

# Transcript

## Undersecretary of Defense Lord Holds Press Briefing on Acquisition Reform and Innovation

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Ellen M. Lord, Undersecretary of Defense for Acquisition and Sustainment



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STAFF: Good afternoon, ladies and gentlemen. Thank you for joining us today.

This afternoon, Undersecretary of Defense for Acquisition and Sustainment Ellen Lord will provide an update on the department's acquisition reform and innovation effort. She will have an opening statement, and then we'll take your questions. We do have a hard stop at 1:00, so please be respectful with your questions so everyone will have a chance. We have a very large audience today.

Ma'am, over to you.

UNDERSECRETARY OF DEFENSE ELLEN M. LORD: Thank you, Mike.

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Good afternoon, ladies and gentlemen. I appreciate you being here today.

It's been a little over a month since I provided an update on the department's decision to suspend Turkey from the F-35 program.

Today I will first provide a brief update on our acquisitions policy reform goals and objectives, and then for the first time I will talk about acquisition innovation, which I think better characterizes our effort. Then I'll be happy to take your questions.

Since we last spoke, Secretary Esper was confirmed. I meet weekly with him, including this morning, where I briefed him on major defense acquisition programs, counter-UAS activities, modernization and sustainment of the nuclear enterprise, and F-35 acquisition and sustainment. We discussed acquisition reform and innovation, and how we are reducing timelines and lowering costs to provide the best capabilities for our men and women in uniform.

I'm thankful for his leadership and support of the acquisition community.

Our reform, acquisitions, policies, all of our effort directly support our National Defense Strategy and our warfighters.

We at DOD are grateful for Congress passing a two-year budget agreement that provides the budgetary certainty the department needs to implement the National Defense Strategy. The department cannot go back to the unpredictability of a continuing resolution. Our men and women in uniform deserve better.

So, the A&S mission is enabling the delivery and sustainment of secure and resilient capabilities to the warfighter and international partners quickly and cost-effectively. Under this mission are six A&S goals supported by priorities in each. I will step through each goal and list a few of the priorities.

Number one: Recruit, develop and retain a diverse acquisition and sustainment workforce. We want to modernize the acquisition workforce talent, management tools and processes, as well as deliver content consistent with adult learning. A great example of this modernization is the TEDx DAU event recently held at Fort Belvoir.

Two: Enable acquisition innovation. Create, train and implement the adaptive acquisition framework. For example, the rewrite of 5000 and development of software pathways. Enable contracting at the speed of relevance. In other words, be creatively compliant to use the simplest acquisition authority and contract type possible.

Three: Build a safe, secure and resilient defense industrial base. Address impacts of prohibited foreign investments. On the defensive side, we have CFIUS, Countering Foreign Investment in the U.S., and FIRRMA, Foreign Investment Risk Review Modernization Act. However, I want to go on the offense. We're going to do this with a trusted capital marketplace.

Four: Ensure safe and resilient DOD installations. Enhance the quality of military housing, ensure installation energy resilience, and cyber-secure our facilities.

Five: Increase weapons system mission capability while reducing operating costs. Under this, improve F-35 execution, development, production and sustainment. Enhance weapons systems' cyber-resiliency.

Six: Promote acquisition and sustainment initiatives with key international partners. Enable timely foreign military sales deliveries via contracting, dialogue with industry, tech release and plans for exportability. Partner with interagency and industry stakeholders to advance shared equities.

I'd like to highlight some of our accomplishments.

On middle tier of acquisition, since November 2018, we have expanded from zero to more than 50 programs. We're scheduled to publish formal policy in December, and I'm happy that we're seeing positive results for our warfighters, taking an average of over two years out of each of the programs.

As part of our software acquisition and practices report -- we briefed you in May -- in cooperation with the CIO, the DOD Enterprise DevSecOps Reference Design was released this month. This guide provides implementation and operational guidance to all DOD components to allow them to immediately adopt modern software development practices and speed the delivery of high-quality, secure and effective warfighting software capability to match the speed of operations.

Mike can get you a copy.

A&S is now issuing new functional policies on mission engineering and intellectual property and assisting the -- with the re-issuance of several other functional policies. By October 2019, we expect to formally stand up an OSD intellectual property cadre. They will develop DOD policy within the whole-of-government effort to address concerns on data rights.

Secretary Esper, Secretary Pompeo and the president have all spoken about the impact Chinese intellectual property theft is having on our national security, American commerce and the defense industry. Again, we need to go on the offense to protect our technology versus merely acting defensively.

We continue to rewrite DOD 5000.01 and DOD Instruction 5000.02 with the goal of having signed policy by December 2019.

On acquisition innovation, DOD acquisition is known for being expensive, with excessive cost overruns; flow, many years from R&D until capability is provided to the warfighter, and burdensome, with overregulation of services and industries.

DOD acquisition innovation is being implemented within four broad categories: one, restructuring acquisition, policy and governance; two, contracting at the speed of relevance; three, strengthening and securing the defense industrial base; and four, effective training of the acquisition workforce.

Successful implementation of these acquisition change efforts will reduce timelines, lower costs and improve quality while rapidly introducing new technology to enhance capability for our warfighters.

For example, in contracting at the speed of relevance, we have seen a 15 percent reduction of clauses in the DFARS, from 352 to 298, a 60 percent reduction in DFARS publication backlog, from 128 to 50, and a 50 percent reduction in procurement administrative lead time, from 32 to 16 months for multiple pathfinder projects.

As we continue to leverage other transaction authorities in middle tier, as I mentioned earlier, we will continue to make a very significant difference.

To secure the DOD supply chain, the department is creating the Cybersecurity Maturity Model Certification, CMMC program, in collaboration with Johns Hopkins Applied Physics Lab and Carnegie Mellon Software Engineering Institute, as well as industry.

The CMMC establishes security as the foundation to acquisition, and combines the various cyber-security standards into a unified standard.

The CMMC framework will be made fully available in January 2020, and by June 2020, industry will see CMMC requirements as part of requests for information. By fall of 2020, CMMC requirements will be included in requests for proposals and will be a go/no go decision.

I continue to meet with our industry partners. I meet one-on-one with prime CEOs monthly, jointly with major defense contractor leadership teams and senior DOD and service representatives, and more broadly with the industry trade associations.

On July 31st, I had my most recent tri-association meeting as part of my ongoing engagement with industry. We discussed the ongoing efforts between the government and industry to increase the security, reliability and resilience of our defense industrial base and our collective effort to execute the National Defense Strategy. We also discussed the ongoing reform efforts within A&S, including our adaptive acquisition framework and the Cybersecurity Maturity Model Certification, and we highlighted the first cohort of our Industry Exchange Program, run by our Human Capital Initiatives Office. The program was very successful in providing industry

and government participants with a view on how the other side works and how we can work better together. We will follow up again with another -- another of these exchange programs.

Regarding the Military Housing Resident Bill of Rights, DOD and the military departments are finalizing a Military Housing Privatized Initiative, MHPI, Resident Bill of Rights, resident responsibilities document and common lease framework, which should be ready for publication and implementation by October. Throughout the process to draft the proposed Resident Bill of Rights, department leaders have engaged Congress, military and veterans service organizations and the housing partners for input. Residents were also asked for input through an online survey.

This is a step towards improving the trust and accountability of our leadership to provide safe, healthy homes for our military families renting privatized housing.

On the PFAS Task Force, let me start by underscoring how important this issue is to the department, which is why we have stood up a task force led by Assistant Secretary of Defense Bob McMahon and has members from every service and OSD strongly engaged. Last week, the task force presented Secretary Esper its 30-day update, which included operating principles on how the department will approach this issue in an aggressive and holistic way.

Mike can get you a copy of this.

Let me be clear, the department remains absolutely committed to the health and safety of our men and women in uniform, their families and the communities in which they live.

Regarding the Trusted Capital Marketplace Program, as I briefed you before, this is a public-private partnership that will convene trusted sources of private capital with innovative companies critical to the defense industrial base and national security.

Since we last met, we stood up our team to manage both capital vetting requirements and industry outreach and matching efforts. We have identified the first industry sector target goals, and we hope to have an industry outreach event in October which will focus on small UAS. I can't provide any details on dollar amount or company names or numbers, but I'm encouraged we're moving forward.

On the F-35, following Admiral Winter's retirement, I'm excited to have Lieutenant General Fick at the JPO. Hopefully next month, he and I will have a joint press briefing here together to talk fully about the F-35 program, challenges and opportunities.

We reached a handshake agreement with Lockheed Martin on the next F-35 lot buy, and we continue to negotiate those details. When final, we will make an announcement providing all of the details.

In closing, I remain fully committed to consistent and timely engagement with Congress, and have consistently met with professional staff members and members outside of hearings to talk about programs, reforms and to answer their questions. Out of respect for the budget process, I will not comment on any proposed legislation or budget details.

With that, I look forward to your questions.

STAFF: Aaron?

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Q: Okay, Aaron Mehta with Defense News.

On the I.P. group that you're standing up, how much -- you say that it's part of the -- going on the offensive idea that you have to deal with China's I.P. theft. Obviously, I.P. sharing has been an issue between Pentagon and industry, as well, getting that trust going.

How much of that group is looking just at China and how to defend I.P.? And how much of that is working out the question of sharing I.P. with industry?

MS. LORD: The group is really focused on how we as a government-industry partnership work together to address intellectual property.

My experience says that typically we have problems with intellectual property when we don't clearly define what is owned by industry, and what will be owned by government at the outset of a program, so a lot of this really has to do with good program planning. We've leveraged a lot of work that the Army has done, and we've come together as a department to establish policies that we can all work with.

Q: And then just on the -- the TCM, initially when you talked to us about this you said you thought it would be operating in July. What's the -- the reason for the delay? And does that affect the potential funding at all? Because now it's off into the next fiscal year.

MS. LORD: I don't think it affects the funding, because most of the funding is going to come from outside of government.

The reason that we held off to October was we found out that we build a model, and it wasn't such a good model. We were going to do a lot with

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we realized the value is getting government together with industry, as well as capital providers, and describing what the challenges are we have and what we really need. So we scrapped the idea, frankly, of a complicated, expensive website, and decided that what we wanted to do was to have face-to-face meetings and do more of them on very, very focused topics.

STAFF: Jeff?

Q: Thank you. Can you say -- sorry. Jeff Schogel, Task & Purpose.

Can you say whether any Turkish pilots or maintainers have requested asylum in the United States since the -- the end of their -- the United -- DOD ended their participations?

MS. LORD: Not to the best of my knowledge. I'm not aware of any.

Q: (inaudible).

And on the Gerald Ford, it has these electro -- electro -- electromagnetic weapons elevators. Given the problems on this ship, do you expect these type of elevators to be on other aircraft carriers?

MS. LORD: Right now, the Navy is looking through that very, very carefully, so I would defer to the Navy on that.

STAFF: Marcus?

Q: Good morning. Thanks for continuing to do these briefings.

You mentioned earlier that you briefed Secretary Esper about the nuclear enterprise, and since we've last met, Boeing has said it will not bid on GBSD, so essentially leaving one competitor. I was wondering, what is the -- the impact of Boeing's decision not to bid? Is OSD going to get involved?

And does the department plan to take any action to ensure that Northrop's corner on the solid rocket motor business doesn't impact programs in the future, and I think specifically about how the cancellation of the G -- GMD Program (inaudible)?

MS. LORD: Hey, that's a five-part question, I think there.

Bottom line, right now, the GBSD procurement is open, so I'm not going to comment on that, other than to say, we continue to have dialogues with Boeing.

I'm not going to constrain any markets until we see where things fall out. And we'll see what we get for proposals and how we move forward.

Q: How about with the GBI? Do you plan to do anything there to ensure that there's competition moving forward?

MS. LORD: I think that we have a lot of opportunity for competition with GBI.

STAFF: Justin?

Q: Okay, thank you. Justin Doubleday with Inside Defense.

Just on the Redesigned Kill Vehicle program that was canceled last week, one of the features of that program was the government acted as the systems integrator to the program.

Could you just comment on the efficacy of that kind of acquisition strategy after the fact? And for the next-generation interceptor, do you think you'll go forward with a similar acquisition strategy?

MS. LORD: I think we are rethinking that acquisition strategy. No firm decisions have been made.

But typically, in my experience, when the government directs certain sources versus letting the market play out, it doesn't serve government well and it doesn't serve industry well.

Q: Do high-profile failures like that kind of make it more difficult to -- you know, kind of move forward with major acquisition programs, and how you kind of wrestle with that issue?

MS. LORD: I think we need to learn. We all have things that don't work out as we anticipated. The key issue is to learn from them and move forward.

Q: Thank you. Carla Babb, Voice of America.

You mentioned that you updated Secretary Esper on the F-35 acquisition as well and I know when you were speaking to us before, you said there was 900-plus parts that Turkey had been building for us that we were going to be looking elsewhere to find.

Can you just update us on where we are? I know that Turkey was supposed to be out by March, but had that moved faster? Is it mostly U.S. companies?

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MS. LORD: Those 900-plus parts will all be sourced in the U.S. initially. We are well down the pathway, have been working it for almost a year now, in one form or another. And we still are on the path to be out of Turkey by the end of March 2020.

Q: Do we have a list of some of these companies? Is that somewhere where we can see that?

MS. LORD: In terms of where the new parts are going? Let me work on getting that for you. Let me just make sure legally I don't have any issues with that, because that really is Lockheed Martin sourcing it; it's not the government's sources.

STAFF: Lee?

Q: Hi. Lee Hudson, Aviation Week.

On middle-tier acquisition, since the strategy -- updated guidance isn't going to be issued until December, in the interim, how are you updating Congress on projects that are classified levels here?

MS. LORD: We talk to Congress all the time, both through mid-tier briefings and then on acquisition updates. We just had a large group from the HASC and SASC staffers here last week where we talked about it.

Q: Okay.

And do you think that's sufficient? (inaudible) conference, those briefings? Is that issuing proper documentation, formal documentation on updates?

MS. LORD: I'm not sure what proper documentation is that we're not --  
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Q: It's like --

MS. LORD: -- submitting.

I think it's very effective to talk about where we are with the programs and how we're moving forward. And, frankly, I find the dialogue extremely useful.

So there's been an ongoing dialogue. There's nothing been held back.

STAFF: Tony?

Q: I'll stay on Section 804. One of the concerns we're hearing from Capitol Hill is they're worried the services might expand this authority too much and have programs in it for which the authority wasn't really intended, large and dense.

What type of oversight do you think you need to provide to prevent that from happening? Or do you think that ought not to be prevented from happening?

MS. LORD: This is very much a part of our policy which we have been developing in conjunction with the services. So I think we're really having a best practice in the building of reaching out from OSD and working arm-in-arm with the services on new policy so there will be no surprises.

What we do is reserve the right at OSD, in my office, to say that a particular program is not suitable for middle-tier acquisition.

However, I think we have learned that words are very important. And we have not had as much message discipline in the past when talking about middle-tier. Because you can take a subcomponent of an MDAP, whether it be a center system or something else, and you can do mid-tier acquisition on that one subsystem that can buy you a lot of time back in the program and mature it.

The key is that we have in the policy, is to clearly articulate at the beginning of the middle-tier program what the onboarding path is back to an MDAP, if it is overall an MDAP, and when certain data will be available.

So with all of what we do, we're being very, very data-driven. And we've learned through just getting out there and doing it. And recall back in April of 2018, I said that we were going to try and prototype, if you will, middle-tier acquisition and that we would, you know, learn by doing. Well, we're in the messy middle right now. So I think it's been very good because we've driven to the real conversations.

So moving forward, we retain the responsibility within Acquisition and Sustainment to say whether or not a program is suitable for middle-tier acquisition.

I think we are getting capability down-range to the warfighter faster because of this. And we need to carefully implement it. And we continue to talk to staffers and members about how we are using it.

STAFF: And we'll just go --

Q: Okay, great. Hi. Leigh Giangreco, Capitol Forum. Thanks again for doing this. Appreciate it.

There was an interim rule that came out in April prohibiting the acquisition of certain magnets from North Korea, Russia, China and Iran. I'm just wondering if more recently you've heard any serious concerns from industry about the ability to comply with that rule. And if that's the case, what are the next steps? Because correct me if I'm wrong. My understanding is that rule is pretty much a mandate from last year, the NDAA, correct?

MS. LORD: Yeah.

We continue to look at the fragility of the defense-industrial base, especially around some of the components four, five, six layers down in the chain. And we talk with industry about where there are issues and problems.

We're using some of the authorities Congress has given us: DPA Title III, IBAS, (inaudible).

Q: (inaudible)

MS. LORD: So Defense Production Act, Title III. IBAS, we will get you what that acronym is. I'm violating my own rule here.

(Laughter.)

But basically, these are authorities that allow us to put money into the industrial base to stand up capabilities for which there's not a clear, robust business model right now to keep the capability there for our defense purposes.

But what we've been doing is working with the implementation of the 13806 Defense Industrial Base E.O. report. And we are getting presidential

etc

inations that allow us to spend money against certain areas. So we

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can get you a list of all the presidential determinations. That's one way we fund it to get things going.

But we do continue to talk to the Hill about where we have concerns. And a large focus of our industrial policy team is to make sure we do work in those areas where we need a softened processing of some of those items versus actually getting them initially.

And again, these are things that might come into the Trusted Capital Marketplace where we need capital infusion to stand up capability.

Q: But is there -- are you hearing any concerns from industry either about standing that up or the -- the lag time between standing that up and --

MS. LORD: I have not personally heard about some of the other things that you mentioned.

Q: Okay.

Q: Hi, Lara Seligman with Foreign Policy.

I wanted to ask just a follow up on Marcus' question and just ask you if you could elaborate maybe on some concerns that you might have on any indications of Northrop potentially having a major stake in all of the legs of the nuclear triad, whether that raises any concerns from the DOD or industrial base perspective.

And are you potentially having -- are you potentially considering having the Air Force run that program?

MS. LORD: Right now, again, the RFP is out, proposals are not in, so I'm not going to comment on that until we see what we get for proposals.

Q: And I guess related to that, to follow up then, the UTC merger that's going to be happening. Are you -- is the -- are you considering -- is the government considering intervening? Do you think that there will be an intervention into that, as well? Do you see a consolidation of the industrial base?

MS. LORD: Well, there's a process we go through with any of these mergers or acquisitions, and it's actually a process that I thought was a little murky on our side when I first came in.

So we've established a process now, when we get a call or we hear in the media that a merger or acquisition is taking place, we go out with a request to all of the components and services about what business they have with each of the two companies and whether they see any problems with limiting competition where there's just two of them. And then we partner with either the Department of Justice or the Federal Trade Commission to step through and see if there are any issues.

We are working through that process right now, and what we would typically do, would put consent orders in and so forth if we have concerns. There are no major concerns that I know of right now.

STAFF: Ryan?

Q: Hi, Ryan Browne, CNN.

I just had a question about the Trusted Capital Markets and why you chose a small UAS as, kind of, the initial project there. Is that because it was considered a high risk of an adversarial investor coming into that sector or --

MS. LORD: It's because where we are right now in terms of having our entire U.S. marketplace eroded, and also because it's very intuitive, people can understand what these small quadcopters are and so forth.

So essentially, we don't have much of a small UAS industrial base because DJI dumped so many low-price quadcopters on the markets. And we then became dependent on them, both from the defense point of view and the commercial point of view, and we know that a lot of the information is sent back to China from those. So it is -- it's not something that we can use.

So number one, small UAS are important to us, so we want to rebuild that capability. We actually have had a lot of work going on in the department about architectures for small UAS, whether they be fixed wings or quadcopters. So we thought it was a good time to stand it up.

Plus, if we meet our defense needs, we feel that there are simpler versions that would be very, very attractive for the commercial market, as well. So there was a great pathway there for industry.

STAFF: Travis?

Q: Yeah, I wanted to just follow up on the Trusted Capital Marketplace, as well and make sure that I understood what you were saying.

If the -- there's not a website that would be the vehicle that would be linking venture capitalists and these small companies, then what you're saying is

that the Department of Defense, in face-to-face meetings, would be linking

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them up. Is that correct?

MS. LORD: We are -- yes, we are going to be in different cities around the country convening groups where we would invite the capital providers, as well as the industry representatives. We're working on who all those people are right now. And then we would provide a mechanism for them to work with one another.

Now, the idea is we do not promise business to any of the businesses that would be there, but these are areas where we definitely have a strong demand signal.

What we're working on right now is how we, as DOD, can invest a little bit in many of these companies as well, so they could be branded as having DOD contracts. We think that would be helpful.

Q: So is it accurate to say that it does not -- something that would be stood up on a particular date but more as a -- as a process moving forward?

And were there any expectations from Congress about how you worked with these small companies? And do you think that this would fulfill those expectations?

MS. LORD: It will be a series of events with an ongoing process. It's just not going to be all done through a website as we initially anticipated.

And I think Congress is extremely interested in this because it's obviously generating business as well as bringing capability to the Department of Defense.

Q: Thank you. Sandra Erwin with SpaceNews.

I wanted to ask you a question about the launch service procurement. We have -- I was wondering if you've had any talks with the Air Force. The program has come under legal challenges. There's possibly going to be language in the NDAA. And I'm -- I'm just curious if you think that the Air Force should be making any changes to make it more competitive.

MS. LORD: So, I talk to the Air Force all of the time and launch services is something that's of particular interest to us. I think we have been very transparent and very consistent with what the process has been for launch services and we plan to continue with that.

Now, we will see how things go and adjust as necessary, but there are no changes imminent.

Q: Thank you.

STAFF: Megan?

Q: Hi, Megan Eckstein, USNI News.

Back to the Trusted Capital Marketplace, I wondered how long DOD plans on focusing on small UAS and then what the process is like to identify other technology areas and kind of how you may rotate through those?

MS. LORD: We have a whole list of other areas. And we would like to have a second event in January, but we plan to do this every couple of months.

STAFF: Ashley?

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Q: Hi, Ashley Roque with Janes.

Since you were last year, the U.S. has withdrawn from the INF Treaty, the Navy is testing the Tomahawk with the Mk 41, the Army is considering their ATAC as its replacement.

Is there a larger acquisition plan in place to get these types of capabilities, or is it all just sort of on the services at this point looking at the different weapons?

MS. LORD: This -- we, at the department level, look at what requirements are. That goes through the Joint Staff and then the services decide on specific programs.

The services right now are establishing capability that each of them sees a demand for. However, we do talk about our capability in its entirety all of the time as a group.

We, now with the new cadence of meetings with Secretary Esper being here -- we have both the service chiefs and the service secretaries in with all of the unders every Monday morning and then on Monday afternoon. And on Monday mornings, we talk about critical metrics and where we are on programs. In the afternoons on Mondays, we talk strategy. And so in both of those forums, we bring these up.

So to answer your question, the services are doing -- are developing capability. But the entire department is watching that. So everything we do will be complementary and will meet one another's needs.

We're really in this interoperable, multi-domain battle now. You have to look at command and control and, kind of, E.W. across the entire department to go fight together.

STAFF: Go ahead.

Q: Andrew Clevenger with C.Q.

Regarding the I.P. group you were talking about standing up, do you anticipate requiring any new authorities from Congress on that?

MS. LORD: Not that I'm aware of right now.

Congress actually mandated it, I believe it was in the '17 NDAA, that we did stand up this intellectual property cadre. So it is in response to legislation.

Q: Have you gotten any feedback on your proposal or how you're moving forward?

MS. LORD: We've been informing the Hill all along. We just discussed it late last week with staffers, so we have support at this point in time. We'll continue to brief.

Q: Thank you. Vivienne Machi with Defense Daily. Thanks for being here.

A quick clarification: I'm embarrassed I missed this, but have you made a decision as to where the Turkish F-35s will go?

MS. LORD: That is still under discussion right now.

Q: And then just on the unified cyber standard, can you elaborate a little bit on what else needs to be done at this point before January 2020? Have you already, sort of, established the format, the process?

MS. LORD: We -- we have used the industry associations, PSC, NDIA, AIA, have a lot of listening sessions, if you will. And also taking what the Navy has done some work on and then AIA had done a little bit of work, and coming up with a standard and actually going through the process of how we will apply them, what that will mean to procurement, how we have industry audited and so forth.

So we're literally going through the implementation and what it will take.

Q: And would there be a substantial difference for small businesses versus major contractors, or --

MS. LORD: Well, I think what is particularly utilitarian about how we're doing this is there are five levels of this standard, and when you have a program, different subsystems can be held at different levels. So in other words, the entire system doesn't require a rating of a 4. Different parts can have a lower and then higher amount. So if you have a hardware portion that really doesn't have a cyber-security requirement, there won't be much levied on that.

That being said, we are extremely concerned that we support small business with this, because we know small business is where most of our innovation comes from. So to that end, we've been encouraging small businesses to work with the industry associations to learn about it.



We -- I always think of our industrial policy team as the big help desk for DOD. So I'm hoping that industry will call in where they have challenges. Our small business group is particularly focused on it. So we are trying to help people help themselves and work with us.

Q: Kasim Ileri, Anadolu Agency.

Part of my question was asked, of course. But Turkish jets, what are -- as they are still Turkish property, what are the Turkish -- what is being done with those Turkish jets at Luke? Where are they now?

MS. LORD: They are still at Luke. And we are working through a variety of different courses of action right now on how we work through that.

Q: And when do you think the formal removal procedure will be completed and (inaudible) Turkey?

MS. LORD: I -- we are thinking about a year from now, as we work through the production, sustainment and follow-on development memorandum of understanding, which is the overarching document for the partnership.

Q: Thank you.

STAFF: Rafael?

Q: Hi. Good afternoon. My name is Rafael Salido from Efe News. Thanks for doing this.

I was wondering, we've been talking about China. As I'm sure you're aware, China controls the -- the market of the rare earth with our (inaudible)

oment. Is the DOD concerned that this escalation between China and  
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the U.S. may affect the -- your military power? And what is -- what is the DOD doing to (inaudible)?

MS. LORD: We have been focused on rare earths for quite some time. In fact, that was one of the findings of the 13806 report. And in fact, we have several -- I think we have five presidential determinations right now on rare earths.

The challenge is really the processing of them and having facilities to do that. Because quite often, China mines them elsewhere and brings them back to China to process them.

So we are looking at a variety of mechanisms to stand up processing facilities. One, I think, of the highest potential avenues is to work with Australia. When I was in Australia this summer, we had discussions about rare earths and whether or not we could work with Australia to stand up a facility that would take care of our DOD needs, but a variety of other international needs, as well. So a variety of avenues we're pursuing.

Q: So -- so the DOD is concerned about the escalation between both countries?

MS. LORD: We're concerned about any fragility in the supply chain, and especially where an adversary controls the supply.

STAFF: Jack?

Q: Jack Detsch with AI-Monitor.

Can you tell us if there's been any impact from the F-35 removal -- program removal on Turkey's FMS cases -- any other FMS cases they have with the U.S.?

MS. LORD: We are keeping the F-35 in Turkey separate and distinct from any other activities with Turkey. It was very clearly an S-400 issue with F-35, and outside of that, if we were going to talk about CAATSA sanctions and so forth, State Department has the lead on that, separate and distinct.

Q: So -- and at this point, can you say that the process towards the removal of Turkey from the F-35 program, is that now irreversible? Because I don't think we had clarity on that in July.

MS. LORD: The S-400 and the F-35 are incompatible. Turkey is a strategic ally of ours, a strategic partner for us, so we always continue to talk.

STAFF: Lalit?

Q: Lalit Jha, PTI.

Two summers ago, U.S. had acknowledged that it will sell Sea Guardian drones to India. What is the status of that? When do you think you will have them?

MS. LORD: We continue to work with India on that. That's under the framework of DTTI, the Defense Technology and trade initiative, I think. We can check on that acronym for you.

Ajay Kumar was just over here about a month ago, and we continue to work through that. I can get you some updates on it, if you're interested.

Q: Yeah, if you can get us some (inaudible).

MS. LORD: Yes, we can take that.

STAFF: Back row.

Q: (inaudible).

My question is in regard to Japan and the F-35, preventing the movement on their request to be a formal partner. And then, are they in line to receive any of the work that is available now with Turkey's exit from the program?

MS. LORD: Japan is an FMS customer. The partnership actually closed to any other partners in 2002, and was formally documented in 2004 because of the money all the partners had paid in to that time. So there is not a partnership opportunity for any of the other countries.

That being said, we continue to work with all of our FMS customers on their concerns and what they think they'll get as a benefit from that. If you recall, we did have a FACO, a final assembly and checkout, facility in Japan that they are balancing down a little bit now.

But very, very important to us. We continue to work closely with them.

Q: Nothing in terms of new -- new work outside of the FACO facility, as in regards to Turkey's exit? There's nothing --

MS. LORD: Initially, those 900-plus parts, we are sourcing all in the U.S. because the U.S. is paying all the nonrecurring engineering, and we made the decision to pull out while Turkey -- talking with our partners. So we said, to

be expeditious and keep the program on track, we were going to source all of those parts initially in the U.S.

That being said, competition is our friend, and we're always looking for more strong, integrated supply chain partners, so there's always the possibility.

STAFF: Right here. Go ahead.

Q: Hi. Brian (inaudible) with Reuters.

Can you speak to the conversations about building on that American supply chain for the small UAS market? I know that's been an issue because a lot of the parts are coming from China in small drones. So how large is DOD's UAS program? How many are you acquiring each year?

MS. LORD: Yeah. I have the data. I don't have it with me. We can get that for you.

But what we would like to have are U.S. designers and manufacturers of small UAS, because not only do we have a need for that in the Department of Defense, we know it's a very, very large commercial industry. So we think that we can catalyze that activity and have a safe and secure supply.

Q: And I know Senator Murphy put in a provision into the NDAA about banning an all-Chinese drone -- software, parts, all of that. Did he have any conversations with you or your department about that?

MS. LORD: Actually, (inaudible) Murphy's a great partner for us. Is that who you're talking about?

 Senator Chris Murphy (inaudible).  
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MS. LORD: Oh, I'm sorry.

We -- I have not, but my team has, and we continue to look at entity lists and so forth. Right now, I'm not aware of anything above -- beyond DJI.

Q: But is it a concern to be able to comply with the, you know -- there's no software and no parts, no nothing from Chinese? I mean, this is -- just how long until you're going to be able to comply with that without applying for a waiver?

MS. LORD: Well, we do have a waiver process right now, I think, as you know, and that's why we want to get this Trusted Marketplace going, is to make sure we understand where we might have any gaps.

Q: (inaudible).

STAFF: Do you have any closing comments?

MS. LORD: No. Just appreciate everyone taking the time to come and talk. We will be back next month to talk F-35. Thank you.

STAFF: Thanks, everybody. Have a good day.



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