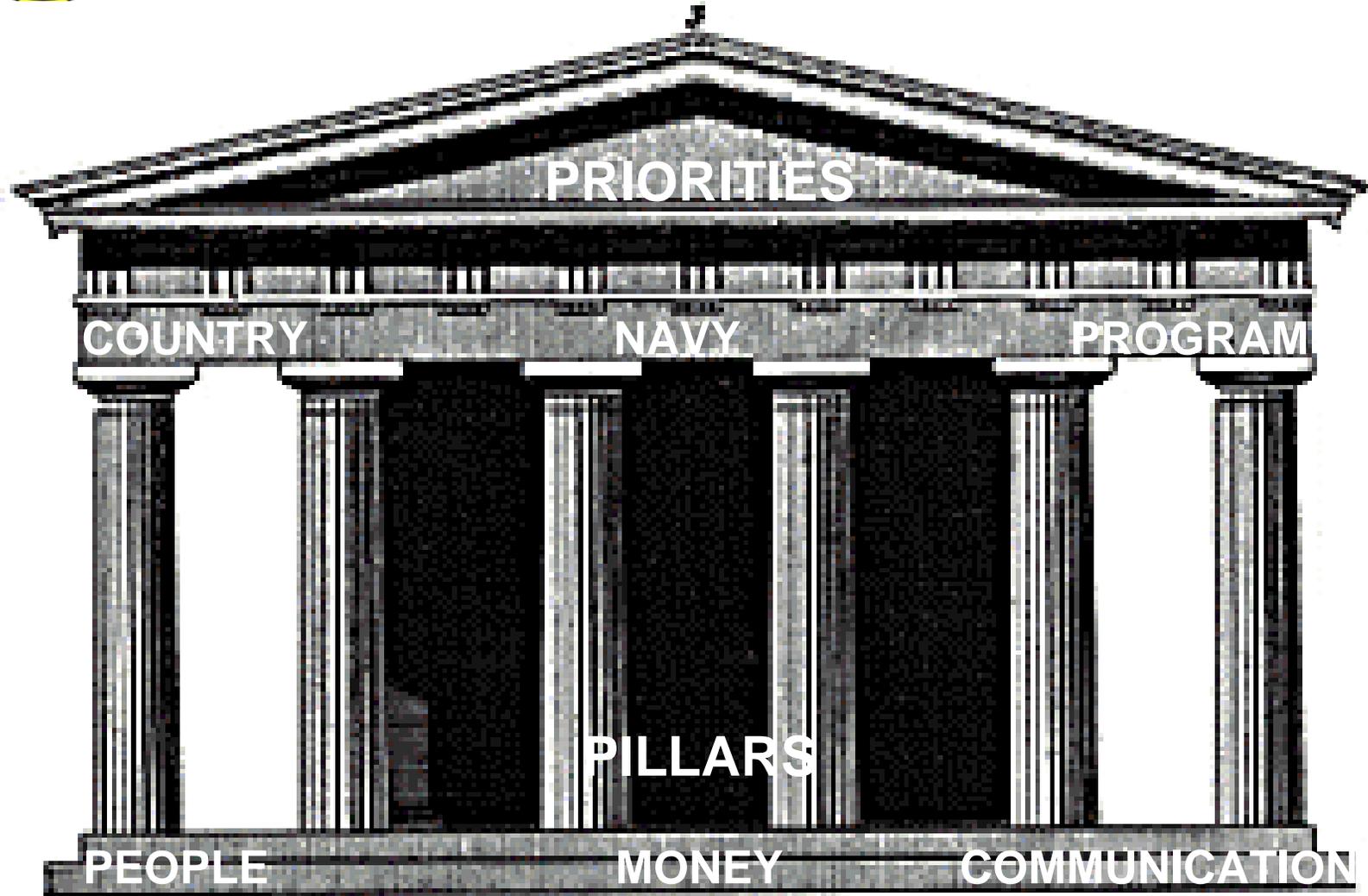
Director's Summary: Major Products

- Many Product Lines are booming
 - AEGIS, Link-11, Link-16, MIDS, MK41 VLS
- Others have significant potential
 - AAV, AH-1Z, Deepwater, F/A-18E/F, MMA, V-22
- Others will continue to be global marketplace leaders
 - E-2C, Harpoon, MK46 LWT, NATO SeaSparrow, P-3





Director's Summary: Priorities and Pillars





Mr. Gibson LeBoeuf

Deputy Director

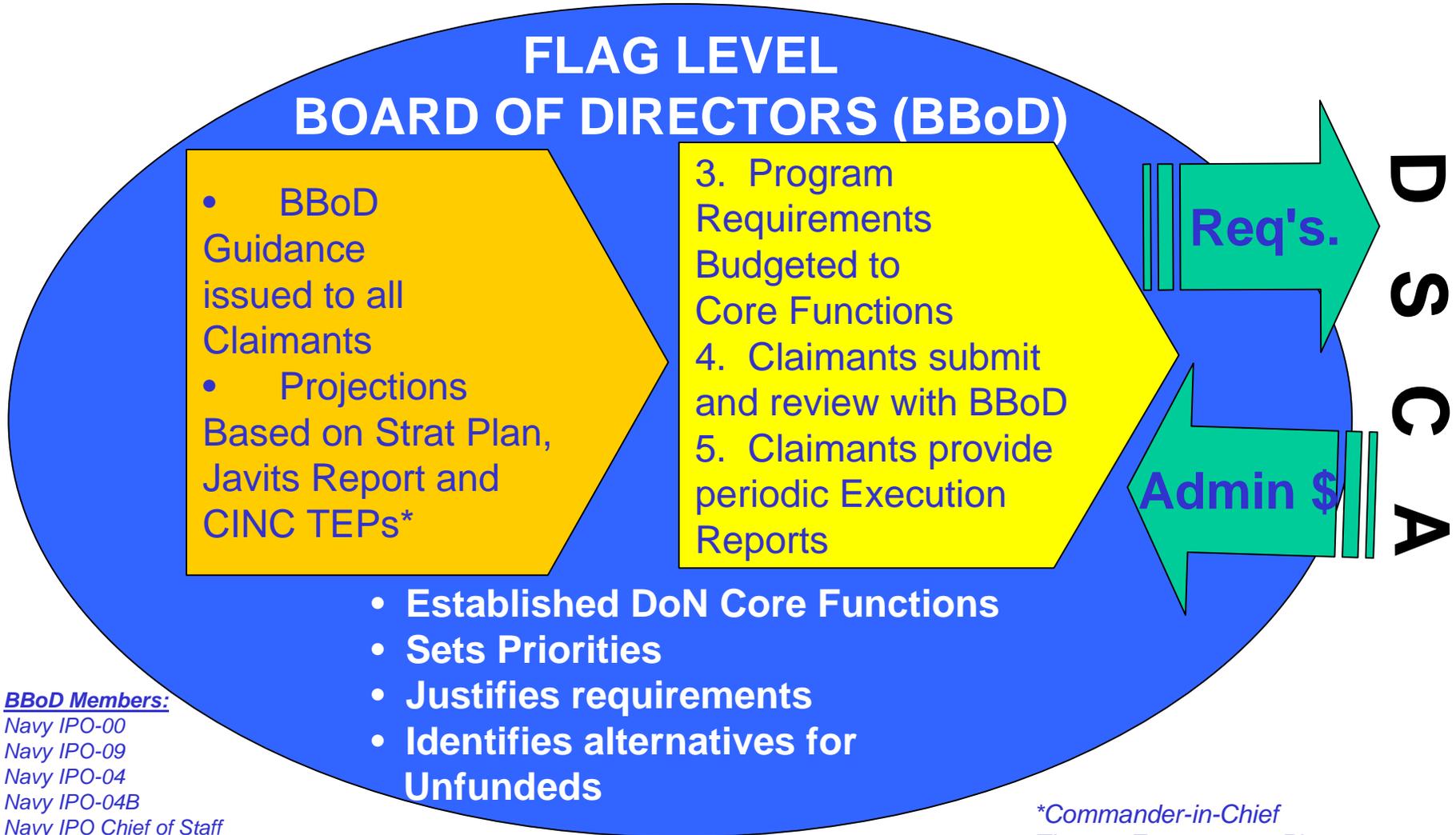
Navy International Programs Office





DoN FMS Admin Budget: Process

NAVY IPO HAS BEEN BUDGETING TO CORE FUNCTIONS SINCE FY98.



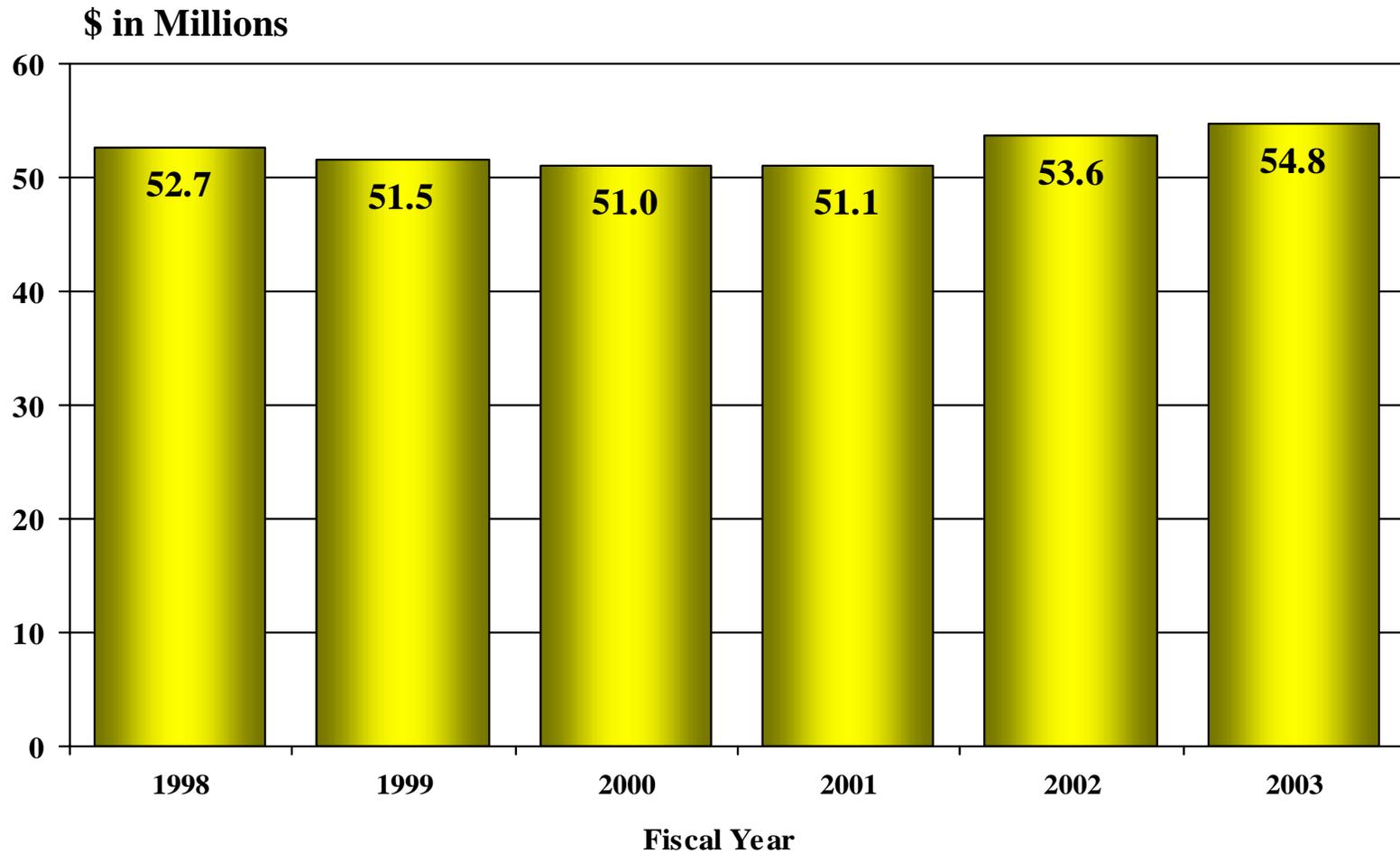
BBoD Members:

- Navy IPO-00
- Navy IPO-09
- Navy IPO-04
- Navy IPO-04B
- Navy IPO Chief of Staff
- Navy IPO-02 (advisory)

**Commander-in-Chief Theater Engagement Plans*

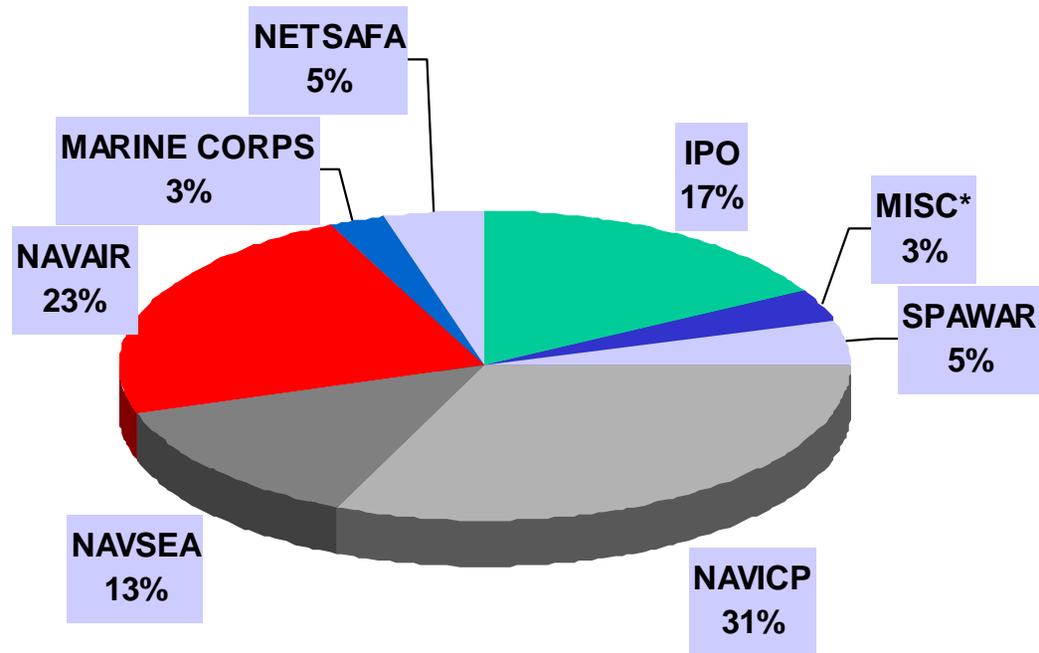


DoN FMS Admin Budget: Trends (FY 1998-2004)





DoN FMS Admin Budget: FY01 By Claimant



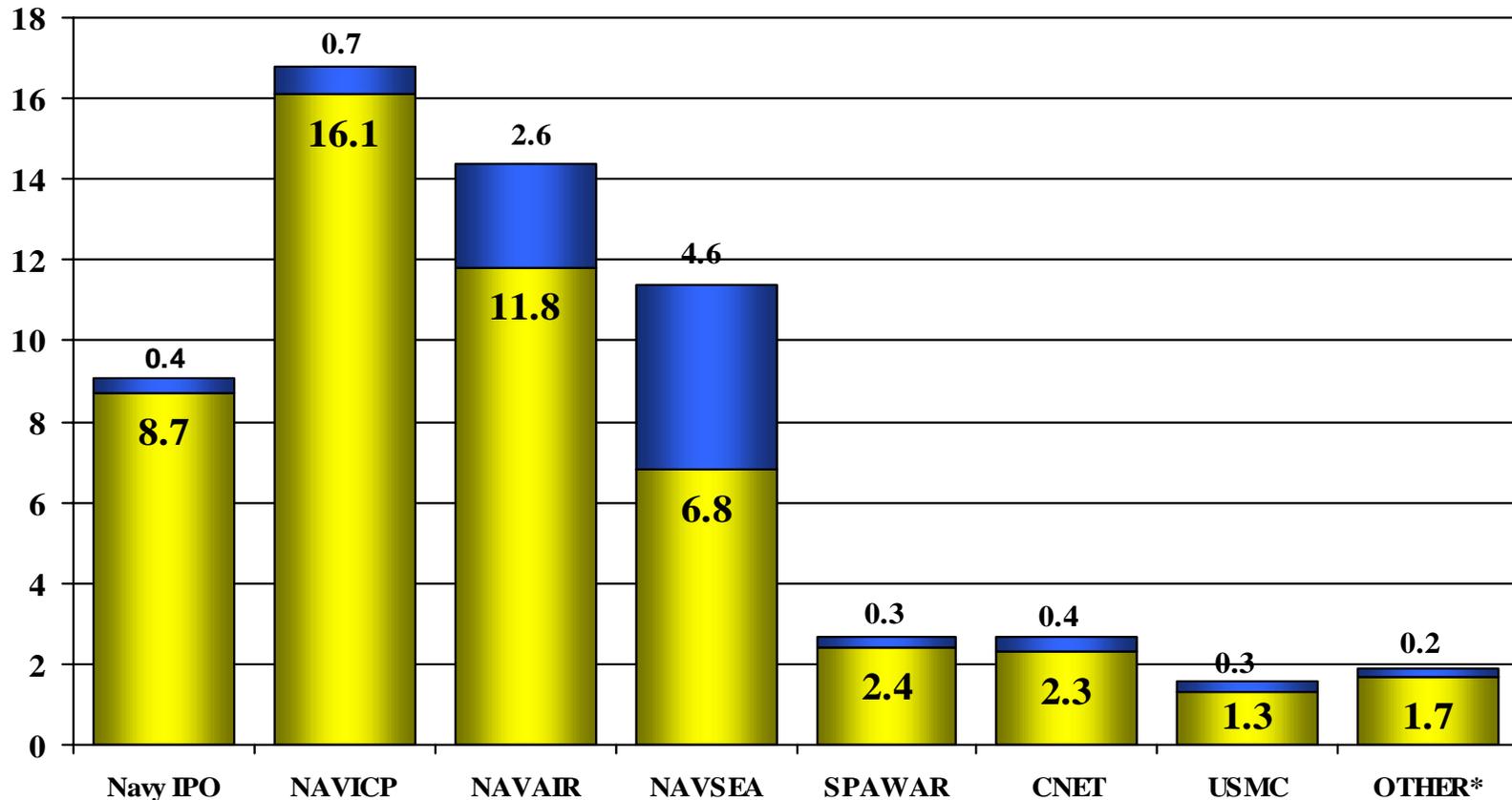
**INCLUDES USCG, CINCLANT, CINCPAC, ONI and BUPERS*



DoN FMS Admin Budget: FY 01 Total Requirements by Claimant

Total FY01 Requirement = \$60.6M
(Budget = \$51.1M, Unfunded = \$9.5M)

\$ in Millions



*Includes USCG, CINCLANT, CINCPAC, ONI and BUPERS

■ FUNDED ■ UNFUNDED



DoN FMS Admin Budget: Core Functions (Past to Present) FY1998 – FY2001

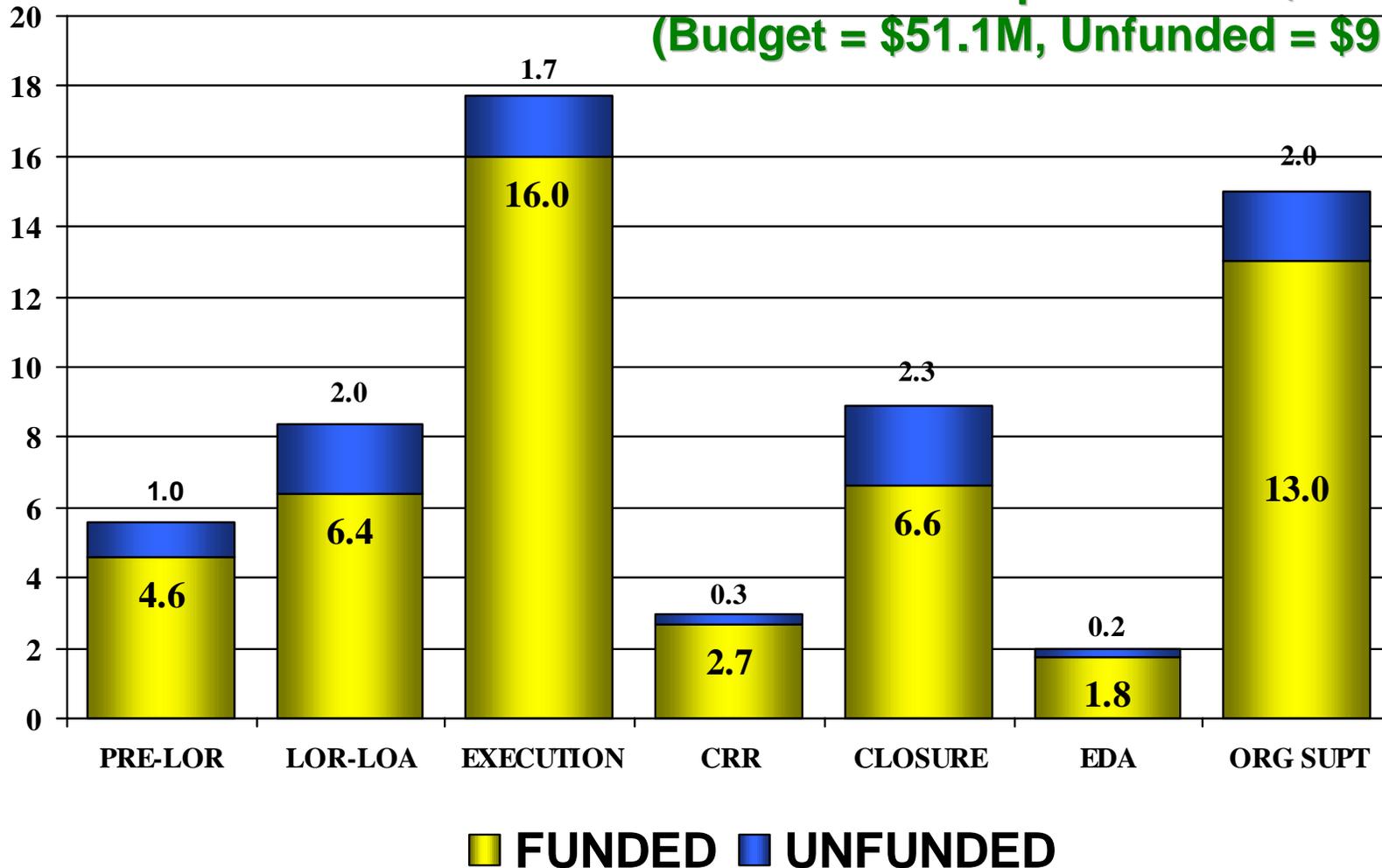
- Pre-Letter of Request (LOR)
- LOR to LOA
- Case Execution
- Case Reconciliation Reviews (CRR)
- Case Closure
- Excess Defense Articles
- Organizational Support



DoN FMS Admin Budget: FY 2001 Core Functions

\$ in Millions

Total FY01 Requirement = \$60.6M
(Budget = \$51.1M, Unfunded = \$9.5M)





DoN FMS Admin Budget: Crosswalk from DoN to DSCA Core Functions (FY02 to Future)

DoN

(FY98 - FY01)

7 Core Functions

- **Pre-LOR** →
- **LOR to LOA** →
- **Case Execution** →
- **Case Reconciliation Reviews (CRR)** →
- **Case Closure** →
- **Excess Defense Articles (EDA)** →
- **Organizational Support** →

DSCA

(FY02 to Future)

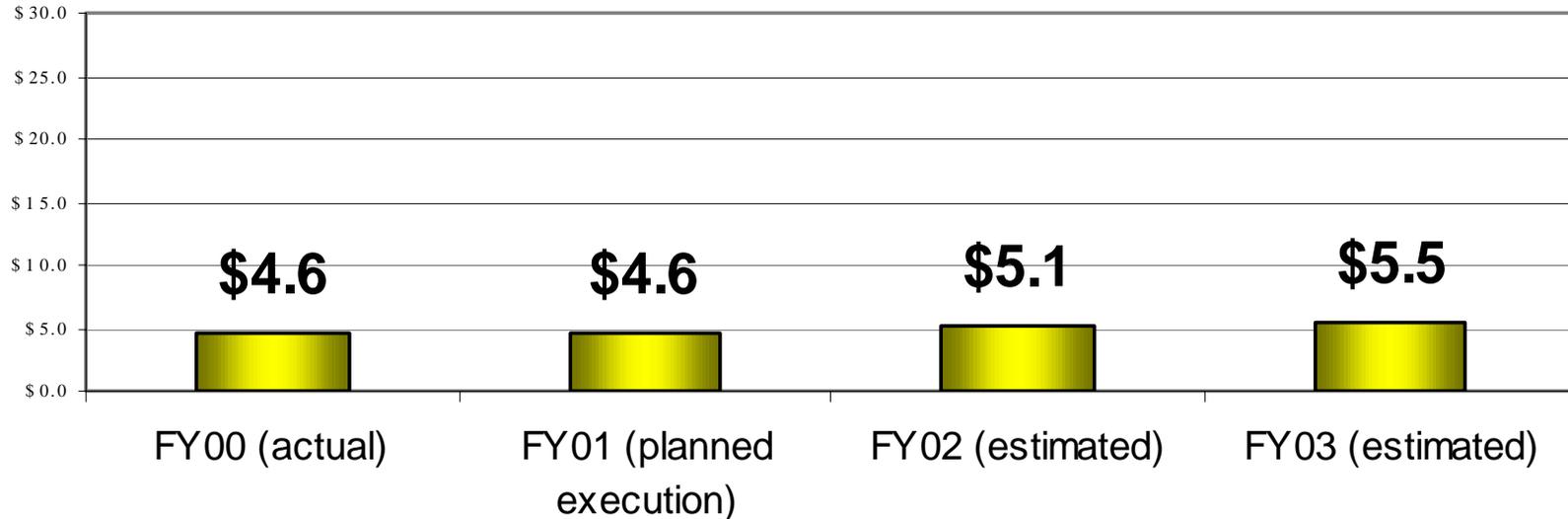
6 Core Functions

- **Pre-LOR**
- **Case Development**
- **Case Execution**
- **Case Closure**
- **Other Security Cooperation**
- **Business Sustaining**



Pre-LOR Core Function: Funded Requirements

\$ in Millions



Representative Efforts:

- New Business Opportunities
 - Chile Tridente
 - Egypt 3-D Radar
 - Japan, Taiwan, Korea and Chile AEGIS
 - Argentina E-2C
- Innovation: Campaign Plan Development
- Innovation: Team International
- Innovation: Hybrid Arrangements



Pre-LOR Innovation: Campaign Plan Development

- Contribute to U.S. and coalition warfighting capability.
- Assist program managers in developing international goals and business plans.
- Provide a short listing of selected DoN systems and services by systems command to permit advocacy to our international partners.
- Encourages the use of hybrid arrangements including Foreign Military Sales, Direct Commercial Sales, Cooperative MOUs, etc.
- Campaign Plans under development for F/A-18, V-22, MMA, AH-1Z, SM-2, RAM, ESSM, MK48/MK46, Link 11, Link 16, AAV



Pre-LOR Innovation: TEAM International

What it is

What it is Not

- Includes DCS, FMS and Cooperative Programs

- Open sharing of DoN ideas, policy constraints with industry

- Partnering with allied and friendly countries

- Mapping out required processes to intelligently work critical paths

- Group development of a strategy acceptable to all participants

- Varied membership depending on situation (e.g., sometimes including foreign industry)

- Constrained to FMS

- DoN favoring one company over another

- USA only

- Waivers from required procedures/approvals

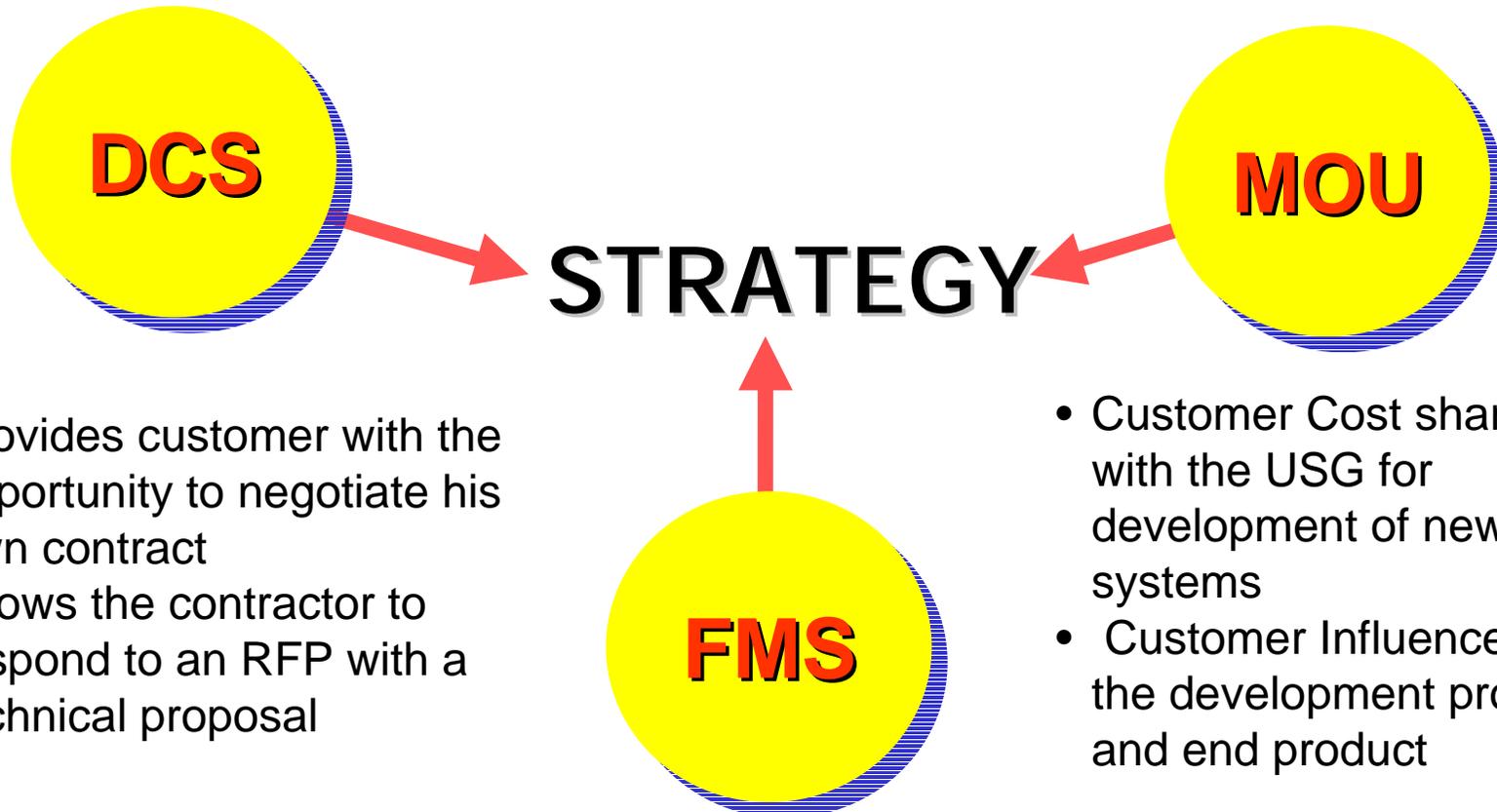
- DoN exercising its will on industry or vice versa

- Fixed structure

In short, the search for the WIN-WIN scenario.
In place for Harpoon, Tridente, Torpedoes, F-18 and MMA.



Pre-LOR Innovation: Hybrid Arrangements



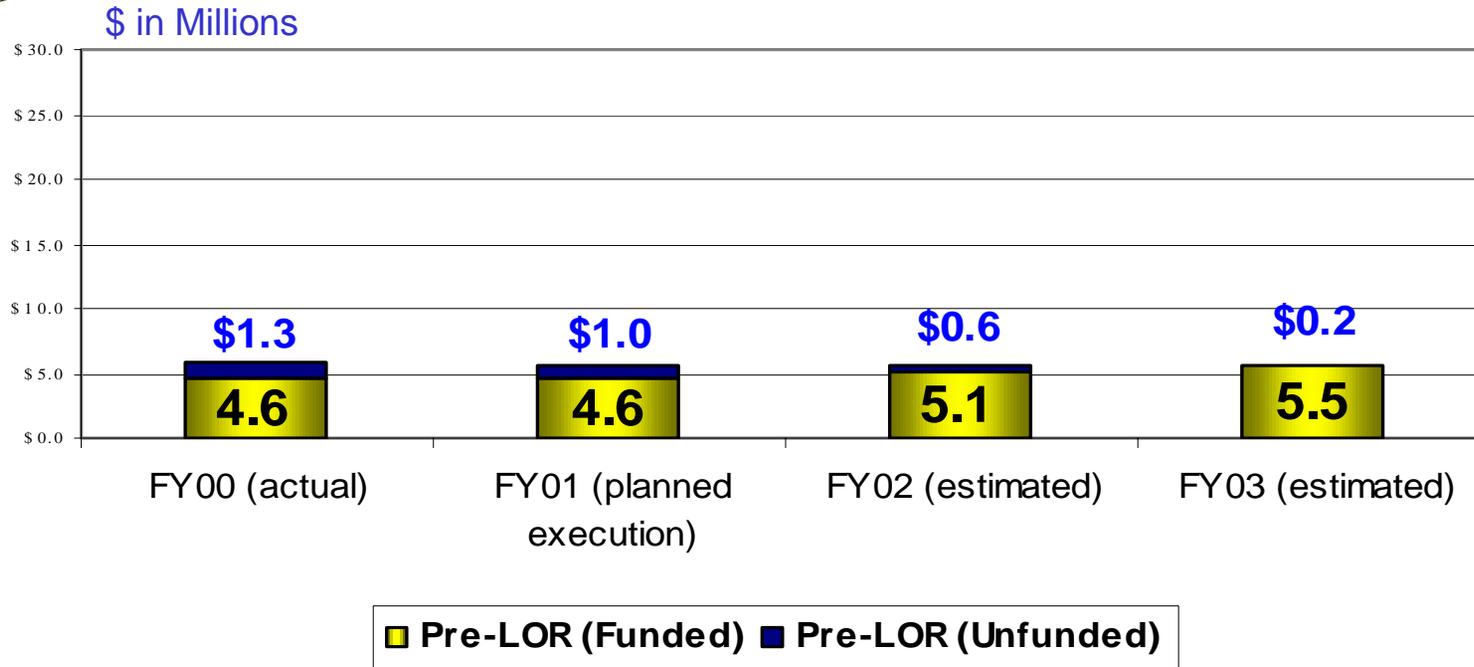
- Provides customer with the opportunity to negotiate his own contract
- Allows the contractor to respond to an RFP with a technical proposal

- Customer Cost sharing with the USG for development of new systems
- Customer Influence over the development process and end product

- Gives the customer the opportunity to benefit from economies of scale
- Provides total package approach
- Customer access to USG data, facilities and expertise



Pre-LOR Core Function: Total Requirements

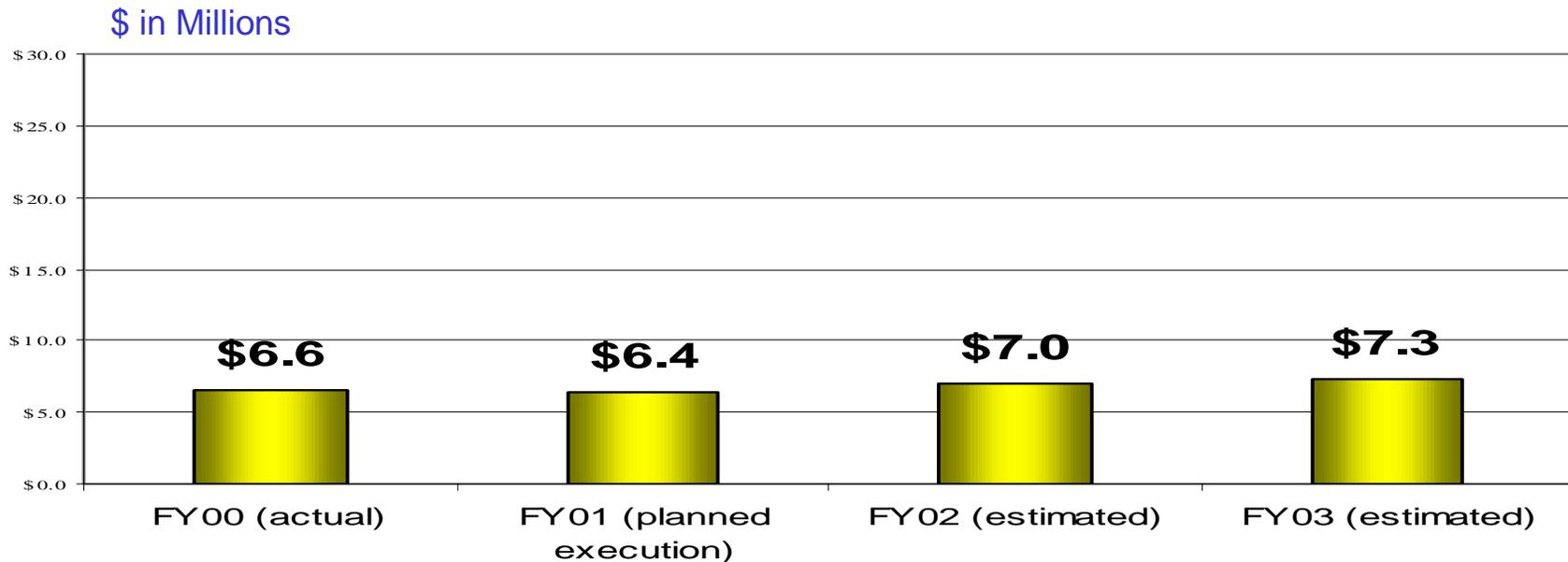


Representative Unfunded Requirements:

- Continued Development of Campaign Plans
- Improve C⁴I (Link 11, Link 16) responses to Requests for Information
- Workload increases for research, technical briefings and follow-up with potential customers (across multiple platforms/weapons)
- DoN representation at international trade shows



Case Development Core Function: Funded Requirements



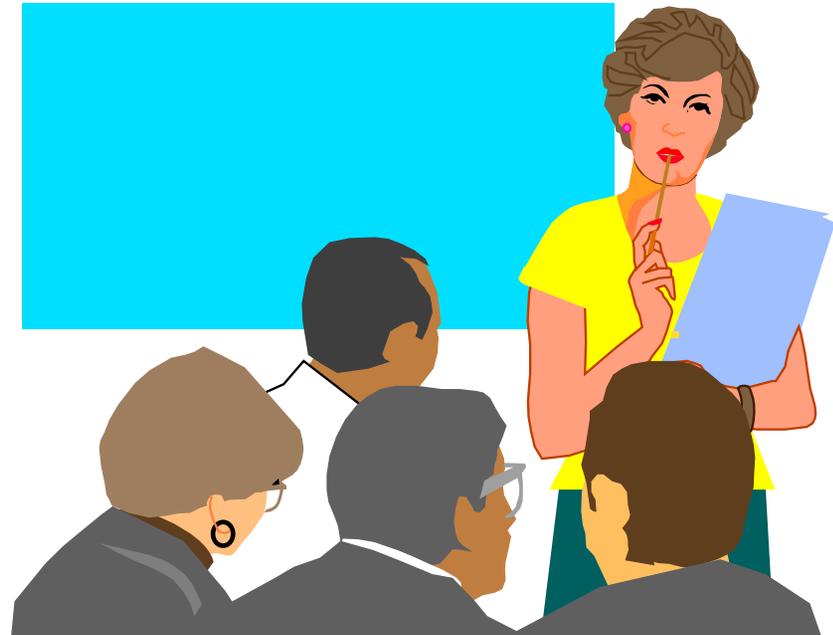
Representative Efforts:

- Efforts to Meet/Surpass LOA Development Guidelines
- 80% of FY01 Q2 LOAs completed within 120 days
- FY01 YTD – 285 cases, \$1.25B.
- Major LOAs: France E-2C, Egypt SPS- 48E radars, Poland SH-2G, Italy SM-2 Upgrade, Brazil P-3
- Innovation: Case Initiation Meetings (CIM) and Checklists
- Innovation: Quality Review Boards (QRBs) for major LOAs



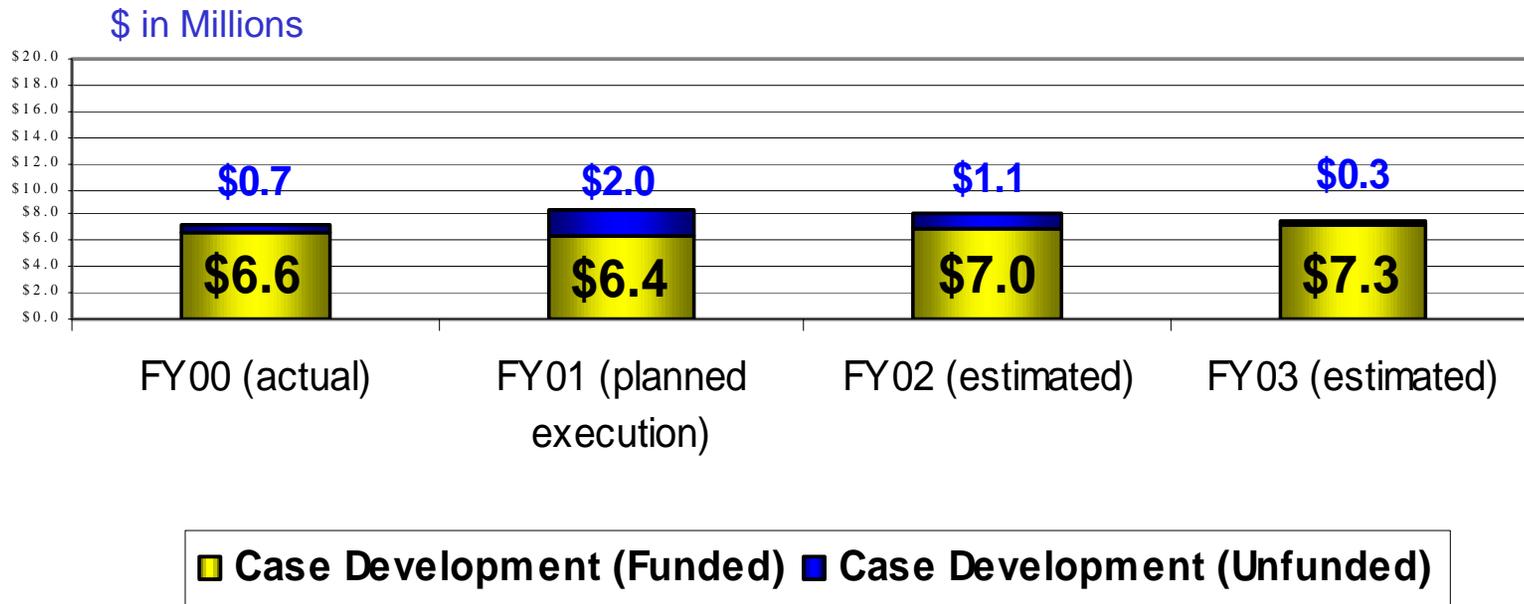
Case Development Innovation: CIM & QRB

- Case Initiation Meeting and Checklist
 - Ensuring we clearly understand the customer’s requirements “upfront” once LOR received.
 - Identifying hurdles
 - Laying out a plan with the customer
- Quality Review Board
 - Ensuring we respond to the customer’s requirements with the best possible product for the best possible price





Case Development Core Function: Total Requirements



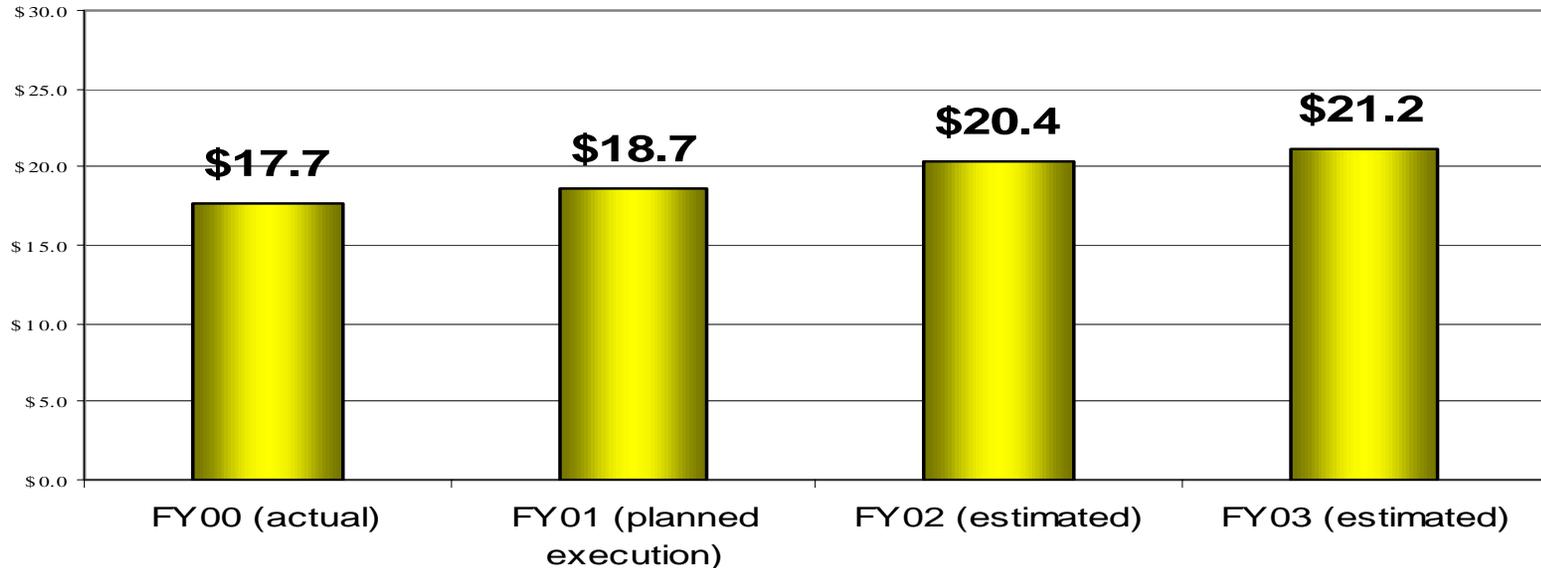
Representative Unfunded Requirements:

- Support for AEGIS P&A and LOA development
- Additional support for NAVAIR, NAVSEA, and SPAWAR for preparation of P&A and LOA packages



Case Execution Core Function: Funded Requirements

\$ in Millions



Representative Efforts:

- Management of the Existing Business Base (PMRs, CRRs, FMRs)
 - Over 4,600 open cases
- FY00/FY01: 38 reviews conducted/13 conducted & 31 planned to date
- FY00: Over 800 Amendments and Modifications processed
- Innovation: Enforcing “Reconcile as you go”

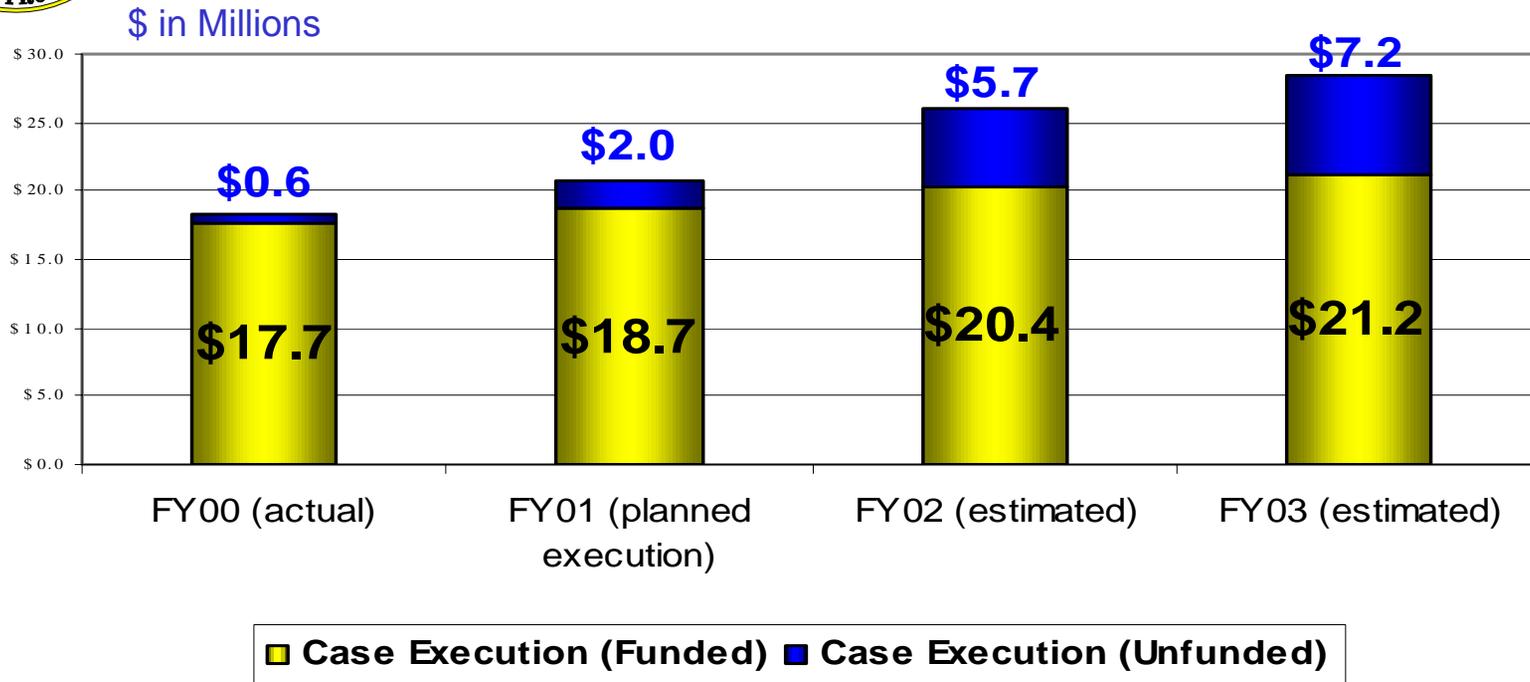


Case Execution Innovation: Enforcing “Reconcile as you go”

- Active reconciliation during case execution
 - Taking more proactive role – leading by example
 - Conducting yearly case reviews and reconciliation
 - Advocating case related financial issues (complete lifecycle)
- FAR/DFAR policy changes for contract closeout
- Accounting system compliance and issues
 - MISIL phase out, development of STARS-FL FMS module, ERP
- Interpreting and publishing policy memoranda
 - Proposes changes to DSCA/ASN(FM)



Case Execution Core Function: Total Requirements

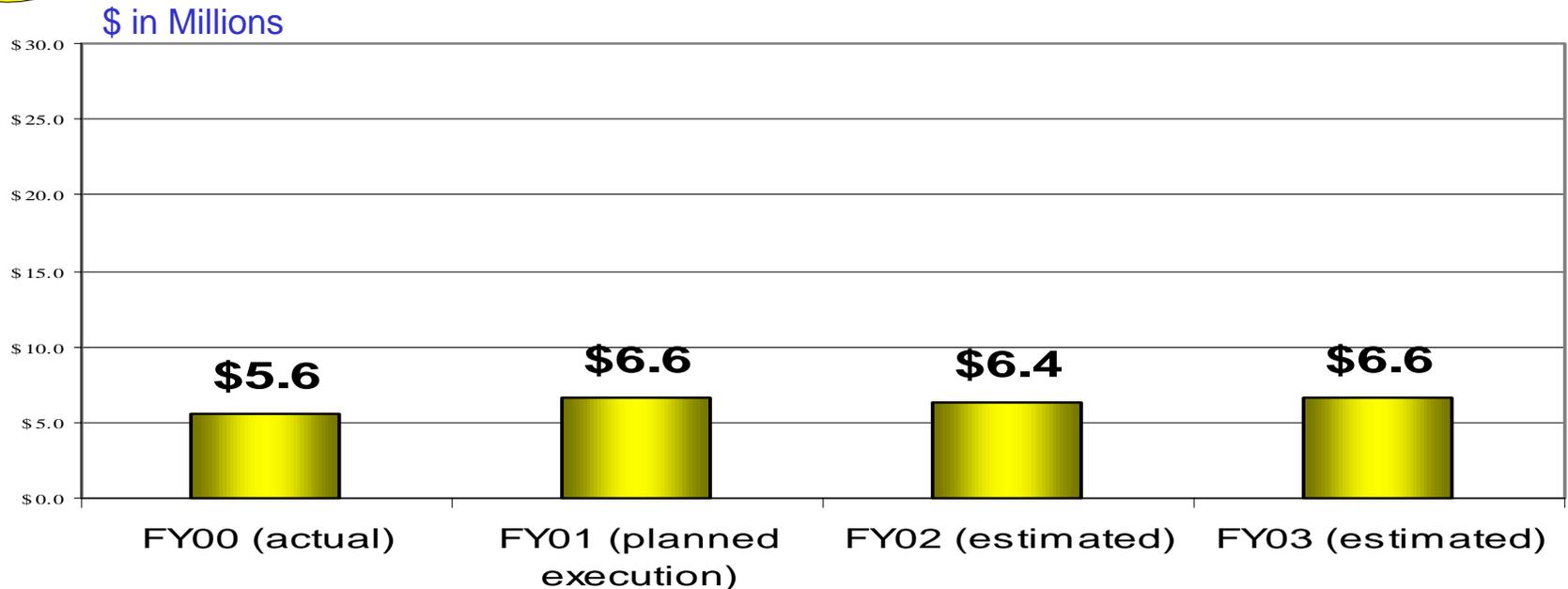


Representative Unfunded Requirements:

- Increased Numbers of Amendments/Modifications
 - Management at Line Item Level (Mods req. with every RSN change)
 - Annual Reconciliation
- Resolution of Problem Disbursements
- Implementation of Estimated Billings
- Added Support of Naval Ammunition Logistics Center
- Enhancement of FMS Info Warehouse (STARS Downloads)



Case Closure Core Function: Funded Requirements



Representative Efforts:

- FY01 goal: Close 800 cases – On track!
- FY00 – 685 cases closed (certificates issued by DFAS)
- Innovation: DoN Case Closure Day
- Innovation: Case Closure Working Group
- Innovation: DISAM Case Reconciliation (CR) Course
- Innovation: Develop Incentives



Case Closure Innovation

- DoN Case Closure Day
 - Claimants develop Master Case List and POA&M
 - Share data with DFAS to work toward common goals
- Case Closure Working Group
 - Identify impediments to closure, propose alternatives
 - Develop business practice standards
 - Develop DoN-wide policies and procedures
 - Propose changes to DSCA
 - Participate on DSCA Tri-Service Case Closure Team
 - Share ideas and best practices with Army and Air Force

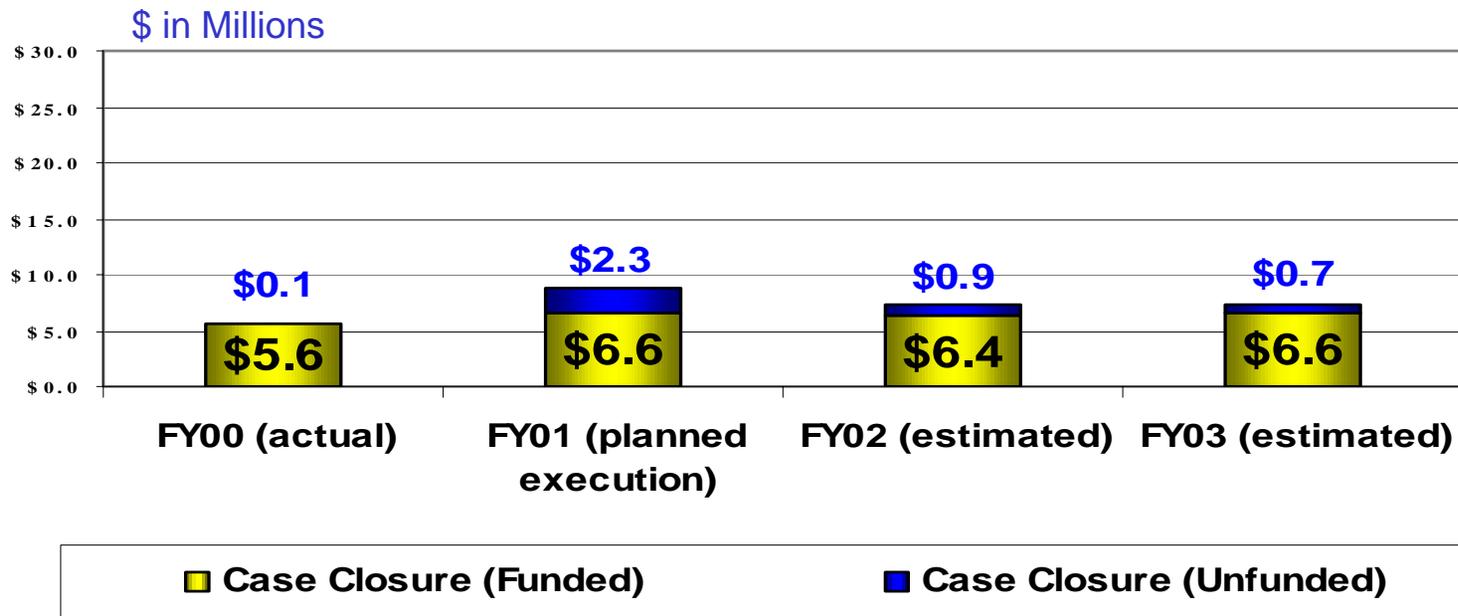


Case Closure Innovation

- DISAM Case Reconciliation (CR) Course
 - Developed by DoN Claimants
 - Navy IPO, NAVICP and NAVAIR provide instructors
- Develop Incentives
 - BBoD set aside \$400K to be distributed during year to DoN claimants based on need for funds and ability to close cases



Case Closure Core Function: Total Requirements



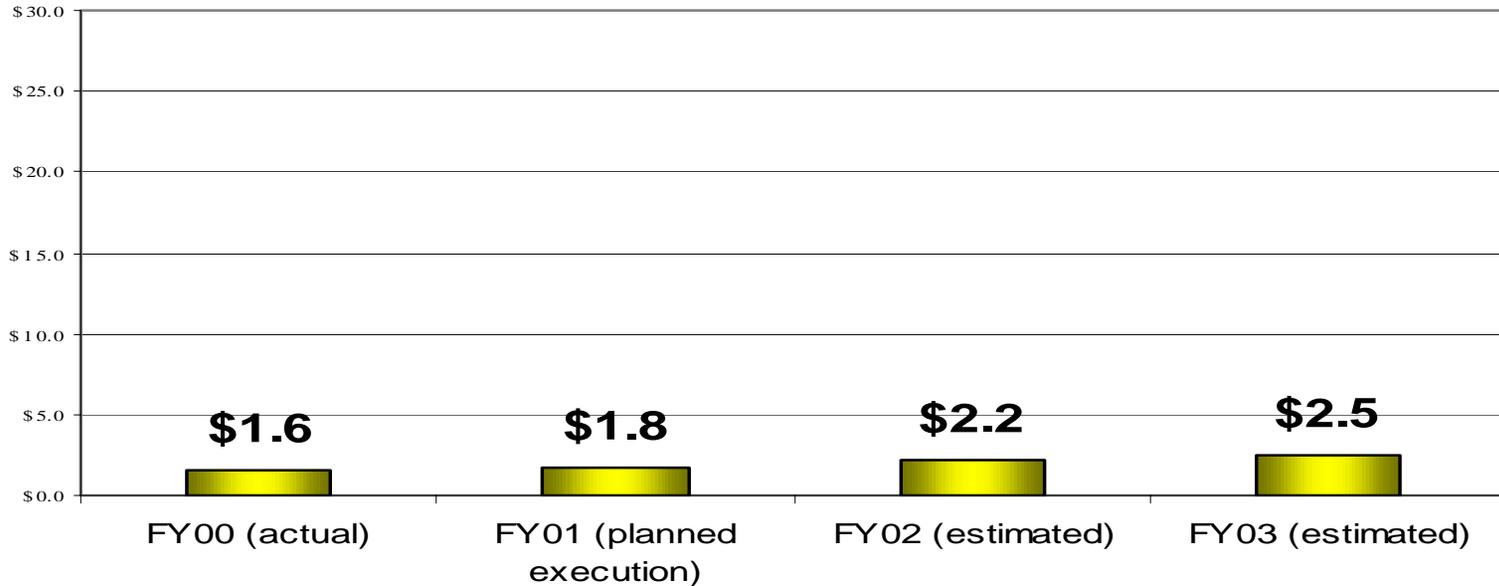
Representative Unfunded Requirements:

- Additional support for NAVAIR and NAVSEA closure efforts
- Continue accelerated SPAWAR closure rate
- Annual revision of payment schedules to reflect actual payments and requirements
- Expansion of Closure Incentive funding



Other Security Cooperation Core Function: Funded Requirements

\$ in Millions



Representative Efforts:

- Security Assistance Ombudsman
- FMS Reinvention
- NIID
- Presidential Drawdowns (5 in FY00)
- Enhanced International Peace Keeping (EIPC)
- International Military Student Officer Conference
- Innovation: Company Days



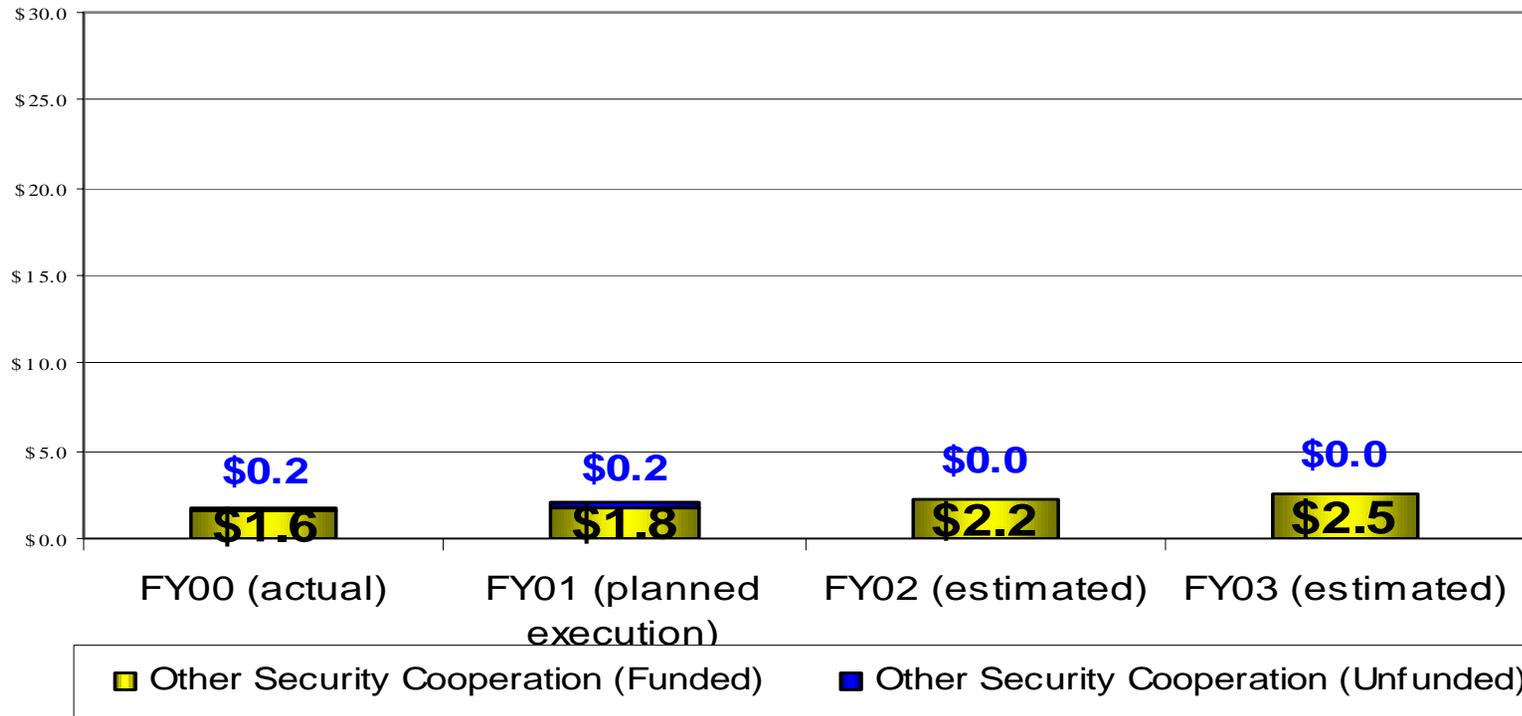
Other Security Cooperation Innovation: Company Days

- Forum for Navy IPO Leadership to dialog with U.S. Industry representatives
- Discussions are process and systemic oriented
- Address a broad range of topics from potential FMS opportunities to DoN support for commercial export initiatives
- Conducted to date:
 - Raytheon, Boeing, Northrop Grumman, Lockheed Martin, ITT
- Planned for future:
 - BAE, UDLP



Other Security Cooperation Core Function: Total Requirements

\$ in Millions



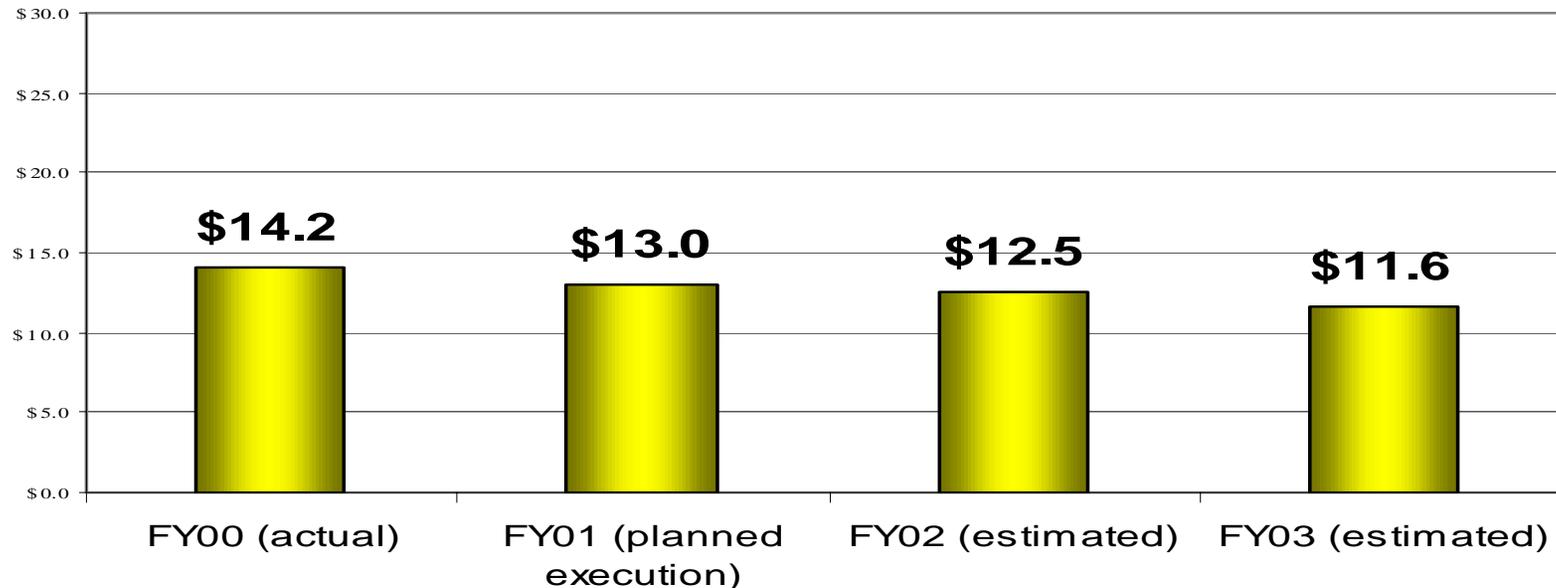
Representative Unfunded Requirements:

- Support for reinvention efforts
- Continued support for Ombudsman



Business Sustaining Core Function: Funded Requirements

\$ in Millions



Representative Efforts:

- PBB/PBC in-house support (opportunity cost)
- NAVAIR FMS TIME System development
- Initial NAVICP ABC/PBC project
- NAVAIR FMS training curriculum
- Innovation: DSAMS Training Facility and Classes



Business Sustaining Innovation: DSAMS Training

Set-up Training Facility and Established Classes

RELEASE 6 (MAKE-UP CLASS):

PRIOR USE OF DSAMS IS A PREREQUISITE.

Course Description: This course will cover ALL the changes made to Release 5 and any new functionality that has been included within this release including Leases, LOIs, and Management Flags. They will review Milestones and how they relate to Leases and LOIs.

*****Required for All IPO CPDs*****

IPO NEW USERS:

Course Description: This course covers the basic processing of Letters of Offer and Acceptance (LOAs). Students will learn how to Create Customer Requests, Assign Tasks, and post Milestones.

***** Required for All IPO CPDs*****

DSAMS Letter of Intent (LOIs):

PRIOR USE OF DSAMS IS A PREREQUISITE.

Course Description: Students will learn how to create an LOI. They will develop an LOA (for use in the LOI development), create an LOI, create an Amended LOI, learn how to pull lines from the LOA in order to develop the LOI, how to update the LOA from the LOI, create and price lines, create notes, create a payment schedule, learn how to delete payment schedules, how to revise a payment schedule, and how to produce an LOI.

*****Required for CPDs who Write LOIs*****

DSAMS (IMPROMPTU):

PRIOR USE OF DSAMS IS A PREREQUISITE

Course Description: This course will cover the "Basics" in Impromptu Reporting in DSAMS.. At the end of this course, students will have an understanding of Impromptu and should be able to call out reports that they are required to keep up-to-date. They will be able to make modifications to reports, and develop basic reports for their unique requirements.

DSAMS (LEASES):

PRIOR USE OF DSAMS IS A PREREQUISITE

Course Description: Students will learn how to create a Lease. Students will create a Customer Request, Basic Lease, Amended Lease, and assign tasks. This class will cover the basic process of Leases.

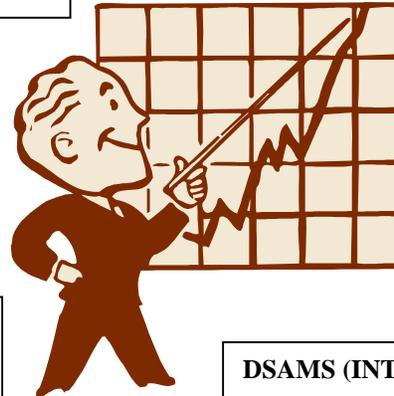
*****Required for CPDs who Write Leases*****

DSAMS (INTERMEDIATE USERS) :

PRIOR USE OF DSAMS IS A PREREQUISITE

Course Description: DSAMS case writing and background in LOA development is required.. The course will cover processing steps and business rules/policies that govern Amendments, Modifications and Revisions. At the end of this course, students will have an understanding of various organizational responsibilities in Amendment, Modification, and Revision Processing.

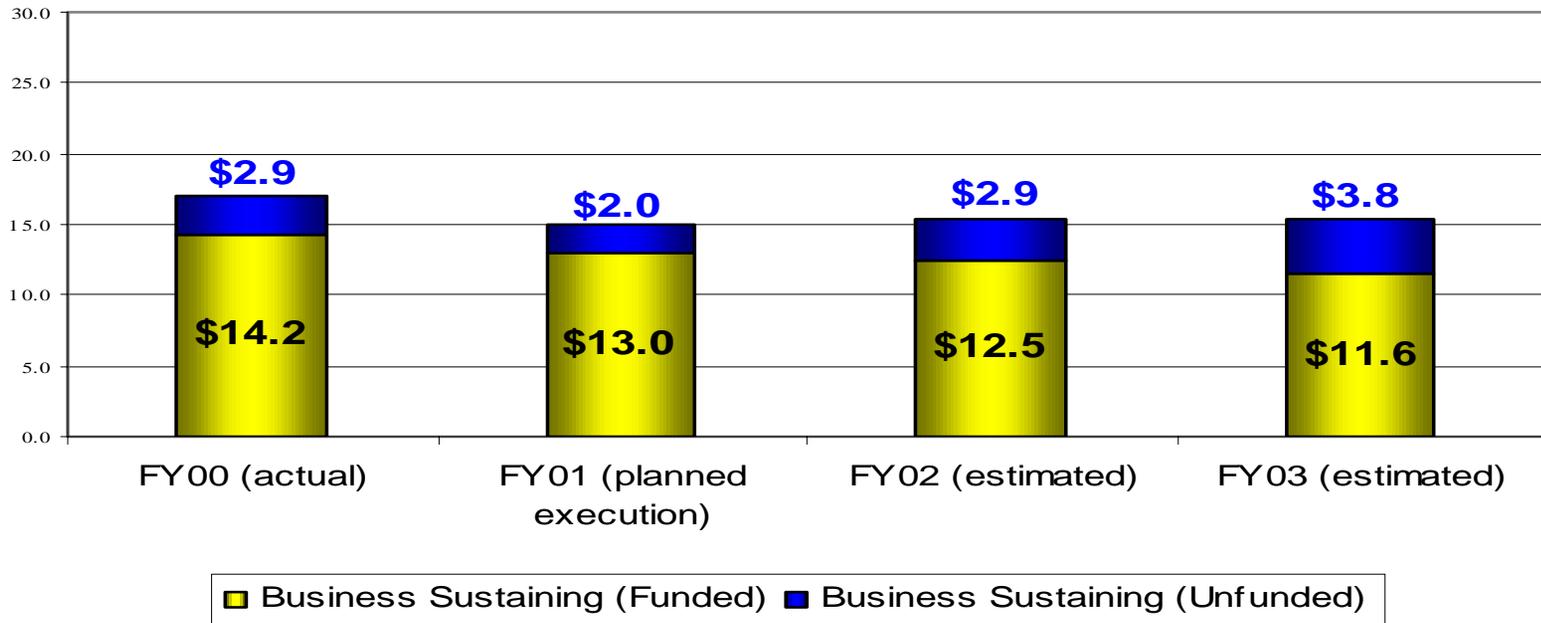
*****Required for All IPO-02C LOA Developers*****





Business Sustaining Core Function: Total Requirements

\$ in Millions



Representative Unfunded Requirements:

- SPAWAR Admin Support for Link 11 & 16 Efforts
- Support NAVAIR Logistics Process Improvement Team
- Revise Curricula for in-house training
- Develop DoN Security Cooperation Career Path
- NMCI Implementation



Out-Year Comments Planning Factors

- Shift in DoN operating strategy from open ocean to littoral environments greater match internationally
- Post Cold-War era = New Partners/Customers
- Greater “partnership role” requested of DoN to support industry in international competitions
- Apparent trend to purchase major end-items commercially and support via FMS

We need to ensure we obtain adequate resources to meet these challenges.



Summary

- DoN is fully supportive of the PBB/PBC effort
 - NAVICP ABC/PBC model to be used as DoD-wide model for DSCA PBC
 - DoN is already acclimated to budgeting by core functions and looks forward to introducing PBC
- The DoN Security Cooperation community is adapting to changing environments through innovative uses of FMS Admin funds