DEFENSE IN TRANSITION

Adapting To The New Budget Environment While Keeping The Warfighter Supplied

2011 WOMEN IN DEFENSE
Agenda

➢ This Time It’s Different

➢ Closing the Maintenance Gap

➢ Contracting for the Long Haul

➢ Optimizing Joint Logistics Engagement

➢ Navy Energy Improvements

➢ The Path Forward…
“We have gone through a decade of war in which the defense budget has more than doubled, and now we have to look at a decade where we have to prevent war but be able to fight wars and win wars, if we have to, recognizing we have less resources. That’s the challenge that we face as we confront this budget issue.”

Secretary of Defense Leon Panetta
Testimony before the SASC
22 September 2011
Navy Challenge

- Always deployed
- Across 5 oceans
- All Resources are precious commodities
- Capital intensive, long service life Force
Always deployed
Across 5 oceans
All Resources are precious commodities
Capital intensive, long service life Force

And…

Two Theaters of Operation

Majority of 2020 Battle Force exists today
  - Older ships / Increasing Sustainment Cost

Cost to own & operate our Fleet growing faster than inflation

Pressurized Budget
DoD budgets are cyclical & due for a down turn. Procurement suffers disproportionately during down turns.
# Two Perspectives

## DOD Needs
- Force structure
- People
- Repositioning
- “Reset”
- Modernization
- Industrial base
- R&D

## Fiscal Climate
- Mandatory Funding Growth
- Debt at Historic Levels
- “No Growth” DOD Budget
- Weak Economy
- Fuel Cost Fluctuations
- Non-DOD Spending Priorities

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**How do you reconcile these two perspectives?**

**What alternatives do you see?**
If you agree the status quo will not get us through this…

… what’s the solution?
Logistics Efficiencies

Strategic Network Optimization

- Single CONUS distribution network
- Aggregate materiel from multiple source nodes & deliver to end customers

Defense Trans. Coordination Initiative

DoD Domestic Freight Management Today:

DoD Domestic Freight Management Tomorrow:

Chemical Management Services (CMS)

- Single inventory manager/provider of chemical management services
- 3PL performs procurement, inventory management, storage, distribution, hazardous waste removal, and disposal
- Uniform policy & practices implemented at all sites
- Savings through efficiencies in buying and managing HAZMAT

Improve Inventory Management

- Improve overall DoD inventory management
- Reduce excess inventory on-hand
- Decrease excess inventory on-order
- Specific objectives and targets to improve forecasting and reduce/terminate orders

Value of DoD Inventory by Category
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Underway days per ship
Depot maintenance per ship
Average ship age

Surface
Aviation
Class Maintenance Plans

- Scheduled maintenance actions
- Ensure ship and installed equipment perform as designed
- Reach expected service lives
Leveraging Simulator Capability

Current Use

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>USN FA-18 A-F</td>
<td>7%</td>
</tr>
<tr>
<td>USN EA-6B</td>
<td>2%</td>
</tr>
<tr>
<td>EA-18G</td>
<td>4%</td>
</tr>
<tr>
<td>E-2C</td>
<td>11%</td>
</tr>
<tr>
<td>MH-60R</td>
<td>19%</td>
</tr>
<tr>
<td>MH-60S</td>
<td>25%</td>
</tr>
<tr>
<td>P-3</td>
<td>11%</td>
</tr>
</tbody>
</table>

Future

- Maximize use of simulators for all warfare communities
- Effective training requires efficient balance of live and synthetic approaches
- Type Commanders working Fleet simulator guidance
JSF Opportunities and Challenges

**Opportunities**
- Fifth-Generation Logistics Information Technology
- Leverage of advanced simulator capability
- Cost efficiencies due to variant commonality

**Challenges**
- Sustainment Affordability
- Cost-effectiveness & detail of Performance Based Logistics (PBL) Sustainment Strategy
- Fleet integration, e.g. engine replenishment at sea, first/last mile supply chain
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Money as a Weapon System

Goals
- Assist Host Nations transition to vibrant self-sustaining economies
- Employ Iraqi and Afghan citizens
- Reconstruction / contracting with local businesses

Focus – positive impact on local economies
- Host Nation ownership
- Host Nation participation
- Direct contracting to companies

Results
- NDAA 2008 Set Aside Authority
- FY06 – Present
- $9.5B awarded to Host Nation firms
- Over 4,200 vendors registered
- Set asides for targeted groups
  - Historically underrepresented
  - Cognizant of the ‘very local’ industrial base
What We’re Improving

- Desperate need for better requirements development process (automated)
- Acquisition strategies moving us toward more fixed price, competitive awards
- Ensure “life cycle” contracting (including post-award through closeout)
- Execute Procurement Management Reviews (PMR) (ensuring we’re doing things right)
- Oversight at Contracting Officer Rep (COR) and CO levels needs improvement
- Strategic sourcing – fully utilize Joint Logistics Procurement Support Board
- Leverage reachback
- Adequate resourcing/manpower—still a critical shortage of qualified KO’s
## Operational Approach

<table>
<thead>
<tr>
<th>Observed State</th>
<th>Lines of Effort</th>
<th>Effects</th>
<th>Desired State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient synchronization of contracting in theater</td>
<td><strong>Synchronize Contracting Activities</strong></td>
<td>Increased contracting oversight &amp; coordination</td>
<td><strong>Earn trust &amp; collaboration of the Afghan People by conducting synchronized and transparent contracting practices that support COIN and promote sustainable economic growth for Afghanistan.</strong></td>
</tr>
<tr>
<td>Contracting processes often lack transparency and accountability</td>
<td><strong>Increase Transparency And Accountability In Contracting Process</strong></td>
<td>Improved reputation of our contracting</td>
<td></td>
</tr>
<tr>
<td>Contracting corruption is degrading COIN</td>
<td><strong>Reduce Contracting Corruption</strong></td>
<td>Contracting linked to a winning COIN strategy</td>
<td></td>
</tr>
<tr>
<td>Insufficient attention paid to enduring economic prosperity</td>
<td><strong>Promote Economic Development</strong></td>
<td>Increased long term effectiveness of aid</td>
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<tr>
<td></td>
<td>• Stand up regional command contract review boards</td>
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<td></td>
<td>• Conduct contracting network analysis (synthesize existing information and validate)</td>
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<td></td>
<td>• Price PSC services separately in all contracts</td>
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<td></td>
<td>• Require primes to submit names of all subcontractors</td>
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<td></td>
<td>• Work with USG and int’l agencies to properly vet</td>
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<td></td>
<td>and, when appropriate, restrict companies</td>
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<tr>
<td></td>
<td>• Invigorate and extend theater business clearance authority</td>
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<tr>
<td></td>
<td>• Analyze and recommend viable EFT destinations for contracting organizations</td>
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<td></td>
<td>• Direct set-asides (Section 886) to traditionally under-represented tribes</td>
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</tbody>
</table>
Navy Utilizes Several Contracting Tools to Balance Optimal Total Ownership Cost with Performance and Flexibility Goals
Deputy Secretary of Defense
Dr. Ashton Carter
14 Sept 2010
Memo to Acquisition Professionals

- as Undersecretary of Defense (Acquisition, Technology & Logistics)
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Developing the Joint Logistics Enterprise (Optimizing Joint Logistics Engagement)

Naval Logistics Enterprise

USTRANSCOM

DLA

NAFAC

NAVAIR

SPAWAR

Defense Agencies

Vendor Factory

NAVSEAl

Industry

NAVSUP

Naval Medical Logistics Command

Joint Logistics Enterprise

Joint Concept For Logistics

-Integrate

-Synchronize

-Optimize

Supply

Maintenance

Deployment & Dist.

Health Service Support

Engineering

Logistics Services


Medical Logistics

Naval Logistics Integration

JFC

A template for success...
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## SECNAV Energy Goals

Naval Energy Forum in 2009 - Secretary of the Navy announced five Energy Goals:

<table>
<thead>
<tr>
<th>Goal</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Alternatives Afloat</td>
<td>By 2020, 50% of total DON energy consumption will come from alternative sources</td>
</tr>
<tr>
<td>Increase Alternatives Ashore</td>
<td>By 2020, DON will produce at least 50% of shore-based energy requirements from alternative sources; 50% of DON installations will be net-zero</td>
</tr>
<tr>
<td>Sail the “Great Green Fleet”</td>
<td>DON will demonstrate a Green Strike Group in local operations by 2012 and sail it by 2016</td>
</tr>
<tr>
<td>Reduce Non-Tactical Petroleum Use</td>
<td>By 2015, DON will reduce petroleum use in the commercial vehicle fleet by 50%</td>
</tr>
<tr>
<td>Energy Efficient Acquisition</td>
<td>Evaluation of energy factors will be mandatory when awarding contracts for systems and buildings</td>
</tr>
</tbody>
</table>

The Navy is moving forward on these aggressive targets
Opportunity – Energy Investment

**Afloat**
- Hybrid Electric Drive
- Propeller coatings
- Stern flaps
- Solid state lighting
- Combustion trim loop
- Efficient HVAC systems, generators
- Fleet scheduler planning tool
- Hull coatings
- Alternative fuels (multiple platforms)
- Online water wash

**Ashore**
- Hybrid non-tactical vehicles
- Renewable energy sources
- LEED building standards
- Smart meters and auditing
- Micro grid
- Solid state lighting

**Alternatives**

**Efficiency**
Focus remains on efficiency technologies for legacy assets

Culture Change

- Critical to create energy awareness
- Maritime Incentivized Energy Conservation Program Success
  - Aviation community instituting similar program

Continue to work with public and private entities to spur alternative fuel development
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The Path Forward

- **Imperative:** The Navy remains a ready force that is meeting all commitments in support of the Maritime Strategy

- **Reality:** Fiscal pressures and the need to grow the future force pose significant challenges

- **Solution:** We must find ways to more efficiently buy, own and operate the force

- **Assessment:** Department of Defense logistics is fertile with opportunities
Leadership Thoughts

The role of a leader is to:

• develop the ‘big idea’
• communicate that to the team
• and then guide the execution