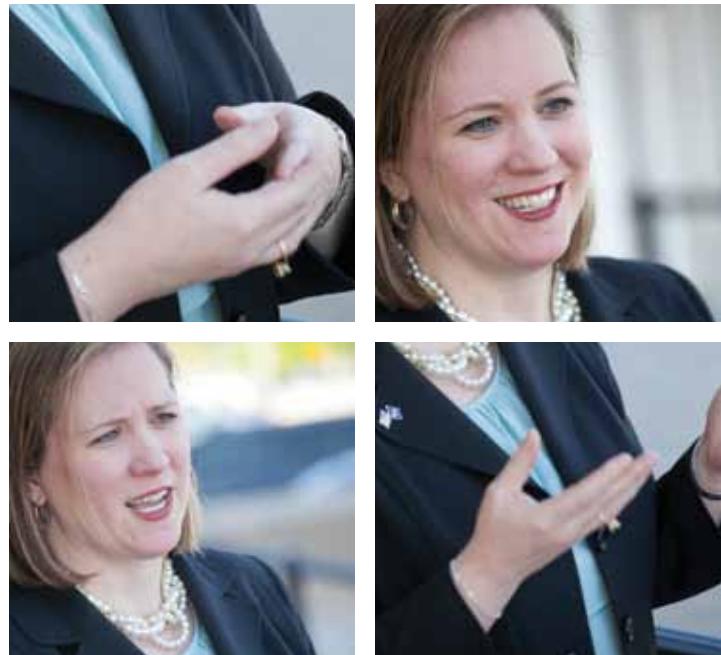




U.S. AIR FORCE

A Conversation with Erin Conaton Undersecretary of the U.S. Air Force

The United States military must adapt to a world of dynamic threats and hazards. For the U.S. Air Force, this does not mean change for change's sake, but purposeful transformation with strategic intent, always focusing on the first priority, which is duty to the country and mission execution. In a nutshell, it means fly, fight, and win. Of course, building the world's foremost air, space, and cyberspace force requires substantial investment, providing the best possible value to the American people. To that end, the U.S. Air Force must balance capabilities between current combat operations and the need to address emerging threats and challenges, with the ultimate aim to be lean, lethal, and agile. What is the strategic vision for today's U.S. Air Force? How is the Air Force managing in an era of fiscal constraint? What is the Air Force doing to improve its operations and become a more efficient and agile force? Erin Conaton, undersecretary of the U.S. Air Force, joined me on The Business of Government Hour to explore these questions and so much more. The following provides an edited excerpt from our interview. —MJK



On the History and Evolving Role of Undersecretary of the U.S. Air Force

The U.S. Air Force was created as part of the National Security Act in 1947. Since its inception, the Air Force has had an undersecretary. It was interesting; in preparing for this conversation I went back to look at what the responsibilities of the undersecretary of the Air Force were in 1947. It involved such areas as procurement, industrial mobilization, material requirements, and atomic energy.

It's interesting to see how we have evolved as an organization over time. For example, there was a period from about 2002 to 2007 when the undersecretary was very focused on the space mission. Those in the undersecretary job at that time were triple-hatted: they were undersecretary of the Air Force, the DoD executive agent for space, and the director of the National Reconnaissance Office. From 2007 until I arrived in 2010, there was no undersecretary of the Air Force. In 2010, we re-envisioned this role. At the broadest level, my responsibilities encompass organizing, training,

and equipping the people and the equipment of the United States Air Force in partnership with Secretary of the Air Force Michael Donley. I am acting secretary on his behalf when necessary. I am also the Air Force's chief management officer, which was a recent role established by Congress. Then I have some specific responsibilities as the senior energy and sustainability official for the Air Force and also as the Air Force focal point for space.

On the U.S. Air Force's Strategic Vision

The new defense strategy calls for the U.S. to maintain its military capability across a range of conflicts. All the lessons that we've learned in Iraq and Afghanistan over the last 10 years, we see those continuing to be brought to bear as we conclude the conflict in Afghanistan, but also as we undertake counterterrorism operations against al-Qaeda and its affiliates globally.

We're going to be prepared to deal with aggression in any corner of the globe to ensure that the United States maintains its freedom of movement in those areas of the world where a potential adversary might want to keep us out. We know that we have to do all this while we do other things, like maintaining our nuclear capability as a nation. It's particularly important to the Air Force. We maintain two legs of the so-called triad, which is the three different ways of delivering a nuclear weapon. While the administration obviously believes that we should be moving to a world without nuclear weapons, the Air Force is dedicated to being good stewards of the national nuclear capability for as long as it is part of our national arsenal. First and foremost, we continue to strengthen our nuclear enterprise: our inspection rates are much better, the training our people receive is outstanding, and we've been able to stand-up a new Command—Air Force Global Strike Command—with a dedicated focus on our nuclear enterprise.

The Air Force also has a lot of very aging platforms. For example, our tanker fleet is almost 50 years old on average. Our fighters and bombers, while younger, are also decades old. So one of the challenges we face is pursuing our modernization programs in the face of today's budgetary realities. We're very excited that the acquisition process is complete for our tanker program and we're able to move forward to actually procure those. We're also moving ahead with the F-35, the joint strike fighter, which is the future of our fighter force. But we've got a lot of other modernization efforts waiting in the wings; some have to do with our nuclear weapons, helicopter fleet, and training aircraft we use to make sure our pilots are ready to get into these advanced platforms.

Our modernization efforts are critically important to ensuring that the young men and women who serve as airmen have the best and most capable equipment they need to be successful on any battlefield of the future. Our nation's Air Force is the envy of the world, and we are committed to ensuring that the United States remains the world's greatest air and space power.

On Challenges Facing the Undersecretary of the Air Force

I would like to give context on the scope of the enterprise that we deal with as an Air Force. In terms of people, we're about 332,000 active duty, 153,000 civilians, and then another 170,000 or so in our reserve component. If you add that all up, the Air Force employs more people than Citigroup and UPS combined. With \$115 billion in our budget, we'd be number seven on the Fortune 500 list, above



AT&T and above Ford. Our Air Force installations are about 10 million acres, about two times the size [of] my home state of New Jersey. Our facilities footprint is about 626 million square feet; that's roughly the size of Wal-Mart globally. When we think about managing an enterprise of that scale, it's a little eye-popping.

One big challenge is managing in this new budgetary reality: How do we move into this new budgetary context while doing right by our people? The individuals who serve in the U.S. Air Force, whether in uniform or as civilians, represent the backbone of the service and we owe it to them to act in a [manner] that really honors the service of those who are with us.

Another significant challenge involves maintaining our operational excellence in an era of budget reduction. The focus on budgets is a recurring theme here, but it's how we maintain all the good stuff that we want to do even in a time of fiscal constraint. This uncertainty has required us to change the way we do business and become smarter and more cost-effective.

The third biggest challenge I think we face is time, time on the calendar, time to get into the whole range of issues we might get into. As I was thinking about this I made a list of five or six other things that I think are in the number three place, which just demonstrates that the scope of the issues in front of us guarantee that you're not going to be bored on any given day at the office.

On Strengthening the U.S. Air Force's Space Posture

The U.S. military continues to rely heavily on our space programs for a whole variety of activities that allow us to be effective on the battlefield. The U.S. Air Force provides that space capability.

Strengthening our space posture is critical to the full variety of missions that we take on from the counterterrorism fight on the low end to the anti-access/area-denial challenge on the high end.

Our operators have over 80 consecutive successful satellite launches, which is really remarkable. I have nothing but great praise for the tremendous space operators and industry partners who have enabled us to be so successful over time. To that end, we're also transforming our acquisition process. As part of the FY12 budget, we put forward the Evolutionary Acquisition for Space Efficiency (EASE) approach; its name is not as important as what it does, which is to get the best price for the taxpayer as well as provide stability of contract on the satellite vendor side. In the end, it means we block purchase satellites using fixed-price contracts with continued investment in research and development, and a funding profile through advanced appropriations over multiple years.

We're also trying to get a handle on our launch enterprise. I mean I talked about how successful it is operationally, and it's outstanding but it's expensive. It's been getting more expensive over time. We're taking a twofold approach here. We developed the new entrants criteria for competitors who would like to get into this business of space. We are basically telling those new providers who'd like to get into this business exactly what they need to do to be considered qualified.

We've set a clear path on how to get certified in this area; we think that competition over time will not only be good for the Air Force, but also will be good for the taxpayer by potentially bringing overall costs down. At the same time, we recognize that in the near term we only have one provider, and we're buying from that provider in an incredibly inefficient way. We're looking at buying a consistent number of boosters per year in order to gain stability to the current provider and to ensure we get the best price possible until such time as new competitors are in this business space.

On Transforming the Way the Air Force Does Business

I joke sometimes that being chief management officer means that every hard issue finds its way into my office. But I know I'm not alone in that. We're driving improvements in our



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business processes, systems, and technologies. We are always thinking about how to improve our business processes and improve the organization. I have responsibility for building budgets and for management of those programs that have an impact on the business side of our institution.

Most recently, I have also worked extensively pursuing the efficiency initiative championed by former DoD Secretary Gates that enabled us to move about \$33 billion from support activities into key war-fighting capabilities. This was a huge effort that took the teamwork of the entire Department of the Air Force. As chief management officer, I'm really at the head of the pyramid, if you will, trying to make sure that we actually realize these efficiencies and understand their second-order impacts. The best example I can offer involves the use of our big transport planes or the refueling planes. We spent time benchmarking ourselves against best practices in the commercial airline industry. We found that if we could fly smarter—get rid of excess weight, use power more wisely, and fly in ways that are more efficient—we could identify about \$715 million worth of fuel efficiencies over a five-year period. We took a similar approach on the information technology side, pursuing data centers consolidation and other activities being done in the private sector.

We are also focused on the accelerated drive toward audit readiness. Audit readiness is not just about the financial management community. It's about every functional part of the Air Force—a responsibility throughout the service. We've ensured that the performance plan[s] of our most senior career civilians ha[ve] audit readiness factored into them. There's no doubt that the acceleration to 2014 is going to be very challenging for us. We're working to empower and enable our chief financial officer, Dr. Jamie Morin, and his team as they seek to meet Secretary Panetta's goals around audit readiness. We are working closely with our Navy and Army colleagues and across the entire DoD sharing best practices. We're all dealing with pretty similar issues. We've also received significant support from DoD Undersecretary Bob Hale and others adding needed resources to ensure that

we stay on target. It will be very difficult, but DoD senior leadership is deeply committed to getting there.

In the end, we developed pretty realistic ideas and approaches, but now we have to make them reality. We've spent the better part of the last year looking in a very strategic way at what functions we must take care of first. We approached this new reality very strategically, but changes of such a magnitude are not without pain; it's been very difficult.

On Diversifying Energy Sources

We are the largest consumer of energy in the federal government; we're about 11% of the total aviation fuel market. We burn more fuel than U.S. Airways and FedEx combined, so we are running a significant mission-driven operation. The use of this fuel enables equipment and people to get where they need to be to save lives on the battlefield. We do have an energy strategy that has three components. The first is reducing demand; we have identified goals to reduce fuel consumption. On the supply side we're trying to diversify our supplies of energy sources. What we've said to industry is that by 2016 it is our goal to procure 50% of our fuel from alternative sources, provided industry can deliver it at a competitive price. We're talking with the alternative fuels industry about their progress with viable alternatives and what can be done to incentivize the development. Ninety-nine percent of our aircraft fleet is certified on the so-called Fischer-Tropsch fuel sources. We're about 90% there in terms of biofuels; we're doing some limited testing on what they call the third major pathway, which is the conversion of alcohol into jet fuel to assess its viability as an alternative fuel source.

On Taking Care of Service Members and their Families

Improving the lives of our airmen and their families is one of the top five priorities for the U.S. Air Force. When you ask me about the greatest challenges we're facing I'd put people first. Honestly, our success rests on having the right people. This is an area of continued focus. Looking at the budgetary



environment going forward, we've been committed to sustaining programs that support our airmen and their families. We may be a smaller force over time, but we want to ensure that the folks who remain with us have the best that we can possibly offer.

We're focused on the impact of continuous deployment and building resilience in our force. We are making sure that our service members and their families have all available resources provided to them during deployment and upon return from deployments. We have the Comprehensive Airman Fitness program that encompasses a range of activities designed to improve the capabilities of our Air Force family. The goal of Comprehensive Airman Fitness is to help our Airmen, Air Force civilians, and family members become more resilient and better equipped to deal with the rigors of military life. We've also established the Deployment Transition Center at Ramstein [Air Base], Germany. Our active duty service members [returning from deployment] go through Ramstein either to take a military flight home or to go through the commercial airport at Frankfurt. The transition center provides an opportunity for service members coming from combat to transition more easily into a civilian

life. We are also committed to the programs that support the families on the home front. We recognize that this is a family undertaking; though our airmen are the ones who raise their right hand and swear an oath, it is that entire family that's supporting them and allowing them to be successful.

On the Future

Going forward, the biggest challenge is the budgetary situation. Secretary of Defense Panetta and the Chairman of the Joint Chiefs have laid out a very clear strategic vision; it provides us a roadmap. When you are at an inflection point like this, where you're coming out of a conflict, like we are, and as your budgetary situation changes, it's a time of great stress as well as opportunity. There is an opportunity for leaders to encourage innovative thinking. This shouldn't be a period of dread for federal service. I don't think there is any more rewarding career than the work that we do; it is a really rewarding job, particularly in the Department of Defense, because you know every day that what you're doing is supporting men and women in a real fight. I find that to be a really easy thing to get up out of bed and do in the morning. □

Editor's Note: Since this conversation, President Obama has nominated Ms. Conaton to be undersecretary of defense for personnel and readiness, which is pending Senate confirmation.

To learn more about the U.S. Air Force, go to www.af.mil.



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