

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



LMI

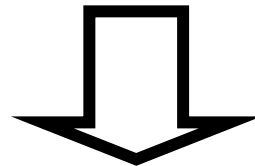
Goals For Today

- 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 discussion¹
- Discuss path forward

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

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

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.

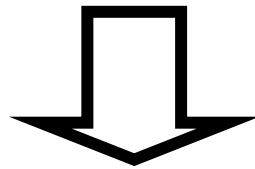
Risk

- Funding reduction leads reqmt reduction

Optempo

Reset

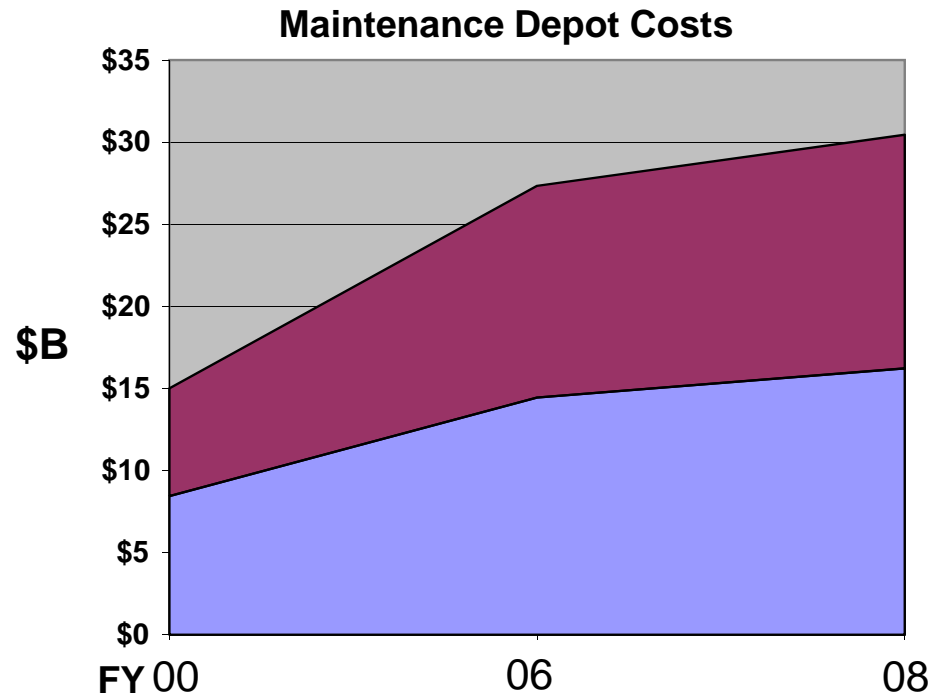
- Baseline program not resourced properly within budgets
- Downsized defense industrial base
- Change in level and role of contractors



Readiness

Organic vs. Contract Costs

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



<u>\$ Billions</u>	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%

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

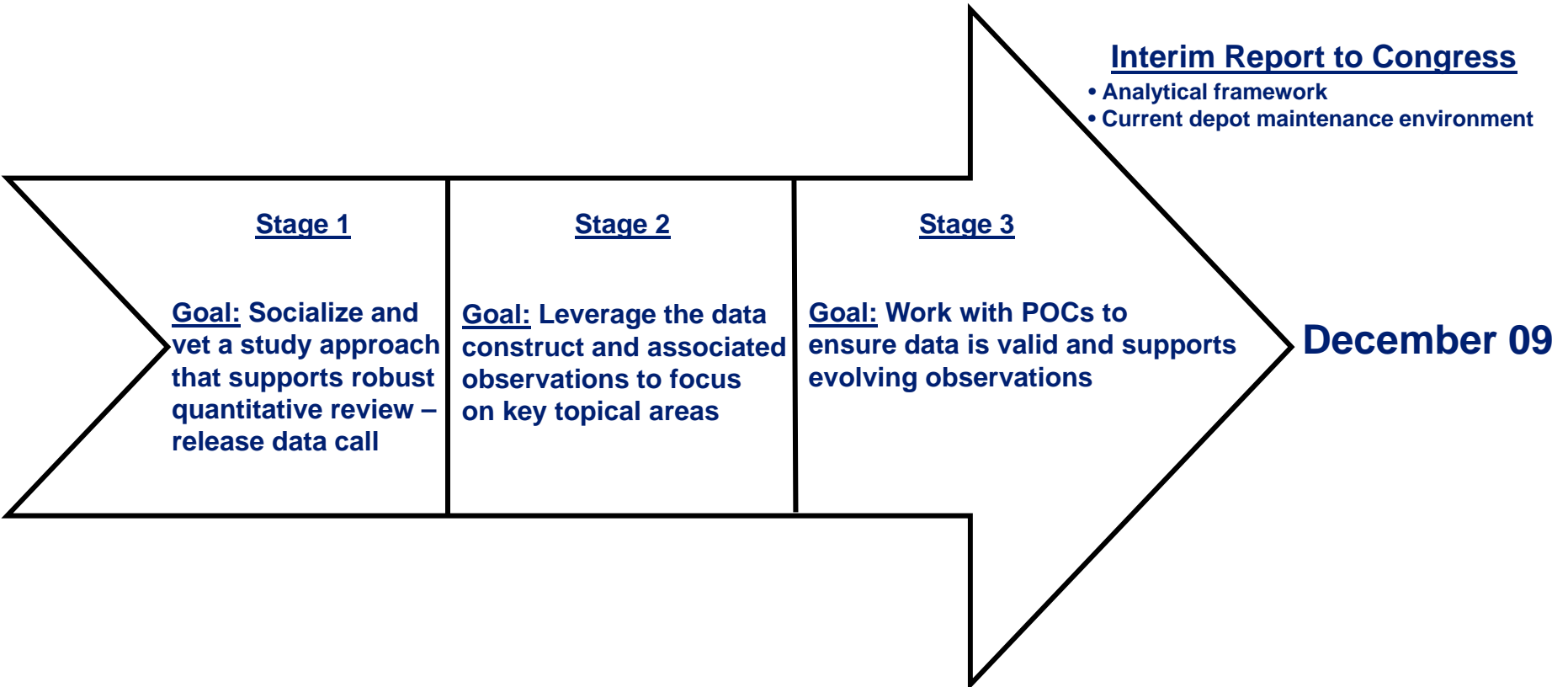
 - Analytical foundation of current environment
 - Due December 2009

 - Final Report to Congress

 - Direct input from SECDEF, Service Secretaries, etc.
 - Future environment, findings and recommendations
 - Due October 2010

322 Study Approach: Phase One

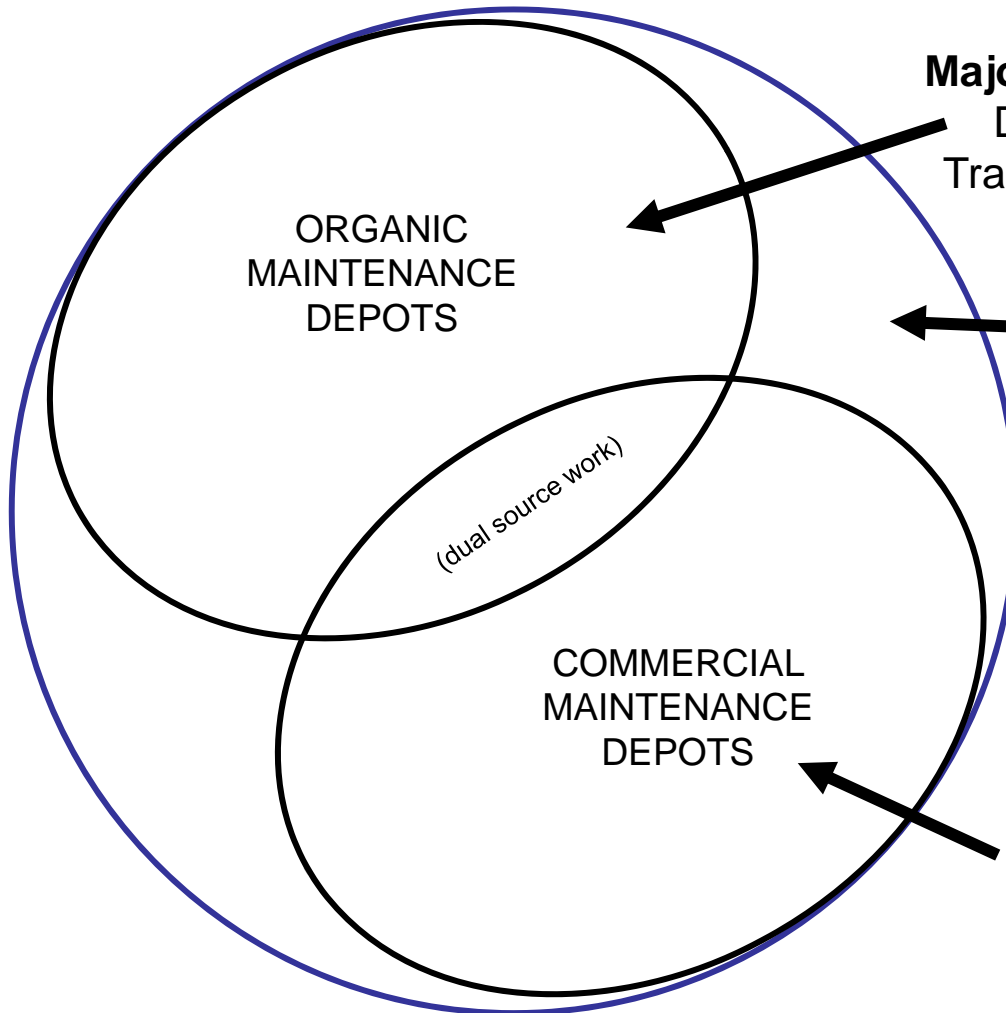
- Phase I sequenced into 3 stages of activity – each with a specific goal



The quantitative framework will provide background for qualitative recommendations

322 Study Focus

All DoD Depot Maintenance Work



Major Study Focus: Organic Depot Maintenance at Traditional Depot Locations

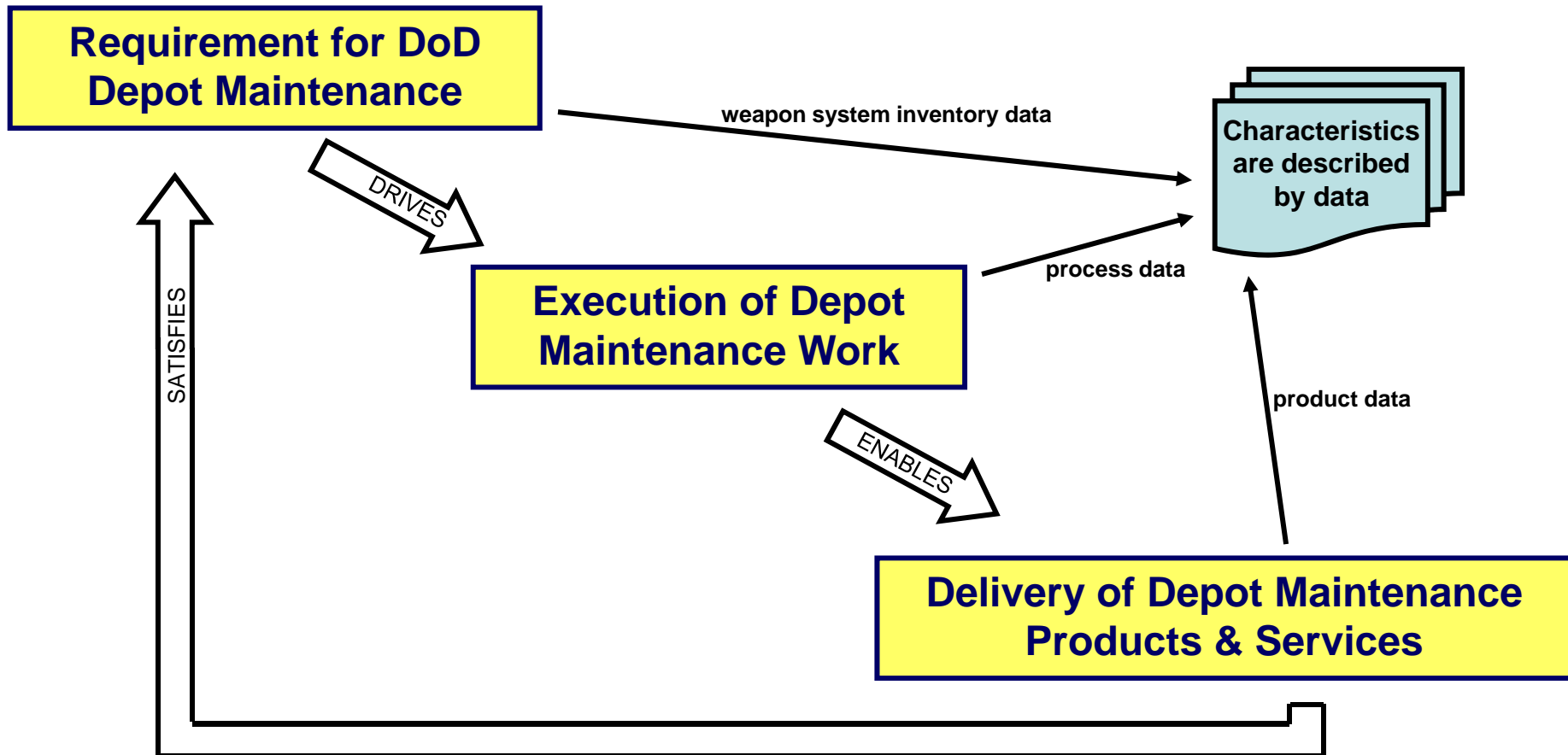
Some Focus: Depot Maintenance performed at Non-traditional Locations (mostly organic)

Less Focus: Depot Maintenance at Traditional Commercial Locations

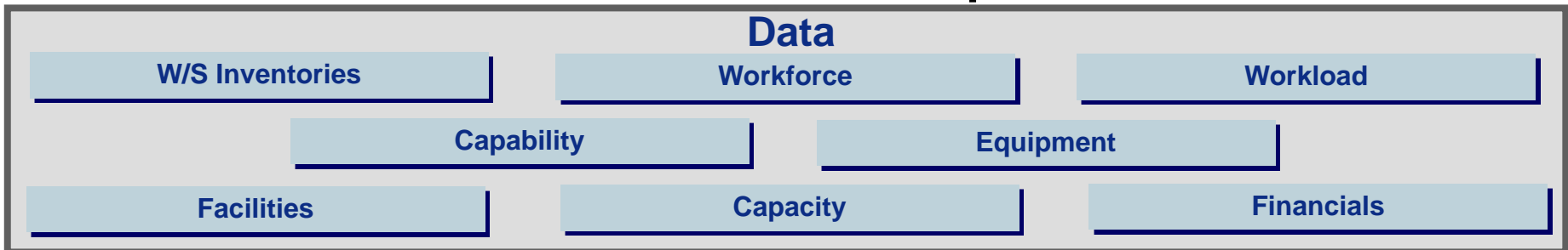
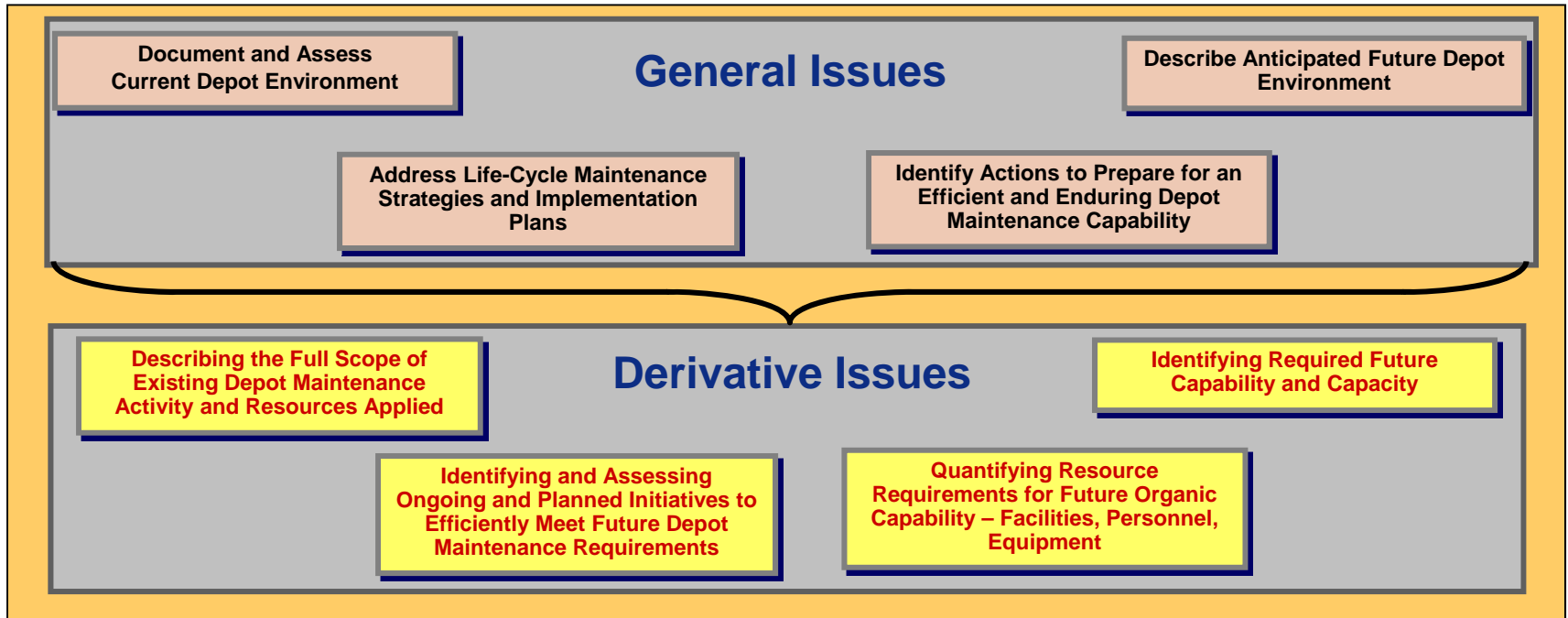
Characteristics of DoD Depot Maintenance

- 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

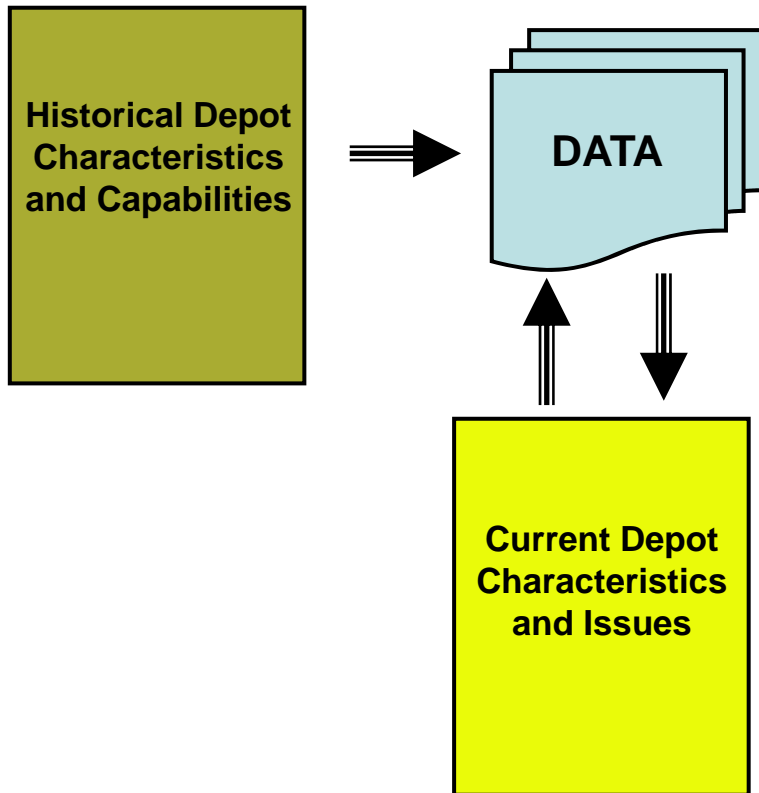
Model for Structuring Data on These Characteristics



Data and the Analytical Framework



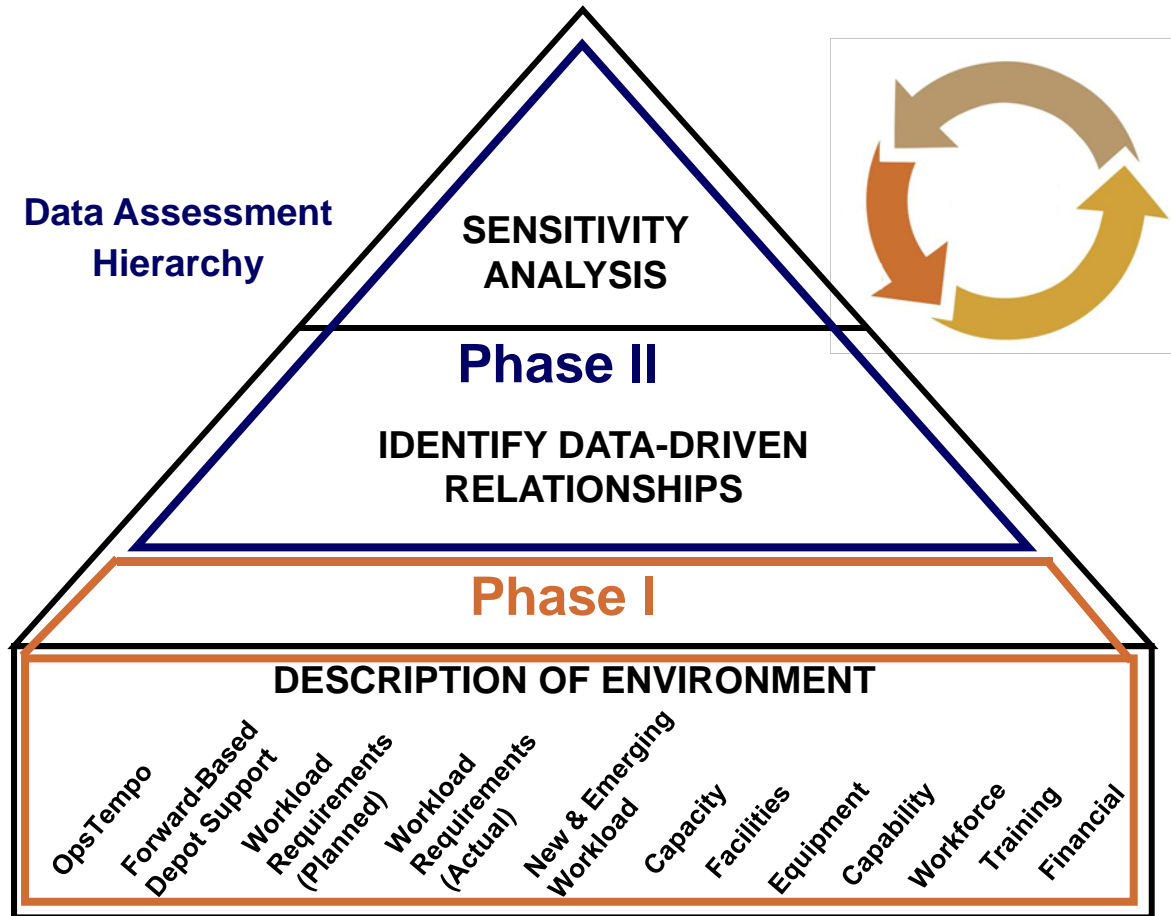
Analytical Framework



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

Data Structure and Issue Exploration

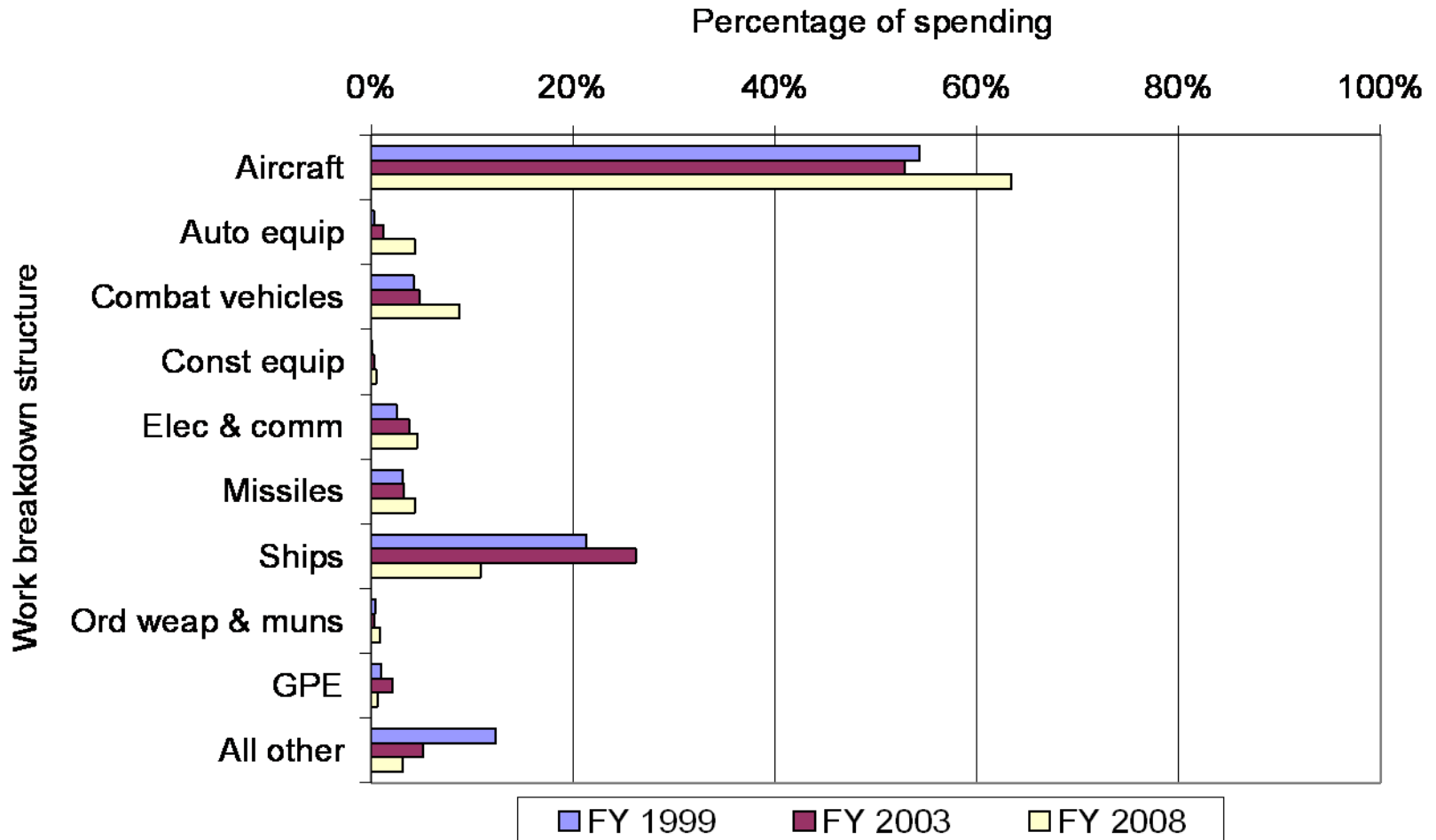


Issue Topics

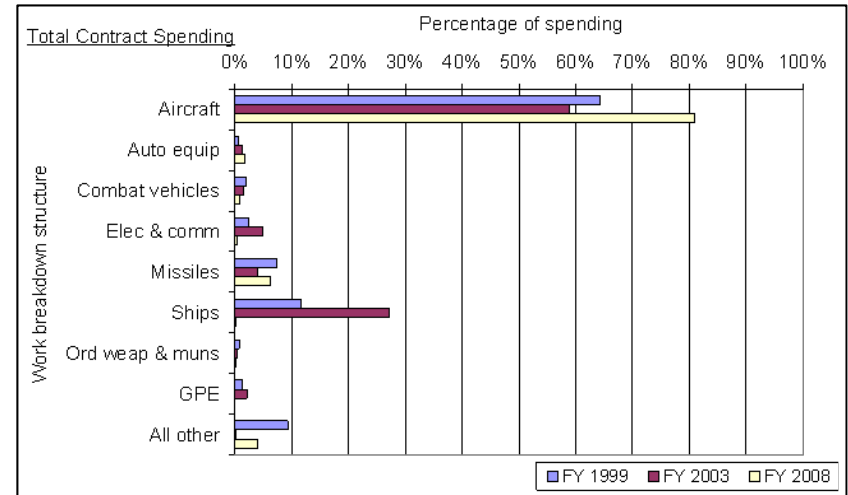
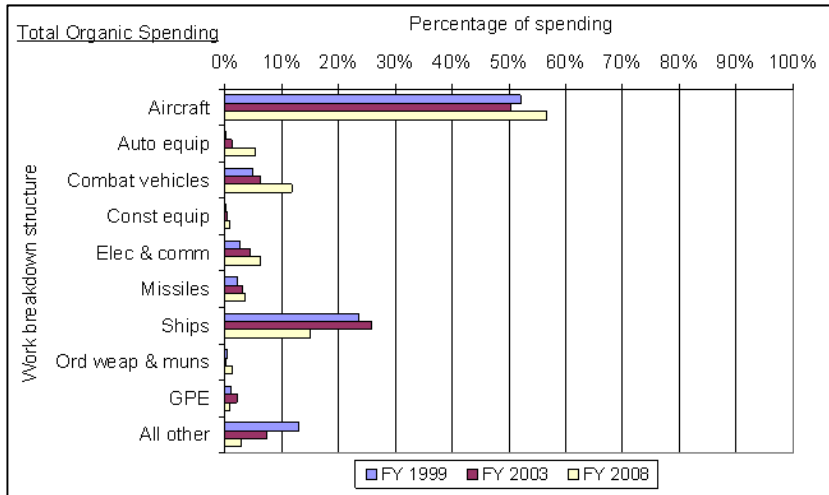
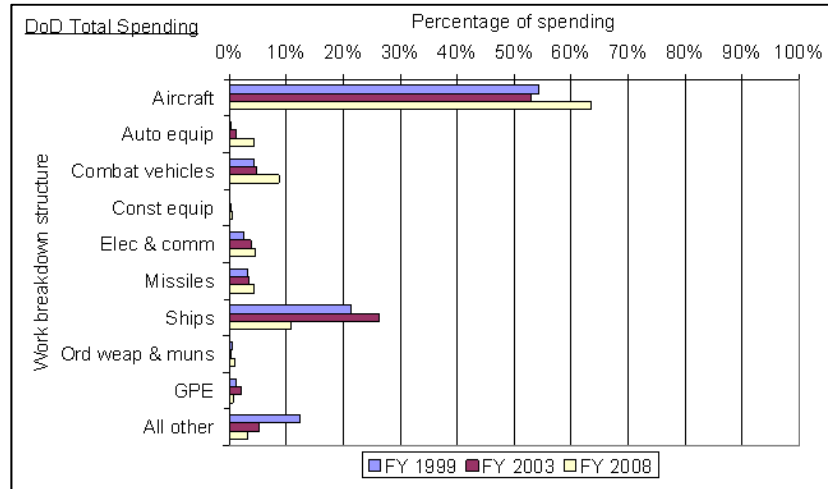
Operational contingencies and organizational roles
 Applicable laws, regulations and business policies
 Depot Consolidation and forward positioning
 Business operations and workload projection
 Commercial support of depot maintenance.
 Performance Based Logistics
 Public-Private Partnerships
 Life cycle 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

Preliminary Topical Areas

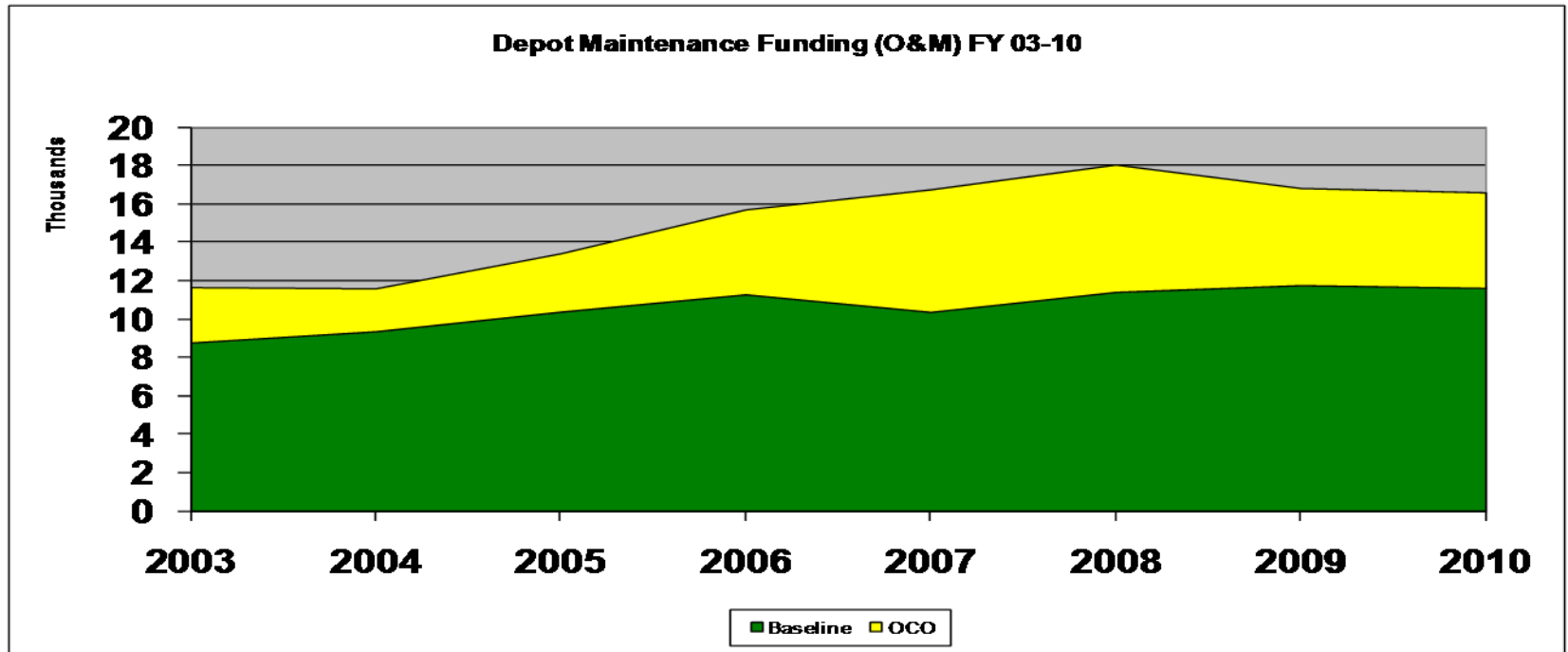
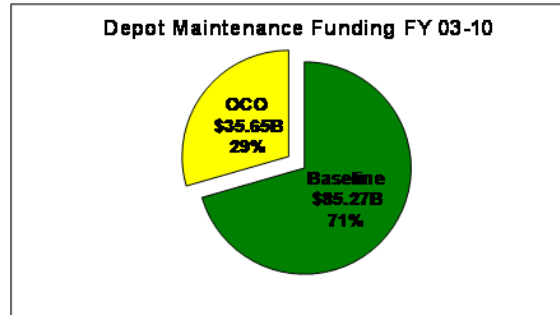
Depot Maintenance Spend Breakout



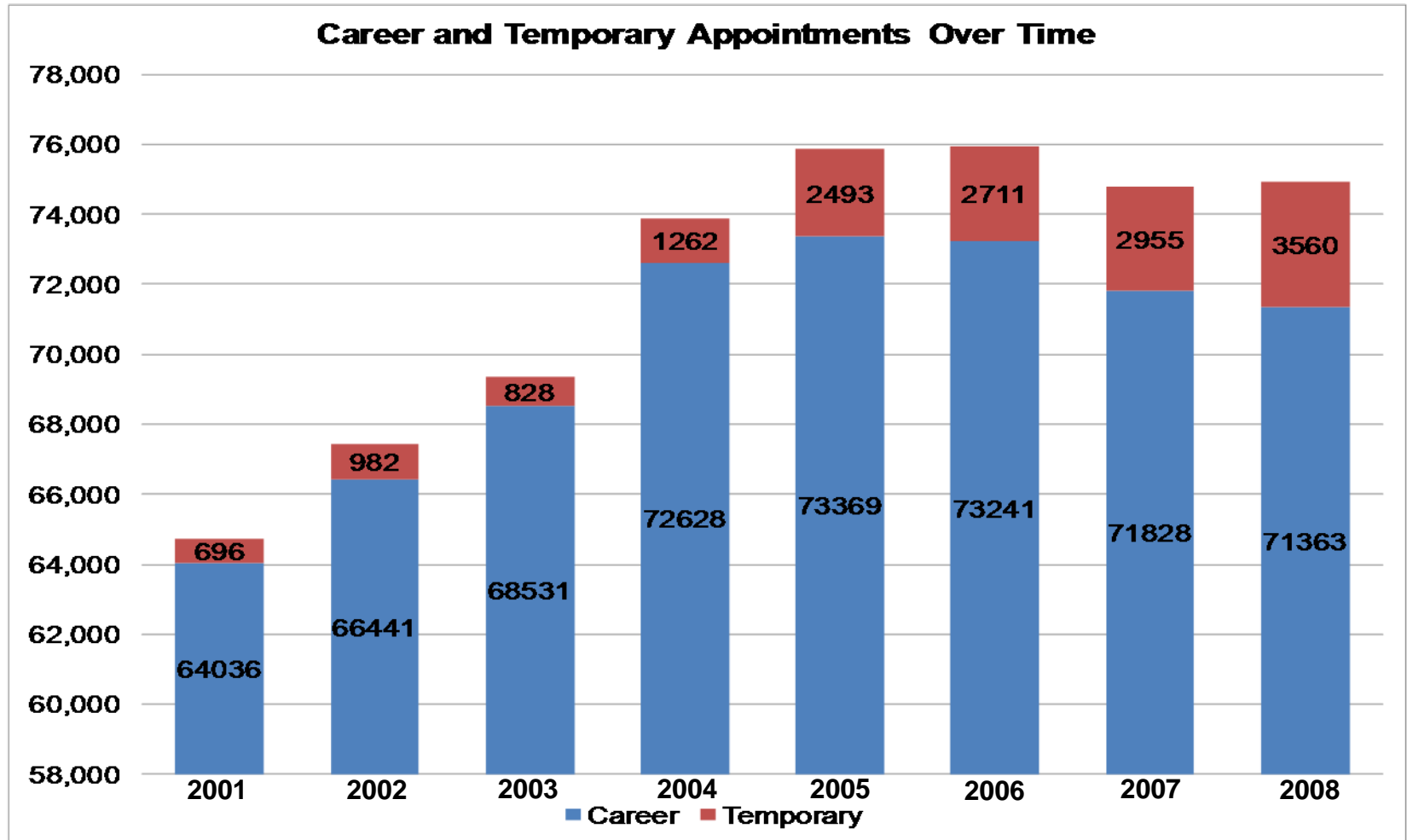
Depot Maintenance Spend Breakout – Organic and Contract



Depot Maintenance (O&M) and OCO

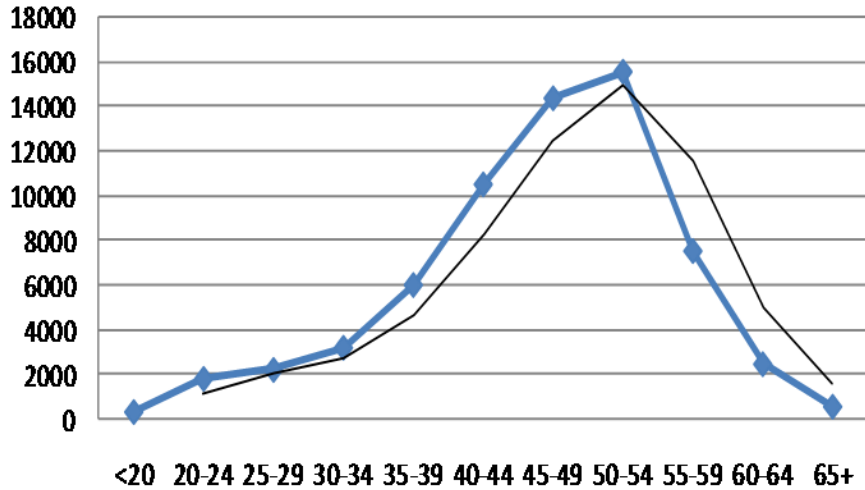


Depot Workforce Characteristics



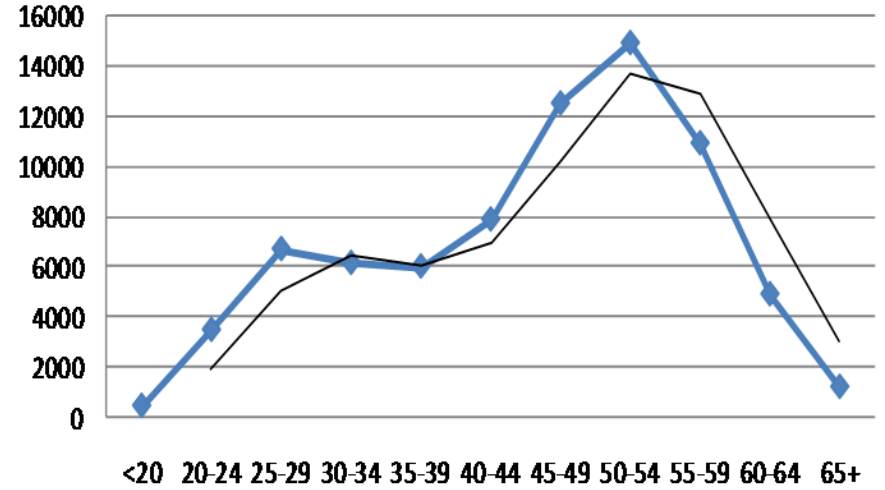
Depot Workforce Composition

2001 - Number of Depot Personnel in Age Categories



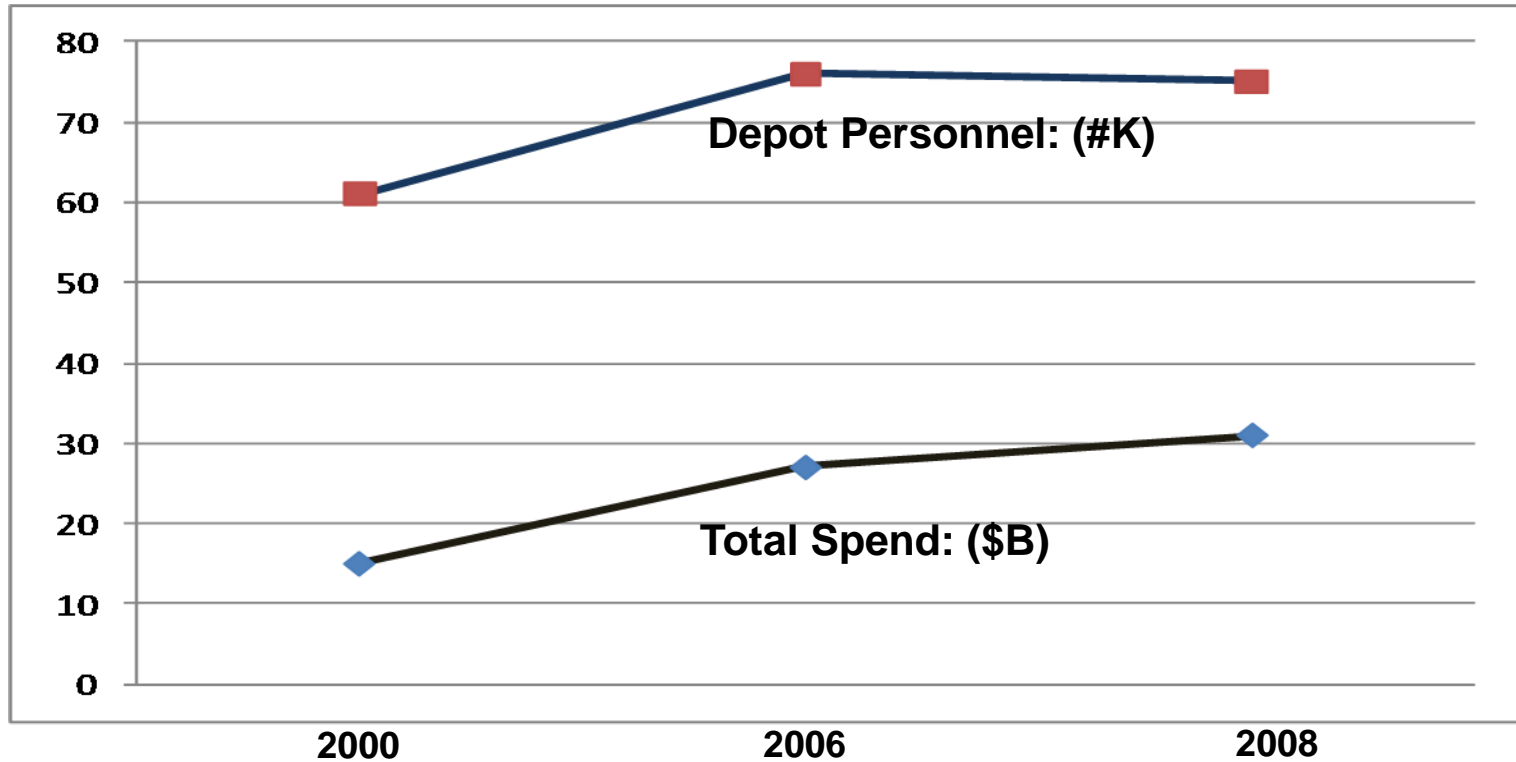
Total: 64,728

2008 - Number of Depot Personnel in Age Categories



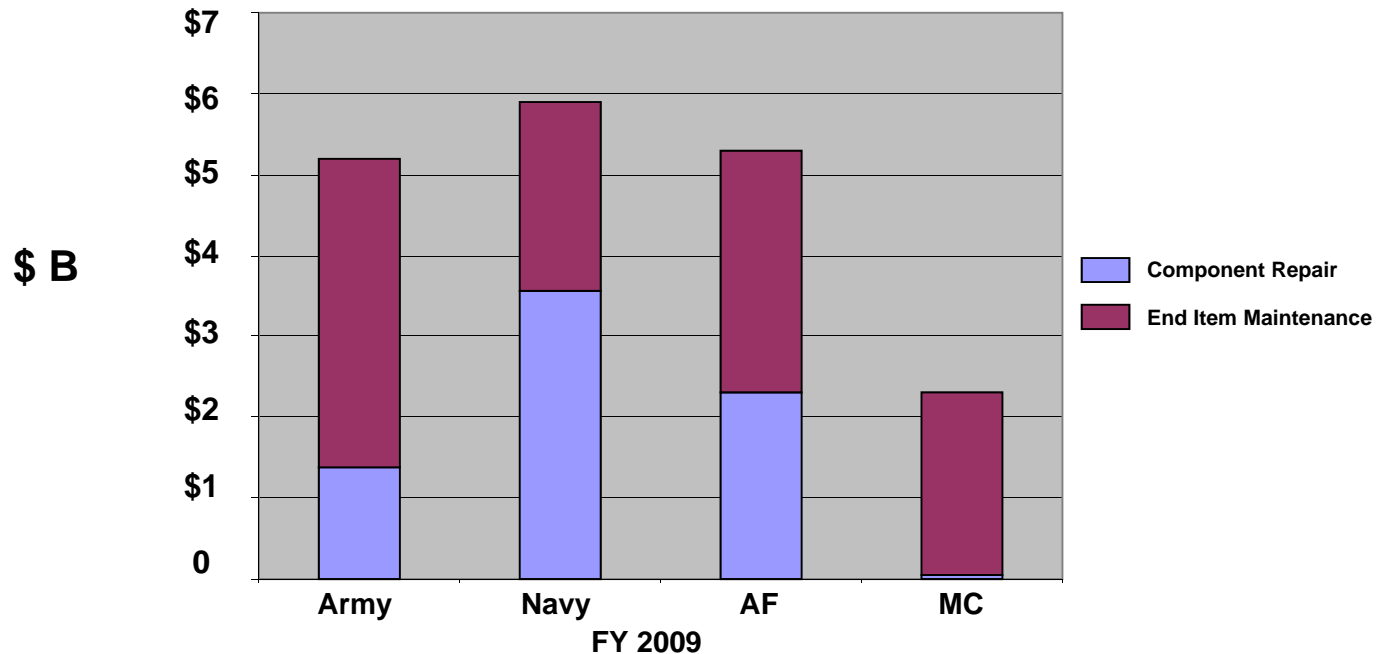
Total: 74,923

Workforce and Spend Trends



Workload Composition

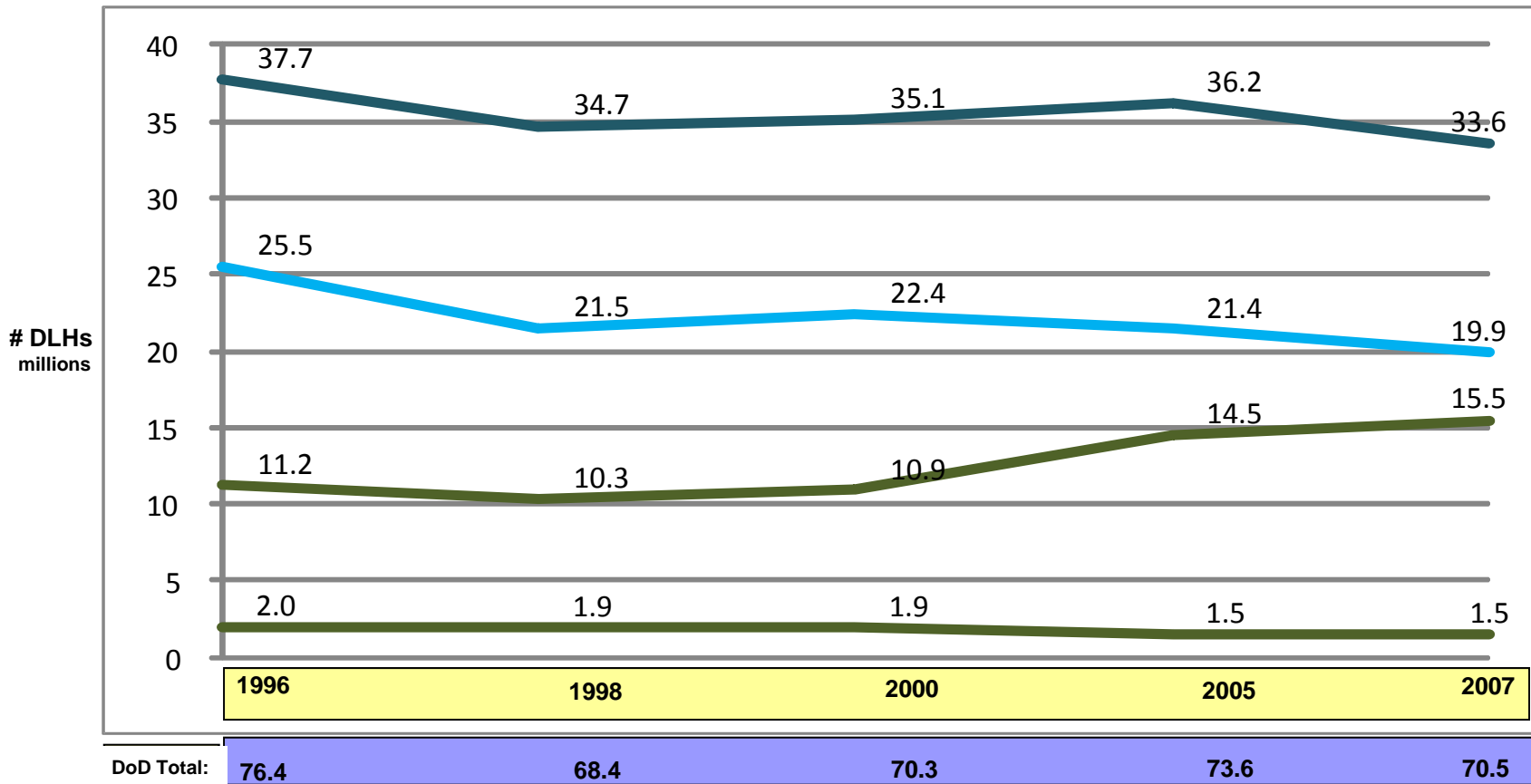
Reparable Items Workload as a Percentage of Total Depot Organic Workload



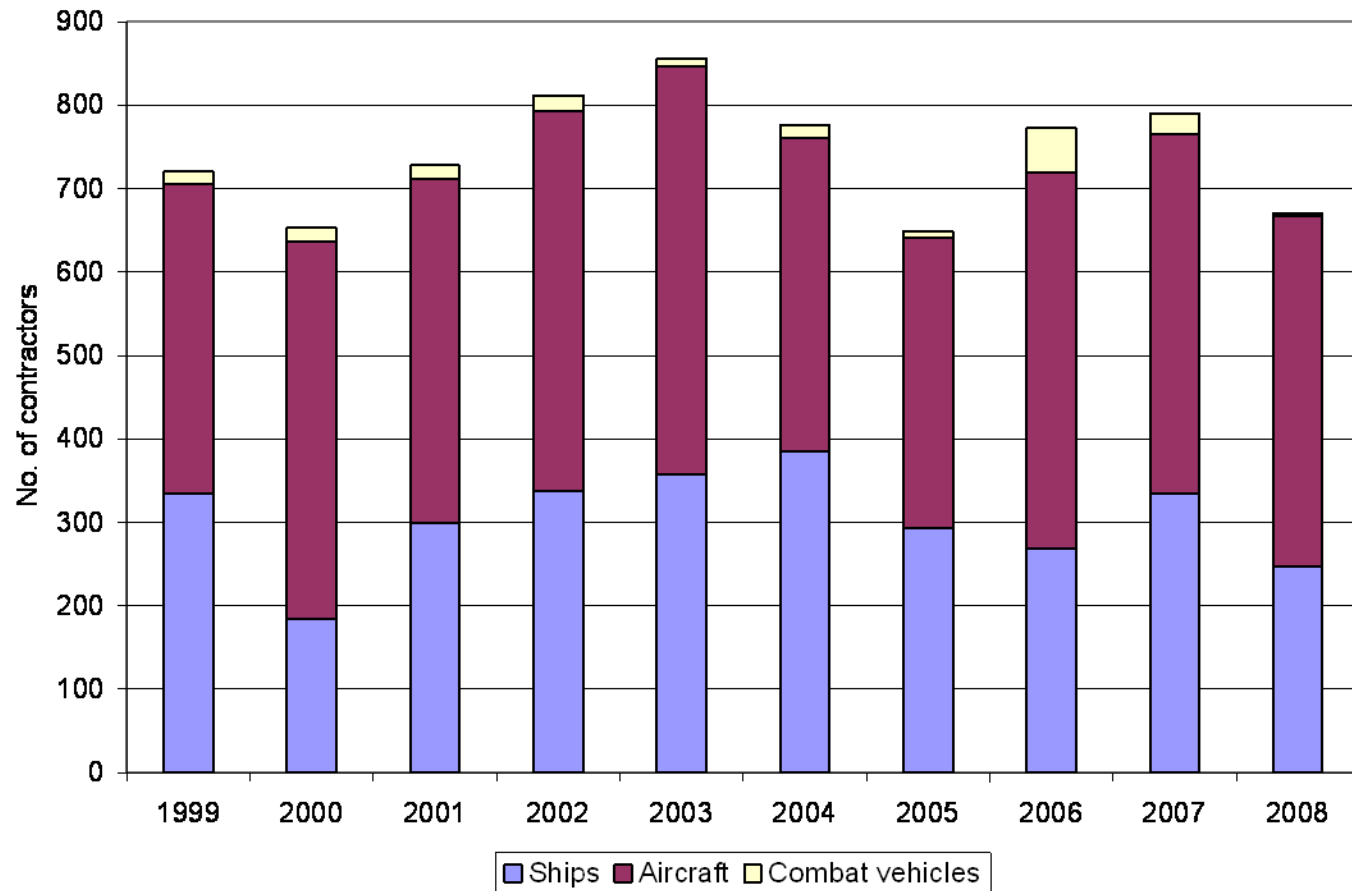
\$ Millions	Component Repair	End Item Maintenance
Army	\$1,374.2	\$3,825.8
Navy	\$3,551.0	\$2,349.0
Air Force	\$2,311.0	\$2,989.0
Marine Corps	\$44.2	\$2,255.8

Core Capability

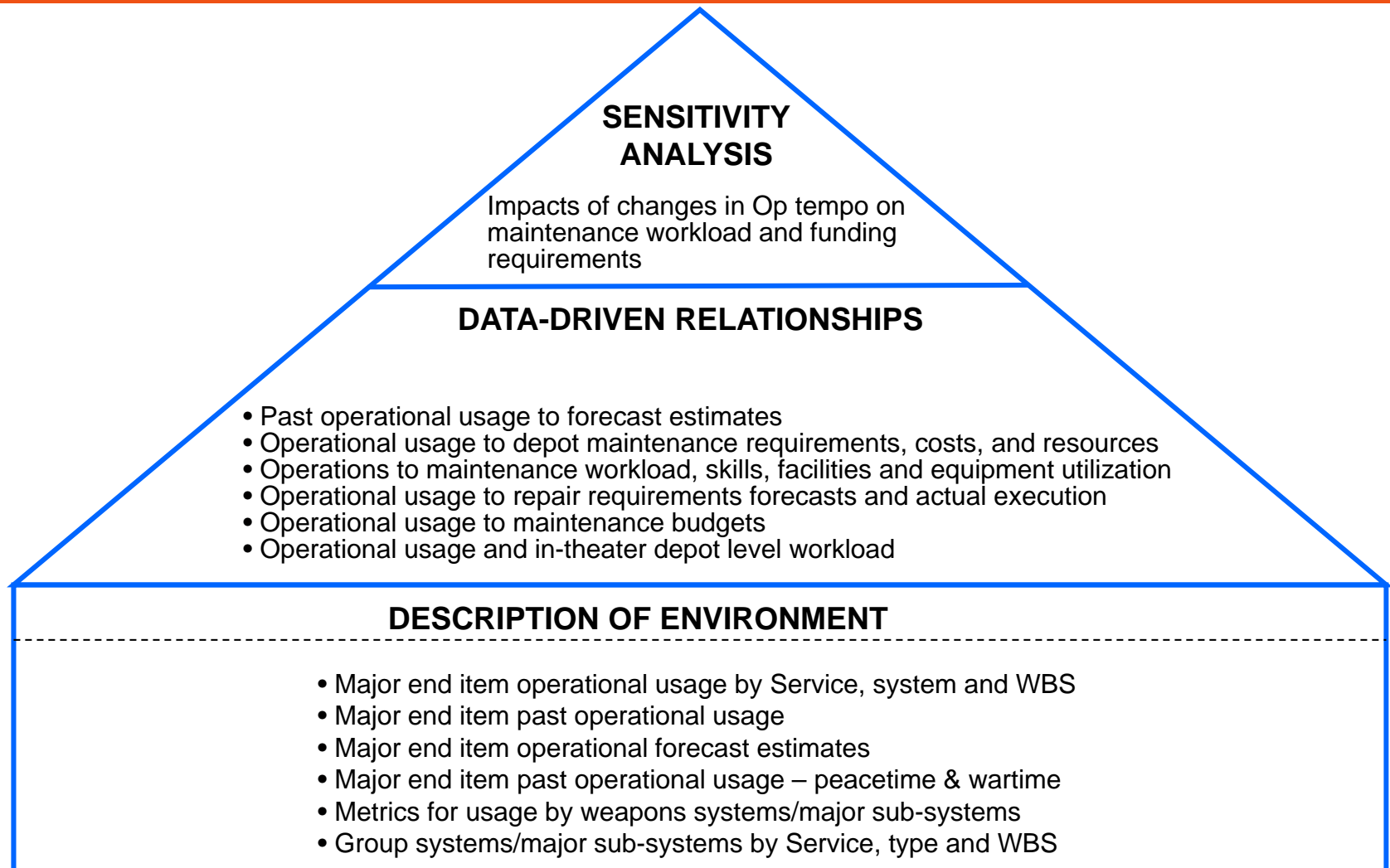
Total Approved DoD Core Requirements



DoD Maintenance Contractors



OP TEMPO Notional Data Analysis Example



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