

DEFENSE IN TRANSITION

***Adapting To The New Budget
Environment While Keeping The
Warfighter Supplied***

2011 WOMEN IN DEFENSE



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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...



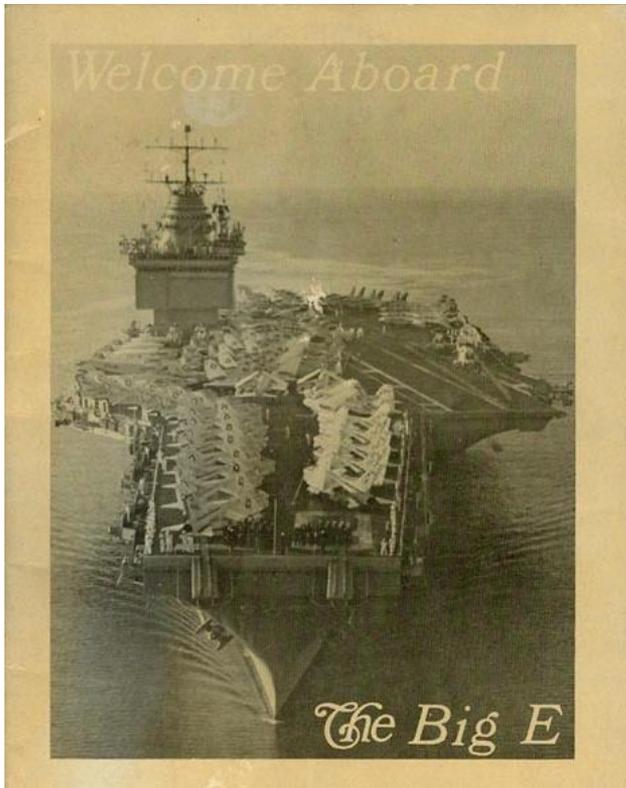
“We have gone through a decade of war in which the defense budget has more than doubled, and now we have to look at a decade where we have to prevent war but be able to fight wars and win wars, if we have to, recognizing we have less resources. That’s the challenge that we face as we confront this budget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





Challenge of Today: Fiscal & Logistical

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

And...

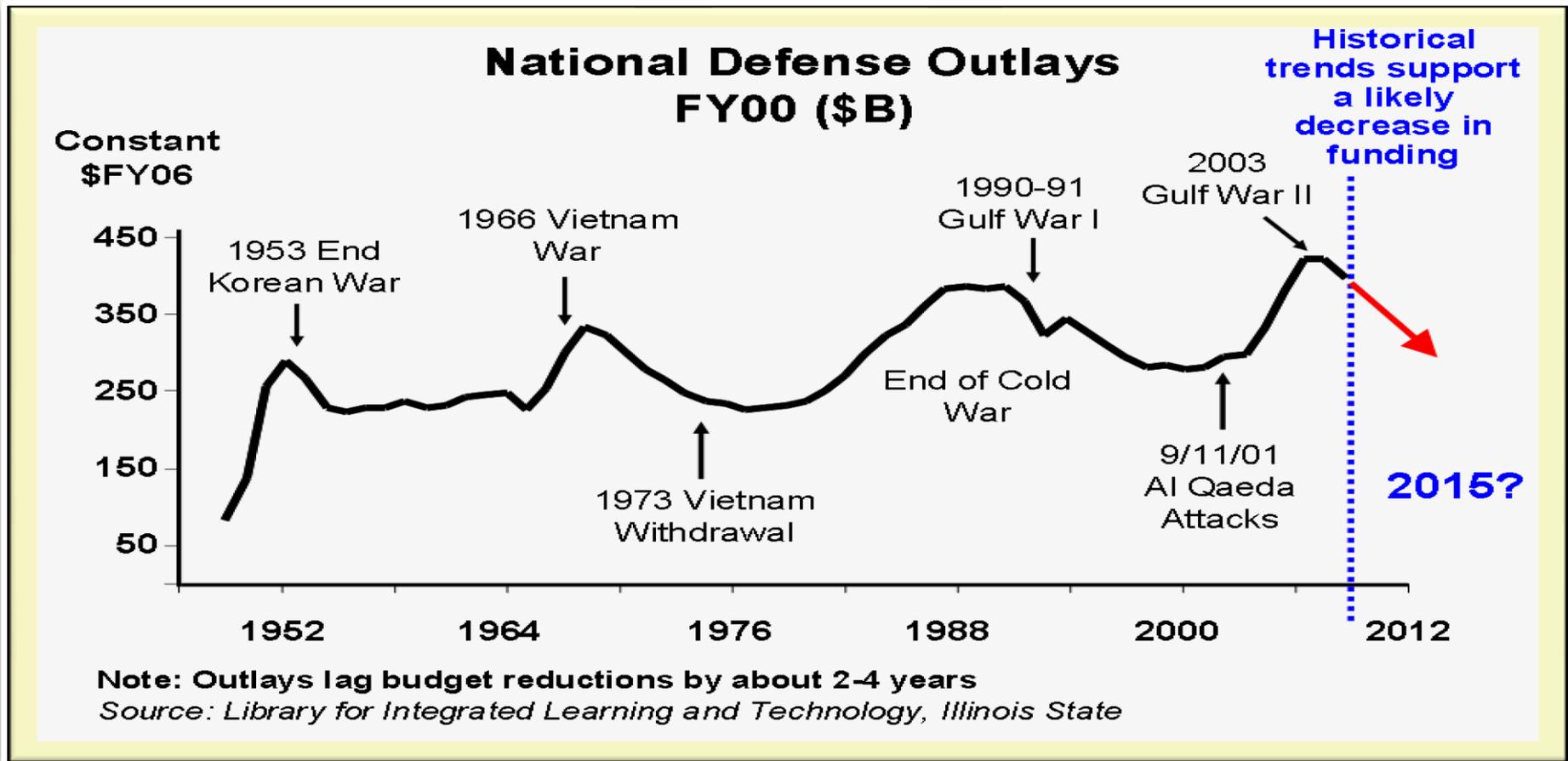
- **Two Theaters of Operation**
- **Majority of 2020 Battle Force exists today**
 - Older ships / Increasing Sustainment Cost
- **Cost to own & operate our Fleet growing faster than inflation**
- **Pressurized Budget**





Future Fiscal Environment

DoN TOA Trend FY1950 - 2021



**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

What alternatives do you see?

How do you reconcile these two perspectives?



The Environment We Face

Program vs Budget ...



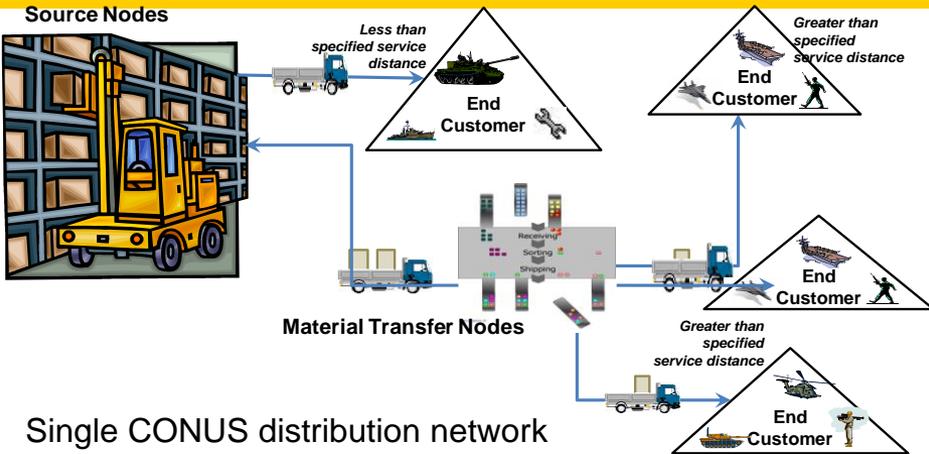
If you agree the status quo will not get us through this...

... what's the solution?



Logistics Efficiencies

Strategic Network Optimization



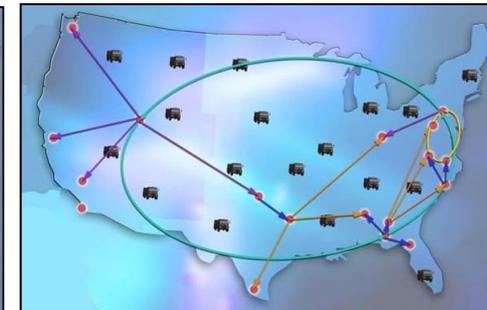
- Single CONUS distribution network
- Aggregate materiel from multiple source nodes & deliver to end customers

Defense Trans. Coordination Initiative

DoD Domestic Freight Management Today:



DoD Domestic Freight Management Tomorrow:



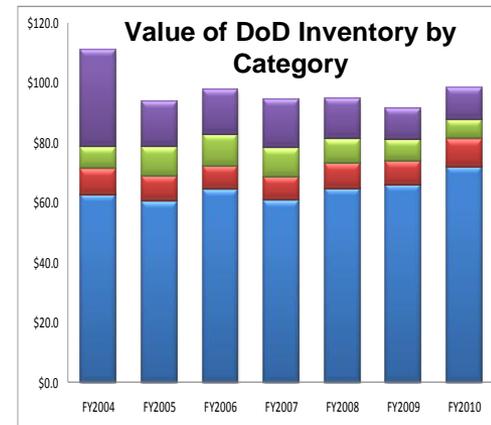
Chemical Management Services (CMS)

- 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





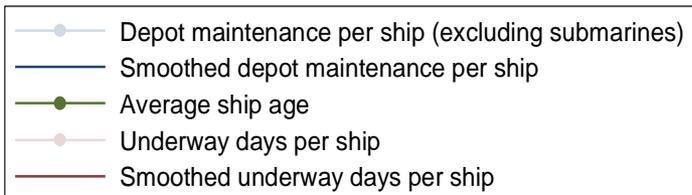
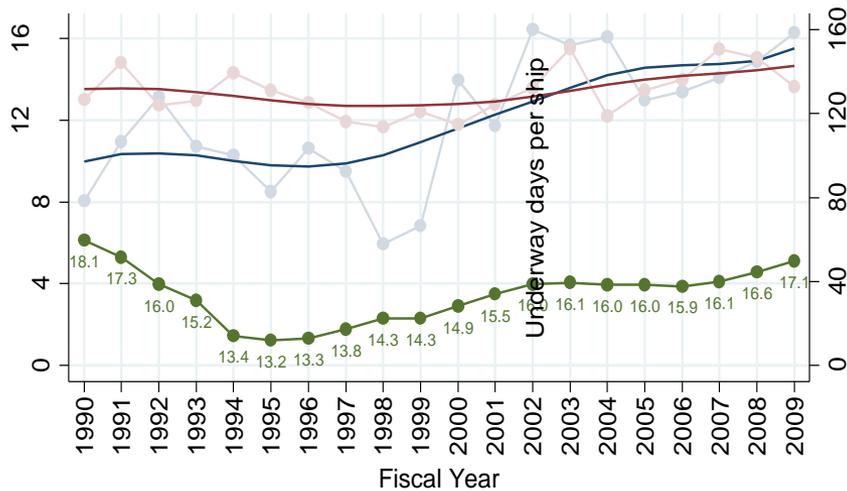
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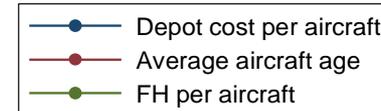
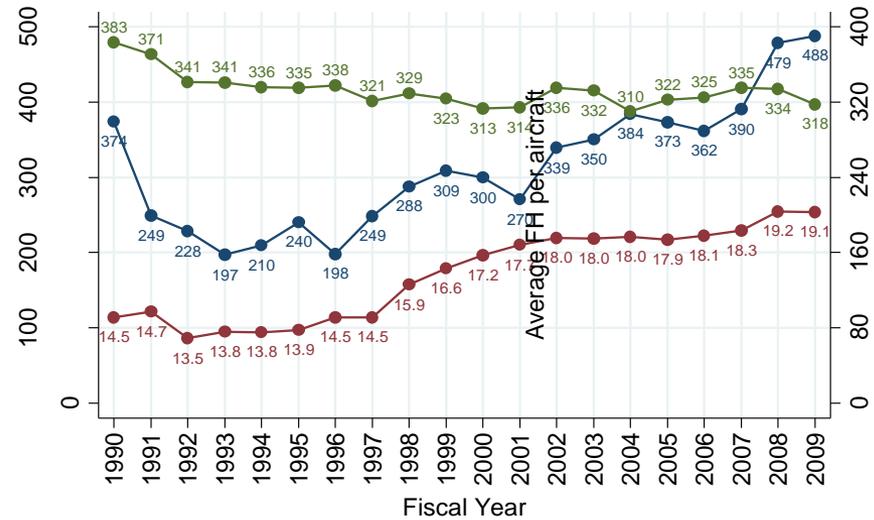


Depot Cost, Age, Operational Tempo

Surface



Aviation





Maritime Opportunities

Class Maintenance Plans

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

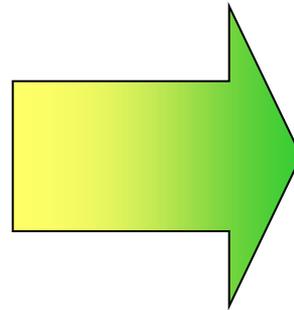




Leveraging Simulator Capability

Current Use

USN FA-18 A-F	7%
USN EA-6B	2%
EA-18G	4%
E-2C	11%
MH-60R	19%
MH-60S	25%
P-3	11%



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

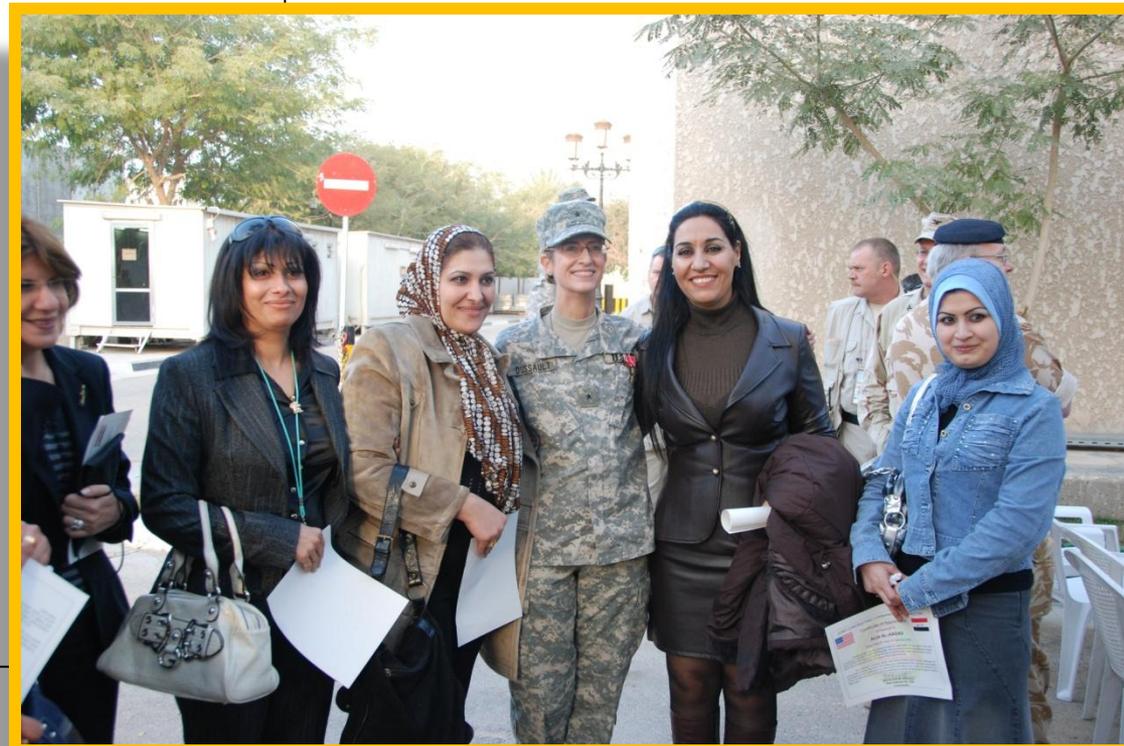
- Assist Host Nations transition to vibrant self-sustaining economies
- Employ Iraqi and Afghan citizens
- Reconstruction / contracting with local businesses

Focus – positive impact on local economies

- Host Nation ownership
- Host Nation participation
- Direct contracting to companies

Results

- NDA 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*





Kuwait / Iraq Contracting Lessons Learned

➤ 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

Observed State

Insufficient synchronization of contracting in theater

Contracting processes often lack transparency and accountability

Contracting corruption is degrading COIN

Insufficient attention paid to enduring economic prosperity

Lines of Effort

Synchronize Contracting Activities

- Stand up regional command contract review boards
- Conduct contracting network analysis (synthesize existing information and validate)

Increase Transparency And Accountability In Contracting Process

- Price PSC services separately in all contracts
- Require primes to submit names of all subcontractors

Reduce Contracting Corruption

- Work with USG and int'l agencies to properly vet and, when appropriate, restrict companies
- Invigorate and extend theater business clearance authority

Promote Economic Development

- Analyze and recommend viable EFT destinations for contracting organizations
- Direct set-asides (Section 886) to traditionally under-represented tribes

Effects

Increased contracting oversight & coordination

Improved reputation of our contracting

Contracting linked to a winning COIN strategy

Increased long term effectiveness of aid

Desired State

Earn trust & collaboration of the Afghan People by conducting synchronized and transparent contracting practices that support COIN and promote sustainable economic growth for Afghanistan.



TOC Principles in Contracting

Navy Portfolio



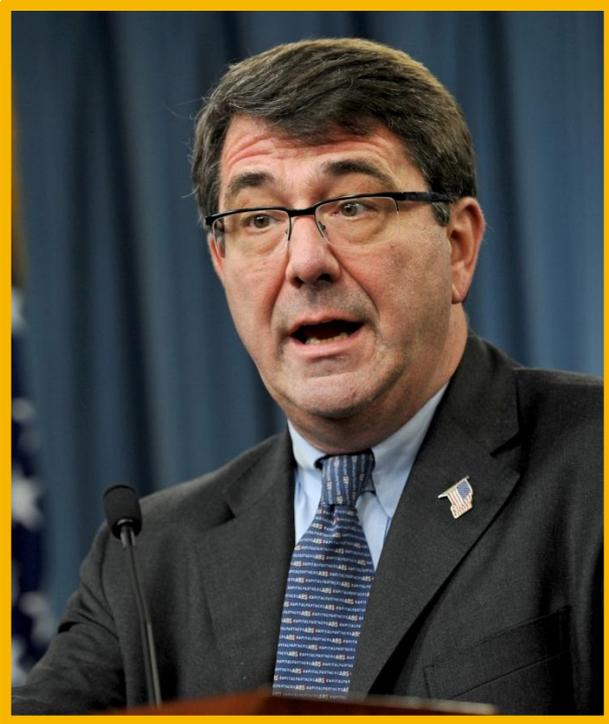
Contracting Tools to Optimize TOC

- Multi-year Procurement
- Contract Type (e.g., Fixed Price vs. Cost Plus)
- Performance Based Logistics and Contractor Logistics Services
- Commonality and Strategic Sourcing

Navy Utilizes Several Contracting Tools to Balance Optimal Total Ownership Cost with Performance and Flexibility Goals



Leadership Provides Tactics



**Deputy Secretary of Defense
Dr. Ashton Carter
14 Sept 2010
Memo to Acquisition Professionals**

-as Undersecretary of Defense (Acquisition,
Technology & Logistics)

- **Get the Requirements Right**
- **Make Every Dollar Count**
- **Perform to Plan**
- **Mind the Health of the Industrial Base**
- **Strengthen the Acquisition Workforce**

Do More Without More

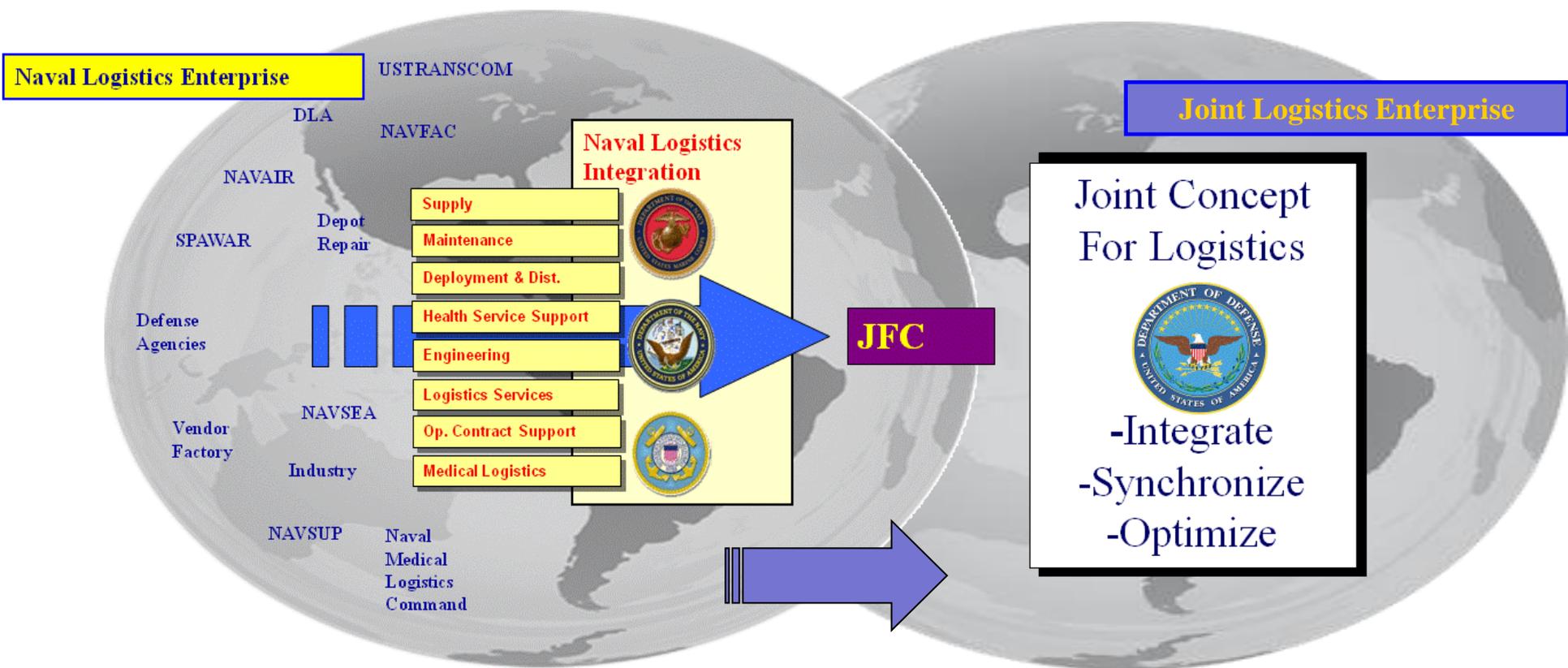


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Developing the Joint Logistics Enterprise (Optimizing Joint Logistics Engagement)



A template for success...



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SECNAV Energy Goals

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

Increase Alternatives Afloat

By 2020, 50% of total DON energy consumption will come from alternative sources

Increase Alternatives Ashore

By 2020, DON will produce at least 50% of shore-based energy requirements from alternative sources; 50% of DON installations will be net-zero

Sail the “Great Green Fleet”

DON will demonstrate a Green Strike Group in local operations by 2012 and sail it by 2016

Reduce Non-Tactical Petroleum Use

By 2015, DON will reduce petroleum use in the commercial vehicle fleet by 50%

Energy Efficient Acquisition

Evaluation of energy factors will be mandatory when awarding contracts for systems and buildings

The Navy is moving forward on these aggressive targets



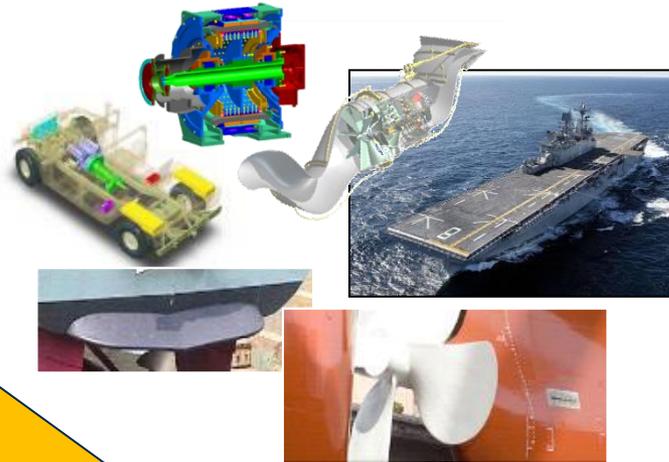
Opportunity – Energy Investment

Alternatives

Efficiency

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



Energy Security

Ashore

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





2012 and Beyond

- 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*



