Challenges and Opportunities
Government and Industry

29 August 2006

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Director
Material Readiness and Logistics
OPNAV N4
Bottom Line Up Front

• New threat emergence requires new capabilities

• Fiscal pressures are increasing, complicating our ability to:
  • Deliver new capabilities, while
  • Sustaining readiness and
  • Fighting a war (and resetting thereafter)

• Government/Industry partnering essential to developing solutions
The New Threat Environment

Irregular
- Non-state and state actors employing “unconventional” methods to counter stronger state opponents – terrorism, insurgency, etc. (erode our power)
  (e.g., terrorism, insurgency, civil war, and emerging concepts like “unrestricted warfare”)

Catastrophic
- Terrorist or rogue state employment of WMD or methods producing WMD-like effects against American interests. (paralyze our power)
  (e.g., attack on homeland, global markets, or key ally that would generate a state of shock and preclude normal behavior)

Traditional
- States employing military forces in well-known forms of military competition and conflict (challenge our power)
  (e.g., conventional air, sea, and land forces, and nuclear forces of established nuclear powers)

Disruptive
- Competitors employing technology or methods that might counter or cancel our current military advantages. (capsize our power)
  (e.g., technological – bio, cyber, or space war, ultra miniaturization, directed-energy, other – diplomatic blackmail, cultural or economic war)

Requires a complex combination of capabilities to meet the threat
CNO’s “Top Three”

- Sustain Combat Readiness
- Build a Fleet for the Future
  - Quadrennial Defense Review (QDR)
  - Base Realignment and Closure (BRAC)
- Develop 21st Century Leaders

QDR Priorities
- Defend the Homeland in Depth
- Defeat Terrorist Networks
- Shape the Choices of Countries at Strategic Crossroads
- Prevent Hostile State and Non-State Enemies from Acquiring WMD

Follow-on Roadmap
- Building Partnership Capacity
Navy Strategic Plan

**Desired Effects ...**

- Dominate littoral waters
- Influence events ashore
- Provide unique maritime capabilities
- Maintain persistent forward presence
- Strengthen alliance w/ strategic partners
- Shape / align shore infrastructure
- Build a Naval force for tomorrow

Source: Navy Strategic Plan
Defense Outlays (as % of GDP) Increased 30% From 2000 to 2004; Expected to Drop 13% by 2011.

Defense spending parallels total discretionary spending.

Source: CBO 31 AUG 05
Federal Budget Reality

President’s Budget Request 2007

FY 2007
Federal Budget Estimate
$2,701B

- Mandatory Funding
  - DoD
  - Other Gov’t Agencies

- Interest Payments
  - Medicare
  - Medicaid
  - Prescription Drug Benefit

- Discretionary Funding
  - DOD Emergent
  - Homeland Security
  - Social Security

Discretionary Funding Estimate
$962B

Projected deficit
~$390B

* CBO projects mandatory funding will grow by $1.4 trillion by 2015
Internal Drivers

National Defense Outlays

Outlays expected to drop 13% by 2011

Note: Outlays lag budget reductions by about 2-4 years

Source: Library for Integrated Learning and Technology, Illinois State
Internal Drivers
Operations & support costs rising

O&S cost grew 10% from FY00-FY05

Recapitalization investment at risk!
Internal Drivers
Navy Spend on People

FY06-11 has net costs growing another 14%

91-05 costs up ~20% despite manpower reductions of ~40%

FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11

$B

$60 $50 $40 $30 $20 $10 $0

Health Care
Housing
CIVPERS
RPN
MPN

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Aging Force Structure and Facilities

Under investment in new acquisition/modernization…

…Results in aging Force Structure

Trends unlikely to change without dramatic action
The Environment We Face

Program vs Budget ...

- Federal Budget unlikely to grow
- DoD Budget expected to be under pressure for additional reductions
  - Growing entitlement programs
  - Domestic priorities
- DoD has significant internal challenges
  - Growing manpower costs
  - Aging force structure/infrastructure
  - Cost of War and Reset cost
Focus
- Create Enterprise framework/governance
- Change consumption behaviors
- Create cost-wise readiness
- Leveraging joint capabilities

Enterprise Initiatives
- AIRSpeed efficiencies
- SHIPMAIN
- Performance Based Logistics (PBL)
- Fleet Readiness Centers (FRC)
Jacksonville AIRSpeed Initiative

**EA-6B re-wing production**

**EA6B WORK-IN-PROCESS BEFORE**
- TAT = 594 DAYS FY03
- WIP = 16
- Walk distance 45,125 ft.

**MANAGEABLE WORK-IN-PROCESS AFTER**
- TAT = 358 Days FY05
- WIP = 8 in FY05
- Walk distance reduced to 8,670 ft

RETURNED TWO SQUADRONS OF AIRCRAFT TO THE FLEET
INCREASED ON-TIME DELIVERIES (OTD) FROM 31% TO 83%
Main Propulsion Diesel Engine

Maintenance Process Improvement

USN PC 2.5 \( A_0 = .55 \)

- 48 Engines
- $2,229,167 per engine/year
- $107,000,000 per year

MSC PC 4.2 \( A_0 = .93-.97 \)

- 56 Engines
- $319,728 per engine/year
- $17,904,800 per year

Improving diesel engine readiness through fluid quality monitoring and performance monitoring
F414GE-400 Depot Component PBL

Traditional Concurrent Repair

Module RTAT

TEARDOWN

MINOR PARTS SUPPLY

MAJOR COMPONENT ROUTING

BUILDUP

Depot Component PBL

Module RTAT

TEARDOWN

MINOR PARTS SUPPLY

REQUISITION MAJOR COMPONENTS

BUILDUP

Efficiency

Better TAT through Innovation and Partnering
Increased Reliance on Industry Support

- Providers held to customer-oriented performance requirements
- Growing significantly in size -- $475M FY01 to ~$1B FY05

Desired effect: Improved cost-wise readiness

PBL Contract Totals (TY$)

* Number of Active Contracts
Source: DD form 350
Fleet Readiness Centers: A Transformational Initiative

- **Reduce Work Content**
  - Eliminate Task Duplication - Waste
  - Eliminate Duplicate/Repeated Troubleshooting
- **Material Requirements**
- **Improve Reliability**
  - Centers of Excellence
- **Improve Feedback Loop**
- **Less WIP in the system**

Naval Aviation Enterprise IMA / DEPOT INTEGRATION
Desired Outcome

- Readiness at reduced cost
- Combined Government and Industry efforts
  - Aggressive innovation
  - Shared partnerships
- Cost-wise readiness cuts both ways

We need your ideas!

Not more with less - more with what we have