

Atlanta Conference

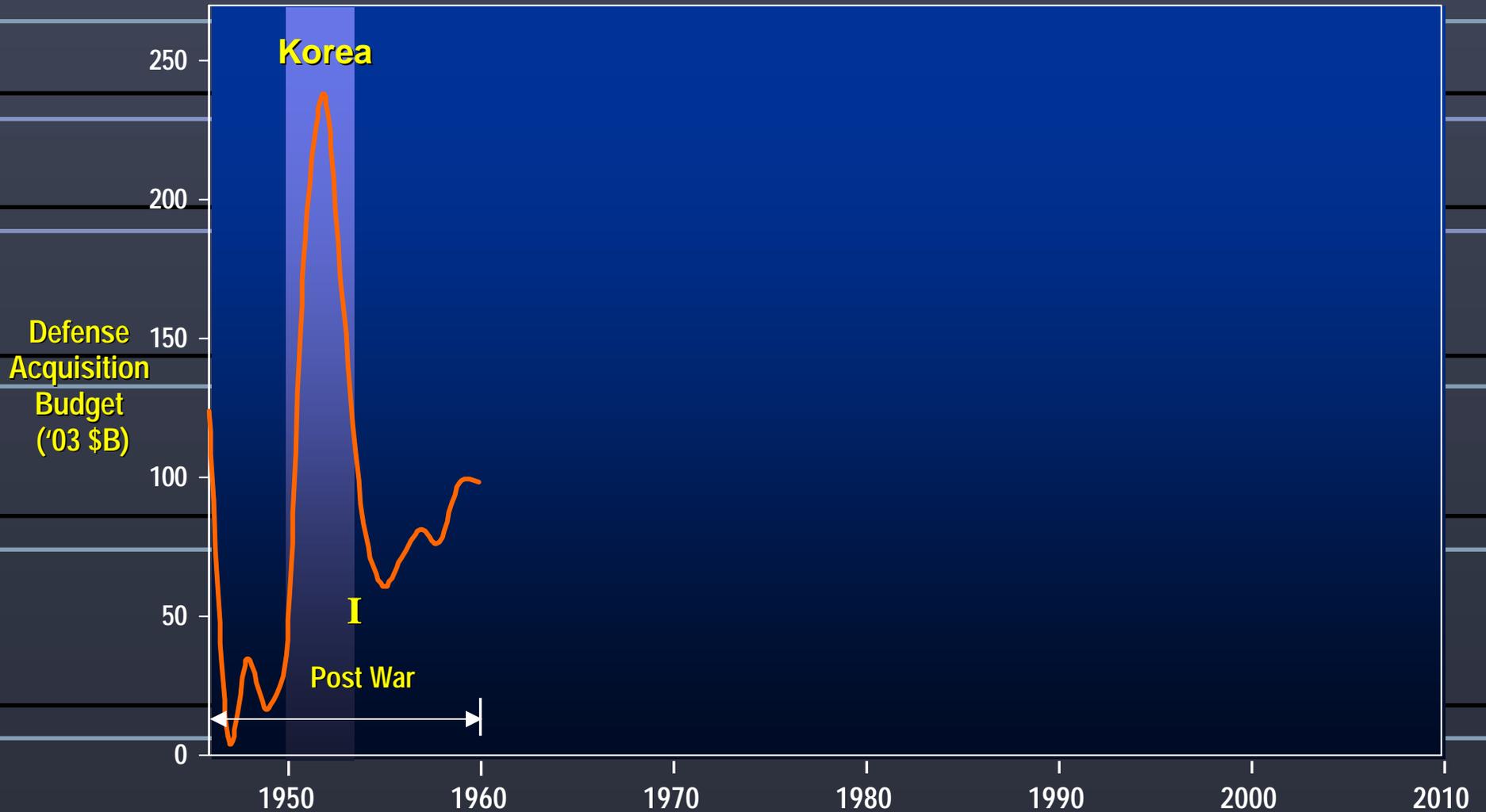


April 30, 2003

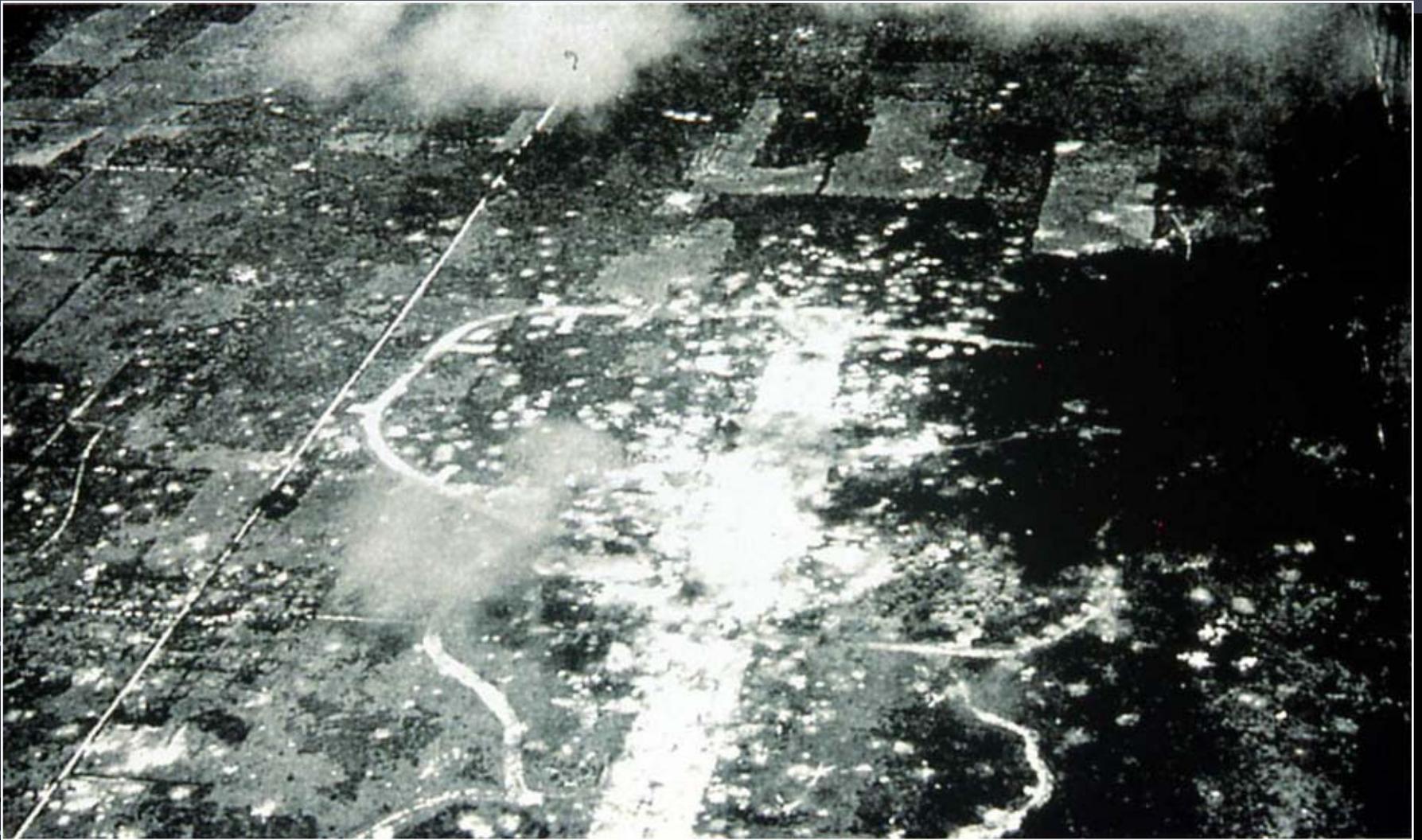


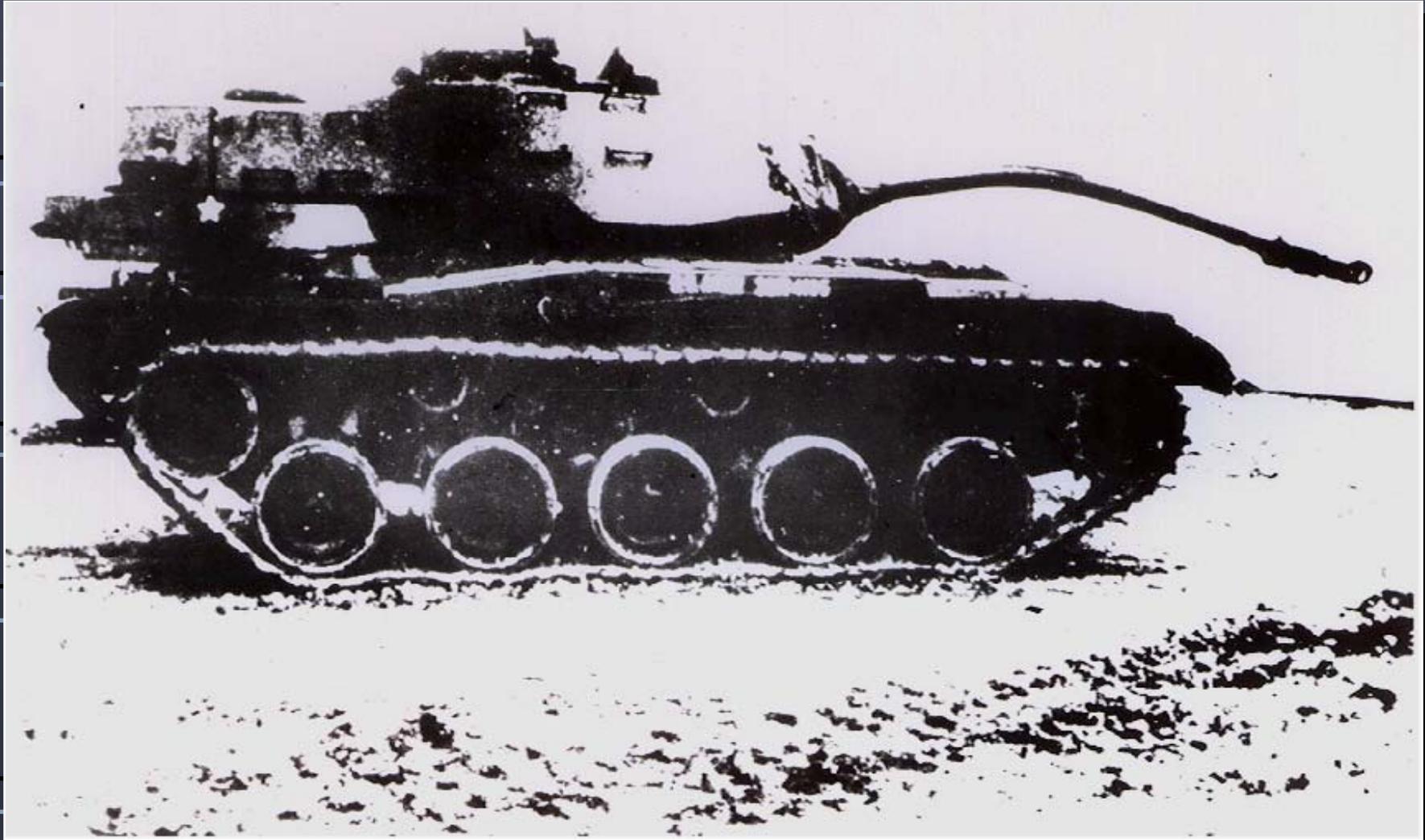
“If we have to listen to one more guy tell us what’s wrong with the procurement process, I’m gonna puke ...”

Eight Phases in the Evolution of the Acquisition Process

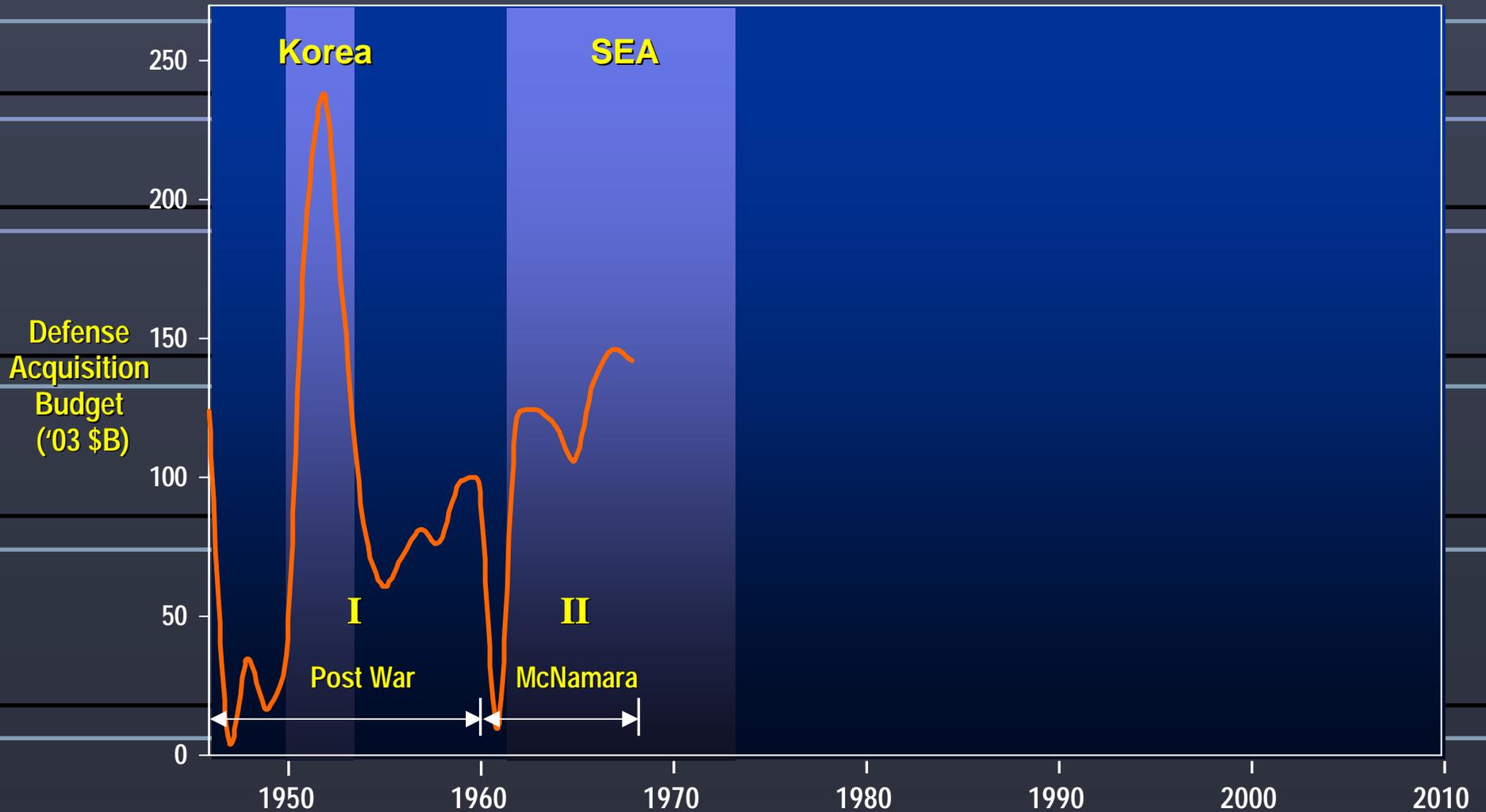


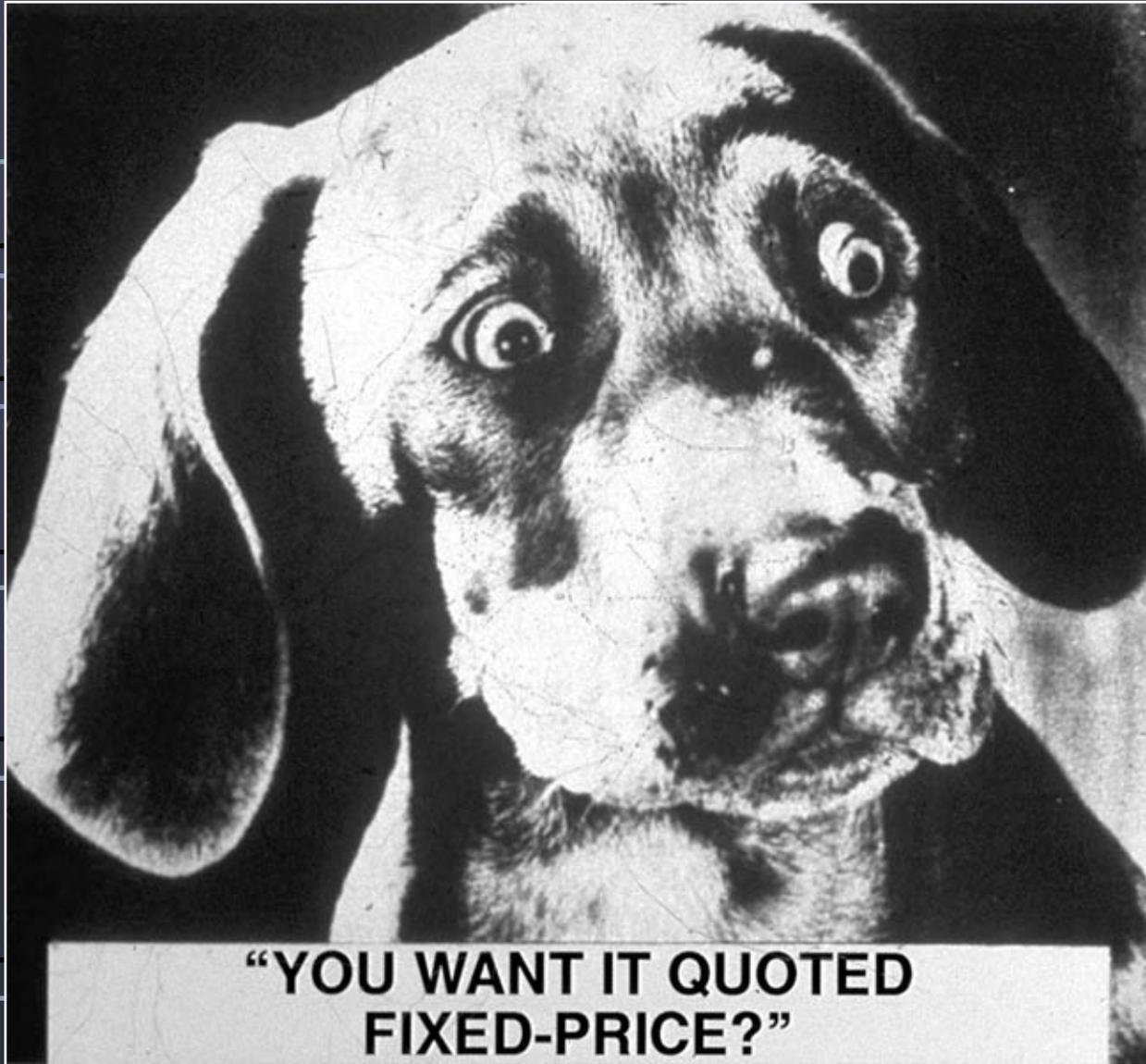




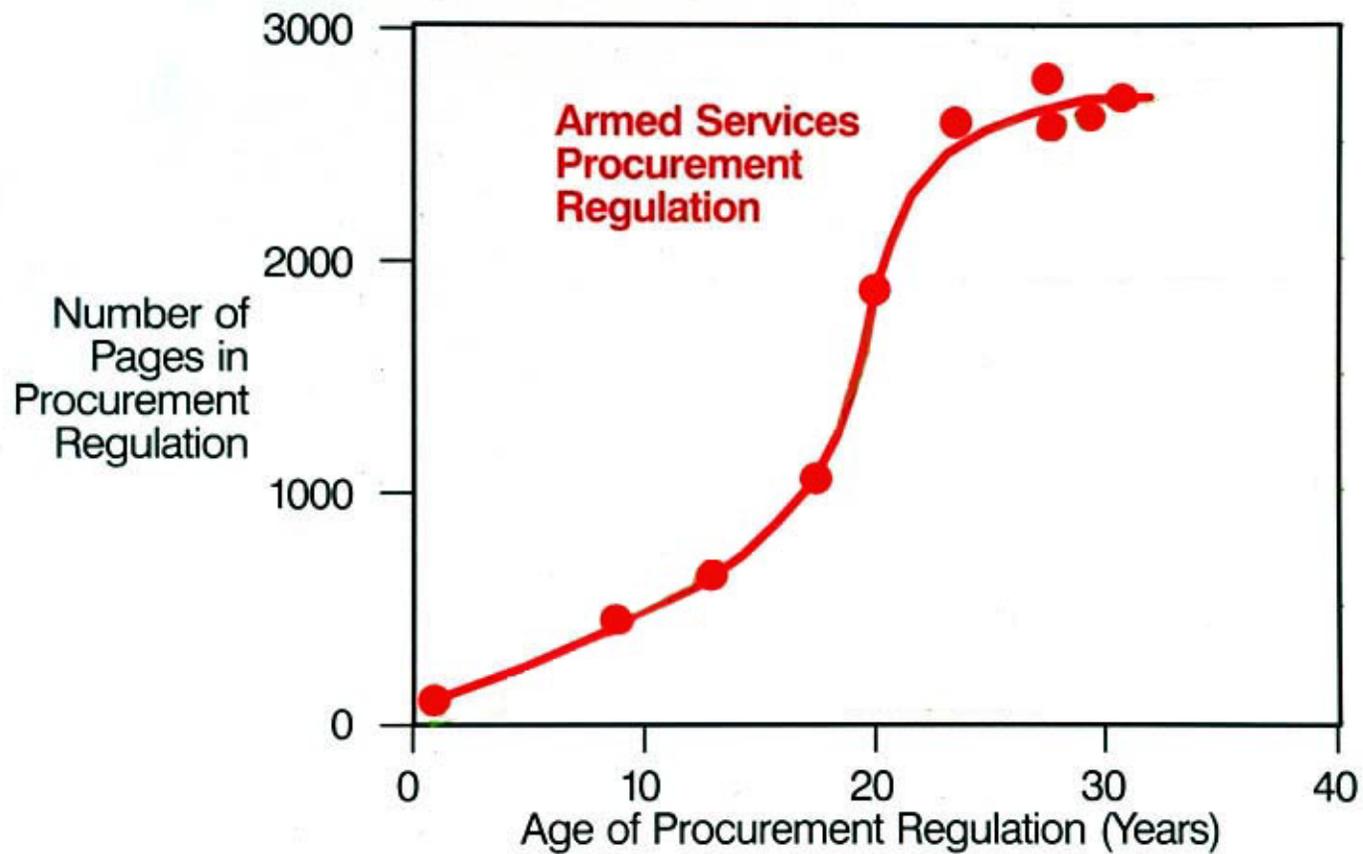


Eight Phases in the Evolution of the Acquisition Process

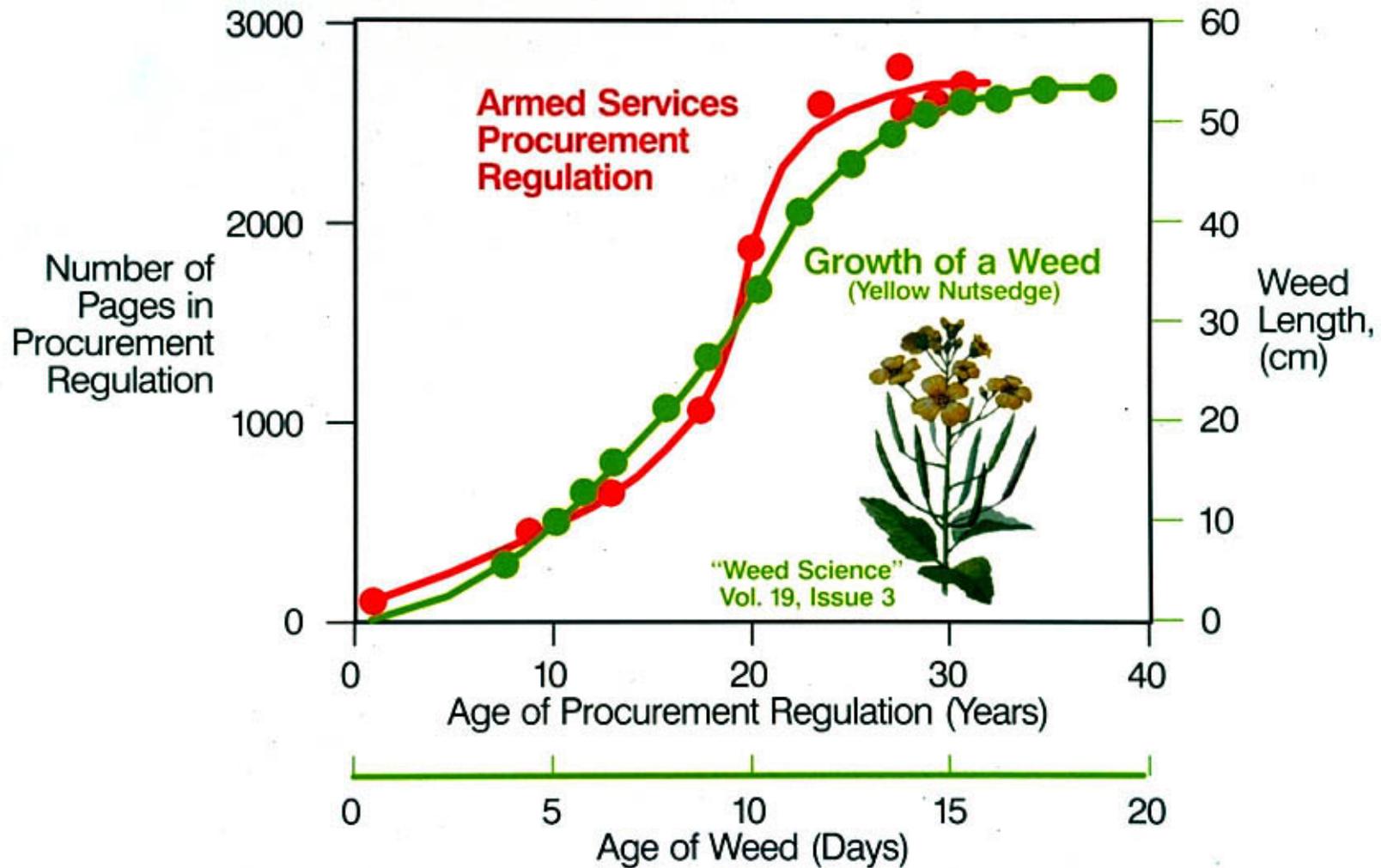




Growth of a Regulation



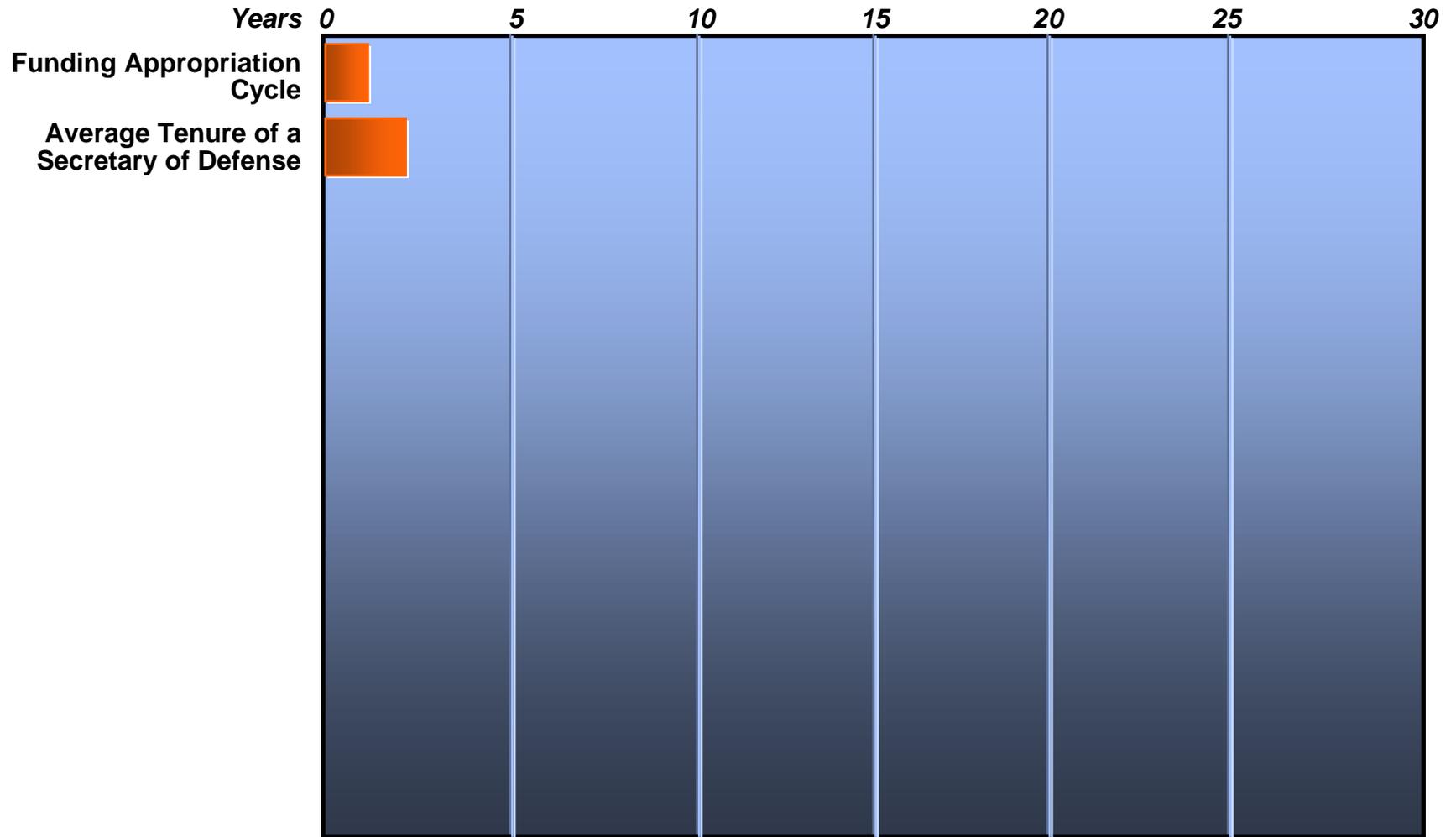
Growth of a Regulation





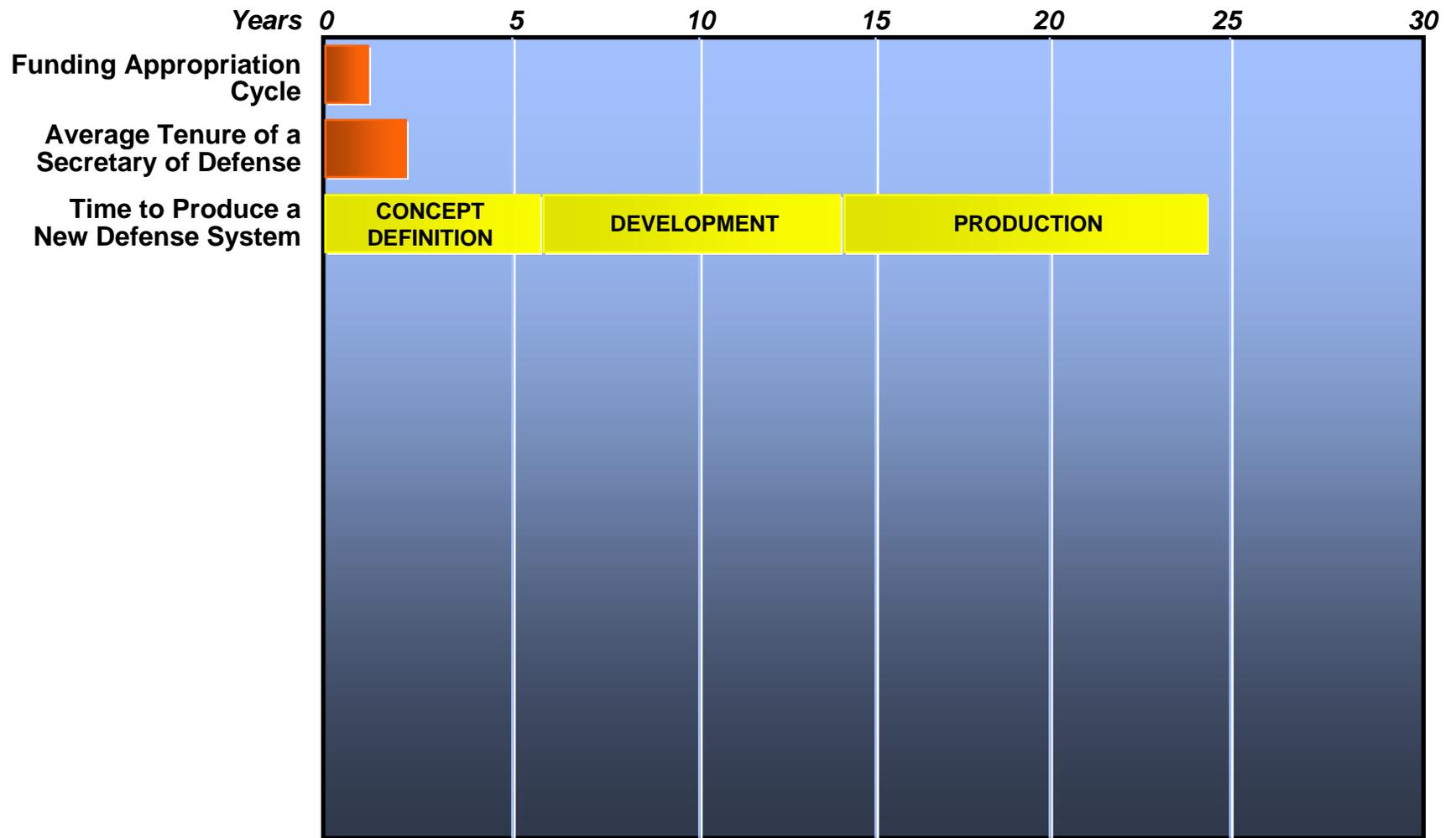
Source: Unknown

Time Scales



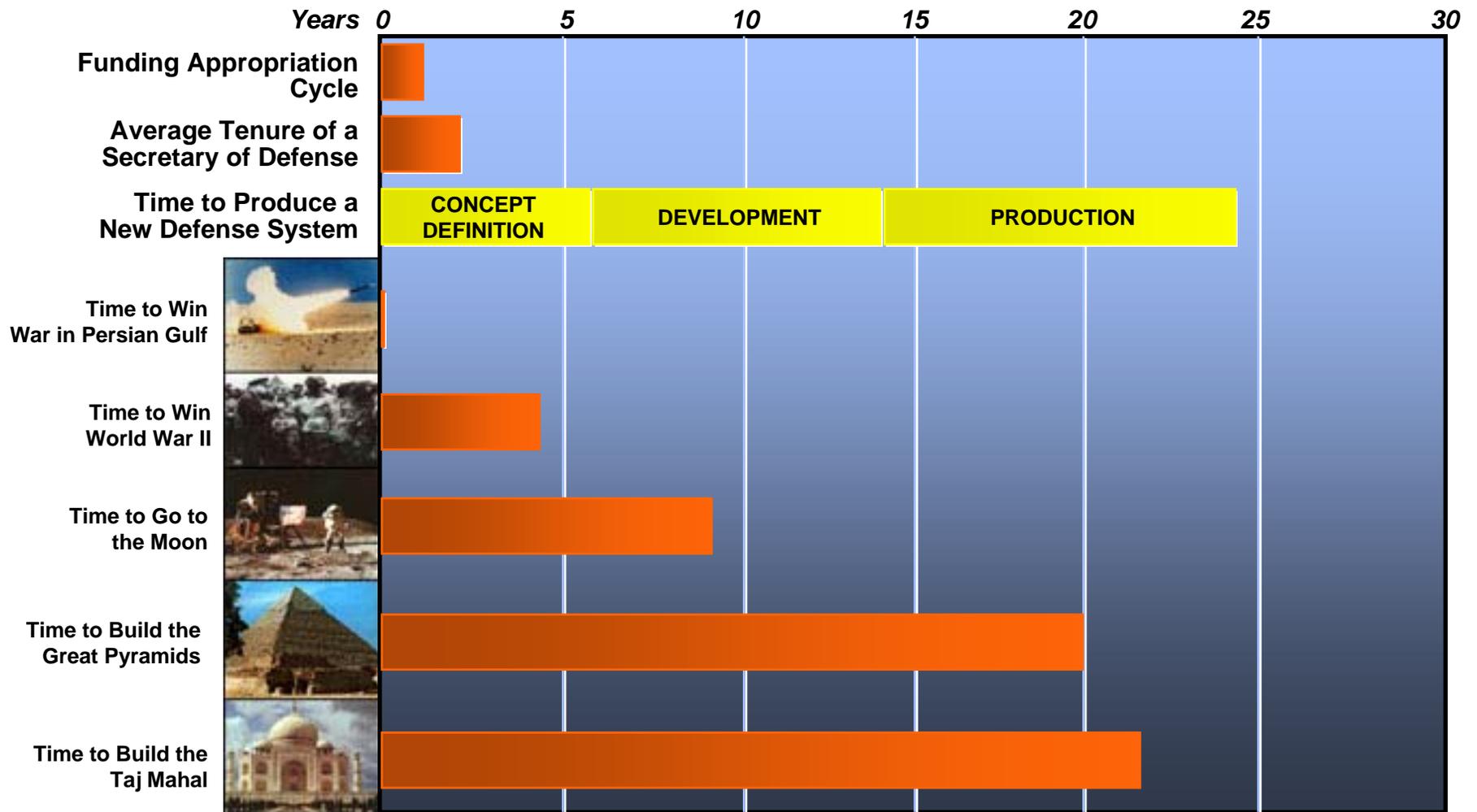
Source of Basic Data: LTV

Time Scales



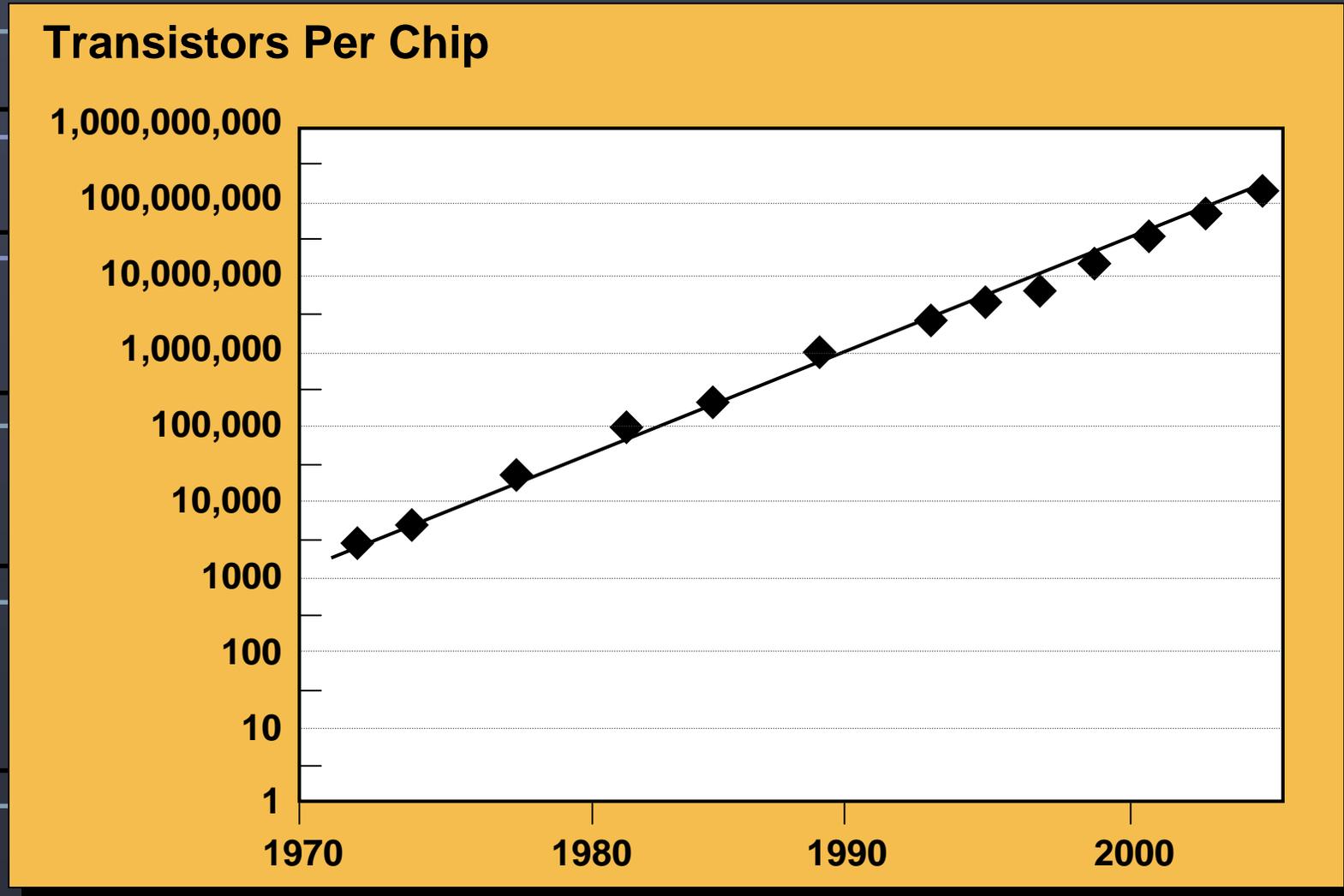
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Time Scales



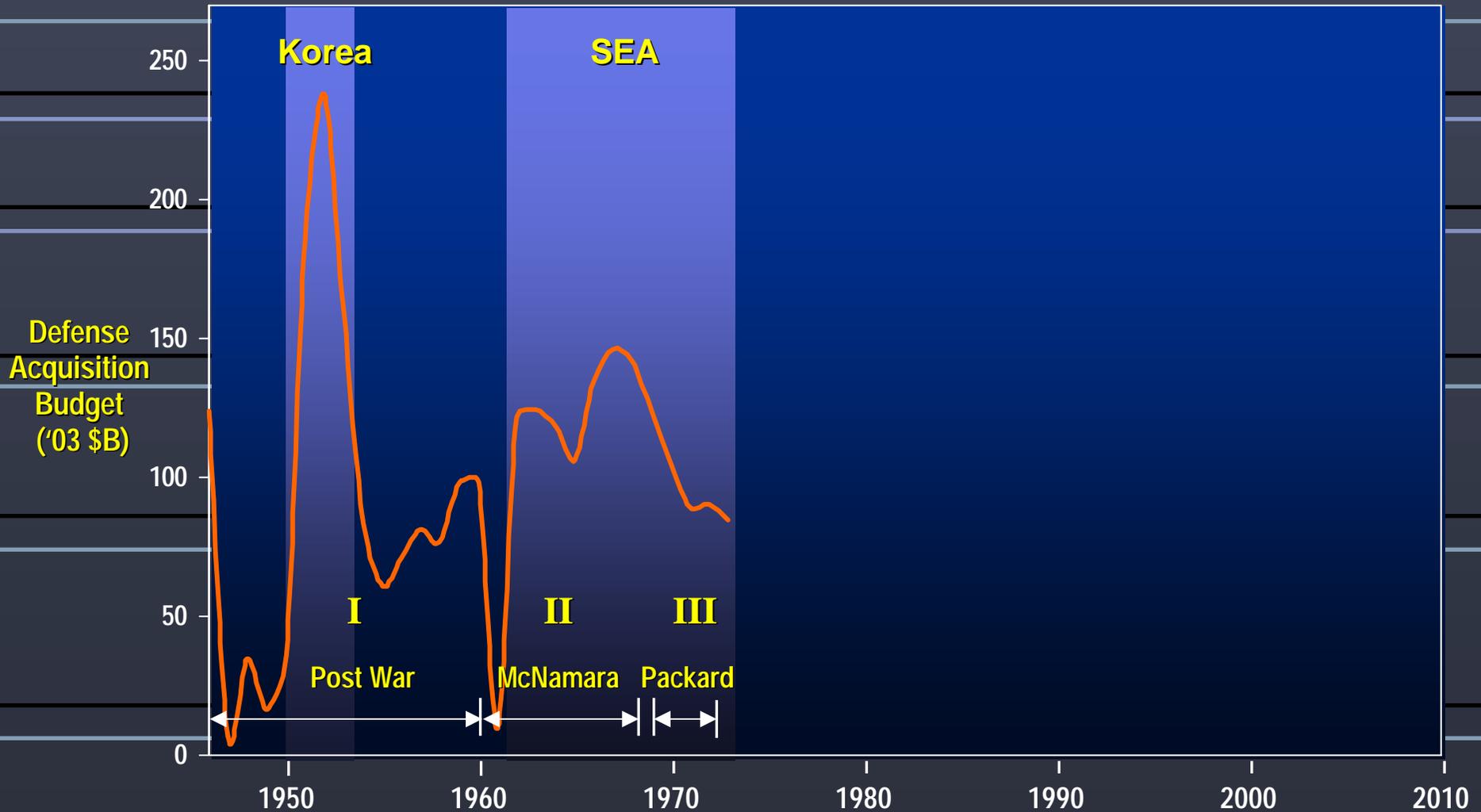
Source of Basic Data: LTV

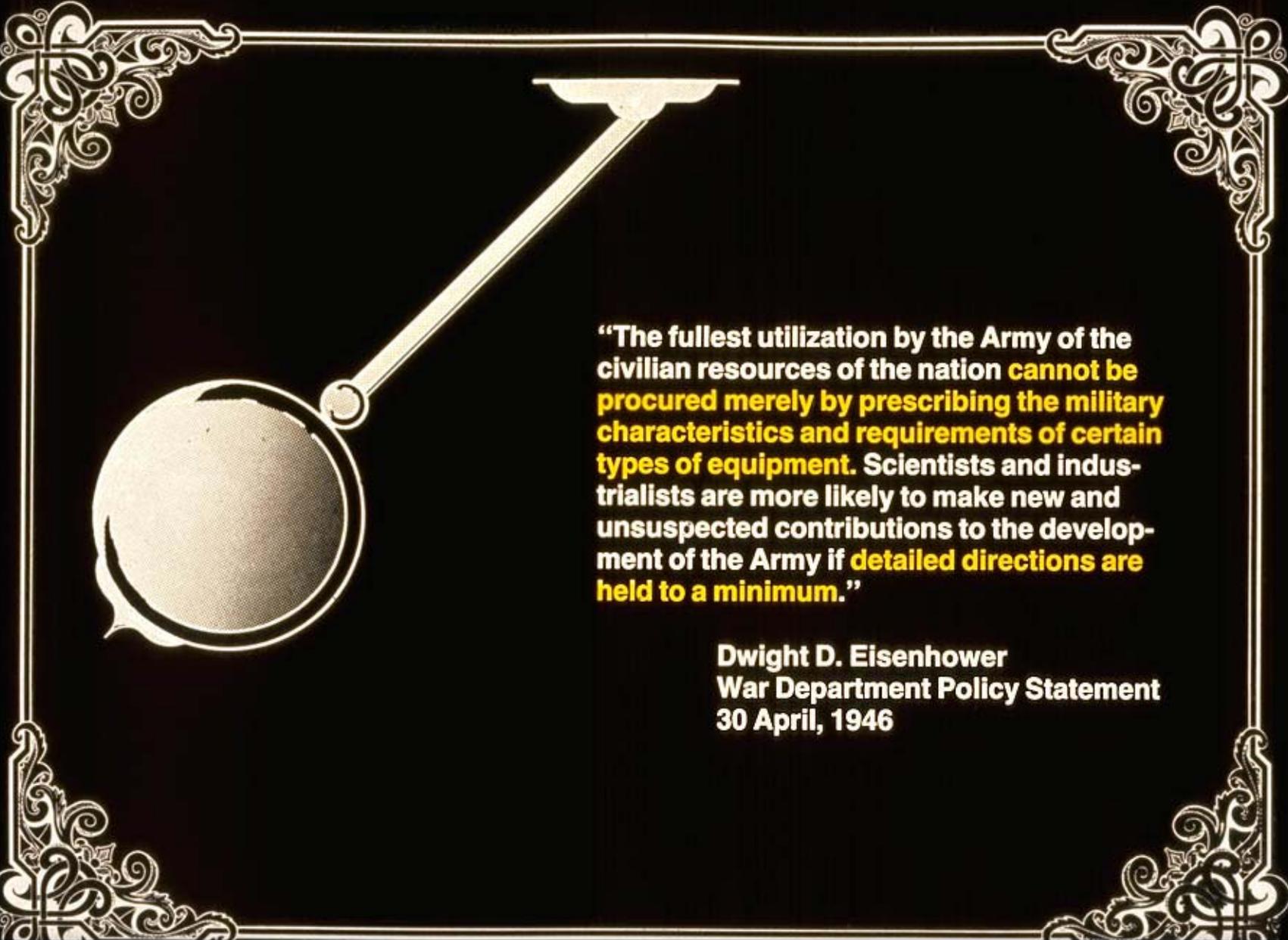
Moore's Law



Source: Science & Engineering Indicators

Eight Phases in the Evolution of the Acquisition Process

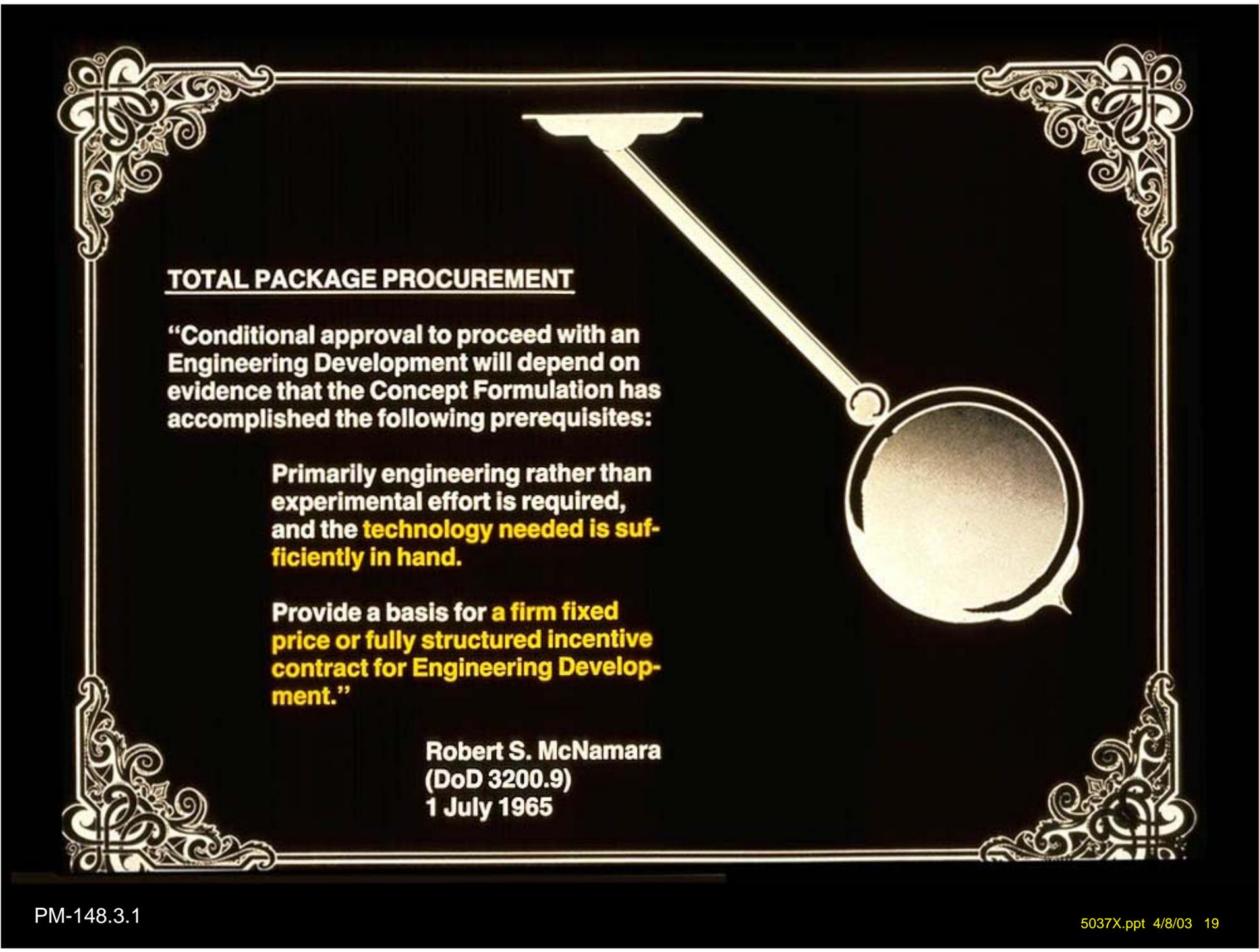




“The fullest utilization by the Army of the civilian resources of the nation **cannot be procured merely by prescribing the military characteristics and requirements of certain types of equipment. Scientists and industrialists are more likely to make new and unsuspected contributions to the development of the Army if **detailed directions are held to a minimum.**”**

**Dwight D. Eisenhower
War Department Policy Statement
30 April, 1946**





TOTAL PACKAGE PROCUREMENT

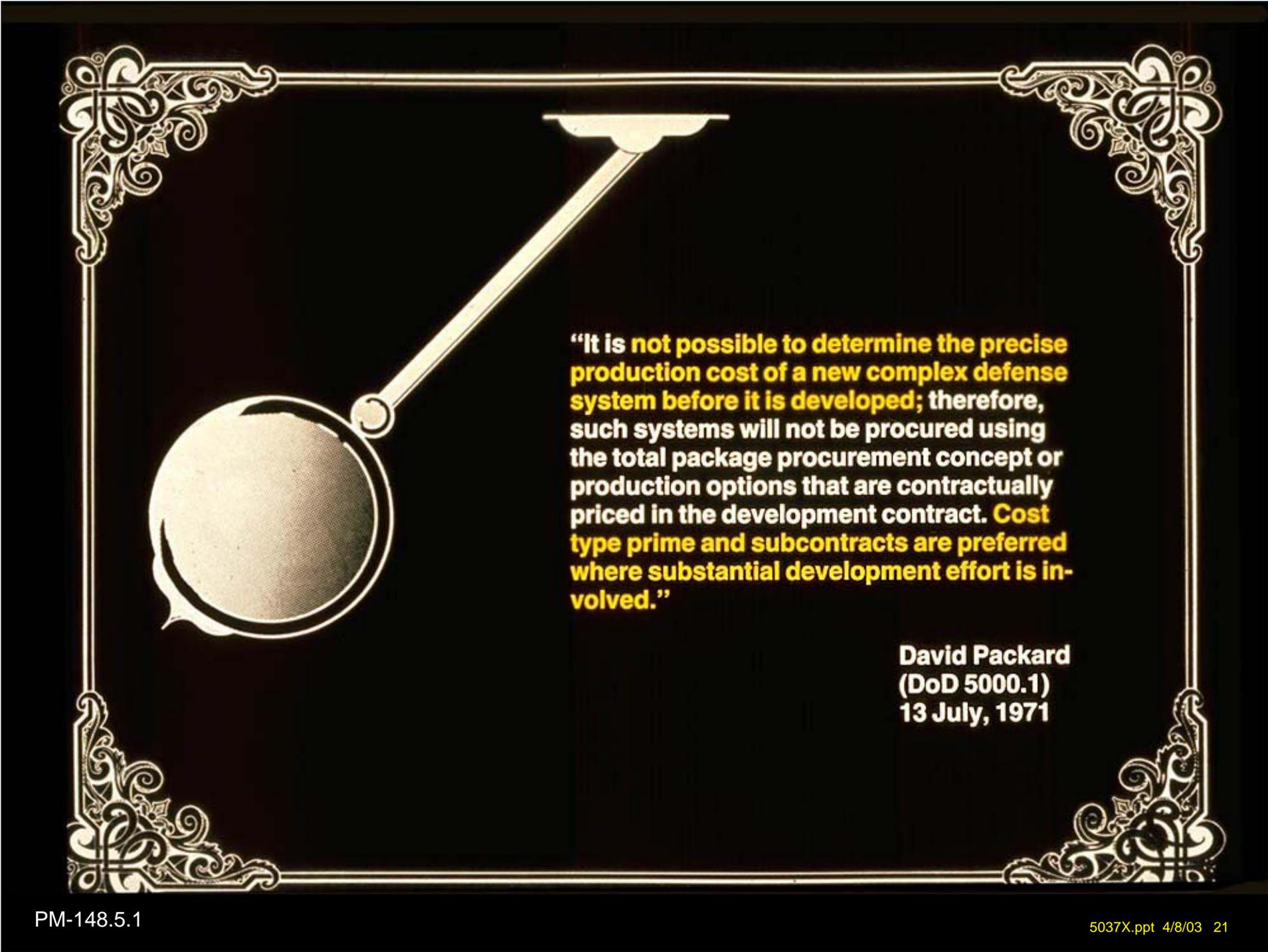
“Conditional approval to proceed with an Engineering Development will depend on evidence that the Concept Formulation has accomplished the following prerequisites:

Primarily engineering rather than experimental effort is required, and the **technology needed is sufficiently in hand.**

Provide a basis for a **firm fixed price or fully structured incentive contract for Engineering Development.”**

**Robert S. McNamara
(DoD 3200.9)
1 July 1965**

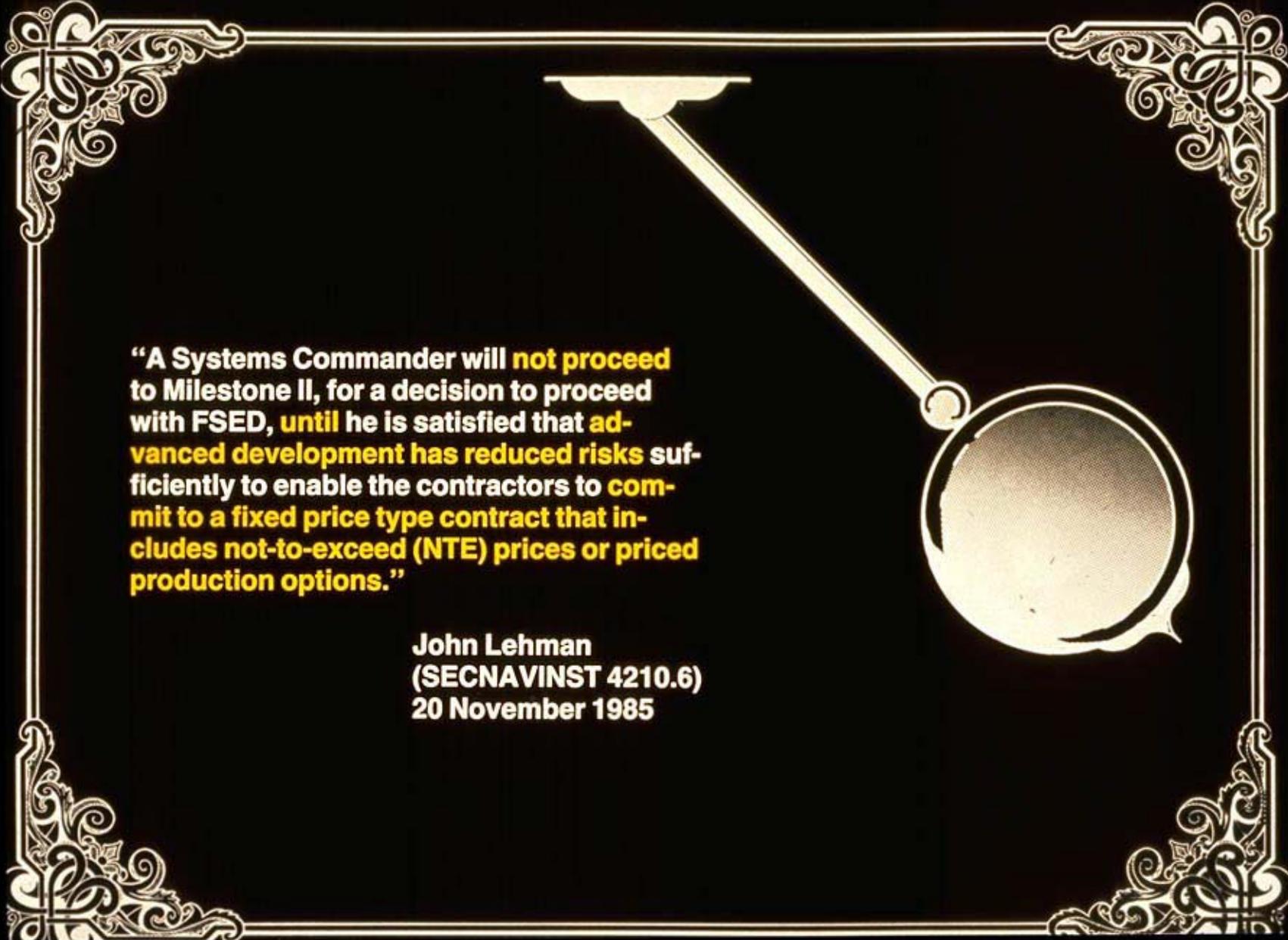




“It is not possible to determine the precise production cost of a new complex defense system before it is developed; therefore, such systems will not be procured using the total package procurement concept or production options that are contractually priced in the development contract. **Cost type prime and subcontracts are preferred where substantial development effort is involved.”**

**David Packard
(DoD 5000.1)
13 July, 1971**

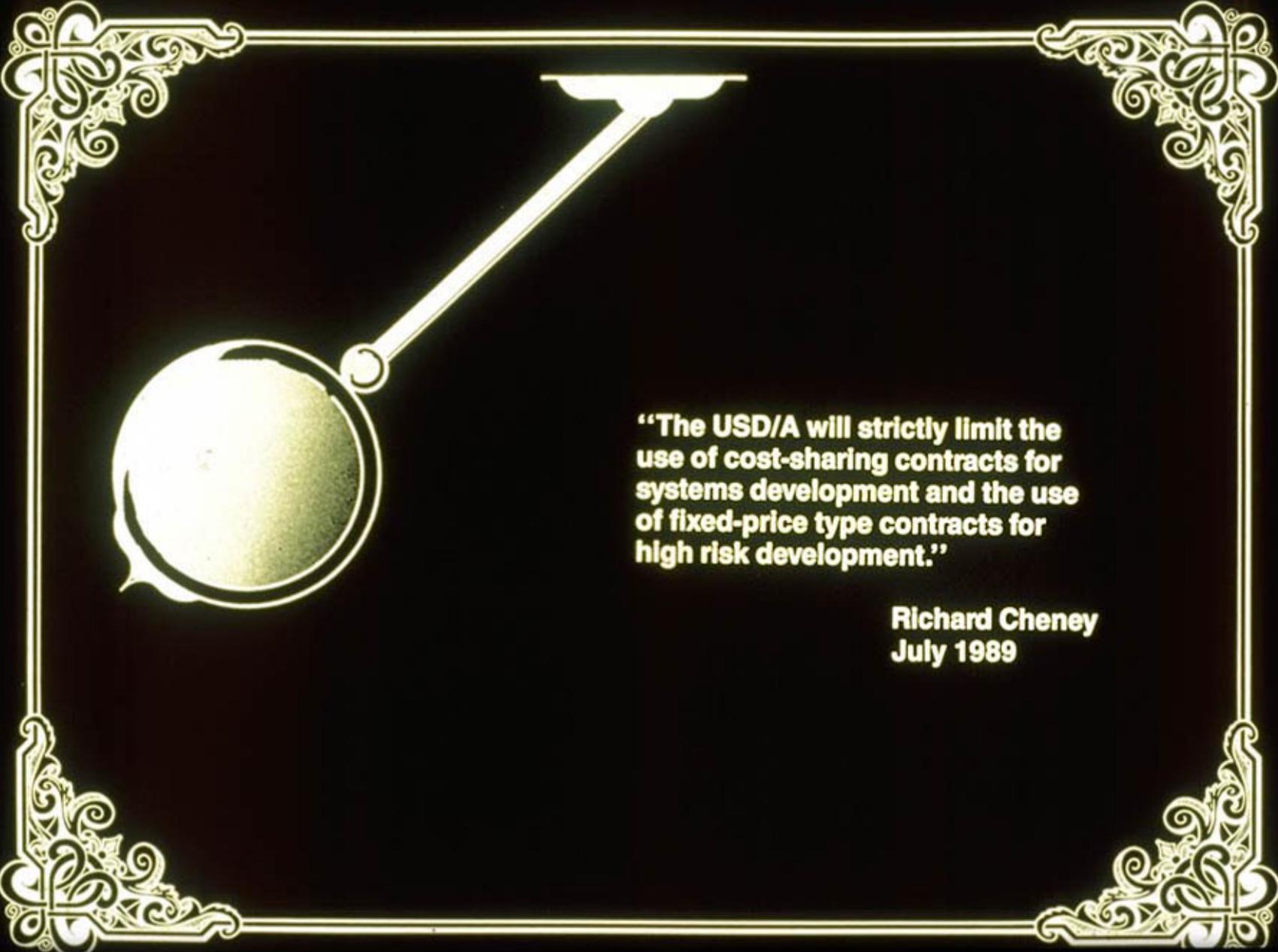




“A Systems Commander will not proceed to Milestone II, for a decision to proceed with FSED, until he is satisfied that advanced development has reduced risks sufficiently to enable the contractors to commit to a fixed price type contract that includes not-to-exceed (NTE) prices or priced production options.”

**John Lehman
(SECNAVINST 4210.6)
20 November 1985**





“The USD/A will strictly limit the use of cost-sharing contracts for systems development and the use of fixed-price type contracts for high risk development.”

**Richard Cheney
July 1989**





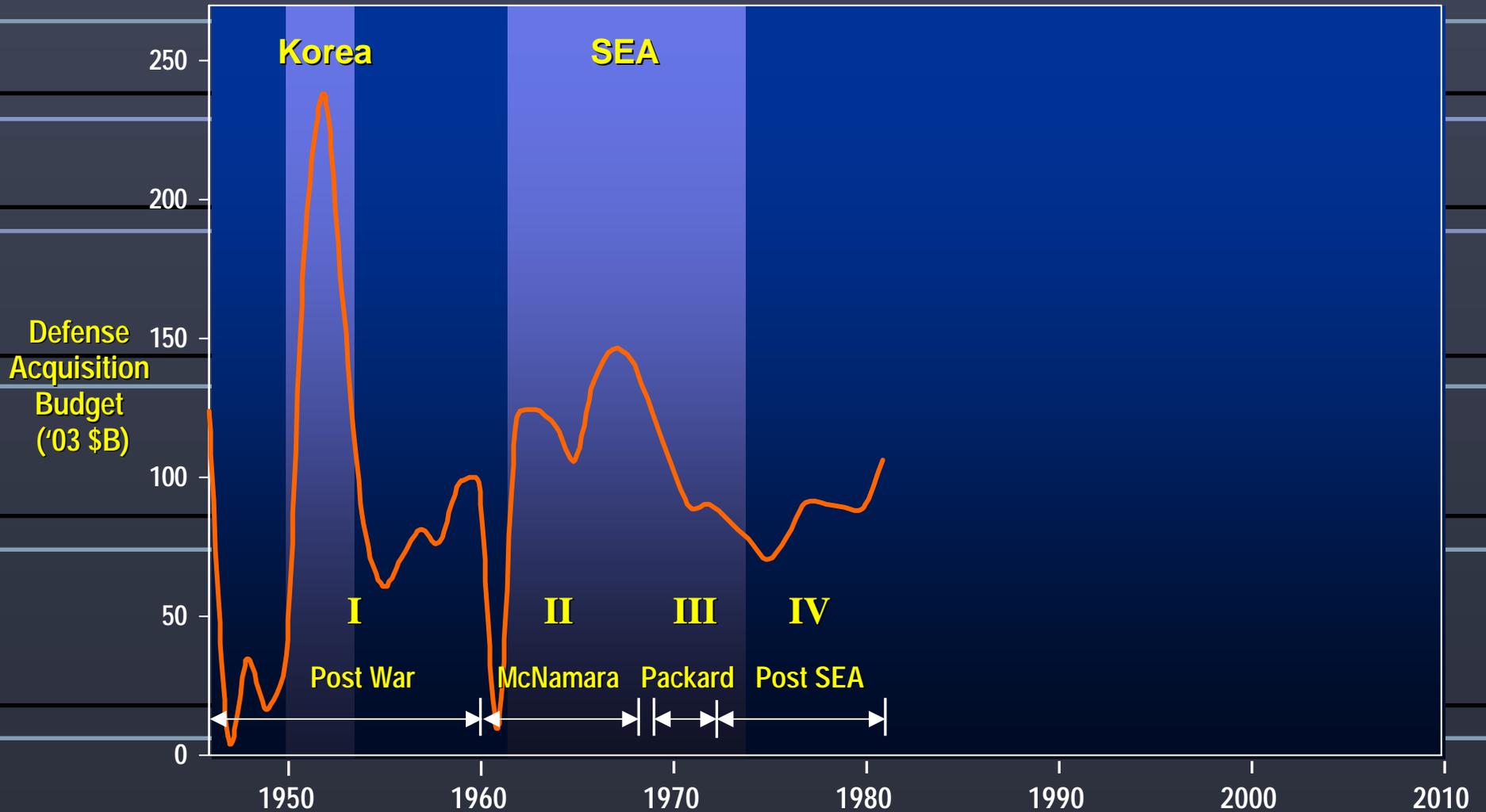


The Congressional Staffers Arrived



Source: Windsor Distillery Co.

Eight Phases in the Evolution of the Acquisition Process



Forward Area Air Defense Systems

A Genealogy - In Today's Dollars

1960



Mauler
\$0.9B

Forward Area Air Defense Systems

A Genealogy - In Today's Dollars

1960



Mauler
\$0.9B

1975



Roland
\$2.4B

Forward Area Air Defense Systems

A Genealogy - In Today's Dollars



Forward Area Air Defense Systems

A Genealogy - In Today's Dollars



Forward Area Air Defense Systems

A Genealogy - In Today's Dollars

1960



Mauler
\$0.9B

1975



Roland
\$2.4B

1977



Sgt York
\$2.8B

Meanwhile . . . In the Field:
(1994)

An Upgraded Version of an "INTERIM"
System Originally Developed in 1964
From a Navy Air-to-Air Missile (Sidewinder)



Chaparral

1986

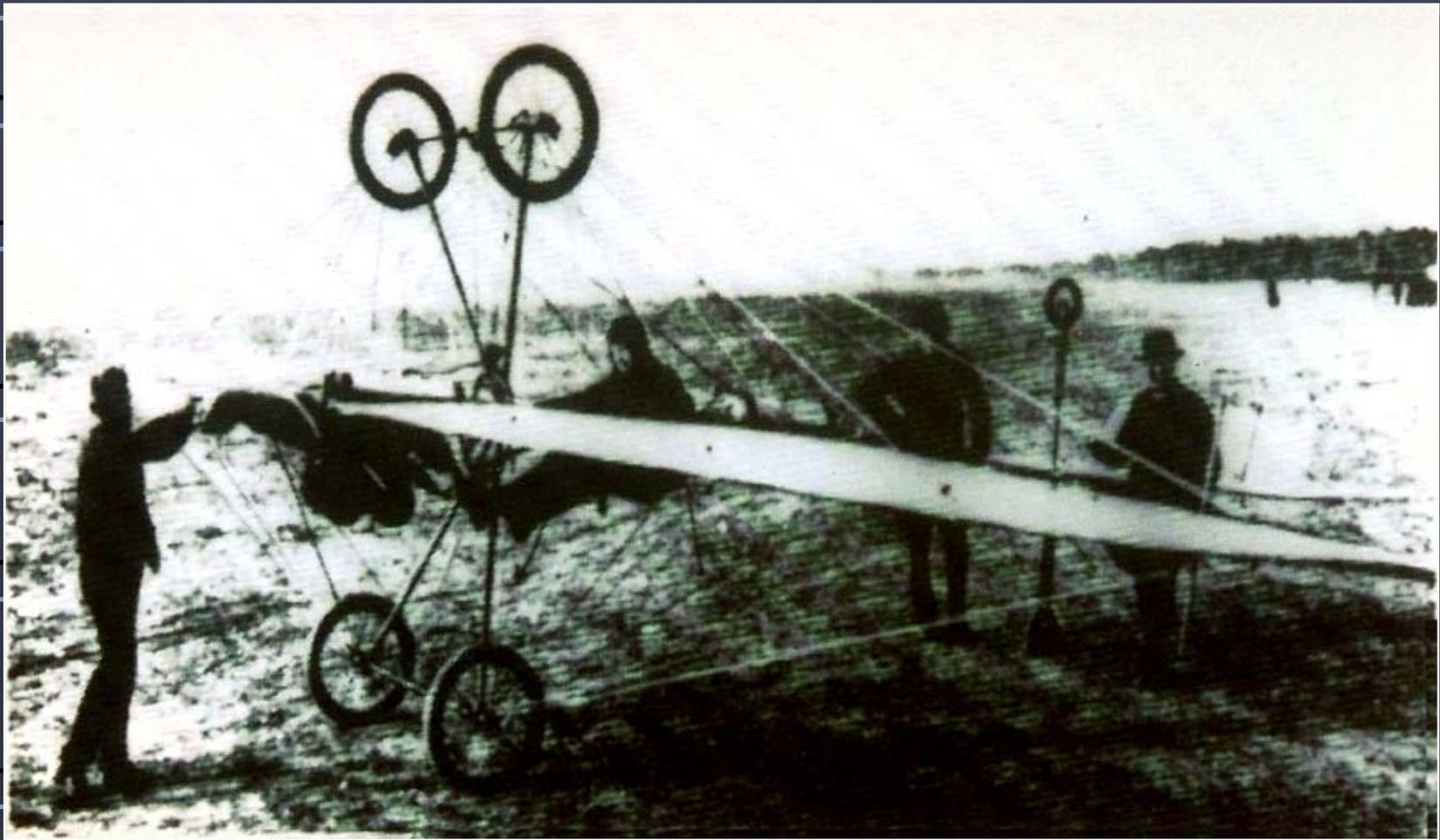


ADATS
\$0.6B



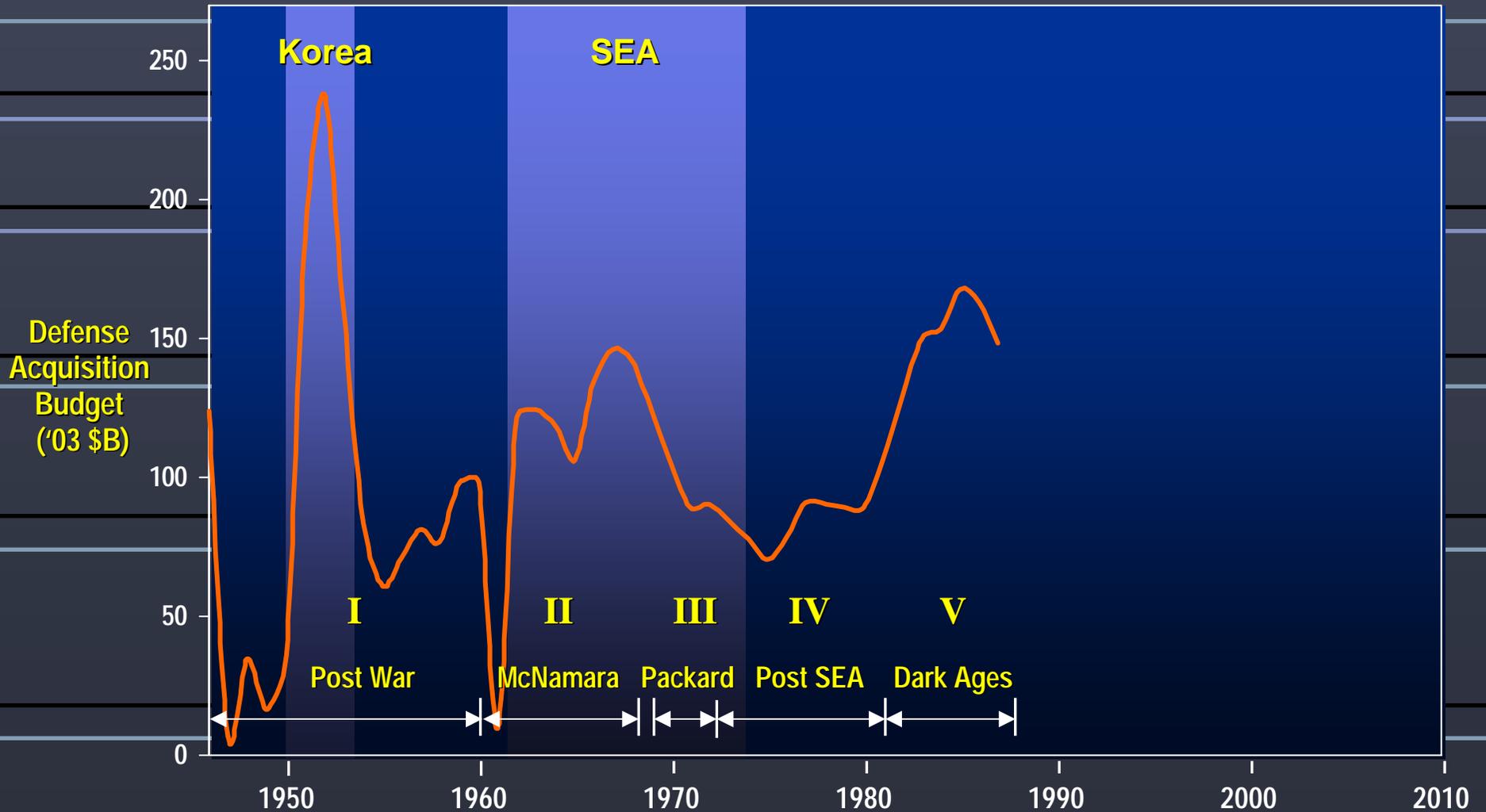
Photo Source: UPI/Bettmann Newsphotos

Prepare for the Unexpected



Source: Jane's Historical Aircraft

Eight Phases in the Evolution of the Acquisition Process



**TAX
PAYERS**

TIRED OF BEING CHEATED?

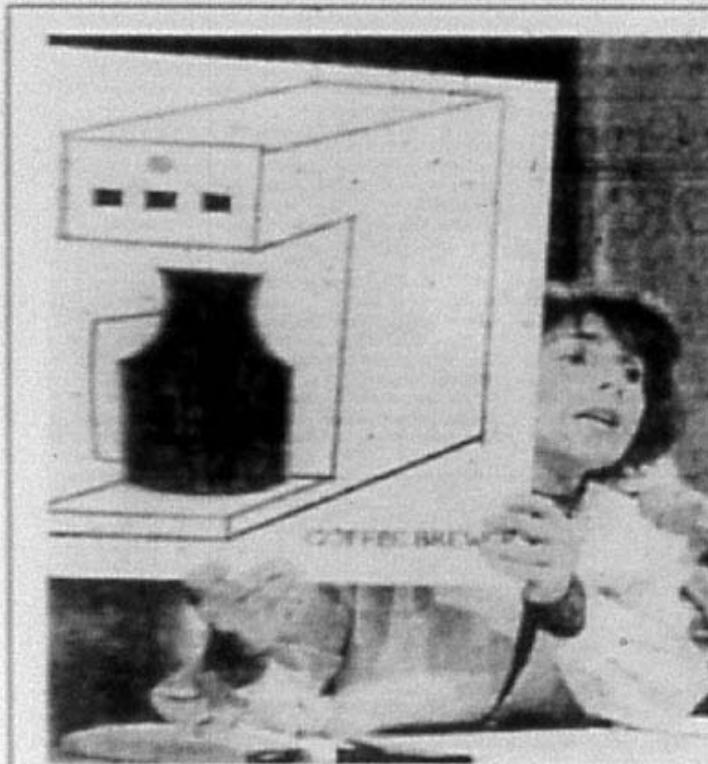
Investigators from the NAVAL INVESTIGATIVE SERVICE and the AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS need your help in combating FRAUD, WASTE and ABUSE within the Department of Defense. If you have information about inferior products, workmanship or deceptive practices, please contact us. EXAMPLE: A recent court case in Southern California named a "Whistleblower" \$500,000.00

**CALL: (314) 263-9600
or (618) 256-5413**

The Washington Post

THURSDAY, SEPTEMBER 20, 1984

Printed in Area Approximately 10 Miles
From District of Columbia One Day in Fall



Rep. Boser displays drawing of Air Force's \$7,600 coffee machine.

Airmen Say C5A Parts Are Vastly Overpriced

By Fred Hiatt

Washington Post Staff Writer

The Air Force equips its C5A cargo planes with \$7,600 coffee-brewing machines that commercial airliners buy for less than one-third as much and with \$670 armrests that could be produced for \$25, two Air Force maintenance technicians testified before Congress yesterday.

The Air Force acknowledged in a statement later in the day that its brewers perform the same function as machines that civilian companies buy for \$2,700. But it said that it had performed "a price analysis" on its machine, which it said is "actually a Hot Beverage Unit," and found that the higher price "is fair and reasonable."

The two Air Force technicians also said they often found new and unused spare parts in the trash at Travis Air Force Base in California, ranging from boxes of screws to \$13,000 cargo ramps.

Their testimony came at the most recent in a series of hearings this year on problems in defense procurement and manage-

ment, increasingly an issue as the defense budget rises. Defense Secretary Caspar W. Weinberger has acknowledged the problems but said his reforms are solving them.

But Rep. Barbara Boser (D-Calif.) and Sen. Charles E. Grassley (R-Iowa), who chaired the hearing, said the technicians' stories disprove Weinberger's contention.

"There is a self-imposed isolation on the part of the secretary's office from what occurs at the grass roots of its own system," Grassley said. "They are bunglers . . . This is not administrative practice; this is administrative abdication."

Michael I. Birch, chief Pentagon spokesman, said that Weinberger is not isolated and that his initiatives have improved the Pentagon's buying process.

"I feel that Sen. Grassley takes these things out of context. And a few minor examples which he's able to dredge up are not representative of the military procure-

See PARTS, A8, Col. 4

DEPARTMENT OF THE AIR FORCE
OFFICE OF THE SECRETARY

MEMORANDUM

31 AUG 1983

Received By

T. Pownall

SEP 6 1983

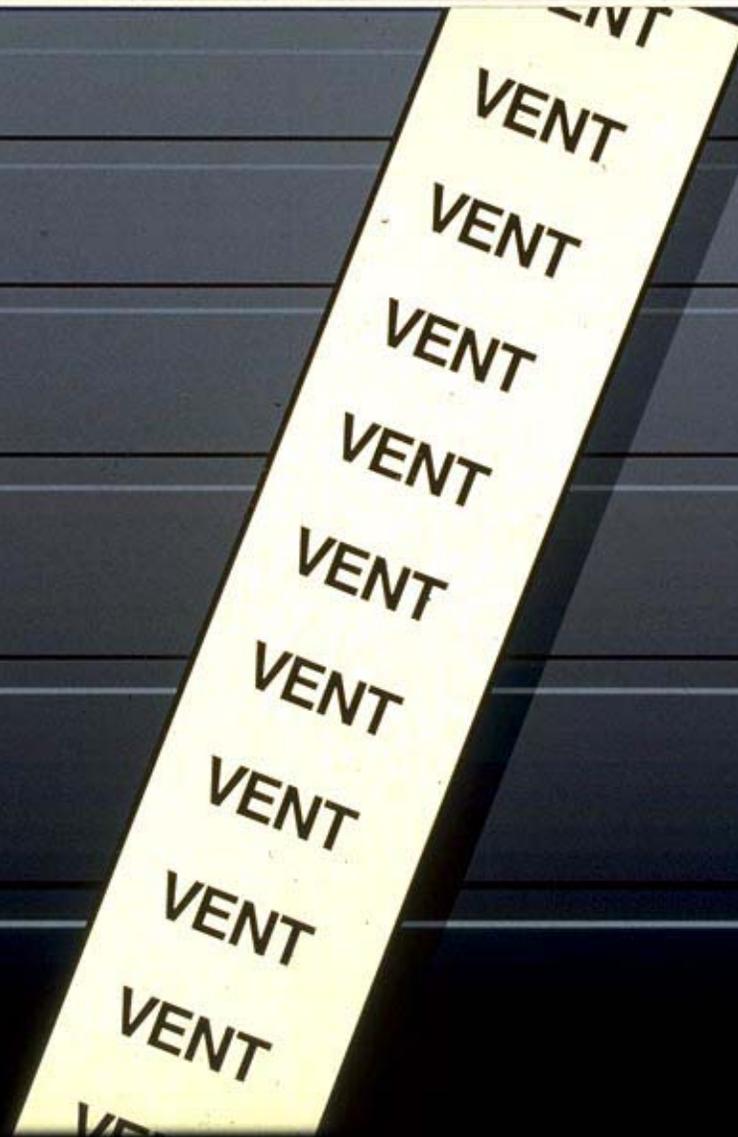
T. G. Pownall

This is an example of an item from your company that appears substantially overpriced based on our engineer's evaluation of fair value.

We ask that you make a similar evaluation and refund to the Air Force the overpayment. Your attorneys may advise you have no legal obligation to make such a refund, but it is in neither your interest nor ours to have this kind of apparent overcharge destroy the public's confidence in our ability to deal with one another on a fair and reasonable basis.



How a \$12.00 Roll of Tape Costs \$75.00



Contractor Response

MARTIN MARIETTA		5718	MESSAGE FORM
Refer To: SLS-81-20671	Security Classification: UNCLASSIFIED	Collect <input type="checkbox"/>	Prepaid <input checked="" type="checkbox"/>
Message To Be Transmitted: (Use double spacing and all capital letters.)			Comm Center Use Only
TO:	DIRECTORATE OF CONTRACTING/MANUFACTURING ODDEN ALC HILL AFB, UT 84056		DO NOT TYPE MESSAGE BEYOND THIS LINE
FROM:	PMZZM/E INGRAM		
SUBJ:	RFQ FD002002-00324 (MARTIN MARIETTA CORPORATION REFERENCE 81W10311)		
1.	THE MARTIN MARIETTA CORPORATION BELIEVES THAT A COST SAVINGS WILL RESULT IF THIS ITEM, 6 ROLLS OF TAPE, IS PROCURED DIRECTLY FROM THE MANUFACTURER.		
2.	THE MANUFACTURE OF THE TAPE IS THE WEST TAPE & LABEL CO., 3845 FOREST ST., DENVER, CO., PHONE (303) 388-5821.		
3.	WHEN REQUESTING THE TAPE, REFER TO THE PART NUMBERS SK0634X1224 ITEM 35 AND MMS-1659-0004 AND THE DESCRIPTION OF TAPE.		
4.	THE MARTIN MARIETTA CORPORATION AT THIS TIME ENTERS A NO-BID ON THIS ITEM.		
5.	IF ADDITIONAL ASSISTANCE IS REQUIRED, PLEASE CONTACT THE UNDERSIGNED AT MAIL NO. G-5900, PHONE (303) 977-1138.		
Date and Time Prepared 10/20/81			Page 1 of 1 Pages
Signature _____	Signature <i>Ronald Pittman</i>		
Approved By _____ (Typed Name)	Originated By RONALD PITTMAN (Typed Name)		
Phone Ext. _____ Mail No. _____	Phone Ext. 1138	Mail No. G-5900	

Second Request for Proposal

(with Cover Note)

Attn: Ron

Ron you originally no bid on the attached requests for solicitation and recommended that we obtain quote from West Tape and Label Co but they have no bid on these therefore would you please reconsider and quote on these for us.

Thank You

PITMAN

317172

ACK 918 971 9937

ENT 914

SET-ASIDE ACCEPTED.

SIGNED & BO
MS REG I.
WED DELIVERY
IF NECESSARY.
NO DUCTION
IN PRICE OF
ENTY

PAGE 81 OF
UNCLASSIFIED

1972 JUL 17

TO QUALIFY AS A SMALL BUSINESS, A CONCERN MUST NOT HAVE MORE THAN 500 EMPLOYEES FOR NONMANUFACTURING CONCERNS. THIS SIZE STANDARD IS BASED ON THE STANDARD CLASSIFICATION CODE OF PROSPECTIVE SUPPLIER MUST REPRESENT IN ITS QUOTATION WHETHER OR NOT IT QUALIFIES AS A SMALL BUSINESS CONCERN. DAR 7-184.76 *FOR DESTINATION / EVIDENCE OF SHIPMENT / 1964 JAN 17. DELIVERY CITED SUPPORTS A.P. MISSION SO OFFER SHOULD ACHIEVE NEAR BEST DELIVERY SCHEDULE. GOVT RESERVES RIGHT TO AWARD TO ANY OFFEROR FOR BEST DELIVERY SCHEDULE, PRICE AND OTHER FACTORS CONSIDERED. REQUEST PRICES BE FIRM FOR 60 DAYS. MANUFACTURE LAW ATTACHED DRAWINGS AND DRAWING NOTES. REQUEST OFFERS BE SUBMITTED AS FOLLOWS. OFFER A - UNIT PRICE/S/ BASED ON PREPARING THE ITEM/S/ TO MILITARY PRESERVATION AND PACKING SPECIFICATIONS AS CITED IN THIS SOLICITATION AND OFFER B - UNIT PRICE/S/ BASED ON PREPARING THE ITEM/S/ IN ACCORDANCE WITH STANDARD COMMERCIAL PRACTICE WHICH WILL INSURE ARRIVAL AT DESTINATION IN SERVICEABLE CONDITION. FURNISH DETAILS OF COMMERCIAL PKG METHOD, E.G., QUP, WIP, CUSH, CONT, ETC.

PAGE 82 OF
UNCLASSIFIED

1972 JUL 17

ACK 918 971 9937

ENT 914

SET-ASIDE ACCEPTED.

SIGNED & BO
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IF NECESSARY.
NO DUCTION
IN PRICE OF
ENTY

7. REQUEST NEW-DIGIT DUMS CONTRACTOR ESTABLISHMENT NUMBER BE INCLUDED IF RESPONSE TO THIS SOLICITATION EXCEEDS \$10,000.00. REPRESENTATION. OFFER TO INCLUDE THE FAR 7-2883.10 WOMAN OWNED BUSINESS REPRESENTATION. OFFER TO INCLUDE THE FAR 7-2883.11 AFFIRMATIVE ACTION OFFEROR AND OFFER TO INCLUDE CERTIFICATIONS INDICATING WHETHER OFFEROR AND OFFEROR HAS PREVIOUSLY HELD CONTRACTS SUBJECT TO THE WRITTEN AFFIRMATIVE ACTION PROGRAM REQUIREMENTS OF THE RULES AND REGULATIONS OF THE SEC. OF LABOR. FAR 7-184.48. NEW MATERIAL APPLIES. FAR 7-184.49. GOVERNMENT SURPLUS APPLIES. FAR 7-184.58. HAZARDOUS MATERIAL IDENTIFICATION AND MATERIAL SAFETY DATA 1977 OCT 1 - ATTACHMENT 2 APPLIES. REPLY TO INX NO. 918-971-5437 OR TELEX NO. NO LATER THAN 120000Z 8 APR 82.

PAGE 83 OF 83

ITEM NO.	DESCRIPTION	QTY	UNIT PRICE	TOTAL PRICE
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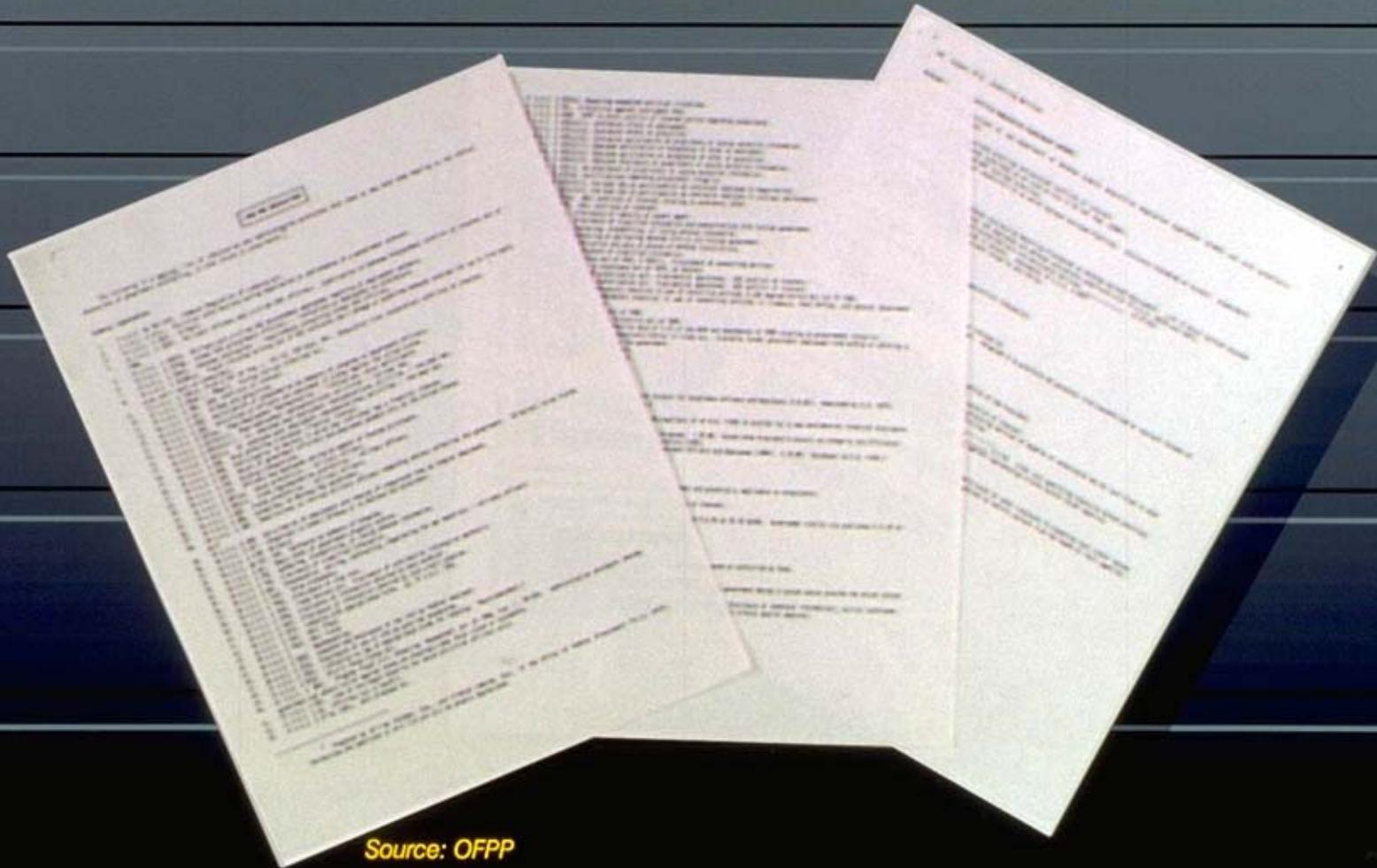
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Partial Listing of Laws and Regulations

Affecting Ethical Aspects of Government Contracting



Source: OFPP

Contractor Cost Estimate

MARTIN MARETTA ESTIMATED COST ANALYSIS

CONTRACT NO. POWER SHEET NO. 1 of 2

ENCLOSURE OF

MARTIN MARETTA LTR NO. 20

ESTIMATE ID TIE

DESCRIPTION NO. 301 DOLLARS 5

DOLLARS 8031

NO.	DESCRIPTION	MAN-HOURS	RATE	DOLLARS	MAN-HOURS	RATE	DOLLARS
1	OTHER DIRECT CHARGES						
2	LABOR - ENGINEERING						
3	OTW TECH SERV	3.0	12.00	36	3.0	11.00	33
4	TOTAL ENL 1981 & ON	1.0	12.00	12	1.0	12.00	12
5	QUAL ENL 1981 & ON	1.0	10.00	10	1.0	10.00	10
6	TOTAL ON EMPLOYERS OF LABOR	1.0	10.00	10	1.0	10.00	10
7	LABOR - EQUIPMENT						
8	MANUFACTURING	5.0	11.75	58.75	4.2	11.75	49.35
9	QUALITY	1.0	11.00	11	1.0	11.00	11
10	TEST						
11	TOTAL ON FACTORY LABOR	1.0	11.00	11	1.0	11.00	11
12	OVERSEASMENT - ENGINEERING						
13	TRAINING						
14	MFG			27.00			27.00
15	QUALITY						
16	TEST						
17	GENERAL & ADMIN						
18	OVERSEASMENT - LABOR						
19	OTHER DIRECT CHARGES						
20	MATERIAL						
21	GENERAL & ADMIN						
22	CONTRACTS						
23	LABOR						
24	PRIME BENEFITS						
25	OVERSEASMENT						
26	ONC						
27	MATERIAL						
28	GENERAL & ADMIN						
29	TOTAL ESTIMATED COST BAC CAB B18			316			659
30	FAC. % CAPITAL COST CAB B18			11			11
31	TOTAL ESTIMATED COST CAB B18			327			670
32	TOTAL ESTIMATED PRICE			350			700
33	TOTAL ESTIMATED OFFLINE PRICE			90			180

APPROVED: [Signature] DATE: 3/1/80

MARTIN MARETTA AC/NORFACE, DENVER, COLORADO

ESTIMATED COST ANALYSIS

BY NO. 2 of 2

LODGE OF

MARTIN MARETTA LTR NO. 20

ESTIMATE NO. 6004

MAN-HOURS 20

NO.	DESCRIPTION	MAN-HOURS	RATE	DOLLARS
1	LABOR	2.0	12.00	24
2	OTW	1.0	12.00	12
3	QUAL	1.0	10.00	10
4	TEST	1.0	10.00	10
5	LABOR	2.0	11.75	23.5
6	OTW	1.0	11.75	11.75
7	QUAL	1.0	11.00	11
8	TEST	1.0	11.00	11
9	LABOR	2.0	11.00	22
10	OTW	1.0	11.00	11
11	QUAL	1.0	10.00	10
12	TEST	1.0	10.00	10
13	LABOR	2.0	11.75	23.5
14	OTW	1.0	11.75	11.75
15	QUAL	1.0	11.00	11
16	TEST	1.0	11.00	11
17	LABOR	2.0	11.00	22
18	OTW	1.0	11.00	11
19	QUAL	1.0	10.00	10
20	TEST	1.0	10.00	10
21	LABOR	2.0	11.75	23.5
22	OTW	1.0	11.75	11.75
23	QUAL	1.0	11.00	11
24	TEST	1.0	11.00	11
25	LABOR	2.0	11.00	22
26	OTW	1.0	11.00	11
27	QUAL	1.0	10.00	10
28	TEST	1.0	10.00	10
29	LABOR	2.0	11.75	23.5
30	OTW	1.0	11.75	11.75
31	QUAL	1.0	11.00	11
32	TEST	1.0	11.00	11
33	LABOR	2.0	11.00	22
34	OTW	1.0	11.00	11
35	QUAL	1.0	10.00	10
36	TEST	1.0	10.00	10
37	LABOR	2.0	11.75	23.5
38	OTW	1.0	11.75	11.75
39	QUAL	1.0	11.00	11
40	TEST	1.0	11.00	11
41	LABOR	2.0	11.00	22
42	OTW	1.0	11.00	11
43	QUAL	1.0	10.00	10
44	TEST	1.0	10.00	10
45	LABOR	2.0	11.75	23.5
46	OTW	1.0	11.75	11.75
47	QUAL	1.0	11.00	11
48	TEST	1.0	11.00	11
49	LABOR	2.0	11.00	22
50	OTW	1.0	11.00	11
51	QUAL	1.0	10.00	10
52	TEST	1.0	10.00	10
53	LABOR	2.0	11.75	23.5
54	OTW	1.0	11.75	11.75
55	QUAL	1.0	11.00	11
56	TEST	1.0	11.00	11
57	LABOR	2.0	11.00	22
58	OTW	1.0	11.00	11
59	QUAL	1.0	10.00	10
60	TEST	1.0	10.00	10
61	LABOR	2.0	11.75	23.5
62	OTW	1.0	11.75	11.75
63	QUAL	1.0	11.00	11
64	TEST	1.0	11.00	11
65	LABOR	2.0	11.00	22
66	OTW	1.0	11.00	11
67	QUAL	1.0	10.00	10
68	TEST	1.0	10.00	10
69	LABOR	2.0	11.75	23.5
70	OTW	1.0	11.75	11.75
71	QUAL	1.0	11.00	11
72	TEST	1.0	11.00	11
73	LABOR	2.0	11.00	22
74	OTW	1.0	11.00	11
75	QUAL	1.0	10.00	10
76	TEST	1.0	10.00	10
77	LABOR	2.0	11.75	23.5
78	OTW	1.0	11.75	11.75
79	QUAL	1.0	11.00	11
80	TEST	1.0	11.00	11
81	LABOR	2.0	11.00	22
82	OTW	1.0	11.00	11
83	QUAL	1.0	10.00	10
84	TEST	1.0	10.00	10
85	LABOR	2.0	11.75	23.5
86	OTW	1.0	11.75	11.75
87	QUAL	1.0	11.00	11
88	TEST	1.0	11.00	11
89	LABOR	2.0	11.00	22
90	OTW	1.0	11.00	11
91	QUAL	1.0	10.00	10
92	TEST	1.0	10.00	10
93	LABOR	2.0	11.75	23.5
94	OTW	1.0	11.75	11.75
95	QUAL	1.0	11.00	11
96	TEST	1.0	11.00	11
97	LABOR	2.0	11.00	22
98	OTW	1.0	11.00	11
99	QUAL	1.0	10.00	10
100	TEST	1.0	10.00	10

APPROVED: [Signature] DATE: 3/1/80

MARTIN MARETTA AC/NORFACE, DENVER, COLORADO

REPLEISHMENT SALES

DESCRIPTION: I.D. TUBE QUOTE No. 5754

PART No. 52625 x 12.75 - B031 8 - 5.408 DATE 3/1/80

QTY	UNIT	PRICE	TOTAL	QTY	UNIT	PRICE	TOTAL
1X				20			
1X	1.0	1.0	1.0	1X	1.0	1.0	1.0
2X	2.0	2.0	2.0	2X	2.0	2.0	2.0
3X	3.0	3.0	3.0	3X	3.0	3.0	3.0
4X	4.0	4.0	4.0	4X	4.0	4.0	4.0
5X	5.0	5.0	5.0	5X	5.0	5.0	5.0
6X	6.0	6.0	6.0	6X	6.0	6.0	6.0
7X	7.0	7.0	7.0	7X	7.0	7.0	7.0
8X	8.0	8.0	8.0	8X	8.0	8.0	8.0
9X	9.0	9.0	9.0	9X	9.0	9.0	9.0
10X	10.0	10.0	10.0	10X	10.0	10.0	10.0
11X	11.0	11.0	11.0	11X	11.0	11.0	11.0
12X	12.0	12.0	12.0	12X	12.0	12.0	12.0
13X	13.0	13.0	13.0	13X	13.0	13.0	13.0
14X	14.0	14.0	14.0	14X	14.0	14.0	14.0
15X	15.0	15.0	15.0	15X	15.0	15.0	15.0
16X	16.0	16.0	16.0	16X	16.0	16.0	16.0
17X	17.0	17.0	17.0	17X	17.0	17.0	17.0
18X	18.0	18.0	18.0	18X	18.0	18.0	18.0
19X	19.0	19.0	19.0	19X	19.0	19.0	19.0
20X	20.0	20.0	20.0	20X	20.0	20.0	20.0

ESTIMATE NO. 5754

C.S./TAP NO. PUTMAN

TOTAL EST. NO. 1 of 1

FOR HAVING DEPARTMENT USE

NO.	DESCRIPTION	QTY	UNIT PRICE	TOTAL	NO.	DESCRIPTION	QTY	UNIT PRICE	TOTAL
1	REPLEISHMENT	1	11.45	11.45	1	REPLEISHMENT	1	11.45	11.45
2	LABOR	1	11.75	11.75	2	LABOR	1	11.75	11.75
3	MATERIAL	1	11.00	11.00	3	MATERIAL	1	11.00	11.00
4	TEST	1	11.00	11.00	4	TEST	1	11.00	11.00
5	LABOR	1	11.75	11.75	5	LABOR	1	11.75	11.75
6	OTW	1	11.75	11.75	6	OTW	1	11.75	11.75
7	QUAL	1	11.00	11.00	7	QUAL	1	11.00	11.00
8	TEST	1	11.00	11.00	8	TEST	1	11.00	11.00
9	LABOR	1	11.75	11.75	9	LABOR	1	11.75	11.75
10	OTW	1	11.75	11.75	10	OTW	1	11.75	11.75
11	QUAL	1	11.00	11.00	11	QUAL	1	11.00	11.00
12	TEST	1	11.00	11.00	12	TEST	1	11.00	11.00
13	LABOR	1	11.75	11.75	13	LABOR	1	11.75	11.75
14	OTW	1	11.75	11.75	14	OTW	1	11.75	11.75
15	QUAL	1	11.00	11.00	15	QUAL	1	11.00	11.00
16	TEST	1	11.00	11.00	16	TEST	1	11.00	11.00
17	LABOR	1	11.75	11.75	17	LABOR	1	11.75	11.75
18	OTW	1	11.75	11.75	18	OTW	1	11.75	11.75
19	QUAL	1	11.00	11.00	19	QUAL	1	11.00	11.00
20	TEST	1	11.00	11.00	20	TEST	1	11.00	11.00
21	LABOR	1	11.75	11.75	21	LABOR	1	11.75	11.75
22	OTW	1	11.75	11.75	22	OTW	1	11.75	11.75
23	QUAL	1	11.00	11.00	23	QUAL	1	11.00	11.00
24	TEST	1	11.00	11.00	24	TEST	1	11.00	11.00
25	LABOR	1	11.75	11.75	25	LABOR	1	11.75	11.75
26	OTW	1	11.75	11.75	26	OTW	1	11.75	11.75
27	QUAL								

DEPARTMENT OF THE AIR FORCE
OFFICE OF THE SECRETARY

MEMORANDUM

31 AUG 1983

Received By

T. Pownall

SEP 6 1983

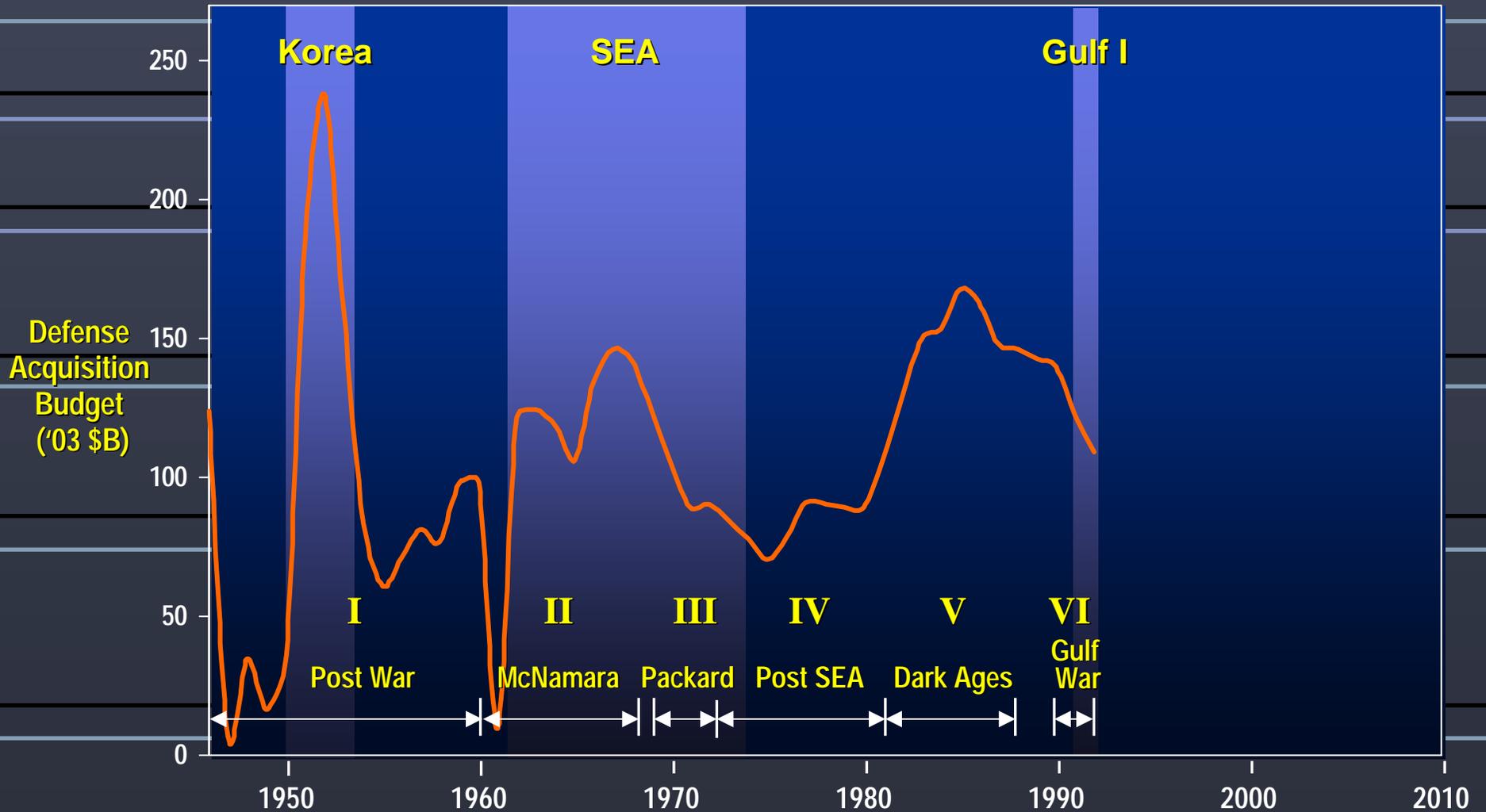
T. G. Pownall

This is an example of an item from your company that appears substantially overpriced based on our engineer's evaluation of fair value.

We ask that you make a similar evaluation and refund to the Air Force the overpayment. Your attorneys may advise you have no legal obligation to make such a refund, but it is in neither your interest nor ours to have this kind of apparent overcharge destroy the public's confidence in our ability to deal with one another on a fair and reasonable basis.

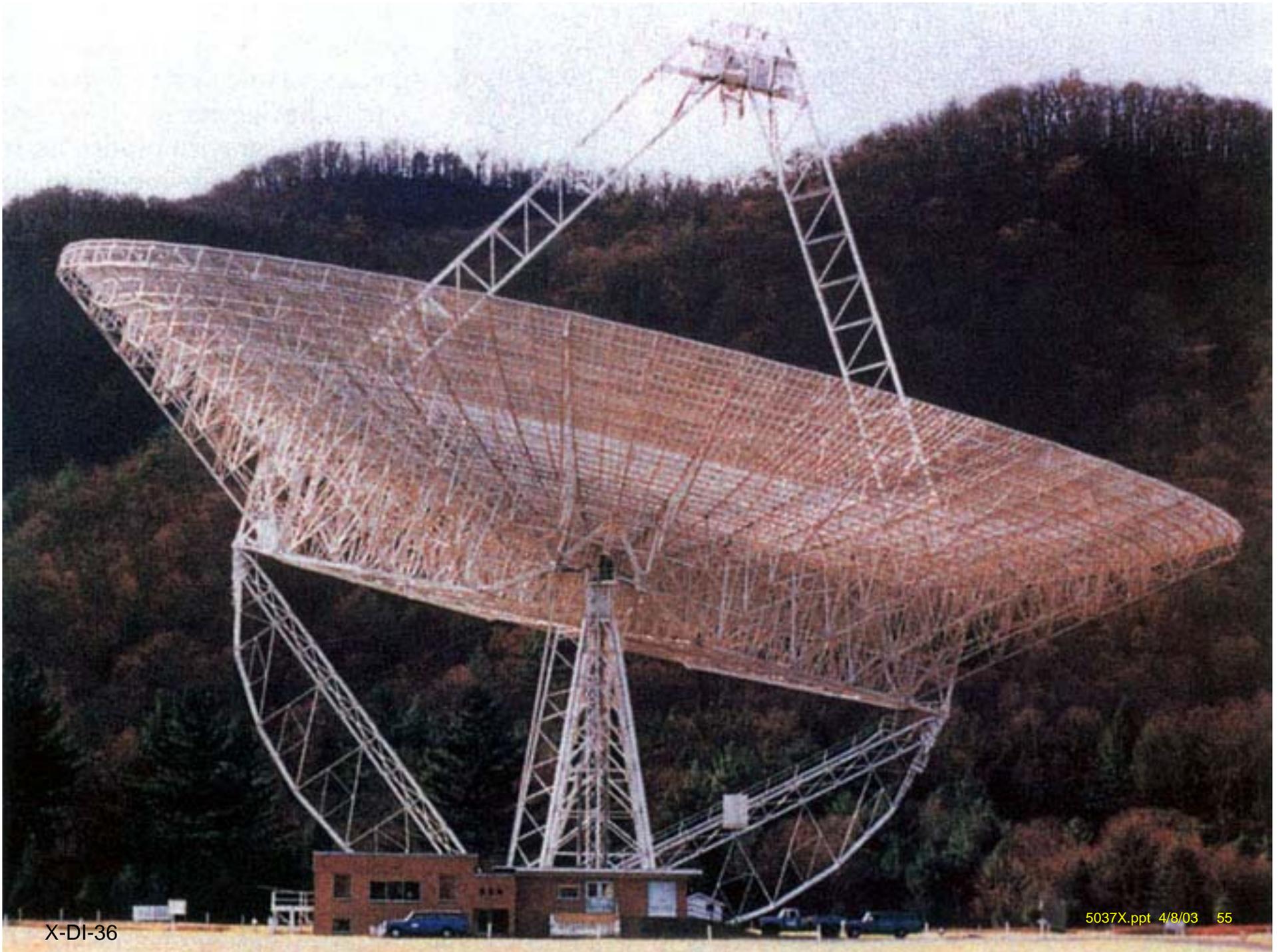


Eight Phases in the Evolution of the Acquisition Process





IP-55

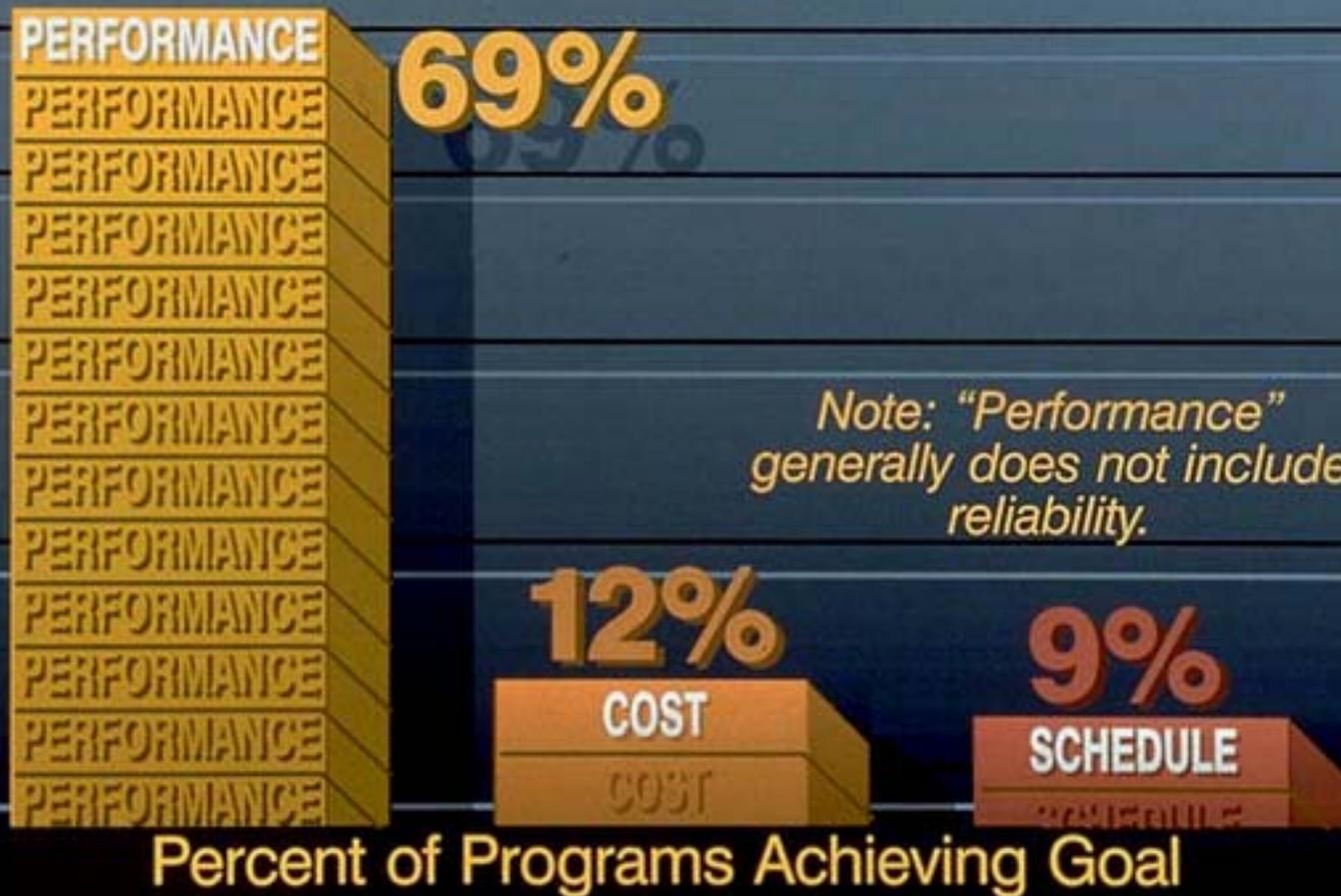


X-DI-36

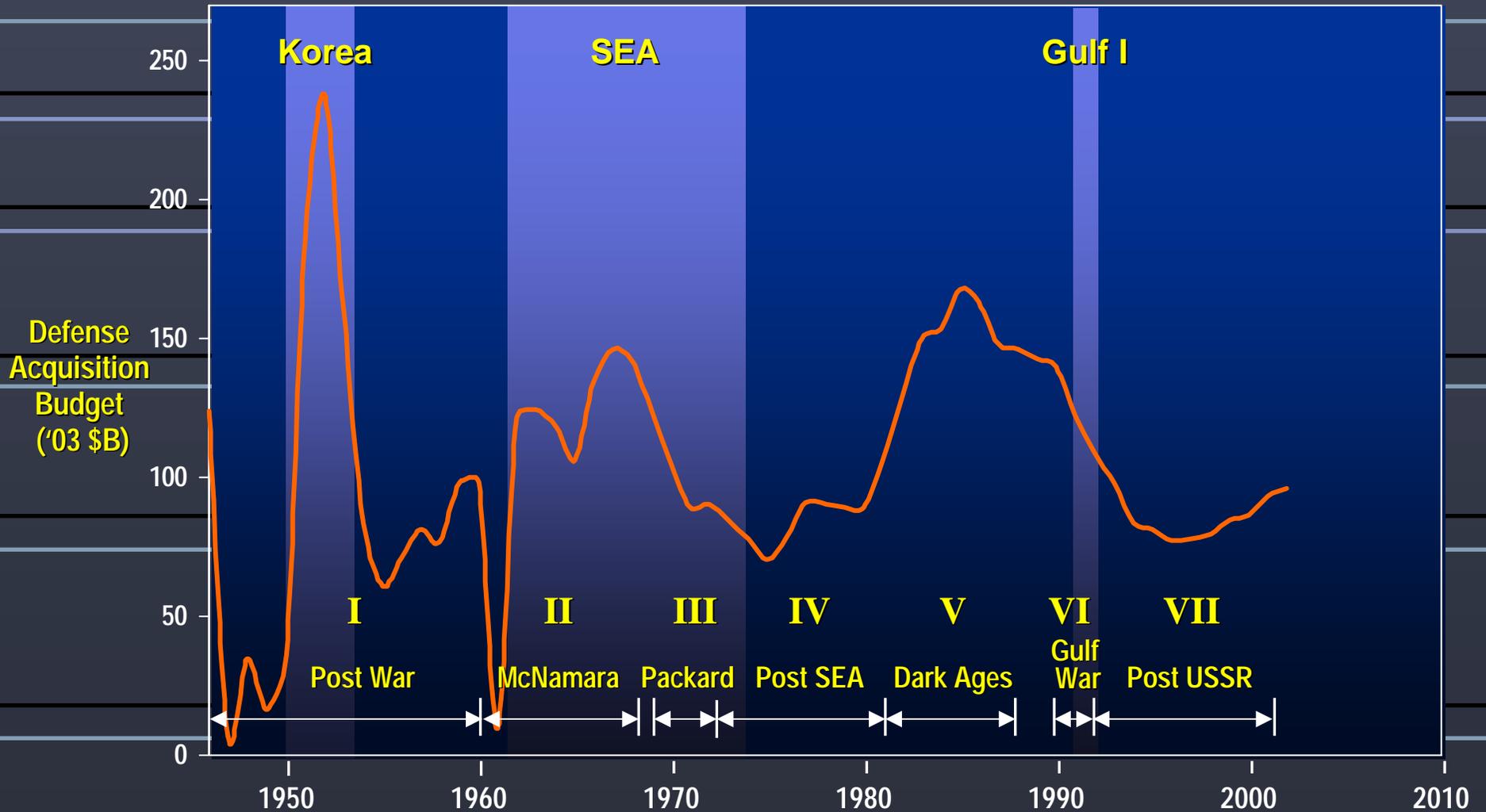


Relative Management Emphasis

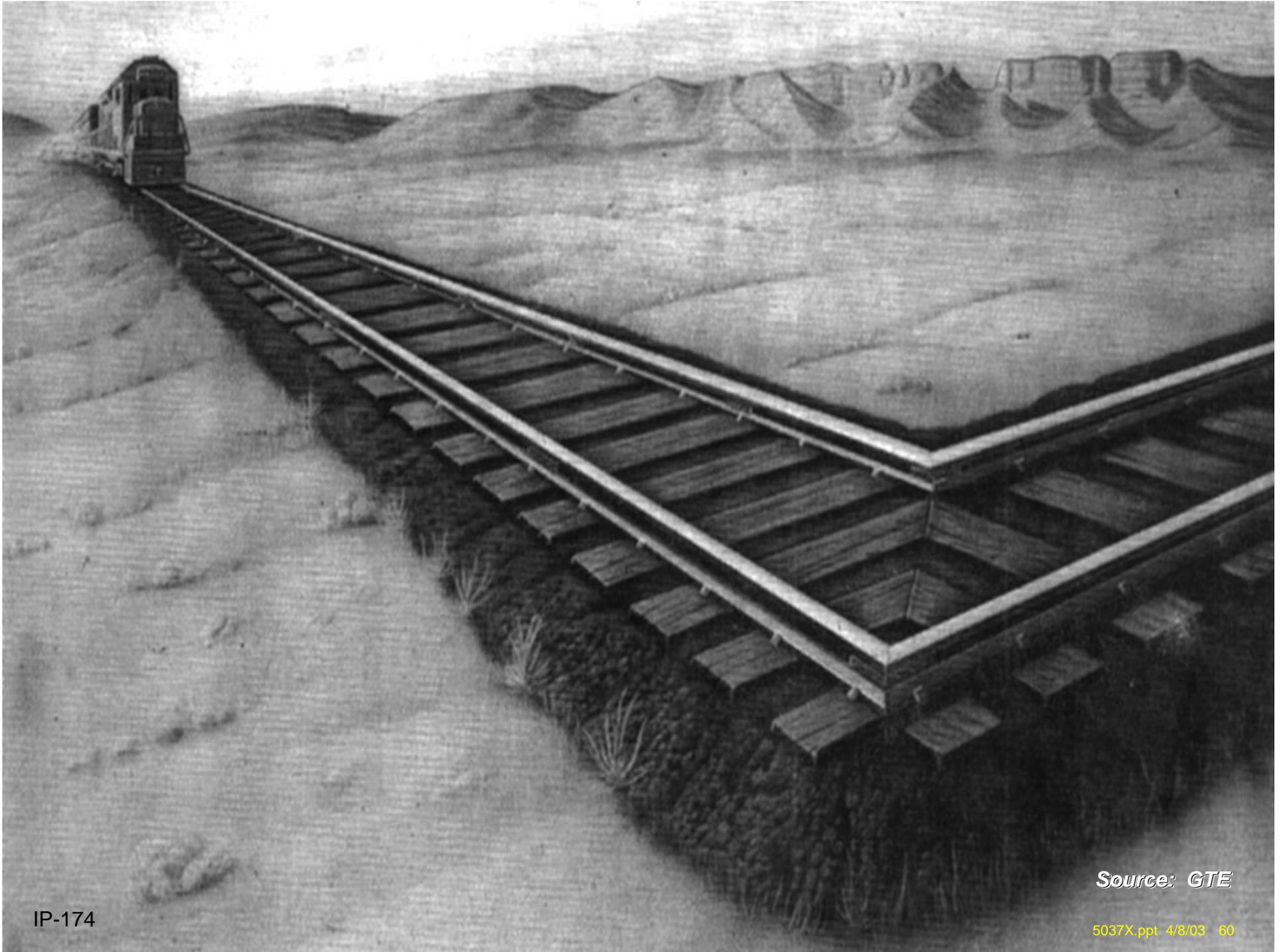
Performance, Cost and Schedule



Eight Phases in the Evolution of the Acquisition Process







IP-174

Source: GTE

5037X.ppt 4/8/03 60

***What is the Most Dangerous
Place in the World?***



... First Place.

Department of Defense Industrial Base Review

"The Last Supper"

		Number of Suppliers	
		Current	Future
	Bombers	3	1
	Fighters	5	2-1/2
	Helicopters	4	2
	BMD	6	2
	ELV	3	2
	Satellites	5	2-1/2
	Rocket Motors	5	2
	Aircraft Carriers	1	1
	Submarines	2	1
	Surface Combatants	5	2
	Auxiliary/Amphibious	7	3
	Shipyards	8	4
	Tanks	1	1
	Armored Personnel Carriers	2	1
	Strategic	1	1
	Tactical	8	4

Budget Cuts Hit Defense Industry Sales

THIOKOL, MORTON INTERNATIONAL, REPORT LOWER FISCAL 1989 EARNINGS

HELICOPTER CHARGES PUSH MDC EARNINGS DOWN 54%

Defense Firms See Profits Dip

Even Tougher Times Ahead, Analysts Say

Facing the squeeze

GENERAL DYNAMICS REPORTS EARNINGS SLIP IN FIRST QUARTER

Defense companies fear they will be badly bloodied

GD TAKES \$50 MILLION HIT ON SECOND QUARTER FOR ELECTRIC BOAT

LOCKHEED REPORTS DECLINES IN FIRST QUARTER

DEFENSE PROGRAMS ARE COMING UNDER HEAVY FIRE
Local contractors fear they will be badly wounded

GM/HUGHES POSTS LOWER SALES, EARNINGS IN THIRD QUARTER

Defense Firms Are Hurt By Fixed Contracts

LTV TAKES \$80 MILLION AEROSPACE WRITE-OFF IN SECOND QUARTER

UNISYS EARNINGS PLUNGE:

TEXTRON FIRST QUARTER RESULTS AFFECTED BY V-22, SFW COSTS

Defense Industry Regroups As Pentagon Tightens Belt

Budget Cuts Cause Layoffs, Subsidiary Sales

NORTHROP TAKES ADDITIONAL CLASSIFIED PROGRAM WRITE-OFF

LOCKHEED TAKES CHARGE TO PHASE OUT ORION PRODUCTION LINE

INCOMING! INCOMING! ARMS CONTRACTORS HEAD FOR THE BUNKERS

Massive debt and tax bills will make the looming shakeout all the more lethal

MDC, REPORTING SECOND QUARTER LOSS, TAKES C-17 CHARGE

LOCKHEED: Loss Reported

LOCKHEED TO TAKE \$165 MILLION CHARGE FOR FIXED-PRICE IN 3Q

B-1B PROGRAM COMPLETION DRAGS DOWN ROCKWELL EARNINGS

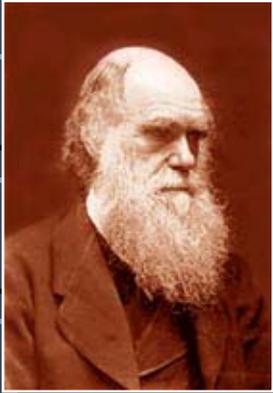
Lockheed Faces \$35-Million Loss in Third Quarter

BOEING SAYS DEFENSE AND SPACE WON'T BE PROFITABLE THIS YEAR



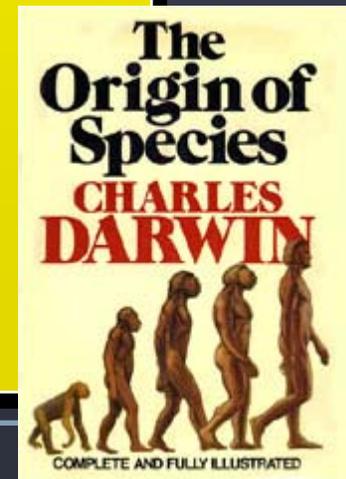
***The CEO Contemplates
the Future of the
Aerospace Industry***

Source: Ambassador Cards

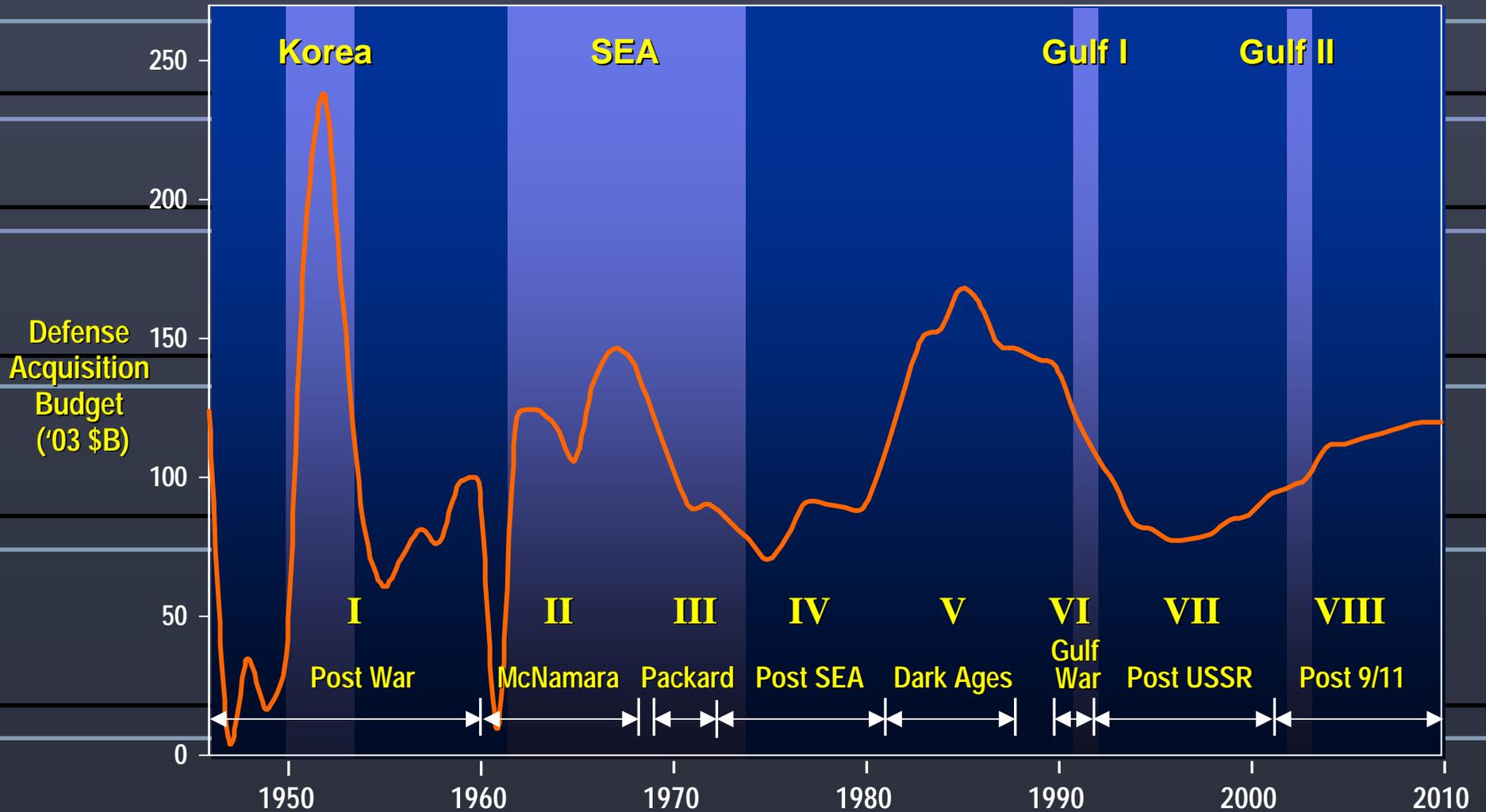


“It is not the strongest of the species that survives, nor the most intelligent, but rather the one most adaptable to change.”

Charles Darwin



Eight Phases in the Evolution of the Acquisition Process





Source: Pentagon Attacked Calendar

The Hart-Rudman Commission

First Page of Executive Summary

“The combination of unconventional weapons proliferation with the persistence of international terrorism will end the relative invulnerability of the U.S. homeland to catastrophic attack . . . A direct attack on American citizens on American soil is likely . . . We therefore recommend the creation of an independent National Homeland Security Agency . . .”

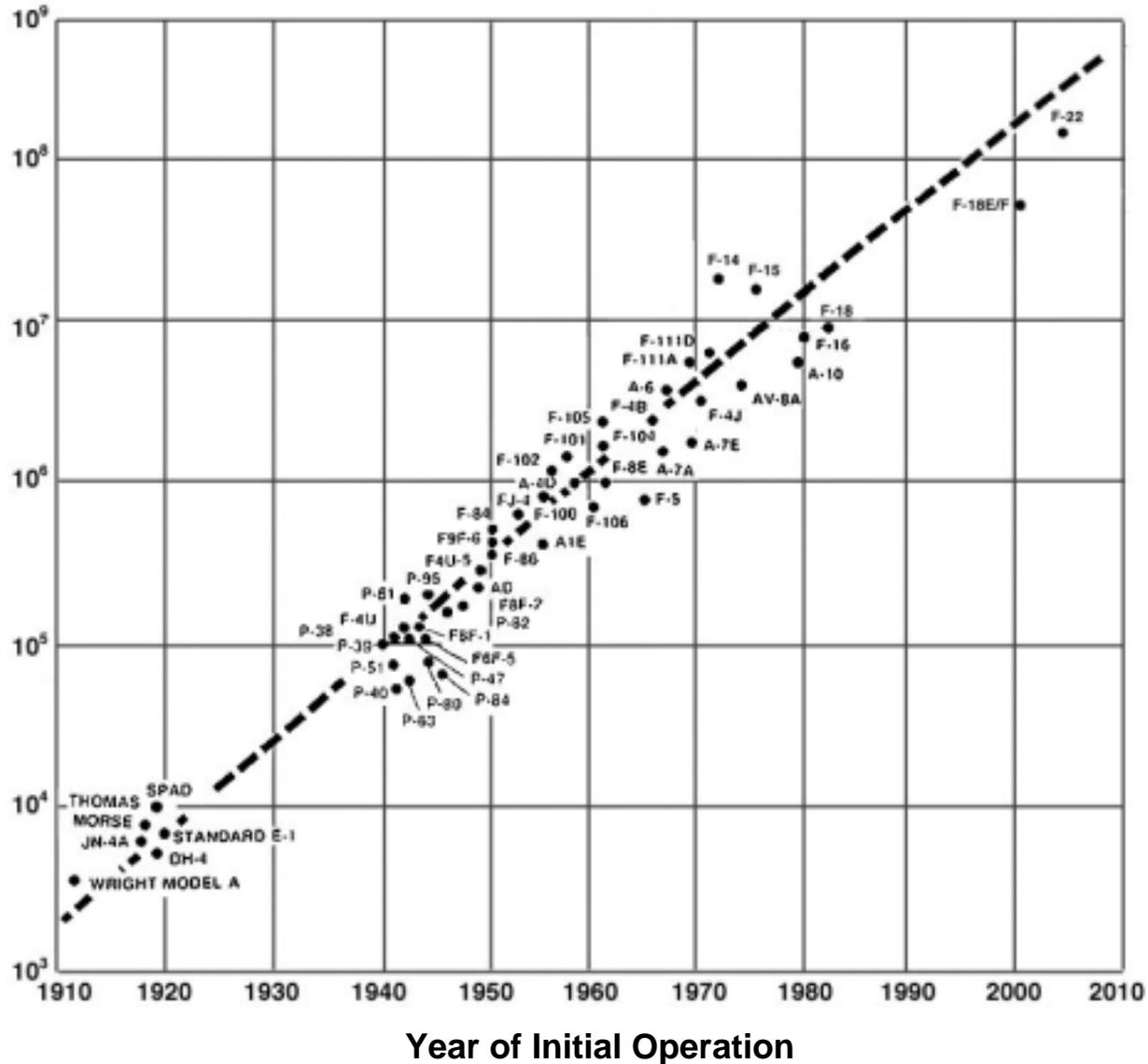
First Page of Report

“The United States will become increasingly vulnerable to hostile attack on the American homeland, and U.S. military superiority will not entirely protect us.”

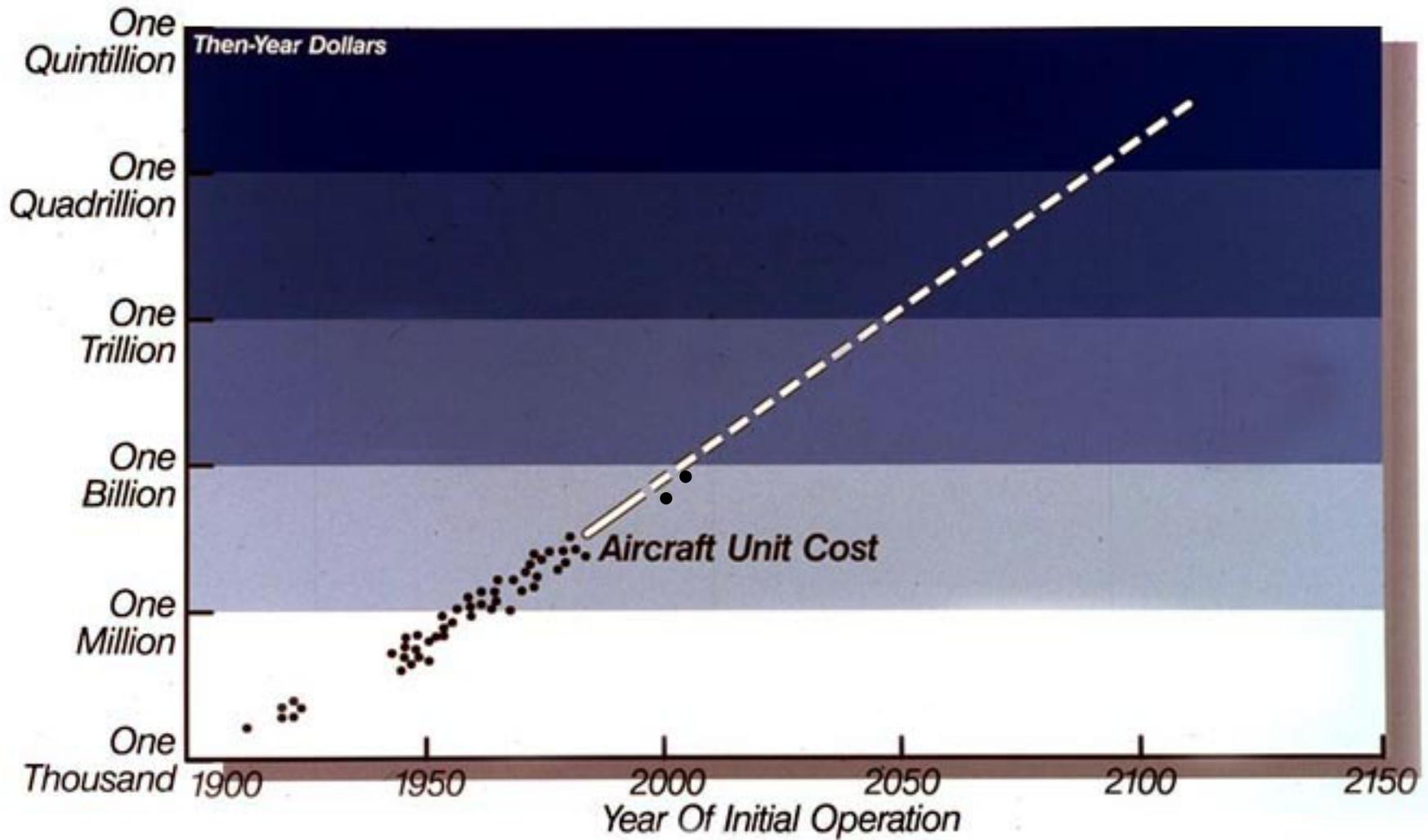
March 15, 2001

Cost of Tactical Aircraft: Taking Off

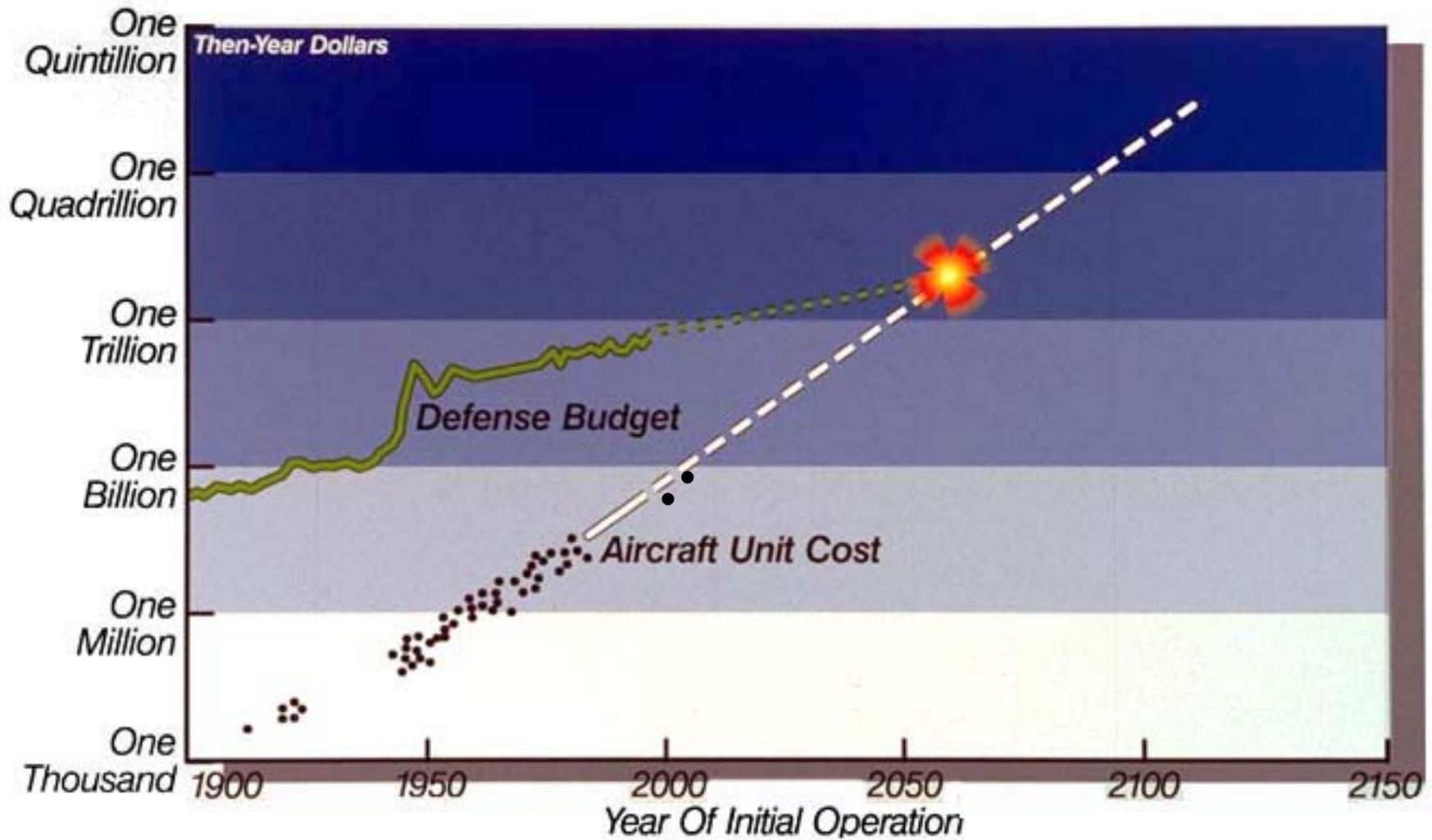
Average Unit Cost (Then-Year Dollars)



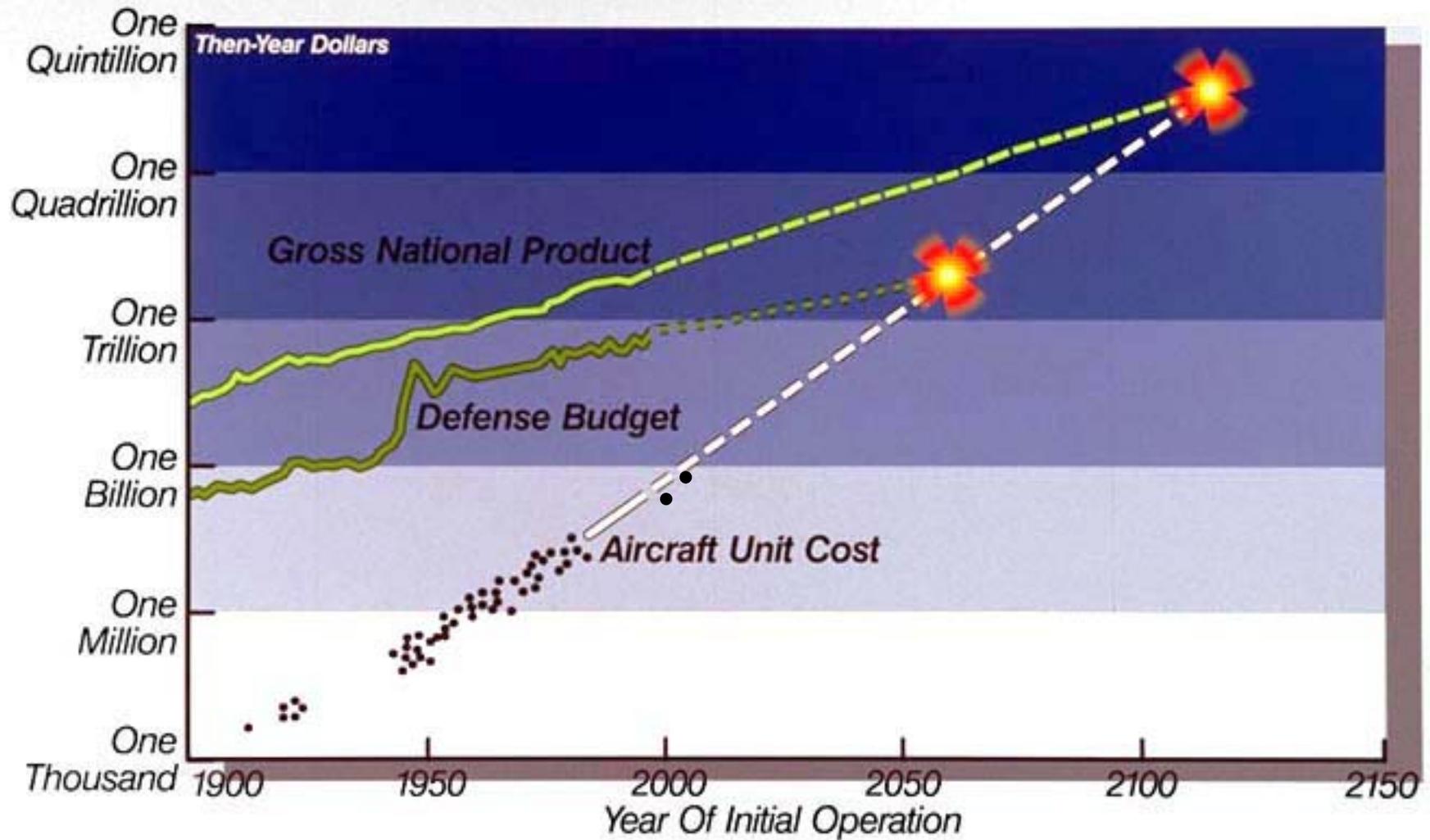
Calvin Coolidge's Revenge



Calvin Coolidge's Revenge



Calvin Coolidge's Revenge

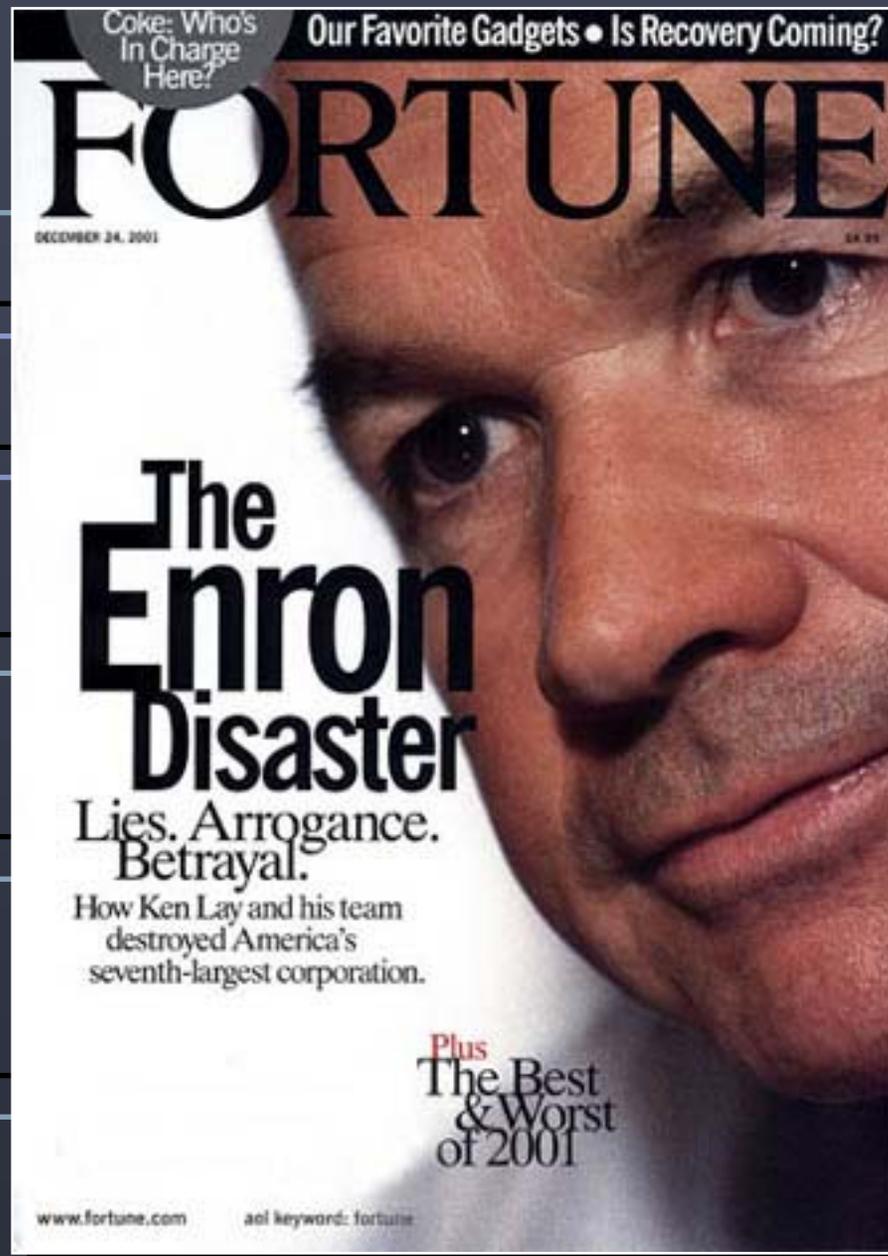


MOST ADMIRABLE

■ PIPELINES, ENERGY³

2000	1999	COMPANY	SCORE
1	1	Enron	8.29
2	2	Williams	6.86
3	3	El Paso Energy	6.85
4	4	Dynegy	6.75
5	6	Kinder Morgan	6.63
6	2 ⁴	MidAmerican Energy Holdings	5.46
7	1 ⁴	NorthWestern	5.25
8	8	Western Gas Resources	5.01
9	4 ⁴	USEC	4.56
10	7	TransMontaigne Oil	4.46

FORTUNE February 19, 2001



Atlanta Conference



April 30, 2003