

USD Lord 20 April Press Briefing COVID-19 Update Opening Remarks

Introduction

- Thanks Mike. Good morning ladies and gentlemen, thank you for joining us today for an update on the Department's continued efforts to mitigate impacts from COVID-19.
- I want to start by offering my sincerest condolences to the families of those we have lost to COVID-19 in the Department.

Protecting the force

- We remain intensely focused on protecting our military members and their families, government civilians and the defense contractor force, especially our 50,000 service members which includes 4,000 doctors, nurses and other medical personnel across all components currently deployed across the United States, working tirelessly to help protect the American people.
- The department, particularly the Defense Logistics Agency (DLA), remains closely coordinated with the military services to understand requirements and priorities. To best protect the force, DLA has provided over 1.8 million N95 respirator masks, 3.2 million non-medical and surgical masks, 54.8 million exam gloves, 8,000 ventilators, and 275,000 isolation and surgical gowns, to our military Services, Combatant Commands and several federal agencies.

- We have ordered face coverings for the workforce, with deliveries starting this week. We expect 135K by the end of April, and 580K by the end of May.
- Last week TRANSCOM was able to utilize the Defense Threat Reduction Agency (DTRA) developed Transport Isolation System (TIS) to move three COVID positive patients from Afghanistan to Germany. This marks the first operational use of the system that was developed for the 2014 Ebola crisis, but never used until now.
- The Joint Staff, TRANSCOM and Air Force continue to work to ensure we can safely transport COVID-19 patients from overseas locations to the United States. We are absolutely committed to the safety of the Aircrew and medical support staff during these missions.
- We just issued a memo that directs contracting officers to support a US Forces Afghanistan memo to redeploy at-risk contractor employees due to insufficient medical capability in-country. We project this number to be less than 1,000, but we're committed to taking care of them.
- The department remains closely aligned with FEMA and HHS, providing over \$500M in lifesaving supplies and equipment to service members and federal agencies in the nation's whole-of-government approach to the coronavirus pandemic. The support includes providing sixty decontamination systems that can sterilize up to 80,000 N-95

masks per day each are on order with several already in place over.

State of the Defense Industrial Base

- We continue to carefully and methodically track the State of the Defense Industrial Base through DCMA for prime companies, and DLA for vendors.
- Out of 10, 509 major prime companies, 106 are closed, with 68 companies having closed and reopened.
- Out of 11, 413 vendor base companies: 427 are closed with 147 having closed and reopened.
- Domestically, we are seeing the greatest impacts in the aviation supply chain, shipbuilding, and small space launch.
- We are seeing impacts on the industrial base by several pockets of closure internationally. Particularly of note is Mexico, where we have a group of companies that are impacting many major primes.
- Regarding Mexico, I spoke with our U.S. Ambassador to Mexico, and today I am sending the Mexican Foreign Minister to ask for help reopen international suppliers there. These companies are especially important for our U.S. airframe production.

- I'm very thankful to Jen Santos and our industrial policy team who continue to lead 3-4 industry calls per week with 18 associations representing over 3 million companies.
- I remain proud of the department's responsiveness in addressing defense industry concerns outlined on these calls. Mr. Kim Herrington, Director of Defense Pricing and Contracting, has issued 20 Defense Pricing & Cost memos, aggressively responding to industry needs and impacts. Those memos include guidance for increased telecommuting, increased progress payment rates, acquisition timeline impacts, relief for those who cannot work, and more.
- Vice Admiral David Lewis, Defense Contracting Management Agency (DCMA) Director, modified 1500 contracts to help companies to file invoices at the higher progress payment rate, and he also worked with Defense Finance and Accounting Service for a seamless transition for invoices.
- Based on submitted invoices, we expect payments at the higher progress payment rate to start this week, helping provide \$3B in increased cash flow to industry. I commend Lockheed Martin and Boeing for both publicly committing to ensure this cash flow goes quickly down the supply chain to small businesses who need it most. We are hoping for similar public announcement from other major primes.
- The Office of Small Business Programs continues to work closely with the Services and Small Business Administration.

We hosted a small business webinar with over 1K companies this month, and both the Army and Navy have increased the rate of obligations to small business concerns, obligating an additional \$180 million per week; above their normal spending since mid-February, which equates to a 26% increase from the previous year.

Supporting the Whole of Government Effort

- I remain very proud of DLA, DCMA, DTRA, the Joint Acquisition Task Force and the entire department's efforts to support the whole of government and interagency battle against COVID-19.
- The department has leveraged 5500 contracting actions, totaling over \$1.5 Billion in response to COVID-19. The largest amount is almost \$700 million in medical construction for the mobile military medical hospitals. Medical equipment, lab equipment and testing are all high priorities.
- The \$1.5 billion number includes the \$415 million DoD contract in support of Health and Human Services for 60 Battelle Memorial Institute Critical Care Decontamination Systems, which will allow medical professionals to reuse masks up to 20 times, reducing the nation's need for new inventory.
- Six units were delivered last week, including two to New York, and one each to Columbus, Ohio, Boston, Chicago and Tacoma, providing the ability to sterilize 3.4 million masks a week, reducing the need for new masks by the same number.

- All 60 systems will be available by early May for prioritization and distribution by Health and Human Services (HHS) and Federal Emergency Management Agency (FEMA). Once all are delivered, these 60 units will allow 4.8 million masks to be sterilized per day, almost 34 million per week.
- We have delivered 10 million N95 masks to HHS and FEMA, and are prepared to provide 10 million more from DoD stocks. Last week, we announced our first Defense Production Act (DPA) Title III project, which will invest \$133 million to increase domestic production of N95 masks to over 39 million in the next 90 days. This will help ensure our government has the industrial capacity to meet the nation's needs.
- While we had signed letters of intent, we only just finalized the contracts late last week. Mike will send the details out today, but the three companies awarded contracts are: 3M (\$76 million), O&M Halyward (\$29 million) and Honeywell (\$27.4 million).
- The increased production will ensure the U.S. Government gets dedicated long term industrial capacity to meet the needs of the nation.
- DLA has delivered 5K Face Shields to the Javits Center. 6K more have gone to FEMA to be distributed to NYC first responders this week.

DPA Title III

- I want to talk briefly about the scope of our DPA Title III efforts. The Department's Defense Production Act (Title III) investment in response to COVID-19 is increasing manufacturing capacity and throughput for critical materials:
 - Facility Conversion
 - Equipment Purchase
 - Enabling Sub-Tier Suppliers
 - Long Lead Material Purchase
 - Eliminate reliance on Foreign Supply Chain
- DoD uses Title III for:
 - Defense Industrial Base (DIB) resiliency and security
 - Medical and Healthcare resources, with HHS and FEMA coordination
- Understanding that things will change, the Current DPA Title III Medical and Health Resources Priorities can be categorized in the following areas, not in any order: N-95 masks, ventilators, active pharmaceutical ingredients, testing kits, supplies and reagents, vaccines and delivery systems, and other emerging areas of personal protective equipment (PPE).
- For the DIB, critical DPA Title 3 defense sector includes machine tools and industrial controls, aircraft, supply chain illumination, chem-bio, directed energy, radar, munitions & missiles, space, shipbuilding, soldier systems, and ground systems.

- From the CARES Act we received \$1B for DPA Title 3. We anticipate receiving blanket DPA Title 3 approval for healthcare and medical resources, and we are working with our interagency partners to plan and obligate. We are prioritizing \$750 million for medical resources, and \$250M for the DIB.

Closing

- In closing, I want to thank Congress, both the authorizers and appropriators, who have been responsive and supportive of our efforts. Last week I briefed both the SASC and HASC, and am speaking with the SAC-D and HAC-D to ensure we all stay updated.
- We are working as smart and quickly as we can in close coordination with the Hill, State Governors and the defense industrial base to do everything we can to support our military members, their families, defense contractors and our fellow citizens.
- I remain extremely proud of the selfless efforts of Department of Defense personnel who continue to do everything they can to help provide medical masks, test kits, medicine and meals to support America's military, medical, emergency services and law enforcement professionals who are on the front lines and need them most.
- I'll be happy to answer your questions now. Thank you.