Acquisition Reform: Product Support Initiatives

Randy Fowler | Assistant Deputy Under Secretary of Defense Materiel Readiness

CLEP/LOGSA Conference
Huntsville, AL
March 8, 2010
FY 2010 NDAA
Public Law 111-84

111TH CONGRESS
1ST SESSION H. R. 2647
AN ACT
To authorize appropriations for fiscal year 2010 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, to provide special pays and allowances to certain members of the Armed Forces, expand concurrent receipt of military retirement and VA disability benefits to disabled military retirees, and for other purposes.

Section 805
Life Cycle Management And Product Support (Oct 24, 2009)

Weapon Systems Acquisition Reform Act (Public Law 111-23, 22 May 2009)
DoD Product Support Assessment

Assessment Purpose

- Recommends to senior leadership improvement of existing weapon system sustainment strategy
- Encompasses operational, acquisition, and sustainment communities
- Complements Weapon System Acquisition Reform Act with perspectives attentive to life cycle management and sustainment
- Provides recommendations to improve weapon system readiness and control life cycle cost

✓ Senior Steering Group strongly endorsed report and way ahead
✓ Implementation planning and actions underway
✓ Final report signed by USD(AT&L) on November 12, 2009
✓ Implementation Teams Underway
Reforming How We Buy:

Improving program execution

- Employ fixed-price development contracts more frequently
- Constrain added requirements by employing Configuration Steering Boards
- Demonstrate critical technologies and prove concepts prior to initiating engineering and manufacturing development
- Certify technology maturity through independent reviews and technology readiness assessments
- Develop more accurate technical baselines
- Conduct realistic integrated testing as early as possible
- Better align profitability with performance

“Achieve effective life cycle cost management by employing readiness-based sustainment strategies, facilitated by stable and robust government-industry partnerships.”

Strengthening the Industrial Base

“...create and/or sustain competition, innovation, and essential industrial capabilities.”
Product Support Journey

**Concept**
- Section 912, 1998 NDAA: DoD to report to Congress on Product Support Reengineering
- F-117, APU
- PBLs

**Policy**
- DoD QDR mandates “PBL” – First official Use of Term
- Program Managers Guidebook published
- ACAT 1 & 2 to use PBL or justify non-use

**Adoption**
- DoD 5000 policy updated: PBL is “preferred” Support Strategy
- DAU PBL Course Launched
- Contractors PBL Course Launched

**NextGen**
- OSD PBL Policy memos: BCA’s used to evaluate transition to PBL
- Over 200 current or planned PBL Programs
- Revised DoDI 5000.2 Issued
- Product Support Assessment Team Launched
- DoD Weapon System Acquisition Reform Product Support Assessment Implementation

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2001</th>
<th>2003</th>
<th>2004</th>
<th>2006</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
</table>
Product Support Business Model:
Provide Program Managers a model template for a weapon system support strategy that drives cost-effective performance and capability for the Warfighter across the weapon system life cycle and enables most advantageous use of an integrated defense industrial base.

Industrial Integration Strategy:
Align and expand the collaboration between Government & Industry that produces best value partnering practices.

Governance:
Strengthen and develop organization and mgmt processes to deliver the right sustainment information to decision-makers.

Metrics:
Use existing metrics to catalyze sustainment strategies and trigger continuous supportability analysis.

O&S Costs:
Improve O&S cost visibility and influence.

Supply Chain Operational Strategy:
Connect platform product support strategies to enterprise supply chain approaches that produces best value across the DoD components.

Analytical Tools:
Build a toolbox of analytical approaches (including BCA).

Human Capital:
Integrate Product Support competencies across the Logistics and Acquisition workforce domain to institutionalize successful traits of an outcome-based culture.

Weapons System Data:
Define, collect, report, and manage the data we need to drive effective Life Cycle Product Support.
**Product Support Business Model**

- **Inherently Governmental**
- **Warfighter**
- **Performance Based Agreement**
- **Program Manager (PM)**
  - **Responsibility/Authority**
- **Product Support Manager (PSM)**
  - **Accountability**
- **Integrated Industrial Base:**
  - **Commercial and Government**
  - **Outcomes**
  - **Defined Performance Outcomes**
  - **Bound Agents**
    - "Achieve documented outcomes within terms of agreements"
  - **Product Support Providers**
    - Depots
    - DLA
    - ICPs
    - OEMs
    - DPO
    - Tier X
- **Product Support Integrators**
  - PSI

**Key Points**
- **Responsible**
  - "Oversight & Management"
- **Accountable**
  - "Establish Product Support Strategy"
### PBL “Label” Issue

#### Advocates Viewpoint
- Strategic readiness enabler
- Warfighter driven sustainment strategy
- Game-changer to transactional logistics
- Incentivizes logistics demand reduction
- Facilitates public-private partnering
- Integrates management of support infrastructure
- PBL works; delivers performance improvements with lower operating costs

#### Critics Viewpoint
- Contracting out logistics
- Degrades organic workforce capability
- Contractor’s savings not passed to government
- Business case analysis not consistently conducted with undeterminable cost benefits (GAO)
- Limited cost visibility
- Stifles competition
- Long contract periods limit government flexibility and off-ramps

---

**To Re-brand PBL or Not: Incremental vs Paradigm-shift**

10pm04-9
UAS PBL Summary by Platform

Hunter
• Not a Program of Record and Not a PBL Candidate
• Contract has OR as a Performance Goal

Shadow
• **Full PBL** Implementation at System Level
• Contractual Performance Metrics
• The PM to OEM Performance Agreement is the Contract
• The PM to Warfighter Performance Agreement is our published Supportability Strategy

Warrior
• System in SSD Phase of Development
• **Potential PBL Candidate**
• Planned completion of Formal Business Case Analysis (BCA) 4th QTR FY10

Raven
• **Potential PBL Candidate**
• Completed Type I Business Case Analysis (BCA) 2nd QTR FY09, LORA, CDA, and BCA being updated

gMAV
• Deployed via GWOT ONS
• Contract has OR Performance Goal
Improving Sustainment Governance at DABs

SAMPLE PROGRAM: “ABC”

Product Support Approach

Sustainment Approach
- Current (initial CLS covering total system)
- Future (sub-system based PBL contracts)

Issues
- Shortfall in O&M funding in FYDP
- Reliability and availability estimates are below goals
- LCSP requires update before DAB

Resolution
- POM request for O&M restoration submitted
- Reliability improvement plan with clear RAM goals up for final signature
- LCSP in draft

Antecedent Program

Metric Data

<table>
<thead>
<tr>
<th>Metric</th>
<th>XYZ Actual</th>
<th>Original Goal</th>
<th>Current Goal</th>
<th>Current Estimate/Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materiel Availability</td>
<td>76%</td>
<td>80%</td>
<td>77%</td>
<td>71%</td>
</tr>
<tr>
<td>Materiel Reliability</td>
<td>37 hrs</td>
<td>50 hrs</td>
<td>50.5 hrs</td>
<td>51 hrs</td>
</tr>
<tr>
<td>Ownership Cost</td>
<td>245.6B</td>
<td>385.5B</td>
<td>395.1B</td>
<td>395.1B</td>
</tr>
<tr>
<td>Mean Down Time</td>
<td>12 hrs</td>
<td>20 hrs</td>
<td>18 hrs</td>
<td>15 hrs</td>
</tr>
</tbody>
</table>

* Test or fielding event data derived from _______

Notes:

Sustainment Schedule

O&S Data

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>XYZ Cost</th>
<th>ABC Original Baseline</th>
<th>ABC Current Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Unit-Level Manpower</td>
<td>3.952</td>
<td>5.144</td>
<td>5.750</td>
</tr>
<tr>
<td>2.0 Unit Operations</td>
<td>6.052</td>
<td>6.851</td>
<td>6.852</td>
</tr>
<tr>
<td>3.0 Maintenance</td>
<td>0.739</td>
<td>0.605</td>
<td>0.668</td>
</tr>
<tr>
<td>4.0 Sustaining Support</td>
<td>2.298</td>
<td>2.401</td>
<td>2.401</td>
</tr>
<tr>
<td>5.0 Continuing System Improvements</td>
<td>0.129</td>
<td>0.025</td>
<td>0.035</td>
</tr>
<tr>
<td>6.0 Indirect Support</td>
<td>1.846</td>
<td>1.925</td>
<td>1.956</td>
</tr>
<tr>
<td>Total</td>
<td>15.046</td>
<td>16.951</td>
<td>17.682</td>
</tr>
</tbody>
</table>

Cost based on average annual cost per squadron

<table>
<thead>
<tr>
<th>Total O&amp;S Costs</th>
<th>XYZ</th>
<th>ABC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Year $M</td>
<td>102,965.2</td>
<td>184,011.9</td>
</tr>
<tr>
<td>Then Year $M</td>
<td>245,665.3</td>
<td>395,147.2</td>
</tr>
</tbody>
</table>
Governance – Post IOC Reviews

Navy example
Managing DoD Total Ownership Cost (TOC)

National Interest:
- WSARA – May ’09
- CAPE Report to Congress
- GAO Study - ongoing
- WSAR PSA – Nov ’09
- Service Initiatives/BCAs
- QDR
- Budget Pressures

Need to formulate OUSD(AT&L) strategy (within the DoD strategy) for TOC influence and management

Source: CAPE, June 2009 Data
Competency Management of Acquisition and Logistics Professionals

AT&L (Acquisition) Community

- Property Mgt
- Purchasing
- Contracting
- Program Mgt
- PQM
- BCEFM
- SPRDE – S&T
- SPRDE – SE

LCL Community
~14,852 personnel

DoD Logistics Community
~615K personnel

Life Cycle Logistics
- Deployment/Distribution/Transportation
- Supply Management
- Maintenance Support

T&E
IT Mgt
FE
Audit

10pm04-14
Implementation Overview

Industrial Integration
- Criteria & Baseline
- Partnering Guidance
- Title 10 Changes

Product Support Business Model
- PSBM PM Guide
- Revised Policy
- Log Cost Memo

Supply Chain Operational Strategy
- JSCA Op Strat
- Enterprise Architecture
- SCM BOK

Metrics
- Automated RAM Metrics
- O&S
- Affordability Language
- Enterprise Dashboards
- Legacy System Reporting
- O&S Cost Definition & Granularity
- Memo
- Post-IOC Review
- ILA Guide

Governance
- Sustainment Chart & Implementation Guide

Human Capital
- FIPT Guidance
- Competencies Identified
- Career Fields Targeted
- Training

Outreach
- SSG & PSEC Calls
- Office Magazine Articles Congressional Briefings
- AIA, NDIA, Logistics Conferences
- Industry Meetings
FY 2010 NDAA Sec. 805, Life Cycle Management and Product Support

- Outcome-based (readiness-based) strategies at best-value costs
- Balanced use of DoD and industry resources via stable and robust partnerships
- Maximize competition, or the option of competition for long-term effectiveness
- Assist PMs in LCM responsibilities via establishment of mandatory product support manager (PSM) positions
  - Assign properly qualified military or DoD employee to PSM positions
  - Specifies PSM duties

Attachment 1 - Guidance on LCM and Product Support Strategies
Attachment 2 – Definitions

On track for April 30 guidance issuance
Sec 805 – What’s Different?

• Explicitly establishes a PM help-mate
• Strengthens PM authority (funding)
• Builds a better Life Cycle Logistics human capital asset
• More respect for an integral program management position (front-line)
• Potential for many key roles and responsibilities to be performed better
Rapid Acquisition Sustainment Strategies

Up-front sustainability criteria are increasingly necessary to avoid potential schedule slips and control O&S cost burdens.
Life Cycle Management Partnership

Systems Engineering - Logistics

**GUIDANCE**
- Defense Acquisition Guide (DAG)
- Defense Acquisition Program Support Methodology
- System Engineering Plan (SEP) Prep Guide
- RAM-C Manual
- MIL-HDBK 217 Update

**DAE REVIEWS**
- Defense Acquisition Boards (DABs)
- IPRs

**REPORTING**
- DAES
- DAMIR
- Sustainment Quad Chart

**METRICS**

- Material Readiness
  - Material Availability
  - Material Reutilizability
  - Material Downtime
  - Material Ownership

**O&S COST MANAGEMENT**
- R-TOC
- NDIA SE Committee

**ACQUISITION REFORM INITIATIVES**
- Public Law 111-23 (DTM 09-027)
- Public Law 111-24 (DTM 10-xxx)
- Countering Counterfeits T2
- WSAR PSA Report
- DT&E/SE Annual Rpt to Congress
- Next Steps to Improve Reliability
- Human Capital Management

**REVIEWS/ASSESSMENTS**
- Program Support Reviews (PSR)
- Assessment for Operational Test Readiness (AOTR)
- SEP Reviews
- Nunn-McCurdy Reviews
Sustainment Readiness Levels

DAG Lays out what should be done by phase

SRL Descriptors provide criteria for assessing and conveying risk

Can show maturity with SRLs

Provides discipline, structure & rigor for assessing sustainment planning & implementation
1. Operational perspectives are paramount.
2. Life cycle management is easier said than done.
3. ILS is foundational.
4. Requirements/metrics are essential.
5. RAM is common language.
6. System engineering is your best friend.
7. O&S cost drives right decisions.
8. PBL is integrative.
9. SCM facilitates joint action.
10. Culture is driven by money and leadership.
Let's give him enough and on time