



Dysfunctional DoD Acquisition System Needs Reform

A new Lexington Institute analysis offers ways to reduce excess defense spending, claiming that by acting now we could avoid pending Pentagon spending cuts that would slash programs and reduce readiness. Its solution is to reform the DoD's "dysfunctional acquisition system."

The report says that the need for system reform is rooted in:

- Oppressive administrative and regulatory burdens
- Poor public/private-sector relationships
- Failure to accurately account for costs
- Failure to leverage the power of multi-year/block buys and use of incremental funding mechanisms
- Congressional interference increases the cost of defense without adding value

Dr. Daniel Goure, Lexington Institute vice president and author of the report, says the reforms proposed by DoD are not enough. He says by creating opportunities for greater competition among contractors and applying well-proven principles and practices from the private sector tens of billions of dollars could be saved:

- About \$11 billion could be saved annually by reducing unique, unnecessary regulations
- Three to four billion dollars could be saved annually by applying proven methods for doing supply chain management and inventory forecasting.
- Improved contracting and acquisition strategies could easily cut acquisition costs by \$10 billion or more.

These measures and others proposed in the study could produce around \$50 billion a year in savings, which is the same amount as the proposed cuts in the FY2013 budget. More information on this is available at: <http://www.lexingtoninstitute.org>

A&D Contractor - Celestica - Honored for its Manufacturing Solutions

Celestica Inc., a global leader in the delivery of end-to-end product lifecycle solutions, received Frost & Sullivan's Award for Customer Value Enhancement in the Global Aerospace & Defense Electronics Manufacturing Services (EMS) market. Its responsive manufacturing solutions, customer-focused strategies, consistent performance and quality all contributed to Celestica's selection.

Celestica's Global Aerospace and Defense Centers of Excellence deepen its knowledge of the A&D business model, strengthen its ability to service this highly regulated market with complex technology solutions, IP protection and supply chain management expertise, and streamline how the company interfaces with customers to become an extension of its customers' businesses.

The Centers provide high-quality technical solutions that improve time-to-market, quality and reliability, while reducing its customers' costs. The company also helps its customers to embrace COTS (commercial off the shelf) technology.

Commercial Aerospace Industry is Strong

According to The Barr Group, the U.S. aerospace industry is one of the economy's bright spots. While U.S. manufacturing production was indexed at 95.18 in February, it was 107.37 for aerospace production, or 13.6 percent higher than last year. So, it's not surprising that capacity utilization of plant floor space has risen to 80.82 percent for aerospace and is projected to rise even more. This translates to higher employment, with aerospace manufacturing adding about 8,000 net new jobs in January alone.

With an increase in commercial airline passengers of 26 percent in the past decade, the airlines are purchasing more planes. And much of the record aerospace profits of \$5.7 billion dollars in the last quarter of 2011 and the projected profits in 2012 are attributed to this increase in passenger traffic.

On the other hand, spending on DoD and Aerospace is down and will continue to be a drag on the overall aerospace industry. It is forecast to fall by almost 5 percent this year and next.



UAV Program Up for Grabs in Korea

Korea's two major players in the aerospace industry are pitted against each other for a government order to build unmanned aerial vehicles (UAVs).

Korea's Defense Acquisition Program Administration (DAPA) began accepting bids for its UAV program in May and the winner will be awarded a contract worth 100 billion won over the next five years. But follow up deals will bring that total much higher.

The two companies vying for the win are Korean Air (KAL), the nation's flagship carrier, and Korea Aerospace Industries (KAI). As in America, the military plans to rely more on UAVs to avoid combat-related human casualties.

Korea is one of 10 nations to have their own drones. KAL developed Korea's first UAV about a decade ago; it is now being used by its Army. It now has a UAV that fly up to 8 hours at a maximum speed of 210 kilometers per hours with real-time data transmission. Meanwhile, KAI's UAV has a range of 200 kilometers with real-time data transmission of movements on land.

Whoever wins the contract will be in a better position to sell it to others countries as the market for them has increased from \$2.4 billion in 2000 to \$5 billion in 2010. It will hit an estimated \$6 billion this year, with projections to top the \$11 billion mark in 2020. Most of this money is attributed to the military. As a result, fewer fighter planes will be manned in the years to come; it's projected that in 20 years half of all fighter planes will be unmanned.

Some expect that around half of all fighter planes will be unmanned in around two decades, providing great growth potential for the aerospace industry that has complained of market saturation.