

From: Marrone, Christian (b)(6)
(b)(6)
To: (b)(6)
Subject: FW: Sec. James warns SAC-D, of need for extension in 2015 NDAA RD-180 phase-out, plus \$2B "NGLRE" RDT&E funding.
Date: 2015/03/08 15:41:08
Sensitivity: Private
Priority: Normal
Type: Note

From: (b)(6)
Sent: Sunday, March 08, 2015 3:29:54 PM
To: Marrone, Christian
Subject: Sec. James warns SAC-D, of need for extension in 2015 NDAA RD-180 phase-out, plus \$2B "NGLRE" RDT&E funding.

As promised from our call.

(b)(6)

From: (b)(6)
Sent: Sunday, March 08, 2015 3:29 PM
To: 'Marrone, Christian'
Subject: ULA Profits 2007-2014.
Sensitivity: Private

Christian:

As promised. Please use wisely.

(b)(6)

From: (b)(6)
Sent: Sunday, March 08, 2015 3:28 PM
To: 'Marrone, Christian'
Subject: Lockheed 2014 Results & 2015 Guidance.
Sensitivity: Private

Christian:

Enclosed is McAleese Executive Summary, full 6-page Fact Sheet, and comparison of LMT to other top primes.

(b)(6)

From: (b)(6)
Sent: Saturday, March 07, 2015 12:24 PM
To: Marrone, Christian
Subject: RE: Teleconference with Christian Marrone and Jim McAleese
Sensitivity: Private

All good

From: Marrone, Christian (b)(6)
Sent: Saturday, March 07, 2015 12:20 PM
To: (b)(6)
Subject: RE: Teleconference with Christian Marrone and Jim McAleese
Sensitivity: Private

(b)(6)

I'm going try you in 10 minutes. I've been stuck on a call.

From: (b)(6)
Sent: Saturday, March 07, 2015 12:04:52 PM
To: Marrone, Christian
Subject: RE: Teleconference with Christian Marrone and (b)(6)

Christian: I just left you voicemail. I am in all day today, and Sunday as well. We can catch up at your convenience.
Jim: I am at (b)(6)

-----Original Appointment-----

From: Marrone, Christian (b)(6)
Sent: Friday, March 06, 2015 2:18 PM
To: (b)(6)
Subject: Accepted: Teleconference with Christian Marrone and (b)(6)
When: Saturday, March 07, 2015 12:00 PM-1:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Jim to call Mr. Marrone at 202-748-2148
Sensitivity: Private

Sender: Marrone, Christian (b)(6)
(b)(6)
Recipient: (b)(6)
Sent Date: 2015/03/08 15:41:07
Delivered Date: 2015/03/08 15:41:08

From: (b)(6)
To: (b)(6)

Subject: Key 2016 USAF Program Priorities from yesterday's SAC-D Force Structure Hearing. [Nuclear; F-35; KC-46; SpaceX Certification; 2019 "NGLRE" deadline; A-10; "AETP"]

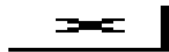
Date: 2015/02/26 12:35:41

Importance: High

Priority: Urgent

Type: Note

I have captured key developments from yesterday's SAC-D "2016 USAF" Force Structure Hearing (Sec. James/Gen. Welsh). (b)(6)



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I. Secretary James 2016 USAF Program Priorities: [Nuclear is #1 Modernization priority. Expect USAF to push for stand-alone nuclear modernization fund (LRS-B, "GBSD", etc.), similar to Navy SSBN(X) "NSBDF". Aug. 2016 F-35 CTOL IOC is on-track. USAF is strongly protecting KC-46, even under 2016 Sequester. Loss of RD-180 could create de facto SpaceX EELV monopoly. "NGLRE" development could take 6-8 years at ≈\$2B total cost. USAF considering A-10 recapitalization, budget-permitting.]

- [Sec. James]: "[N]umber one [modernization priority] for us is nuclear...[W]e're developing the Minuteman-III ICBM follow-on [and] accelerating the long-range standoff weapon...[I]t is crucial to maintain a flexible nuclear triad. I've never been in favor of going down to just one leg or two legs. I like all three because of the flexibility...[W]e are trying to double down our efforts...This will be not a one-shot deal. It's not a one-year thing. It needs to continue...[W]e have ≈+\$5.6B more in this [2016-2020] FYDP...than...a year ago. That is...how important we think it is..." [≈\$13.9B 2016-2020 LRS-B RDT&E; ≈\$1.8B 2016-2020 LRSO RDT&E; plus ≈\$1B 2016-2020 "GBSD" RDT&E]
- [Sec. James]: [Aug. 2016 F-35 IOC]: "[W]e're projecting...2016 [F-35 IOC] between...August and December...[T]here's always certain risks, but I...feel quite good...that we're going to make it. Software...is a bit of a concern. And then we've had the need for experienced maintenance people to be able to shift over to the F-35. We think we've got that reasonably under control now...We want to keep this on track."
- [Sec. James]: [F-35 Sequester-impact]: "I can tell you with certainty [F-35 unit-cost] would go up [under full 2016 Sequester], because we would have to buy fewer and...[by default] the cost goes up for everyone. The other thing that worries me is what message does that send to the partners in this program across the world?...[I]f they see us buying less, and then they start to also buy less, that drives the unit cost up even more. We project we would be buying 14 fewer F-35s in FY16 if sequestration returns."
- [Sec. James]: [KC-46]: "[O]ur [2016] budget...fully supports the KC-46. And even should we have to go to sequestration, we would wish to protect that program as well. We have what we consider to

be a very favorable contract there. We don't want to change any bit of that contract because if we do, it raises the possibility of opening that contract back up, which means the terms could change and it could cost us more money. It's on track...and we would want to keep it on track, even should sequestration happen." [\$2.4B/12 AC 2016 KC-46 Proc. Request]

- [Sec. James]: [Potential SpaceX monopoly concerns]: "There may not be much of a competition if [Atlas V] is not available to be a part of it...The question is, would [Delta IV] be cost effective? If it's not, then I fear that we would inadvertently be trading one monopoly...which ULA has been, for a new [SpaceX] monopoly – and I don't think anybody wants that to happen." [Statement to reporters; Reuters, Inside Defense]
- [Sec. James]: ["NGLRE"/RD-180 replacement]: "[W]e are working...to have a domestic engine launch capability, at least two, because we want competition...and we're trying to get there as quickly as possible. But all of the technical experts with whom I've consulted tell me this is not a one or two or three-year deal...[T]hat 2019 date is pretty aggressive, and I'm not sure we can make it...I would certainly welcome some clarification in what Congress wishes for us to do, but I'd also like to get the technical experts in so that you all can hear what I'm hearing, because I'm not sure 2019 is doable...[Y]ou've got to do it right...6-8 years is what I've been advised for a newly designed engine, and then an additional 1-2 years on top of that to be able to integrate the engine into the launch vehicle...[T]he cost estimate I have seen...[is] \$2B...to develop this domestic capability." [\$84M 2016 "NGLRE" RDT&E Request]
- [Sec. James]: [SpaceX EELV Certification]: "SpaceX has not really been part of our EELV program yet...They're trying to get certified to be part of that, but...they have had various mishaps. But every developmental program does...I'm quite sure they're going to get there from here, and having some mishaps along the way in a developmental program...is normal...[W]e believe...SpaceX will be [certified] hopefully later on this year...I'm looking to see [how] we can streamline...without sacrificing our mission assurance needs...[T]here are other companies who also are waiting and watching. The more that come in...[the better] for competition, and for the national security needs."
- [Sec. James]: [A-10]: "[T]he proposal to retire the A-10 again, we do it with the greatest of reluctance. It's a budgetary matter...[W]e have what we have...But...every aircraft eventually gives way to the next generation...General Welsh and I have been discussing, is there an alternative approach to address the A-10, and is there another way to [recapitalize]?...And we've got some ideas..."

II. General Welsh 2016 USAF Program Priorities: [Key date for F-35 is 2021 FOC. Lack of F-35 maintainers is critical concern. AETP is "game-changer" but would be 2016 sequester bill-payer. Sustained investment in combat capability infrastructure is now required. USAF is re-prioritizing JSTARS, F-15, U-2, and AWACS.]

- [Gen. Welsh]: [F-35]: "I'm actually very optimistic about the F-35 program today...The price has come down...The company team that's put together to oversee this program...is an exceptional one. I think we have a great partnership with them...A year and a half from now [Aug. 2016], we will declare [IOC] for the F-35 and I see nothing that stands in the way...So I feel pretty good about where the program is."
- [Gen. Welsh]: [F-35]: "For the Air Chief, the real important date is 2021...when you get [F-35] full operational capability...It will have operational capability [by 2016 IOC], but the things that are being

discussed in the press...are things that we've known it wouldn't be able to do. It's been part of the plan the entire time. Full development of that capability will come at [2021 FOC]...[T]he biggest hurdle to get over between now and...2021...is this maintenance-manpower issue. This is a real issue for us. We have got to figure out how to create trained maintainers from experienced maintenance force in the rest of the Air Force to bed down F-35 units. We've got a short-term solution in place that we think will let us get to IOC, but we need a longer-term solution..."

- [Gen. Welsh]: "[T]he Advanced Engine Technology Program is a game-changer...[W]e should be looking at how to insert that engine technology into every fleet of airplanes that we fly...[T]his is technology that will return costs over time...I would just hate to see [it] terminated, but we are now comparing it...to [higher-priority] operational requirements...It [Sequester] is an ugly tightrope...and I hope we can stay the course."
- [Gen. Welsh]: "We...have a broader readiness issue...[which] is a lack of investment in infrastructure...that produces combat capability. Things like training ranges, test ranges, simulation infrastructures, space launch facilities, nuclear infrastructure...have all been intentionally underfunded for the last 15 years in order to focus spending on individual and unit readiness. That bill is now due."
- [Joint James/Welsh Prepared Testimony]: "The FY16 PB request...buy[s] back combat capabilities in areas where the Air Force accepted risk in the FY15 PB - the JSTARS, and F-15C, U-2 and E-3 AWACS divestment is re-phased to FY19, so we can continue to operate those platforms and meet combatant commanders` most urgent needs."

Sender: (b)(6)

Recipient:

Sent Date: 2015/02/26 12:35:40

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