# Fiscal Year 2009 National Defense Authorization Act, Section 322

# Study of Future DoD Depot Capabilities

Update for the DoD Maintenance Symposium
Monday October 26, 2009
Phoenix, Arizona

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# Goals For Today

- Set a context for the NDAA 322 Study – Situation, Risk, Analysis
- Review the NDAA 322 study requirement and status
- Provide insight into the study and its data structure
- Offer some preliminary topical areas for discussion[1]
- Discuss path forward

[1] **All data provided in this brief is for Maintenance Symposium discussion purposes only.**

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# Situation

- Force drawdown in Iraq and build-up in Afghanistan
- New “baseline” level of global operations
- Pressure on budget
- Acquisition strategies with commercial lead/PBLs
- Weapon systems/equipments composition changes

**Risk**

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# HASC View

The committee believes that when wartime operations in the Republic of Iraq and the Islamic Republic of Afghanistan cease, and supplemental appropriations for depot-related maintenance are reduced, DOD depots must not return to the post-Cold War environment where public- and private-sector facilities fought for limited available workload to the detriment of both.

From: *House Report 110-652, Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Report of the Committee on Armed Services House of Representatives on H.R. 5658 together with Additional Views (Including cost estimate of the Congressional Budget Office), 16 May 2008, page 333.*

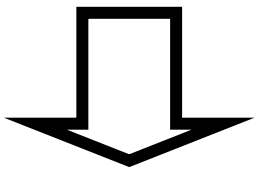
# Risk

- Funding reduction leads reqmt reduction

  Optempo

  Reset

- Baseline program not resourced properly within budgets
- Downsized defense industrial base
- Change in level and role of contractors



**Readiness**

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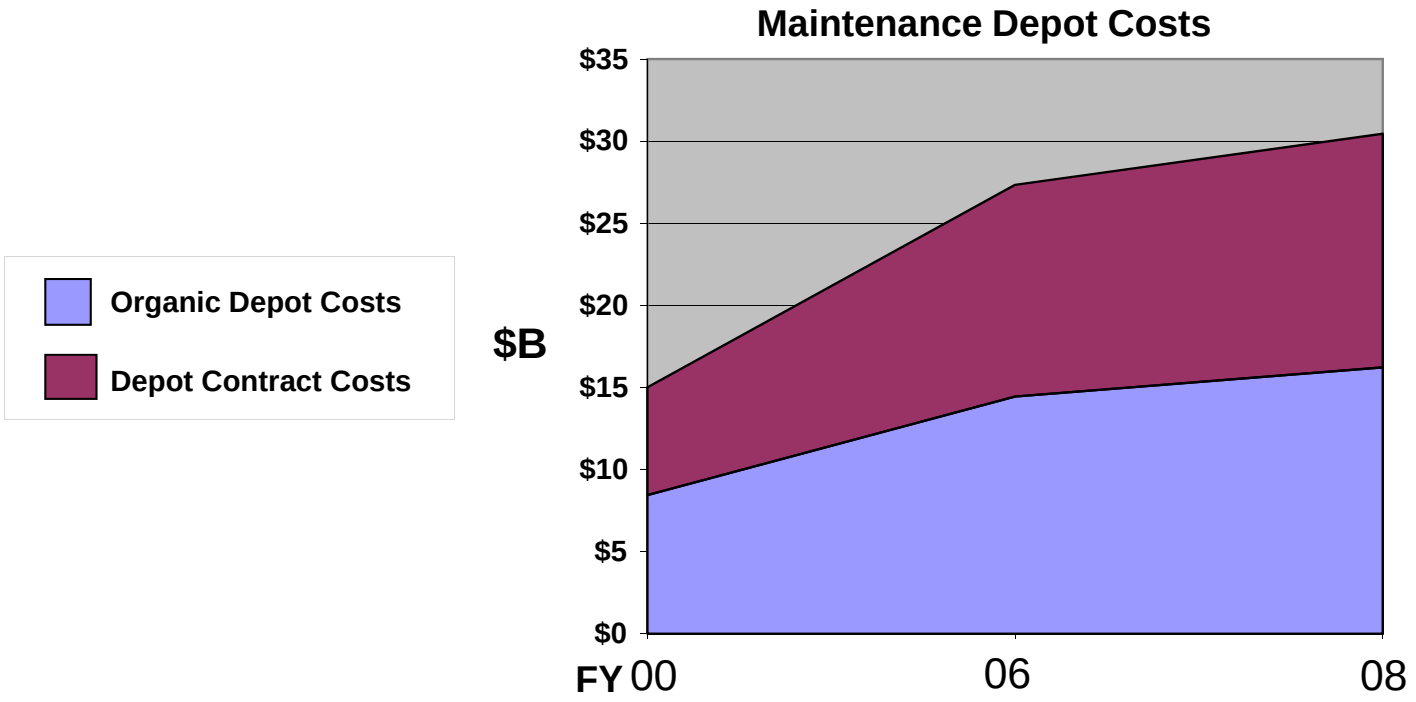
# Organic vs. Contract Costs

**Total depot costs have more than doubled in the past decade; Organic and contract costs have grown proportionate to total**




| $ Billions | FY00 | FY06 | FY08 | % Growth FY00-FY08 |
|---|---|---|---|---|
| Total Depot Cost | $15.0 | $27.3 | $30.5 | 103.3% |
| Organic Cost | $8.5 | $14.5 | $16.2 | 90.2% |
| Contract Cost | $6.5 | $12.8 | $14.3 | 120.5% |

Source: DoD 50/50 Reports

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# Analysis: 322 Study Requirement

- Assess

  Capability and efficiency of DOD depots to provide logistics capabilities and capacity necessary for national defense in post-reset environment

  Statutory and governance framework

- Execute via independent assessment

# 322 Study Requirement

- Describe

  Current and anticipated future depot maintenance requirement

- Recommend

  Requirements to maintain an efficient and enduring DOD depot capability

  Changes to law

  Methodology for determining core logistics requirements, including an assessment of risk

  Business rules that would incentivize the Secretary of Defense and the Service Secretaries to keep DOD depots efficient and cost effective, including the workload level required for efficiency

  Strategy for enabling, requiring, and monitoring the ability of the DOD depots to produce performance-driven outcomes

# 322 Study Approach

- 2 Phases
  - Research and data collection (12 months)
  - Analysis and report (10 months)
- Milestones
  - Interim Report to Congress
    - Analytical foundation of current environment
    - Due December 2009
  - Final Report to Congress
    - Direct input from SECDEF, Service Secretaries, etc.
    - Future environment, findings and recommendations
    - Due October 2010

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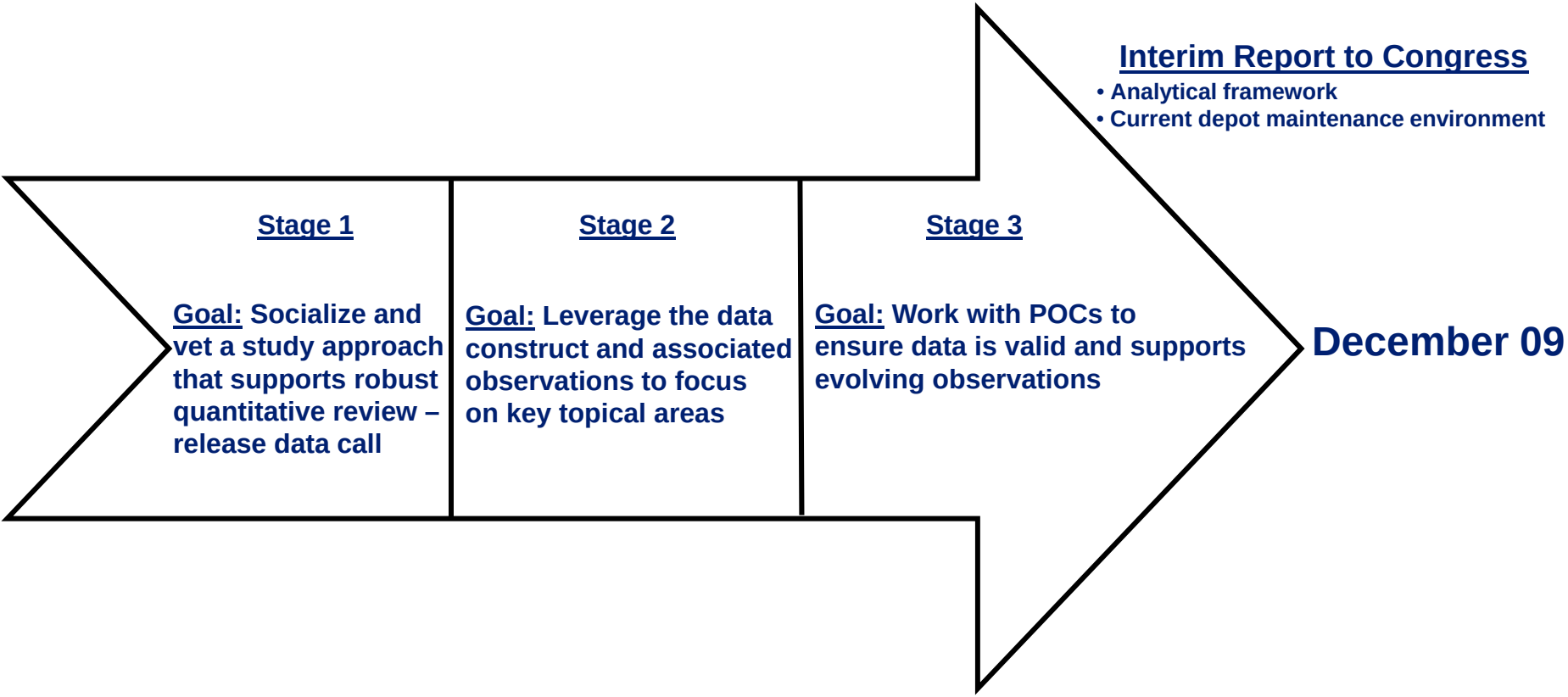
# 322 Study Approach: Phase One

- Phase I sequenced into 3 stages of activity – each with a specific goal




**The quantitative framework will provide background for qualitative recommendations**

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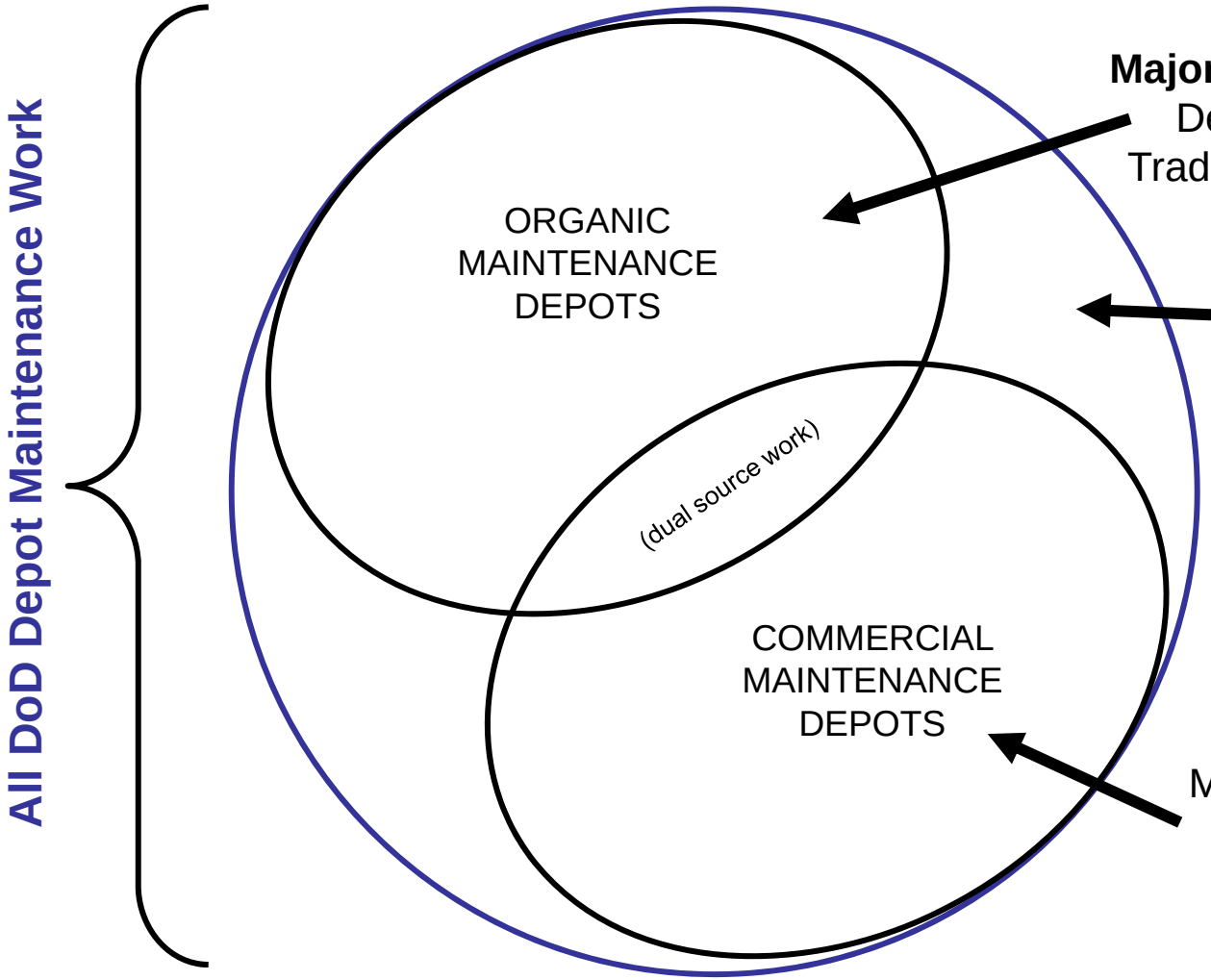
# 322 Study Focus




**Major Study Focus**: Organic Depot Maintenance at Traditional Depot Locations

**Some Focus**: Depot Maintenance performed at Non-traditional Locations (mostly organic)

**Less Focus:** Depot Maintenance at Traditional Commercial Locations

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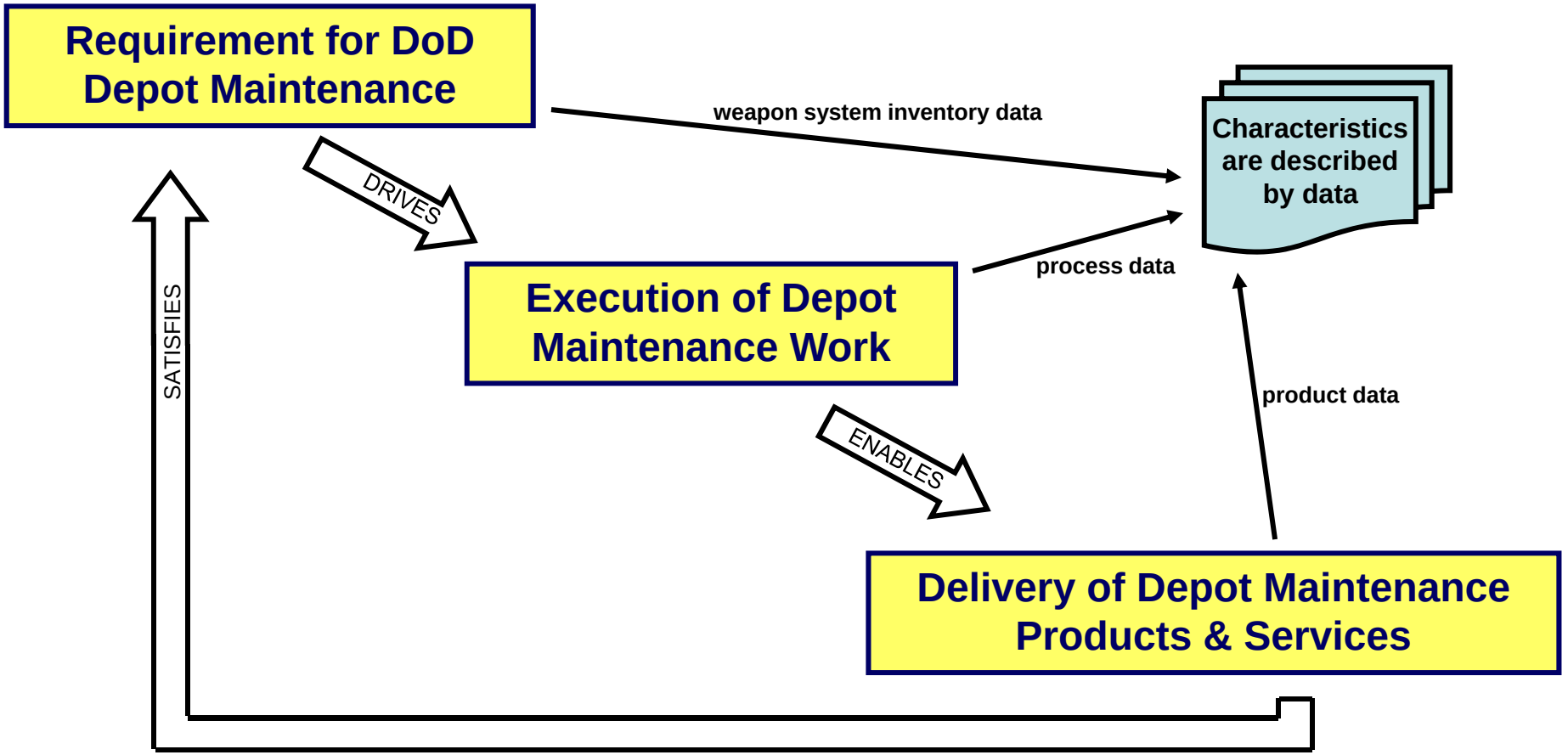
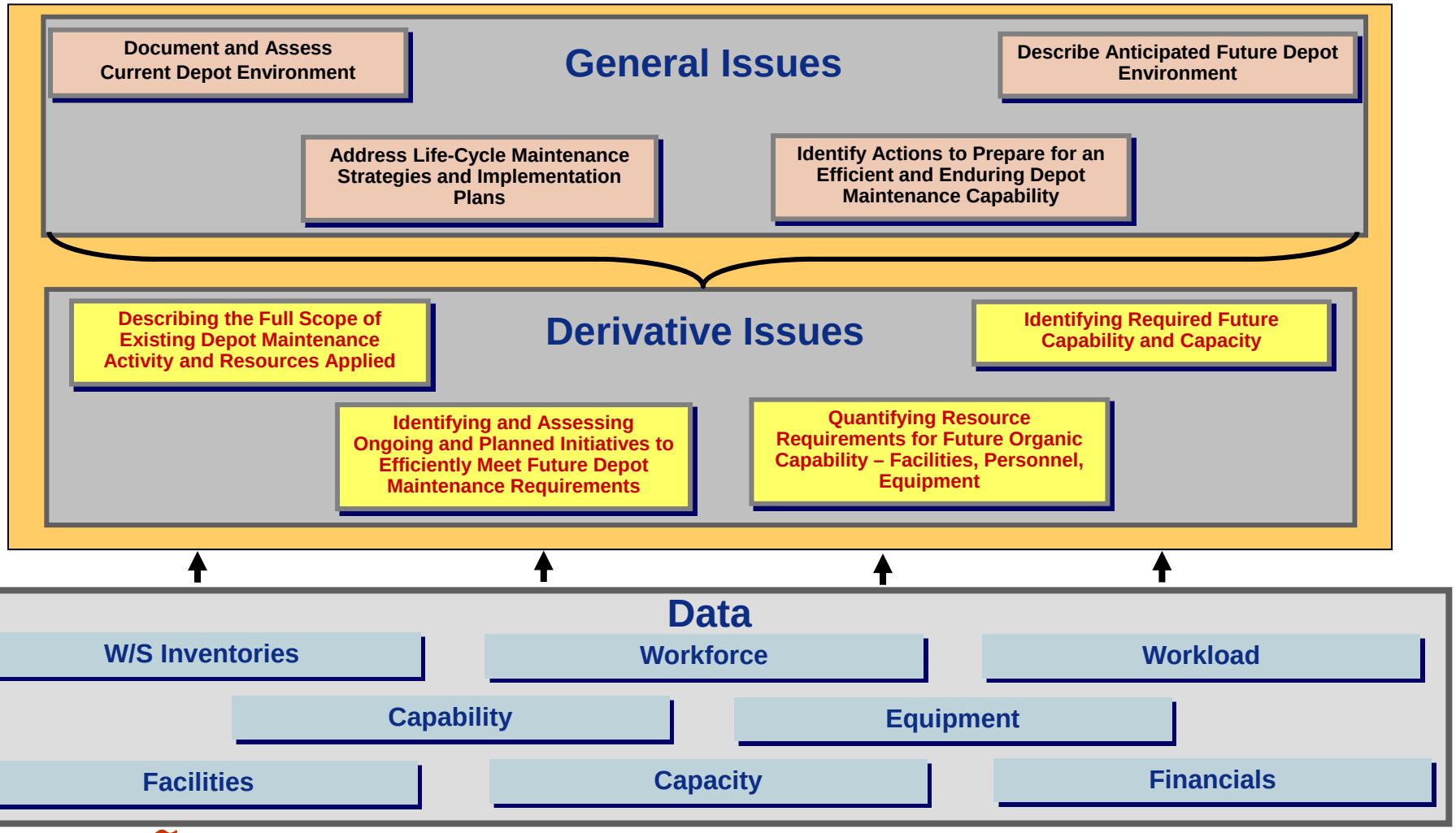
# Characteristics of DoD Depot Maintenance

- For study purposes, the aspects of DoD depot maintenance are described by these characteristics.
  - Characteristics of the requirement for depot maintenance
    - Historical & projected
  - Characteristics of depot maintenance workload execution
    - Historical & projected
  - Characteristics of the product(s) of depot maintenance
    - Historical & projected
- These characteristics are revealed by collecting and analyzing selected depot maintenance data
- Study horizon FY01-FY15

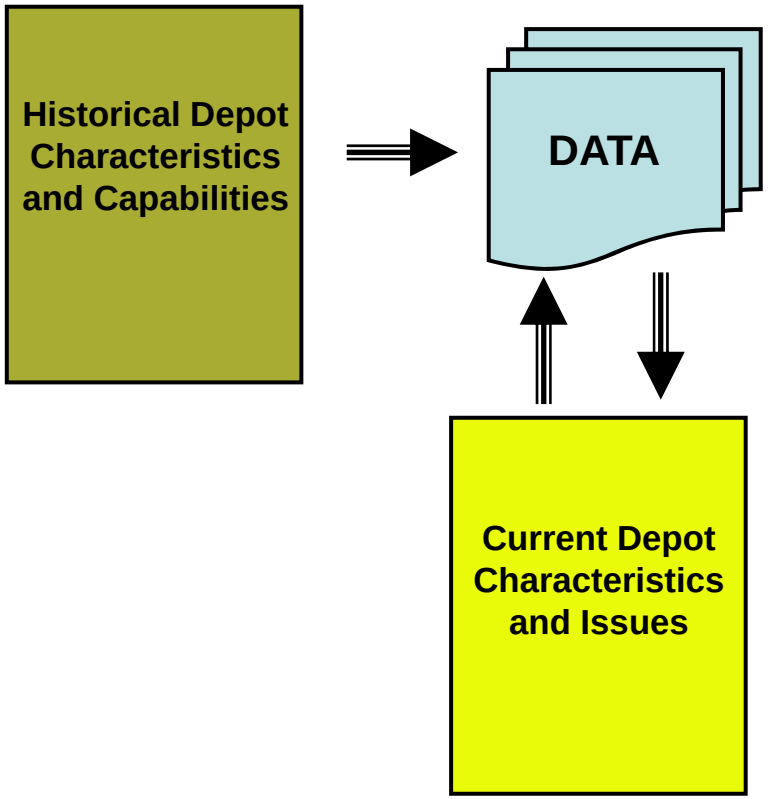
# Model for Structuring Data on These Characteristics



# Data and the Analytical Framework



# Analytical Framework




**ISSUE TOPICS**

- Operational environment & OPTEMPO
- Laws, regulations & business rules.
- Maintenance consolidation & forward positioning
- Workload projection & business operations
- Commercial depot support; PPP
- Life cycle product support; PBL; RCM; tech data; supply chain management
- Depot IT systems; workload management systems; ERP
- Workforce knowledge & skills
- Budgetary guidelines; financial reporting requirements
- Capital investment strategies
- Core capability determination
- 50/50 management
- Outcome-based performance objectives; performance-to-plan metrics

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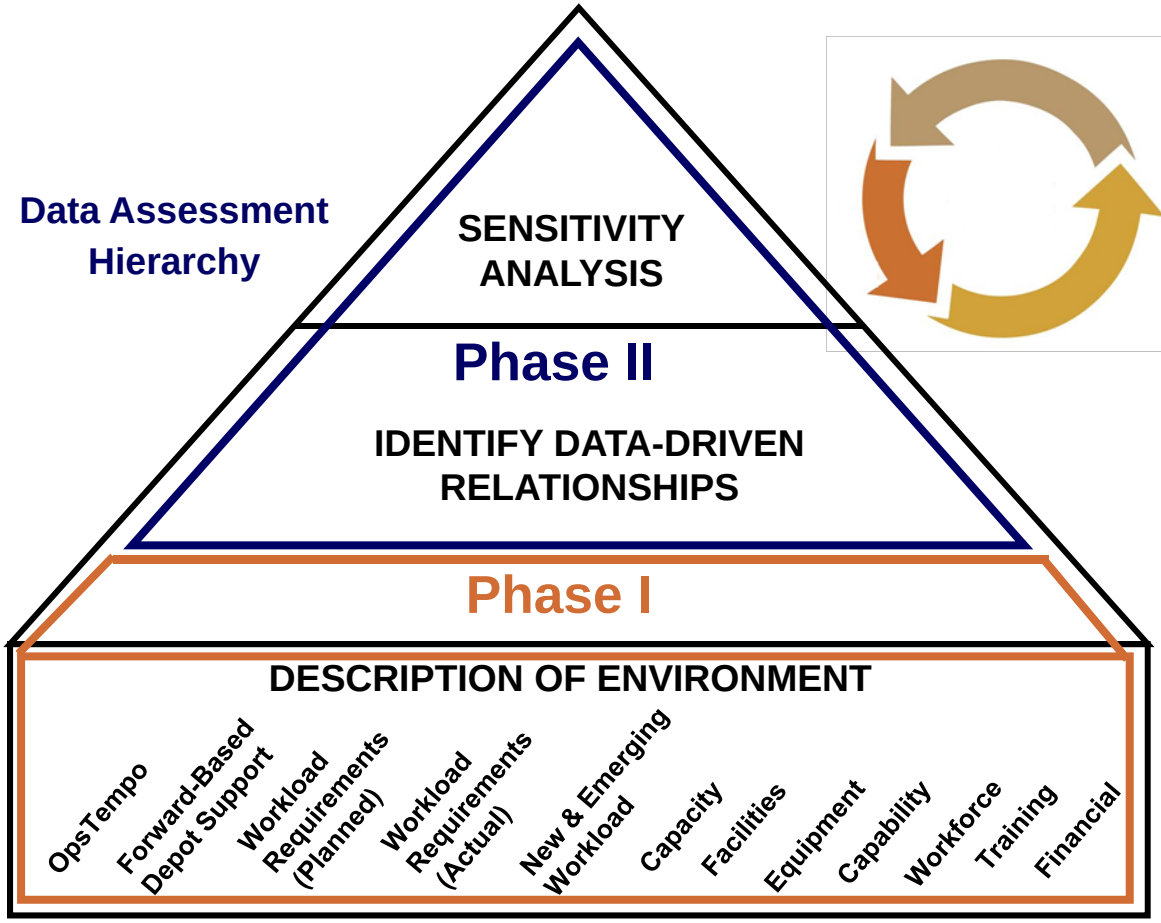
# Data Structure and Issue Exploration






**Issue Topics**

- Operational contingencies and organizational roles
- Applicable laws, regulations and business policies
- Depot Consolidation and forward positioning
- Business operations and workload projection
- Commercial support of depot maintenance.
- Performance Based Logistics
- Public-Private Partnerships
- Life cycle product support strategies.
- Supply Chain Management
- Condition Based Maintenance
- Reliability Centered Maintenance
- Proprietary Technical Data
- Maintenance information technology systems,
- Workforce skills
- Reporting requirements and budgetary guidelines
- Capital investment strategies.
- Core capability determination
- 50/50 calculations
- Materiel readiness and performance goals

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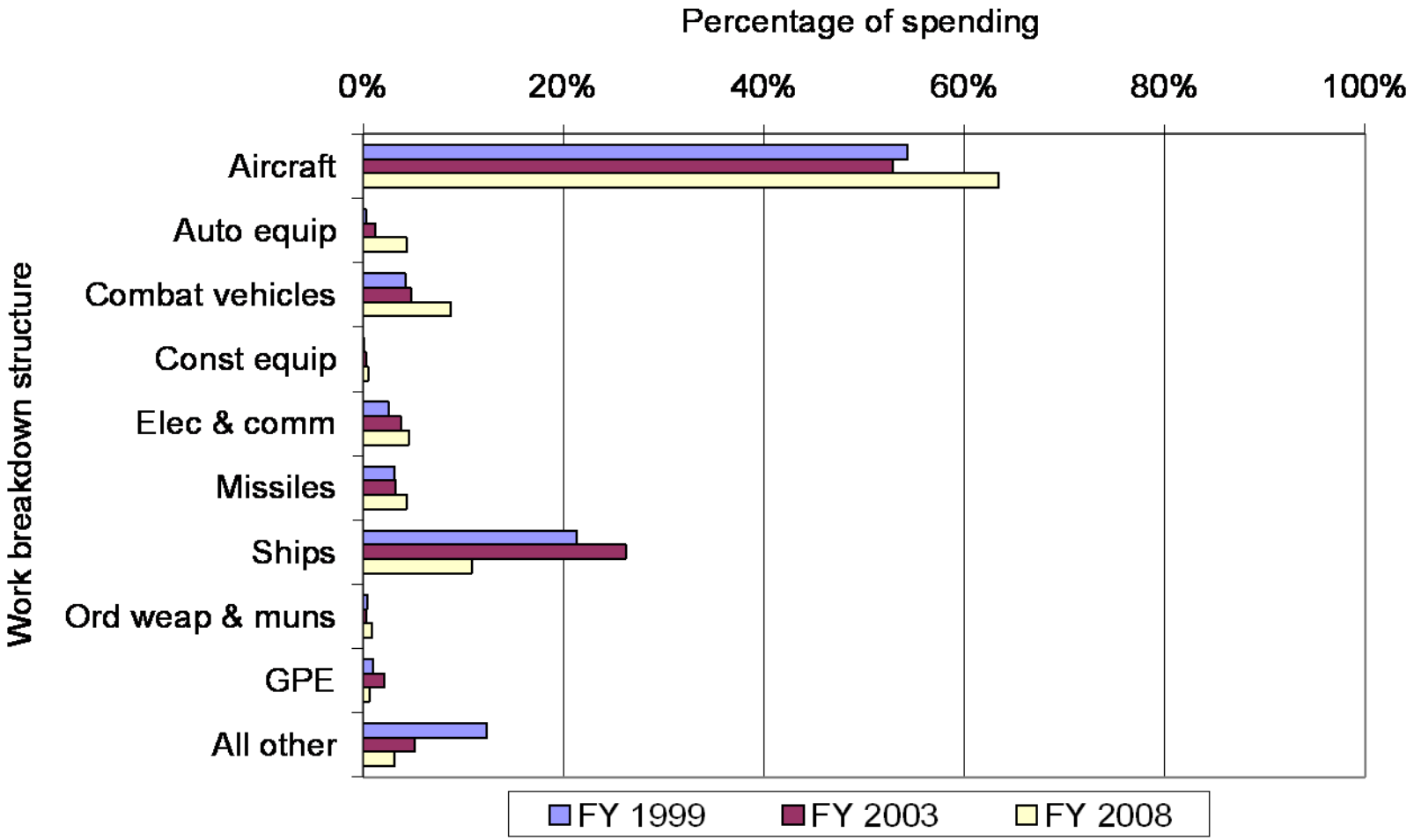
# Preliminary Topical Areas

# Depot Maintenance Spend Breakout

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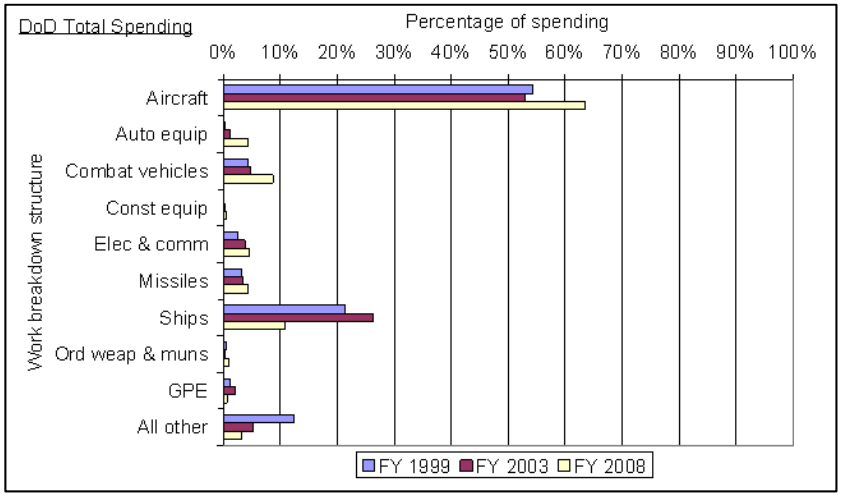
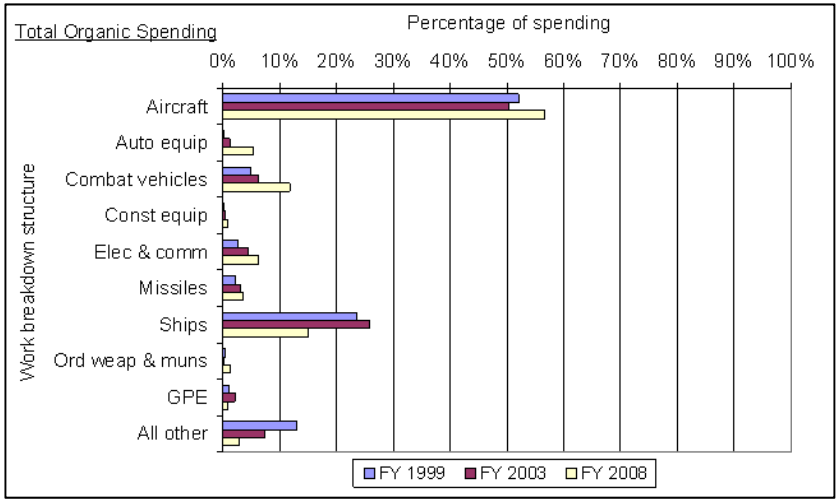
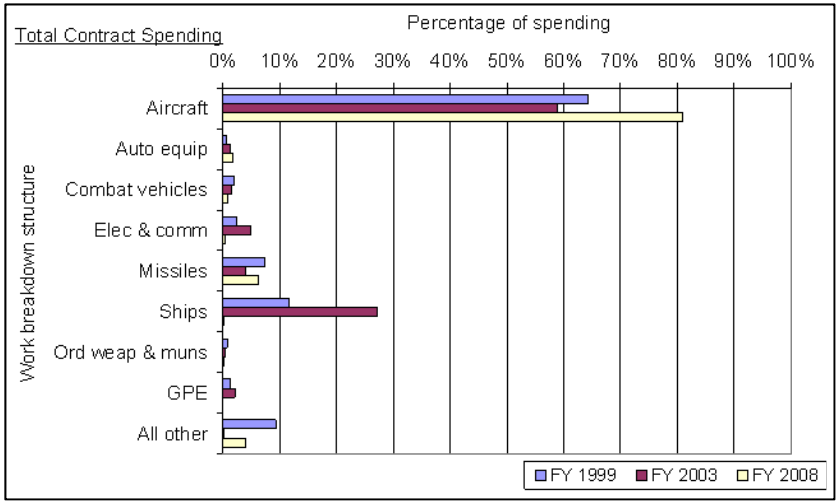
# Depot Maintenance Spend Breakout – Organic and Contract

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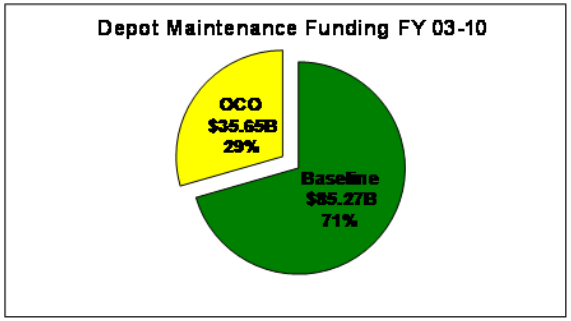
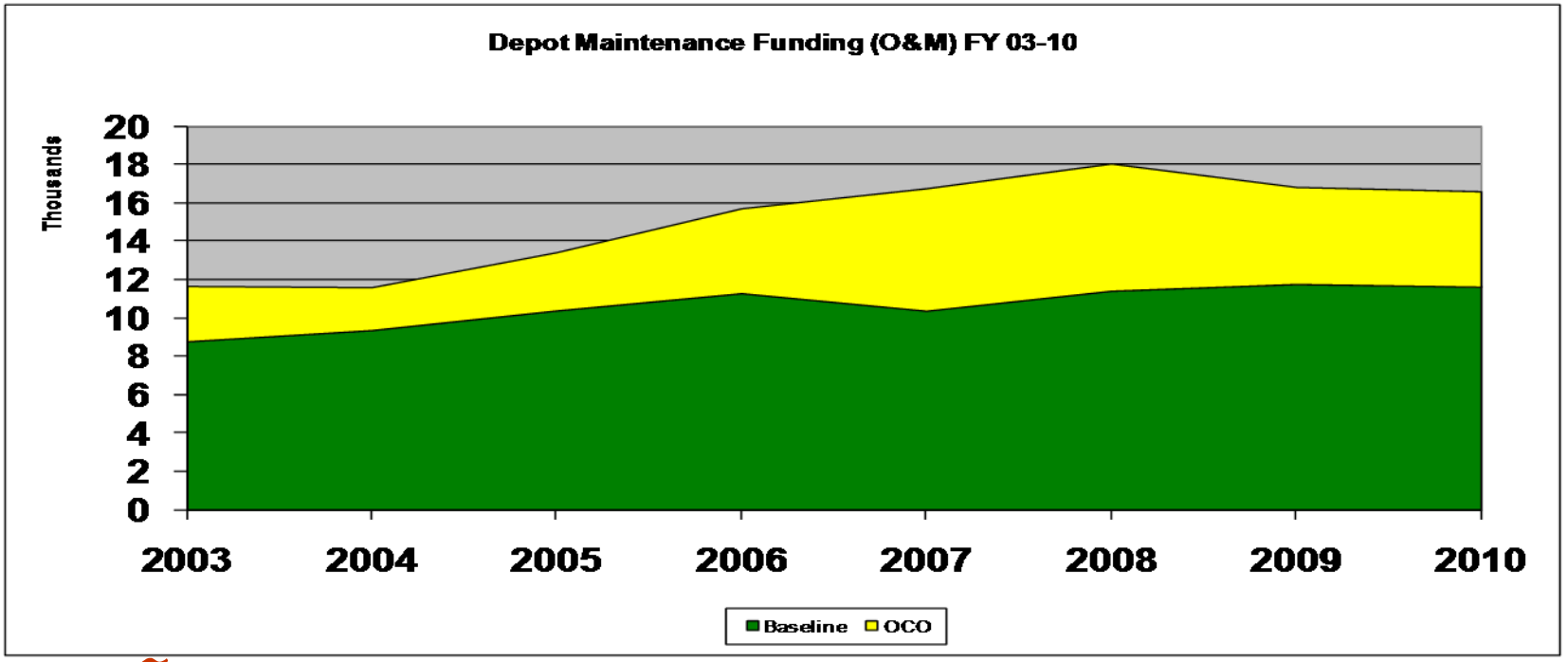
# Depot Maintenance (O&M) and OCO

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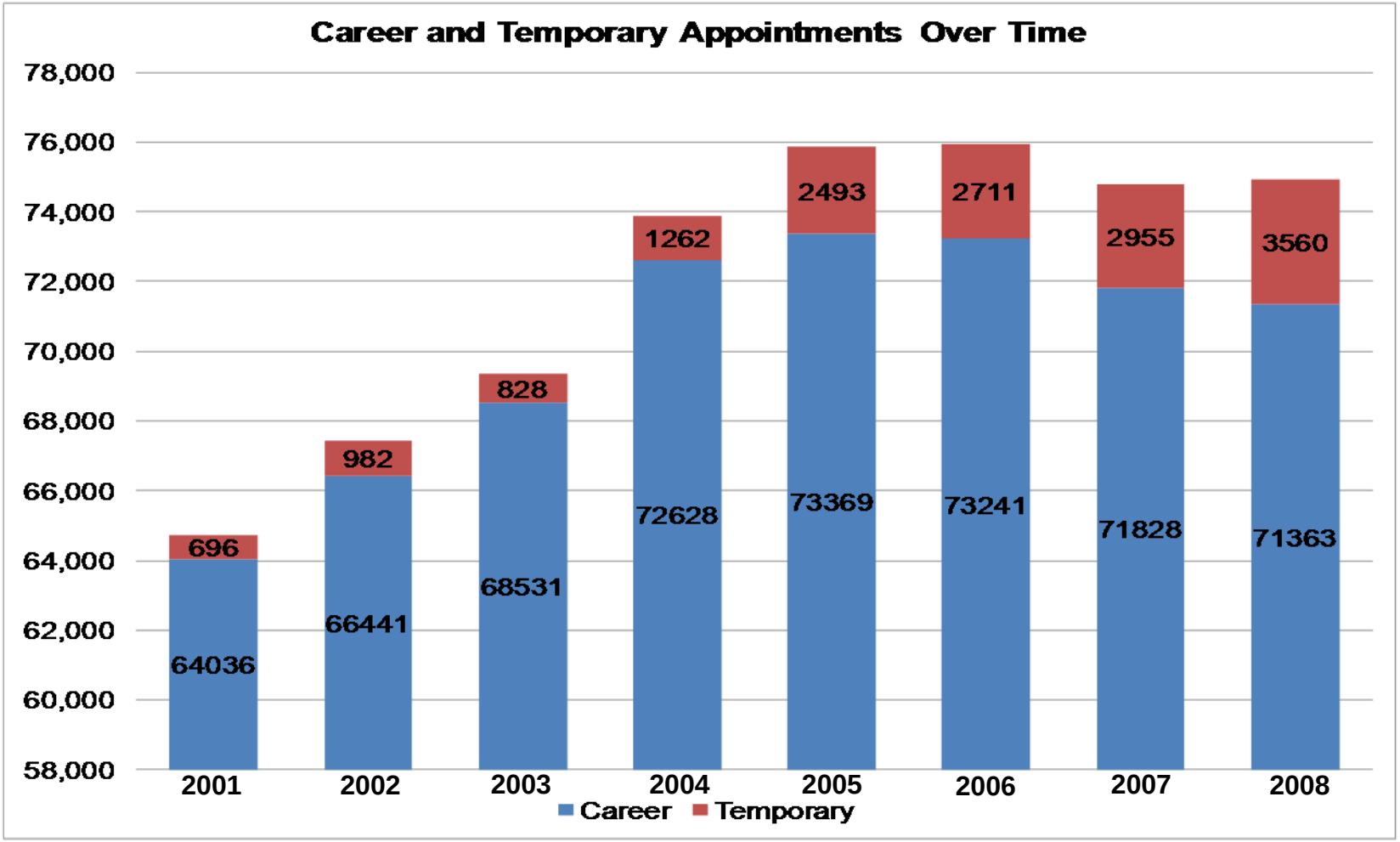
# Depot Workforce Characteristics

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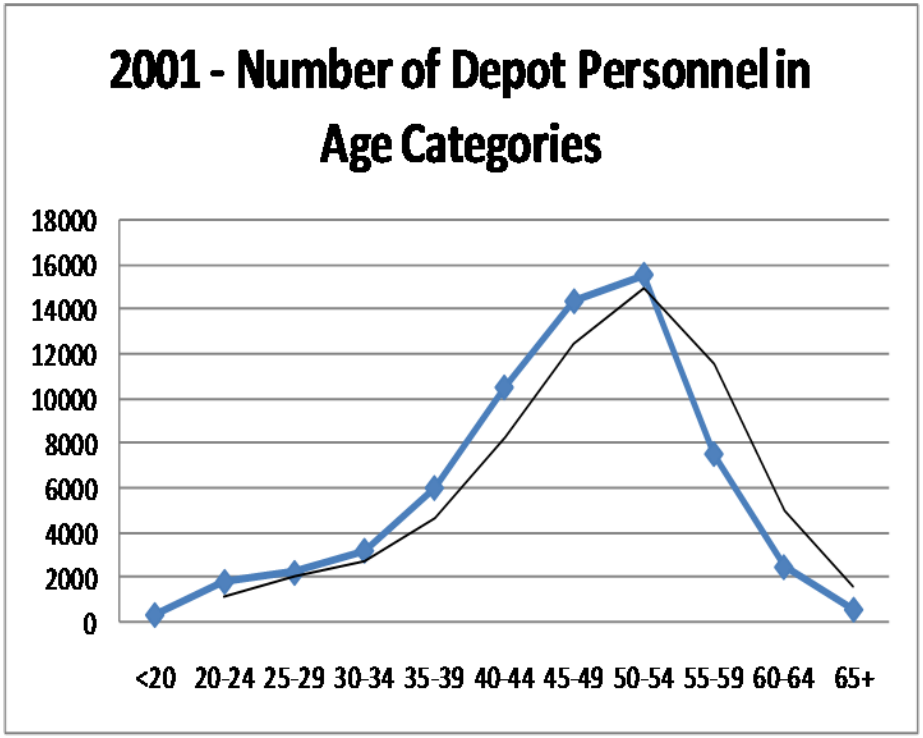
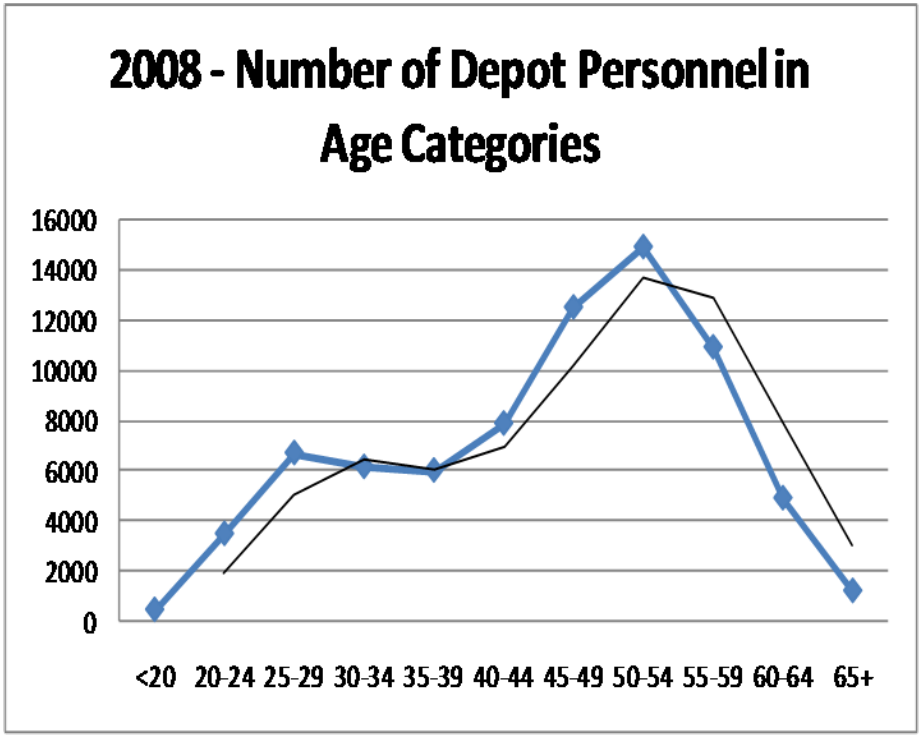
# Depot Workforce Composition




Total: 64,728




Total: 74,923

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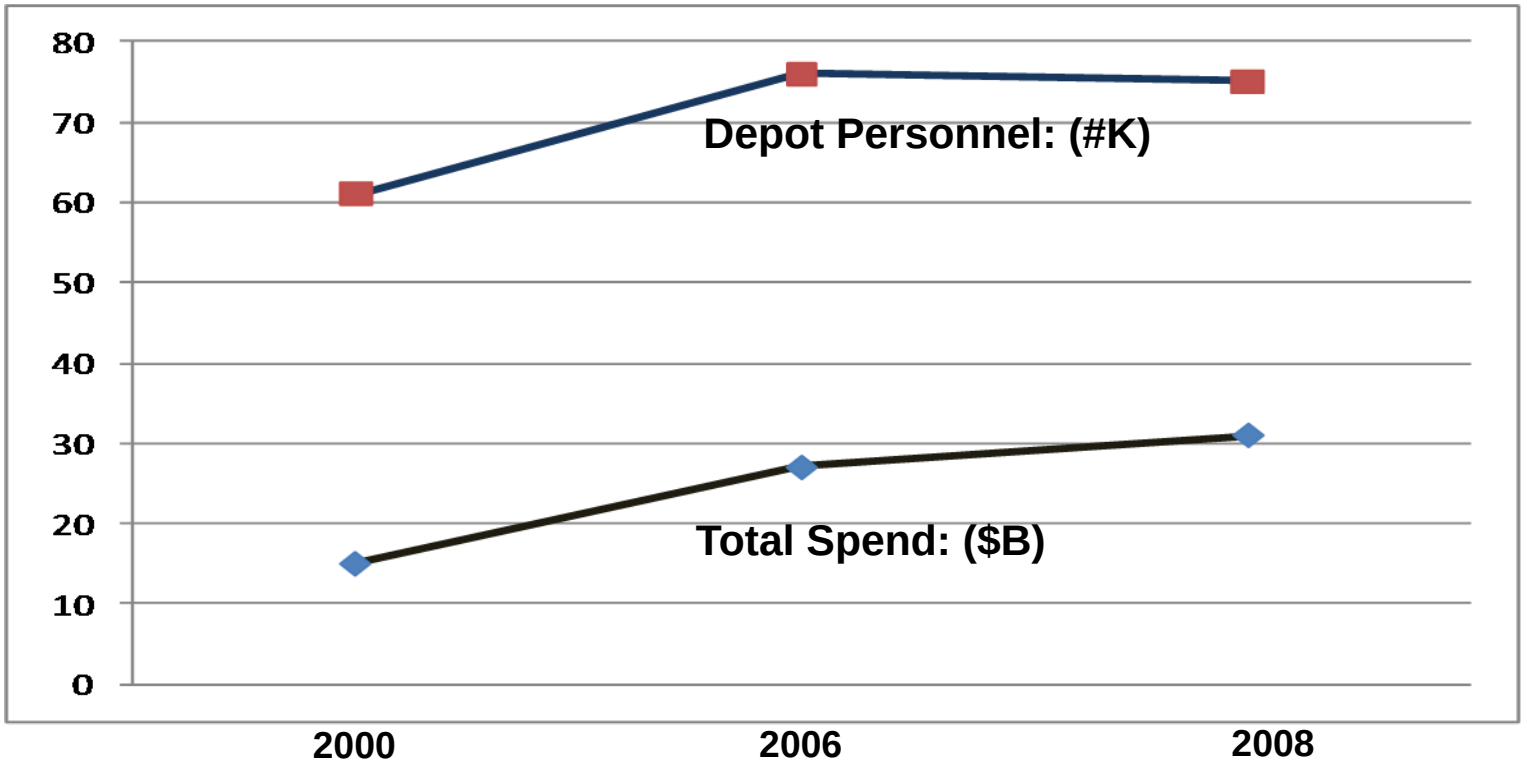
# Workforce and Spend Trends

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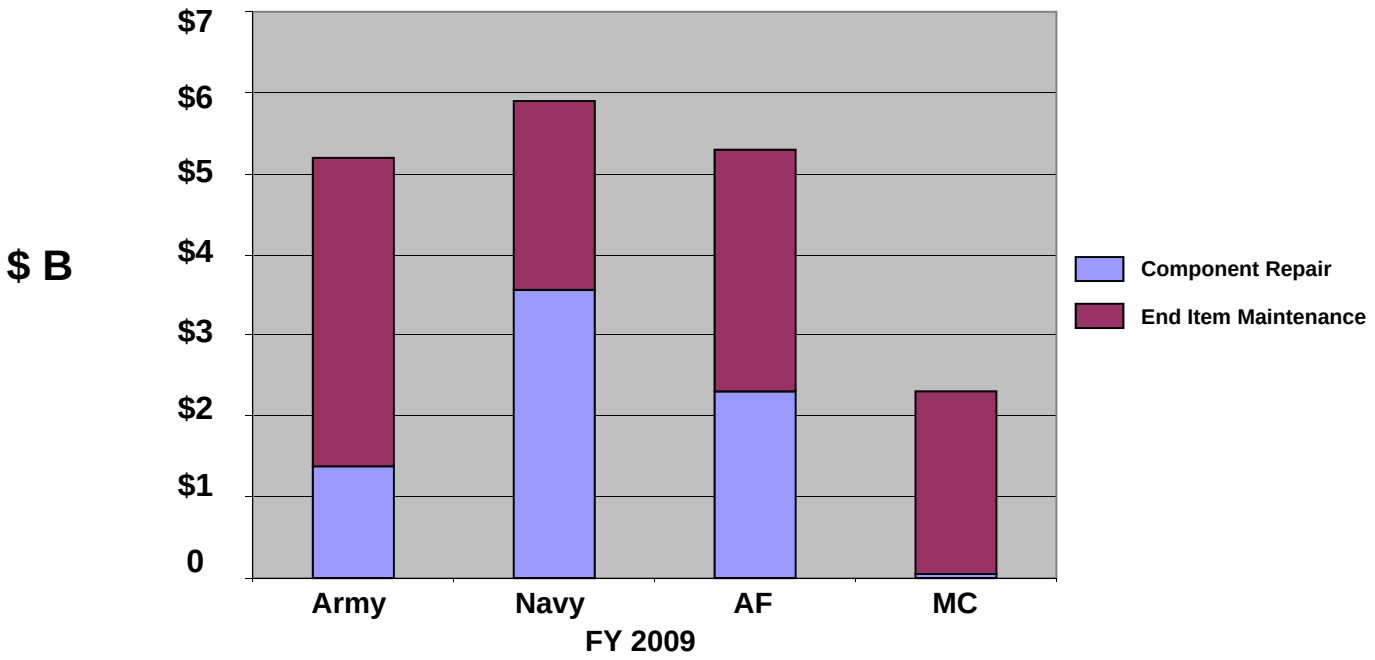
# Workload Composition

Reparable Items Workload as a Percentage
of Total Depot Organic Workload




| $ Millions | Component Repair | End Item Maintenance |
|---|---|---|
| Army | $1,374.2 | $3,825.8 |
| Navy | $3,551.0 | $2,349.0 |
| Air Force | $2,311.0 | $2,989.0 |
| Marine Corps | $44.2 | $2,255.8 |

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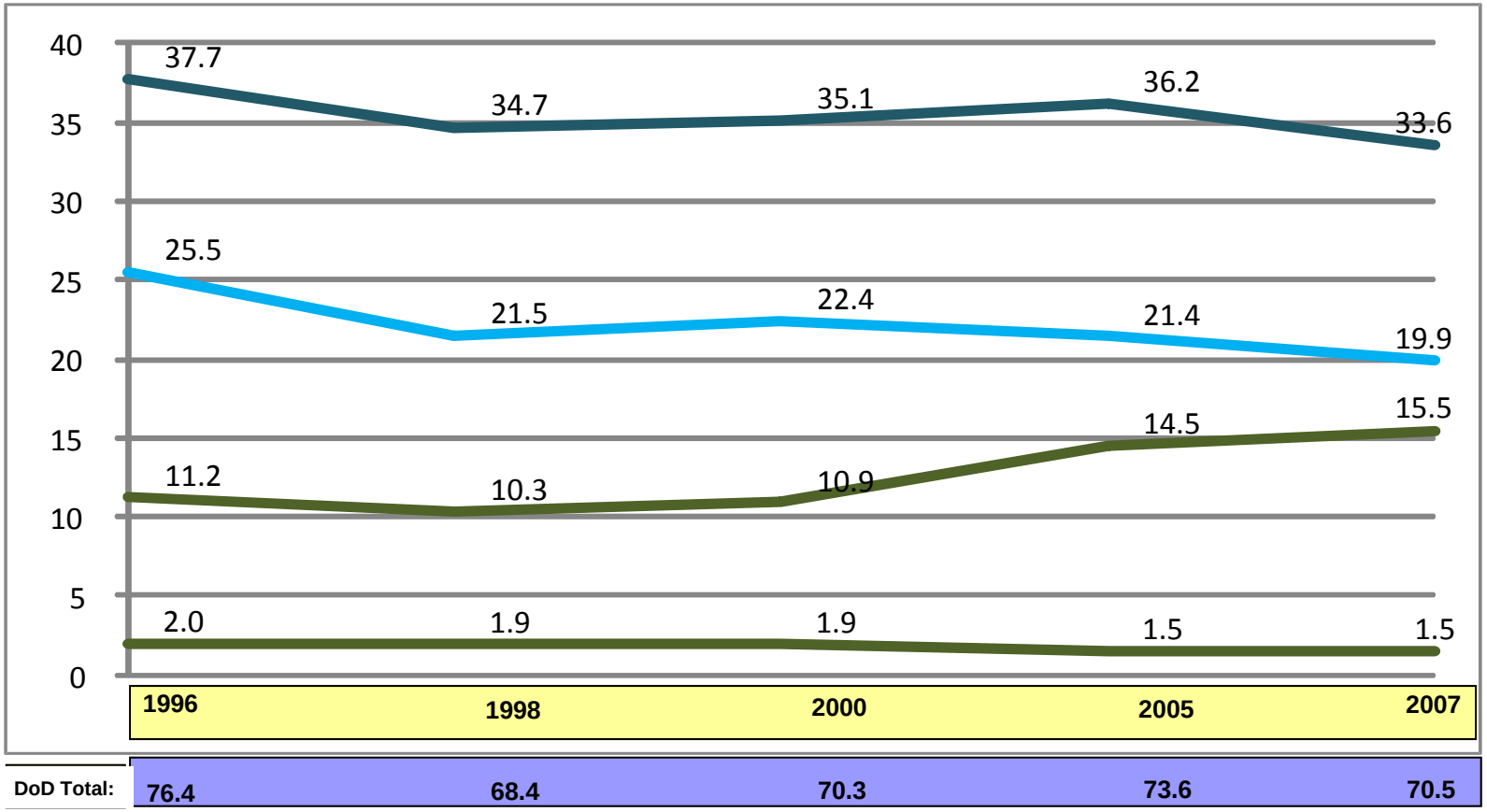
# Core Capability

## Total Approved DoD Core Requirements

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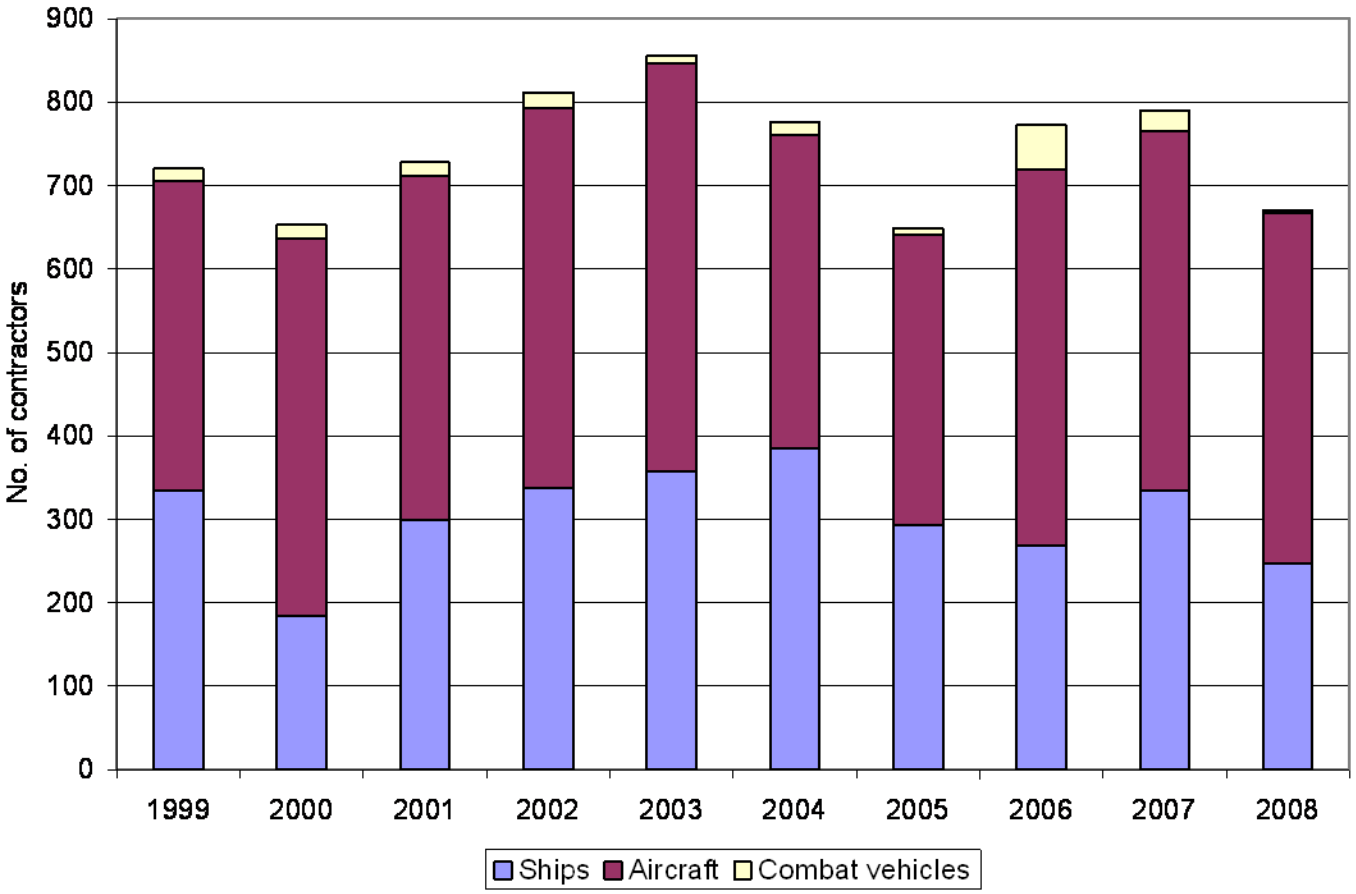
# DoD Maintenance Contractors

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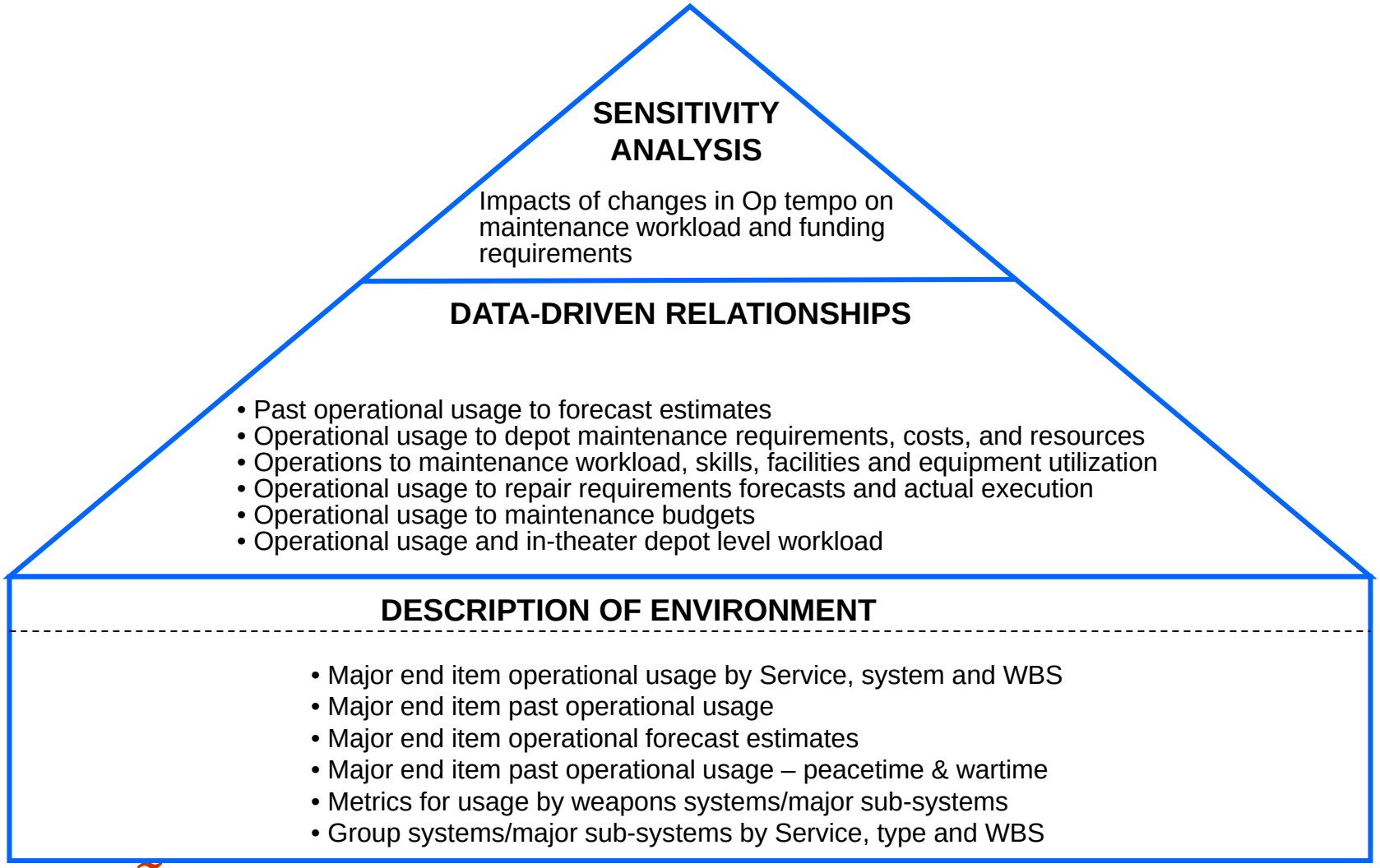
# OP TEMPO Notional Data Analysis Example

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# Path Ahead

- Phase One
  - Continue to confirm data validity and understanding with Service POCs
  - Receive full data accuracy check by mid-November
  - Characterize analytical approach and current depot maintenance environment in Interim Report to Congress – due 23 December
- Phase Two
  - Develop comprehensive engagement plan January 2010
  - Collaborative approach will rely upon Service interface and stakeholder support for in-depth topical analysis

**“an efficient and enduring Department of Defense depot capability necessary for national defense”**

# Back-up

# Phase I Site Visits

| Visit Dates | Locations/Accompanying POCs |
|---|---|
| 20 – 24 July | FRC Mid-Atlantic, Norfolk NSY (CAPT Dan Peters), NAVICP (None), COMFRC (None) |
| 3 August | Army Materiel Command (None) |
| 10 – 14 August | Anniston Army Depot, Fort Rucker, Army Materiel Command (Angel Pastrana and Mike Fitzpatrick) |
| 19 August | NAVSEA (CAPT Dan Peters/Steve Krum) |
| 24 – 28 August | Puget Sound NSY (CAPT Dan Peters), Logistics Base Barstow (Rod Tafoya/Larry Davis) |
| 8 – 11 September | Ogden ALC, HQ AF Materiel Command (Kelly Blakely), Logistics Base Albany, Marine Corps LOGCOM (Larry Davis) |
| 16 September | Warner Robins ALC (Kelly Blakely) |
| Scheduled for February 2010 | Port San Antonio |