MILITARY
- Smaller
- Leaner
- Technologically Advanced

REBALANCE GLOBAL POSTURE
Include:
- Asia-Pacific
- Middle East

PROTECT & PRIORITIZE
- Key investments in technology and new capabilities

CAPABILITY
- Quickly confront and defeat aggression from any adversary – anywhere, anytime

DIPLOMACY
- Build innovative partnerships
- Strengthen key alliances & partnerships from Europe to Latin America to Africa
Historic Trends in Defense Spending

DoD Budget Authority (in FY14 Dollars)

FY 2014
$496B Base
$85B OCO
Total: $581B

-25%

FY 2014
$496B Base
$85B OCO
Total: $581B

-25%
Overview

**AT&L FY14 Priorities**
- Warfighter SIG
- Implement BBP 2.0
- Business Systems Acquisition/Management
- Technological superiority and erosion
- Protect the future
- Close tracking of industrial base
- Strengthen AT&L workforce
- Legislative initiative

**AT&L Strategic Goals**
- Support forces engaged in overseas contingency operations
- Achieve affordable programs
- Improve efficiencies
- Protect the future
- Strengthen industrial base
- Strengthen workforce

**Warfighter Support**
- Provide disposal and retrograde authorities to support AFG timeline and Resolute Support Mission, and OSC-Iraq operations
- Implement Consolidated Guidance for Retrograde and Disposition of Equipment
- Continue to establish OCS processes and standards

**Acquisition/Affordable Programs**
- Establish logistics cross-functional support to F-35
- Improve Life Cycle Sustainment Plans to better support Milestone Decisions
- Publish PBL Best Practices Guidebook
- Publish O&S Cost Management Handbook

**Efficiencies**
- Continue implementation of Inventory Management Plan and supply chain efficiencies
- Work with GAO to remove Supply Chain from High Risk
- Continue regional consolidation of Personal Property Support Offices
- Establish enterprise supply chain performance reviews

**Protect the Future**
- Implement passenger screening against No-Fly list on all DoD flights
- Assess Component strategies to address counterfeit vulnerabilities in DoD supply chain

**Strengthen Organic Industrial Base**
- Publish Arsenal instruction establishing importance of arsenal capabilities across DoD
- Establish DoD-wide structure for Depot Source of Repair decision-making
- Establish senior logistics public-private partnership council to facilitate cost reduction strategies across industry and DoD

**Strengthen the Workforce**
- Shape and implement logistics planning and Product Support Manager workshops
- Recognize PBL, Supply Chain, and Maintenance best performers
Warfighter Support Accomplishments

- Published *Consolidated Guidance for Equipment Retrograde and Disposition* in Afghanistan
  - Military and contractor equipment and property
  - Excess Defense Articles and Foreign Excess Personal Property transfers/donations

- Provided authorities for planning/execution of closure of 5 remaining DoD bases and their disposition of equipment in Iraq

- Provided disposal and demilitarization authorities tailored to mission requirements
  - 32K containers of equipment worth $1.2 billion ... approximately 25% / $1.1 billion retained ...75% / $75 million disposed (Dec 2011 - Jan 2014)
  - Donated $88M (fair market value) of commercial equipment to Afghan government ... saving $1.1B in transportation costs to date.
  - Disposed 65K containers of scrap ... 750M pounds ... and demilitarized 8K vehicles (including 1101 MRAPs)

- Provided disposal and demilitarization authorities to support Coalition Partners operations

- Established international code of conduct and National ANSI standards for Private Security Contractors
Warfighter Support Goals

- **Maintain support** and provide authorities for Retrograde and Disposition / Demilitarization of equipment to meet AFG December 2014 timeline
  - 17K pieces of rolling stock ... includes ~4800 MRAPs (~1600 are excess)
  - 4K containers of equipment & supplies
  - 18K containers of contractor materiel

- Provide authorities to USFOR-A keeping pace with Operation Drumbeat requirements through December 2014

- Support post-2014 Afghanistan Resolute Support Mission footprint

- Further develop operational concept for managing contractors in contingency operations

- Continue Inter-Agency dialogue on logistics support requirements
Acquisition & Affordable Programs

- Published **BBP PBL Comprehensive Guidance**
- Completed **F-35 O&S Cost Reduction Study**

  - Improve content of *Life Cycle Sustainment Plans* to provide effective information supporting milestone decisions ... Refine Annotated Outline (2011) to include
    - O&S Affordability
    - O&S Should Cost initiatives
    - Clarify use of LSCP with PBL arrangements

- Publish **PBL Best Practices Guidebook**
- Issue **O&S Cost Management Handbook**
- Integrate PBL best practices with DAU course curricula
- Release DoD-wide RFP for cross-service common aircraft components provided by Honeywell
Better Buying Power 2.0 and DoDI 5000.02 Stress Life-Cycle Affordability
Affordable Programs Through Improved Product Support

- Mandates affordability as a requirement and use of related performance metrics
- Requires “should cost” based management
- Increases focus on sustainment planning
- Encourages effective use of Performance-Based Arrangements

Critical attributes:
- “Outcome” acquired; not traditional transactional contract
- “Handful” of metrics related to desired outcome
- Provider incentivized to be innovative … without micromanagement
- Trust between government and provider
Performance Based Arrangements are Effective …
When Properly Structured and Executed

PBL Guidance Memorandum (November 2013)

- Provides definition and attributes of effective performance based arrangements
- Includes considerations for where PBL implementation may not apply
- Provides indicators of effective performance based arrangements
- Defines OSD and Service actions
  - Include plans for assessment in milestone decision reviews
  - Review departmental barriers to adopting performance based arrangements
  - Assess performance based arrangement effectiveness in sustainment reviews
  - Assess PBL skills gaps and refine training and DAU learning assets

Performance Based Arrangement Guidebook (April 2014)

- Reference for the skilled practitioner…How-to guide for those new to PBL
- Consolidated resource of best practices needed to implement effective arrangements
- Unifying use-case to demonstrate concepts in practice
- Metrics reference guide of 150 performance metrics
- Frequently Asked Questions section
Improving Sustainment Plans (LCSP) to support milestone decisions

<table>
<thead>
<tr>
<th>Sustainment Plan Content</th>
<th>Solution Analysis</th>
<th>Technology Maturation &amp; Risk Reduction</th>
<th>Engineering Manufacturing &amp; Development</th>
<th>Production &amp; Deployment</th>
<th>Operations &amp; Support</th>
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</thead>
<tbody>
<tr>
<td>Sustainment Requirements</td>
<td>Define &gt; Decompose &gt; Allocate</td>
<td>Performance Metrics (Ao, Am, Rm, O&amp;S costs)</td>
<td>Test Data &gt; Performance Validation</td>
<td>Reliability Growth Progress</td>
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<tr>
<td>Product Support Strategy*</td>
<td>Core Applicability</td>
<td>Workload est.</td>
<td>Level of Repair</td>
<td>Source of Repair</td>
<td>Standup</td>
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<tr>
<td>Maintenance</td>
<td>Options for Supply Chain Mgmt</td>
<td>Initial Spares DT/IOT&amp;E Provisioning</td>
<td>Deliveries</td>
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<tr>
<td>Supply</td>
<td>Options for Repair Data, Manufacturing Specs</td>
<td>Data Delivery</td>
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<tr>
<td>Intellectual Property(IP)</td>
<td>O/I/D Maintenance and Supply Estimate</td>
<td>Support options (AoA)</td>
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<tr>
<td>Manpower</td>
<td>Supportability Analysis &amp; Design Trades, IP</td>
<td>Options</td>
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</tbody>
</table>

Arrangements
- Major Logistics Events Identified **
- Product Support Element Dev / Fielding Site Activations / Operational Capabilities
- Design/Support Trades (Reviews) |
- Sustainment integrated with Test & Eval Events
- Contracting Actions
- Commercial/Organic Transitions

Schedule
- O&S Contribution to Life Cycle Cost Estimate > Sustainment Implications of ICE/SCP Variances
- Identification and mitigation of unfunded requirements
- Pareto Cost Drivers > Identify Should Cost Initiatives > Schedule/Execute Initiatives
- PSM Designated Product Support Organization Staffed
- Product Support IPT Established > Integrated with External Stakeholders

Management
- O&S Affordability
- Cost
- Funding
- Should Cost

Effective LCSPs capture the progression in the program’s critical thinking as the system is developed and deployed.
Logistics Organic Base Strengthening

- Identify and protect critical capabilities
- Issue Arsenal instruction establishing importance of capabilities ... procedures to identify critical manufacturing capabilities and workloads of the arsenals
- Issue Depot Source of Repair Instruction to establish DoD-wide structure for depot source decision making
- Establish Senior Logistics Public-Private Partnership Council to facilitate cost reduction strategies across industry and DoD
Efficiency

✓ Implementing **Comprehensive Inventory Plan**
  - On-hand excess inventory reduced by $8B
  - Excess inventory orders reduced from $1.1B to $564M
  - Backorders and planned procurements reduced by $218M

✓ Developed **Distribution Network re-engineering** Phase I ... $402M in transportation savings

✓ Implemented CFO/FIAR compliant inventory procedures for Service-owned material located in DLA warehouses

✓ Consolidated nine personal property shipping offices

☐ Validate SNO Phase I savings of $402M in POM15 and develop Phase II inventory optimization business model

☐ Continue execution of **Comprehensive Inventory Management Improvement Plan**

☐ **Institutionalize enterprise supply chain metrics** and performance reviews

☐ Leverage international Joint Logistics Forums for continued global supply chain information sharing/participation with Allies
Setting Stock Levels for “Non-Forecastable” Items

- Traditional Forecasting for items with predictable demand patterns
- Updated policy to set Min/Max levels for items with:
  - Infrequent demand
  - Frequent and highly variable demand

Results with consumable items:
- Improving material availability
  - Peak—up from 72.4% to 78.4%
  - NG—up from 84.9% to 87.4%
- Filling backorders
  - Peak—down from 55K to 40K
  - NG—down from 47K to 38K
- Generating fewer orders ... down 10% so far
- Decreasing On-hand inventory

Sponsoring pilots with Army and Air Force to assess ...
### Institutionalizing DoD Supply Chain Metrics

<table>
<thead>
<tr>
<th>Attribute/Outcome</th>
<th>Definition</th>
<th>Current OSD Metrics</th>
<th>OSD Metrics Under Development</th>
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</thead>
<tbody>
<tr>
<td>Materiel Readiness</td>
<td>The ability of the supply chain to support weapon systems in undertaking and sustaining their assigned missions at planned peacetime and wartime utilization rates</td>
<td>• NMC Rates</td>
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<td></td>
<td>• NMCS Backorders</td>
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<tr>
<td>Responsiveness</td>
<td>The ability of the supply chain to respond to customer materiel requests according to priority by providing the right support when it is needed and where needed</td>
<td>• Customer Wait Time (O Level)</td>
<td>• Response Time Effectiveness</td>
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<td></td>
<td></td>
<td>• Logistics Response Time</td>
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<tr>
<td>Supply Chain Reliability</td>
<td>The dependability and consistency of the supply chain providers in delivery of required material support at a time and destination specified by the customer</td>
<td>• Wholesale Perfect Order Fulfillment (DLA)</td>
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<td></td>
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<td>• Denial Rates</td>
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<td></td>
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<td>• Wholesale Supply Availability</td>
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<td>• TDD Compliance</td>
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<tr>
<td>Cost</td>
<td>The amount of supply chain resources required to deliver a specific performance outcome</td>
<td>• Value of Secondary Item Inventory</td>
<td>• Tiered Inventory Turns</td>
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<td>• Inventory Segmentation of No Demand Items</td>
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<td>• Supply Management Costs</td>
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<td>• Supply Management Cost Changes</td>
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<td>• Log Cost Baseline</td>
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<td></td>
<td></td>
<td>• Unserviceable DLR Asset Write-Offs</td>
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<tr>
<td>Planning and Precision</td>
<td>The ability of the supply chain to accurately anticipate customer requirements and plan, coordinate and execute accordingly.</td>
<td>• Excess On-Hand</td>
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<td></td>
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<td>• Excess On-Order</td>
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<td>• Demand Forecast Accuracy and Bias</td>
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<td>• Unserviceable DLR Return Time</td>
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<td>• Unserviceable DLR Over-Aged Due-Ins</td>
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<td>• Procurement Lead Times</td>
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<td>• Lead Time Variances</td>
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Points of Emphasis

- Maintain logistics support and authorities to AFG and Iraq operations
- Improve content of Life Cycle Sustainment Plans to support Milestone Decisions
- Publish PBL Guidebook and O&S Cost Management Handbook … assist Components adoption and implementation in direct support of BBP 2.0
- Establish Logistics Public Private Partnership Council to facilitate opportunities in cost reduction strategies
- Issue Instruction underscoring Arsenal capabilities
- Establish depot source of repair decision-making structure
- Assess Component counterfeit detection/prevention efforts
- Institutionalize supply chain performance reviews