

TRANSCRIPT

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Gen. Bruce Carlson
Commander, Air Force Materiel Command
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Q: If you wanted to open up with a statement or something that's fine. If not, we can just jump into questions. It's really up to you.

A: I'd be glad to.

First, thank you for having me. It's very kind of you to let me come up here and talk to you a little bit about Air Force Materiel Command and what we're doing. We're busy and we're making progress and we're doing good things.

The two previous commanders, Les Lyles and then Speedy Martin, I think have both been up here and told you what they were doing. I wanted to sort of follow up with some of the things that they've told you.

I think the last time Speedy was here he told you that 92 percent of the airplanes that we delivered out of the depots were on time that year. This past year, it was 96 percent. In fact our goal last year was 92 percent, we delivered 96. This year the goal is going to be 96, and of course I hope we do much better than that. In fact of those airplanes we delivered that came out of our in-house depots--as you know, some of them come out of contract facilities--those that we delivered out of our in-house depots, 99.2 percent of them were on time. That's 1152 airplanes getting delivered on time, 99.2 percent of them, and 239 of those airplanes were unscheduled. In fact we didn't plan for them, we didn't know they were coming, but they either had broken wing spars or some other maintenance problem that required depot action, so we took 239 of them in and delivered those, 99.2 percent of them on time.

At the same time we're doing that we're turning money back essentially to the Army, to the Department of Defense, to help assist in the global war on terrorism. I think Speedy's last number was about \$500 million that we turned back. Since I've been there, and I've been there about 10 months now, we've turned about \$850 million back. We haven't raised rates. We haven't dropped the performance of our depots.

What does that mean, turned back? Well in the working capital fund we have been asked to donate out of the working capital fund \$850 million. We've done that. It goes right back to OSD and it goes out of the working capital into O&M because it's O&M dollars. So it goes back to them and it's been used to fund the war on terrorism.

Q: So that can go to the Army? It can go out of the Air Force blue into the Army?

A: You bet.

Q: [Inaudible] going out?

A: I don't know. I've only been there ten months, but I know the year prior we turned over \$500 million. This past year, since I've been there, I think it's about \$850 million. So quite frankly, we're excited about that. We don't fight the war on terrorism except in our deployable Airmen status. We're not flying the airplanes that are dropping the bombs, we're not flying the helicopters that are doing the rescue, but we're contributing to the war on terrorism, so we've been busy.

A command of about 80,000 people. Seventy percent of them are civilians. Some of the most dedicated, hard-working, bright, articulate civilians I've ever seen in my life. I [inaudible]. So it's great to be part of the command and it's my sense today that when I talk I will be a little bit upbeat, hopefully you'll forgive my optimism, but I am just really impressed with this outfit that I've been given the opportunity to be involved with.

With that, I'll be glad to try to respond to your questions.

Q: General, there was a report out a couple of weeks ago that across the board American companies are spending less on R&D and NASA has dramatically reduced its aeronautics spending over the past couple of years. I was wondering if that affects AFMC and what you're doing and puts more pressure on the funds that you have for those kinds of projects.

A: John, it absolutely does. We've been fortunate, even though there's a great deal of pressure on the Air Force budget, we've been fortunate that we've been able to fence off our S&T accounts. We're at \$1.2 billion right now and that's stayed fairly steady. There are always rumors that it's going to go down in the future, just as there are rumors that the force size is going to go down

and we're going to change a lot of things in the Air Force, but we haven't seen that yet.

The big impact it has on us is we have to do two things very well. First, we've got to be on the lookout for opportunities where we can partner with others for developed technology that's brought to us by others. For instance, we get two or three other people to give 25 cents, 25 cents, and so on, and we end up with a dollar which is much more potent than just our 25 cents. So that looking around and finding those things that are high payoff has become a big part of what we do in our research labs.

The second thing we have to do is comb the world for good ideas. The Internet aids us in that, but all good ideas don't come out of the heartland of America. There are some marvelous scientists in Europe and Southeast Asia and in Russia and other places. So that second job is finding that technology and then bringing it into our lab so that we can develop it hopefully already five percent, ten percent twenty percent of the way there, so it's beyond just a good idea or an interesting thing. So that's probably the big effect, the reduction in R&D in other places has had on the Air Force.

Q: You are trying to capitalize on things that NASA does and other private sector companies. When their funding goes down do you feel like even if your levels stay the same, essentially that's an overall decrease and it affects what you can do?

A: We haven't felt that yet. We're concerned about it, but I apologize but I can't think of the number, but it's a trillion dollar number when you look at the amount of R&D worldwide. The effect that NASA and a few others have had on that hasn't really been measurable. So if you can still capitalize on the large percentage of that R&D that's going on out there in the rest of the world, it hasn't had a measurable effect on us yet.

Q: How do you get that? Have you got more spies out in the world then or--

A: Not spies. Not surprising, most basic R&D, basic science, is done with [inaudible]. There are very few classified universities on the face of the earth. Most of the S&T basic 6-1 papers are written unclassified, presented at conferences all over the world. If you know where to look and where to go and you follow this sort of thing, you can spend your entire life, all of you, going to different spots every day, attending scientific conferences where amazing things are being presented.

It's knowing what's going on out there and tracking it that's very very important, much more important [inaudible].

Q: General, the numbers you've talked about of aircraft you're turning out, the Air Force has the oldest fleet of aircraft I guess in its history. Are you having an increased workload because of the aging aircraft? What particular problems are you running into at your depots because of the

aging aircraft?

A: That's a question, Otto, you could write a paper on. The basic answers to the question are yes, we are facing a decreased workload. In fact we are planning right now for a significant increase in workload on the KC-135 over the next ten years because we're going to have to rewire a lot of things, we're going to have to put in new hydraulic lines, new spars, new support structures, maybe even landing gears. So yes, that is a very big concern, and it's not just 135s. It's F-15s. It's avionics for aging airplanes. It's hard for me to believe because I was a third of the way through my military career when I started flying the brand new F-16. So to me, it's still a brand new airplane, but they're not. They're 20 years old. Very few of them are less than 20 years old. And they weren't designed to fly [40,000] hours. We're having to make them double their life span to make them fly [40,000] hours. So yeah, this is a big deal and it's taking a lot of planning to prepare ourselves for that increased workload over time.

Q: Part of the problem with aging aircraft, the buffs and things like that, nobody makes the components that go into them any more. Are you manufacturing your own equipment, avionics and stuff like that for some of those older aircraft? Or are you able to feed in newer systems as you take them through the depots?

A: We're doing probably three or four different things. First of all we're looking for opportunities to harvest parts that we know we're going to need and we'll do that out at AMARC. We'll go in and scavenge, let's just say it's a particular pump and we know that we can't find them any more. We want to get them where we can lubricate them and keep them up and what not, we'll scavenge. We'll also go out and do a one-time buy and see if we can get as many of those as possible.

Second, we're always looking for opportunities to integrate new technology. Is there a way to replace that pump and two others with one? Or two computers with one and a smaller circuit card? Is there a way to integrate two computers into one? We're always looking for ways to re-engineer things and integrate newer, less expensive technology.

Then third, we're always looking for unique repair capabilities. In other words, we've looked, we just can't find them any more, there's no way to integrate new technology. Can we develop a repair capability in one of our depots and do that economically? Or can we find that small business contractor who's interested in repairing 50 of these or 100 of these a year along with some sprinkler head business that he does for a company in Phoenix or something like that.

So we have teams of people in our depots and at Air Force Materiel Command, who focus on exactly that kind of work.

Q: With the upcoming personnel drawdowns, I think 2,000 civilians being lost this year and you're saying that a very large percentage of your workforce is civilians, can you talk about, you

must be making some plans for that, how that will affect you.

A: Our job is to figure out a way to do this and not affect the command. That's our job. We'll be graded on how well we do that.

We think our share of this cut will probably be around 700 employee civilians. This is all preliminary.

So the first thing we're working on is how do we size, how do we structure, and what's the timing for a voluntary release, voluntary retirement program. So we're working now with the Air Staff and inside the command to identify the amount of money we need, what's the timing, how do you target this? You don't want to just open the flood gates and say the first 700 people who make it through the door get a bonus and get to retire early. You may get the wrong 700 people that if you let go you absolutely couldn't make the command work [inaudible]. So we're working hard now to find those targets where, if we're going to streamline the organization, change the organization, we're going to become smaller, we're going to quit doing some things, if we're going to be able to get more efficient where do we want to target those 700 people? That's a very complex question and we don't have much time to do it.

We're looking to do this here in the next three or four months and quite frankly, we've just started because we just got the draft target. So we know how we're searching for about 700 spots. That's the first problem.

The second problem is, what if nobody volunteers? Then we're going to have to do a RIF which is an entirely different process, entirely different timeline that I can't start until I get done with [inaudible].

That leads to the third issue which is if you don't get the volunteers and you have to do a RIF, now you're already probably at least halfway, maybe two-thirds of the way into '07 and I don't have funding for any of those people in '07. So now I've got to pay the bill by taking money out of something else.

So this is a complex problem.

The fourth issue that comes up is during the military drawdown which we've already laid in, we were asked to take about 3,000 people out, round numbers, over the FYDP. But most of them are very early in the FYDP. Some of those are in critical specialties such as firefighters, civil engineers, services people, and so I raised my hand and said wait a minute, my concern is that I can't keep the base open if I don't have firefighters or civil engineers. The response was well, you can hire civilians to do that. Okay. Which civilians? Well, that's your business, you go figure it out.

So now I've probably got to increase the number of civilians that I take out just so I can rehire some of them. For instance I might have to take out a contracting specialist or a legal specialist or a paralegal or a medical person in order to hire back a firefighter. So it's a very very complex problem, and because the money is gone already there's a real sense of urgency to it.

I guess what I want to impress upon you is that this is really complex, [inaudible]. I don't have all the details. I've just got, about a week ago just got the draft that said we think your share is about 700 people. So now we've been able to start working on where we're going to target those.

Q: They haven't told you which types of--

A: Not yet.

Q: Is it possible that they will?

A: Anything's possible. They told me in some cases how many firefighters to take, so--

Q: That's what I don't understand. I didn't realize that they would actually go in and tell you which--I guess which specialties you have to lose, but one would assume they would be in overstuffed jobs, specialties, yet a critical specialty like firefighter, how is it possible that they would be cut?

A: This is all driven by the fact that the money is already gone. The Chief and the Secretary elected a process, which I am supportive of, of centrally directing the way this was done. The Chief and the Secretary and I and all the senior leadership know that we're not going to get this perfect the first time. It's going to be a rough cut. But we're all convinced that we have enough flex in the system that we can sort of take an ax to this and take the first cut out in the near term, and then refine this over the next year to 18 months.

If you're asking do we have this measured with a micrometer? No. We have measured this by saying it looks about right, we think based on what we see in the Air Force and the capability of the people that we've got that we can make this first cut work. It's not going to be easy. It's going to be difficult. But as General Creech used to say, [the low ball for a punt].

Q: So just so I understand, the target is for your command to reduce 720 civilians by the end of fiscal 2006. Then how many military by the end of fiscal '06?

A: Our goal is to, it's really not the end of fiscal year '06, it's the beginning of '07, which is one more day. [Laughter]. I can pay for them up through the 30th of September but I can't pay for them starting the 1st of October. I don't mean to be funny. But about 720, that number for civilians, and about 3,000 for military.

Q: As of 1 October.

A: And the 3,000 is across the FYDP right now, but most of them, and I don't have the precise number, most of them are in '07.

Q: General, the Defense Science Board put a paper out a little while ago about energy use in DoD. I read a few reports about some of the things that AFMC is doing as far as alternative fuel research. I wonder if you could sort of elaborate on some of the initiatives that are sort of being pushed down from DoD.

A: Great. Thanks for asking. I hope you'll keep this one off the record, but I want to tell you we have a very visionary Secretary. I don't want him to hear that I said that, but he's an incredibly bright guy. He came to me very early after he came into this job and said Bruce, we're the largest consumer of energy in the Department of Defense. I think the number is 41 percent of the Department of Defense's renewable energy we buy. He said we've got to do something about that. I'm not as smart as he is so I kind of shook my head. So he talked me through it. He said I want to look at a program to wean us off oil. We've got to start that right now.

So what we have done, we already had an active program in our labs to look at synthetic fuels, fuels made from coal, fuels made from natural gas, fuels made from corn and other bio-products. But that was sort of basic science. Since then we've moved an engine into the labs and they're doing engine tests and I think we're actually up to two engines now. I think we have a helicopter engine and then one large engine. We also started a program which within the next few months will fly a B-52 on synthetic fuel. The reason we picked the B-52 is because one, it has eight engines, so if this is a catastrophic failure we'll shut down two and land and won't even declare an emergency. But we have very high confidence this is going to work real well. The other reason is that you can isolate the fuel in a B-52. So you can put synthetic fuel in tank six and feed engines four and five. So we think that's a very safe way to do it.

We just had delivered last week to Tinker the first truckload in bulk quantity of synthetic fuel. So the first phase of this test program is to run an engine down there at as many different settings and what not over an extended period of time. It will be an accelerated ground test to run this engine at [no] power and idle and so on. The start sequence and hot starts. We'll do that over the next few months. Then we're going to start changing that bulk fuel shipment from Tinker out to Edwards, establish a fuel farm, if you will, that can handle synthetic fuel. Then we'll start to fly that airplane.

If that test is successful, and we have every reason to believe that it will be, then we'll probably go on and fly maybe a 135, maybe a T-38, and move on from there.

We have also done some other things. We have begun at the research lab level discussions with other countries who have used synthetic fuel in the past and have, we're finding, have a pretty

good bunch of knowledge on its affects on engines and long term use and its affects on seals and pumps and those kinds of things. So we're working that discussion. We have a team of people, I don't know if they just returned or they're just leaving to go off and do that work.

Then the next step of that will be to publish those results. As you know, we use 41 percent of the DoD's renewable energy, but when we look at that it's really just a very very very small part of the national energy bill, .01 percent or something. A very small percent. I don't remember what it is, but it's less than one percent. If we were to get all of our airplanes flying on synthetic fuel we still wouldn't generate a market that anybody would want to buy into. Nobody would want to spend probably the multi-billion dollar investment just to sell gas to the US Air Force.

So I think the Secretary's vision is to now, after we've demonstrated this and got the science behind it, to partner with some people--an airline, a large trucking company, you pick out the who or what, and begin to generate interest in this at the national level and to work with the Department of Energy to maybe get some funding or to develop some sort of a partner relationship so we can begin to put the infrastructure in place to make this happen.

As you know, the United States has, I think, I might be wrong on this, but I believe it's the world's largest shale coal deposits. So this kind of renewable energy is available in large quantities in this country. It's just are we going to do this or are we going to continue to import oil from other countries?

We're excited about it, we're moving out, and I think in the next few years you'll hear a lot more about it.

Q: Forty-one percent is Air Force wide, not just Air Force Materiel Command?

A: Air Force wide. I think the number is that the Air Force uses 41 percent of the DoD's energy use in renewable fuels.

Q: And is it a shale coal?

A: This particular stuff we're using right now I think is a natural gas derivative.

Q: Is there a country in particular that, is Sweden or England or--

A: No. The country that we're talking with right now is South Africa. During the history in their past history, as you know, they were under an embargo, so they developed a synthetic fuel capability and used it extensively, so we're trying to harvest some of that knowledge.

Q: In their military aircraft?

A: They used it in everything that flew. That's what we're trying to find out. We're down there talking to them now.

Q: I understand that AFMC is helping out ACC with its three-phased long range strike analysis of alternatives. I wonder if you can tell me what platforms are being examined with the phase two of that program, the 2018 timeframe, and if you really think that unmanned stealthy supersonic platforms are going to be available by then.

A: The first question, lots of platforms. The second one, yes.

Q: What platforms? What technologies do you think will be developed?

A: Lots of them. I don't want to be a smart aleck, but I'm just not really at liberty to talk much more about that other than the ones that you know about and things that [inaudible]. We're looking at a wide range of platforms and delivery systems. We're doing this for ACC and I don't want to be a smart aleck, but I just feel like it's really not my business. All we're doing is doing the work, or doing a good bit of the work. That's really Ron Keys' thing to talk about. I don't think it's appropriate for me to yap about it.

Q: My question relates to a report that came out and if you can't answer just let me know and I've got a backup.

A: Maybe I don't know the report.

Q: You probably do. The DoD IG released a report a week or so ago saying that the

C-130J acquisition program had some flaws in it and that they substantiated a claim that the Air Force's figures on termination costs were not necessarily backed up by real data, or attainable data, which kind of implies that the Air Force wasn't entirely truthful when they testified to Congress about a 1.7 or 1.8 billion dollar termination cost in the C-130J, and those costs factored into Secretary Rumsfeld's decision to ultimately reverse the termination.

So I'm curious what you're taking away from this experience, and what kind of changes are being made in the SPOs to try to make sure this kind of thing doesn't happen again?

A: First I think, if you'll allow me to maybe correct the record a little bit. I agree that there was a DoD IG report, and I agree with what it said. It said that some of the data that was handed over didn't match what was reality when the DoD looked at the program. But between the time the data was handed over and the decision was made and the DoD IG looked at the program, there were a lot of changes. So if we were to look at the program with them at the same time we'd have probably come to, I don't know if it would have been the same conclusion or not, it might have been a different conclusion than they did, but it would have been a different set of data.

So the implication that you made that somebody lied to Secretary Rumsfeld, is just not true. We gave the best data we had at the time. The Secretary knew that. He knew there was a chance that things would change, numbers would change, production runs would change. We were converting to a part 15 FAR contract. A lot of things were in flux. How many airplanes of which were we going to buy? What were the Australians going to buy? What were the Canadians going to rent? All those things were in flux.

So this was a very very fluid program and everybody knew there was risk associated with that decision. I think the Secretary went into it with his eyes wide open and the DoD IG then as time went on made their report and said this doesn't match what we see today. Well, you know that. So yeah, we've made changes in our program offices, but it's not because we think somebody's lying. They're changes in how we process data, how fast can we get data, how can we be even more responsive? In fact DAPA, and you know about the ASAT program in the Air Force. We're trying to make our acquisition system more responsive and more standardized.

If we did that study again and had to advise the Secretary, I don't know what the recommendation would be but we would do the very best to get the best data we need.

Q: Where do the negotiations stand with Lockheed Martin to convert this from a commercial contract to a more traditional military contract? Is that finished?

A: Not finished, but we're on schedule for an October of this year finalization.

Q: What takes so long?

A: Kind of in one word, subcontractors. That's not a dirty word, I'm not throwing a disparaging comment towards them, but you have to understand that some of these companies are very small, they have very small production runs, they've got other customers. There's really no motivation for them to produce all this data which in a competitive market they would never do. They'd just bid on price and they won the contract, so why should they do these specs and provide all this costing data? They only made maybe \$100 a part or something. So it's just a very difficult and time-consuming process for them to go back, gather all the cost data that they probably threw in the garbage. Some of these companies are literally sort of in the garage some place. People walk in there and say hey, I need your cost data. The guy goes, cost data? All I know is I made a hundred bucks. So it is a difficult deal, and it's not just two or three of these guys, it's hundreds of them. To pull all that together and make sure it's rational and is supportable and not just made up is really a hard thing to do.

Q: If I can just follow up on Amy's question, is it taking longer than you thought? I've heard on the Hill they were expecting to be done last year, last October, and in fact it's taken all this extra time and there have been a lot of interactions. Were you surprised by that?

A: No, I wasn't surprised by it. Quite frankly, I'm surprised that the cost hasn't gone up more. I'm surprised that we haven't created a whole lot more cost in the system because of this.

Q: Is that the right understanding, that you guys expected this to be done last year but it's not done yet?

A: I think the first estimate was that it was going to be done last year.

Q: Did you say costs had gone up?

A: No, I didn't say that. I said I'm surprised that costs haven't gone up.

Q: Okay.

Q: I want to return to personnel issues briefly and talk about how if things don't go well with cutting the civilians or even the military members, two-thirds of the way into '07 you're going to have to start paying [inaudible]. So do you have an estimate for how much this is going to start costing you if you're over people once the October statement hits?

A: I need \$64 million for [inaudible], and probably, I think, about \$150 million is what I'm thinking, [inaudible].

Q: I'm sorry, [inaudible]?

A: That's voluntary early release. In other words I put out a notice and I say you 700 people by 2's get to retire over there. If you'll retire now, I'll give you X number of dollars, if you'll retire early. That's [Vira Visa] money. I think I need about \$64 million of that. If I don't get the volunteers I need and I don't get them off the books, I think I'm looking at about \$154 million. That's what I'm estimating right now. It might be, if I get more volunteers and I get them off early, it might be 100. But we're thinking looking at this,--

Q: All indication for next year's budget growth right now is that [inaudible] horrendous to deal with than last time around. Is there a concern that perhaps you're going to wind up having more [inaudible], more shortfalls next year?

A: Yes, I'm concerned about that.

Q: What's of particular concern to you?

A: Well, just like you said. We've already built the '08 POM and it wasn't [inaudible]. I know that as I look at that POM some of the things we have in our proposal for the Air Force that we

have to cut are probably not going to be accepted. So the Air Force is going to say I'm sorry, that \$20 million or \$50 million, \$100 million cut we took, we can't take. We're not going to allow you to [inaudible]. They're going to say that to Air Combat Command and Training Command and so on. And when they do that, that's a bill that comes back that I've got to pay. I'm running out of room.

So the most expensive commodity that we have in the Air Force, and the cost has gone up at about six percent a year, because of medical benefits and retirement benefits, the number of active and Reserve and Guard people we have on duty and a whole bunchy of other reasons. So I'm afraid that I'm going to have to take more people out to pay those [inaudible].

Q: Do you think that will affect your [inaudible]?

A: I need to make sure that it doesn't. This may be my last performance [inaudible]. [Laughter].

Q: I was wondering if you could give us an update on your various re-engining programs. How many programs do you have and where do they all stand?

A: First, you understand that I'm not an acquisition guy. I'm an acquisition support guy. I sort of keep up with it, but I'm not running this.

We're involved in the JSTARS re-engining program. We're working on a study for the Secretary that looks at re-engining of all of our non-fighter jet aircraft. Sort of the emphasis areas of that study are two. One is to increase the operational effectiveness of those airplanes--higher altitude, longer cruise range, deeper attack, you pick out whatever the important credential is--and then second, and equal but not less important, is the idea of alternate fuel use for much more economical fuel use. Right now you really can't make a case for converting to a new engine on an old airplane for fuel economy. There's just not much of a case. It takes too long to pay it off.

So what we're looking at are two things . One, what does the cost of fuel have to go to? Is it \$80 a barrel, \$90 a barrel, \$100 a barrel, before the payoff time gets short enough where it's a reasonable thing to do? And two, what are the engine technologies that we need to incorporate into a new engine that make that payoff time, regardless of the price of fuel, go up higher?

So this is a pretty technical study. We've got a couple of dozen people at AFMC in the lab, in our engineering directorate, working this right now . We hope to brief that out here in the next couple of months to the Secretary with some recommendations on do you put new engines on B-52s? Do you re-engine the AWACS? Do you look for a common engine across the fleet? Do you just go for power by the hour? Do you look at the L word, leasing? I don't know. We don't know what the answers to those questions are, but we're going to try to give him as technical and straightforward an answer as we can here in the next couple of months.

Q: What's happening with the Joint Stars re-engining? It seems like you guys had that all spun up and then it didn't go anywhere and now it might come back. How did that work and how is that going to work?

A: I don't want to speak out of school here because I just don't track this as much as I should, but I think the proposals we got were not as responsive as we'd hoped they'd be because of some operational considerations that maybe weren't emphasized as much as they needed to be. I probably don't want to get any more specific than that because I think this is still in competition, so it's still being worked, and I'm not in the source selection of it. So a lot of that is kind of sensitive data. But it's still ongoing. ESC is still working it. Chuck Johnson is hard at work on it. And we'll just have to wait and see how it works out.

Q: And tanker re-engining?

A: That will all be folded up in that study and it depends on KCX.

Q: You guys just finished a big huge tanker re-engining project. Is that right?

A: CFM-56 went on all the Rs. We've still got 70 Es, I think, that haven't been re-engined, and some of those are even sitting parked because of the engine spar problems. I doubt if there's money available to re-engine those. The re-engining of the tanker, again, all depends on the re-engining study and how KCX comes out. That RFI went out a month ago, three weeks ago.

Q: General, I wanted to follow up on your comment earlier that you expect a surge in the workload in the depots in the next several years. Are the depots reequipped, tooled, staffed, to handle that? What are some of the standard technology [inaudible] for technology [inaudible] that you see [inaudible]?

A: There are a couple of questions there.

First, are we staffed and equipped to handle it? That's why we're doing the studies now, to make sure that as we recapitalize the depots slowly over time that ten years from now we're ready to handle that increased workload because of the aging airplanes. So I'm optimistic that if we get the funding that we've asked for in our depot modernization program that we will be ready.

I do have a concern with trained people. A large percentage of our depot workforce is approaching if not at retirement eligible. Many of these people are not only mechanics, they're craftsmen. And they have a skill that doesn't necessarily transfer to someone just because they take a course. This is a skill that you have to develop over time and working with metal is not all just shop technical knowledge. There's skill and craftsmanship involved, and artistry. So that I am concerned about.

We're still hiring despite the fact that we're going down, we're still hiring each year. We hire several hundred a year. So we have a program in place to correct that, but that's one of the things that sort of nags at the back of my mind.

The other question that you asked is do we have the capacity, I think that was your question.

Q: Modern tooling.

A: Yes, we do. The question there is when we acquire weapon systems are we forward thinking enough to buy the tech data, the specs, the line drawings, the tooling and so on. And that we have not done. We've made conscious decisions not to do that in some of our past programs. That is coming home to roost in some cases. When you try to buy it down the road five years from now what might have cost \$50 million then costs \$500 million because the contractor has sort of got you by the back of the neck.

So I'm working hard to influence our acquisition arm to make those investments up front. In fact you'll see in the press, I'm sure, and you've probably written about it, the work that we're going through with the Army on the Joint Cargo Aircraft. We're [inaudible] saying that we want to have the tech data for that airplane. The Army's view is, for good reason, by the way, and I'm not being critical, that they don't want to bother with tech data. I just want an airplane to fly and you, the contractor, you guys go fix it. Just give me an airplane by the hour.

It's okay for them. Their ops concept is short hauls, in and out, and so on. We'll use the airplane much differently. We'll keep it for a lot longer, and we've got to develop a depot repair capability. But if we don't buy that tech data up front, then five years from now we'll have the problem that you referred to. That is we'll be wanting to get those airplanes in the depot, we'll want a trained workforce, we won't have any specs, we won't know what to fix, how to fix it, we won't know where to get the parts, we won't know how to do the wiring, none of that will be available and then we will find ourselves behind the eight ball or we'll find ourselves paying the contractor at a rate that goes up 10 or 12 percent a year instead of a fixed price.

Q: So how successful do you think you'll be in changing the acquisition policies [inaudible]?

A: I will be successful. I refuse to [inaudible].

Q: You said you're requesting [inaudible] depot modernization. Can you say how much money and over how long?

A: We're trying to get a minimum of \$150 million a year.

Q: That's for the '08 POM?

Q: I'm sorry, we didn't hear you down here.

A: \$150 million a year is what I'm asking for.

Q: For what?

A: For depot modernization. Then what I'd like to build up to a fixed percentage of depot spending.

Q: The \$150 million is for equipment or--

A: Depot modernization . In some cases it's machinery, in some cases it is small facilities, in some cases it's more modern software for existing equipment or new parts and upgraded equipment, in some cases it's actual facilities.

Q: [Inaudible] coming years?

A: Every year. Out to the end of the FYDP, that's what I'm asking.

Q: I've got just a really quick follow-up on something you just said. Talking about the aging workforce that's nearing retirement, [inaudible] people with these artisan skills, these are the very people who might be up for this retirement that we're talking about, yes?

A: That's up to me.

Q: Okay. That seems like a very important crowd--

A: It's a very important target, this [Vira Visa], this voluntary. I know there are some people who would say it's time for me to go fishing. I've been working here for 26 years or whatever. I know I'm an artist, but I can go work part time and so if they offer me, I'm going to go. The secret is offering the right people that so that we don't lose those critical capabilities. So that's what's taking me the time to put this program into effect. Now that I know the number, I can go out and try to target that so I don't adversely impact my capability.

Q: So you're literally looking person to person.

A: That's right. I'm taking anybody with neckties. [Laughter].

Q: General, you actually just touched on the question that I wanted to ask about, JCA and this depot maintenance issue. Secretary Wynne has said he's a little concerned about that affecting compliance. I'm curious. People described to me this whole tech data issue as part of the Darlene Druyan era of TSPER and outsourcing as much as possible to commercial industry. Is it fair to

say that with her downfall that that era has come to an end? Or is this really an uphill battle for you to get the Air Force and the Army to agree to buy the data?

Also, the proposals are already in. The Army's already looking at these proposals. Do those proposals include the purchasing values for the tech data?

A: Let me try those one at a time. First of all, I don't know anything about the downfall of Darlene Druyan, but I know about the arrival of Bruce Carlson. Since I got here and until I leave I'm going to work very hard to make sure that we do competitive selection and competitive selection on a very open and fair basis between whether we repair something internal to the Air Force or whether we contract it out. I'm going to make sure that we retain the option in what I consider to be core capabilities of the Air Force, to always bring equipment repair, weapon system repair, into a depot. I want to retain that capability. It's a warfighting competence. It's a job that I've been given to do. My job is to deliver and sustain the warfighting systems. If I have to depend on a contractor that goes broke and then the second source is some foreign country, I've got to be ready for that contingency. That's my job. So as long as I'm here I'm going to be working that problem.

The second issue is whether it's difficult to work with the Army on this. No, it's not difficult. It is complex negotiations to communicate our needs and our distinct differences from the Army to those decisionmakers in the Army that have taken the lead on this. I think we're there. I think we now have an agreement. I talked to Don Hoffman just the other day and I think we have an agreement that we're going to add this requirement for tech data. So proposals have to be amended, that's not a critical thing at this point of the proposal. If you wait three years from now it will be a lot tougher.

So I'm confident, I feel really good about it. I've talked to Mr. Bolton, he understands, I think. He's a former Air Force guy. He understands, so I think we're going to move ahead on this without great difficulty. It certainly is not going to create a divide between the Army and the Air Force. It's just coming to the mutual understanding, and I think we're getting there.

Q: So the program office is not going to select a contractor on the existing competition without the tech data being in that contract?

A: We're sure pushing hard [inaudible].

Q: IED research and technology. What's the Air Force's contribution? I know you're introducing these LITENING Pods that scour roads, but can you give me a sense of some of the other technologies that you've been trying to employ with the Army?

A: We have developed in our labs and in Big Safari and a couple of other places that we have around the lab community, since I've been here, probably about three or four different unique

capabilities that include technologies such as earth penetrating radars, sonar-like capabilities, extremely sensitive electromagnetic spectrum kind of things. That's about all the detail I'll go in. We have handed those over to the joint organization and said here's what we think, here's the platform, here's the integration cost, here's about what we think this would take. We've got the science to the point where we've done a demo so we know that it's good science, do you want to use it? In one of those say three cases we've said yep, we're off to the races. We're with you, we're going to put that in--

Q: Who's this? I'm sorry.

A: The Joint IED Office that's run out of Fort Belvoir. So they've taken it and I think for the most part it's sort of gone under a security caveat while it went there. In the other two cases they've said thanks, but we can't use that right now.

Q: Which one did they adopt?

A: I don't want to--Those are just sort of sample technologies and maybe it wasn't even one of those they adopted. But my point is we have a team of people run by an SES at the headquarters that's in constant communication with them and we're doing two things. One is we're saying all right, what kind of things do you want us to look at? Do you have an airborne need? Do you have a ground need? Do you have a sensor need? Do you have a communication need? Where do you see the gaps and spaces here, the seams? And if you want us to we'll go work on that. We report back with answers to those questions as well as this team is looking throughout our technology basket saying do we think we can use that, that or that? So that work is ongoing all the time.

Q: This is mostly sensor related versus--

A: I would say, Tony, you kind of hit it on the head. Let's say it's 80 percent sensor. Maybe it's 70, maybe it's 85.

Q: Versus direct attack or--

A: Yeah.

Q: General, I wanted to follow up your answer with Otto about the aging aircraft. Things you were talking about doing on the KC-135 don't sound so much as repair or maintenance as remanufacturing. What is the design philosophy when fighters or tankers or whatever go into depot? Is it we're going to make the airplane work until the next depot? Is it we're going to make it work for five years? Or we're going to build it as if we're going to keep it forever?

A: That varies. For instance let's just take a look at the A-10. Five years ago when the A-10 came

into the depot the thought process probably would have been we've got to make it last for five more years. Now as the airplane comes into the depot the theory is we've got to figure out a way to make this airplane last for probably 15 to 20 more years. So we're reskinning wings, we're resparring wings, we're remanufacturing a lot of parts and so on. So that continuum varies over time and varies by platform.

F-15As, the last time they went into the depot it was just can we figure out a way to make them last a little while. Now we're out of the A business, we're just down to Cs and Ds. Cs and Ds, however, when they come into the depot we look at them as probably being around for another 15 years or so in some cases.

The tankers, we're looking at keeping them for another probably 25 years. We hope that 25 years, it isn't 30 years or 40 years, but we're trying to think it's probably about 25 years. B-52s, we're thinking another, at least a portion of the fleet, another 25 or 30 years, and so on. So it varies by platform and it varies with the direction we get. We have an aging aircraft team that brings these recommendations to the Secretary and the Chief, then the Board works on that and says okay, this is sort of our overall strategy, then we try to implement it.

Q: Doesn't that, though constantly skew any study of how much longer they can last? If you ask me next month they could last 20 years. If you ask me six months from now, they can only last 18 years. People are always looking at the tankers particularly. How much longer can we go, how much can we put off tanker recapitalization? Do you have any kind of a baseline that you can--

A: You bet. There's a long range plan that the Air Force has and our goal is to get rid of tankers probably by 2030 or 2040. Our job in Air Force Materiel Command, for instance with the A-10, was to be able to rack the changes because if we wouldn't have had any margin in our last estimate five years ago when we did what we thought was the last PDM cycle on the A-10, then we wouldn't be flying any of them today.

So our job is to be able to react to those changes, fly those airplanes with a margin of safety and then hopefully not spend too much money on them so they go to the boneyard ready to fly 20 more years. That's a fine line. That's a difficult set of equations to balance.

Q: Just to come back to the discussion a little earlier about the tech data and things like that, how should we think about that in the context of say the C-17 or some of these other planes that are at the end of their run where the Air Force either is taking the tooling or is thinking about taking the tooling apparently at huge expense.

A: We'll have to make those decisions on an individual basis but our experience has been where we allow tooling to be chewed up or sold for scrap we have had to pay a lot more for it in the future. We have some B-1 experience and some SR-71 experience and so on which wasn't very

pleasant. We may not buy all the tooling. Five years from now you probably wouldn't remanufacture a C-17 wing the same way that you did ten years ago. You'd probably use laser alignment and soft tolling and what not to do that. So the key will be to pick out those tools that are critical, that are basic to what we have to do and decide the right tools to buy, the right timing, and so on. And that's difficult. Those are difficult mechanical/engineering kinds of questions that we'll have to solve on a one by one basis.

Q: Isn't there any way to do that at all cost effectively? I mean [inaudible], it's so huge.

A: If there isn't then we'll be in trouble so we're going to have to figure out a way to do it. That's why we have such really superb engineers. So we'll try to--I realize it's expensive right now. Boeing would like you to buy the plant, so you can imagine the cost on that. Just go into Long Beach, here's a turkey deal, give us X billion dollars and it's all yours. Well, we can't afford that so we're going to have to come up with a much more scientific way of looking at that problem and then preserve those capabilities that allow us in the future to keep that airplane flying for probably 30 years.

Q: We're out of time. General, thank you.

A: Thank you.

END TEXT

