

# Current and Future Environments and Strategic Imperatives

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# Current and Future Environments and Strategic Imperatives

## Questions:

- Characterization of the current environment?
- How will the current situation evolve over the next five years, and how do those changes impact/influence maintenance?
- What responsibilities do we have as leaders and as a community, given the situation?

# Current and Future Environments and Strategic Imperatives

## Current Environment

- **Shift in Combat Theaters:**
  - Retrograde from Iraq (Requirements for Return and Reset of Equipment)
  - Surge in Afghanistan (Effects on OPTEMPO and Equipment Usage)
  - Rest of the world (Pacific Rim, Africa, etc.)
- **DoD Budget Under Pressure:**
  - FY 2010-13 Procurement Budget Trends are Flat
  - OIF/OEF Contingency Funds Increasingly Inflexible
  - Allocations for Military Pay, Health Care, and Domestic Programs
- **Economic Climate:**
  - Downturn Has Created Fragile Supplier Base
  - Worldwide Economic Challenges Remain

# Current and Future Environments and Strategic Imperatives

## Fragile Vendor Base

- TWV supply chain has been significantly impacted by the financial and automotive industry meltdowns
- Defense spending is a significant element supporting the beleaguered US automotive industry supply chain – multiple tiers
  - Auto, truck, agriculture, construction vehicles suppliers
  - American jobs: one OEM job multiplies by 3 to 6 jobs in the flow down
- Common automotive supply base shrinking
- Reduced defense spending may lead to suppliers exiting defense production for non-DoD work

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## Next Five Years

- **Operations:**
  - OPTEMPO levels for Iraq and Afghanistan
  - Spectrum of Conflict will remain broad
- **Defense Priorities:**
  - Development of major service programs are being re-prioritized
    - F-22
    - Expeditionary Fighting Vehicle
    - Ground Combat Vehicle
  - Equipment Shortfalls
  - Competition between appropriations funds (Procurement, O&M, Working Capital, etc.)
- **Economic Climate:**
  - Recession and the Long-term Effects on Supplier Base
  - Multiple Tier Effects on the Military-Industrial Base

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**What Responsibilities Do We Have as Leaders Given the Situation?**



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- **Depot Challenges:**
  - Multiple, uncoordinated sources of supply
  - Had to resource buyers and expeditors
  - Took many depot resources to order, receive, store, fabricate and move stock to the production line
- **Demand Forecasting:**
  - Poor and inconsistent DOF planning
  - Created constant crisis atmosphere
- **Incomplete Vehicles- “G” Coded:**
  - Couldn't ship
  - Expensive to Store/Fix



## HMMWV Recapitalization Case Study: Customer Pay

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- Pilot program formed between TACOM, DLA and AM General for Depot HMMWV RECAP lines at RRAD, LEAD in 2006.
- Shifted Material Planning & Management responsibilities to AMG to coordinate the flow of parts for Just-in Time (JIT) delivery to a point-of-use/point-of-sale RECAP production line.
- Reduced DOD inventory investment by pushing the management of inventory back into the supply chain, while increasing the availability of required material (KANBAN system at the production line) to 100%
- AMG managed the four material management systems through TACOM Web Portal



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## The Results:

### Defense AT&L Article – Jan-Feb 2009

*“ Before Customer Pay, we went for about three months without producing a single vehicle that had 100 percent parts. Today, we go about three months without a single vehicle missing a single part.”*

--Dr. John Gray

Deputy to the Commander, LEAD

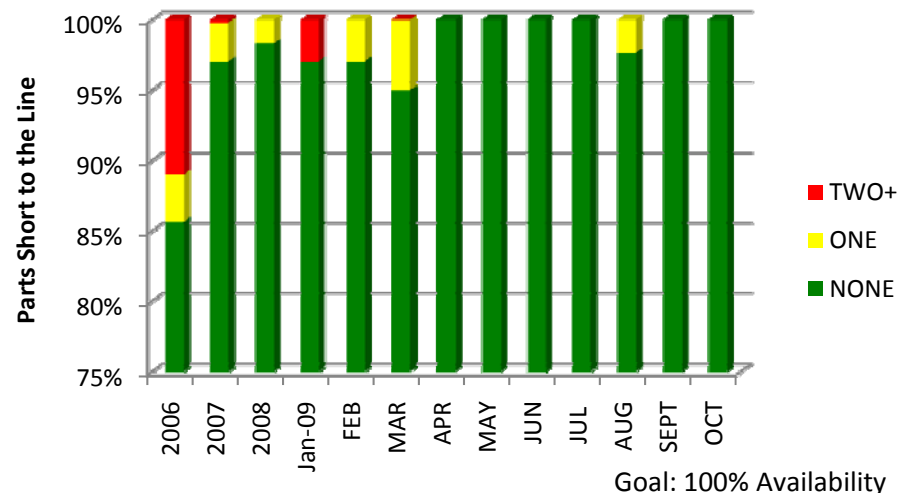
Sales Data	DLA	AMG	TOTAL
MARCH	\$13.7 M	\$6.6M	\$20.3M
APRIL	\$13M	\$5.5M	\$18.5M
MAY	\$11M	\$7M	\$18M

**MAY 09**

**Availability: 99.99999%**

**Cost Savings: RRAD \$1,582,000  
LEAD \$1,102,722**

### AM General Customer Pay/RECAP Cumulative Part Shortage Report



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## *Depot Partnerships: Doing What You Do Best*

### AM General

- Supply Chain Management
- Parts

### TACOM

- e- Business
- Program Management
- Configuration Management



*Photo caption: Gen. Casey and Col. Evans look on as the 10,000<sup>th</sup> HMMWV rolls off the production line at Red River Army Depot.*

### DLA

- Contracts Management
- Parts

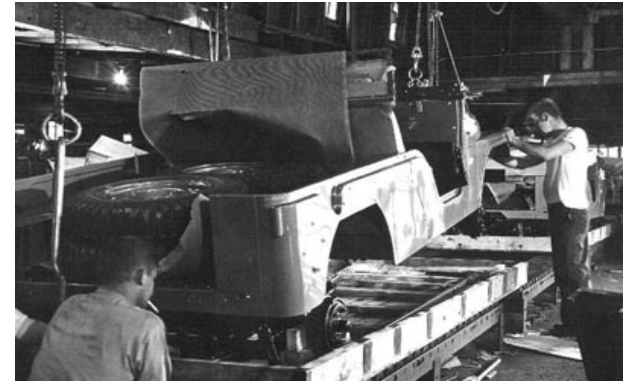
### Depots

- Re-build Trucks
- Provide Labor Force

# Current and Future Environments and Strategic Imperatives

## Warm Production Capability

- Provides Fleet Readiness Through:
  - Creates capacity for war surge
  - Reduces lead times
  - Maintains innovation and technological superiority
  - Synergy between private and public industries
  - Maintains the current industrial base (mortar/brick & human capital)





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## Promoting Best Business Practices

- Teaming With Government Agency (Collaborative Partnering)
- Alpha Negotiation (Effective Communications)
- Web Portal (E-Business)
  - Systems Integration
  - Asset Visibility
- Managing Commercial and Government Supply Chains (3<sup>rd</sup> Party Logistics)
- Receive, Store and Manage Government & Commercial Owned Material Within the Same Facility (Lean Initiatives: Reduced Inventory & Lead-Time)
- Point of Use = Point of Sale (Reduced Inventory Investment)
- Objectives & Metrics (Performance Based Logistics)
- Deliver Parts Directly to Production Line (Productivity Enhancement)
- Compressed Time Frame (Time is Money)

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## Summary:

- Security environment changing
- Next five years will require us to all work together to maximize limited resources
- As leaders, we must maintain open communication and honest dialogue