Overview

Air Force Depot Maintenance
- Current structure
- Financial mechanism
  - (Depot Maintenance Activity Group - Working Capital Fund)
- Products & Services
- Customer base
- Scope of Operations
- Problems originating in the 1990s

Depot Maintenance Reengineering & Transformation
- Approach & Objectives
- Organization & Focus Areas
- FY03 Initiatives
DMAG “sells” depot maintenance services to a myriad of customers

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DMAG Products & Services

Depot Level Repairs Purchased from DMAG

- Exchangeables (Spare Parts) ($3.1B)
- Aircraft PDMs/UDLM ($1.8B)
- Engines Overhauls ($673M)
- Software ($483M)
- Other Major End Items (OMEI) ($144M)
  - Space Systems, Ground Comm,
  - Special Purpose Vehicles, etc
- Local Manufacture ($47M)
- Other ($35M)
- Missiles ($33M)
- Area Base & Tenant (ABM) ($25M)

Includes Organic and commercial sources contracted by AFMC!

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Customer Base

- Supply Mgt Activity Group (SMAG)
- O&M (Active, Guard & Reserve)
- Transportation Working Capital Fund (TWCF)
- Procurement Appropriations
- Army/Navy
- Foreign Military Sales (FMS)
- Other (RDT&E, Other Federal, Etc.)

Total FY03 Customer Orders $6.3B
Scope of Operations
Air Force Depot Maintenance

- $6B+ Net Revenue
- Overhauls (DPEM):
  - 3 aircraft/workday (744 / year)
  - 4 engines/workday (1018 / year)
- Repairs 2530 exchangeable spare parts daily (632,396/year)
- Stores 4485 aircraft ($27 B)
- Employs 21,401 Personnel
  - 34.4% reduction since 1994
1990s: A Decade of Decay

- Directed business changes
  - Spares inventory reductions -- reduced repair flexibility
  - Lost control over production material
  - Stock funding of depot level repairables -- raised costs
  - Overhead cuts -- quality, material control, engineering
  - Maintenance broken into weapon system “companies”

- BRAC
  - 5 ALCs & AGMC became 3 ALCs
    - Transfer problems -- equipment, processes, data
    - Competition processes changed focus away from warfighter
    - Loss of depot maintenance experience
  - Drastic cuts in organic infrastructure investment
1990s: A Decade of Decay

- Information systems atrophied
  - JLSC failure -- legacy systems on hold
  - No timely, enterprise-driven data to manage with
- Abnormally high risk pushed to the WCF
  - Demand-based exchangeable repair
    - Workload predictability diminished
  - Aging cost growth (material) denied in the rates
- PBD 437 (now in FMR) -- crippled WCF mechanism
  - Requires execution year O&M reimbursement
  - A bandage, not a cure for inadequate cost baselines
  - Makes WCF a “four letter word”
Addressing the Problems in the New Millennium

Depot Maintenance Review Team (March 2001)

- Sponsored by AFMC/CC and AF/IL
- SAF, HAF, AFMC, ALC, and MAJCOM members
- Identified problems across a broad spectrum of depot maintenance functional areas

DMRT Transitioned To


- Personnel involved to work issues from all AF levels
- 37+ initiatives assigned to 8 Focus Area Teams
- Focused improvement
  - resources inserted, regular AF reviews

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**DMRT Objective**

**Targeted Performance**

**Warfighter Support**
- Re-engineer processes:
  - Reduce flow times, increase production and throughput
  - Responsive to peacetime & contingency requirements
  - Reverse problems introduced during 1990s downsizing

**Financial Performance**
- Eliminate unprogrammed and unbudgeted costs
- Resolve disconnect between requirements & budget process
- Reduce financial risk to AF Total Obligation Authority (TOA)
- Improve accountability of Working Capital Fund operations

*This is an Air Force project...Not an AFMC project...
Requires Air Force solutions!*
DMRT’s 8 Focus Areas

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<tr>
<th>Focus Area</th>
<th>Objective</th>
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<td>Workload/Production</td>
<td>Standardized process improvement strategy</td>
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<tr>
<td>Financial</td>
<td>Correct disconnects in the financial requirements and budgeting processes</td>
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<tr>
<td>Organization Structure</td>
<td>Clarify chain of authority, responsibility, accountability</td>
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<td>Workforce</td>
<td>Train and develop maintenance workers and leaders</td>
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<td>Material</td>
<td>Responsive support to meet flexible workload requirements</td>
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<td>Infrastructure</td>
<td>Re-capitalize/invest based on depot maintenance strategy</td>
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<tr>
<td>Information Technology</td>
<td>Develop integrated IT strategy</td>
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<tr>
<td>Metrics</td>
<td>Achieve a balanced focus on warfighter support and financial performance</td>
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300+ Inputs
37+ Initiatives
Categorized into 8 focus areas
DMRT FY03 Actions

**Workload/Production:** Implement standard process improvement strategy and standardized shop floor metrics that relate to the customer and shop floor

- Standard process improvement CONOPs developed
- Automate shop floor metrics & display capabilities

**Financial:** Transform and realign financial processes and policies to enable other DMRT initiatives to achieve improved financial performance

- Develop predictive budget model for forecasting & POM alignment
- Eliminate recursive supply / maintenance pricing problem
- Transition contract depot maintenance to appropriated funding
- Revise execution year loss recovery & workload carryover rules

**Organization:** Clarify lines of accountability, responsibility, and authority at ALCs

- Restructure depot maintenance entities into single ALC organization
- Develop standardized depot maintenance structure (Effective Oct 02)
DMRT FY03 Actions

**Material Support:** Provide responsive material support to depot maintenance to meet flexible workload requirements

- Improve material policies & stock levels that support depot maintenance
- Improve purchasing, supply chain management, forecasting processes

**Infrastructure:** Re-capitalize/invest based on AF depot maintenance strategy

- Formalize depot maintenance infrastructure planning process
- Publish Depot Infrastructure Master Plan linked to Depot Maintenance Strategy

**Training:** Train and develop maintenance workers and leaders

- Stand up dedicated maintenance technical training organization
- Create supervisory training course for new maintenance leaders

*Integrity - Service - Excellence*
DMRT FY03 Actions

**Information Technology:** Develop integrated strategy to support depot maintenance operational needs

- Establish IT roadmap to improve standardization and performance
- Focus resources and integration priorities on specific depot improvement goals

**Metrics:** Establish a standardized set of warfighter focused metrics, balanced and related to strategic objectives (*Balanced Scorecard*)

- Survey customer goals, missions and metrics
- Develop and define balanced scorecard metrics
- Automate data collection and presentation
Conclusions

- AF depot maintenance is still a robust capability
- Significant impediments to depot maintenance created during the 1990s
- DMRT is a renaissance opportunity for AF depot mx
  - Wide range of problems documented
  - Root causes investigated
  - Corrective initiatives identified
  - Those initiatives are in progress
    - FY03 is the “big push”
- Air Force leadership committed to critical changes to make our depot maintenance “world class”