Potential New Considerations for Making Source of Repair Decisions

RDML Tim Matthews
Moderator
14 November, 2011
Panelists

- Ms. Lorna Estep - Deputy Director of Logistics, Directorate of Logistics & Sustainment, Headquarters Air Force Material Command

- Mr. Steven Karl - Director, Life Cycle Logistics Policy, Office of the Deputy Assistant Secretary of the Army Acquisition Policy & Logistics

- Mr. Lou Kratz - Vice President, Logistics & Sustainment, Lockheed Martin Corporation

- Mr. Mike Madden - Executive Director, US Marine Corps Logistics Command
Source of Repair Decisions

2011 DoD Symposium

Ms. Lorna Estep
HQ AFMC/A4
14 Nov 11
Overview/Considerations

- Early Source of Repair (SOR) Decision
- Budgetary environment
- Joint Service
Early SOR Decision

**DSOR Timing**
- Strategic Source of Repair (SSOR) completed early in acquisition process
- Source of Repair Assessment (SORA)/Depot Maintenance Interservice (DMI) complete prior to MS B
- Core capability established NLT IOC + 4

**Depot Activation**
- CORE Workloads

**DSOR**
- Includes
  - Candidate Depot
  - Core Assessment
  - 50/50 Assessment

**ICD**
- Initial Capabilities Document

**MDD**
- Materiel Development Decision

**LRIP**
- Low Rate Initial Production

**IOT&E**
- Initial Operational Test & Evaluation

**FRP**
- Full Rate Production

**IOC**
- Initial Operational Capability

**FOC**
- Full Operational Capability

**MSB**
- Milestone B
Early SOR Decision (Example)

**• KC-46A--USAF Replacement Tanker Aircraft**

- USAF Strategic SOR decision approved FY2007; ahead of Request for Proposal (RFP)
  - Clear requirements built into RFP
  - Included Core Logistics Assessment and strategic 50/50 impact
  - PEO more effectively able to plan, budget, program
- RFP drove clear expectations to both public and private workforce
- Provides better opportunities to develop and enhance partnerships with private industry and other Services

**DSOR Timing Critical to Maximizing Lifecycle Benefits**
Budgetary Environment

- Constrained budgets--foreseeable way of life
  - Will likely change the way we do business
  - Will exacerbate challenges to comply with Title 10
- Early Core and SOR decisions
  - Increases opportunity to avoid cost; single support strategy
- Requires Public-Private industrial base working together
Joint Service

- USAF maximizes use of existing capability by directly assigning workload to other Services:
  - Helicopters (Army and Navy)
  - Wheeled/Track Vehicles (Army and Marines)
  - Tactical Missiles (Army)
- Build on Service Expertise; Single Site

One Team, One Fight – Private and Public Industrial Base!
Summary

• Early Source of Repair (SOR) Decision
• Budgetary environment
• Joint Service
New Considerations for making Source of Repair Decisions

Mr. Steven Karl
Director, Life Cycle Logistics Policy
Office of the Deputy Assistant Secretary of the Army
Acquisition Policy and Logistics

November 14, 2011

Anniston Army Depot
Current Environment

• Rapidly evolving technology and industrial process changes require a robust and responsive industrial base

• Army procuring more commercial-off-the-shelf technologies and low density materiel

• Army leveraged the private sector industrial base during OIF and OEF to meet time requirement but sacrificed a lot…

• Current global situation suggests similar time in U.S. history from 1805-1905 when the U.S. Army experienced rapidly changing technologies in the areas of weapons (small arms) and artillery; American response was decisive in both organic and private sectors
The Challenge: Balancing private industry and organic capability where it makes sense
Industrial Base Health

• OIF/OEF displayed private industry as flexible and responsive to our needs
• Further contraction of private base is inevitable; therefore pool of American industry will continue to diminish; Buy American Act?
• Organic Base; necessary for quick response and surge yet…
  – Current Ammunition facilities woefully dilapidated
  – Arsenals are falling apart; can’t maintain infrastructure & capability
  – Depots need major renovation to make relevant to 21st century
• More pressure on private base to deliver capabilities; DoD 5000.01 now requires vendor to carry two prototypes; private base assuming risk
• Consolidation created defacto Oligopolies; perhaps “Too big to Fail”
• Globalization makes supply chain a challenge
• Congressional Interest (Jobs)
Source of Repair Decision Factors

1. Interpretation of the Law is inconsistent.
2. Incentivize private sector to keep viable.
3. PM knowledge of depot capabilities is limited.
4. Core Depot Assessment (CDA) is hard to navigate.
5. Source of Repair Analysis (SORA) is time consuming process.
7. Army Procurement Objective/Army Acquisition Objective.

How do I succeed?

Performance, Cost, Schedule…

Who is the honest broker on the review of CLA/CDA/SORA?

Human Nature plays Major Role

PM will Choose the Known quantity!
Depot vs. Contract Repair Decision

Where will I repair my system over its lifecycle?

Balance the “Law” with “best value”!

How do I maximize the use of both organic and contract capabilities?

Factors:
- Decentralized authority
- COTS = usually Not organic
- Consolidated at Army Level
- Changing landscape of programs
- Funding cuts can cause major shifts in percentages

Every year…we spin the wheel!
## Industrial Base Assessment

### Industrial Sector Assessment

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trucks &amp; Other Vehicles</td>
<td>Green 92</td>
</tr>
<tr>
<td>Communication Equipment</td>
<td>Amber 89</td>
</tr>
<tr>
<td>Heavy Construction</td>
<td>Amber 89</td>
</tr>
<tr>
<td>Aerospace Defense</td>
<td>Amber 85</td>
</tr>
</tbody>
</table>

### Depot Capability Assessment

<table>
<thead>
<tr>
<th>Depot Capability</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel Engine</td>
<td>Green 91</td>
</tr>
<tr>
<td>Composite Repair</td>
<td>Red 55</td>
</tr>
<tr>
<td>Drive train component</td>
<td>Amber 77</td>
</tr>
<tr>
<td>Fabrication</td>
<td>Green 91</td>
</tr>
</tbody>
</table>

### Fleet Supported Assessment

<table>
<thead>
<tr>
<th>Fleet Supported</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMMWV</td>
<td>Green 90</td>
</tr>
<tr>
<td>FMTV</td>
<td>Green 92</td>
</tr>
<tr>
<td>MRAP</td>
<td>Green 90</td>
</tr>
<tr>
<td>HEMTT</td>
<td>Green 91</td>
</tr>
</tbody>
</table>

### Hypothetical Example

**RISK MATRIX**

- **Impact**
  - VL
  - L
  - M
  - H
  - VH

- **Probability**
  - VL
  - L
  - M
  - H
  - VH

**Size Core based upon Risk**
Elements that have to be right

• Establish core requirement in capability documents
• Balance Core Capability:
  – Measure health of the Industrial Base by sector
  – Size Core against Industrial Base Assessment
  – Establish long-term public/private partnerships
• Exclude low density and truly commercial materiel; maintain a data base of excluded materiel
• Ensure up front participation from all stakeholders due to compressed timelines and resulting trade space decisions
• Assign depot subject matter expert to PM at milestone B
• Streamline CLA/CDA/SORA; develop guidance/templates
Considerations for Source of Repair Decisions

14 November 2011

Lou Kratz
Vice President & Managing Director
Logistics & Sustainment
Corporate Engineering & Technology
Agenda

• Title 10 Governance

• Current SORAP Process

• Proposed Way Forward
Title 10 Governance

• 2464: “...essential that the DoD maintain a Government-owned and Government-operated core logistics capability.”

• 2466: "50-50 rule”

• 2474: Designated Centers of Industrial and Technical Excellence encouraged to enter into public-private cooperative arrangements
Source of Repair Assignment Process

• Vague definitions
  – “other, more salient criteria”

• Workload shifts without formal cost analyses

• Warfighters and taxpayers lack “light of day” decision-making
Achieving Best Value

- Reward consistent performers
  - T56 engine workload at Kelly Aviation

- Build “trusted” and value-added partnerships

- Realize long-term gains
Way Forward

• Focus “core” on critical capabilities

• Adjust SORAP guidance to assess “core”

• Leverage commercial capabilities through partnering
Thoughts on Sourcing Decisions

• Use it or Lose it
• Acquisition and sustainment communities must operate as one
• Program-level view does not integrate well on the battlefield
• The last ten years...a depot success story
Discussion
USAF Source of Repair (SOR) Process

• Phase I:
  – Core (10 USC 2464) Logistics Assessment
  – USAF Candidate Depot Determination

• Phase II:
  – Program Office Analysis
  – 50/50 (10 USC 2466) impact assessment
  – Senior Leader Coordination

• Depot Maintenance Interservice (DMI)
  – Determines final Depot SOR (DSOR) within DoD

DSOR Timing Critical to Maximizing Lifecycle Benefits
The Process

**Step 1. Conduct CLA**

- The Analysis
  1. Equipment/System require depot maintenance?
  2. Equipment/system support JCS mission for DPG and NMS?
     Title 10 USC 2464 / AR 750-1

**Step 2. Conduct CDA or SORA**

- **Core Logistics Analysis (CLA)**
  - "Core" Capability?
    - No, Conduct CDA
    - Yes, Conduct SORA

- **Source of Repair (SOR) Analysis**
  - Conduct SORA

- **Core Depot Assessment**
  - Conduct CDA

**Step 3. Negotiate Workload**

- **Commercial Source of Repair**
  - Consider Industry?
  - Consider Depot?

- **Organic Source of Repair**
  - Optimize workload

- **Partnerships**
  - Best Value

- **Optimize Workload**

**Depot Source of Repair (DSOR) process**

- **Total Depot Maintenance Workload**
  - Core Workload
  - Maintenance Providers

**Life-cycle Management**

**HQDA**

HDAM
MAIS
JOINT

**HQ AMC**

SOR Decision

**MISMO**

**MDAP**

**CDA**

Core Depot Assessment

**SORA**

Source of Repair Analysis

**Determine Workload**

- *DLH-Workload
- Min DLH-Core

**SORA**

- Core Workload

**Determine Army SOR (Depot)**

**JDMAG review**

Determine SOR (Depot)

DoDD 4151.1E, DoD 5000.2R
Navigating the law while optimizing the mix

- Not Core
  - Contribution when Best Value
  - Contribution To Army Aggregate

- Core
  - Contribution when Best Value
  - Contribution To Army Aggregate
  - Core Logistics
    - Minimum capability
    - Load depots efficiently

- Title 10, USC 2460 – Depot Maintenance
- 2474 – CITE/PPP
  - Optimize use of Organic facilities
- 2466 – 50/50 Rule
  - Spend 50% of dollars within organic defense facilities
- 2464 - Core Logistics