

**Remarks and Q&A by the Deputy Director of National Intelligence for Acquisition
Mr. Alden V. Munson, Jr.**

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MR. JEFFREY K. HARRIS (Corporate Vice President and Managing Director, Situational Awareness, Lockheed Martin Corp.): We are joined next by Mr. Al Munson, the man in charge of acquisition for the Director of National Intelligence. Sort of no better person from a bringing perspectives from industry: information systems, satellite systems, TRW, Littan, a consultant. I've worked with Al for years. He has a keen insight from an engineering perspective. He has a very quick grasp of the obvious and he's now in charge of wrestling us to get to sort of the lean, mean, fighting machine that we need to provide force to the folks who need it most.

So I'm pleased today that Al Munson can join us.

(Applause, music.)

MR. AL MUNSON: Thank you. Thanks, Jeff. And thanks to Keith and Stu and the GEOINT foundation for having this conference. This is my first conference. I know that some of you are veterans, but this is my first one. Some of you may not know that I actually began my career in GEOINT, way back more years than I'm going to confess, working kind of late-bucket return systems and early EO systems. I then went off and did a bunch of other things including a little SIGINT. Well, maybe it was a lot of SIGINT. But I returned to imagery over the last five years or so.

When Mike McConnell came in as the second Director of National Intelligence almost two years ago, recovering acquisition excellence was a priority. Scott had talked a little bit about some of the issues that we had encountered in acquisitions of the community and I'll elaborate a little bit more. But the Director reorganized ODNI, created the directorate of acquisition and wooed me from a very good life in Manhattan Beach to come out as the first Deputy Director [of National Intelligence] for Acquisition. And I will tell you that we are now spending lots of energy in GEOINT in ODNI.

I thought I would share some thoughts along the theme of the conference, transitioning to the future in GEOINT, from the acquisition perspective. Most pointedly, the ability to execute large-scale acquisitions is absolutely mandatory going into the future. Those of you who have heard me speak over the last year-and-a-half are probably going to recognize some of the same points I've been hammering on, even through my thin efforts to clothe them in GEOINT terms.

In AQ [Acquisition], we are very heavily support – involved in the space systems, in the large ground station initiatives. Some would say that we let Willy Sutton set our priorities here. A little bit of historical perspective – the GEOINT of today resembles very little of the GEOINT world that I entered. Back then, it was very highly classified. All of the data was disseminated in only very restricted channels, mostly used inside the Beltway to work those half-a-dozen serious strategic issues each year.

Now virtually every military operator has got routine access to high-quality and multiple kinds of GEOINT data. The data is ubiquitous on laptops, cell phones, iPods. We see satellite imagery on the nightly news. And just a stroll through the exposition – which I hope all of you have had a chance to do – reveals how far we've come. I will have to confess, as I did to our good friend and colleague, Evan Heinemann, in the back of the room, some of us old dogs are a little bit uncomfortable with the security implications. We talk over cocktails out in the atrium on subjects that we wouldn't have whispered to each other some years ago.

The NGA and the predecessor agencies under Generals King and Clapper and, now, Vice Admiral Murrett, have really created a paradigm shift in the collection, processing, exploitation, dissemination of imagery. Well, actually, it's now really more properly GEOINT products. And I know we've had many speakers, including Admiral Murrett, who talked about the explosion in capabilities that we're working with.

Again, another historical perspective: If you think about the beginning of our overhead imagery business, at least we were talking about the Cold War, we were facing an existential threat from the U.S.S.R, a nation of large denied area. We went to space in multiple domains, even at very high cost. The challenges always exceeded our grasp. But, given the threat, we always just kept working to extend our grasp. And each generation of our collectors was better and longer-lived than the last and we kept expanding our collection domains.

Cost was generally not an issue in those days. We exited the Cold War with a robust constellation of highly capable, long-lived collectors supporting infrastructure. We had the technology and the industrial base to further extend the grasp and we had just shown the Soviets that they just couldn't come close to competing with us. But the end of the war brought new pressures. The end of the Soviet existential threat engendered a desire for so-called peace dividend. Spending priorities began to change. Defense and intel budgets began to decline. There was Secretary of Defense Bill Perry's famous "last supper," which led to the significant consolidation of the defense and intelligence industrial base.

We had a reduction of government workforce in defense and intelligence, we went to the TSPR model for acquisition programs. If you'll accept my uncharitable characterization, we decided to let the rabbits mind the carrot patches. Eventually, we also had a realization that our amazing technical collectors really couldn't, on their own, work the entire intel problem. Other intel domains began claiming budget share. And we've got further pressure on budgets for our technical collectors, which brings us to FIA, the Future Imagery Architecture program.

As most of you know, it was a large, competitive procurement conducted in an area with a reduced industrial base and already a very narrow industrial base in large GEOINT systems. We

had expectations of large cost savings and we had declining capacity in the government and in the associated workforce to do the management and oversight processes. And this was exacerbated by a tendency to do short tours in our acquisition assignments, all the while shutting down the ability to produce the current legacy capability.

So what did we get? We got an award to a competent contractor team, but one with very thin domain credentials in GEOINT. And I'm going to talk a little bit more about that in a moment. We had a very optimistic cost bid. One of the leaders at the time was quoted as saying that the only bid – that their bid was the only bid that was below the available funding. We have a program that's been judged by every postmortem to be un-executable. In short, we had a disaster.

I want to digress for a second to talk about the FIA team. Some of you may know that before I came to government, I was consulting. And one of my consulting arrangements was to serve on the technical advisory board for FIA. And since I've hammered on this program so many times because there are important lessons for us to learn from FIA, I want to make a couple of comments.

That team executed the time-tested recipe for entering into new businesses. All of the industry has done it exactly the same way. The fact of the matter is, I built my career by going into marketplaces where my company didn't have a presence and clawing my way in and sometimes it was ugly. That's the game that the government offers and that's the game that we in industry had to play. What I saw at the team doing the FIA program was hundreds, even thousands, of people working their hearts out trying to make a success of that program. And I believe they would have eventually succeeded.

Without digressing too far from the GEOINT theme, a little exposition on acquisition: I've been making, in my talks, a distinction in my talks between the big-A Acquisition system and the little-a acquisition system. The little-a acquisition system is mostly what we talk about when we talk about acquisitions. We have a set of needs for a program, we have funding for that program, we assign it to an acquisition agent, we conduct a competition, we pick a contractor, we award, we run a requirements review, a PDR, a CDR, yadda, yadda, yadda. We deliver the program.

The big-A Acquisition system is the bigger circumstance in which the acquisition is conducted. It includes the Congress, it includes the planning and budgeting processes in the DoD and in the community, it includes the stakeholders, the operators, the users, the customers. In short, it's a very much bigger system. And it is the one that really, in most cases, determines how well an acquisition will go.

It's my view that the FIA failure was a failure in the big acquisition system. I'm not sure how our community got forced into running a competition when there really weren't two fully qualified competitors and how we could possibly have accepted a cost estimate that was, by very estimates, three or four X too small to do the job. So the FIA experience has been a useful one, but we need to be careful about the lessons that we learn from it. It has led and underlies several tenets of our ODNI acquisition policy, which the agencies NGA, NSA, NRO, the CIA, DIA, et cetera, are all following.

The first of those is that domain knowledge is the coin of the realm. Don't run competitions if you lack a competitive marketplace. Or, if you insist on having a competition, you may need to build yourself a competitive marketplace. I believe that's what the Air Force is doing pretty effectively on the TSAT program, which Bob Kehler mentioned a while ago. And they were doing the same thing on the space radar program before that was terminated.

Secondly, don't start programs that aren't affordable. If you don't have the money, if you can't find it in the budget, in your FIDEP and beyond to do the program, then don't start it. Third, fund the programs to the independent cost estimate. That's in the legislation that founded ODNI and it's one in which we believe very strongly. And another one that I added just after Bob's talk, because it's clear it's very important to him, some would like to say freeze the requirements in the intelligence business, especially, for example, say, in the SIGINT business or even in the GEOINT business; freezing requirements in a long development program nowadays is just not practical. But you do have to strive for requirement stability.

So where are we now? Fortunately, our robust legacy machines mostly soldier on. We've got some fragility, and I know many of you are quite aware of that, and some shortfalls. Thank God we did long-lived designs though. And on the T-Pad side, Bob Murrett and the NGA are having great success in improving the quality, value and delivery of the GEOINT products to an ever-expanding variety of customers. And we've heard testimonials from many of them while we've been here this week.

We have relationships in place to take increasing advantage of the overhead – the commercial overhead imagery being provided today by both GeoEye and Digital Globe. And I believe that the remaining work on FIA program that many of you know is ongoing, will eventually be a success. We restarted our legacy production line to get some interim capability. But I need to be honest with you: FIA bored a huge hole in the IC budget and our constellation has been significantly thinned with nothing to put into the slots. Probably the worst part of the FIA experience was that the Congress and the other members of the community began to lose confidence in our ability to execute our programs.

So what are we doing about this situation? In view of multiple factors, including the emergence of the commercial imagery marketplace, changing requirements for customers, the cost considerations that I mentioned earlier and other factors, we've begun planning for a four-tier architecture for imagery. And we've pretty well publicized that. Just to summarize: tier one, the top of the line, high performance, the so-called exquisite capability, primarily focused on point collection; tier two, medium performance, area coverage for mapping and military support; tier three is the tier in which the commercial imagers are serving, again, mostly medium-performance capability; and tier four, the airborne collectors: UAVs, U2 and other.

For tier four, as Kevin mentioned, most of these programs are in the DoD and they continue a pace. We in intel are improving our ability to utilize these capabilities against intel requirements. For tier three, we have an aggressive imagery-purchase relationship at places I mentioned with both GeoEye and Digital Globe. And in FY2009, we intend to embark on efforts to improve tasking coordination of the commercial imagers and improve the data ingestion into

the national imagery system and archives systems.

In the fullness of time, it's likely that we'll take some of the action of everything that the commercial data providers fly. Which brings us to tier two – anybody here ever hear of BASIC?

Ah, yes, apparently you have. BASIC came out of our definition for tier two. It was really a rapid cost-effective approach to take advantage of the capabilities being employed by the commercial imagers to satisfy real DoD needs, GEOINT needs, and to address possible risks and shortfalls in our overall GEOINT collection capability. BASIC was never conceived to be fully responsive to the tier-two requirements. Given that we were going to piggyback on what the commercial imagers were doing, it couldn't have been. A block two capability was always envisioned. BASIC was to be a DoD procurement, substantially focused on DoD needs and paid for with DoD moneys. Secretary Gates and DNI McConnell agreed on September 8th to proceed with the BASIC procurement, and since that time and even preceding that time we've had more news in the papers and the rags, industry rags, about BASIC than I can believe.

There are going to be lots of postmortems and explanations for what happens, and I propose to offer you my view. Interestingly enough, it doesn't diverge a lot from what General Clapper responded to on day one in response to a question, although he and I have not talked about it; I did not see his remarks at all. First, the decision authorities for BASIC are distributed widely across the DoD and the IC. If I could digress and presume, as a – I'm not a rookie in the government anymore, I'm in my second year, but I would observe that no commercial business trying to make a profit could succeed with the degree of misalignment of authority and responsibility that we just routinely accept across the government. That's the way all the government business gets done.

Secondly, there were competing views on the applicability of NSPD [National Security Presidential Directive] 27, that is, the commercial imagery industry directive. And the NSPD 27 aside, there were competing views on whether the capability needed to be government-owned, government-operated. I would observe that I believe the U.S. government has got limited ability to appreciate and evaluate more commercial business models. The government and the big aerospace companies have got a particular mindset on cost. That is that we come from a world where all pricing is cost-based pricing as opposed to market-based pricing, where we expect to have full and equitable cost absorption for all the costs that would have to tier up for the cost of something.

Some of you here must have come in rental cars and on airplanes. What is the probability that any of us paid the same price for the rental car or the airplane price, even though the seat costs were the same for all of us to do that? And the reason that's the case – and they weren't the same, they aren't the same. And the reason is because the commercial markets do market pricing. And our inability in our industry, by the way, is one of the – to look at market-based pricing is one of the things that has led to one of Norm Augustine's rules, having to – or observations that the record of diversification by the defense companies is unblemished by success.

We also had competing views on whether the achievable BASIC performance, which everyone agreed was well short of the full tier-two requirement, was even worth the money. There were

competing views on whether BASIC should be tasked and managed like organic COCOM assets or fully integrated into the national system for geospatial imagery. And these competing views were represented around the DoD, the IC, the administration, the Congress and industry with exquisite intensity. In the end, and this is I think the place where I think General Clapper made essentially the same comment, in the end, our community was unable to reconcile all these views in a timely manner. And I would observe that those views are still very strongly held in many quarters.

So what's next in tier-two? Congress has tasked the DNI to examine the broader GEOINT landscape, including tier-two, and we have begun that effort across our community. As I alluded to above, we're going to make investments this year to improve the responsiveness and the utility of the commercial imagery data, and we are considering some options to increase our access to commercial-class imagery on very favorable terms to the community, although I need to confess to you that the IC currently has no funding planned or programmed to procure tier-two collection capability. Our study could provide impetus for a change for that, but the overall budget outlook is really not very good.

A couple of comments about the difference between tier-two and tier-three. There's been lots of conversation about that. In my view, the difference between tier-two and tier-three, at least for the BASIC or for the initial operating capability, would have been really just in the business model. You could have had the very same platform serving both tier-three and tier-two needs. Tier-two would have meant selectively secured tasking, selectively secured imaging data, special consideration for tasking priority and preemption and potentially different orbital parameters. Some argue that this meant government owned, government operated, and this assumption, by the way, was what underlay the SecDef-DNI agreement on BASIC.

Moving onto tier-one. What's ahead there? Since nearly everything about tier-one is classified, mercifully, we're not reading a lot about it in the press. And I'm not going to change the rules here. I remarked earlier that we had restarted the legacy production line to get some interim capability, and we're getting excellent execution by our government and contractor team, the government team at the NRO and the contractor team. But I'd like to observe that the program was fully funded to the DNI's ICE from the beginning, and not everybody was happy about it; there was complaining about that. And some of those reserves have been spent to ensure holding the plan on the program. The performance that we're getting there on that program, I'm pleased to say, is not lost on the Congress. But I need to say to you that it's unlikely that the way forward for tier-one lies along that path for a variety of reasons having to do with obsolescence, others, things that I think won't surprise you.

But we're working this issue in the context – in an evolved context as well. Tier-one imagery remains a valuable, important intelligence source, but it has to compete for funding with other sources and other demands in the IC. There are substantial differences from the Cold War days, when the next possible reach in imagery capability was the highest intelligence priority that the nation had. Just as a couple examples, information sharing, which we've talked a lot about today, and cyber security are just two of the very compelling initiatives that the IC is funding these days. And we can't assume that the rate of increase – the DoD and IC spending can continue to increase at the rate it has recently, or even that it will stay constant.

As I said earlier, FIA cratered our tier-one capability and budgets, so we're trying to climb out of the post-FIA crater in an area of reduced budget expectations. As I said, we've already kicked off the congressionally-directed studies, we'll have results for the '10 budget, and we're going to explore a range of options that have got pretty aggressive cost-performance traits. We could even completely realign or redefine the tiered structure that I spoke to a little earlier. And we might expect that a new administration may have a view, they might even bring a new budget paradigm for us all to deal with.

Speaking of budget, mention was made a couple of days ago about trying to handle the spending – any spending downturn intelligently; some have observed that historically have done that very well. In my organization last year, we began developing a set of tools and techniques to try to do a systematic metric-based approach to trade-offs on these critical issues, and we've got those tools kind of in their rudimentary form and have been actually applying them already.

To wrap up, you know, the things that we know that are wrong notwithstanding, some might say that we're really kind of in the golden age of GEOINT. We have extensive collection capabilities. Again, facing some fragility and eventual design in their capabilities, timely action is certainly required. We've got an explosion of capability in air-breathers, mostly in the UAVs, and as Kevin has alluded to, the availability of commercial imagery is a new and very high-leverage asset for us. We've just watched the recent launch of GeoEye-1 and we're expecting the World View 2 to launch in 2009. Our TPED capabilities have never been better and we continue to improve them. I think it's fair to say that we are providing higher-value GEOINT products more deeply into a broader customer set in the Intelligence Community, the DoD and the policy and diplomatic communities, to our international partners in civil sectors than ever before.

So keep up the good work, thanks again to the foundation for inviting me, I wish us all the best in our GEOINT endeavors and I'd be happy to take some questions.

(Applause.)

MR. HARRIS: Al, thank you very much. You actually answered every question we got save one, and since we're running a little slow, in 30 seconds, how do standards work between the Intelligence Community and the DoD?

MR. MUNSON: Standards? Help me a little bit.

MR. HARRIS: Data. I mean, we're moving all this data around, we're melting it.

MR. MUNSON: Let's see. The ODNI, in conjunction with the USD(I) and Don Kerr and Jim Clapper have kicked off an integrated intelligence architecture effort. Some of you may know that Pres Winter has taken a temporary assignment over at the ODNI to kind of lead this team to work on this issue of better integration and better distribution of data. So, you know, the jury's not in yet but there's certainly a lot of thrust behind this subject and I'm convinced that we're on a good path there. Sorry that I don't have more specifics, but I mean I think it's – the signs are

all good.

MR. HARRIS: Good. Al, on behalf of the GEOINT Foundation, thank you.

MR. MUNSON: Thank you.

(Applause.)

(END)