



Baroni Center for
Government Contracting
School of Business

Developing a “Build Allied” Approach to Increasing Industrial Base Capacity

John G. (Jerry) McGinn, Ph.D., Michael T. Roche

May 10, 2023

Overview



War in Ukraine has demonstrated the need for surge capacity

Building domestic capacity important, but not *only* path

Research
Question

How can DoD develop an effective **Build Allied** approach that creates surge capacity and industrial resilience in support of NDS?

Approach

Components; enablers and obstacles; cases; conclusions and recs

BLUF

Many **Build Allied** building blocks are in place

- + Increase U.S. production of defense systems

- + Engage industrial capacity of partners and allies

- ➔ Win-Win: Mutually beneficial & cost-effective approach

Components of “Build Allied” approach



- U.S. subsidiaries



- Co-development



- Co-production



- Second-sourcing or licensed production



- Sustainment of existing systems

Create a larger industrial base through international industrial partnerships to build the systems needed for current and future contingencies

Enablers



- U.S. Subsidiaries



- Reciprocal Defense Procurement (RDP) Memoranda of Understanding (MOU)



- Security of Supply Arrangements (SOSAs)



- Defense Exportability Features (DEF)



- National Technology Industrial Base (NTIB)



- Australia, United Kingdom, and United States (AUKUS) Agreement

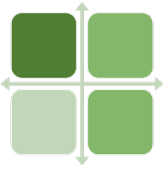


- NATO Defence Innovation Accelerator for the North Atlantic (DIANA)

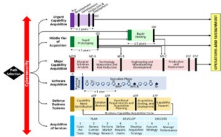
Obstacles



- Export Controls



- Technology Security and Foreign Disclosure TS/FD



- Defense Acquisition System

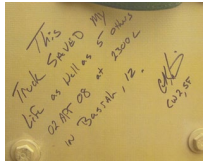


- Tension between Domestic Manufacturing and Buy America

Case Studies



F-35 Lightning II



Mine-Resistant Ambush Protected (MRAP) Vehicles



Next Generation Jammer

Advanced Medium-Range Air-to-Air Missile (AMRAAM)

Three Dimensional Expeditionary Long Range Radar (3DELRR)

Tactical High-speed Offensive Ramjet for Extended Range

NATO Alliance Ground Surveillance

NATO Sea Sparrow Consortium

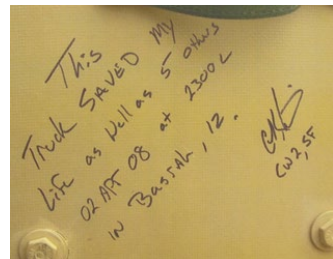
NATO Multinational Multi Role Tanker and Transport Fleet



Cases and Findings



- Large international production programs are very hard but very sticky
- Negotiating commitments early sets the stage for production
- Cooperative production is beneficial for increased resilience and capacity
- Int'l programs can significantly increase world-wide industrial base



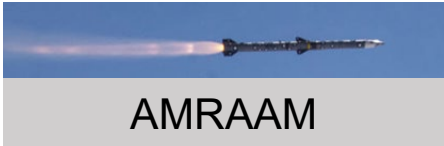
Mine-Resistant
Ambush
Protected
(MRAP)
Vehicles

- Senior leader sponsorship is critical to stay on track
- Existing foreign designs can save time and create capacity
- Proven technologies enable rapid development and fielding
- Multi-sourcing approach allows firms to focus on their best value solutions

Cases and Findings

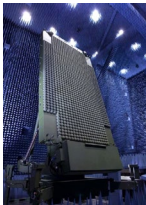


- Focused bilateral partnership efforts set up future success



AMRAAM

- Developing a second source can unlock new capabilities and capacity



Three Dimensional Expeditionary Long Range Radar (3DELRR)

- Defense Exportability Features is a key enabler
- Focused bilateral partnerships set up future success



Tactical High-speed Offensive Ramjet for Extended Range

- Senior leader sponsorship is critical to coordinating International Agreements
- Focused bilateral partnerships set up future success
- Co-development can lead to co-production

Cases and Findings

NATO Alliance
Ground
Surveillance

- Multilateral cooperative development programs are extremely challenging
- Gaining consensus on a governance model is critical

NATO Sea
Sparrow Consort.

- Starting small can pay off big in the long run
- Workshare agreements can be enablers

NATO
Multinational
Multi Role Tanker
and Transport
Fleet

- Cooperative procurement is much easier than cooperative development

Conclusions

- Cases illustrate that we have building blocks in place for a robust “Build Allied” approach
- Key success drivers include
 - Strong departmental leadership (F-35, MRAP)
 - Focused collaborative efforts (NGJ, 3DELRR, AMRAAM, Ramjet, NATO Sea Sparrow and Tanker)
 - Effective use of enablers (MRAP, 3DELRR, F-35 PSFD MOU, NATO Sea Sparrow and Tanker)
- Must overcome obstacles for increased speed and effectiveness
 - Export controls and TS/FD (AUKUS)
 - Defense acquisition system (PEO prioritization, NTIB, RDP MOUs, second sourcing)
 - Buy America tension (RDP MOUs, AUKUS, NTIB)
- Leadership support today highest ever
 - Need to get very specific to drive rapid progress, however

Recommendations (1 of 3)

Defense acquisition system	DSD Memo outlining importance of partnering and highlighting principal enablers such as AUKUS, NTIB, RDP MOUs, DEF
	Update DoD 5000.01 to emphasize int'l collaboration: co-development, co-production, second-sourcing, licensed production, and sustainment
	Examine requirements development processes to facilitate the early involvement of allied and partner companies in DoD programs
	Add int'l cooperation evaluation factors to annual performance appraisals for PEOs & PMs to foster greater prioritization of int'l acquisition activities
RDP MOUs	Congress-directed study of RDP MOU countries' contributions to U.S. DIB to demonstrate concrete benefits of Build Allied approach
	Educate DoD acquisition professionals about Buy America exemption for RDP MOU countries to help spur international collaboration opportunities
SoSAs	Modify to address specific areas (materials, microelectronics, magnets, unmanned systems) where industrial cooperation can strengthen industrial resilience

Recommendations (2 of 3)

DEF

Increase annual budget to at least \$50M to focus on developing capabilities for pacing China challenge

Increase awareness of and improve exportability in acquisition development efforts

NTIB

Increase eligibility from Canada to all NTIB countries for DPA Title III industrial base capacity building projects

Establish DFARS clauses focused on facilitating NTIB participation in solicitations for acquisition programs

- Once finalized, DAU to educate acquisition workforce on NTIB clauses
- Once finalized, trade associations to advertise NTIB clauses

Recommendations (3 of 3)

AUKUS

Build on Pillar II activities in hypersonics and unmanned systems to accelerate international collaboration and demonstrate capabilities as soon as feasible

Congress should grant Australia and UK ITAR waivers under the FY24 NDAA for AUKUS classified and unclassified programs

Congress should direct State Dept to update Canada ITAR waiver for today's threat environment as well as expand to include Australia and UK

TSFD

Reinvigorate ATTR SSG to measure and report the effectiveness of TSFD efforts in support of AUKUS initiatives

Questions