

**Hon. Ellen M. Lord
Under Secretary of Defense
Acquisition and Sustainment**

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DWG: Secretary Lord, thank you so much for coming to speak to Defense Writers today. As you can see, you draw a crowd. There will probably be a few stragglers, so it will be quite a large number of people today. I'll ask the first question as moderator, and then I'm making a list of people who make little signals to me that they're interested in being on the list and we'll get through as many as we can.

Reading up on you yesterday a little bit, for my first question, I read about the effort you're making to get away from a one size fits all acquisition process to more of a tailored process with different ways of doing things depending on the size and scale and urgency of what it is that the Pentagon is buying.

I wondered if you could update us on another thing that you also talked about not recently as much that I've noticed at least, which is the drone issue. You talked some months ago about the need to identify maybe more than one technology that can defeat drones that might be spying or have evil intent, shall we say, on the facility or whatever. How's that going? Which track is that process in? And is the new track system helping that particular purchase to be more effective in your view? If so, why?

U/S Lord: David, first of all, thank you very much for having me here this morning, and I really appreciate all of you that come to our roughly Monday updates following all the work we're doing.

Relative to acquisition, I brought along some handouts just for your reference. What this is is it shows you what we call the Adaptive Acquisition Framework because I think it's been very very difficult to understand our acquisition processes. One of the things I'm really committed to is to try to increase our defense industrial base, especially with perhaps non-traditional players who don't understand how to work with us.

So we're trying to get the simplest, most straightforward process

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for each acquisition together.

What we did was break it down into six different pathways and we've worked very hard over the last 18 months or so to have a lot of input from industry as well as the services who I look at as our customers in A&S to come up with these new pathways as we call them.

So we actually have four DoD Instructions, for DODIs that have been signed. One's in legal review and one's in late stage of coordination. DoD Directive 5000.01 which is the Overall Defense Acquisition System, is actually in coordination, and I think will be signed later this month.

So what has been completed inf DODI 5000.74 which is Defense Acquisition of Services. DODI 5000.80, Operation of Middle Tier of Acquisition. DODI 5000.81, Urgent Capability Acquisition. And Software Acquisition Interim Policy. The DODI 5010.44, Intellectual Property Acquisitions and Licensing Policy have also been signed and issued. So I'm kind of excited about that progress. The point is we're trying to make it simple, and that's the handout we had here.

I do have the actual, I believe I have the actual web site that you can go to where those are all published on WHF, if you all want to look at that and I'll make sure Mike has that to give everybody.

The second question was around drones, however, I think it was really about counter-UAS systems.

So the department realizes that we've had a lot of what I will call very federated efforts over the last couple of years on counter-UAS. And when I went into theater, after the Dubai Air Show I went to Baghdad, I went to Al Adid, I went to Bagram, I went to Kabul, and no question, the thing that was really top of everybody's mind were counter-UAS, and that was good because I got a lot of what I would call voice of the customer.

It also coincided with the move within the department where we decided we would designate an executive agent, one of the services to be an executive agent for counter-UAS. That went to the Tank. The Chairman went through the process on the military side. We brought that back to Secretary Esper and we decided that the Army would be the executive agent for counter-UAS. So

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we are actually standing up an office in Crystal City. Major General Gainey is the lead of that office. He'll have about 60 people in it. We are just finishing up on the policy that directs the activities. But overall, the idea is to take all of the effort in terms of development and fielding and come up with three to five systems which are the best for counter-UAS and make sure we leverage those across the entire DoD. We are actually in the process of working with DOT&E right now. Bob Bieler has a group downrange that are doing independent test and evaluation of the currently fielded systems, so we really want to look at what the best is. We also have leveraged Defense Digital Services on this, so we're trying to bring all the effort we have.

One of the challenges is that we know the adversary is very agile and updates their TTPs, so to speak, very quickly. So we are looking at a very nimble system where we can push patches in the same day, if you will, so that we again can stay ahead of it.

So come April we will have that evaluation completed and written up and that coincides when we want to make some decisions about down-selecting, if you will, to three to five systems that would be utilized.

DWG: When do you think the first of those might be fielded?

U/S Lord: We are fielding right now. We have systems fielded and that's what we're evaluating. So we're looking at a variety of sensor modalities and we're looking at a number of defeat mechanisms. What the preliminary finding is, if you will, is that one size does not fit all. You need a system with multiple sensors, multiple defeat systems, and the key is really the command and the control and then communication across theater about that.

DWG: Tony Cappacio, with Bloomberg.

DWG: A double barrel. On two of the systems under your oversight, F-35. As it approaches a full rate production decision this year, in layman's overview what combat production and sustainment capabilities does it need to demonstrate, does Lockheed need to demonstrate before you approve full rate production?

Two, the Columbia --

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U/S Lord: One at a time.

F-35, we have testing that we need to complete which is one of the key reasons that we delayed a full rate production decision. We, as you know, cannot test against all threats on the open range, so we are developing the joint simulation environment at Pax River. A very, very powerful system to be able to simulate the most challenging adversarial systems that we see today.

We are taking time, bringing in DOT&E, a lot of the pilots that work with DOT&E to make sure we step through that system and we totally [pokey-oke] it, if you will, to make sure that we have thought of very contingency. And then we want to go in and start the testing in a couple of months.

We need to then analyze that testing. So that's one big piece of it, to understand where we stand against the threat right now.

I think another piece of that question that you asked is where you want to be in sustainment. And from a sustainment point of view, we are focused on making sure we get the cost per flight hour down. We're above \$30,000 a flight hour right now. We have line of sight for about \$29,000 per flight hour. However, by 2025 we'd really like to be to \$25,000 per flight hour.

So what we are in the process of doing with Lockheed as well as Pratt & Whitney is really decomposing those costs to make sure we understand all the elements of cost because everything we do will be data driven. So what we need to do moving forward, and I'm not sure it's tightly one for one coupled with the full rate production decision, but it certainly is coupled with how we contract moving forward. We need to understand what are the appropriate contacts to put in place to incentivize the behavior we want to see. And the results we need to generate.

DWG: The test results, okay.

Columbia Class starts production this year. That's the Navy's F-35. Do you have concerns given the problems the Navy had costing the Block 5 Virginia Class, that it's -- you said they need to fix concerns that this big program, the Columbia, they'll have pricing problems similar to this Block 5 Virginia Class.

U/S Lord: We are following Columbia very closely, as you well know. That's one of the [MDAPS] that comes to my office. I know

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Hondo and his team are spending a lot of time on that. At this point we think we have a pretty good path forward, but my view of these things is trust but verify and it all comes down to the data.

So that's where having weekly, monthly metrics are very important to understand any trends. I do have regular reviews on Columbia. We have a strong management team on it. Industry understands our expectations. And I think it's my job to be very clear as to what those expectations are to move on in each phase of the program.

DWG: John Tirpak and then Yasmin.

DWG: A quick follow-up on Tony. What's your inclination at this point about the Lockheed proposed performance based logistics idea for the F-35? They say that's the way you get to \$25,000 per hour. Are you more inclined to, having looked at their proposals so far, are you more inclined to go with that?

U/S Lord: The initial proposal that Lockheed put in was extremely high level. We have been working since last fall to again generate the dataset, to understand the performance of the aircraft, all the elements of cost that go into maintaining it, whether that be material, whether that be labor and so forth.

So we are actually working with some outside consultants to help us with that, to make sure that we have independent points of view. We actually have a major report out from the Navy on that. Dan Nago was assigned by Hondo Geurts to lead an effort, and on Friday Hondo gets briefed on that. At this point I don't know whether a PBL makes sense or not because I have not seen all the elements of cost and what the burn-down is. We have a line of sight to about \$29,000 per flight hour but I don't have line of sight to \$25. I've seen PBLs be very efficient and effective when it's a win for industry and a win for the government. Right now we need some clarity around cost. We need some clarity around intellectual property issues in order to understand all the elements of cost and make the best decision in terms of the value for the taxpayer, and to make sure the Air Force, Navy and Marine Corps has the best service delivery possible.

DWG: The other one, I rarely throw a softball but here I'm going to throw one. On the continuum of acquisition reform over the years, what would you say are the big brick breaks between what

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Mr. Kendall was doing and what you're doing, and what has really shown to be the biggest payoff in terms of changing the way you do business to make things faster in acquisition?

U/S Lord: I think Frank did a very good job with all of his efforts in better buying power and getting industry engaged. So I see us fundamentally building on everything that was done in the past.

I think what perhaps is the different angle here is that we are trying to decompose acquisition so it's very intuitive to anybody who wants to do business with Department of Defense. I'm encouraging a high level of engagement with particularly ANS, and I look at our industrial policy team. Hopefully it's a big help desk for industry. We're spending a lot of time engaging with the tri-associations -- AIA, NDIA, PSC on a quarterly basis. I take about 15 people from across DoD. We meet with at least 15 CEOs from small, medium and large businesses each time. And we've got to be very careful of [FACA] rules. But my objective is to understand what is getting in the way of efficiently doing business with us, and to also try to transmit where our thoughts are and try to understand where that resonates and doesn't.

We also bring the six big primes in, one a month. The CEO brings about ten of their senior team. I do the same. And we talk about, again, what we need to do as an ecosystem, because we're partners in all of this. And it's interesting because it's evolved from what I would call a tactical discussion about specific programs and the challenges we as an industry have, what threats we have, what we're doing that's driving cost, what's good for markets, what's not? And I really cherish the fact that a lot of deep relationships are being developed. And I know now when I walk in that conference room and it's super noisy and I have to get everybody's attention to start on time, that something's working because people are really talking. And when we finish, again, all those conversations start up.

So I'm really just trying to encourage that kind of one team, one fight. We've got different lenses we have to wear, given the seats we're in, but we all have the same objective.

DWG: And was there any particular change along these lines that you feel where that can really pick up?

U/S Lord: I think probably the most significant thing we've done

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is to begin to decouple hardware and software development, realizing that our systems are hardware enabled yet software defined. And the way you develop software is not the same as you develop hardware. Although we would like to get to more of a DevOp system with hardware. Yet we know that we have been lagging, although we're catching up with the commercial sector in terms of how we develop software and that we need to be coding every day, testing every night, and frankly, there's a continuum between development, production and sustainment. We need to acknowledge that.

Frankly, it's easier to get the technical talent to do that. The more challenging piece is the business practices around it. So I have a couple of special assistants that are working on that right now. The way I view my job is the services, the warfighter, COCOMs. They're my customers. It's my job to enable them to prevail.

Now I do obviously have responsibility for oversight which I have to report to Congress and the Secretary on, which I definitely do. But the majority of my time is trying to make the services successful. A big part of that is figuring out how we very quickly develop software and field it.

So having an individual software pathway, the work we did with the Defense Innovation Board, with that entire group who they were so generous with their time, they're helping us implement it. I think software development is probably the most significant piece that we've contributed to acquisition?

DWG: Yasmin and then Defense News.

DWG: After awarding the Squad Multipurpose Equipment Transport Program back in December, the Army canceled the contract and since issued a new RFP after a competitor protested to GAO. I was wondering if you think of that as a bad kind of sign for OPAs out there, for Army acquisition. We've had some kind of high profile acquisition issues in the past.

U/S Lord: I think the hardest part about any program, whether it's a development program or production program, whether you're in industry, whether you're in government, is to kill something when you realize that it's not going the way you want. So I applaud the fact that the Army said this isn't going the right way. We're stopping. We're starting over again.

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DWG: Do you think that that signaled that maybe there was a problem with the process that they had to get to that position?

U/S Lord: I think we all learn from our mistakes, and one of the things we're trying to do at the Defense Acquisition University is take programs that haven't gone well, instead of just looking at those that do go well, and understand why they didn't, where perhaps we applied the wrong contract types, the wrong acquisition authorities, and to look at a more appropriate one.

So I think we all make mistakes and that's not the interesting part. The interesting part is how you learn from those mistakes and what you do going forward.

DWG: So you don't think it's any [inaudible]?

U/S Lord: I think OTAs have a very specific use and place like every acquisition authority and contract type we have. Sometimes we apply them correctly, sometimes we don't. It's my responsibility to make sure that we educate and train the acquisition workforce across all the services.

DWG: Jeff Martin with Defense News, subbing in for Aaron today.

There was an article published this morning from Tony looking at the future of the F-35 Program Office, talking about potentially cutting it or splitting it up to the services. What's your view on the structure of the program?

U/S Lord: First of all, I think perhaps it's not understood that all but two or three billets in the entire JPO are either Air Force or Navy billets. So those aren't a lot of joint billets. So it's actually the services that construct that.

We had legislation several years ago that compelled us to write a report on whether or not the JPO should be disbanded. We came with the conclusion that for right now the JPO is absolutely critical for the aircraft because it is so complex, because we have international partners as well as FMS customers as well as three services. So right now the services have individuals embedded and the challenge is to communicate back.

Now I think in any program as the program matures and you move through the different stages, what you need in terms of a

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management team changes, and over the next few years we will definitely see more of those positions going out to the field because that's where the action is. The aircraft, the good news is they're being deployed, they're being flown to great effect.

So the challenge now is not, although we still have a lot of activity, it's not only on design and delivering those first aircraft, but it's sustaining, maintaining those aircraft so we see more of a transition to the field. So I think over time it's logical that the JPO will diminish in size as the services take more and more responsibility, especially as we stand up all the depots to do a lot of the work that has been done by the primes up to this point in time.

DWG: Do you see kind of the idea of just kind of scaling down the size of the JPO [as] the program's kind of over the development hump that it's kind of been working through?

U/S Lord: Well Block 4 has some pretty challenging technology in it, so I think it's a continuum. But I think we are in a transition where sustainment becomes just as important as development because we will not be able to afford as many new planes as we had planned if we don't get that cost per tail per year down.

DWG: Dmitry and then after that Ellen.

DWG: Good morning, Madam Secretary. I just wanted to ask you for an update on Turkey, the S-400s, the F-35s. Are you any closer to resolving the difficult issues with Turkey or not?

U/S Lord: We are still at the same position. We have clearly said the F-35 and the S-400 are incompatible. Unfortunately Turkey has not decided to make any movement on the S-400, so we continue to transition the work out of Turkey.

DWG: And may I ask you, the administration within its interagency process, has already made a decision on sanctions. I know nothing's been publicly announced, of course, and I was hoping you could speak about this to the extent you are comfortable doing that in this setting.

U/S Lord: Department of State is responsible for any CAATSA sanctions, so you would have to ask them.

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DWG: Thank you.

DWG: Joan Kilheizer?

DWG: Good morning.

The progress under the MDAA has ruled that all military medical acquisitions and logistics move to the Defense Health Agency. Are you involved with any internal discussions with Army to retain that within the services?

U/S Lord: We have a process we go through with Secretary Esper, several processes in fact. One of them is every Monday morning we talk about all the initiatives in the department and we do a deep dive on each one. DHA is one that we routinely discuss and we're talking about the consolidation. There is some discussion about acquisition, but that has not been a particularly high level discussion and nothing has come to me about that at this point.

DWG: Do you have any thoughts as to where it should stay? Should it go to DHA or should the services retain medical acquisition?

U/S Lord: I am not conversant with all the specifics, however I will say that we are trying to realize economies of scale and sometimes with centralization you can get that when you can leverage buys across several locations, several services. So I am very much supportive of that type of efficiency, if you will. The details of how that impacts service delivery, I really can't comment on.

DWG: Tony Bertucha and then Sandra Irwin.

DWG: I want to talk about Boeing. The new CEO of Boeing put out a statement yesterday pledging to rebuild trust. Dennis Moenberg, former CEO of Boeing, ran the Defense Group for a long time. We've seen some public disclosures that lawmakers called damning, troubling, alarming. What do you think Boeing needs to do to rebuild that trust? And what do you make of these public disclosures that are very troubling about efforts to try to undermine regulators?

U/S Lord: I will say first of all that Leanne Caret is one of the most forthcoming CEOs. She reached out right before the

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change in leadership to let us know. I think what Boeing needs to do is tackle this with the Department of Defense one program at a time and make sure they are very forthcoming in terms of answering any questions we have, replying to RFIs, RFPs, and I can only judge it by their performance with us.

DWG: As someone who comes from industry, how important is corporate culture when it comes to these types of things, trying to maybe drive these behaviors out of the company?

U/S Lord: It's extremely important. The shadow of the leader is very, very long.

DWG: Sandra and then Travis.

DWG: I wanted to ask you about what you think that you have, having a separate Space Force is going to be on space acquisition? Dr. Roper said that he thought acquisitions were going faster in space, however he said there's potentially a chance that things could slow down because it has to be organized, have to restructure the acquisition office. What advice would you have for [inaudible]?

U/S Lord: I'm on the Space Governance Board. We spend a lot of time on space. As you know, it is a warfighting domain. We see the standup of the Space Force and SPACECOM as an opportunity to really focus on this critical domain. I frankly see more effort and leadership involvement in space now than ever in the past. I know that the '20 NDAA has instructed the Air Force to come up with a variety of suggestions, if you will, courses of action around how to do acquisition. I think everybody's all in, and I think if anything you're going to see an acceleration.

We have a great partnership with the NRO. All of the services obviously are involved with Space. And given really this multi-domain interoperable battle we're in, everyone is critically linked. Every single COCOM has equities in space. So I see this as very positive and it's driven a focus in the department, and I think more collaboration in space than I've seen before.

DWG: You mentioned the NDAA. Do you recommend moving the Space Development Agency under the Space Force between now and '22? Some people say it should move sooner, not later. Do you think there's any benefit to moving the Space Development Agency into the Space Force sooner rather than wait two years?

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U/S Lord: We're working through all of that right now. Again, looking at the facts and how we want to move forward. So I'm not sure have all the information I need to really draw a conclusion at this point.

DWG: Travis, then Scott.

DWG: Travis [Inaudible], Bloomberg Government. Thank you, ma'am. We appreciate you doing these regular briefings. They're helpful.

I wanted to ask you about the CMMC. You said you were working with industry on creative ways to make sure that this isn't a burden. I'm thinking particularly for medium and smaller sized companies. Do you have any more details on what those creative solutions might be, what that might look like? And have you chosen or has there been chosen the accreditation bodies?

U/S Lord: This is an incredibly critical topic for us because about \$600 billion or about one percent of global GDP each year is lost through cyber theft. Some of the CFIS data that came out. So we have worked very, very closely with again the tri-associations, have allowed us to work with industry on this, hearing about small and medium business. We've partnered with Johns Hopkins' Applied Physics Lab as well as Carnegie Mellon University Software Engineering Institute on how to roll this out.

One of my biggest concerns was really about small and medium businesses because that's where a large part of innovation comes from and we need that and we want to retain them.

So right now there's actually a number of the primes who have come up with some ideas about how to more cost-effectively get the accreditation working with some consortia and so forth, to small and medium businesses. I'm waiting to hear more about that.

We actually are handing over the model to the consortium that has been set up which is a non-profit one. I can get Katie Arrington to get you some more details about that, but quite a few decisions have been made so this accreditation body has been stood up.

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DWG: If I can just follow up on DFAS, the DFAS Task Force. Have you seen that interim or even final report yet? McMann had indicated before he left that he thought that the number of affected facilities was like [201]. That number is going to go up.

U/S Lord: Actually we have a meeting with the Secretary of Defense where we are briefing him on Friday and I'm getting an update tomorrow. So I know Pete [Patachney] and the whole team spent an enormous amount of time on this. It is a critical issue for us. I have not been briefed on any specifics in the last two weeks on that. Why don't we take a tasker on that one and we'll get back to you with something on that.

DWG: Scott? Federal News Radio.

DWG: Scott [Massio] with Federal News Network.

You recently put out the instruction for a middle tier acquisition and it was pretty straightforward and pretty much what was expected, how you've been using it. It did say that the Defense Acquisition University was going to come out with more of a framework for things. When might we see that, and what might we expect from that framework?

U/S Lord: What they are doing is putting together vignettes, how it's been used effectively. And then they are having modules that they will put into all the key courses about what middle tier acquisition is, how to appropriately use it. But we have begun quite a bit of that, so let's take an action again and get back to you with some more details on that because that is underway.

One of the things I will say that I'm excited about is we're really transforming DAU from being a kind of push information in the old sort of lecture way to a much more interactive group that's using a variety of different media to communicate. We did TedEx talks last year which were really successful. I think we're doing that again this year. We're doing more podcasts. Just a whole variety of different things.

We're also trying to take the training to the people who need it on-site, versus have everyone come to DAU kind of bricks and mortar.

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DWG: And secondly, it's been three years, four years now since you've had your office set up, and also the push-down of authority has gone to the service level for Milestone 40. How do you think that has changed the way acquisition's been working? And do you see it as a positive change?

U/S Lord: I began in August of '17 and we've delegated all but nine programs. What that has done is in turn had the services push down decision-making in their own verticals, if you will. I think what that has done is allowed us to speed up decision-making. I think you're going to see these programs getting more efficient. I think it's allowed senior leadership to really focus on the bigger, more complex problems, perhaps look at the forest kind of versus the trees a lot of the time, and really try to make the strategic changes that will help us moving forward as a community versus being focused on the tactical day to day issues. So I hope that overall it's making us a much stronger acquisition community.

DWG: Kim Dosier, and then Marcus.

DWG: Good morning. Two questions. One, picking up on Dmitry's question about the S-400. I've had U.S., Turkish and other Southeast Asian officials say one of the issues is the S-400 is technically better now and it's cheaper than the Patriot. So are you doing anything to make it easier for foreign militaries to buy? To improve what they're getting in that competition? And then the second question was on what sort of innovations you saw in Iran with the ARAMCO attack?

U/S Lord: Two very different things.

First of all, a lot of the issues around supplying the Patriot versus the S-400 when the two are compared, quite often some of our foreign military sales customers want an enormous amount of technical data transfer, and they want significant in-country production capability. That is feasible with some of the less technically capable systems, but obviously we're constrained by ITAR and a number of other things. So quite often the appetite cannot legally be satisfied. So that sometimes gets somewhat confused in the S-400 discussion.

DWG: How could I Dick and Jane it for an audience, why you can't have the F-35 working where you've got an S-400?

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U/S Lord: The F-35 is basically a computer in the sky that talks to all the other U.S. assets, whether they be fighter aircraft or other systems on the ground. The S-400 is a system that collects information on that. We will not allow one of our most precious assets to be collected on on a routine basis.

DWG: So the pushback I've had from a Turkish official is well, you've got the F-35 being flown from, I forget which Norwegian country, and you've got the S-400 deployed right across the border in Russia. So what's the problem there? I said well, I think it's because you'd have to teach the S-400 certain friendly information so it didn't target its friendly aircraft.

U/S Lord: I think the simple answer is if you have bot the S-400 and the F-35, you could routinely fly the F-35 over the S-400 and become very proficient at it.

DWG: But having them in proximity in that Norwegian country in Russia, but on opposite sides, the same tech transfers --

U/S Lord: It's a difference cadence of operations.

DWG: And the Iran ARAMCO attack?

U/S Lord: Basically what that did was really continue to make clear to the department that counter-UAS is very important in terms of the technology and that we need a continuum between systems that counter small unmanned aircraft systems up to the point where you had off the integrated air defense for larger unmanned aircraft systems. In other words, we need defensive measures against UAVs from small UAVs all the way up to Group 5, very large UAVs.

So we have really consolidated effort in the department on counter-UAS. The Army was just in December named executive agent for unmanned aircraft systems. Acquisition and sustainment is working very, very closely with the Army to stand up an office to make sure we pull in all technology available. And that we deploy it downrange, that we test its capability in actual combat conditions. And then we identify the three to five systems including center modalities and defeat mechanisms that are most effective across the entire range of UAS, and that we then deploy those.

DWG: Marcus then Lee Hudson.

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DWG: I wanted to go back to the F-35 again. You said on numerous times, and I want to talk about the unwinding of Turkey in the supply chain. March 2020 was the date kind of that you referenced several times. Does that date still stand? And if not, what is the current --

U/S Lord: The majority of our supply chain will be out of Turkey by March 2020. There are a few systems where we continue to have, well, Lockheed Martin and Pratt & Whitney, have contracts in place that will perhaps carry out to the end of the year. Those are a handful of systems. So we continue to manage the program to minimize impact to production and go from there.

DWG: The delay on the four planes that are owned by Turkey, have there been any negotiations with the Turks about coming to a resolution on the [inaudible] to them? I understand they're in storage right now.

U/S Lord: We have not discussed that with the Turks.

DWG: I wanted to ask you about the [inaudible] security [inaudible]. Is this something that you be issuing waivers for or that everyone has to comply beginning at day one?

U/S Lord: What we are doing is phasing it in beginning with including it in RFIs in the June timeframe and then in RFPs later this year in the fall. However, what we will do is a phased introduction. We will start with the most critical systems, probably think nuclear, missile defense, that type of thing, and move it in.

I do not anticipate waivers at this point in time. We have not discussed that because cyber security is so critical, it becomes a differentiator. And if you recall, there are five different levels of those standards so it is tailored to the system. If you have a complex system the different subcomponents, subsystems of that that are at different ratings. Some of the small companies, some of the more commodity things would have a very low barrier.

DWG: Okay. Thank you.

DWG: Jillian Rich.

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DWG: Marcus took mine.

Maybe if you could give us, President Trump mentioned in his speech after the Iran attack about hypersonic weapons. I know there are a few in development. Is there any update on some of those programs?

U/S Lord: This is a good effort across the department where research and engineering is making sure that they are working with each of the services on different developments, as well as DARPA has some work. We have a lot of activity, and I would say some significant progress that you will hear about. There is a key new addition to research and engineering. Mark Lewis who brings a lot of hypersonics experience with him. We are working together, A&S is working together with R&E and we are working with the industrial base to better understand what our capability is.

In terms of the industrial base, we have four key areas in acquisition and sustainment this year that are of particular interest. One is counter-UAS that we've been talking about. The second is hypersonics. And in fact we just decided last week that we would stand up a hypersonics war room to begin to look at the defense industrial base and begin to have different companies in. The third area that we are focusing on is micro-electronics. And the fourth is 5G.

So hypersonics are a true team effort across the department and I think you will see not only a lot of activity but significant progress this year.

DWG: Can you follow up on a lot of actions in you guys' project in something that was different or a surprise? Can you go into detail about [inaudible]?

U/S Lord: Relative to hypersonics?

DWG: Yes.

U/S Lord: A surprise. I'm not tracking.

DWG: You mentioned --

DWG: You said there will be some significant progress that you will hear about.

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U/S Lord: Why don't we get back, I just want to make sure we're collaborating with R&E and the services on this. Let's take an action and follow up.

DWG: Thank you.

DWG: Nick Shifron, PBS.

DWG: Sorry I was late. Thank you very much for doing this. I wanted to go back actually a little bit closer to Dmitry's question on Turkey and the S-400. I've asked this before. You said earlier that Turkey has not made a movement on the S-400, meaning it hasn't rejected it. Can you give us an estimate on --

U/S Lord: Excuse me, let me just clarify. We have not had conversations with Turkey relative to S-400 and F-35.

DWG: You haven't had any conversation --

U/S Lord: In the recent, you know, last couple of months.

DWG: What is the status of the S-400 in Turkey? Do you have any sense of whether Turkey has turned on, deployed it? Can you give us any details on what Turkey is actually doing with the S-400?

U/S Lord: I really can't, because my information is through intelligence and I can't share that.

DWG: And just a small one, Kim's question about how to prevent an attack like the one on ARAMCO, you went through a kind of list of details and steps. Can you give a sense, how long does that take? The list that you gave from thinking about the problem to actually deploying something or providing --

U/S Lord: Yeah.

DWG: -- it seemed like a long list.

U/S Lord: In the next couple of months we are sending out some pretty comprehensive systems that General Gainey just reviewed with me yesterday afternoon. We already have an enormous amount of equipment out. It's just of a variety of different types and what we're trying to do is standardize to a degree on systems

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that have a range of capabilities. Right now I think we're doing well in terms of integrated air defense and typically you think of them addressing Group 3.5 and above if you want to categorize unmanned aircraft systems. What we want to do is have a continuum in terms of capability between Groups 1, 2, and up to about 3.5. That's what these systems stress.

DWG: I know it's hard, but is there any sense you can give us on, is there a self-imposed deadline to get some of that done? Is there --

U/S Lord: Secretary Esper wants it yesterday, so we are moving very rapidly. However, we don't want to mistake activity for progress, so it's very, very important that we understand how those systems operate in a true warfighting environment where the electromagnetic spectrum is very busy. We don't want to commit EW fratricide while we're out there.

So we are making sure that when we put kit in the hands of warfighters it's truly capability.

DWG: Lauren Williams.

DWG: I want to go back a little bit to the CMMC and I know that there's been a lot recurring questions around the impact of small business. Has there been impacts [inaudible]? If so, what was the result of that?

U/S Lord: We are working with the industry associations very closely, and I think particularly PSC is looking at that. So we have been listening to the voice of the customer, if you will, for quite some time and that's why the major primes particularly are looking at things they can do to put systems in place to help those small companies along. I don't have the details, but I will take an action that we'll get back to you. There's a series of ideas some of the key primes have about that. I just want to make sure that I'm not sharing information that they're not comfortable sharing yet. But we do understand this is an ecosystem and frankly, we often forget that when you look at the integrated supply chain you have six, seven, eight, nine levels down and it's that six, seven, eight, nine levels that we are really, really concerned about and making sure that we're not pushing them away.

This is a tradeoff between true warfighting capability and

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vulnerabilities versus really being inclusive in terms of the supply base.

DWG: A follow-up to that regarding the accrediting body. My understanding is that non-profit, kind of quasi-independent --

U/S Lord: It's a consortium that was set up. Yes.

DWG: So what sort of deadline or milestones have you given, what are they working --

U/S Lord: They actually have already been stood up. Let me just see if I have something that might be more helpful to you.

That non-profit CMMC accreditation body will be responsible for both training and certifying the third party assessment organizations and individual assessors. It will incorporate semi-automated processes to the greatest extent possible. It's going to include a tool that certified third party assessors will employ for audits and collecting metrics to inform risk.

In terms of timing, the release is the end of this month for the CMMC Model Version 1. The initial training is taking place of the assessors between now and June. As I said, CMMC is going to start appearing in RFIs in June. WE are looking at completing DFARS rulemaking late FY2020. And then we will be in RFPs.

So I will take an action to see if there's anything more specific we can get back to you on on that.

DWG: Reuters.

DWG: Thanks. Army Futures Command has stood up sort of a new way of trying to get from flash to bang basically. Is there any module in DAU or any best practices that you've seen that you want to try and disseminate to the other services? Or is that something that you can't touch because you've pushed so much acquisition authority down --

U/S Lord: Not at all. We're talking to the Army all the time. I think General Murray's doing some great things in conjunction with Army leadership. The one specific area that I've asked DAU to do a vignette on is IVAS. I went back late last year and spent a day with the joint Microsoft and Army team. It was pretty incredible, the degree to which Microsoft was embedded with the

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group. The number of cycles they are doing in terms of learning is impressive because basically they've been empowered by leadership to keep going and reporting out to leadership pretty frequently without getting distracted by all the other report outs you might have to do typically to interested persons, if you will, across DoD. It's really more of what we do with the Rapid Capabilities Offices in my mind, where they don't have any different authorities, they're just focusing on getting the job done and they have a very quick feedback loop to senior level management. But that has been very impressive in terms of the degree to which they have matured the technology, in terms of this kind of augmented virtual reality, training, ability to see through smoke, a variety of different things. So there was really kind of a [mount] setup and we went through a bunch of scenarios. The equipment was very, very impressive. It wasn't perfect. They're learning. But I think the cycles of learning they're getting through quickly, embedding industry with the team, so it's truly a comingled team, and the speed with which the Army is committed to getting this program done is a differentiator that we want to capture. And frankly a lot of the senior Microsoft leadership that was there told me they would have never even bid on the program unless there was that commitment to move quickly.

I think that's probably the best example I have right now. But Army Futures Command we're iterating on many different programs with them.

DWG: Katrina Manson of Financial Times.

DWG: Thank you for explaining some of the counter-UAS efforts that you're making. [Inaudible] Secretary Esper said yesterday. Is that to say that Iran could pull off an attack on ARAMCO or a similar attack like that today?

U/S Lord: There are all kinds of threats out there that frankly our warfighters are looking at every day, and typically what we do around valued assets, whether they're our own or our partners and allies, is we have a layered defense. So what we are really doing is adding one layer to that layered defense, and we see that small UAS becoming a more popular weapon of choice, if you will, and so we need to be agile and pivot to that challenge. So we are coming up with a number of ways to counter that.

We've been working on this for quite some time. I will just say

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that our focus has increased. Funding is increasing. Senior leadership involvement is increasing. We just briefed Secretary Esper. The first Monday of January we were back, January 6th, on counter-UAS.

So there's a lot of focus from Service Secretaries, the Chiefs, and leadership at OSD.

DWG: Why didn't the U.S. shoot down the Iranian missile that went into Iraq?

U/S Lord: I'm not going to comment on warfighting. I would defer back to the Secretary.

DWG: There's [inaudible] issue surrounding that that you're looking at that's in your lane?

U/S Lord: I'm not speaking to that. I don't want to comment on that.

DWG: Defense Daily.

DWG: Today is the first day of SNA so I have a shipbuilding question for you. The Navy is still pushing for a larger fleet, most recently Vice Admiral Brown spoke to reporters last week. They're still pushing for that bigger fleet. They need it. I wanted to ask, I know that the FY21 budget is still being hashed out at this point, but can you give your perspective at this point on a number that you would like to target? Can you kind of give us an update on --

U/S Lord: I think that's pre-decisional with the budget dropping on February 10th so I will just say I think we are always considering the combination of quantity and quality.

DWG: Can you --

U/S Lord: No.

[Laughter].

U/S Lord: Sorry.

DWG: John Tirpak.

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DWG: With the advent of Space Force is it perhaps time to reassess the whole Air Force pass-through budget, this quirky accounting thing that pays for a lot of space systems? Maybe that should go now to Space Force. What's the department thinking about pass-through and whether that continues to be a way to do business?

U/S Lord: As we stand up SPACECOM and Space Force, I think we are looking at the entire structure of the organization. All resourcing issues from funding to staffing. I think everything is on the table. I don't really have any comment on that specifically other than to say we're doing a wholesale look at the entire system.

DWG: Kim Dosier?

DWG: Just a follow-up to beat a dead horse. Were you able to quickly field something so that an ARAMCO style attack couldn't happen again?

U/S Lord: Yes.

DWG: Okay. Could you tell us what that is?

U/S Lord: I want to respect our partners and allies in terms of what we have, in terms of materiel, solution, ConOps, and TPPS, so I don't want to comment on that directly, but I will tell you we are always talking to our partners and allies and we do have an enormous amount of support.

DWG: Yasmin?

DWG: Could you please give us an update on the [inaudible] capital market please?

U/S Lord: Absolutely. This is something that I'm really excited about because we do a lot of things defensively like CFIUS and FIRRMMA and so forth to counter what I call adversarial money coming in. So I think as you know, in November we worked with Texas A&M to have our first Venture Day and we focused on small drones. We consider that a very, very successful event. We came up with rules for screening capital providers as well as companies to make sure they didn't have any ties to any U.S. enemies. Then we basically articulated the demand signal we have within the department and allow the ecosystem to work.

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So although we'd like to think of capital systems as extremely efficient, we obviously see through this capital coming in that we have to intervene on through CFIUS, that doesn't always work.

So what we have evolved to since then is working very closely with the services because this isn't kind of an OSD kind of unilateral thing. We saw one clear, intuitive area to work on, but we are planning four to six more of these events this year. We are working actually with the [JAKE] to come up with a web site for us to capture all of the data. We are looking at 5G. We have actually a number, four different areas, let me just reference so I get this correct here. The areas that we are going to look at are AI, 5G, micro-electronics, and castings and forgings are probably what we're going to do. So we're going to four to six more of these again.

So I have gotten an enormous amount of interest from a variety of different investment banks and small investors and so forth, so we see this as a great way to not only focus on these particular areas of the supply chain where we believe we have fragility, but to open up the whole discussion about the challenge we have, particularly with China, in terms of the theft of intellectual property and the difference we have when we have an adversary where there is really civil/military fusion, there's going to be no respect for IP, and how we actually do this. In fact last night we had the third of three industry dinners we at A&S have organized for Secretary Esper, and what we do is bring different groups in. Last night we had representatives from a variety of different sectors talking about how to do business in China, what business they're doing, what business they're not doing, what their thoughts were, and this whole idea of how you have sustainable capital coming into our industrial base was a big topic of discussion.

DWG: Could you give us a sense or a number of the amount or capital that the program has attracted? Do you have a dollar figure? Are we talking tens of millions, hundreds of millions? Where is it at?

U/S Lord: At this point in time we haven't closed on anything. This is just getting going. But certainly we would hope this would be in at least the hundreds of millions.

DWG: Madame Secretary, thank you very much.

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U/S Lord: Thank you all very much. I appreciate your time.

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