

NDIA Delaware Valley Chapter NEWSLETTER



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Note from the Chapter President



Happy New Year! Our members tell us that 2011 will see many changes, but they are ready for the challenge. As we welcomed in the New Year, Defense Secretary Robert Gates and the Joint Chiefs were formulating dramatic new budget plans. On January 6th, the Secretary proposed \$78 billion in spending

cuts on top of previously announced cuts of \$100 billion in other cost-savings moves. Many in the defense industry are looking for ways to be responsive to the U.S. cost-savings measures while they also look for new ways to grow. There are two articles in this newsletter addressing these concerns. The first is an article by Bob Koury discussing the “Will/Should” cost analysis initiative underway by the Defense Acquisition Community. All defense contractors should be prepared to demonstrate to their customers how they will better manage affordability by reducing costs to a “Should-Cost” target. The second article is from Nora Gherbi, Vice President, International Development, Embassy of France in the United States. Ms. Gherbi summarizes the Invest in France Agency. U.S. defense companies seeking growth through international expansion will find that France offers attractive start-up incentives and is an organization willing to help you through the process.

We are finalizing plans and events for 2011. We are especially excited about this year’s annual golf outing to take place at the exclusive Tavistock Country Club in Haddonfield, NJ. Tavistock is recognized as a premier private country club in the Delaware Valley for their exceptional golf, dining and social events. The traditional surroundings of their golf course will ensure an experience that is truly memorable. Find information on sponsoring and participating in the event in this issue and on our website. Please check the website often for updates to events, find us at www.ndia-dvc.org.

Reminder: WEBSITE HAS CHANGED:

<http://www.ndia-dvc.org/>



**PLEASE CHECK OUT PAST
EVENTS AND PHOTO-
GRAPHS ON THE WEB SITE.**

**It is a Great resource to stay in the
loop with past and present events.....**

Join our Chapter on LinkedIn.



**Dates for upcoming events will be
posted on website as soon as
they are available. Please keep a
look out!**

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Company Profile

The Boeing Mobility headquarters in Ridley Township, Pa., is home to the H-47 Chinook and V-22 Osprey military rotorcraft factories. It hosts nearly 6,000 employees from three businesses: Mobility, Global Services and Support, and Brigade Combat Team Modernization, including more than 1,850 represented employees. With more than 11,000 employees and retirees in the region, the Boeing Company is a significant, long-time corporate citizen of Pennsylvania. Each year the Company spends \$364 million on purchases from more than 830 Pennsylvania-based companies. The combined company and employee contributions to state-based charities exceeds \$1.1 million annually.

The company is investing more than \$130 million to renovate and improve the historic H-47 factory to fully support planned production rate increases over the next several years. The focused factory effort will create a state-of-the-art factory that is designed to not only support planned Chinook production rate increase but also improve production efficiency.

The V-22 program also boasts one of Boeing's most advanced production lines. The 160,000 sq. ft. facility designed in the "focused factory" model features the latest Lean+ manufacturing principles. These principles include a paperless shop floor, straight-line flow, feeder lines and point-of-use for all parts and tools. Twice the size of the old V-22 facility, the line can support up to four fuselage deliveries per month.

Employee involvement played a key role in the creation of both assembly lines. Other onsite assets include a state-of-the-art Modeling, Simulation and Analysis Center, a low-speed wind tunnel, the Composites Center of Excellence, a whirl tower for testing rotor blades and a full-service flight test hangar and ramp.

Chapter Board Member Profile



Mr. James A. Donahue

Managing Director

STRATEGIC MANAGEMENT CONSULTING

Mr. James Donahue is an accomplished senior executive, having led multi-million dollar industrial organizations and achieved record-setting results. He is currently providing strategic guidance to Patriot Direct, a service disabled, veteran owned print management and services firm. Along with several colleagues, he is also involved the restoration of Admiral Dewey's flagship, the USS Olympia. He has led research, development, and test and evaluation activities with a special emphasis on conventional military and special operations applications. Among the more prominent of these activities was his work in the selection of the now-standard U.S. 9mm military sidearm.

As a Department of the Army civilian, Mr. Donahue served with US Army Materiel Command, as the Associate Technical Director at Frankford Arsenal and as Director of the Armaments Research, Development and Engineering Center Ballistic Laboratories. He also served as Director of the NATO North American Regional Test Center, located at Fort Dix, pursuing research and development initiatives in concert with NATO allies and overseeing the implementation of the precedent-setting accords for small arms standardization, interchangeability, and interoperability.

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Mr. Donahue is the former chairman of the Executive Board for the TechTrends Conference Series, an annual technology-driven economic development conference and exhibition founded by US Congressman Curt Weldon. He also led the Aerospace and Defense Products Group at ICI Americas Inc. where he was the P&L executive responsible for a global business with sales of \$25 million per year to both domestic and international customers.

In 2005, Mr. Donahue headed an international team which successfully refurbished and delivered 77 T-72 Soviet-design Main Battle Tanks to the Army of the Republic of Iraq. This program included interfacing with multiple organizations, including the Multi-National Security Transition Command-Iraq, the Iraqi Ministry of Defense, the US Army, the US Department of State, NATO, as well as subcontractors located in Central Europe.

Capitalizing on his management experience, Mr. Donahue serves as an adjunct faculty member for La Salle University's School of Business Administration, teaching courses in Strategy Formulation and Implementation, Organizational Behavior, and Production/Operations Management.

Mr. Donahue holds a Master of Engineering Science degree from Pennsylvania State University where he also completed graduate course work in Public Administration. He holds a Bachelor's degree in Mathematics from La Salle University. He is active in a number of professional organizations including the National Defense Industrial Association, the Association of the United States Army, the West Point Society of Philadelphia, and the Navy League of the United States.

In his community, Mr. Donahue currently serves as the President and Chairman of the Board of Directors of the Aldie Counseling Center, Doylestown, PA.

Mr. Donahue and his wife reside in Churchville, Pennsylvania. They have two sons and two daughters.

Should Cost – Will Cost: An Opportunity for Industry Cooperation by Bob Koury

On September 14th 2010, the Honorable Ashton B. Carter, Under Secretary of Defense for Acquisition, Technology and Logistics, released a memorandum addressed to the acquisition professionals of the Department of Defense. The primary thrust of the memorandum was the current need for greater efficiency and productivity in defense spending. His guidance contained 23 principal actions for improving the efficiency of the department organized into five initiatives: (1) Target Affordability and Control Cost Growth; (2) Incentivize Productivity and Innovation in Industry; (3) Promote Real Competition; (4) Improve Tradecraft in Services Acquisition; and (5) Reduce Non-Productive Processes and Bureaucracy. One of the principles outlined in the first initiative is the idea of driving productivity growth through “will cost / should cost” management. Simply put “will cost” is a forecast of a program’s cost ...” based upon reasonable extrapolations from historical experience.”[1] Whereas, “should cost” is an analysis of what the program ought to cost given concerted efforts in economy and efficiency by the contractor. A “should cost” analysis results in an, ...” Approximation of a contract-price, developed by the customer’s accounting, engineering, procurement, and other costing staff.” [2] “Should cost” analysis for DoD was first applied by the US Air Force in the early 1960s. Over time this practice matured to where in 1972 it was declared “a multimillion dollar savings” in an article written by Major David N. Burt in the Air University Review (September-October 1972). [3] Major Burt describes the evolution of the practice commencing in a thorough discussion of a “new” alternative approach. He goes on to describe a five phase approach spanning one to four or more months consisting of a very large team which includes actual on-site (contractor) investigation of contractor practices and

operations. There are issues with both of these concepts. First, a “will cost” estimate is a business as usual view which contains all of the characteristics of both good and bad production and management practices. Estimates based on “will cost” have the effect of perpetuating previous inefficiencies by providing a flawed benchmark. Secondly, a “should cost” analysis as described by Major Burt is both time consuming and costly to implement. Furthermore, Secretary Carter, in his November 3, 2010 memorandum to Military Departments and Directors of Defense Agencies declared his desire ...”to establish “should cost” targets as management tools for all ACAT I programs... and to establish by January 1, 2011 ...” should cost” estimates for ACAT II and III programs... for component MS decisions.”

Clearly Secretary Carter is serious in regard to achieving productivity growth and soon. However, given the timelines, the cost of a traditional “should cost” analysis and the problems associated with a “will cost” approach, how can the Military Departments and Defense Agencies meet the “beyond objectives” outlined in the 3 November memorandum? I believe it can happen through an unprecedented cooperative effort of industry and government. This cooperative effort would start with defense manufacturers being convinced to provide standardized / sanitized manufacturing and program management benchmark data to a third party not-for-profit industry consortium (much like the Object Management Group™). The consortium would be responsible for the creation of standards, and maintaining a database of inputs from member companies which are compatible with commercial and member developed cost estimating software. By making the database available to both government and industry members for use by their cost analysts, this approach would provide DoD the means to conduct rapid low cost “should cost” analysis for CAT II and III programs. Although not as specific or as thorough as a traditional “should cost” analysis, this approach should be “good enough” and would free up assets and dollars thus assisting Secretary Carter in obtaining his cost reduction objectives.

Bob Koury is a Senior Cost Research Analyst with PRICE Systems, L.L.C. in Mount Laurel, NJ. He helps

government agencies and contractors improve program affordability management with credible and efficient cost realism analysis solutions. You can reach Bob at Bob.Koury@pricesystems.com.

References:

- [1] *Memorandum For Acquisition Professionals; Subject: Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending*. Retrieved December 3, 2010, from DAU Acquisition Community Connection: <https://acc.dau.mil/CommunityBrowser.aspx?id=399121>
- [2] *Should-Cost Estimate Definition*. Retrieved December 3, 2010, from BusinessDictionary.com: <http://www.businessdictionary.com/definition/should-cost-estimate.html>
- [3] *“Should Cost” A Multimillion-Dollar Savings*. Retrieved December 3, 2010, from Air University Review, September-October 1972 Back Issues:

<http://www.airpower.au.af.mil/AIRCHRONICLES/aureview/1972/sep-oct/burt.html>



January 6, 2011 News Release

Check in out when you have a minute.... Worth the read....

U.S. Department of Defense Office of the Assistant Secretary of Defense (Public Affairs) News Release
On the web:

<http://www.defense.gov/Releases/Release.aspx?ReleaseID=14178>

Media contact:+1 703.697.5131/697.5132

Public Contact: <http://www.defense.gov/landing/comment.aspx>

+1.703.428.0711+1

France is Open for Business:

Nora Gherbi, Vice President, International Development, Embassy of France in the United States, attended our November Board Meeting and discussed the specific advantages of doing business in France for defense-related companies. After Ms. Gherbi's presentation, several members discussed their experiences with doing business in France, and the benefits of working with the Invest in France Agency.

The Invest in France Agency (IFA) is the French national agency that assists U.S. companies interested in European expansion by helping them understand and tap into the tremendous business opportunities available in France. The IFA offers customized, complimentary services to help clients navigate the French business landscape and optimize their investments. It also coordinates initiatives to promote France's economic attractiveness abroad. In addition to offices in New York, Chicago and San Francisco, the IFA network operates worldwide with locations in North and South America, Europe, the Middle East and Asia. For further information, please visit www.investinfrance.org

France is the #1 investment destination in Europe. 23,463 foreign companies currently have a base in France, employing over 2.3 million people, double the figure only 10 years ago. Foreign companies in France produce 40% of French exports and perform more than 20% of R&D conducted in France. Over 40% of the equity of companies listed on the CAC 40, the French stock exchange benchmark index, was held by foreign investors as of the end of 2008. In April 2007, Euronext (the pan-European stock exchange including the Paris stock market) merged with the New York Stock Exchange to create NYSE Euronext, the leading financial marketplace group in the world.

International companies choose France because of its strategic position at the heart of Europe, the largest market in the world with 500 million consumers, and because of its membership of the euro zone, which offers the advantages of a single currency in 13 different countries.

With 65 million inhabitants, France is the second largest consumer market in Europe after Germany and the fifth largest economy in the world, with a GDP of US \$2,670 billion in 2010. There were 80 million tourists that visited the country in 2008. While this makes France the leading tourist destination in the world, the country is also the third-leading recipient of foreign direct investment in the world in 2009, according to UNCTAD, receiving US \$65 billion in foreign investment flows, second only to the United States (US \$136 billion).

In a global economy marked by an overall drop in foreign direct investments, the IFA and its regional partners in 2009 recorded 639 new job-creating foreign investment projects, nearly the same number as in 2008. The number of jobs created or maintained by these new investments was approximately 30,000.

If you are interested in what IFA can do for you, please contact Ms. Gherbi at nora.gherbi@afii.fr



From the Editor

What do you think of this newsletter? How can it be improved? Do you want your company profiled in a future issue? Would you like to contribute a feature article in a future issue? Send me your feedback and suggestions so that we can improve this publication with each issue.

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2010 Chapter Board of Directors Directory

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Corporate Members

Visit the web site to see a list of our Chapter Corporate Members:

<http://www.ndia-dvc.org/corplinks.htm>

MEMBERSHIP

Spread the word! Do you know industry partners that are not already members of NDIA? Let them know about our great association and other past events at our website:

<http://www.ndia-dvc.org/>
