

DoD Maintenance Symposium Depot Maintenance Cost Growth October 2008



Dr. John Gray
Deputy Commander
Letterkenny Army Depot



NSF-ISR ISO 9001 Registered

NSF-ISR ISO 14001 Registered

NSF-ISR

LETTERKENNY ARMY DEPOT



Chambersburg, PA
4 miles off I-81



55 miles south of
Harrisburg, PA

110 miles north of
Washington, DC

Largest Defense Installation in PA

LETTERKENNY ARMY DEPOT

NSF-ISR ISO 14001 Registered

NSF-ISR ISO 9001 Registered

Aviation & Missile Command



Special Operations Command



TACOM Life Cycle Mgt Command



Armor Projects



Joint PEO-Chemical Biological Defense

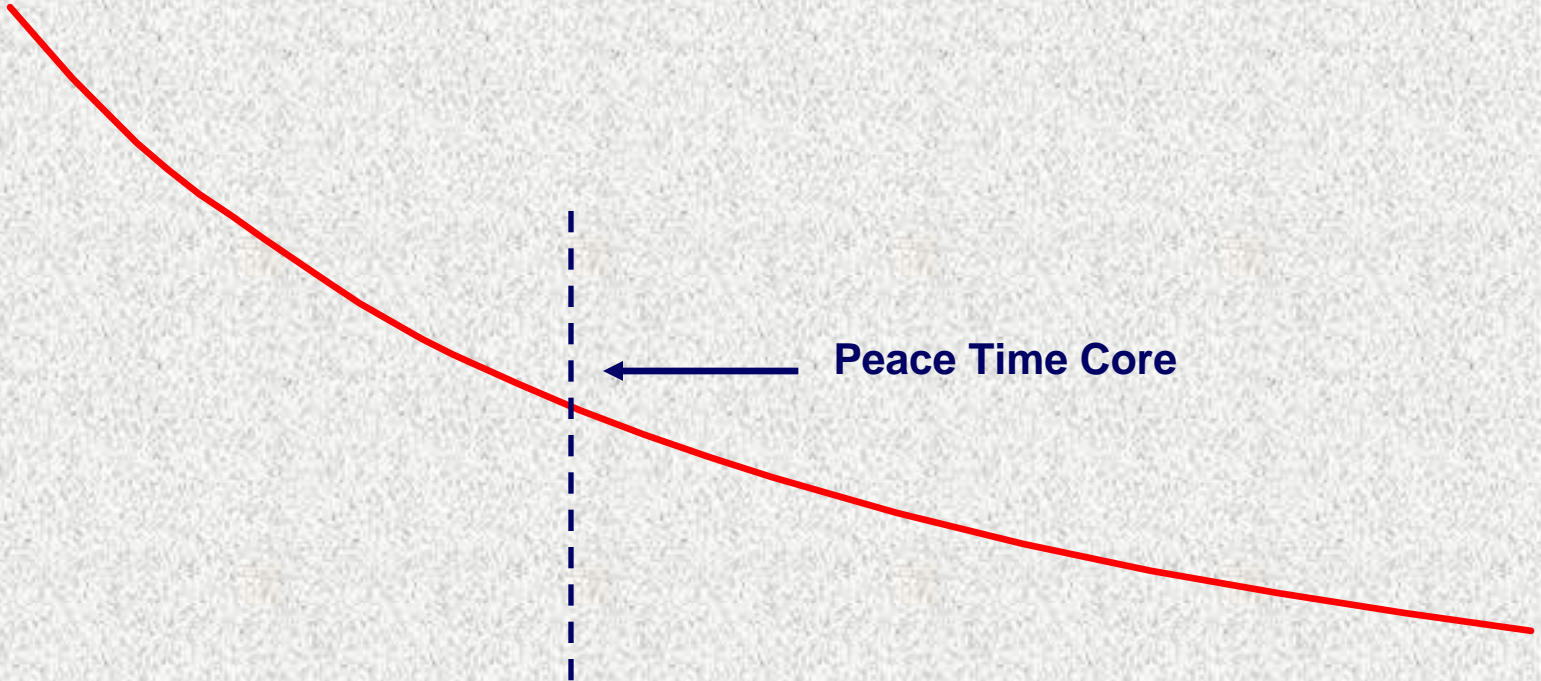


Communication Electronics Command



Cost of Production Curve

Labor Rate (\$ per DLH)

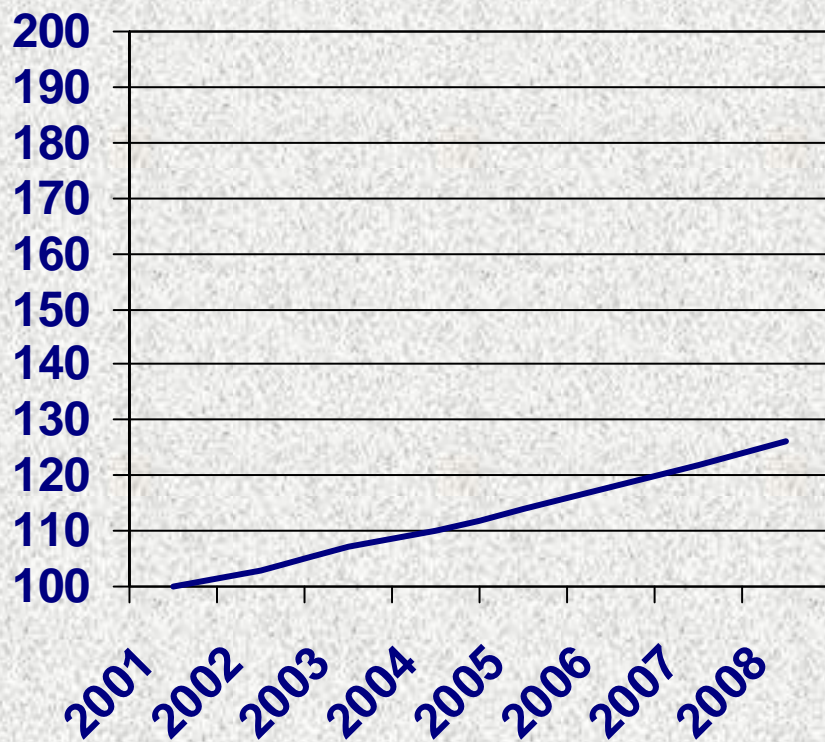


Direct Labor Hours

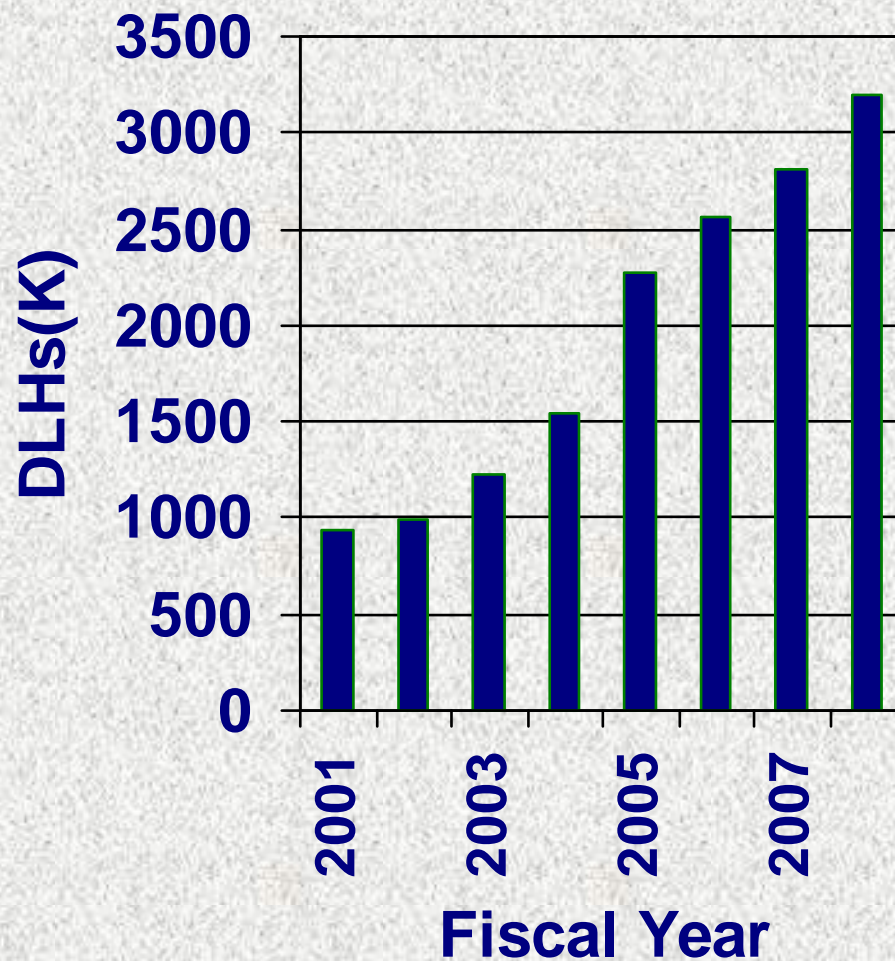


A Little History

Standard Inflation

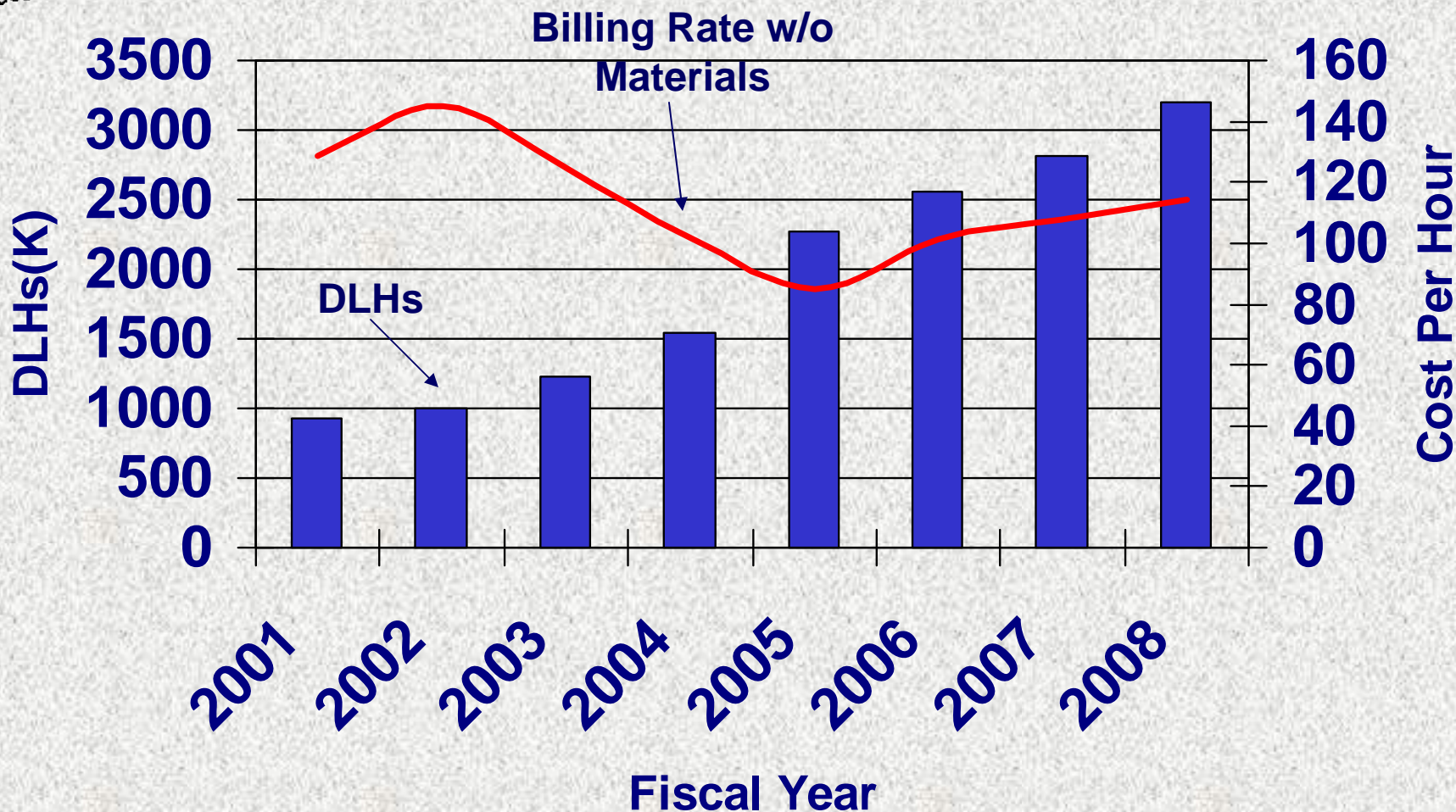


Actual DLHs



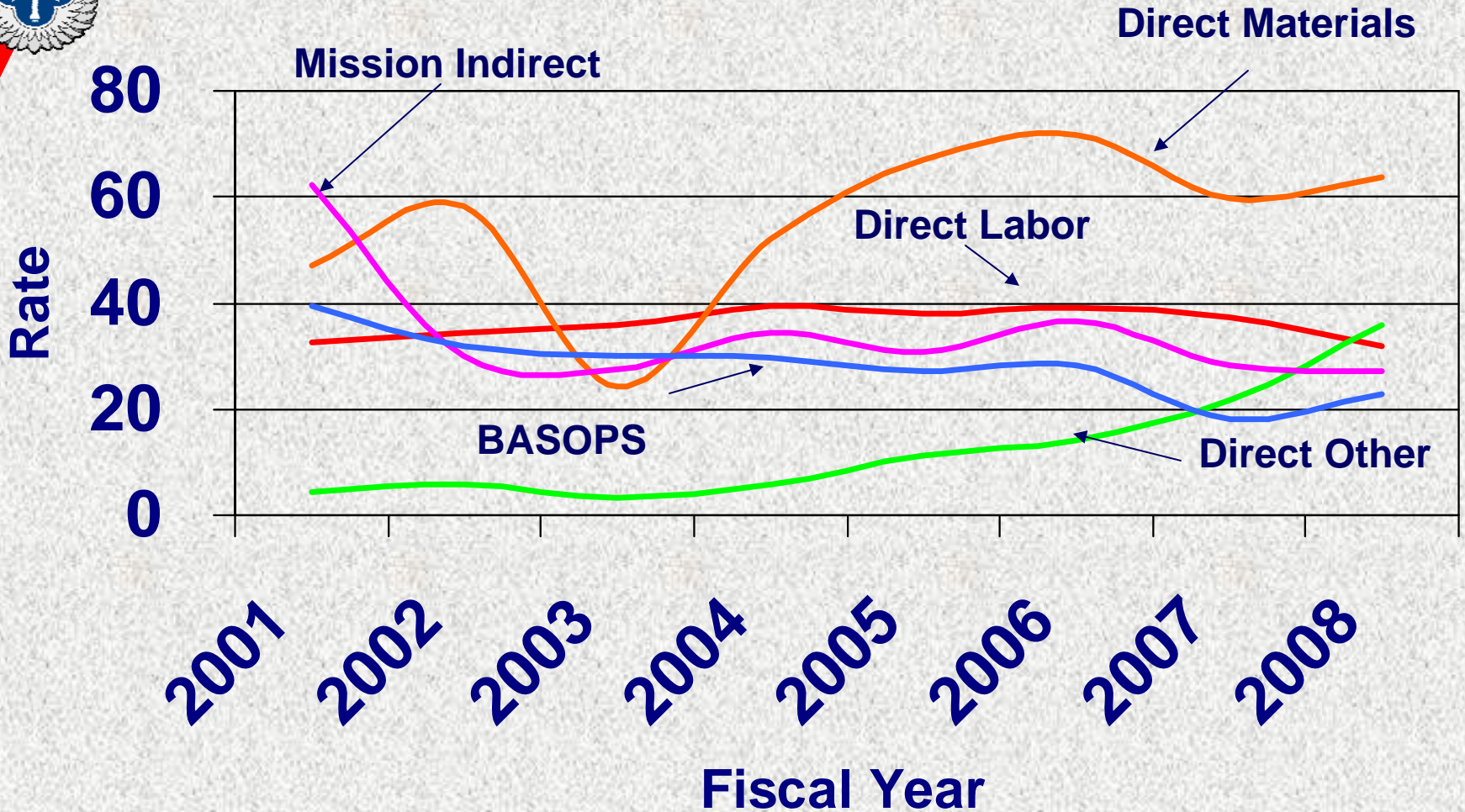


Billing Rate/Direct Labor Hours



What is in the Rates:

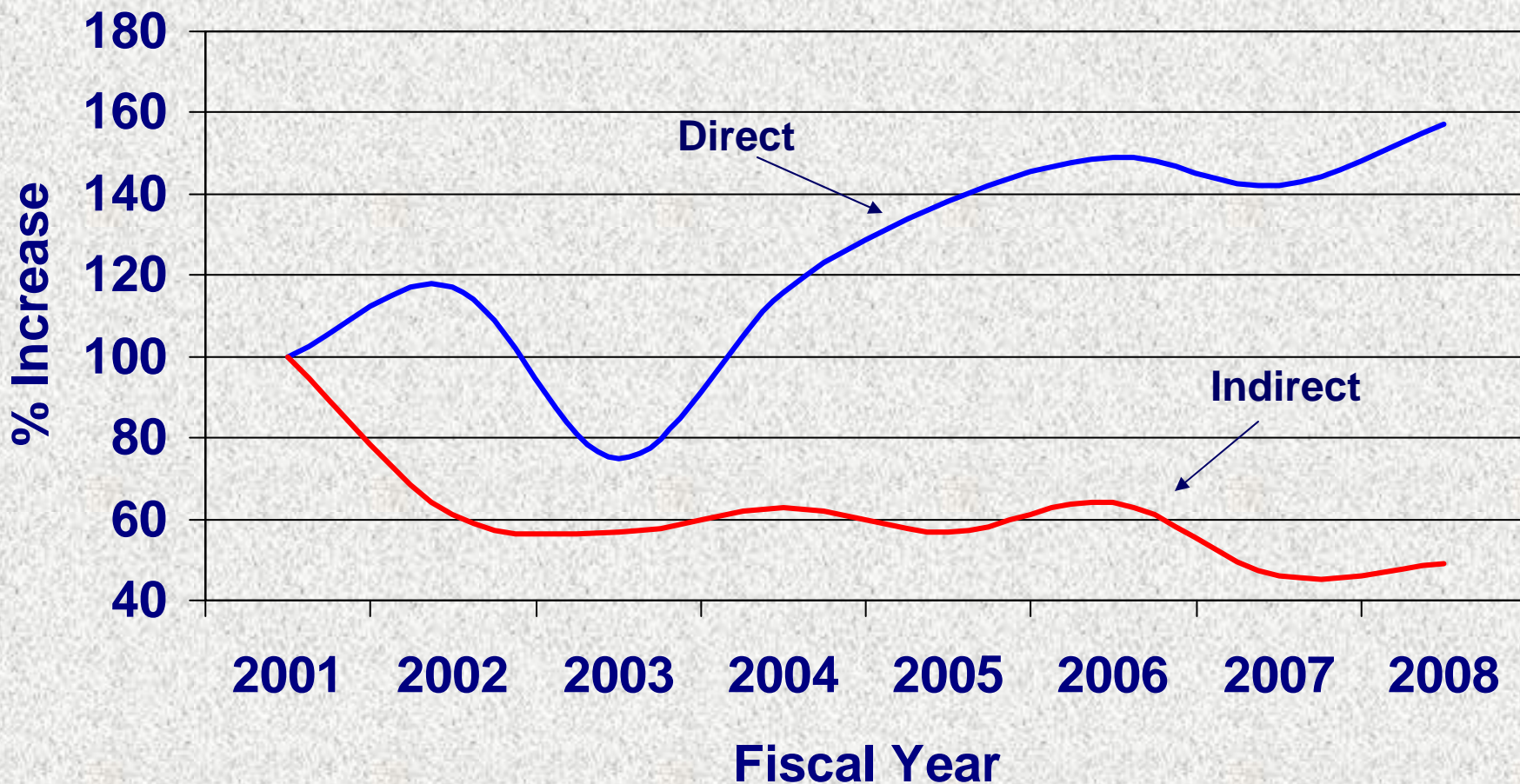
Base Year 2008 \$





Direct to Indirect Billing Rate

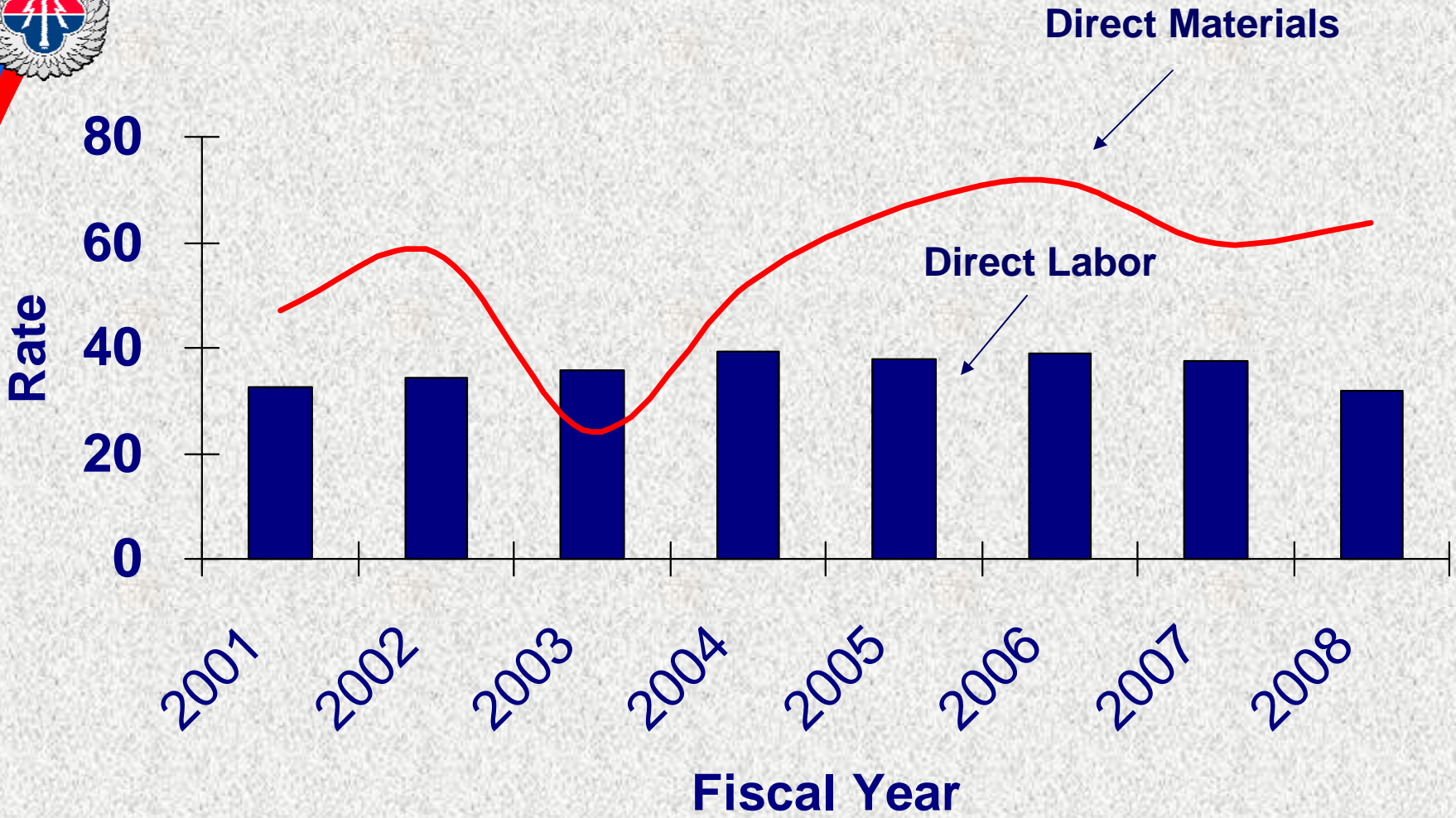
ISO 9001
ISO 14001
NSF-ISR





Direct Labor/Direct Materials

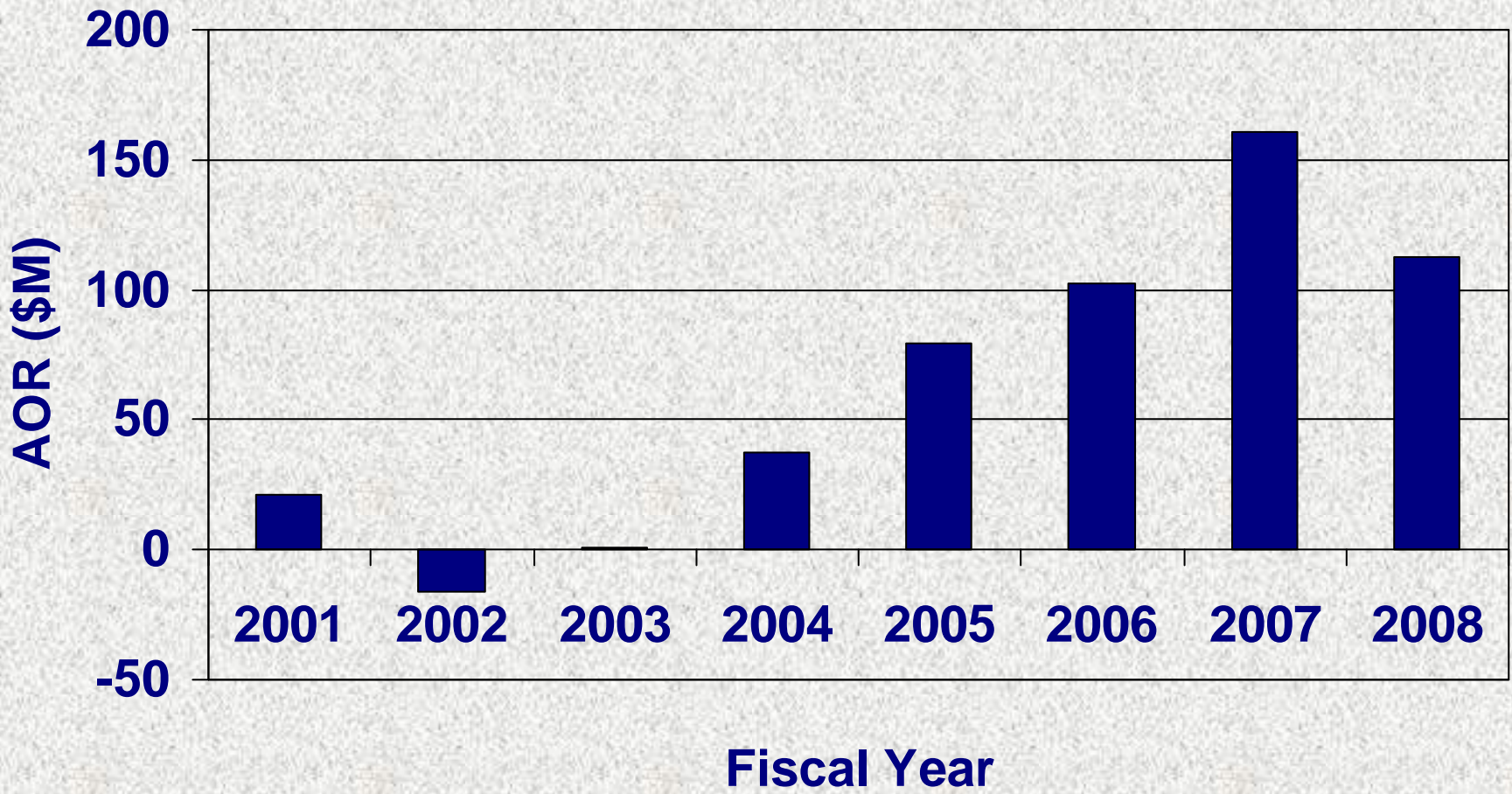
Base Year 2008 \$





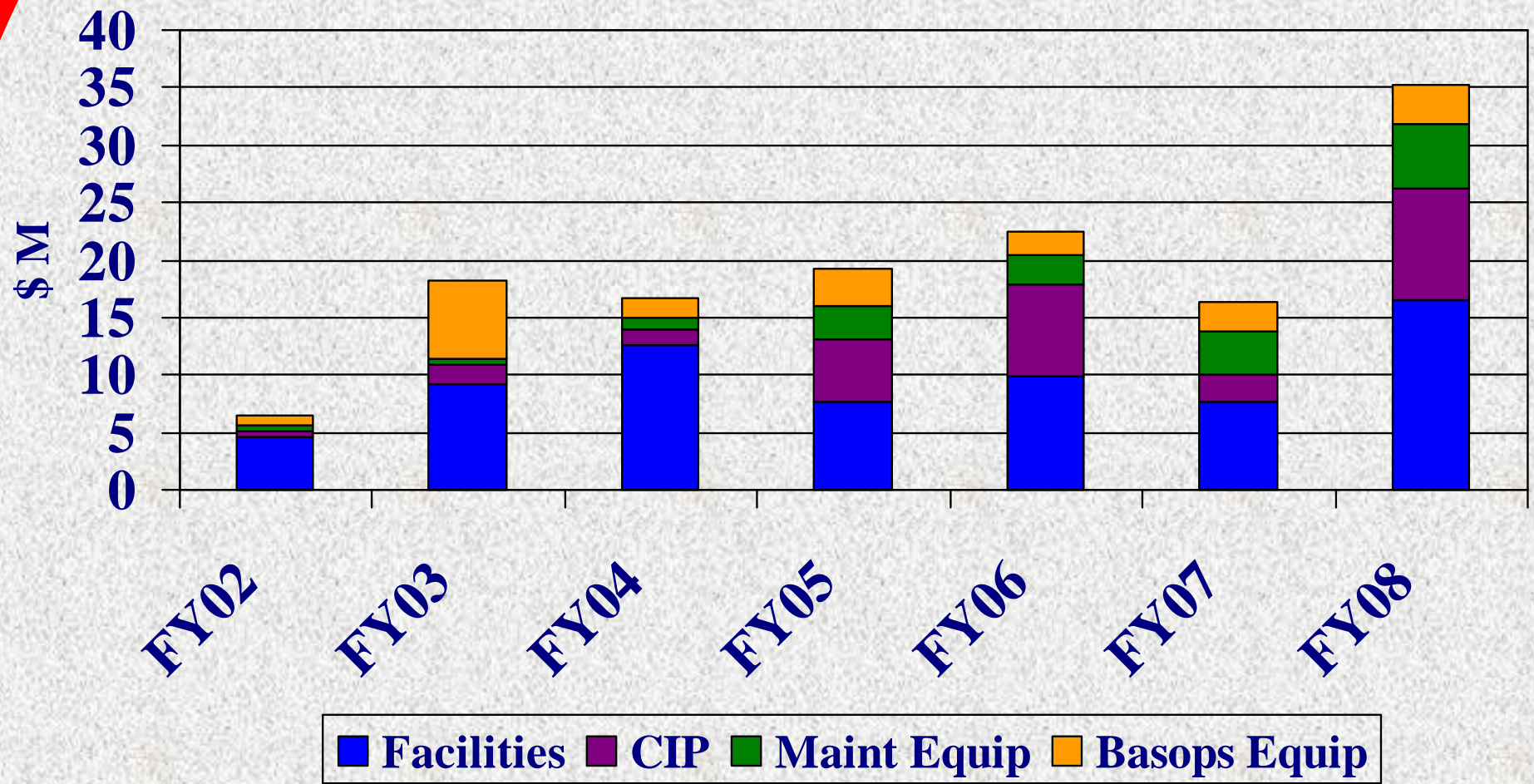
Accumulated Operating Result (AOR)

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LEAD Investments



External Cost Drivers

- **Recapitalization**
 - HUMVEE Recap CP
 - $\pm \$22,000 = \$137/\text{hr}$
- **Tax greater than inflation**
 - HQAMC = 231%
- **New Cost drivers**
 - LMP = \$6.5 million



SUMMARY

- **Supplementals changed the rules, but no one noticed**
- **Basic economics actually work**
- **Cost per hour is poor measure**
- **Run the business as a business**