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The Commercial Side of DoD Maintenance: 2003 Update



**DoD Maintenance
Symposium and Exhibition
October 27, 2003**

Dennis Wightman

Session Agenda

- DoD maintenance contracting overview
- Noteworthy issues
- General contracting approaches
- PBL Presentation

Open Discussion - Questions Anytime



Participants

- Randy Fowler, Director of Logistics and Sustainment, Defense Acquisition University
- Dennis Wightman, Program Manager Maintenance - Logistics Management Institute



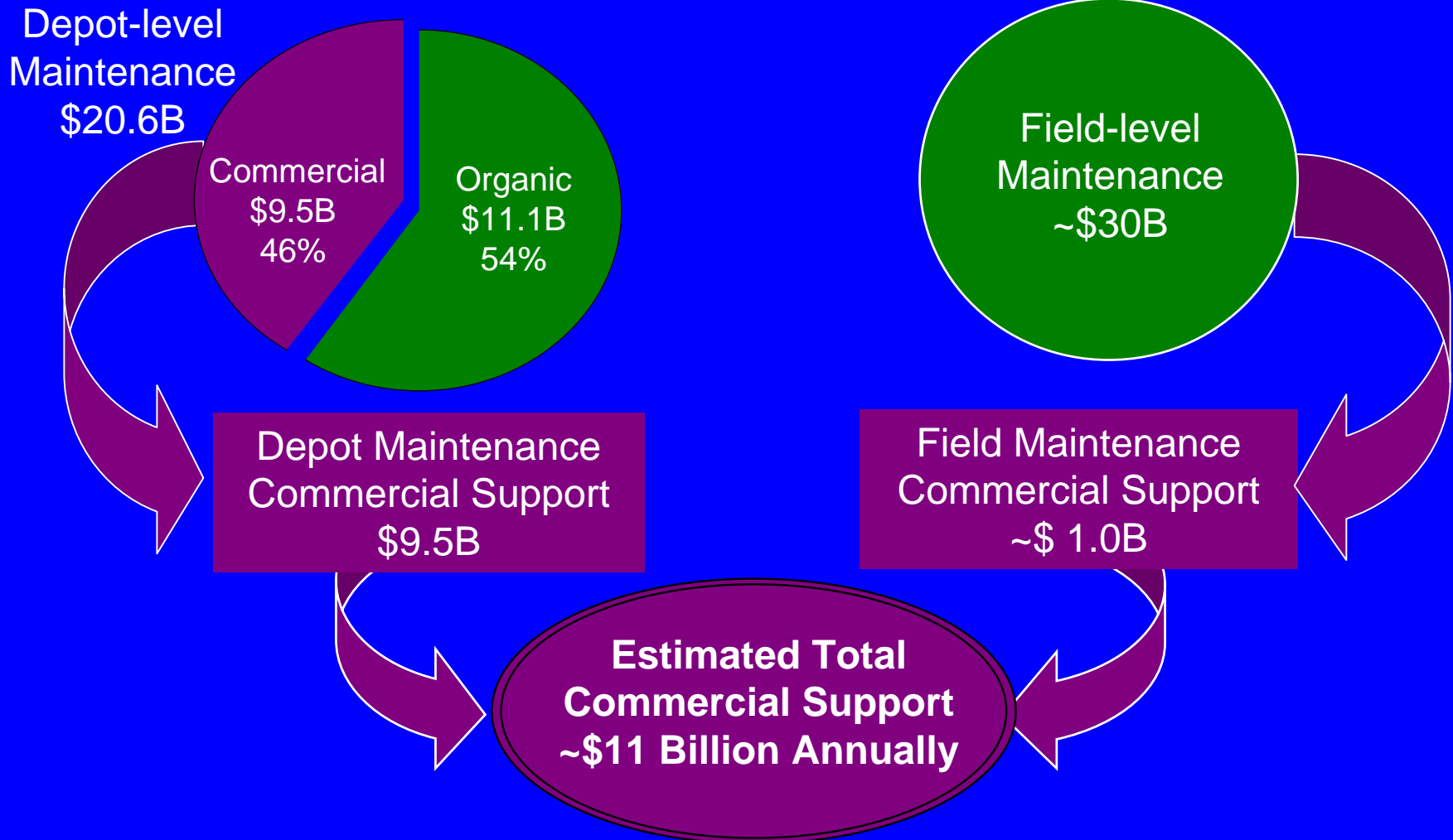
Commercial Depot Maintenance Overview

- Estimating Commercial Maintenance (FY-02)
- Depot Maintenance Numbers
- Depot Maintenance Contractors

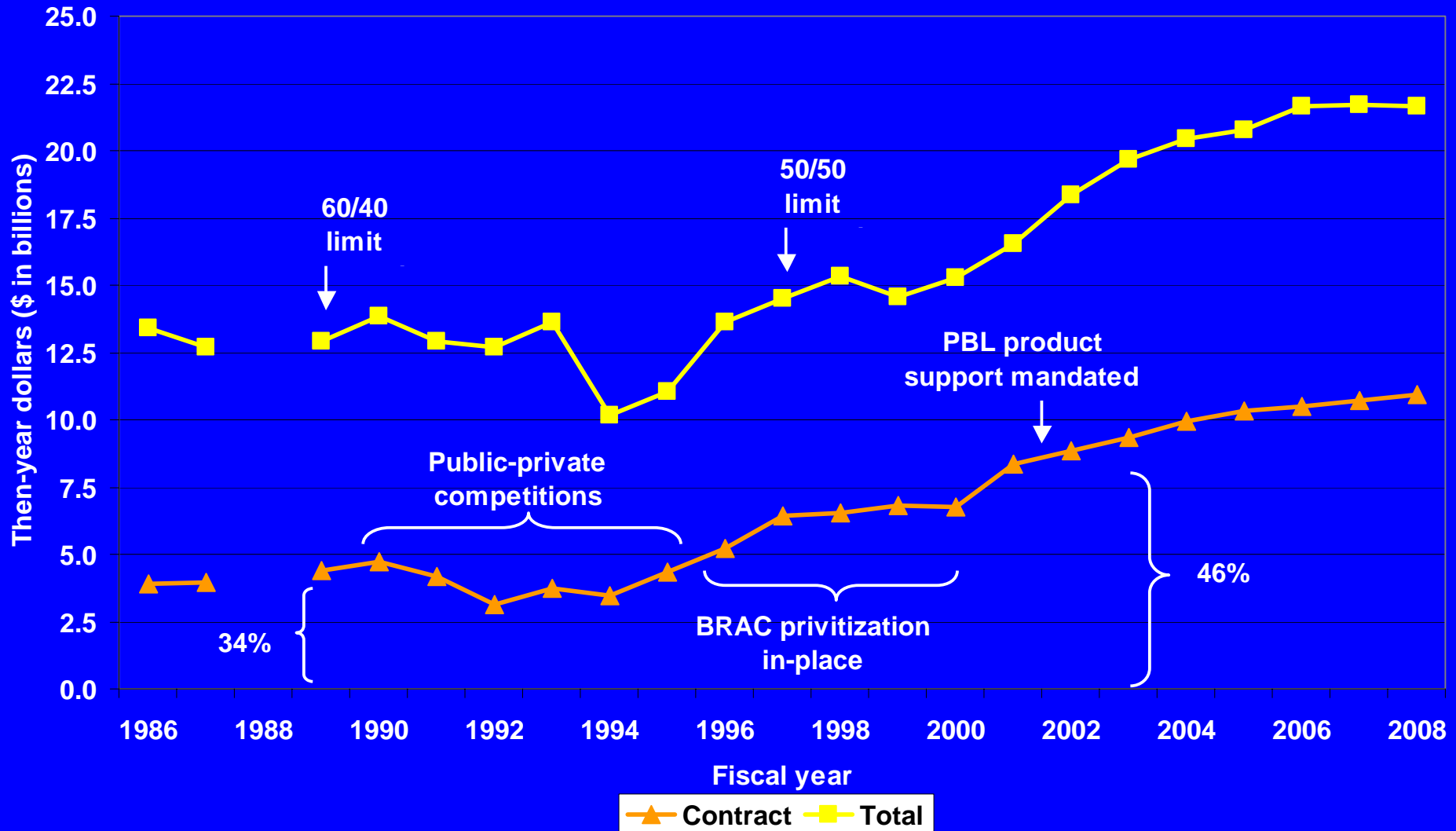


Estimating DoD Commercial Maintenance

(FY-03)

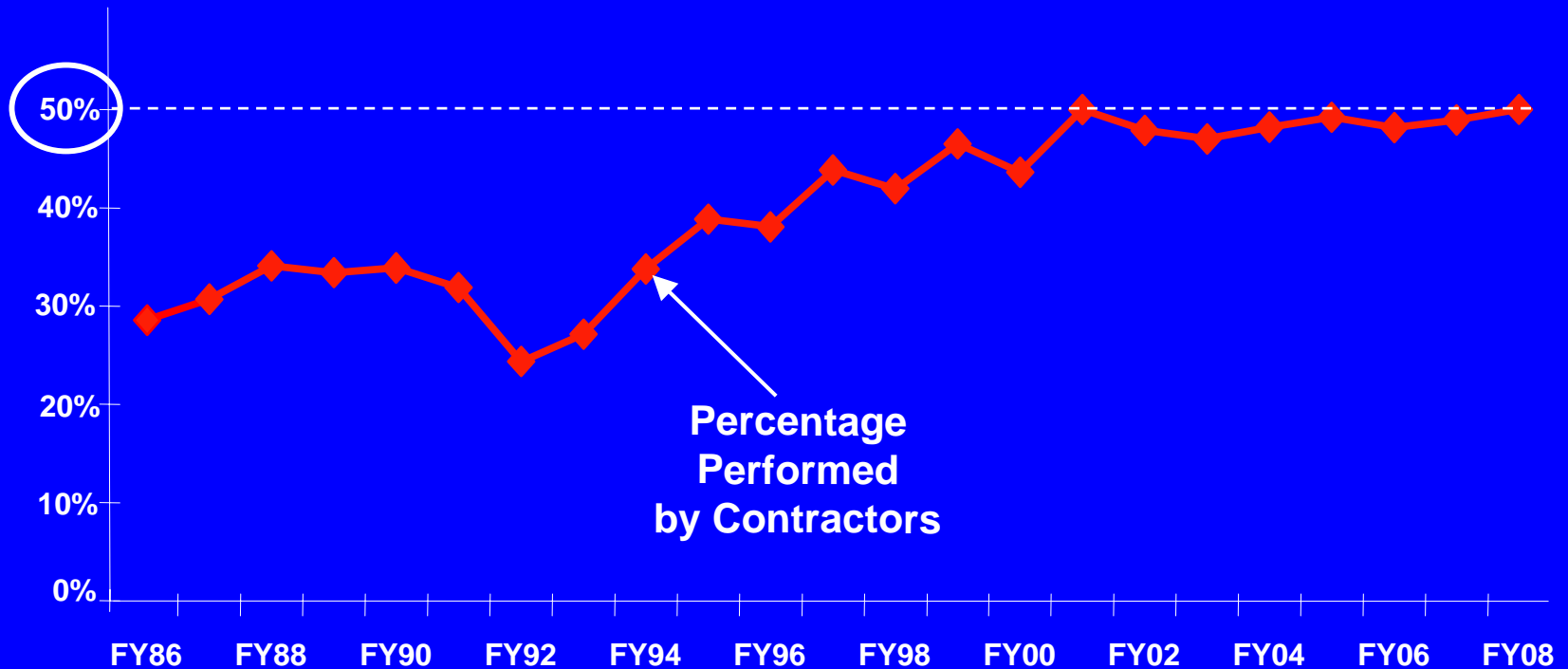


DoD Depot Maintenance Expenditures

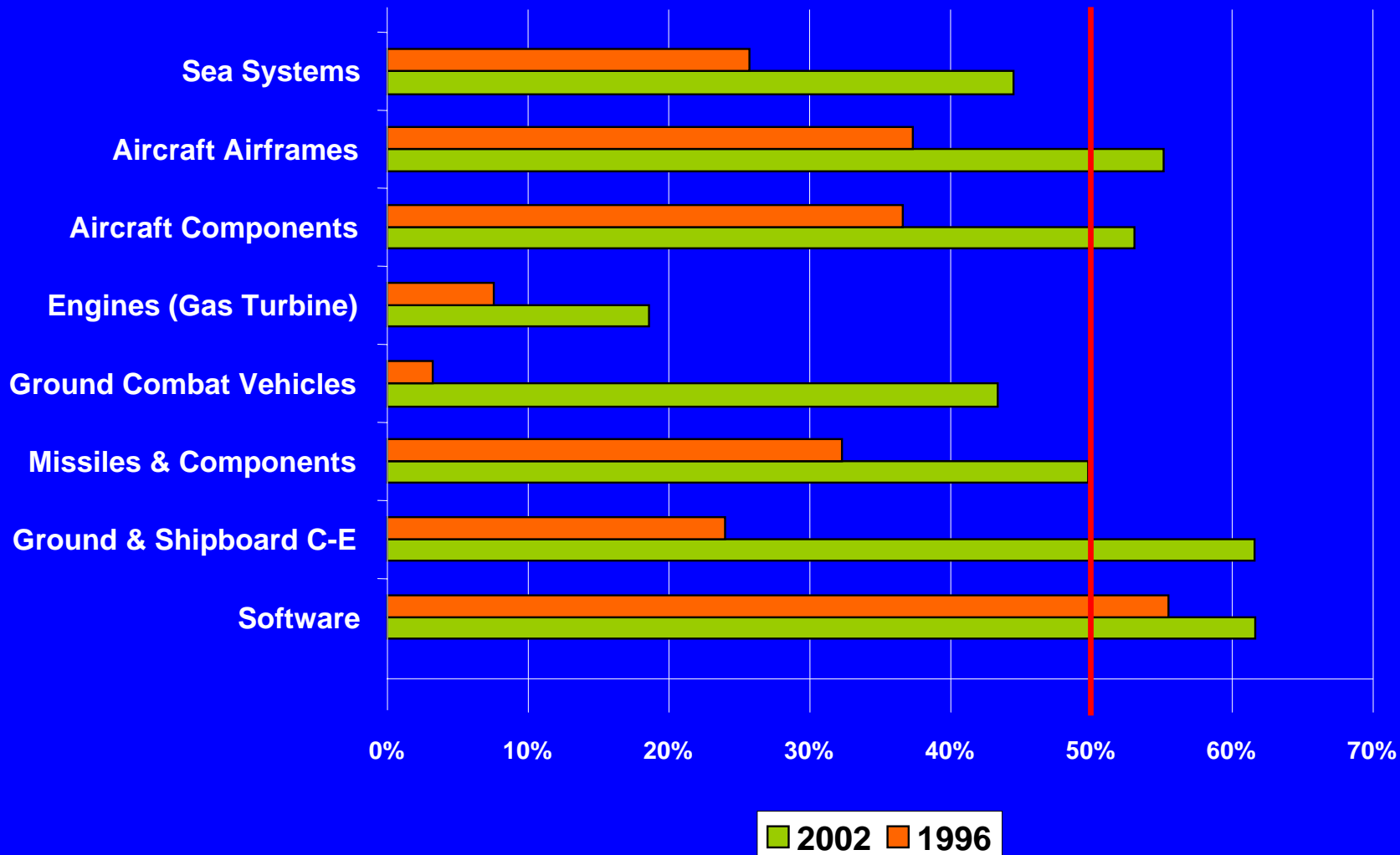


Source: Joint Depot Maintenance Activities Group

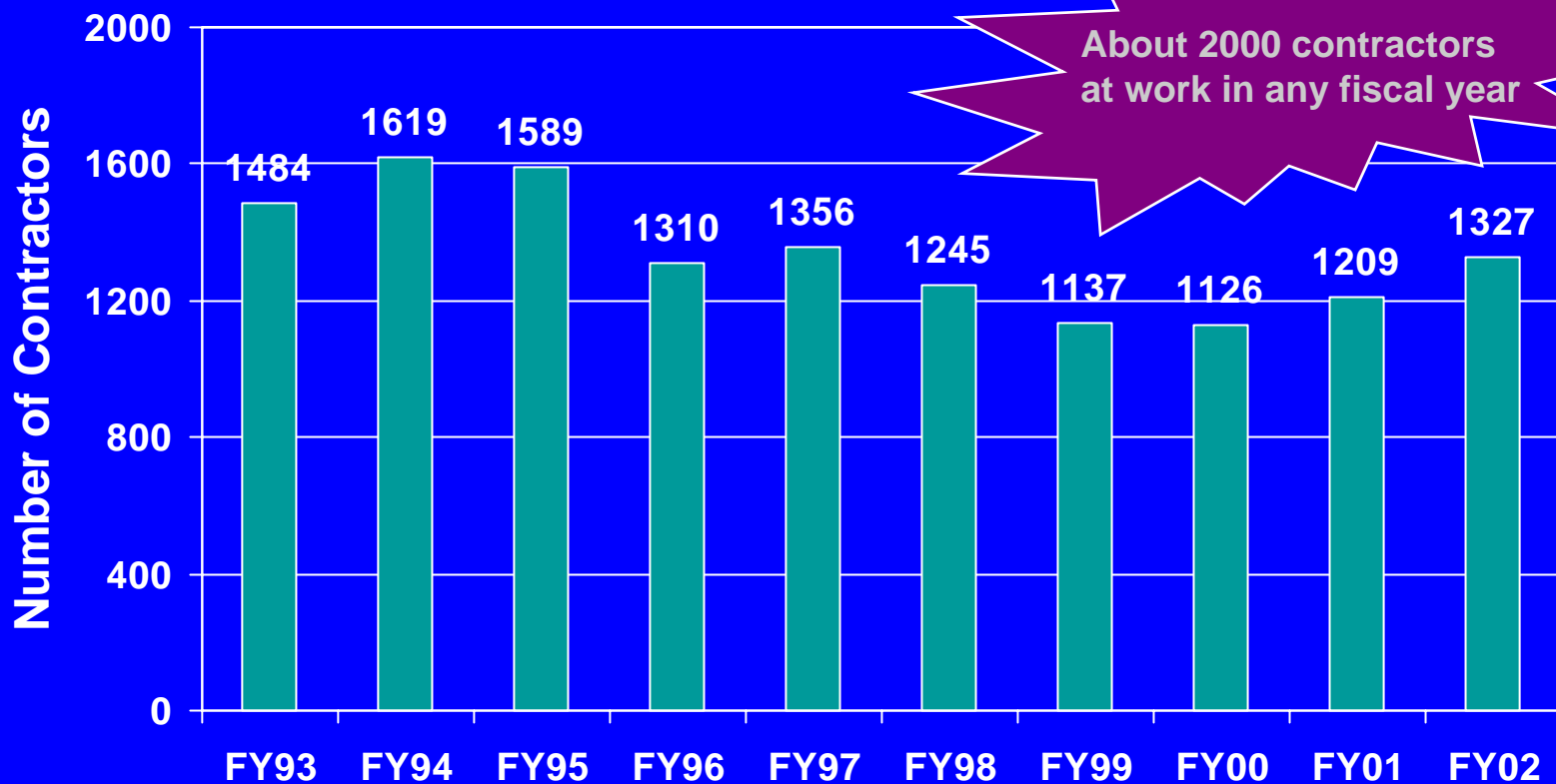
Depot Maintenance – Percent Contracted



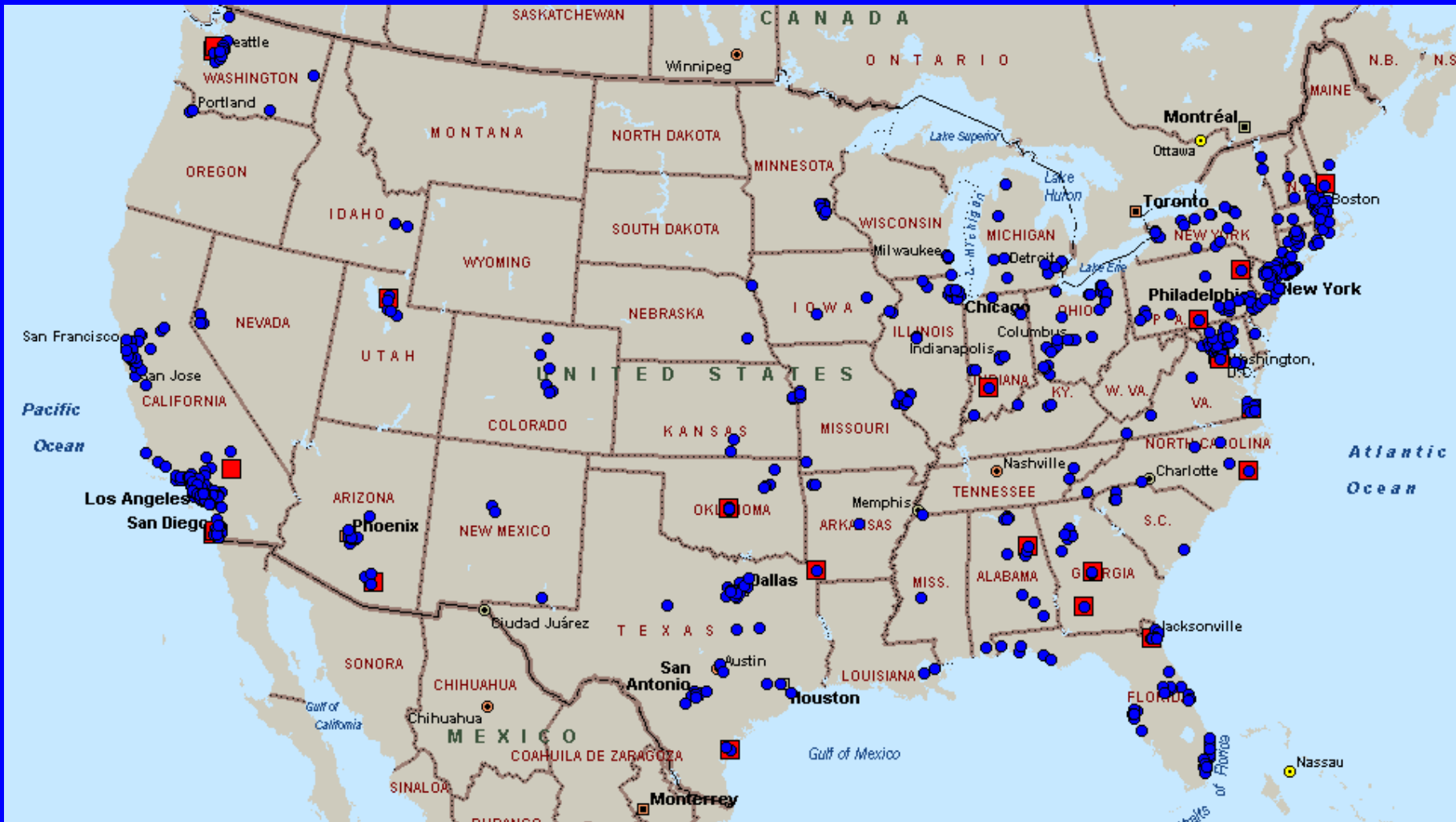
Commercial Depot Maintenance Workloads



Number of Depot Maintenance Contractors

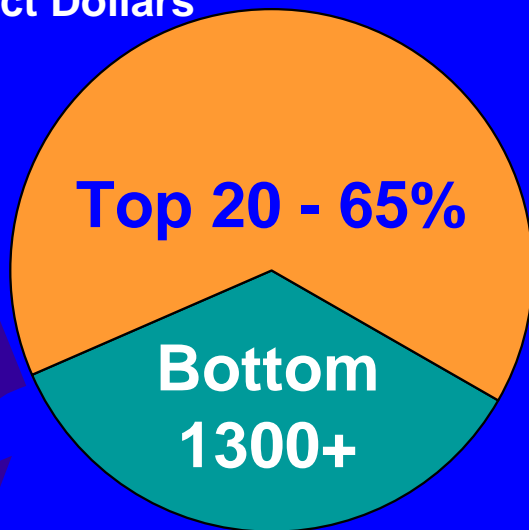


Contract Depot Maintenance Locations



Depot Maintenance Contractors

Distribution of
Depot Maintenance
Contract Dollars



*Top 20 continues as
dominant portion*

Top 10 Depot Maintenance Contractors*

| | |
|-----------------------|---------|
| Boeing | \$ 809M |
| United Technologies | \$ 357M |
| United Defense | \$ 351M |
| General Dynamics | \$ 293M |
| Honeywell | \$ 282M |
| Lockheed Martin | \$ 202M |
| Northrop Grumman | \$ 115M |
| Todd Pacific Shipyard | \$ 112M |
| Sabreliner | \$ 48M |
| Parker Hannifin | \$ 43M |

*Parent and subsidiaries have been consolidated to the extent identifiable.

Noteworthy Issues

- Core depot maintenance capabilities
- “50/50” legislation
- Centers of Industrial & Technical Excellence
- Workforce composition & A-76 characterization
- Single source contracting
- Contractors in the workforce & on the shop floors
- Contractors on the battle field
- Reshaping maintenance infrastructure with BRAC and outsourcing
- Product support – Performance-based Logistics (PBL) Support

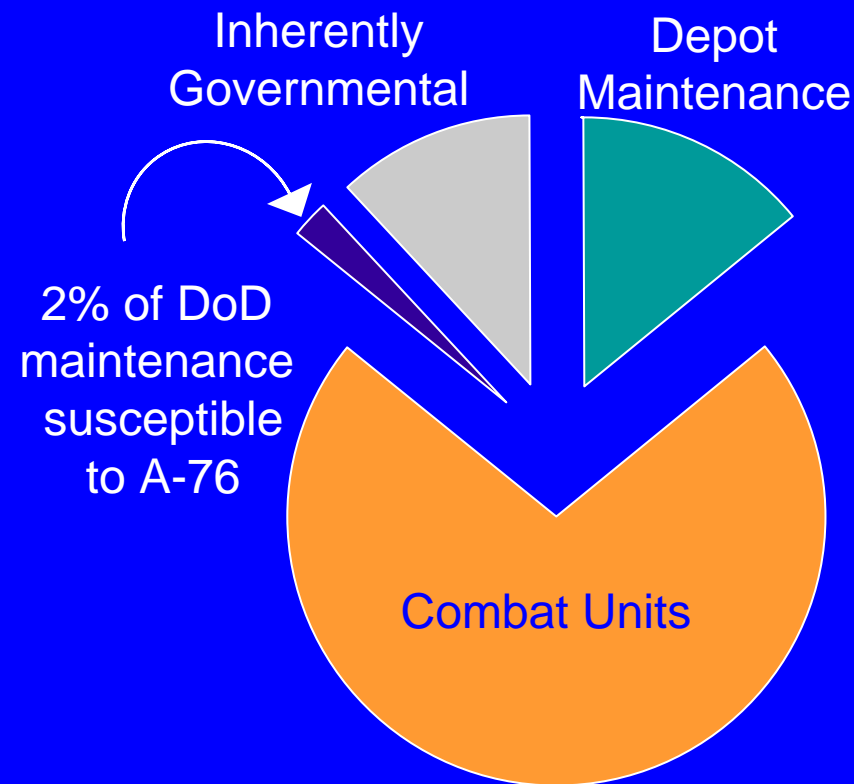


Approaches to Contracting

- A-76 Cost Comparisons
- Public-private Competitions
- Public-private Partnerships & Teaming



A-76 Maintenance Contracting



- Direct Conversions & Cost Studies - Commercial Activities
- Often an expensive, time-consuming process
- Historic 30% cost savings claimed
- Exclusions include . . .
 - Inherently governmental
 - Core depot maintenance
- Maintenance successes
 - Flight training
 - Transient Alert

Public-Private Competitions

- Grew out of DMRD efforts in early 90s
- Flurry of competitions - results . . .
 - Winners - about even public vs private winners
 - Lots of complaints - lots of oversight effort
- Suspended 1994 - but Congress backed
- Now OK in law & policy- but no action
- Probably not in play at this time

Why Partnerships?

DoD will seek to define new models of public-private partnerships to improve performance.

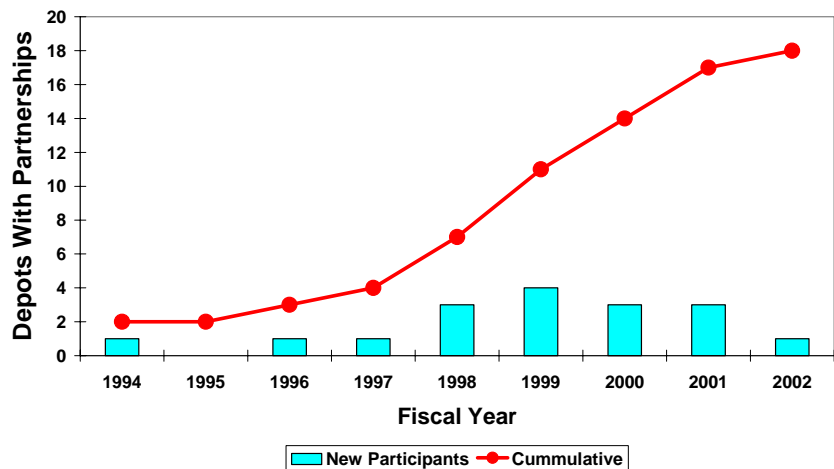
Quadrennial Defense Review

DoD shall use public-private partnerships for depot maintenance.

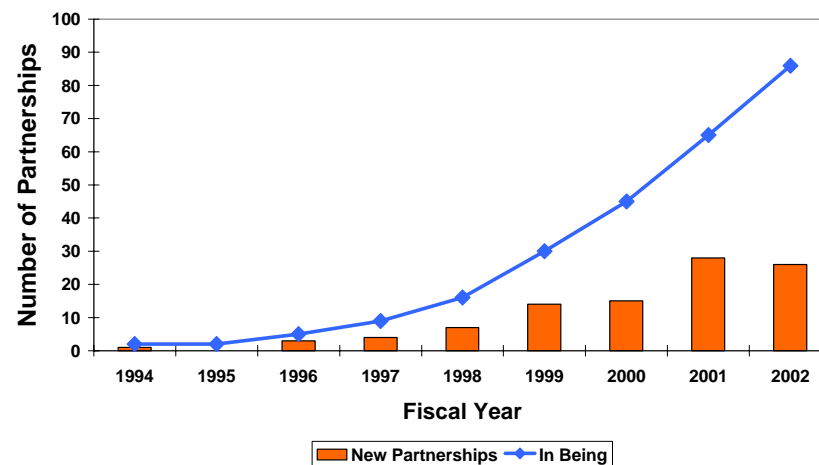
DUSD(L&MR)

Depot Maintenance Public-Private Partnerships

Growth in Partnering Depots

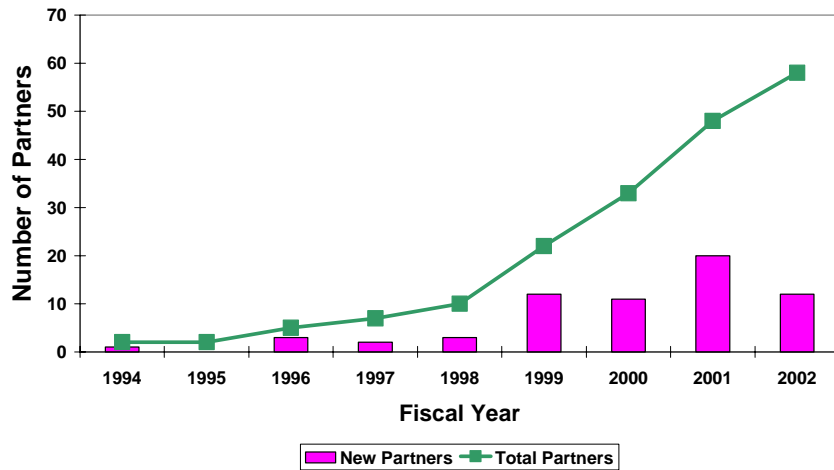


Growth in Partnerships

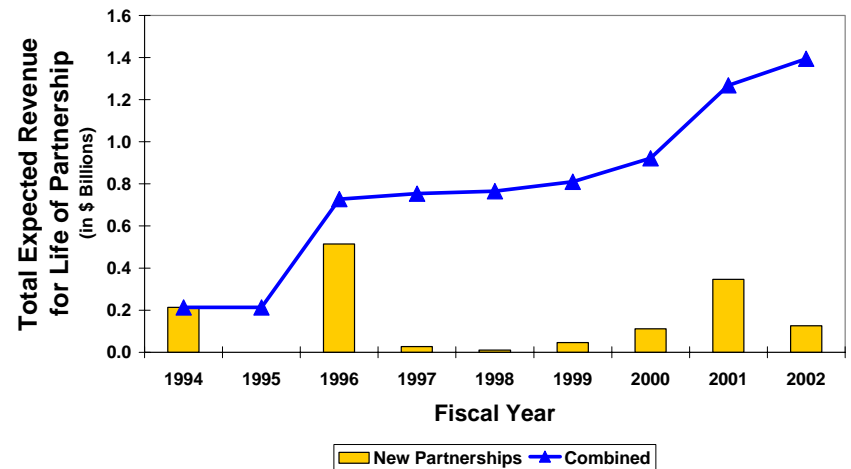


Depot Maintenance Public-Private Partnerships

Growth in Partners



Growth in Revenues



Depot Maintenance Partnership Benefits

Salient Examples

Number of Partnerships Having the Following Benefits

- 51 Product Support Improvement
- 42 Increased Facility Utilization
- 26 Improved Business Practices / Technology
- 15 Identifiable Cost Avoidance

Many Partnerships Have Identified More Than One Type of Benefit

Auxiliary Power Units

- Requisition fulfillment time reduced from 35 days to 6½ days worldwide
- Supply availability increased from 65% to 95%
- Repairs awaiting parts reduced from 232 to zero

JSTARS

- MC rate increased from 65% to 85%
- Critical parts turn-around time reduced from weeks/months to days

LANTIRN

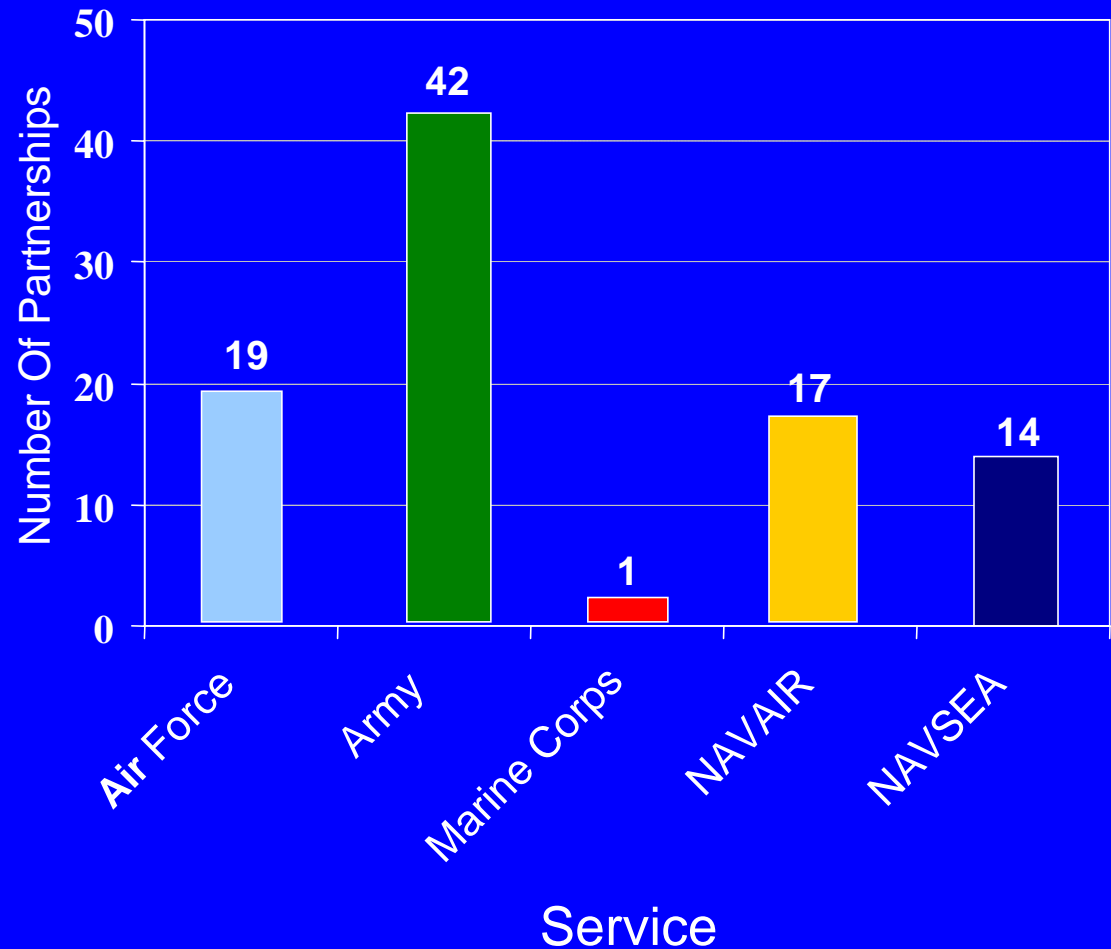
- Average repair time reduced from 86 days to 21 days
- Experiencing the highest MC rates in LANTIRN's history

Summary

- Contract maintenance – an \$11B program
- Future: appears there will continue to be some growth
- Larger companies dominate business
- Still a lot of single source contracting
- Partnering offers new opportunities
- BRAC could be an influence

Maintenance Partnering

- 93 partnerships
- Total value ~ \$7B
- Job impact ~ 5,500
- Core capabilities



Single-Source DM Contracting Trends

