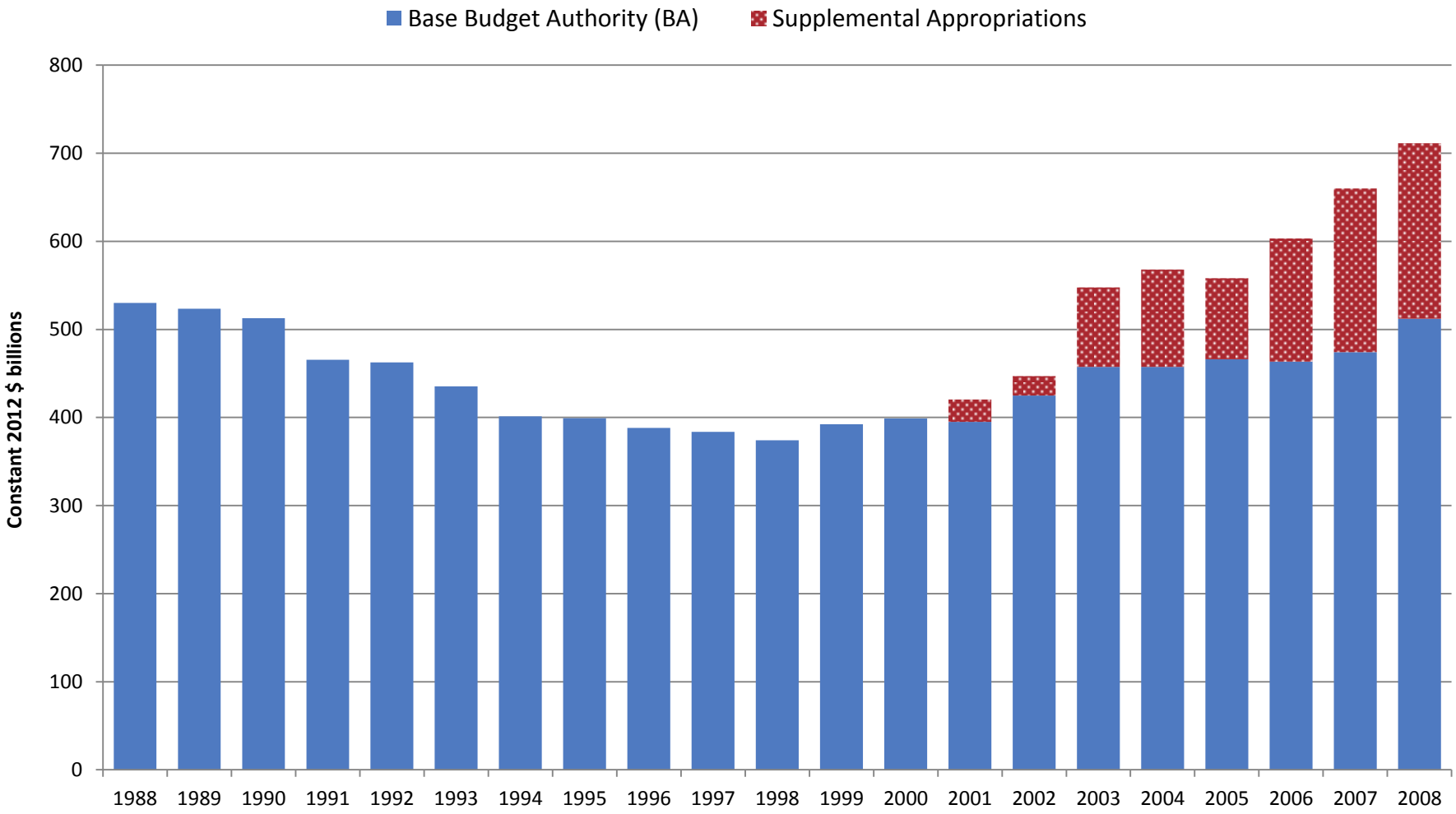
Afternoon Session I:
Lessons from the Last Budget Drawdown

CSIS 2011 Global Security Forum

David J. Berteau
Defense-Industrial Initiatives Group
June 8, 2011

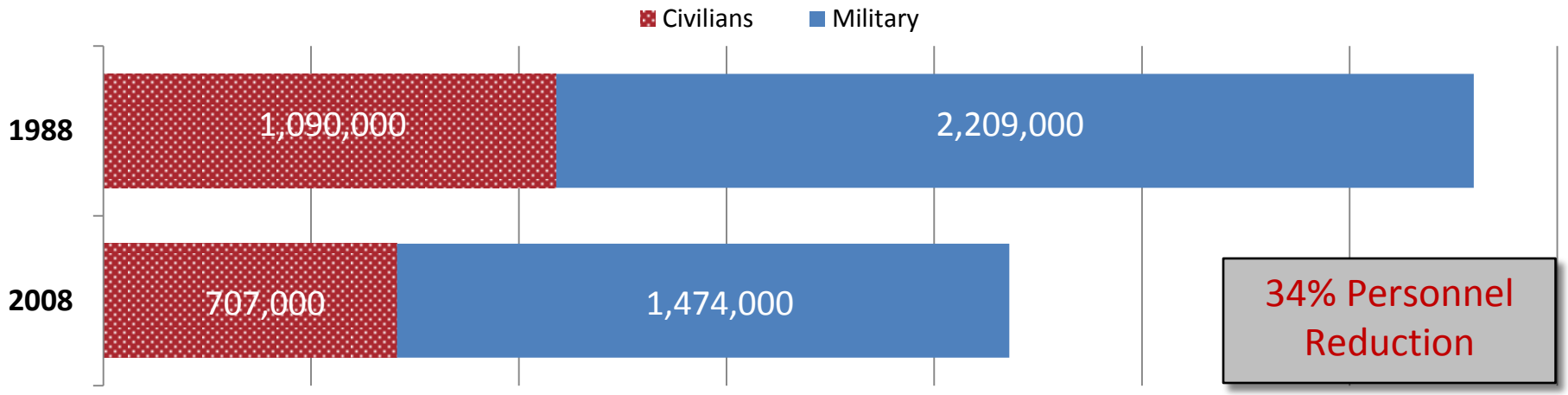
CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES | Defense-Industrial Initiatives Group

Department of Defense Budgets

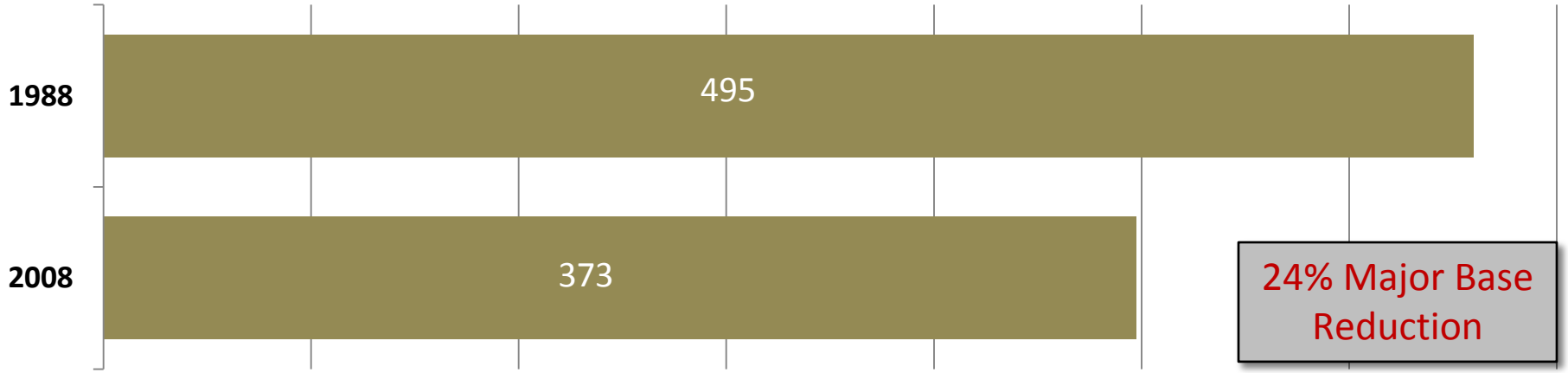


Source: Department of Defense Comptroller (Overview–FY2012 Defense Budget; FY2012 Green Book)

Department of Defense Personnel

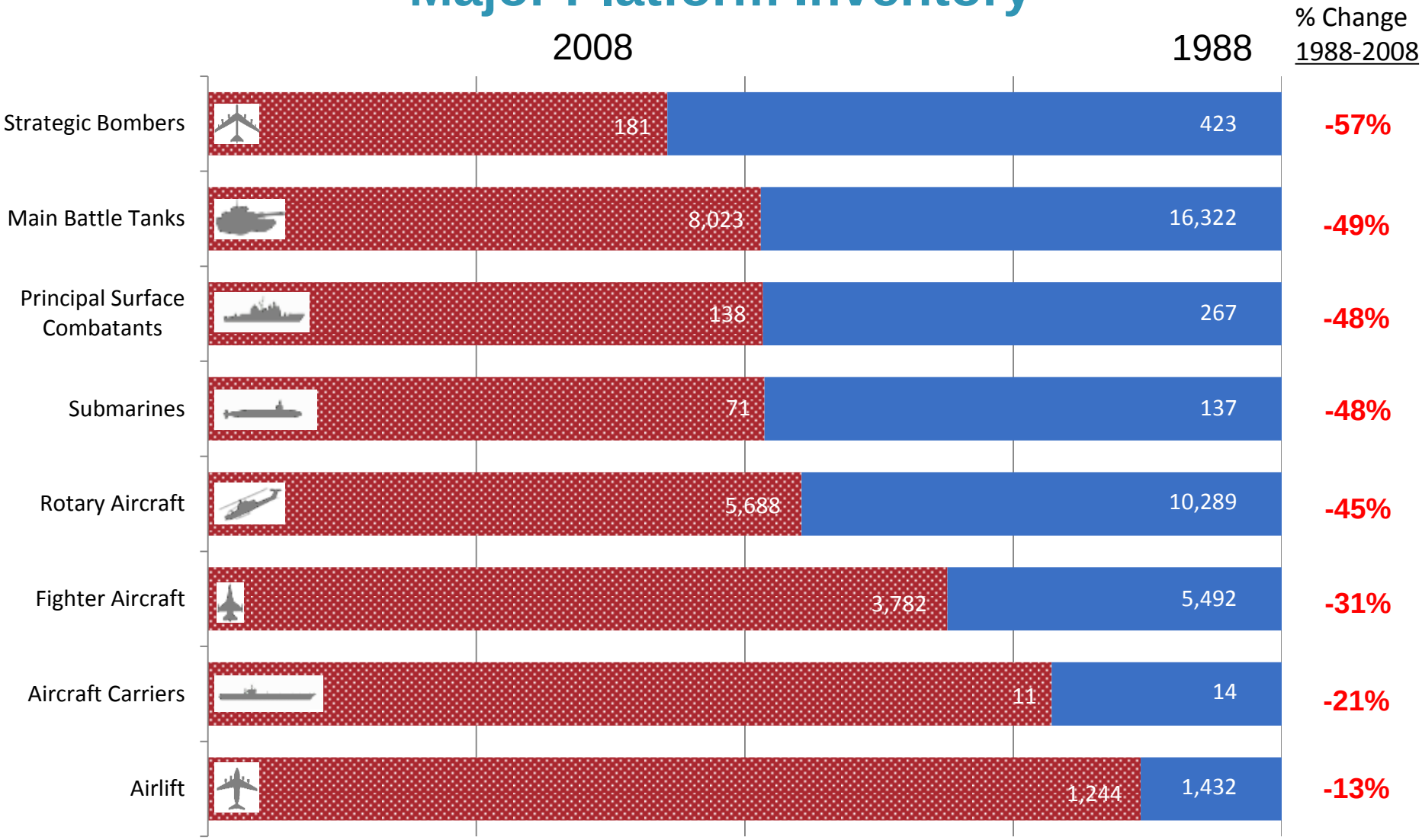


Base Infrastructure



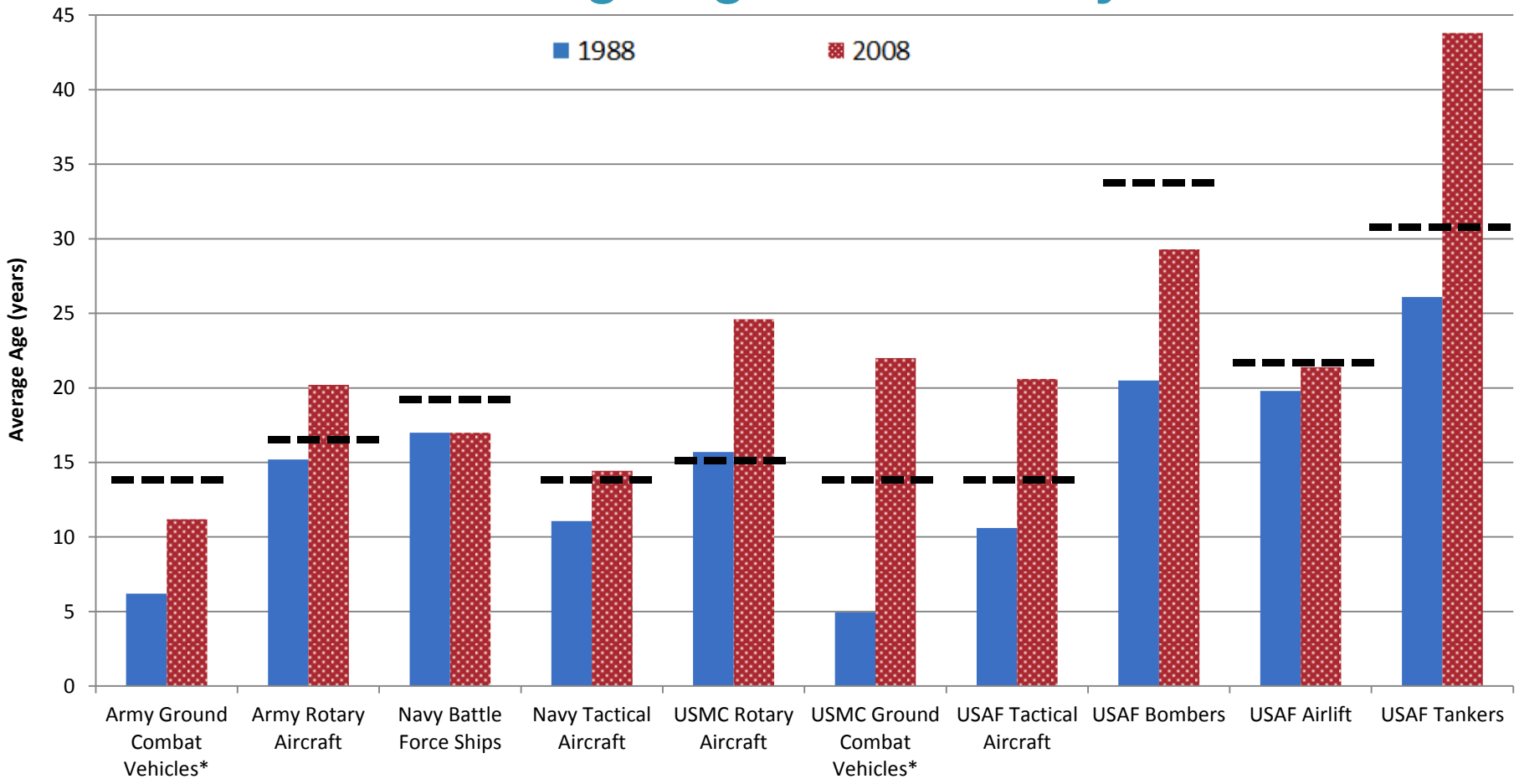
Source: Department of Defense Comptroller (FY2012 Green Book); Congressional Research Service; 2005 Defense Base Realignment and Closure Commission; analysis by CSIS Defense-Industrial Initiatives Group

Major Platform Inventory



Source: International Institute for Strategic Studies, "The Military Balance;" analysis by CSIS Defense-Industrial Initiatives Group

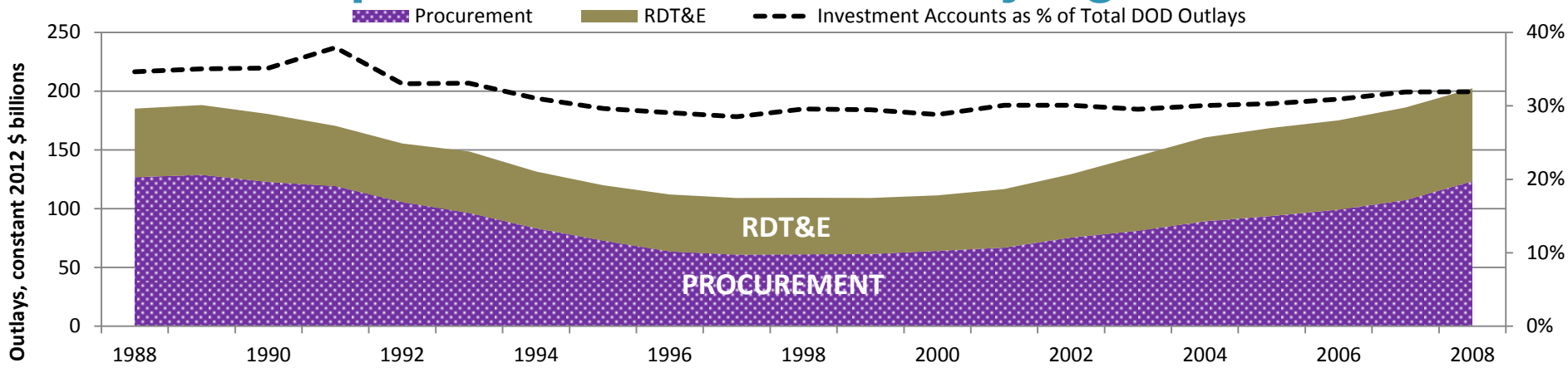
Average Age of Inventory



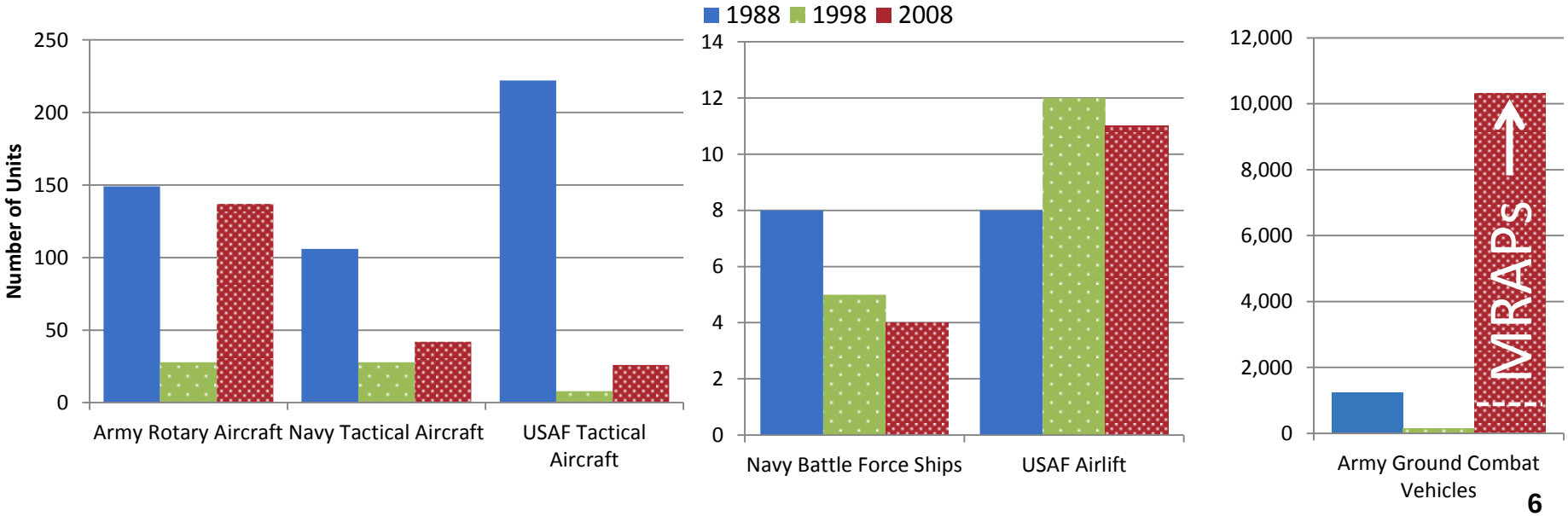
Source: Congressional Budget Office; analysis by CSIS Defense-Industrial Initiatives Group

* Ground Combat Vehicle data are from 1990.

Department of Defense Buying Power



Major Platform Procurement



Source: Department of Defense Comptroller (FY2012 Green Book; Procurement Programs P-1); analysis by CSIS Defense-Industrial Initiatives Group

Pure Defense Companies on the Fortune 100 List

1988			
Rank	Company	Revenue ($ millions)	Profits ($ millions)
26	McDonnell Douglas	$13,146.0	$313.0
30	Lockheed Corporation	11,370.0	421.0
39	General Dynamics	9,344.0	437.0
53	Raytheon	7,659.0	445.0
69	Northrop Corporation	6,053.0	94.0
79	Martin Marietta	5,165.0	231.0
96	Litton Industries	4,420.0	138.0
Total		$57,157.0	$2,079.0
% of Fortune 100		4.4%	3.2%

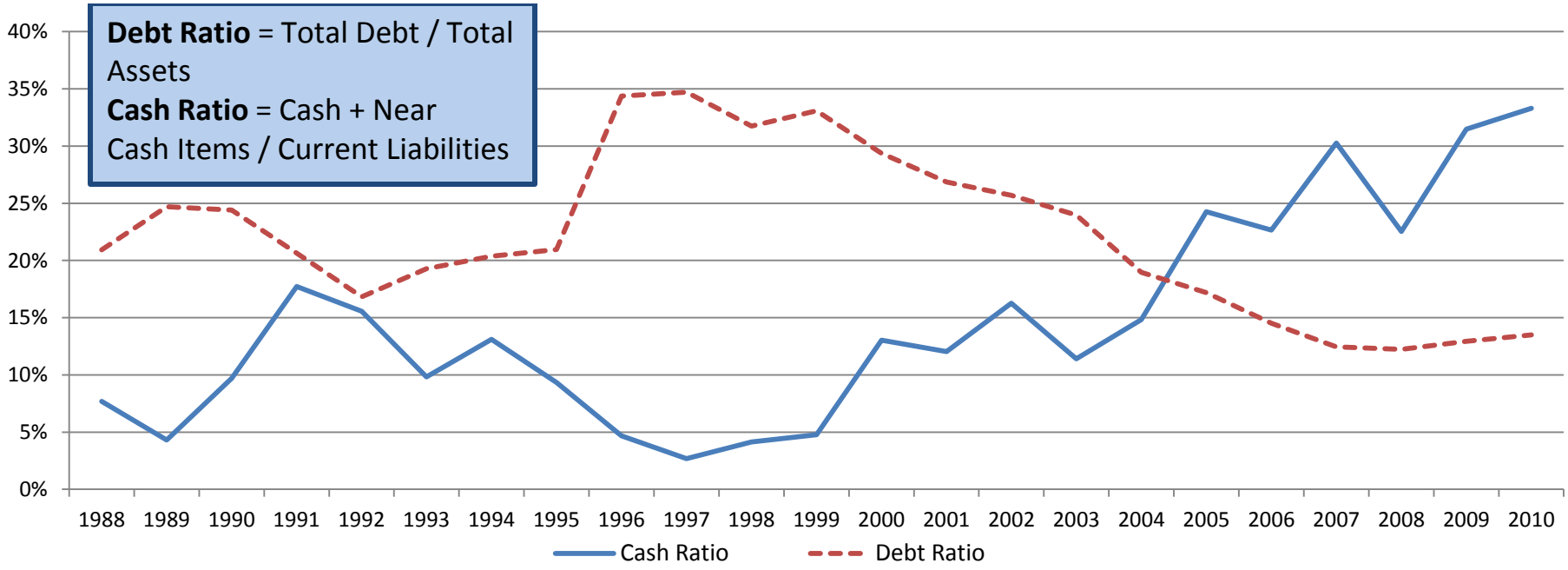
# of Companies = 7

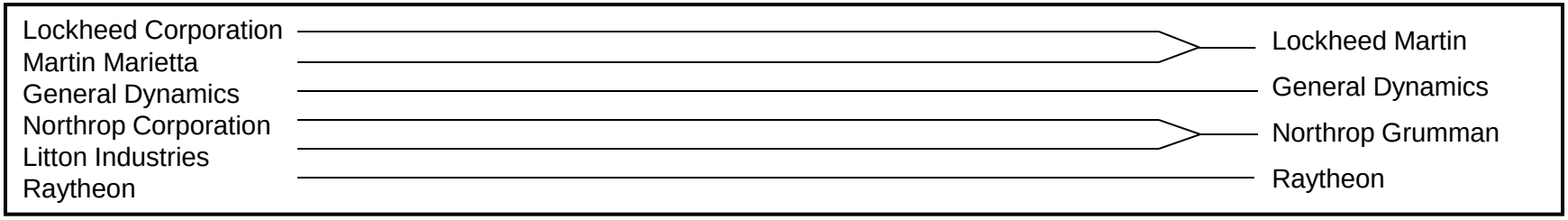
2008			
Rank	Company	Revenue ($ millions)	Profits ($ millions)
57	Lockheed Martin	$41,862.0	$3,033.0
76	Northrop Grumman	32,032.0	1,790.0
87	General Dynamics	27,294.0	2,072.0
Total		*$101,188.0*	*$6,895.0*
% of Fortune 100		1.5%	1.9%

# of Companies = 3

Source: Fortune Magazine, Fortune 500 List; analysis by CSIS Defense-Industrial Initiatives Group

Balance Sheet Ratios: Pure Defense Firms; Fortune 100 List

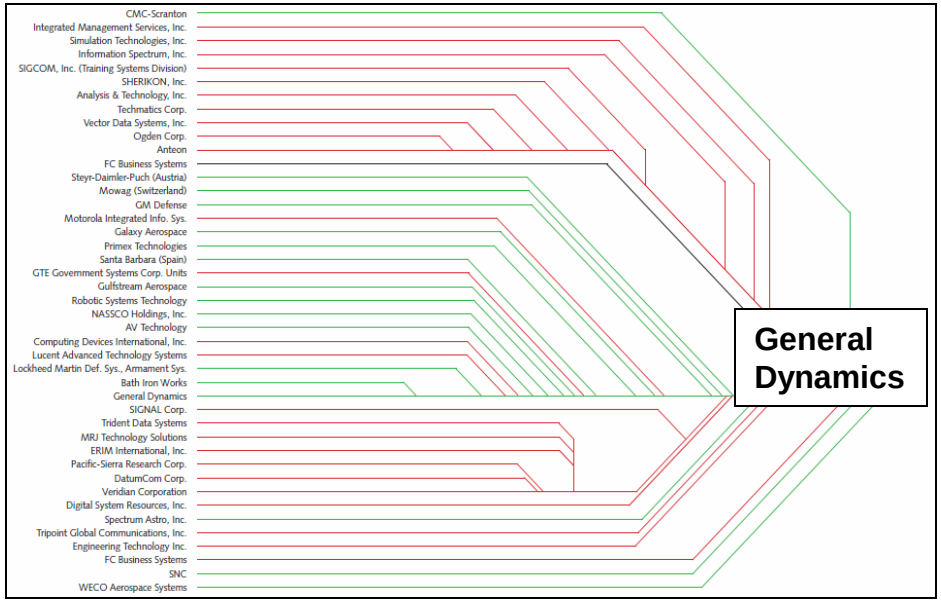


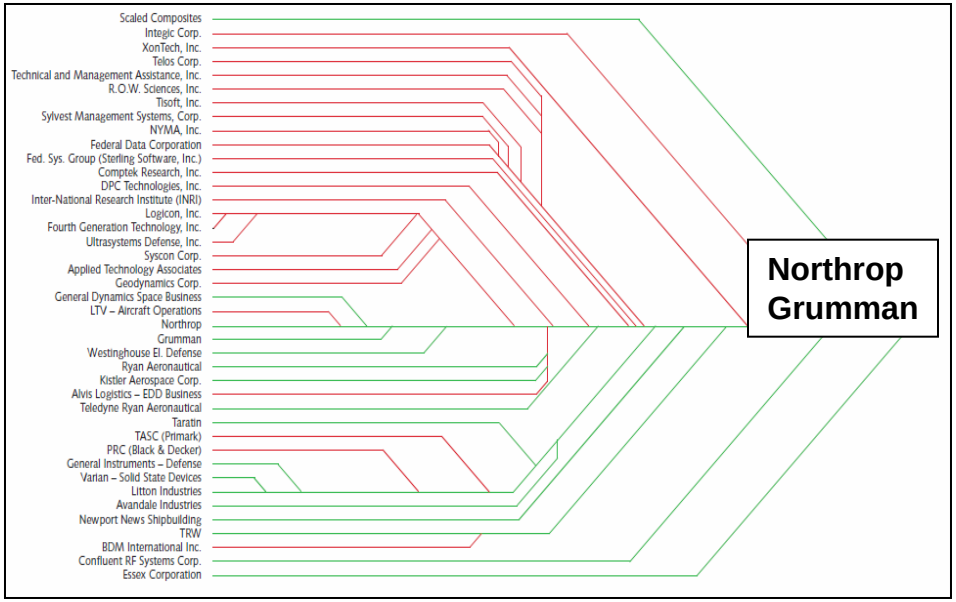


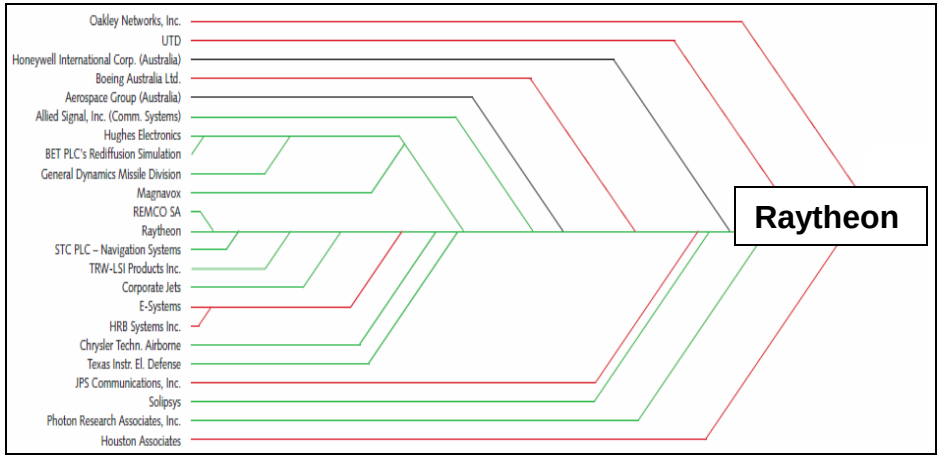
Source: Bloomberg; analysis by CSIS Defense-Industrial Initiatives Group

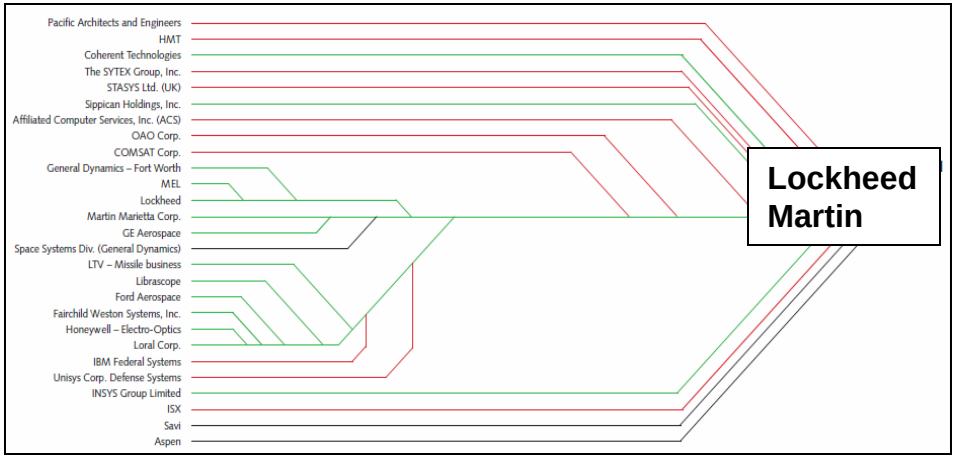
Companies: LMT, NOC, RTN, GD, Lockheed Corporation, Northrop Corporation, Martin Marietta, Litton Industries

Industry Consolidation, 1990-2008



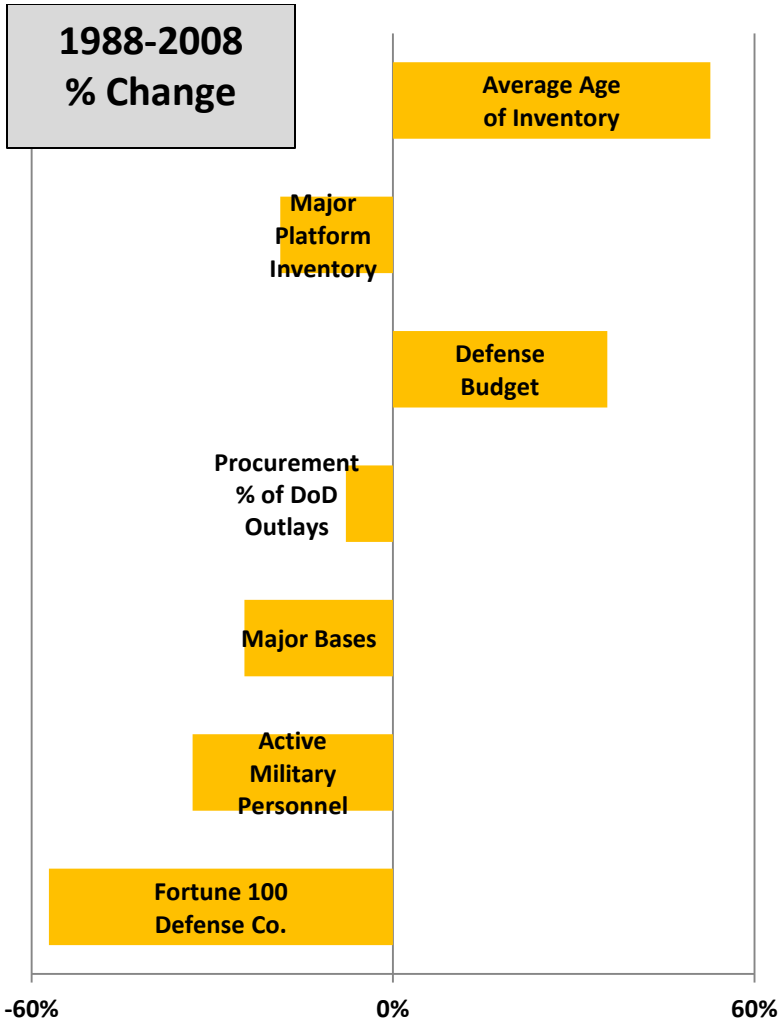






Source: Analysis by CSIS Defense-Industrial Initiatives Group

Going Forward: Where do we cut this time?



- How long can we live off our inventory?
- Can we cut our procurement further without causing serious problems for future forces and capabilities?
- Can we close more bases?
- What portion of our overseas forces can we bring home?
- What personnel and related costs can be reduced?
- Can we consolidate the industry further?

Source: Analysis by CSIS Defense-Industrial Initiatives Group