

# **DOD Depot Strategic Planning Issues: Past, Present and Future**

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# Introduction and Briefing Agenda

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- Depot issues identified in past GAO products that impact DOD depot maintenance planning.
- Current depot planning issues.
- Observations on future needs for depot strategic planning.

# Depot Issues Identified in Past GAO Products That Impact Strategic Planning

- The absence of DOD depot modernization during the late 1980's and 1990's or regeneration of an aging workforce seriously eroded DOD depot maintenance capability and undermined the intended role of the depots for future logistics support planning.
- While DOD policy encouraged and even required program offices to use some type of contractor logistics support arrangement, the future of DOD depots was promoted by legislation that, conversely, requires the retention of core logistics capability, the limitation of the amount of funding for depot maintenance work performed by contract, and-- most recently--investment of six percent of depot sales on improving depot infrastructure.
- DOD's lack of effective strategic planning for its depots reflected the lack of a clear picture of how DOD intends to use its organic depot capability in the future, despite the depot legislation protecting it.

# Depot Issues Identified in Past GAO Products That Impact Strategic Planning

- Depot closures and realignments resulting from previous BRAC decisions were painful but provided the impetus and funding needed to achieve downsizing and transformation
- Some DOD BRAC implementation solutions, such as privatizing existing depot workloads, gutting a depot but leaving it open, and delaying depot closures, were not the most cost-effective options.
- While partnerships with the private sector have helped improve depot operations and, in some cases, have brought new technology work to DOD depots, it is unclear to what extent depot partnerships will or should be used in future depot planning.
- To varying degrees, the DOD depots have improved operational performance indicators, such as by reducing repair cycle times, as a result of their implementation of various reengineering and transformation initiatives.

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# Depot Issues Identified in Past GAO Products That Impact Strategic Planning

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- All service depots have experienced large increases in the cost of repair parts, and parts availability issues are still problematic—making partnerships with contractors that provide parts more attractive.
  - Competition for contracted depot maintenance work is limited and should be encouraged because it reduces costs.
  - Private sector companies do not use performance-based logistics at the system platform level, as DOD has promoted it, because it limits depot maintenance competition and fails to promote the acquisition of common subsystems and components across fleet lines.
  - Performance-based logistics arrangements are being used differently among the military services, and it is unclear how much of DOD's maintenance work will or should be managed using these arrangements in the future.
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# Depot Issues Identified in Past GAO Products That Impact Strategic Planning

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- The military departments, and particularly the Air Force, are getting closer to the 50-percent limit on depot maintenance funding for contractor work and management of the 50-50 problem is mixed.
- DOD puts more emphasis on its compliance with 50/50 legislative requirements than on its compliance with a core process. Moreover, the nature of the depot maintenance business makes it increasingly harder to accurately account for the balance of depot maintenance funding between the public and private sectors.
- While DOD's most recent strategic planning document showed some improvements over earlier documents, it does not represent the comprehensive, well-vetted planning document requested by Congress. Much has been left for the services to provide.

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# Current Depot Planning Issues

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- Workload
- Workforce
- Operational Performance
- Financial Performance
- Capacity Utilization
- Capital Investment
- Depot Improvement Initiatives
- Strategic Planning

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## Observations on Future Needs for Depot Strategic Planning

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- The depots are at a crossroads
- The depots continue to be more closely tied to the past than to the future, and it is unclear to what extent this is to change. If the depots are to be viable supporters of future military systems:
  - The establishment of core capability in the depots for new systems is essential. But this is not likely to happen without (1) the effective implementation of a strategic core process; (2) the implementation of other improvements to the core process and to the source-of-repair process; (3) the commitment and financial support of the acquisition community.

# Observations on Future Needs for Depot Strategic Planning

- A meaningful vision of how the depots are to be used in the department's future support posture must be integrated into DOD's overall corporate planning, programming, and budgeting.
- If use of system-level PBLs are to grow, a more effective process is needed to ensure that core workloads managed by private-sector product support integrators are transitioned to the military depots.
- Continuous process improvement initiatives must continue but with greater focus, structure, and accountability.
- Timely completion of the depot strategic plans and adequate vetting of these plans with all appropriate stakeholders are an essential ingredient to the implementation of a viable military depot system that is poised to support future operational requirements.