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BASE VISIT REPORT
Marine Corps Air Station
Cherry Point

May 28, 2005

LEAD COMMISSIONER:

The base visit was a staff visit without a Commissioner

ACCOMPANYING COMMISSIONER:

None

COMMISSION STAFF:

Thomas A. Pantelides

Colleen Turner

LIST OF ATTENDEES:

Col (USMC) John D. Gumbel, Commanding Officer, Naval Air Depot Cherry Point,
Phone: (252) 464-7000/7001, E-Mail: john.gumbel@navy.mil

Ms. Mary Beth Fennell, Industrial Business Operations Head,
Phone: (252) 464-7049/7703, E-Mail: mary.fennell@navy.mil

Col (USMC) D. Lee Buland, Acting Commander, Marine Corps, Air Bases, Eastern
Area, MCAS Cherry Point, Phone: 466-2847/2848, E-Mail:
bullanddl@cherrypoint.usmc.mil

Mr. Joe Reilly, Facilities Development Officer, MCAS Cherry Point,
Phone (252) 466-4763, E-Mail: joe.reilly@usmc.mil

CDR (USN) Joseph T. Sermarini, Commander, Defense Distribution Center, MCAS
Cherry Point, Phone: (252) 466-5251/2226, E-Mail: joseph.sermarini@dla.mil

CDR (USN) Michael "Mike" Ropiak, Supply Officer, FISC Jacksonville, NADEP CP
Annex, Phone: (252) 464-5180/7720, E-Mail: michael.ropiak@navy.mil

BASE'S PRESENT MISSION:

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A major tenant at Cherry Point Marine Corps Air Station is the Naval Air Depot (NADEP). The Depot at Cherry Point performs major airframe modifications and repair for a wide variety of DOD aircraft including:

- ➔ the AV-8B Harrier, the vertical takeoff and landing tactical attack jet
- ➔ the medium-lift transport H-46 Sea Knight helicopter
- ➔ the H-53D Sea Stallion and H-53E Super Stallion helicopter
- ➔ the Air Force's MH-53J helicopter

In addition, depot mechanics are modifying the F-4 Phantom, a jet fighter/reconnaissance aircraft, into drones which will enable pilots to fly them from the cockpit or by remote control. The drones will be used to tow targets during pilot training exercises.

Additionally, engineers and logisticians have worked with prime contractors to set logistics and maintenance requirements for the V-22 Osprey. The NADEP is the Designated Repair Point (DRP) for the V-22 which is slated eventually to replace the H-46 Sea Knight currently flown by the Navy and the Marine Corps. The Industrial Engines Repair and Modification Division overhaul and repair numerous aircraft engines for a wide variety of military aircraft.

Examples of this workload include:

- ➔ T58 used in the H-46 Sea Knight, the SH-2 Seasprite and the SH-3 Sea King
- ➔ T400 which powers the UH-1 Huey and AH-1 Cobra attack helicopters
- ➔ F402 that gives the AV-8 Harrier its unique vectored thrust flight capability
- ➔ J79 that can propel the F-4 Phantom at speeds greater than Mach 2
- ➔ T64 that drives the CH-53 Sea Stallion helicopter

The Naval Engine Airfoil Center (NEAC) located at NADEP Cherry Point provides specialized component repairs for the fleet and depots worldwide. The center's ability to repair worn and damaged aircraft turbine and compressor blades, vanes and other parts provides significant costs savings to its customers. The NEAC restores these expensive parts to "like new" condition at a fraction of the cost of purchasing new replacement parts. The center's integral engineering staff also develops new techniques to increase the number of airfoil components available for repair.

More than a third of the depot's production effort is dedicated to revamping aircraft subassemblies, avionics and engine accessories. The depot repairs thousands of types of avionics and dynamic components, such as pressurization units, air starters, valves, gauges, regulators and pneudraulic components.

Engineering personnel work side-by-side with depot production artisans to ensure a quality product is produced the first time. Engineers also develop overhaul, repair, test and troubleshooting procedures when needed. Materials engineering services, such as metallurgy, chemistry, high polymers, testing and related specialized instrumental analyses are also performed.

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In addition, engineers and logisticians serve organizational and intermediate-level fleet activities through early identification and resolution of supply, maintenance and design-related problems. Daily interaction with the fleet and the depot establishes the broad base of expertise need to solve problems and reduce ownership costs throughout the life of the weapon system.

SECRETARY OF DEFENSE RECOMMENDATION:

DOD is recommending a realignment of the Atlantic and Pacific Naval Air Depot (NADEP) and Intermediate Maintenance Activity (IMA) functions. The recommendation realigns bases by disestablishing Depots and establishing Fleet Readiness Centers (FRC) with workload realignments. The major personnel reductions from this realignment coming from Cherry Point Marine Corps Air Station, NC (Atlantic Fleet) and North Island, Naval Air Station, Coronado, CA (Pacific Fleet). The Proposal creates six Fleet Readiness Centers (FRCs) with 13 affiliated FRC Sites at satellite locations.

This recommendation realigns and merges some personnel from depot into intermediate maintenance activities with some consolidation of IMA's with a projected reduction of personnel requirements across the naval air rework and repair enterprise.

Geographically the proposal can be viewed as an east (Atlantic Fleet) and west (Pacific Fleet) realignment. This portion of our review concentrated on the east coast realignment and with the NADEP at Cherry Point because that is the location identified in the proposal with personnel savings of 632 personnel.

East Coast proposal

FRC Mid-Atlantic will be located on NAS Oceana, VA, with affiliated FRC Sites at NAS Patuxent River, MD, NAS Norfolk, VA, and JRB New Orleans, LA. FRC East is located at Cherry Point, NC, with affiliated FRC Sites at MCAS Beaufort, SC, and MCAS New River, NC. The existing intermediate level activity associated with HMX-1 at MCB Quantico, VA, will also be affiliated with FRC East. FRC Southeast will be located on NAS Jacksonville, FL and will have an affiliated FRC Site at NAS Mayport, FL.

West Coast Proposal

FRC West will be located on NAS Lemoore, CA, and will have FRC affiliated sites at NAS JRB Fort Worth, TX, and NAS Fallon, NV. FRC Southwest will be located on Naval Station Coronado, CA, and will have affiliated sites at MCAS Miramar, CA, MCAS Pendleton, CA, MCAS Yuma, AZ, and NAS Point Mugu, CA. FRC Northwest will be located on NAS Whidbey, WA, with no affiliated FRC Sites.

In addition to the actions described in this recommendation, there are four additional actions involved in the comprehensive merger of depot and intermediate maintenance: Naval Air Station Joint Reserve Base Willow Grove, PA, Naval Air Station Corpus

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Christi, TX, Naval Air Station Brunswick, ME, and Naval Air Station Atlanta, GA. The actions at these installations are described in separate installation closure recommendations in the Department of the Navy section of the BRAC Report. The effect of these actions will be the absorption of the IMA's at these bases into the east and west coast FRC's. Details of this absorption could not be obtained at NADEP Cherry Point.

The attached reorganization chart depicts the east coast realignment proposal.

SECRETARY OF DEFENSE JUSTIFICATION:

This recommendation reduces the number of maintenance levels and proposes a streamlining of the way maintenance is accomplished. It also transforms and blends some Depot and intermediate level maintenance; and positions maintenance activities closer to fleet concentrations. The recommendation is designed to enhanced effectiveness and efficiency, greater agility, and allows Naval Aviation to achieve the right readiness at the least cost. This transformation of NADEP's to FRC's are projected to produce significant reductions in the total cost of maintenance, repair and overhaul plus the associated Supply system PHS&T (Packaging, Handling, Storage and Transportation) as well as reparable inventory stocking levels as a result of reduced total repair turn-around times, reduced transportation, lower spares inventories, less manpower, and more highly utilized infrastructure.

MAIN FACILITIES REVIEWED:

Naval Air Depot Cherry Point, NC

KEY ISSUES IDENTIFIED:

The cost of operations (issue 4) and the manpower implications and the extent and timing of potential costs and savings (issue 5) were the two questionable issues identified in our visit.

The cost of operations

The DOD recommendation proposes a transformation and realignment of intermediate and Depot level maintenance facilities into a network of Fleet Readiness Centers (FRC)'s on both coasts. Cherry Point was the East Coast site identified as having a reduction of 632 positions as a result of the realignment to FRC's on the east coast.

Our review found that of the 632 positions listed for Cherry Point, only 190 were potential reductions with 104 positions being movements which may be offset by movements from other intermediate maintenance facilities not included in the FRC numbers. The remaining reductions of 338 were initially identified as coming from the Oceana Depot maintenance facility. However, it seems that all estimated reductions are based on workload movements and would be apportioned through-out all of the FRC's and their respective sites on the East Coast. Officials at Cherry Point could not clarify

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the numbers and have arranged a meeting with officials of the joint service group who calculated the numbers and projected savings for the FRC realignment. This overview of how costs of operations were calculated and the assumptions used resulting in the estimates of savings are required in order to validate the costs of this proposal.

The manpower implications and the extent and timing of potential costs and savings

The Cherry Point Depot level rework facility has made a number of improvements that have allowed the facility to under-execute indirect and to a lesser degree direct labor standards. Additionally, the Cherry Point facility has drastically reduced turnaround time for its work, this at a time of increased workload given significant extra wear and tear incurred within overseas theaters of operation. Consequently it was not surprising to find that not all authorized personnel positions were filled or that the proposed reductions in personnel could be accomplished with normal attrition.

The Cherry Point Depot currently has about 230 positions that are not filled. Given that cost savings are calculated across all FRC's the effect of this variance could not be determined from our visit at Cherry Point. However this variance would have the effect of reducing projected savings by a degree. We plan to follow-up at the headquarters and the West Coast depot maintenance facilities to assess the variance between authorized and actual personnel in order to assess the manpower implications and the extent and timing of potential costs and savings.

INSTALLATION CONCERNS RAISED:

Installation Officials agreed that the effect of not having all positions filled would result in a very small reduction in projected savings. However, they estimate that over the entire Naval Aviation Enterprise, the proposal will result in major savings.

COMMUNITY CONCERNS RAISED:

Comments by Base and NADEP Officials indicate the Cherry Point community is not concerned over the proposed realignment to FRC's. This may be due to the assurance that reductions in positions as a result of realignment would be over time and be made with normal attrition of personnel. Additionally, the community is aware of the proposed transfer of two squadrons from Oceana. The proposal would transfer one VFA 22 Squadron in fiscal 2008 and one VFA 18 squadron in fiscal 2009. The transfer of these squadrons would increase military personnel at Cherry Point by 500. It is estimated that the total population of Cherry Point will increase by about 3,000 due to the additional family members associated with the proposed transfer.

REQUESTS FOR STAFF AS A RESULT OF VISIT:

Not at this time.

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BASE VISIT REPORT
Marine Corps Air Station
Naval Hospital Cherry Point, NC

May 28, 2005

LEAD COMMISSIONER:

The base visit was a staff visit without a Commissioner

ACCOMPANYING COMMISSIONER:

None

COMMISSION STAFF

Colleen Turner
Thomas A. Pantelides

LIST OF ATTENDEES

Captain Richard J. Fletcher, Jr., Commanding Officer, Naval Hospital Cherry Point
Phone: (252) 466-0337 E-Mail: rjfletcher@nhcp.med.navy.mil

Captain Stephen E. Mandia, M.D. Executive Officer, Naval Hospital Cherry Point

Other staff at initial briefing:

Captain De la Pena, Director Outpatient Clinics
Captain Pendrick, Director Surgical Clinics
Commander Perez-Lugo, Director for Administration
Lt Com Higgins, Director Ancillary Services
Lt Reyes Director for Resources
Lt Skorey, Head, Managed Care Department
Darleen Jones, BOD Project Manager

NAVAL HOSPITAL'S PRESENT MISSION

Enhance readiness while providing quality health care services.

SECRETARY OF DEFENSE RECOMMENDATION:

Realign Marine Corps Air Station Cherry Point, NC by disestablishing the inpatient mission at Naval Hospital Cherry Point; converting the hospital to a clinic with an ambulatory surgery center.

Note: This is one of nine hospitals that DoD is recommending be disestablished and converted to a clinic with an ambulatory surgery center. (The other facilities are: Ft. Eustis Medical Facility; Ft. Carson Medical Facility; Andres AFB, MD 89th Medical Group; MacDill AFB, FL 6th medical Group; Keesler AFB, MS 81st Medical Group; Scott AFB, IL 375th Medical Group; Naval Hospital Great Lakes, IL; and Ft. Know Medical Facility.)

SECRETARY OF DEFENSE JUSTIFICATION

The Department will rely on the civilian medical network for inpatient services. This recommendation supports strategies of reducing excess capacity and locating military personnel in activities with higher military value with a more diverse workload, providing them with enhanced opportunities to maintain their medical currency to meet COCOM requirements. Additionally, a robust network with available inpatient capacity of Joint Accreditation of Hospital Organizations (JCAHO) and/or Medicare accredited civilian/Veterans Affairs hospitals is located within 40 miles of the referenced facility.

Cost considerations developed by DoD

Note: These cost considerations are for all 9 inpatient conversions.

- One-Time Costs: \$ 12.9 million
- Net Savings (Cost) during Implementation: \$ 250.9 million
- Annual Recurring Savings: \$ 60.2 million
- Return on Investment Year: Calendar Year (20 Years)
- Net Present Value over 20 Years: \$ 818.1 million

MAIN FACILITIES REVIEWED

Naval Hospital Cherry Point, NC
Craven Regional Medical Center 2000 Neuse Boulevard New Bern, NC 28560
Carteret General Hospital 3500 Arendell St. Morehead City, NC 28557

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KEY ISSUES IDENTIFIED

In considering the closure of the in-patient function at Cherry Point Naval Hospital a number of issues arose. Although the hospital provides a wide array of medical services, the in-patient services provided are overwhelmingly labor and delivery (92%) constituting 586 total deliveries per year for an average of approximately 50 births per month (Range 40-70). If these in-patient services are eliminated they must be provided by the local community.

Three different models were offered by the Cherry Point Naval Hospital staff for consideration based on prior experiences at other bases that have been similarly affected:

- Corpus Christi: APV performed at MTF and inpatient care at civilian facilities
- Quantico: Outpatient care performed at MTF and all other care shifted to network or other MTFs
- Newport: APV performed at MTF and military providers credentialed at civilian hospital(s).
- To maintain quality of care and continuity of services, the Newport Model was preferred by the Cherry Point staff and exploration of the feasibility raised a number of other issues.
- Two hospitals, Craven Regional Medical Center and Carteret General Hospital, are within 20 miles of the installation in opposite directions requiring at least a half hour drive. Only one of the hospitals is currently a Tricare network provider. Visits to each hospital revealed the following:
 - Neither of the hospitals have the capacity to handle the total extra workload by themselves. If both hospitals accepted approximately half the workload each, they could provide the needed services.
 - For primarily financial reasons, the ObGyn staff at the hospital that is currently a network provider may be reluctant to take Tricare labor and delivery in-patients at the current rate offered and would most likely require a higher rate to provide the services.
 - The hospital that is not currently a network provider (and thus receives a higher rate for labor and delivery services) was more inclined to add the base's population to their workload.
 - By laws of each hospital presented obstacles of varying degrees of difficulty related to the credentialing of military physicians to work as staff at these

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civilian hospitals

- Requirements for the doctor to live within 30 minute access to the hospital.
- Malpractice insurance
- Care for other patients who come to the hospital while they are in attendance.

The Cherry Point Naval Hospital staff had the following concerns:

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- Emergency room implications
- Adequacy of the OB provider network
- Ability to credential military providers at civilian hospitals
- Outpatient workload impacts
- Potential future additions of other squadrons at Cherry Point Marine Air Station

The following analysis was provided by the staff of CPNH:

1. Average daily census (or workload):

Fiscal Year	Average Daily Patient Load
2001	8.31
2002	9.84
2003	8.57
2004	9.20
2005	7.81

2. Excess capacity:

Additional bed spaces and square footage available to accommodate surges in inpatient care for short periods of time. No excess capacity based on staffing.

Staffing:

NHCP	COB FY03	COB FY04	COB FY05	BA ¹	NMP ²
Officers	83	83	80	88	73
Enlisted	154	162	153	196	158
Civilian Gs	136	128	120	123	
Civilian Contract	87	95	88		
Total	461	447	441		

Note 1: Basic allowance (BA) essentially equals those billets projected in the FYDP.

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Note 2: Navy Manning Plan (NMP) represents our fair share of BA based on actual end-strength. For CONUS facilities NMP is +/- 90% of BA. As our BA is increased or decreased, our NMP allowance increases/decreases as well.

Internal Working Documents - Not for Distribution

Beds:

NHCP Beds	Active	Inactive	Total	Constructed
IPCU	22	6	28	23
L&D	3		3	3
PACU	6	4	10	10
ER	10		10	10

Square Footage for Inpatient Care (3rd floor):

IPCU	9981
L&D	1172
OR	11351

Square Footage for other activities (3rd floor):

Nursing Administration	278
Training & Education	3182
Religious Services	554
Performance Improvement & Patient Safety	803

3. Proportion of outpatient to inpatient visits Approximately 1 percent:

Fiscal Year	Inpatient Dispositions	Outpatient Encounters
2001	1,393	149,746
2002	1,620	149,035
2003	1,506	159,504
2004	1,547	162,204

4. Proportion of total cost of inpatient to outpatient services:

FY 2004

Total Costs for Inpatient Care
(Including indirect costs) \$ 5,648,900 (17%)

Total Cost for Outpatient Care
(Including indirect costs) \$27,545,918 (83%)

Grand Totals \$33,194,818

Internal Working Documents – Not for Distribution Under FOIA

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5. Service population for outpatient vs. inpatient services:

Inpatient population primarily mothers and newborns (92%). Average inpatient population younger than outpatient population age mixture which includes TFL (TRICARE for Life) and retirees.

6. Present service population (i.e. number of active duty (AD), active duty family members (ADFM), retirees, etc.):

Naval Hospital Cherry Point Catchment Area May 2005	
Enrolled to Naval Hospital Cherry Point	
AD	2090
ADFM	9621
Retiree/Retiree FM	4196
Total	15907
Supported by NHCP	
Ops Forces	7166
TFL (TFL patients that have PCM at NHCP)	860
Total	8026
Prime Patients Enrolled to Civilian PCM	
ADFM	265
Retiree/Retiree FM	396
Total	661
Non-Prime Patients in Catchment Area	
**Standard/TFL (TFL patients that do not have PCM at NHCP)	9887
Total Catchment Area Population	32482

**Standard/TFL patients are not enrolled to the MTF or HealthNet; therefore, we do not track the exact numbers for this category. NHCP tracks TFL patients that receive healthcare services in the MTF.

Proportion of service population getting care from the civilian provider network:

Total catchment area population: 33 % $(661+9887)/32482$ (see chart above)

Percentage based on patients opting for TRICARE Prime less than 3%
 $(661/(15907+8026+661))$

7. Inpatient care through emergency department:

FY 03	FY 04	FY 05
33	131	82

8. Where emergency care can be diverted once hospital becomes a clinic and ambulatory surgical center:

- Craven Regional Medical Center, New Bern, NC - 20 miles
- Carteret General Hospital, Morehead City, NC - 20 miles (non-network)
- Naval Hospital, Camp Lejeune, Jacksonville, NC - 45 miles
- Pitt Memorial Hospital, Greenville, NC - 75 miles
- New Hanover Regional Medical Center, Wilmington, NC - 87 miles

9. Medical services remaining as part of clinic and ambulatory surgery center:

Primary Care	Specialty Care
Force Health Protection (1) (2) (3)	Emergency++ Med/Urgent Care Center (1) (2) (3)
Family Medicine/Primary Care/Peds (1)(2)(3)	Internal Medicine (1) (2) (3)
Health Promotions (HELMS) (1) (2) (3)	Mental Health (1) (2) (3)
Aviation Medicine (1) (2) (3)	OB (2)
Ancillary Services	Optometry (1) (2) (3)
Diagnostic Radiology (1) (2) (3)	Preventive Medicine (1) (2) (3)
Laboratory Services (1) (2) (3)	Oral Surgery (1) (2) (3)
Pharmacy (1) (2) (3)	Orthopedics (1) (2)
Physical Therapy (1) (2) (3)	Industrial Hygiene (1) (2) (3)
Specialty Care	Occupational Medicine (1) (2) (3)
General Surgery (1) (2)	Chiropractic (1) (2) (3)
Anesthesia (1) (2)	Dietetics (1) (2) (3)
GYN (1) (2) (3)	Podiatry (1) (2)

- Notes: (1) Outpatient + Ambulatory Surgical Center on-site
 (2) Outpatient + Ambulatory Surgical Center on-site + civilian hospital privileges
 (3) Outpatient Clinic only

10. Construction or remodeling needed to convert the hospital to a clinic and ambulatory surgery center? Cost; MILCON?

NA

11. Hospitals, including VA medical centers, within 40 miles of your facility:

- Craven Regional Medical Center - New Bern, NC 20 miles
- VA Outpatient Clinic-Morehead City (do not see our patients-not on network)

Carteret General Hospital, Morehead City, NC (not on network) 20 miles

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12. How can you assure that service members, their dependents and retirees will receive timely inpatient services through the civilian provider network?

Naval Hospital Cherry Point will continue to work with the MCSC to ensure that there is an adequate civilian network for our beneficiaries. It is the responsibility of the contractor to ensure that there is an ample specialty network to provide needed services to the NHCP beneficiaries. The current contractor is Health Net. Health Net employs a local Field Optimization Manager and will be hiring a local Community Provider Representative. Both of these people work closely with the MTF and the civilian community to ensure timely, safe, appropriate care for our beneficiaries. We believe the MCSC will be readily able to ensure adequate civilian hospital capacity for our patients. However, the MCSC may encounter some difficulty in ensuring the availability of civilian providers, given the sparseness of the local, eastern-NC network.

13. Estimated additional cost of providing inpatient services through the civilian network:

\$3,321,000 (Cost estimated from 586 births at a rate of \$5,700 per birth as estimated with our network provider.

14. Cost savings and how they were calculated by providing inpatient services through the civilian medical network:

\$2,327,900 - calculated by taking the total costs as derived from our Expense Assignment System which include:

Direct Costs (personnel, supplies, contracts, misc.):	\$2,788,200
Ancillary Services (Lab, Radiology, Pharmacy):	\$1,117,700
Support Services (Administrative Costs):	\$1,743,000
Total:	\$5,648,900

Total estimate for services in the civilian network then subtracted for total savings.

Total MTF Cost:	\$5,648,900
Total Network Cost:	\$3,321,000
Total Savings:	\$2,327,900

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Credentialing of NHCP Military Physicians at Local Civilian Hospitals

Issue: Granting of Civilian Hospital Staff Privileges to Military Physicians

Background: In anticipation of various post-BRAC scenarios for Naval Hospital Cherry Point, the BRAC committee members and the CO/XO of Naval Hospital visited both Craven Regional Medical Center and Carteret General Hospital to hold discussions on the BRAC issue and their ability to absorb the hospital's inpatient workload (primarily OB). We also discussed their position of credentialing military providers and allowing them to provide inpatient services at their facility (i.e., the "Newport" model).

Discussion: In order to work at a civilian hospital, military physicians will need to be granted privileges based on each hospital's Medical Staff By-laws. These by-laws are similar for both hospitals and include the following requirements:

- Medical license issued by the state of North Carolina
- Board certified or actively pursuing board certification (board eligible)
- Able to respond to emergencies within 30 minutes
- ER call with the acceptance of "unassigned" patients – this would mean that military physicians need to take care on non-military patients that present to the ER for care. This implies that each military physician carry NC medical malpractice coverage since these patient's are not covered under the federal tort system. Craven Hospital and the OB/GYN group that supports Craven would not support a waiver of this requirement for military physicians. Carteret Hospital was willing to work the issue – for example, have a military call schedule that would take care of military patients in conjunction with a civilian call schedule that would take care of non-military patients.
- Medical malpractice coverage – military physicians taking care of military patients would be covered under federal tort system.
- Cannot be on-call for more than one hospital at a time – this would preclude having the same military physician cover call at both Craven and Carteret Hospitals at the same time.

Recommendation: None. For information purposes only.

INSTALLATION CONCERNS RAISED

None

COMMUNITY CONCERNS RAISED

None

REQUESTS FOR STAFF AS A RESULT OF VISIT

None

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DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950

MEMORANDUM OF MEETING

DATE: May 27, 2005

TIME: 11:15 PM

MEETING WITH:

Col (USMC) John D. Gumbel, Commanding Officer, Naval Air Depot Cherry Point, Phone: (252) 464-7000/7001, E-Mail: john.gumbel@navy.mil

Ms. Mary Beth Fennell, Industrial Business Operations Head,
Phone: (252) 464-7049/7703, E-Mail: mary.fennell@navy.mil

Capt. (USN) Richard "Dick J. Fletcher, Commanding Officer, Naval Hospital, Marine Corps Air Station, Cherry Point, Phone: (252) 466-0337/0336, E-Mail: rjfletcher@nhcp.med.navy.mil

Capt. (USN) Stephen E. Mandia, Executive Officer, Naval Hospital, Marine Corps Air Station, Cherry Point, Phone: (252) 466-0541/0336, E-Mail: semandia@nhcp.med.navy.mil

Mr. Joe Reilly, Facilities Development Officer, MCAS Cherry Point,
Phone (252) 466-4763, E-Mail: joe.reilly@usmc.mil

SUBJECT: Close-out BRAC Meeting at Cherry Point.

PARTICIPANTS:

Thomas A. Pantelides
Colleen Turner

MEETING SUMMARY:

We thanked everyone for their hospitality and summarized our observations:

Naval Air Depot Cherry Point

The Cherry Point Depot level rework facility has made a number of improvements that have allowed the facility to under-execute indirect and to a lesser degree direct labor standards. Additionally, the Cherry Point facility has drastically reduced turnaround time for its work, this

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at a time of increased workload given significant extra wear and tear on equipment operating in hostile overseas theaters of operation.

The Cherry Point Depot currently has about 230 positions that are not filled. Given that cost savings are calculated across all FRC's, the effect of this variance could not be determined from our visit at Cherry Point. However this variance would have the effect of reducing projected savings by a degree. We plan to follow-up at the headquarters and the West Coast depot maintenance facilities to assess the variance between authorized and actual personnel in order to assess the manpower implications and the extent and timing of potential costs and savings.

Naval Hospital, Marine Corps Air Station, Cherry Point

In considering the closure of the in-patient function at Cherry Point Naval Hospital a number of issues arose. Although the hospital provides a wide array of medical services, the in-patient services provided are overwhelmingly labor and delivery (92%) constituting 586 total deliveries per year for an average of approximately 50 births per month (Range 40-70). If these in-patient services are eliminated they must be provided by the local community. The Hospital currently has 28 beds for in-patient care. The average in-patient population is about nine. Based on available beds and average occupancy, the hospital has excess physical in-patient capacity.

The issue of closing the in-patient care facility centers on whether the civilian community can accept the workload. Our discussions indicate that the two local hospitals can accept the workload, however, an outstanding question is whether the local physicians will accept new patients and if so, at what cost?

One hospital is a participating hospital which indicated the physicians would not accept new patients other than for the delivery at the current government reimbursement schedule. The other hospital is a non participating hospital which would require a higher rate than is paid to participating hospitals. Additionally, the issue of initial care being provided by the military hospital and doctors using civilian hospitals to perform deliveries became an issue because of the malpractice complications involved.

To complicate the issue even further, if it is agreed that civilian physicians and hospitals will provide both initial and delivery services, the military hospital would be faced with excess capacity in its initial care workload and the physicians associated with that care. Hospital officials agreed to raise the issues discussed for resolution by higher headquarters and advise us as the resolution of the issues are identified.

Additional Comments Provided

Comments by Base and NADEP Officials indicate the Cherry Point community is not concerned over the proposed realignment to FRC's. In our discussions with Hospital personnel we were told that the community was very hopeful about the planned deployment of two F-18 squadrons at Cherry Point. Mr. Joe Reilly confirmed that the community is aware of the proposed transfer of two squadrons from Oceana. The proposal would transfer one VFA 22 Squadron in fiscal 2008 and one VFA 18 squadron in fiscal 2009. The transfer of these squadrons would increase

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military personnel at Cherry Point by 500. It was estimated that the total population of Cherry Point will increase by about 3,000 due to the additional family members associated with the proposed transfer. Mr. Joe Reilly said that the plan is documented in an environmental study as one of the options of that study. Mr. Reilly agreed to provide us a copy of the study.

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***DEFENSE BASE CLOSURE AND REALIGNMENT
COMMISSION***

***2521 CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950***

MEMORANDUM OF MEETING

DATE: May 27, 2005

TIME: 7:30 AM – 10:30 AM

MEETING WITH:

Col (USMC) John D. Gumbel, Commanding Officer, Naval Air Depot, (NADEP),
Cherry Point, Phone: (252) 464-7000/7001, E-Mail: john.gumbel@navy.mil

Ms. Mary Beth Fennell, Industrial Business Operations Head,
Phone: (252) 464-7049/7703, E-Mail: mary.fennell@navy.mil

SUBJECT: Discuss Briefings and financial data provided NADEP Cherry Point

PARTICIPANTS:

Thomas A. Pantelides *

Colleen Turner

LIST OF ATTENDEES:

Col (USMC) John D. Gumbel, Commanding Officer, Naval Air Depot Cherry Point,
Phone: (252) 464-7000/7001, E-Mail: john.gumbel@navy.mil

Ms. Mary Beth Fennell, Industrial Business Operations Head,
Phone: (252) 464-7049/7703, E-Mail: mary.fennell@navy.mil

MEETING SUMMARY:

The cost of operations and the manpower implications and the extent and timing of potential costs and savings were the two issues Discussed.

We summarized our observations of the DOD recommendation as a proposal to transform and realign the intermediate and Depot level maintenance facilities into a network of

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Fleet Readiness Centers (FRC)'s on both coasts. Cherry Point was the East Coast site identified as having a reduction of 632 positions as a result of the realignment to FRC's on the east coast.

During our discussions we agreed that of the 632 positions listed for Cherry Point, only 190 were potential reductions with 104 positions being movements to other FRC's. The remaining reductions of 338 were identified as coming from the Oceana Depot maintenance facility. (CP – 5 page 1)

In addition to the actions described in this recommendation, there were four additional actions involved in the comprehensive merger of depot and intermediate maintenance: Naval Air Station Joint Reserve Base Willow Grove, PA, Naval Air Station Corpus Christi, TX, Naval Air Station Brunswick, ME, and Naval Air Station Atlanta, GA. The actions at these installations were described in separate installation closure recommendations in the Department of the Navy section of the BRAC Report. The effect of these actions will be the absorption of the IMA's at these bases into the east and west coast FRC's.

We asked Col. Gumbel to explain the plan as it related to these actions. Col. Gumbel explained that the execution phase of the DOD proposal was being discussed with the issue of funding and accounting for the proposed FRC's as a topic that would be worked out during implementation of the proposal. Based on briefings developed by Mr. Stew Paul (CP – 2 pages 8&9) Col. Gumbel outlined the following:

Naval Air Station Joint Reserve Base Willow Grove, PA,

The Aviation Intermediate Maintenance Department, (AIMD), will be realigned into FRC East, Cherry Point.

Naval Air Station Corpus Christi, TX,

AIMD, Corpus Christi, will be realigned into FRC Mid Atlantic Site Pax River

Naval Air Station Brunswick, ME,

AIMD, Brunswick, will be realigned into FRC South East, Jacksonville

Naval Air Station, Atlanta, GA.

AIMD, Atlanta, will be realigned into FRC West Site, Fort Worth, TX.

Naval Surface Warfare Center , Crane (ALQ-99)

An action not listed in this proposal is the relocation of Naval Surface Warfare Center, Crane (ALQ-99). Based on preliminary information the center at Crane is scheduled to be realigned into FRC Northwest, Whidbey Island.

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We asked what were are the numbers of slots (positions) currently authorized and what number will be relocated; Are all of the positions currently manned; and how many people plan to relocate? Col. Gumbel suggested we contact Mr. Stew Paul of the joint service group who calculated the numbers and projected savings for the FRC realignment.

Mr. Stew Paul in a conference call explained that all estimated reductions are based on workload movements and would be apportioned through-out all of the FRC's and their respective sites on the East and West Coast. He explained that the details were being formalized. We agreed to meet with Mr. Paul next week to obtain further clarification of DOD's proposal.

Col. Gumbel explained that the proposal was in Phase one of a three year plan (CP – 3 page 18) with many questions remaining. For example, Mr. Stew Paul noted that many of the planned moves would be accomplished though normal attrition with personnel given the choice of movements proposed. The actual movement of personnel from Cherry may be offset by movements from other FRC's or intermediate maintenance facilities not included in the FRC proposal numbers.

We agreed that we needed to talk to Mr. Stew Paul to clarify the numbers and have arranged a meeting with him to obtain an overview of how costs of operations were calculated and the assumptions used resulting in the estimates of savings in support of DOD's proposal.

The manpower implications and the extent and timing of potential costs and savings

We discussed the many improvements that have allowed the facility to under-execute indirect and to a lesser degree direct labor standards. Additionally, Col. Gumbel stressed that Cherry Point facility has drastically reduced turnaround time for its work, this at a time of increased workload given significant extra wear and tear incurred within overseas theaters of operation.

Ms. Mary Beth provided accounting data and information on personnel actually on board. Based on the information provided we estimate Cherry Point Depot currently has about 230 positions that are not filled. Fiscal 05 projections briefed were 4,038 (CP- 1 page 6) less 4, 268 authorized for fiscal year 2005 (CP – 6 page 1).

Another method of calculating positions not filled using the data provided shows 185 positions not filled. (CP – 6 page 1). We have asked for additional data to clarify this issue. During our discussions we used 230 positions because it included a projection of personnel for the entire fiscal year rather than a comparison of personnel authorized in fiscal year compared to actual an actual as of the date of our visit.

We also discussed the accuracy of current standards used in projecting future requirements and examined data showing direct and indirect under-execution of the standards. A review of the variance of the standards to actual hour's shows that based on

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the variance in direct and indirect as of April 05 about 240 positions would not be required given the current workload. (CP – 5 page 2). This estimate corroborates the many improvements that have allowed the facility to under-execute indirect and direct labor standards and explains why all positions are not filled even though planned workload is higher than funded in a peacetime budget. Additionally, given the comments made by Mr. Best in our tour of T58 engine repair we requested and verified that he was in fact under-executing both direct and indirect hours. (CP – 7).

We discussed the accuracy of projected savings due to the variance in positions and actual personnel on board. We agreed that the variance would have the effect of reducing projected savings by a degree. We were told that the variance at Cherry Point may not be representative of all NADEPS. Given that cost savings are calculated across all FRC's the effect of the variance at Cherry Point can not be projected. However this variance would have the effect of reducing projected savings by a degree. We plan to follow-up at the headquarters and the West Coast depot maintenance facilities to assess the variance between authorized and actual personnel in order to assess the manpower implications and the extent and timing of potential costs and savings proposed.

INSTALLATION CONCERNS RAISED:

Installation Officials agreed that the effect of not having all positions filled would result in a very small reduction in projected savings. However, they estimate that over the entire Naval Aviation Enterprise, the proposal will result in major savings.

COMMUNITY CONCERNS RAISED:

Col. Gumbel noted that the Cherry Point community is not concerned over the proposed realignment to FRC's. He explained that any reductions in positions would be over time and be made with normal attrition. He noted that he assured political leaders that Cherry Point would not experience an adverse affect as a result of the FRC realignment proposal.

ADDITIONAL INFORMATION REQUESTED

We requested the additional pages of the Budget pagers provided and the input data provided to for the COBRA run in support of the BRAC proposal.

0213

DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950

MEMORANDUM OF MEETING

DATE: May 26, 2005

TIME: 8:00AM & 9:30AM

MEETING WITH:

Craven Regional Medical Center

Raymond Budrys, President/CEO
Rosanne V. Leahy, Vice-President, Nursing Services
Ronald B. May, M.D., Vice-President, Medical Affairs
John B. Satterfield, Jr., Vice-President, Medical Aff

Carteret General Hospital

Fred Fache, Administrator
Riley Grey
Juel Turner
Edwin Loftin

SUBJECT: Assessment of community hospital's ability to handle Naval Hospital
Cherry Point's in-patient care

PARTICIPANTS:

Colleen Turner *
Thomas A. Pantelides
Capt (USN) Richard "Dick" J. Fletcher
Capt (USN) Stephen E. Mandia, M.D.

MEETING SUMMARY:

The BRAC objectives were summarized and questions were asked concerning the community hospital's ability to handle excess workload created by the closing of Naval Hospital Cherry Point's in-patient facility. It was determined that neither hospital had the ability to provide the needed services independently of the other. Both hospitals would need to be involved. Craven Regional Medical Center (already a network provider) acknowledged a number of stumbling blocks to providing the needed services. Carteret General Hospital addressed the same issues yet appeared more inclined to work through the difficulties (they are reimbursed at a higher rate because they are not a network provider). More information was needed from both hospitals to adequately assess the willingness and ability to provide the services Naval Hospital Cherry Point now provides. The pertinent information was requested and it was agreed it would be provided to the staff at Naval Hospital Cherry Point then forwarded to the BRAC analysts. The administrative team list was provided by Craven Regional Medical Center staff and various materials were provided regarding the care at Carteret General Hospital (see Attachments H-3, H-4, and pouch enclosure H-5).

* Denotes individual responsible for completing the memorandum

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DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950

MEMORANDUM OF MEETING

DATE: May 25, 2005

TIME: 1:00 PM

MEETING WITH:

Capt (USN) Richard "Dick J. Fletcher, Commanding Officer, Naval Hospital,
Marine Corps Air Station, Cherry Point
Phone: (252) 466-0337/0336, E-Mail: rjfletcher@nhcp.med.navy.mil

Capt (USN) Stephen E. Mandia, Executive Officer, Naval Hospital,
Marine Corps Air Station, Cherry Point
Phone: (252) 466-0541/0336, E-Mail: semandia@nhcp.med.navy.mil

Other staff present:

Capt De la Pena, Director Outpatient Clinics
Capt Pendrick, Director Surgical Clinics
Cmdr Perez-Lugo, Director for Administration
Lt Cmdr Higgins, Director Ancillary Services
Lt Reyes Director for Resources
Lt Skorey, Head, Managed Care Department
Ms. Darleen Jones, BOD Project Manager

SUBJECT: Initial introduction/orientation of BRAC staff visit

PARTICIPANTS:

Colleen Turner *

Thomas A. Pantelides

MEETING SUMMARY:

The BRAC objectives were summarized as they related to Naval Hospital Cherry Point at Marine Corps Air Station, NC. The hospital staff provided a BRAC Commission briefing (see Attachment H-1). Questions were provided for the staff response by Friday afternoon (see Attachment H-2). We agreed to a tour of Naval Hospital Cherry Point and to meet at 7:15 AM on Thursday morning, May 26th for a tour of the local community hospitals. We agreed to reconvene for an outbrief meeting on Friday.

* Denotes individual responsible for completing the memorandum

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DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950

MEMORANDUM OF MEETING

DATE: May 25, 2005

TIME: 7:30 AM – 4:30 PM

MEETING WITH:

Col (USMC) John D. Gumbel, Commanding Officer, Naval Air Depot, (NADEP), Cherry Point,
Phone: (252) 464-7000/7001, E-Mail: john.gumbel@navy.mil

Ms. Mary Beth Fennell, Industrial Business Operations Head,
Phone: (252) 464-7049/7703, E-Mail: mary.fennell@navy.mil

SUBJECT: Briefing and tour of NADEP Cherry Point

PARTICIPANTS:

Thomas A. Pantelides *

Colleen Turner

MEETING SUMMARY: Col Gumbel provided an extensive briefing of NADEP Cherry Point (Briefing materials used Cherry Point CP - 1).

The main points of the brief highlight the many improvements and efficiencies being made within the Cherry point NADEP.

In addition to the NADEP brief Col. Gumbel reviewed a Naval Air brief on the proposed Fleet Readiness Centers. (CP – 2) and (CP – 3).

After our brief we took a tour of NADEP Cherry Point and viewed many of the presentations shown in (CP – 4). For example as we toured we discussed the goal of reducing cycle time (CP -4 page 2). The theory of constraints, Lean/5S and Six Sigma (CP -4 page 5).

Within our tour we viewed work on H-46. (CP -4 page 9).

Discussed improvements within T58-16 engines (CP -4 page 17). In discussions with Mr. James Best, supervisor, we were told that overall a 20 day reduction in turnaround time has been achieved

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for these engine repairs. This reduction was due to both reductions in direct and indirect labor. Col. Gumbel cautioned that most of the reductions have been in indirect time.

We also toured the Machine shops (CP -4 page 21) and meet Ernie. Ernie recommended the "Ernie Gurney (CP -4 page 29) that reduced the time required to move equipment.

We walked through AV-8 assembly cell (CP -4 page 37) AV-8 (CP -4 page 41& 55). We also reviewed improvements in tool organization (CP -4 pages 42, 44 & 59).

Additionally we viewed first hand a Cobra being delivered from the gulf for repair. HML A 269 Serial 165366/40 ULN W5BCFC1. Normal repair standard we were told was 41 day's due to indirect savings this cobra would be back in 28 -33 days.

* Denotes individual responsible for completing the memorandum

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**DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950**

MEMORANDUM OF MEETING

DATE: May 24, 2005

TIME: 2:45 PM

MEETING WITH:

Col (USMC) John D. Gumbel, Commanding Officer, Naval Air Depot Cherry Point, Phone: (252) 464-7000/7001, E-Mail: john.gumbel@navy.mil

Ms. Mary Beth Fennell, Industrial Business Operations Head, Phone: (252) 464-7049/7703, E-Mail: mary.fennell@navy.mil

Col (USMC) D. Lee Buland, Acting Commander, Marine Corps, Air Bases, Eastern Area, MCAS Cherry Point, Phone: 466-2847/2848, E-Mail: bullanddl@cherrypoint.usmc.mil

Capt. (USN) Richard "Dick J. Fletcher, Commanding Officer, Naval Hospital, Marine Corps Air Station, Cherry Point, Phone: (252) 466-0337/0336, E-Mail: rjfletcher@nhcp.med.navy.mil

Capt. (USN) Stephen E. Mandia, Executive Officer, Naval Hospital, Marine Corps Air Station, Cherry Point, Phone: (252) 466-0541/0336, E-Mail: semandia@nhcp.med.navy.mil

Mr. Joe Reilly, Facilities Development Officer, MCAS Cherry Point, Phone (252) 466-4763, E-Mail: joe.reilly@usmc.mil

CDR (USN) Joseph T. Sermarini, Commander, Defense Distribution Center, MCAS Cherry Point, Phone: (252) 466-5251/2226, E-Mail: joseph.sermarini@dla.mil

CDR (USN) Michael "Mike" Ropiak, Supply Officer, FISC Jacksonville, NADEP CP Annex, Phone: (252) 464-5180/7720, E-Mail: michael.ropiak@navy.mil

SUBJECT: Initial introduction/orientation of BRAC staff visit

PARTICIPANTS:

Thomas A. Pantelides *

Colleen Turner

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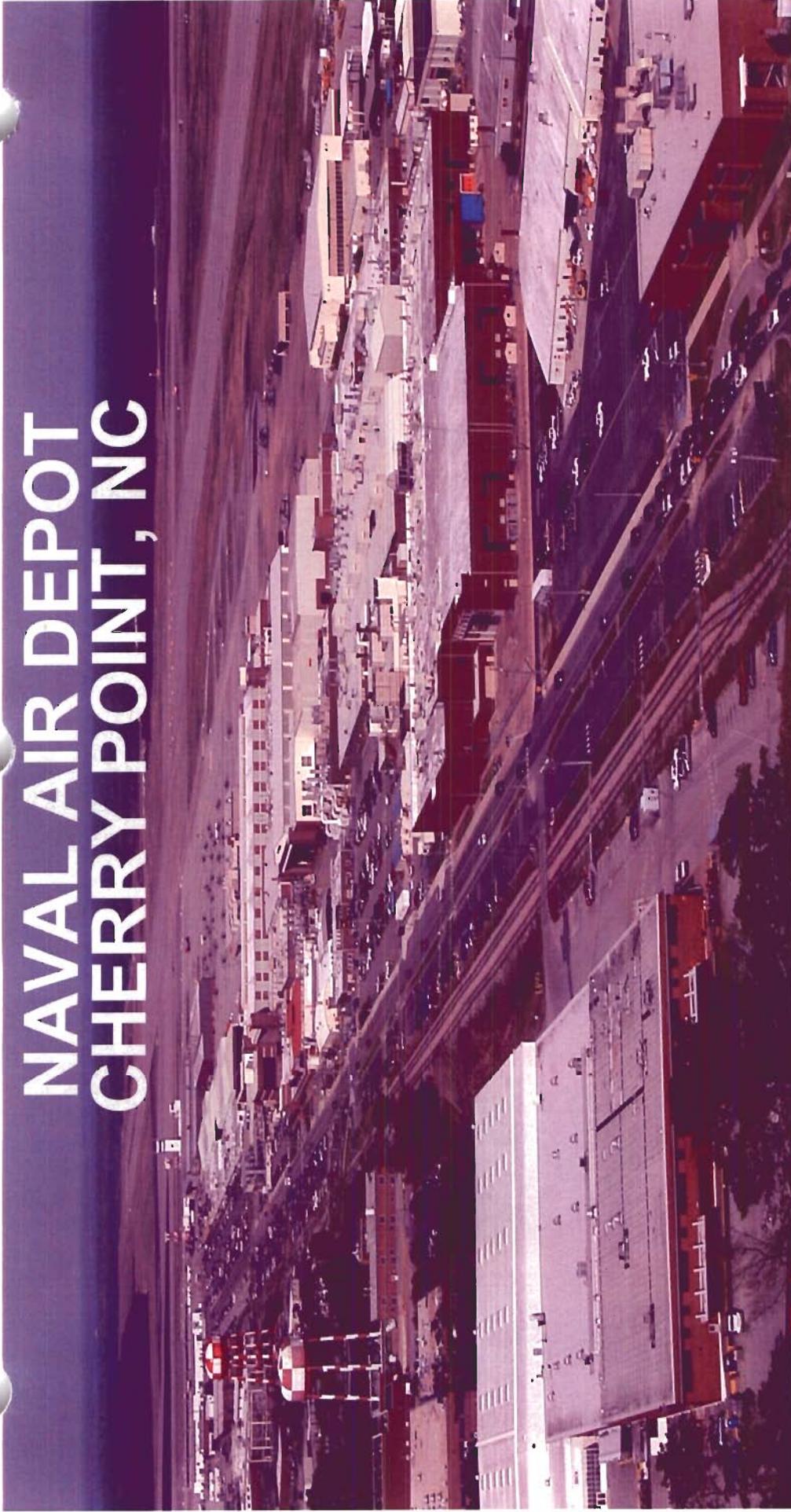
MEETING SUMMARY:

We summarized our objectives and listed the DOD BRAC proposals that affect Marine Corps Air Station, Cherry Point. (See attachment for summarization of acts proposed). Officials noted that they had no information dealing with the Defense Distribution Depot, Cherry Point Supply, Storage and Distribution functions and associated inventories, (BRAC proposal S&S-13) nor Fleet Readiness Center East, Marine Corps Air Stations Cherry Point (BRAC proposal DON 21).

We agreed to meet in the morning to discuss Proposals for Industrial 19 and on Thursday to discuss Medical 12 .

* Denotes individual responsible for completing the memorandum

NAVAL AIR DEPOT CHERRY POINT, NC



UNSURPASSED SERVICE TO THE FLEET, RELENTLESS FOCUS ON QUALITY

**Col. John D. Gumbel
Commanding Officer**



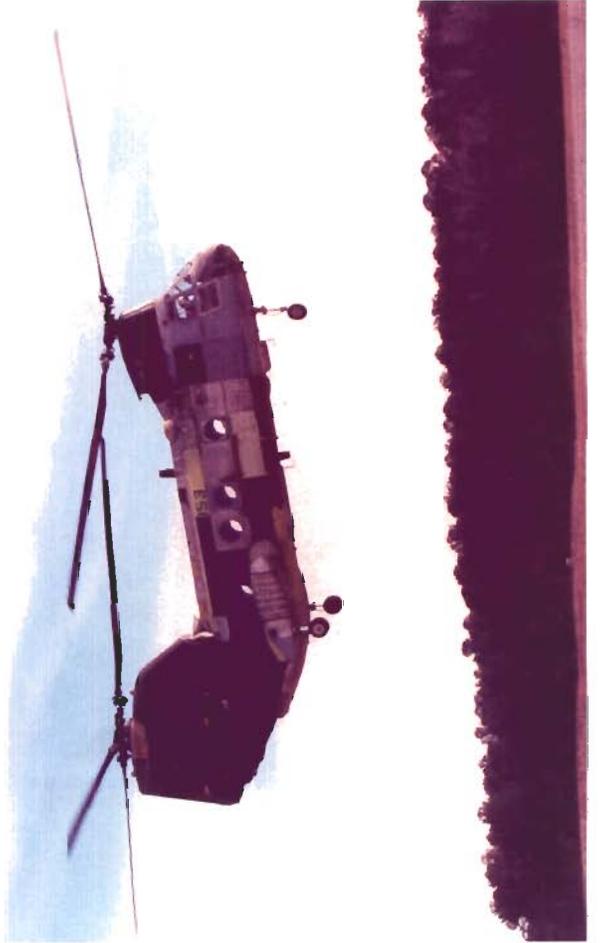
**Col. J. Mark Reed
Executive Officer**

*Cherry Point
(CP)*

1-229



Service to the Fleet





Service to the Fleet



Cherry Point Cognizant Aircraft



- 102 Avionics Systems
- 18 GTCs/APUs
- 3 Propeller Systems
- 1500 Support Equipment Items
- 3 Software Support Activities



7



Capabilities



- Airframes:** V/STOL: AV-8B, V-22
Rotary Wing: H-1, H-46, H-53
In-service Rpr: EA-6B, H-2, H-3, H-60, C-130
UAV/RPV: Assigned DMML
- Engines:** DRP for F402, T400, T58, T64
(Establishing T700)
- Components:** DRP for 16,753 items
Supporting over 162 Type/Model/Series aircraft
- APU:** DRP for 19 different Type/Model/Series
encompassing 135 different units
- Other Support:** Engineering/Logistics for All Naval Rotary Wing,
V/STOL, C-130 and Selected Other Systems



Scope Of Operations

FY05 Projections

THE CAROLINA DEPOT

Direct Labor

Hours:

4.1M*

Revenue:

\$762.1M

Employment:

4,038*

Payroll:

\$284.6M

Naval Air Depot Cherry Point Is North Carolina's Largest Industrial Employer East Of I-95

**Includes civilian, contractor, and military personnel.*

03 May 05



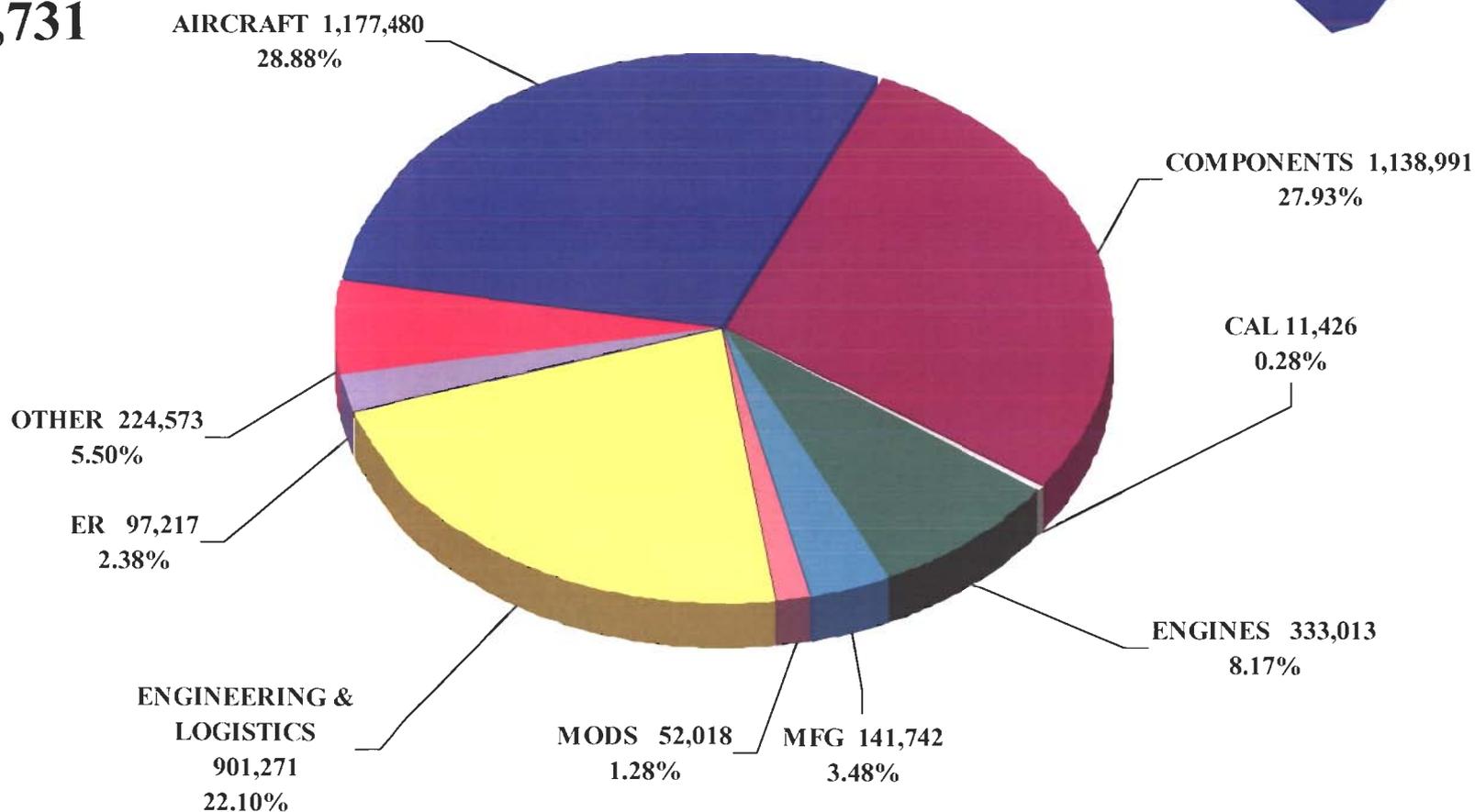
Workload Distribution

FY05 Execution Funding Budget



Total Hours:

4,077,731

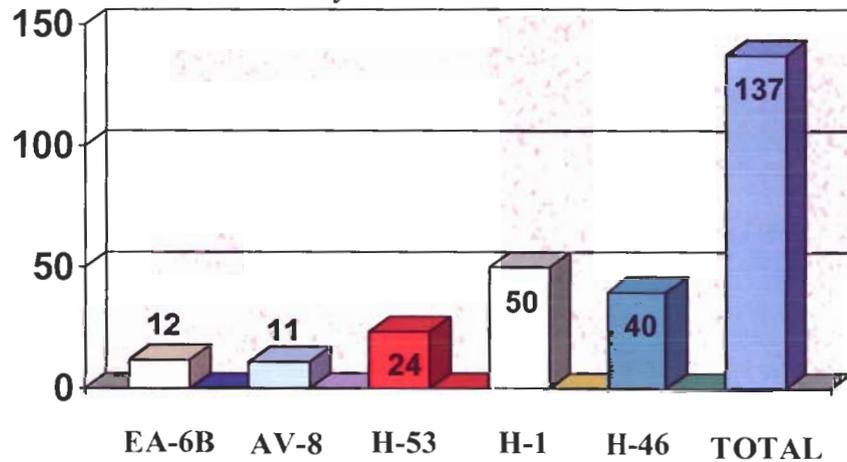




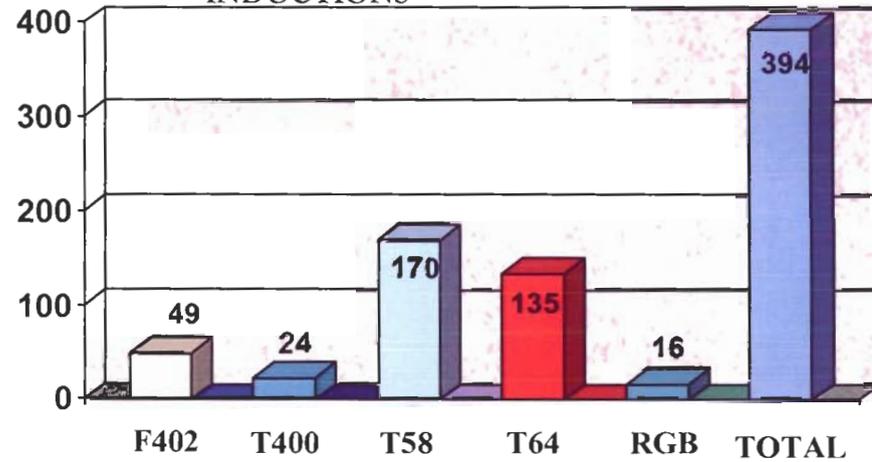
FY05 Projected Inductions

THE CAROLINA DEPOT

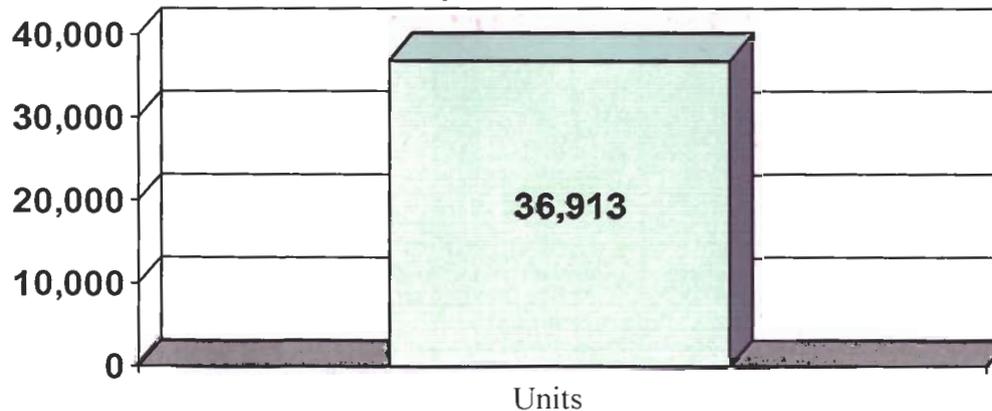
FY-05 AIRCRAFT
PROJECTED INDUCTIONS



FY-05 ENGINE PROJECTED
INDUCTIONS



FY-05 COMPONENT
PROJECTED INDUCTIONS



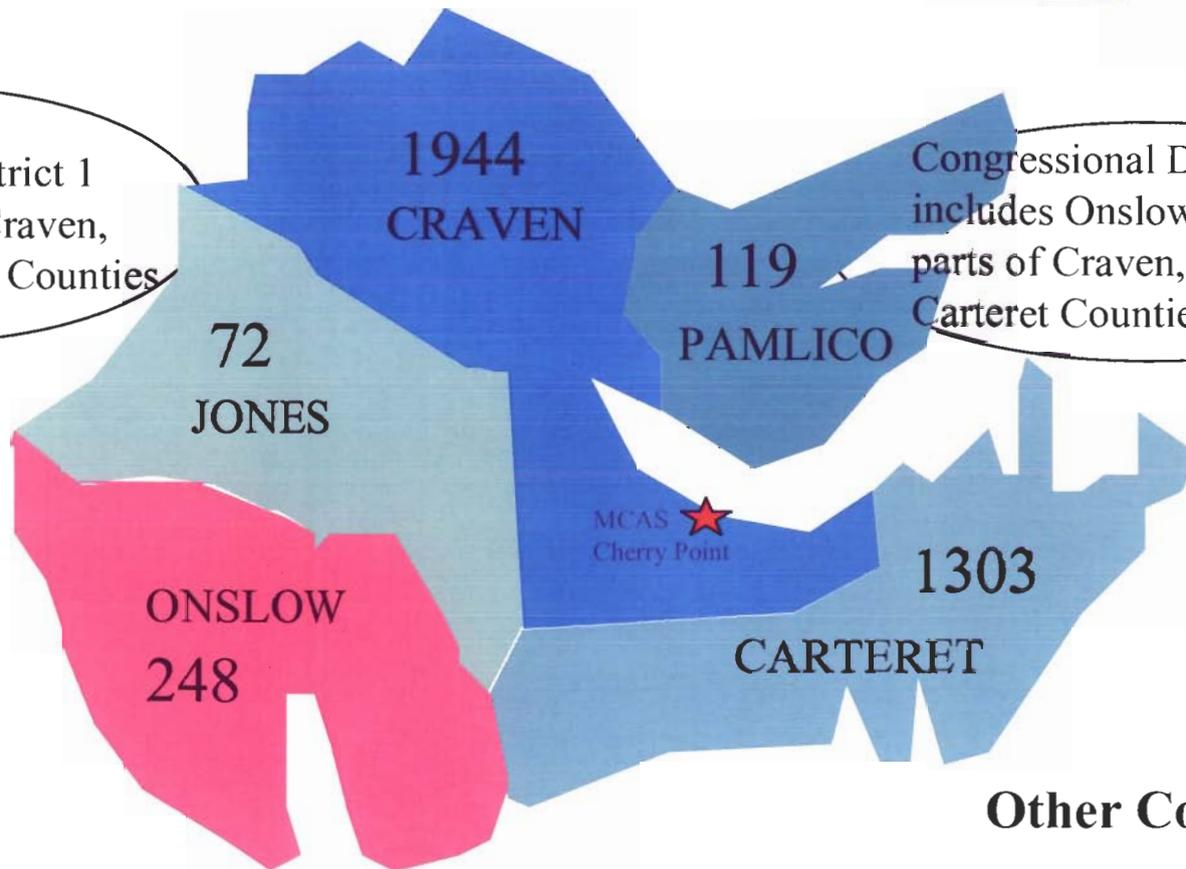


Where We Live



Congressional District 1 includes parts of Craven, Jones and Carteret Counties

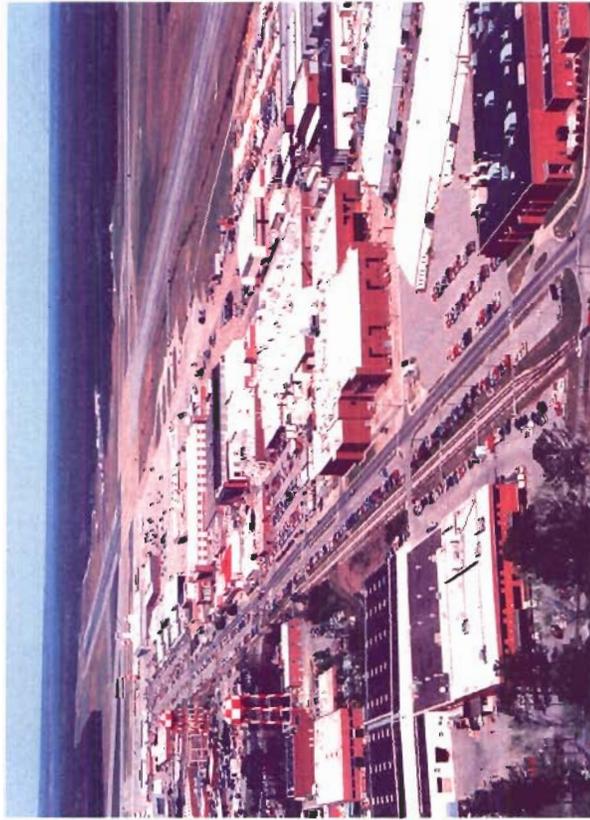
Congressional District 3 includes Onslow, Pamlico, and parts of Craven, Jones and Carteret Counties



Average Salary: \$52K



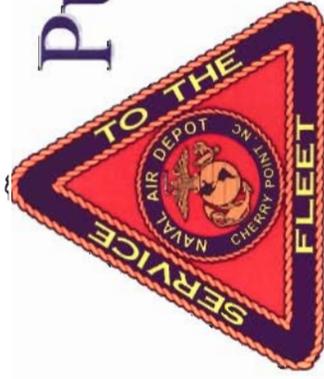
Facilities



Naval Air Depot is a tenant of the Marine Corps Air Station, Cherry Point, North Carolina

Acres	145
Future Acres	105
Assigned Facilities	128 (6 Joint)
Buildings (sq. ft.)	1.9 million
Production Space (sq. ft.)	1.34 million (71%)
Est. Replacement Value (Equipment and Buildings)	\$917 million

ISO 9001, AS 9100, ISO 14001, and OHSAS 18001 REGISTERED FACILITY



Public Private Partnering Initiatives

A "WIN" To The FLEET

Honeywell TLS



- Fleet backorders for APU's have decreased from 123 (mainly P-3) to 0 units since implementation of TLS program.
- TAT has reduced from 140 to 52 days.
- No TLS engines in material delay since 1 Jun 2001.
- Stock is now on shelf to fill fleet requirements.
- On Wing Time is up by 300% (S-3s).



PUBLIC-PRIVATE PARTNERING INITIATIVES

THE CAROLINA DEPOT

PBL Initiative- Current Involvement	Length of Contract	EST \$ Value	Award Date
APU's with Honeywell	10 years	\$ 107M	Jun 2000
F-18 E/F Pneumatic Components with Boeing	5 years	\$ 4.4M	May 2001
H-53/H-46 APU's with Hamilton-Sundstrand	10 years	\$ 82M	Dec 2003
H-46 Dynamic Components with Boeing	5years	\$ 75M	Jun 2005
H-53 Components with Sikorsky	10 years	\$ 30M	Aug 2005
T58/T64 Fuel Controls with Ontic	10 years	TBD	Dec 2005
AV-8B Platform Components with Boeing	10 years	\$ 37M	Oct 2005
T64/T58 Engines with GE	10 years	\$ 30M	Jul 2005
V-22 Airframe Components with Bell-Boeing	TBD	TBD	TBD
H-1 Y/Z Remanufacture (<u>Workshare</u>) with BHTI and PMA	10 years	\$ 135M	TBD - Prototype in Process
F402 Engine and LRUs With Rolls-Royce	TBD	TBD	TBD



Commercial/Organic Workshare



AV-8B REMAN

- Workshare from April 1996 to Sept 2003, Memorandum of Understanding between NADEP Cherry Point, Boeing and British Aerospace
- NADEP Cherry Point delivered 23 kits per aircraft
- 74 aircraft converted from Day Attack to Night Attack/Radar Configuration aircraft

H-1 Upgrade Program

- Workshare beginning April '04 for first Cobra and June '04 for first Huey, Memorandum of Understanding between NADEP Cherry Point, PMA 276, Bell Helicopter Textron, and Defense Contract Management Agency
- Upgrading
 - 180 AH-1W Cobras to AH-1Z Cobras and
 - 10 UH-1N/HH-1N Hueys to UH-1Y Hueys
- NADEP Cherry Point delivering 7 kits for each Cobra and 9 kits for each Huey
- Estimated Program Completion FY 2015



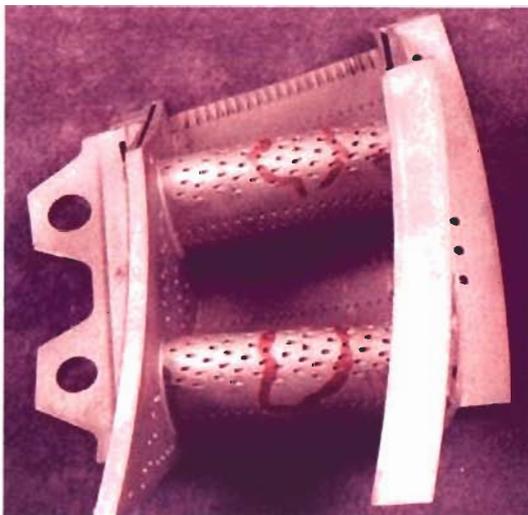
Naval Engine Airfoil Center

THE CAROLINA DEPOT

Bottom Line Customer VALUE!

- PREVIOUSLY DISPOSED OF PARTS NOW RETURNED TO SERVICE
- SINCE 1991 : 719,354 PARTS RETURNED TO SERVICE

Before Repair

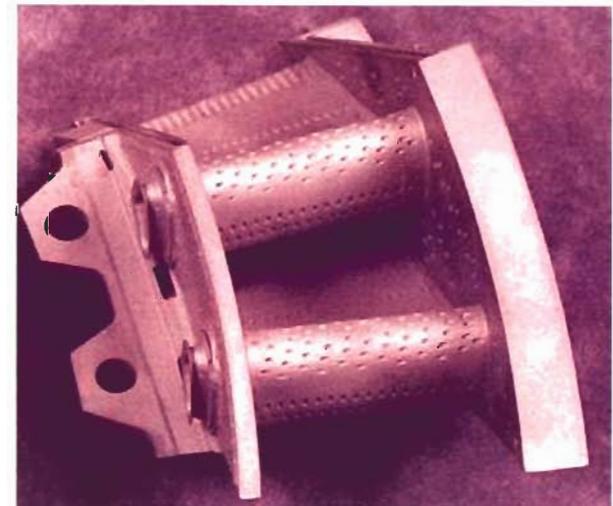


\$279+ Mil SAVINGS TO DOD

After Repair

Example:
F404-GE-400 High Pressure
Turbine Nozzle

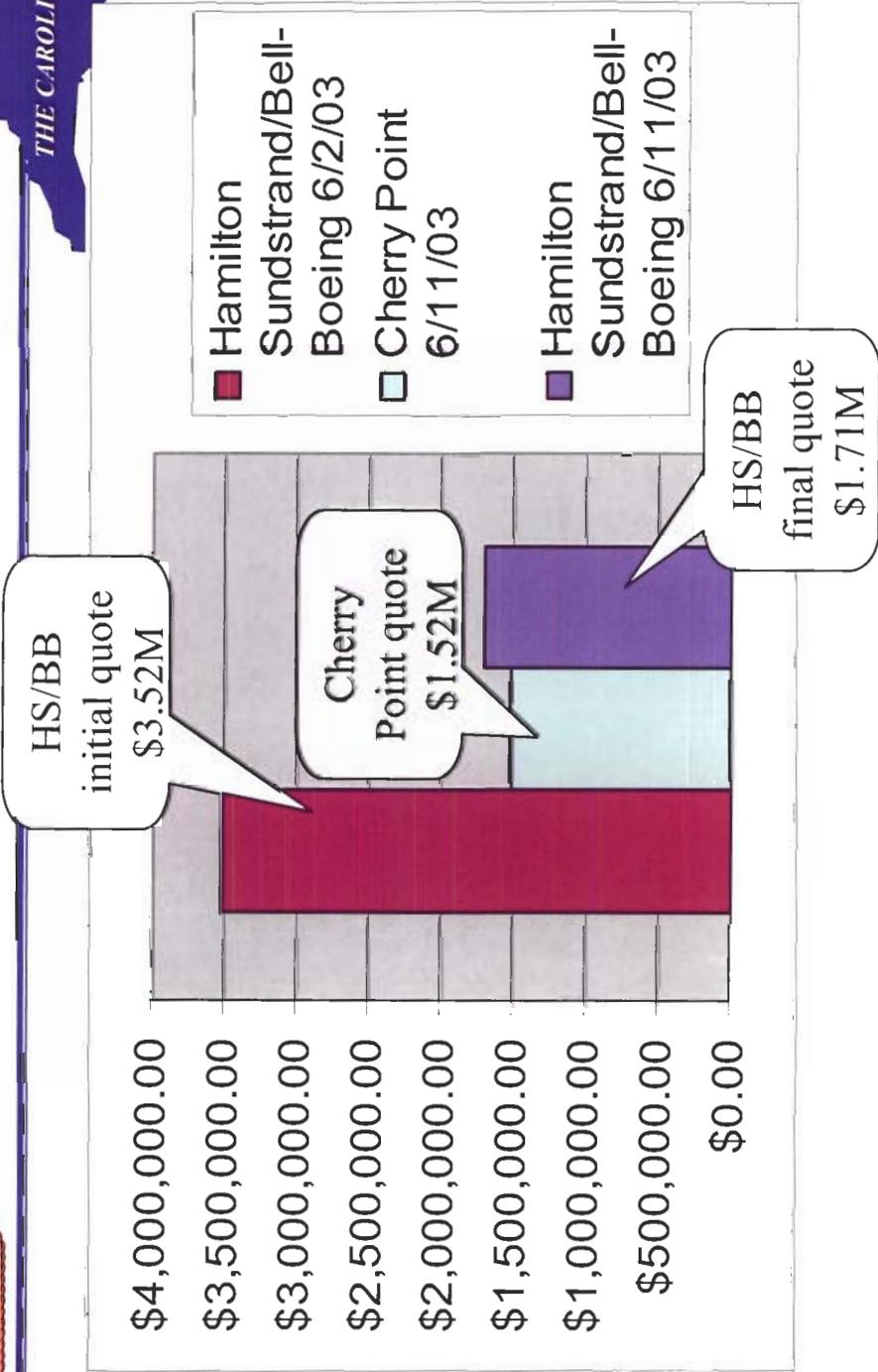
Original Price	\$3,800
Present Price	\$2,240
FY05 Repair Price	\$725





Value of Organic Repair Capability

V-22 APU Repair Cost Competition



RESULT: PMA requested Cherry Point accelerate capability

**“Unsurpassed Service to the Fleet,
Relentless Focus on Quality”**



Continuous Improvements



Continuous Improvements



- **AIRSpeed (TOC, LEAN, Six Sigma)**
- **Material Management – NADEP/FISC Partnership**
- **ISO**
- **Work Force Shaping**

129 people

AIRSpeed



H-46 SUSTAINED THROUGHPUT IMPROVEMENT

Maintained continuous improvement over the past 5 years through significant work scope increases from 9000 hrs to 14,012 standard hours!

H-46

WORK-IN-PROCESS BEFORE



- TURNAROUND TIME = 215 DAYS FY99 AVG
- AIRCRAFT IN WORK = 28
- BEGAN THEORY OF CONSTRAINTS (TOC) 1999
- SIGNIFICANT WORK SCOPE INCREASES 1999-2001

MANAGEABLE WORK-IN-PROCESS AFTER

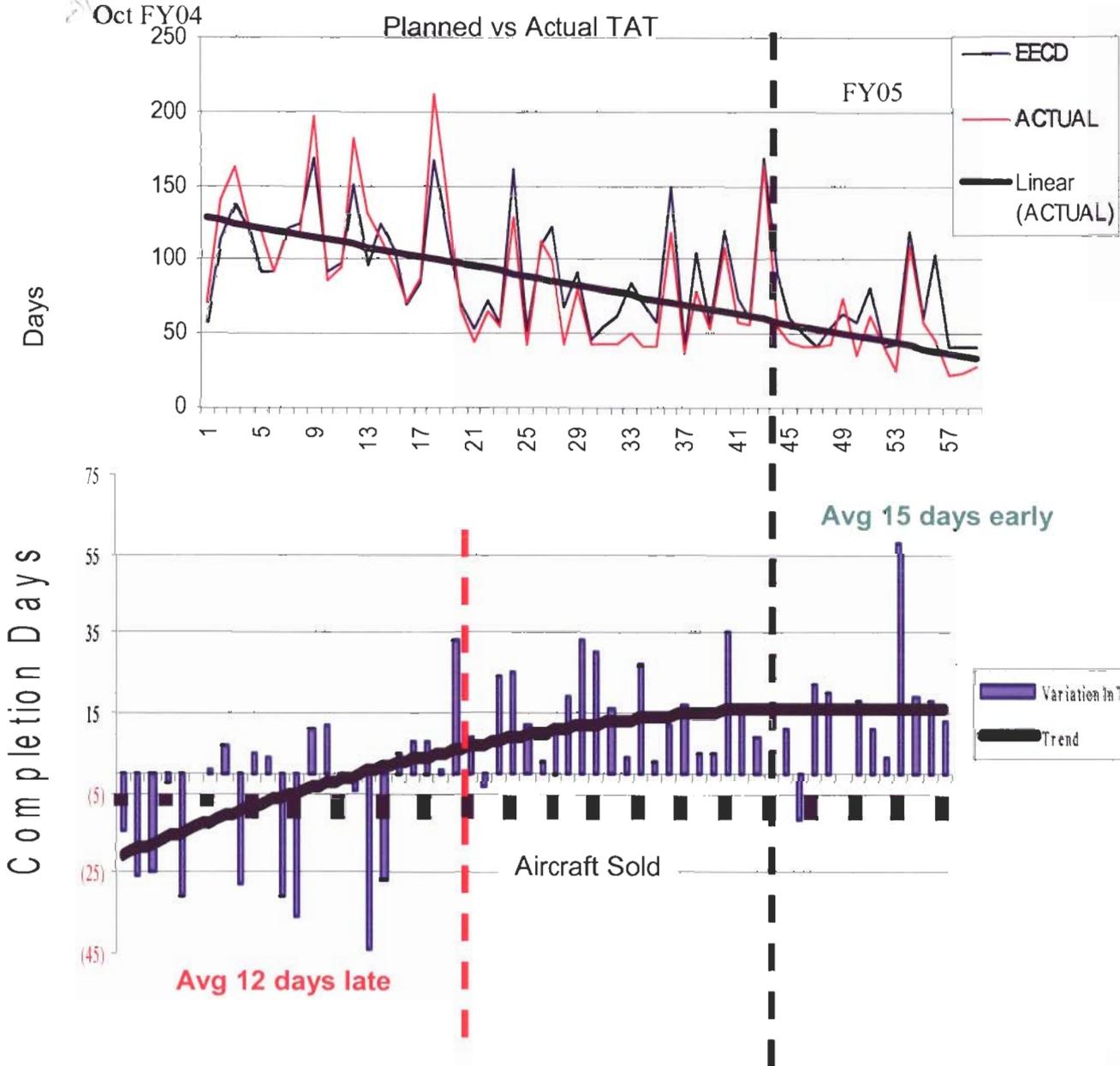


- CURRENT A/C WIP = 18, 20 COMPLETED in FY 05 AVG = 167 DAYS
- SDLM & IMC WORK SCOPE INCREASED IN FY05
 - SDLM 13,165 to 14,012
 - IMC 12,024 to 12,673
- INCREASED # OF A/C PRODUCED MEETING WAR SURGE
- MAINTAINED SAME STAFFING LEVEL OVER PAST 5 YEARS

ABLE TO RETURN FULL SQUADRON TO FLEET, INCREASING FLEET READINESS

AIRSpeed

H-1 Turnaround Times FY04-FY05 YTD



- During FY05, 16 of 17 aircraft completed have met or were below the negotiated cycle time
- For FY05, H-1 aircraft have completed an average of 8 days ahead of negotiated and 15 days ahead of the evaluated TAT
- Increase in production without an increase in manpower resources
- Last AH1W PMI1 completed 13 days ahead of negotiated and 13 days ahead of evaluated TAT
- Last AH-1W Baseline completed 58 days ahead of schedule

As of 4/28/05

b)



H-53 Aircraft TOC Results

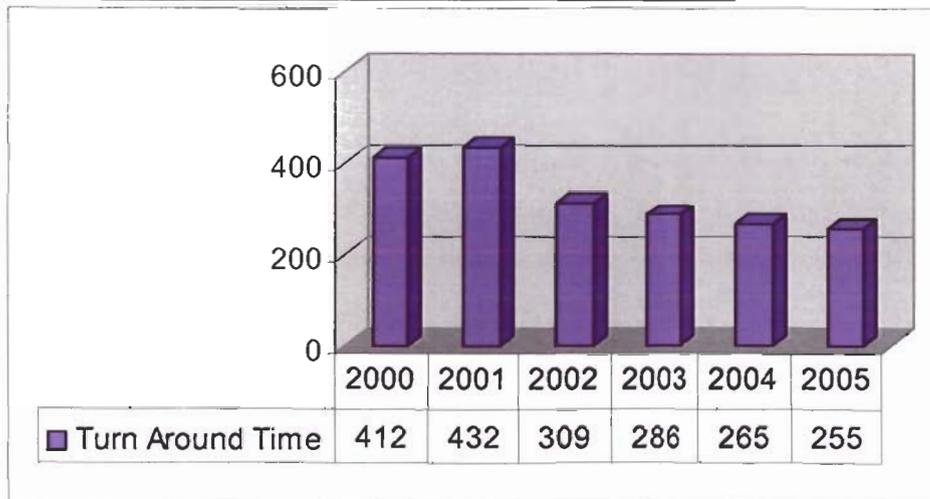


- Focused TOC effort began in 2002
- Goal to reduce CH-53E SDLM/IMC TAT by 20% by FY05 (220 days average)

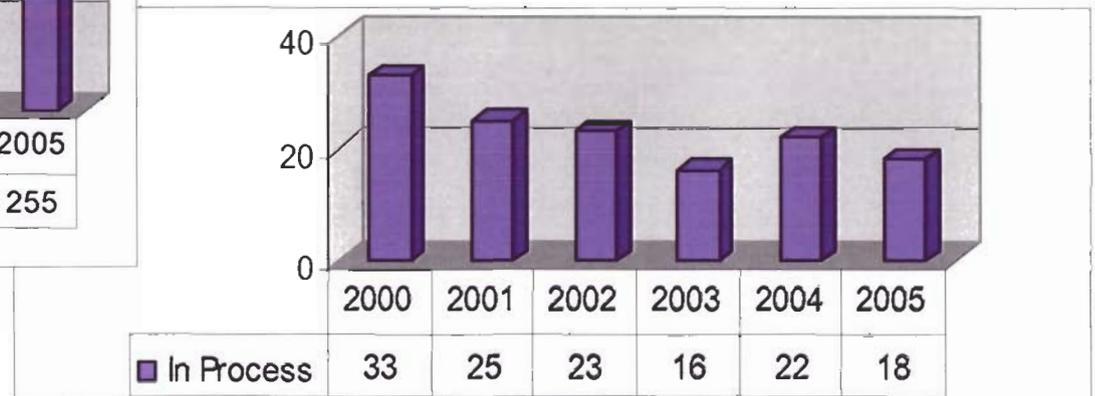
ROI to date:

- H-53 overall cycle time for aircraft produced in FY05 is 5 days below *AIRSpeed* baseline of 260 days
- Workload standard increased to incorporate Capton Wiring LES on CH-53E SDLM/IMC

- SDLM - 12,749 to 13,477 hours
- IMC - 10,402 - 11,688 hours



H-53 TAT Trend



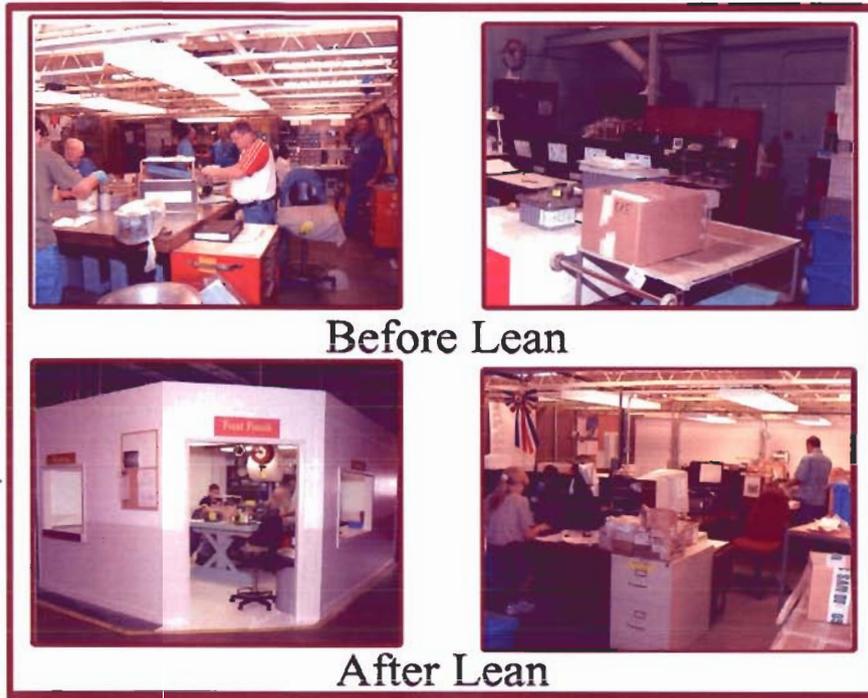
H-53 Aircraft in Process

AIRSpeed

As of 4/28//05

20

T58 Fuel Controls



Initiative Supports T58 Engine and Components Production Schedules

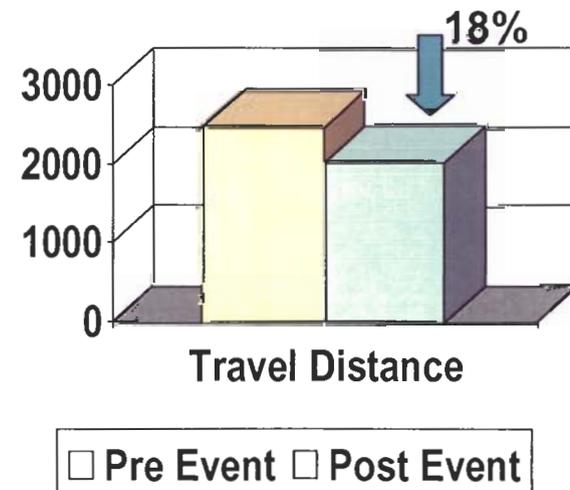
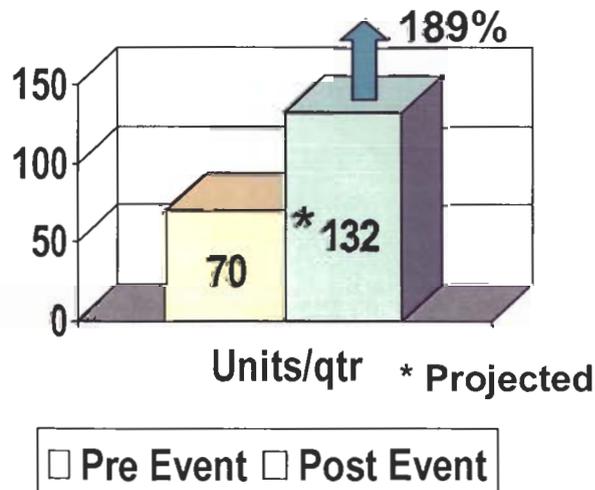
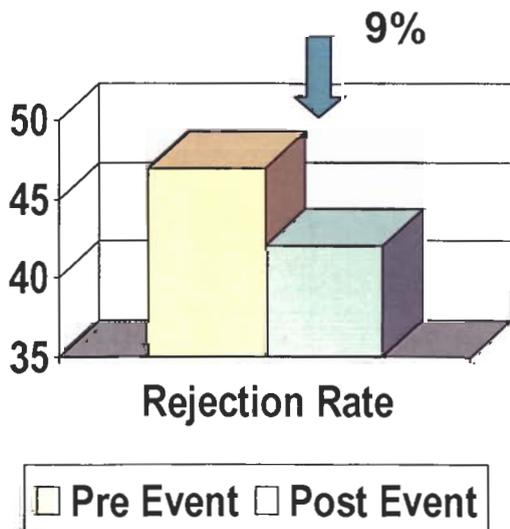
Date: 24 May 2004

By: CP

New Final Finish

New PC Area

As of 2 May 05





T58-16 Engine GE Event July 2004



BEFORE

Floor Space: 680 Sq Ft
Walking Distance: 2620 Ft

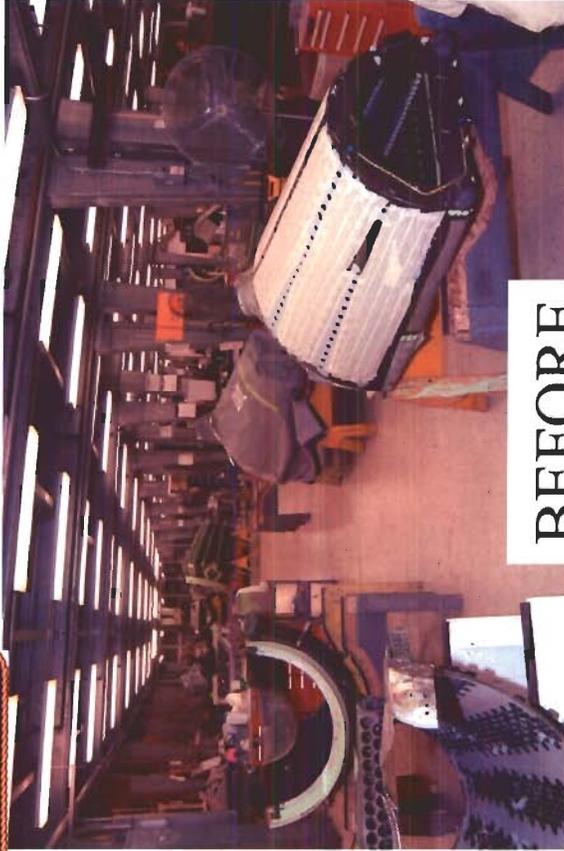


AFTER

Floor Space: 280 Sq Ft (59% Diff)
Walking Distance: 500 Ft (85% Diff)

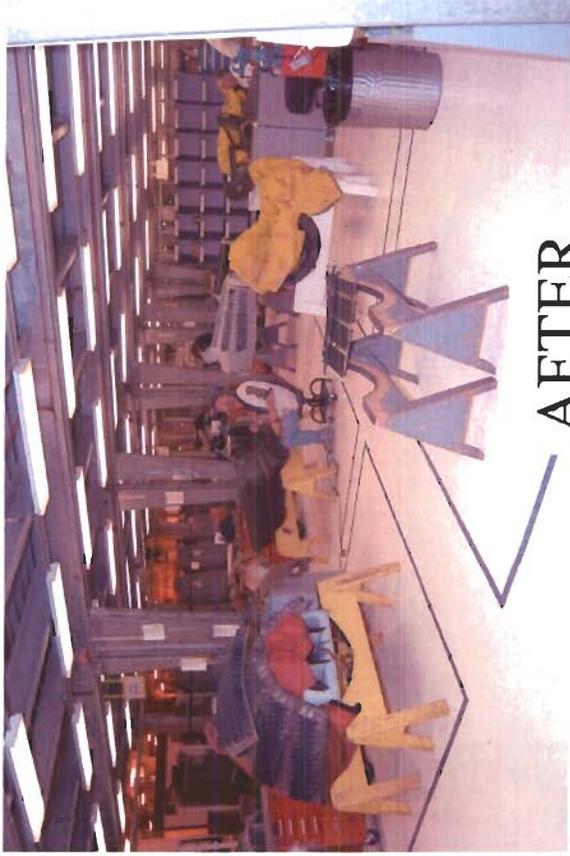


95802 EAPS November 2004



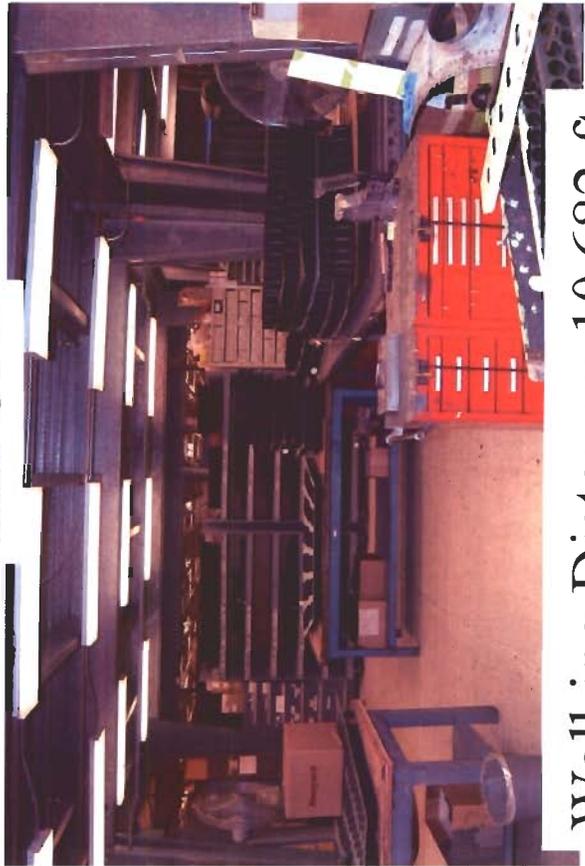
BEFORE

Walking Distance: 10,682 ft



AFTER

Walking Distance: 3,183 ft





“ERNIE GURNEY”



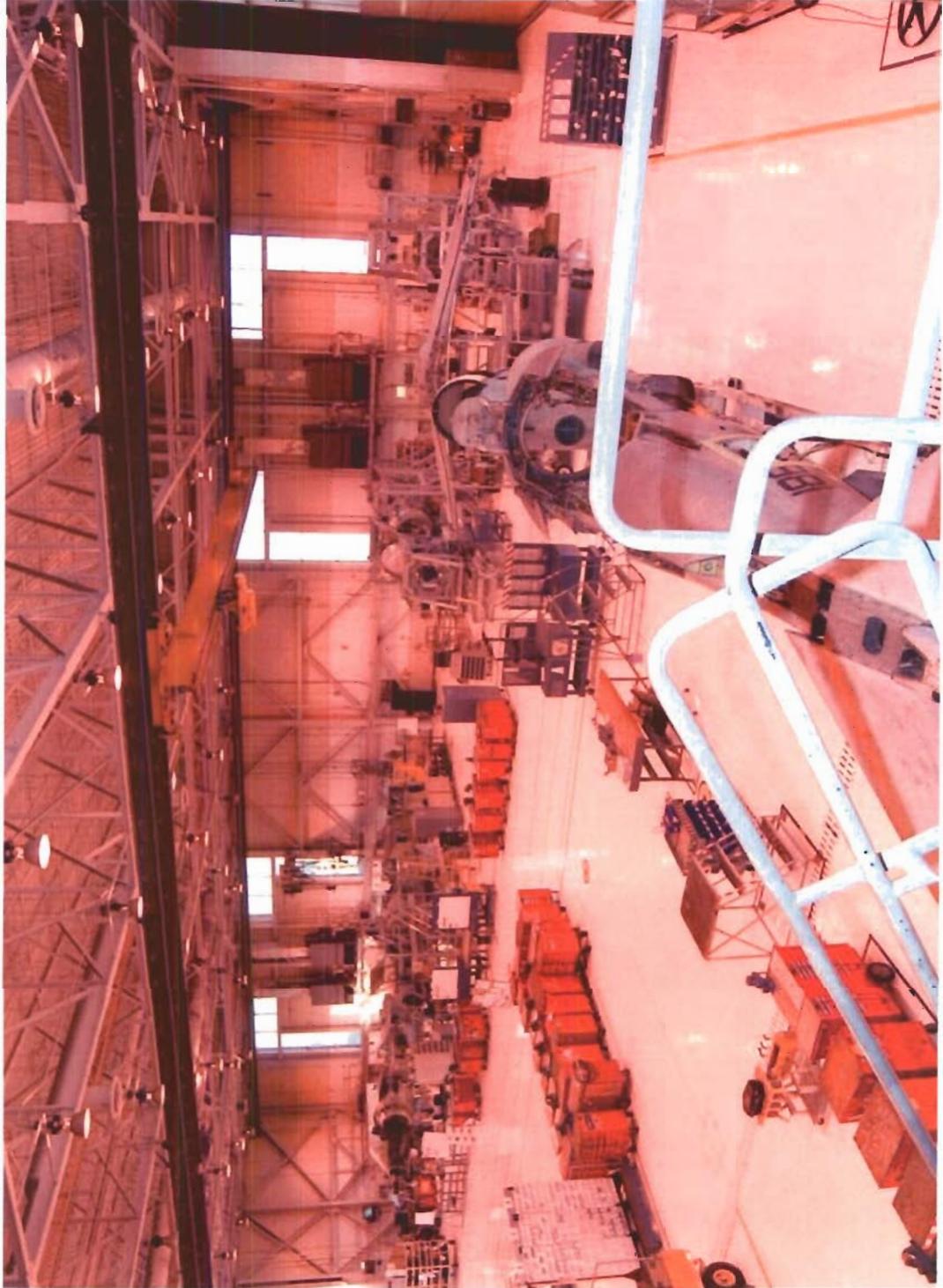


AV-8 Production Line - Pre-Lean (Oct 2004)

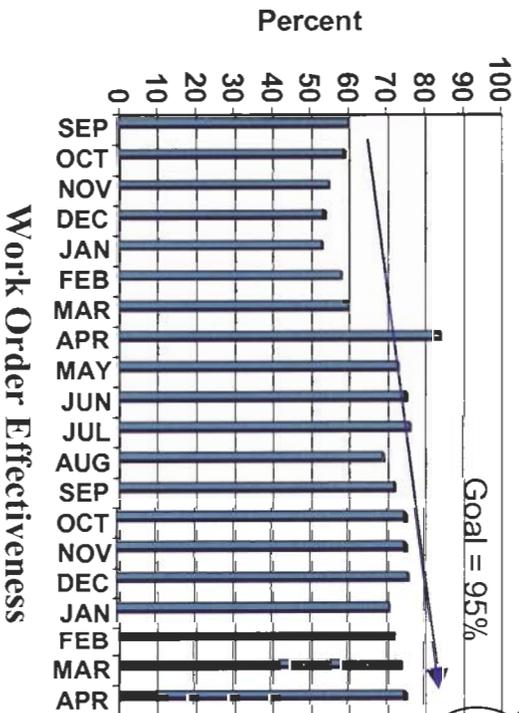
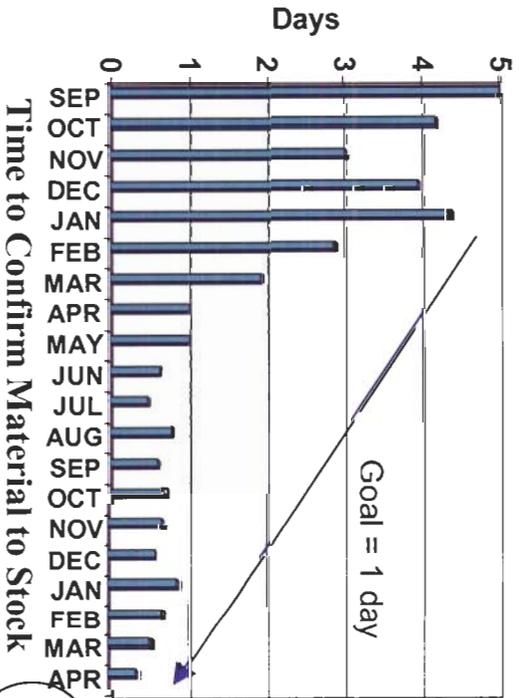




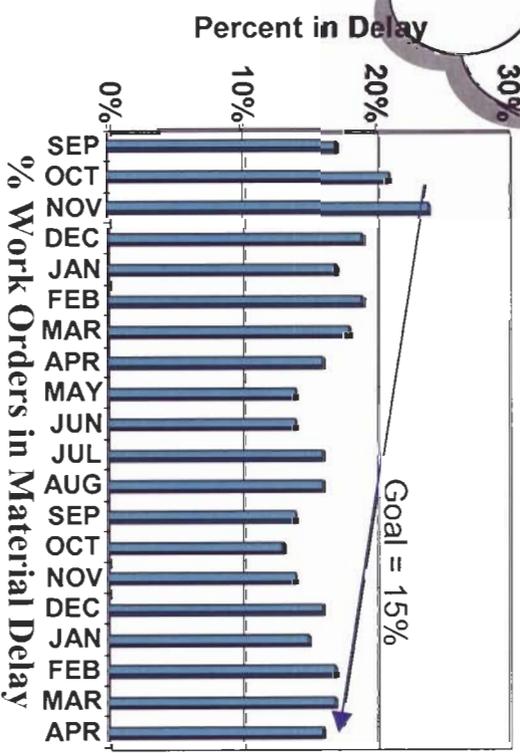
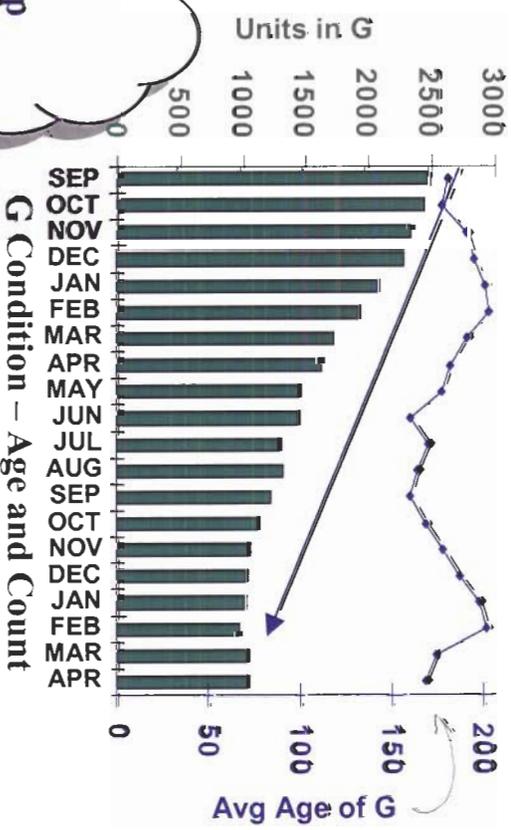
AV-8 Production Line - Post-Lean (May 2005)



Material Management NADEP/FISC Partnership



Warehouse time down, availability up
AWP (G) and work order delays down



As of 5/2/05



Quality Management System

ISO International Organization for Standardization

- Standardized requirements for a Quality Management System
- International consensus on good management practices
- Systems approach to continuous improvement of business processes

ISO9001

< Original registration: April 1997

AS9100 (Aerospace)

Original registration: July 2003 >



ISO14001 (Environmental)

< Original registration: Nov 2003

OHSAS18001 (Safety)

Original registration: June 2004 >



Shaping Depot's 21st Century Work Force

Employee Development and Training

Wage Grade Developmental Programs



Capturing "tribal knowledge" from Gray Beard

THE CAROLINA DEPOT

WG Programs

- Co-op
- Apprentice
- Multi-Trade
- Helper-to-Worker
- Worker-to-Journeyworker
- Journey-to-Journey

Academia Partnerships

- Institute Aeronautical Technology
- 26 Educational Institutions

Recognition

- NAVAIR Commander's Award
- NC Dept of Labor Outstanding Program Award
- NC College Tech Prep Partnership Award

"OUTSTANDING EMPLOYER"

2004 GOVERNOR'S AWARD FOR EXCELLENCE IN WORK FORCE DEVELOPMENT

NAVAIR

29729



NAVAL AIR

FLEET READINESS CENTERS

The Future Path of Naval Aviation Maintenance

13May05

CR-2

Introduction

- This brief is intended to provide a top level understanding of the Fleet Readiness Center (FRC) concept.
- DoD has submitted The Fleet Readiness Center (FRC) concept to the BRAC Commission as a viable Naval Aviation Industrial recommendation / realignment option for the 2005 Base Realignment And Closure (BRAC) process.
- Transformation to Fleet Readiness Centers, and FRC Sites, is viewed as a better solution than additional "traditional" Depot Closures for the Naval Aviation Enterprise.
- The standup of FRCs will:
 - Align with the CNO's guidance.
 - Meet BRAC 2005 requirements for depot and non-deployable I-level maint activities.
 - Meet the need to improve Industrial "Effectiveness and Efficiency" and achieve More "Cost-Wise-Readiness"
- Once approved, implementation will consolidate twenty-five (25) Navy and Marine Corps intermediate maintenance activities and three (3) depot maintenance activities into six (6) Fleet Readiness Centers and thirteen (13) FRC Sites affiliated with parent FRCs. These centers and sites will be located at fleet concentration areas across the United States.
- A set of Frequently Asked Questions (FAQ's) has also been made available through leadership to answer some of the questions not addressed in this brief.

Fleet Readiness Centers (FRCs)

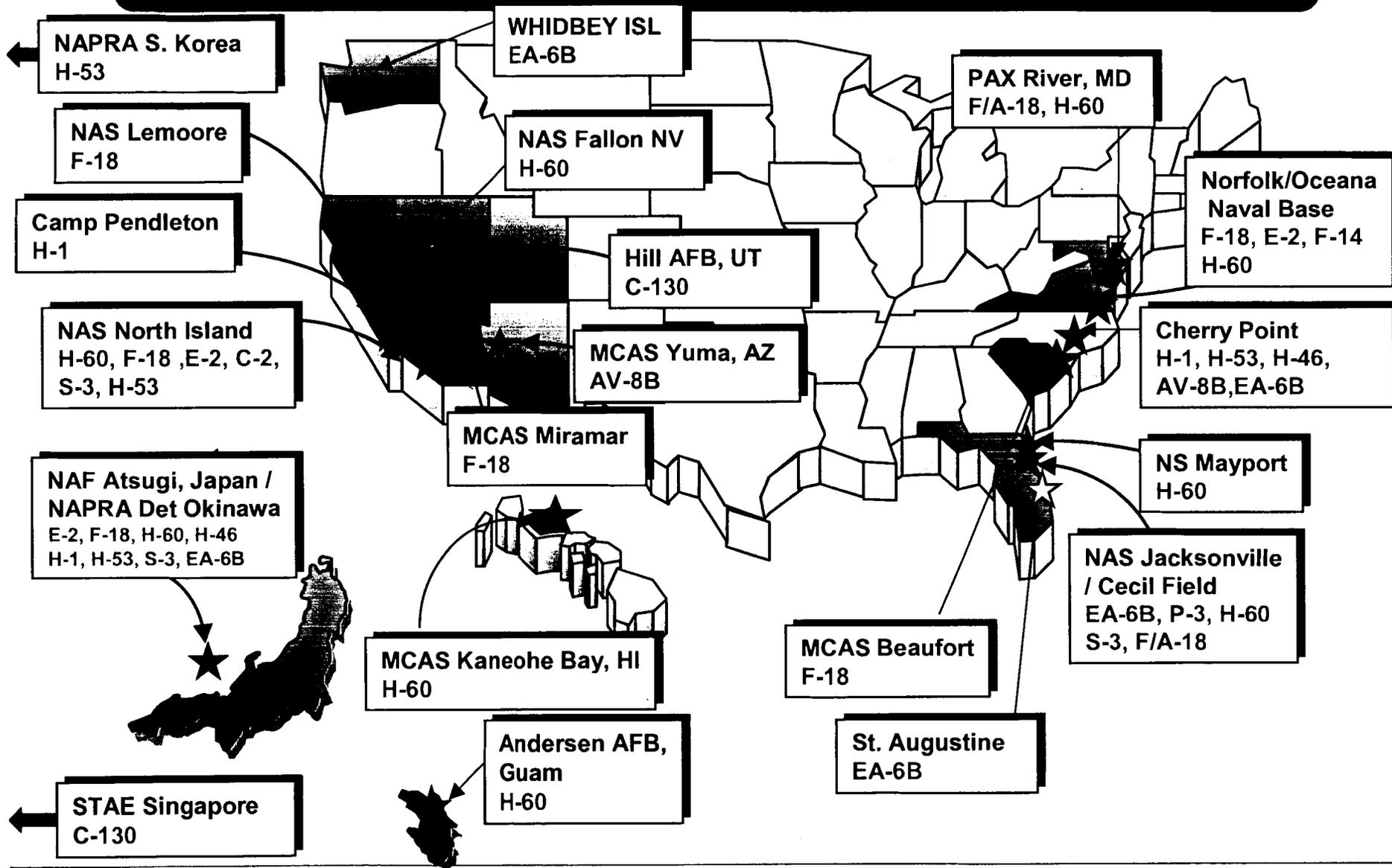
- Naval Aviation Enterprise FRCs and FRC Sites will perform Intermediate and Depot level maintenance.
- The NAE transforms from 3 types of activities (O-I-D) to O and I+D. FRCs and FRC Sites will be blended I and D level activities that have combinations of both levels of maint based on what is most effective and efficient.
- FRCs and FRC Sites will provide a seamless continuum of maintenance, logistics and engineering support.
- Will provide the right mix of capability and capacity at the right location resulting in the right degree of availability and readiness balanced with the best overall efficiency.
- Non-deployed Military Maintainers (Sailors and MARINES) will team with Depot-level Civil Service and Contractors within FRCs and FRC sites to provide the most effective and efficient maintenance.

We've Already Started

This idea is not revolutionary..... “seasoned” Civil Service artisans have helped Military Maintainers for years learn the finer points of our complicated business. Teaming them together to a higher degree will pay additional dividends.



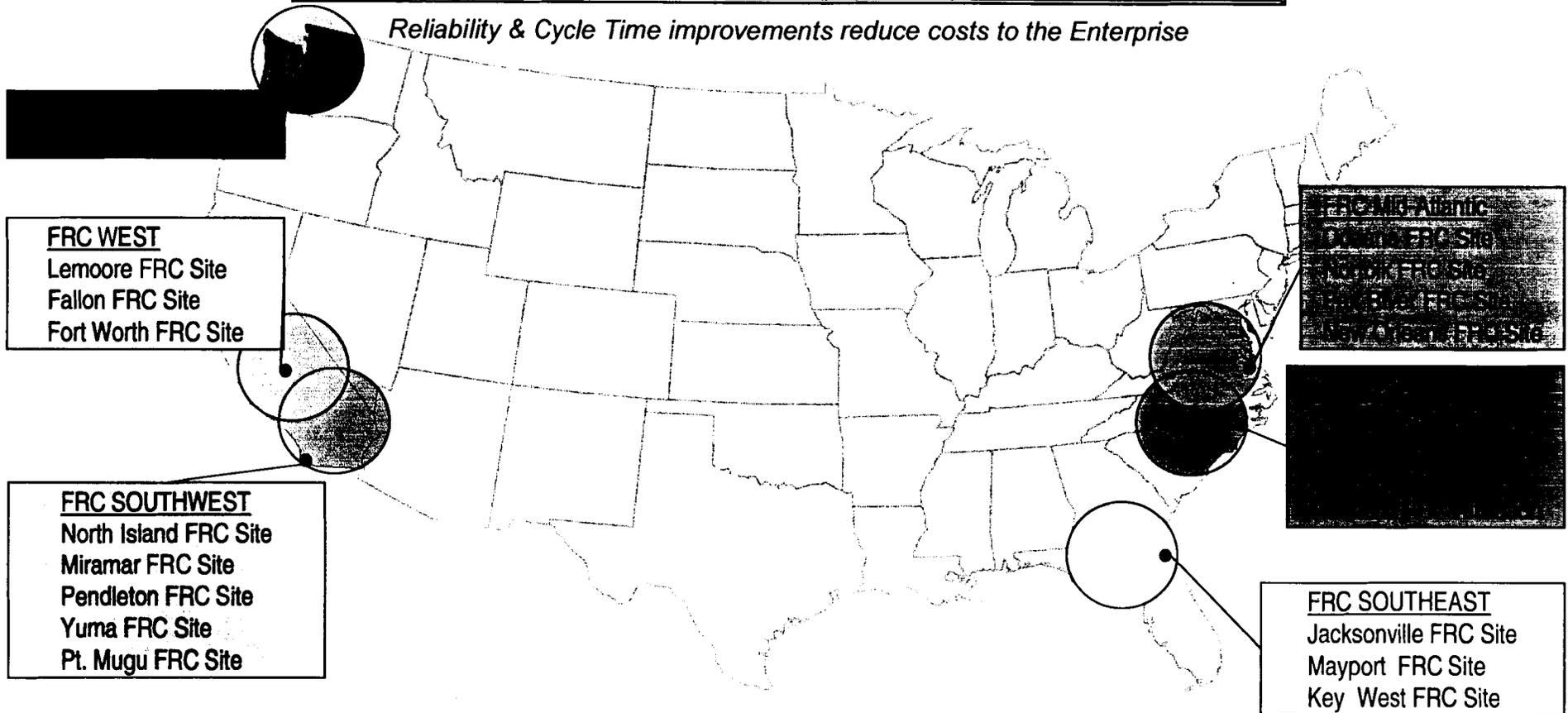
Naval Aviation IMC/P ; 1 example of "Doing Business Differently To Better Support Fleet"



Fleet Readiness Centers

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise



What the Navy is doing represents transformation

Fleet Readiness Centers - FRCs

- **Improved utilization of capabilities:**
 - Integrating D & I to take advantage of collaboration between Civil Service Artisans and Sailors / Marines.
 - "Right Capability" in the "Right Place". Right "Capacity" at each place too.

- **Reduced Total Repair Cycle-Time:**
 - Lower "Total Repair Cycle-Time" by less routing to off-site repair locations.
 - Maintenance performed where it makes best sense (next to Operating Forces or centrally).
 - Reduced Steps In Supply Chain.
 - Reduced # Of Assets Req'd In Pipelines (reduced TAT and smaller spares pool).
 - Reduced Cycle-times for Acft, Engs, and AVDLR's Less PHS&T Steps/Costs.

- **Less Total System Cost:**
 - FRC Concept with AirSpeed Drives ~1000 Civil Service and ~450 Military Billet reductions over several years (A Graceful People Reduction to match workload rqmts).
 - Reductions of half a million square feet of facility space.
 - Spare parts total requirements reductions of ~14%.

- **Effectiveness Optimized:**
 - Naval Aviation Enterprise "Value Stream Optimized".
 - Cost-Wise-Readiness Complaint.
 - Fleet Response Plan, FRP (6 + 2) Supportive.
 - Better Alignment = Better Effectiveness and Efficiency.

FRC

Naval Aviation's Enterprise
Off Aircraft/Off Equipment Maintenance

12MAY05

= Industrial
Maintenance
function closed

"DRAFT"

FRC Mid Atl SITE Pax River

FRC MID ATLANTIC
AIMD OCEANA
AIMD Norfolk
AIMD NAS Corpus Christi
NADEP CP Det Oceana
NADEP JAX Det Norfolk
NADEP JAX Det Oceana
NAWC Lakehurst Det Norfolk

FRC EAST
NADEP CHERRY POINT
MALS-14 Cherry Point
AIMD Willow Grove
FRC East Det Lakehurst

FRC EAST Site New River
MALS-26 & 29 New River
NADEP CP Det New River

FRC EAST Site Beaufort
MALS-31 Beaufort
NADEP JAX Det Beaufort

FRC SOUTHEAST
NADEP JAX
NADEP JAX Det Cecil Field
AIMD JAX
AIMD Brunswick

FRC SE Site Mayport
AIMD Mayport
NADEP JAX Det Mayport
NAWCAD LKE Det Mayport

FRC SE Site Key West

FRC MID ATLANTIC (OCEANA)
AIMD OCEANA (REALIGNS INTO FRC MID ATLANTIC)
NADEP CHERRY POINT DET OCEANA (REALIGNS INTO FRC MID ATLANTIC)
NADEP JAX DET OCEANA (REALIGNS INTO FRC MID ATLANTIC)
NAVAIRES NEW ORLEANS (REALIGNS FRC MID ATLANTIC SITE NEW ORLEANS)
AIMD ATLANTA (REALIGNS INTO FRC SITE NEW ORLEANS)
AIMD NORFOLK (REALIGNS INTO FRC-MID ATLANTIC SITE NORFOLK)
AIMD CORPUS CHRISTI (REALIGNS INTO FRC MID ATLANTIC SITE NORFOLK)
NADEP JAX DET NORFOLK (REALIGNS INTO FRC MID ATLANTIC SITE NORFOLK)
NAWCAD LAKEHURST DET NORFOLK (REALIGNS INTO FRC MID ATLANTIC SITE NORFOLK)
NAWCAD PAX RIVER (REALIGNS INTO FRC MID ATLANTIC SITE PAX RIVER)

AIMD Willow Grove
FRC EAST 'affiliation'
HMX-1 Quantico

AIMD Atlanta

FRC Mid Atl Site N. Orleans
AIMD Atlanta (E-2C support)
NAVAIRES New Orleans

FRC WEST Site Fort Worth
AIMD Atlanta (FA-18 support)
NAVAIRES Fort Worth

FRC SW Site Yuma
MALS-13 Yuma
NADEP NI Det Yuma

AIMD China Lake
(OMD+ Established)

FRC W Site Fallon
NADEP NI Det Fallon

FRC WEST
AIMD LEMOORE
NADEP NI Det Lemoore

FRC SW Site Pendleton
MALS-39 Pendleton
NADEP NI Det Pendleton

FRC SW Site Pt. Mugu

FRC SOUTHWEST
MALS-11 & 16 Miramar
NADEP NI Det Miramar
AIMD North Island
NADEP North Island
NADEP North Island DET NI

FRC SOUTHWEST (NORTH ISLAND)
NADEP NORTH ISLAND (REALIGNS INTO FRC SOUTHWEST)
NADEP NORTH ISLAND DET NORTH ISLAND (REALIGNS INTO FRC SOUTHWEST)
AIMD NORTH ISLAND (REALIGNS INTO FRC SOUTHWEST)
AIMD POINT MUGU (REALIGNS INTO FRC SOUTHWEST SITE POINT MUGU)
MALS-11 MIRIMAR (REALIGNS INTO FRC SOUTHWEST SITE MIRIMAR)
MALS-16 MIRIMAR (REALIGNS INTO FRC SOUTHWEST SITE MIRIMAR)
NADEP NI DET MIRIMAR (REALIGNS INTO FRC SOUTHWEST SITE MIRIMAR)
MALS-39 PENDLETON (REALIGNS INTO FRC SOUTHWEST SITE PENDLETON)
NADEP NI DET PENDLETON (REALIGNS INTO FRC SOUTHWEST SITE PENDLETON)
MALS-13 YUMA (REALIGNS INTO FRC SOUTHWEST SITE YUMA)
NADEP NI DET YUMA (REALIGNS INTO FRC SOUTHWEST SITE YUMA)

FRC WEST (LEMOORE)
AIMD LEMOORE (REALIGNS INTO FRC WEST)
AIMD CHINA LAKE (REALIGNS INTO FRC WEST)
NADEP NI DET LEMOORE (REALIGNS INTO FRC WEST)
NAVAIRES FORT WORTH (REALIGNS INTO FRC WEST SITE FORT WORTH)
AIMD FALLON (REALIGNS INTO FRC WEST SITE FALLON)
NADEP NI DET FALLON (REALIGNS INTO FRC WEST SITE FALLON)
NAVAIRES ATLANTA (REALIGNS INTO FRC WEST SITE FORT WORTH)

FRC SOUTHEAST (JACKSONVILLE)
NADEP JACKSONVILLE (REALIGNS INTO FRC SOUTHEAST)
NADEP JACKSONVILLE DET JACKSONVILLE (REALIGNS INTO FRC SOUTHEAST)
AIMD JACKSONVILLE (REALIGNS INTO FRC SOUTHEAST)
AIMD BRUNSWICK (REALIGNS INTO FRC SOUTHEAST)
AIMD MAYPORT (REALIGNS INTO FRC SOUTHEAST SITE MAYPORT)
NADEP JAX DET MAYPORT (REALIGNS INTO FRC SOUTHEAST SITE MAYPORT)
NAWCAD LAKEHURST DET MAYPORT (REALIGNS INTO FRC SOUTHEAST SITE MAYPORT)
AIMD KEY WEST (REALIGNS INTO FRC SOUTHEAST SITE KEY WEST)
NADEP JAX DET CECIL FIELD (REALIGNS INTO FRC SOUTHEAST SITE CECIL FIELD)

FRC EAST (CHERRY POINT)
NADEP CHERRY POINT (REALIGNS INTO FRC EAST)
MALS-14 CHERRY POINT (REALIGNS INTO FRC EAST)
MALS-31 BEAUFORT (REALIGNS INTO FRC EAST SITE BEAUFORT)
NADEP JAX DET BEAUFORT (REALIGNS INTO FRC EAST SITE BEAUFORT)
MALS-26 NEW RIVER (REALIGNS INTO FRC EAST SITE NEW RIVER)
MALS-29 NEW RIVER (REALIGNS INTO FRC EAST SITE NEW RIVER)
NADEP CHERRYPOINT DET NEWRIVER (REALIGNS INTO FRC EAST SITE NEWRIVER)
HMX-1 QUANTICO (REALIGNS INTO FRC EAST SITE QUANTICO)
NAVAIRES WILLOW GROVE (REALIGNS INTO FRC EAST)

AIMD NAS Corpus Christi



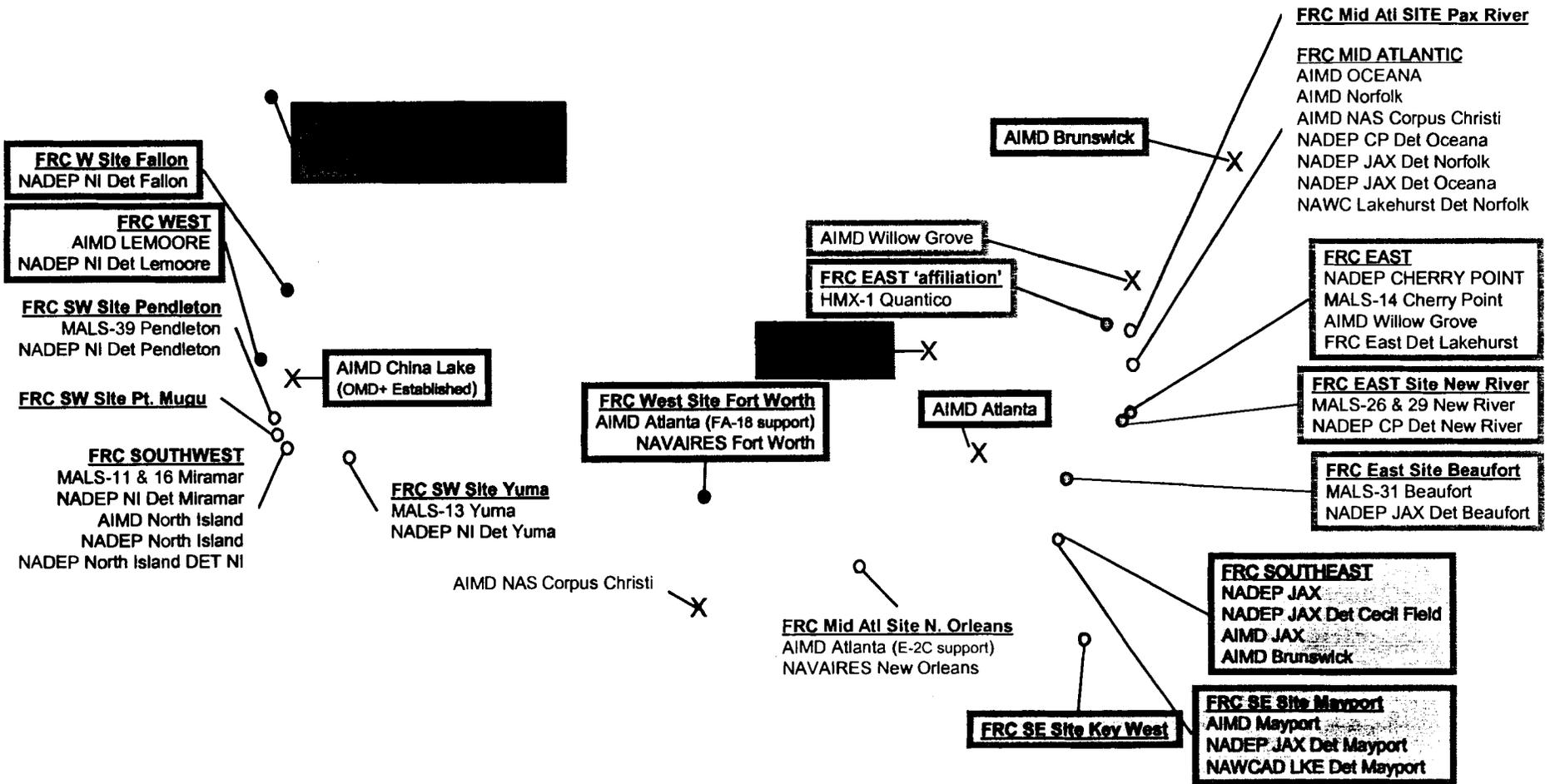
= Industrial Maintenance function closed

"DRAFT"

FRC

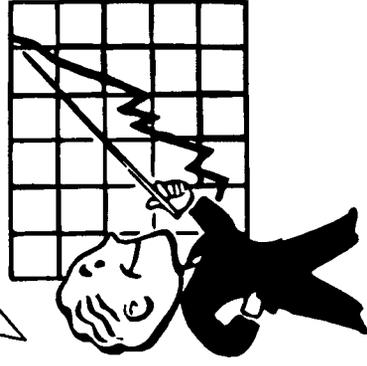
Naval Aviation's Enterprise
Off Aircraft/Off Equipment Maintenance

12MAY05



One Test Is Worth A Thousand Opinions

Let's Look @ A Few Tests !



Integrated NAE Solution

an experiment between NADEP N. Island / AIMD Lemoore

Fleet Assistance Support Team (FAST) – and initial foray into I-D integration.

- An arrangement between NADEP North Island and AIMD Lemoore
- Provides On-Site, Hands-On maintenance support by experienced depot personnel to Sailors/Marines
- Teamed with NATEC which provides publication reviews & technical services
- Over 143 Hydraulic and Avionics AVDLR components repaired on site for a Cost Avoidance of over \$1.4M within 6 months

**AN INTEGRATED NAE SOLUTION PROVIDING
IMPROVED SERVICE TO THE FLEET**

AIMD COST AVOIDANCE

NADEP Jax Teaming With AIMD Whidbey

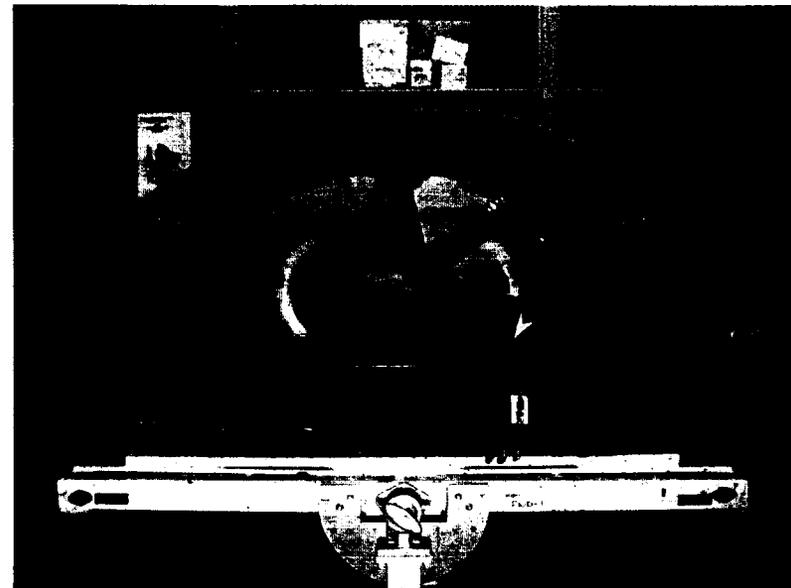


- Depot Inservice Repair Team (ISR) and Local AIMD Repair Driven Savings (FY04) (FY05) \$2.4M \$428K
 - See next slide
- Flight Control Surfaces (Stabs, Flaps, Slats) \$2.4M \$421K
 - Request local ISR Depot repair via message. In work establishing ISR repair site within AIMD facility to LEAN the repair process and allow enhanced training of I-level techs.

EA-6B CANOPY REPAIR



- Established EA-6B canopy glass replacement work center March 2003.
- Received initial depot level canopy repair training from NADEP JAX to expand scope of repair.
- I-Level techs work side-by-side with local ISR Depot artisans in AIMD facility.
- Replaced glass in 70 canopies, saving over \$4.2M AVDLR costs (Mar 2003 – Dec 2004).



NADEP Cherry Point Teaming with MALS-29

- Provide Technical Training to MALS-29
 - Addressed high value/readiness impact components
 - Welding /structural repairs
 - H46 / H53 Rotorhead repair
 - H53 Engine Air Particle Separators (EAPS)
 - Composite rotor blade repair
- Initiated rotor blade repairs at MALS 29 as required
- Dual use of MCAS New River's paint facility
 - Improved depot capacity and throughput while improving quality and responsiveness to fleet requirements by sharing an underutilized, modern facility between the I and D level
- Test Cell Cross-Training Program
 - Along with I-levels at Cherry Point, New River and Norfolk we are establishing process for our test cell operators and I-level counterparts can fully operate and certify engines on both I and D level test cells

Summary



**"FRCs are the NAE path ahead.
We Are Committed To Making The
Transformation To This New Concept
In Readiness for
Naval Aviation Maintenance"**

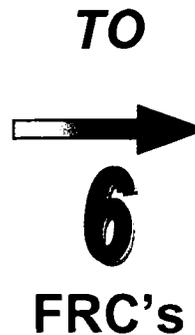
FRC Implementation

25 I-Levels

1. AIMD North Island
2. AIMD Point Mugu
3. MALS-11
4. MALS-16
5. MALS-39
6. MALS-13
7. AIMD Lemoore
8. AIMD China Lake
9. AIMD Fallon
10. AIMD Fort Worth
11. AIMD Whidbey Island
12. AIMD Jacksonville
13. AIMD Brunswick
14. AIMD Mayport
15. AIMD Key West
16. MALS-14
17. MALS-31
18. MALS-26
19. MALS-29
20. AIMD Atlanta
21. AIMD Willow Grove
22. AIMD Oceana
23. AIMD Norfolk
24. AIMD Corpus Christi
25. AIMD Patuxent River
- XX HMX-1 Quantico

3 D-Levels

1. NADEP North Island
2. NADEP Jacksonville
3. NADEP Cherry Point



1. FRC SOUTHWEST

- NADEP North Island
- AIMD North Island
- AIMD Point Mugu
- MALS-11 & 16 *
- MALS-13 *
- MALS-39 *

2. FRC WEST

- AIMD Lemoore
- AIMD Fallon

3. FRC NORTHWEST

- AIMD Whidbey Island

4. FRC SOUTHEAST

- NADEP Jacksonville
- AIMD Mayport
- AIMD Jacksonville
- AIMD Key West

5. FRC EAST

- NADEP Cherry Point
- MALS-14 *
- MALS-31 *
- MALS-26 & 29 *
- HMX-1 Quantico

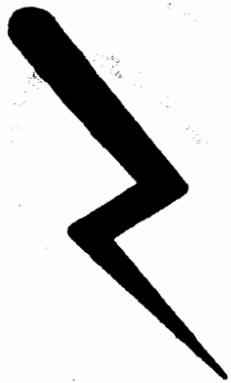
6. FRC MIDATLANTIC

- AIMD Oceana
- AIMD Norfolk
- NAWCAD Patuxent River

* MALS retain complete USMC Chain of Command



AP-3



**FLEET READINESS CENTER
Implementation**

DRAFT

Introduction

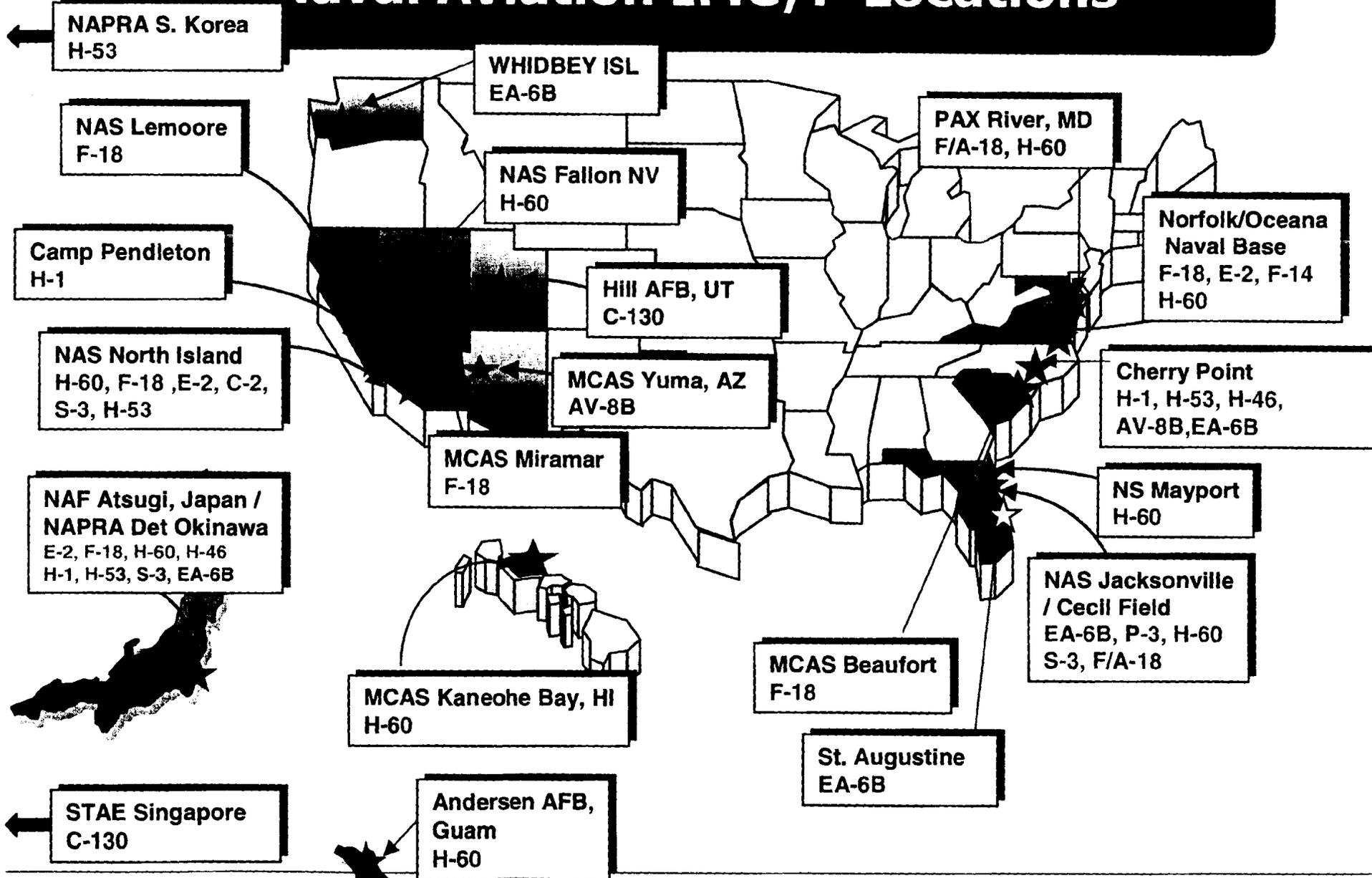
The Fleet Readiness Centers (FRC) to Support Naval Aviation Maintenance Requirements:

- The Navy FRC concept is a result of CNOs' transformation policy and BRAC 2005 realignment requirements for depot maintenance. The ability to move depot level maintenance to the warfighter has been proven to be an effective and efficient approach i.e. the Integrated Maintenance Concept currently utilized to support fleet airframe work. The FRC methodology greatly expands the use of depot expertise and selected capabilities at the war fighters site.
- This brief addresses key issues, milestones, and notional timeline that need to be accomplished in order to assure that a seamless program implementation occurs.
- Major milestones have been identified as Phases. Many of these phases may overlap one another.

We're Already Started

This idea is not revolutionary.....

Naval Aviation IMC/P Locations



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AN INTEGRATED NAE SOLUTION PROVIDING IMPROVED SERVICE TO THE FLEET

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(FY04) (FY05)
 - Canopies \$2.4M \$428K
 - See next slide
 - Flight Control Surfaces \$2.4M \$421K
(Stabs, Flaps, Slats)
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Fleet Readiness Centers

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise

FY2006-2011

FRC NORTHWEST
Whidbey FRC Site

FRC WEST
Lemoore FRC Site
Fallon FRC Site

FRC SOUTHWEST
North Island FRC Site
Miramar FRC Site
Pendleton FRC Site
Yuma FRC Site Pt. Mugu

ANNUAL RECURRING SAVINGS:

\$ 1,308.303M

TOTAL MANPOWER REDUCTIONS: 1728

DEPOT: 1193 INTERMEDIATE: 535

TOTAL MANPOWER REASSIGNED: 1016

DEPOT TO INTERMEDIATE - 394
INTERMEDIATE TO INTERMEDIATE - 622

FRC SOUTHEAST
Jacksonville FRC Site
Mayport FRC Site
(incl VRT Mayport)
Cecil FRC Site
Key West FRC Site
Brunswick FRC Site

DRAFT

What the Navy is doing represents transformation

FRC Mid-Atlantic

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise

ANNUAL RECURRING SAVINGS:

\$ 438.120M

TOTAL MANPOWER REDUCTIONS: 485

DEPOT: 342 INTERMEDIATE: 143

TOTAL MANPOWER REASSIGNED: 368

*DEPOT TO INTERMEDIATE - 107
INTERMEDIATE TO INTERMEDIATE - 261*



What the Navy is doing represents transformation



FRC East

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise

ANNUAL RECURRING SAVINGS:

\$ 324.513M

TOTAL MANPOWER REDUCTIONS: 183

DEPOT: 183 INTERMEDIATE: 0

TOTAL MANPOWER REASSIGNED: 27

DEPOT TO INTERMEDIATE - 27

What the Navy is doing represents transformation



FRC Southeast

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise

ANNUAL RECURRING SAVINGS:

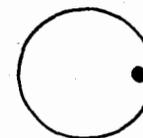
\$ 158.444M

TOTAL MANPOWER REDUCTIONS: 351

DEPOT: 199 INTERMEDIATE: 152

TOTAL MANPOWER REASSIGNED: 86

*DEPOT TO INTERMEDIATE - 17
INTERMEDIATE TO INTERMEDIATE - 69*



FRC SOUTHEAST

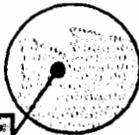
What the Navy is doing represents transformation



FRC Northwest

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise



FRC NORTHWEST

ANNUAL RECURRING SAVINGS:

\$ 68.634M

TOTAL MANPOWER REDUCTIONS: 133

DEPOT: 99 INTERMEDIATE: 34

TOTAL MANPOWER REASSIGNED: 143

DEPOT TO INTERMEDIATE - 143

What the Navy is doing represents transformation



FRC West

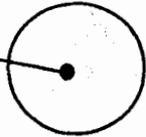
IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise

ANNUAL RECURRING SAVINGS:

\$ 141.727M

FRC WEST



TOTAL MANPOWER REDUCTIONS: 168

DEPOT: 118 INTERMEDIATE: 50

TOTAL MANPOWER REASSIGNED: 342

*DEPOT TO INTERMEDIATE - 55
INTERMEDIATE TO INTERMEDIATE - 287*

What the Navy is doing represents transformation



FRC Southwest

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise

ANNUAL RECURRING SAVINGS:

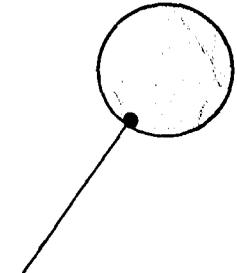
\$ 176.865M

TOTAL MANPOWER REDUCTIONS: 408

DEPOT: 252 INTERMEDIATE: 156

TOTAL MANPOWER REASSIGNED: 50

*DEPOT TO INTERMEDIATE - 45
INTERMEDIATE TO INTERMEDIATE - 5*



FRC SOUTHWEST

What the Navy is doing represents transformation



Cumulative FRC Savings Profile FY-06 to FY-11

Funding Source	OM&N	NWCF-SM	NWCF-DM	Military Personnel Account (Navy)	TOTAL
Savings (Loss)	AVDLR (\$K)	SHORECAL Reductions (\$K)	Depot Direct/Indirect Manpower Reductions (\$K)	I-Level Manpower Reductions (\$K)	
FRC EAST	\$324,513	\$149,417	\$2,973 (183)	\$0	
FRC MID ATLANTIC	\$438,120	\$181,183	\$2,506 (342)	\$ 11,783 (143)	
FRC SOUTH EAST	\$158,444	\$39,915	\$11,932 (199)	\$12,525 (152)	
FRC NORTH WEST	\$68,634	\$43,580	\$5,936 (99)	\$2,802 (34)	
FRC WEST	\$141,727	\$69,730	\$7,075 (118)	\$4,120 (50)	
FRC SOUTH WEST	\$176,865	\$159,632	\$15,110 (252)	\$12,854 (156)	
TOTAL	\$1,308,303	\$643,465	\$71,532	\$44,084	\$2,067,384

DRAFT



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Fleet Readiness Centers - FRCs

➤ **Improved utilization of capabilities:**

- Integrating D & I to take advantage of collaboration between Civil Service Artisans and Sailors / Marines.
- "Right Capability" in the "Right Place".

➤ **Reduced Total Repair Cycle-Time:**

- Lower "Total Repair Cycle-Time" by less routing to off-site repair locations.
- Maintenance performed where it makes best sense (next to Operating Forces or centrally).
- Reduced Steps In Supply Chain.
 - Reduced # Of Assets Req'd In Pipelines (reduced TAT and smaller spares pool).
 - Reduced Cycle-times for Acft, Engs, and AVDLR's Less PHS&T Steps/Costs.

➤ **Less Total System Cost:**

- Reductions of 1193 Civil Service and 535 Military.
- Reductions of half a million square feet of facility space.
- Spare parts total requirements reductions of 15%.

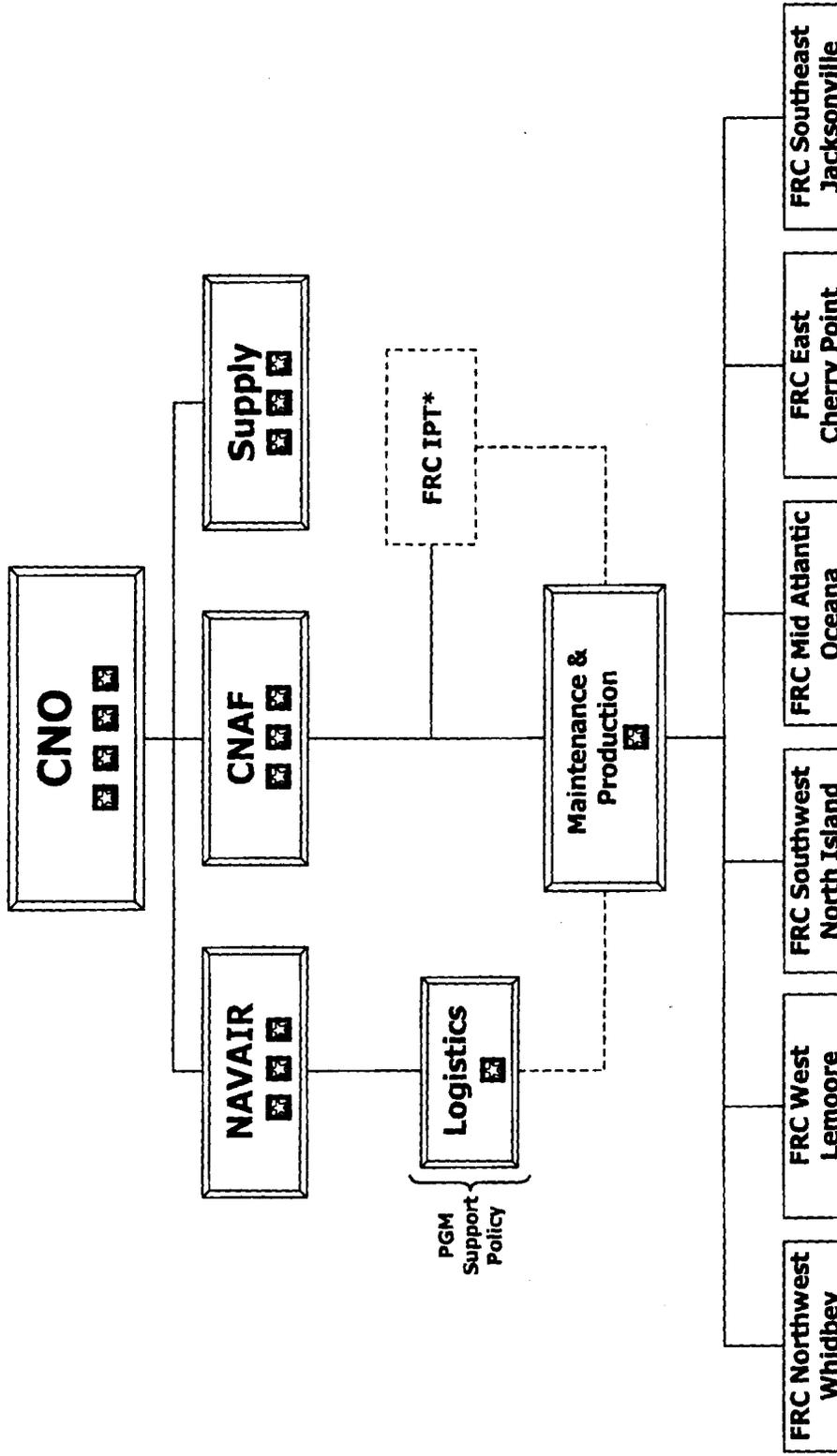
Stu, Please look at these #'s

➤ **Effectiveness Optimized:**

- Naval Aviation Enterprise "Value Stream Optimized".
 - Cost-Wise-Readiness Complaint.
 - Fleet Response Plan, FRP (6 + 2) Supportive.
- Better Alignment = Better Effectiveness and Efficiency.



FRC Organization Chart



**FRC IPT is an Implementation Team that transforms to the Maintenance & Business Team*

CNAF/NAVAIRSYSCOM

Notional Time Line for FRC Planning and Execution

FY 05				FY 06				FY 07							
1 st	2 nd	3 rd	4 th	1 st	2 nd	3 rd	4 th	1 st	2 nd	3 rd	4 th				
Phase One				Phase Two				Phase Three				Phase Four			

<u>Phase One Actions</u>	<u>Phase Two Actions</u>	<u>Phase Three Actions</u>	<u>Phase Four Actions</u>
Develop POA&M Estab FRC Org Structure Establish Working Group Develop Briefing data Identify data bases Identify Funding resources	Develop FRC Budgets ID changes for Policy Procedures & Instructions Working Groups focus on FRC Pillars Develop candidate repair list for each FRC	Develop Corporate FRC Implementation Plan Develop and publish Business Plans for each FRC Get Corporate approval for each of the 6 FRC Business Plan Develop/Implement Capability Plans for each site	Finish Implementation of FRC Capability Plans Declare Capability Execute FRC Business Plans



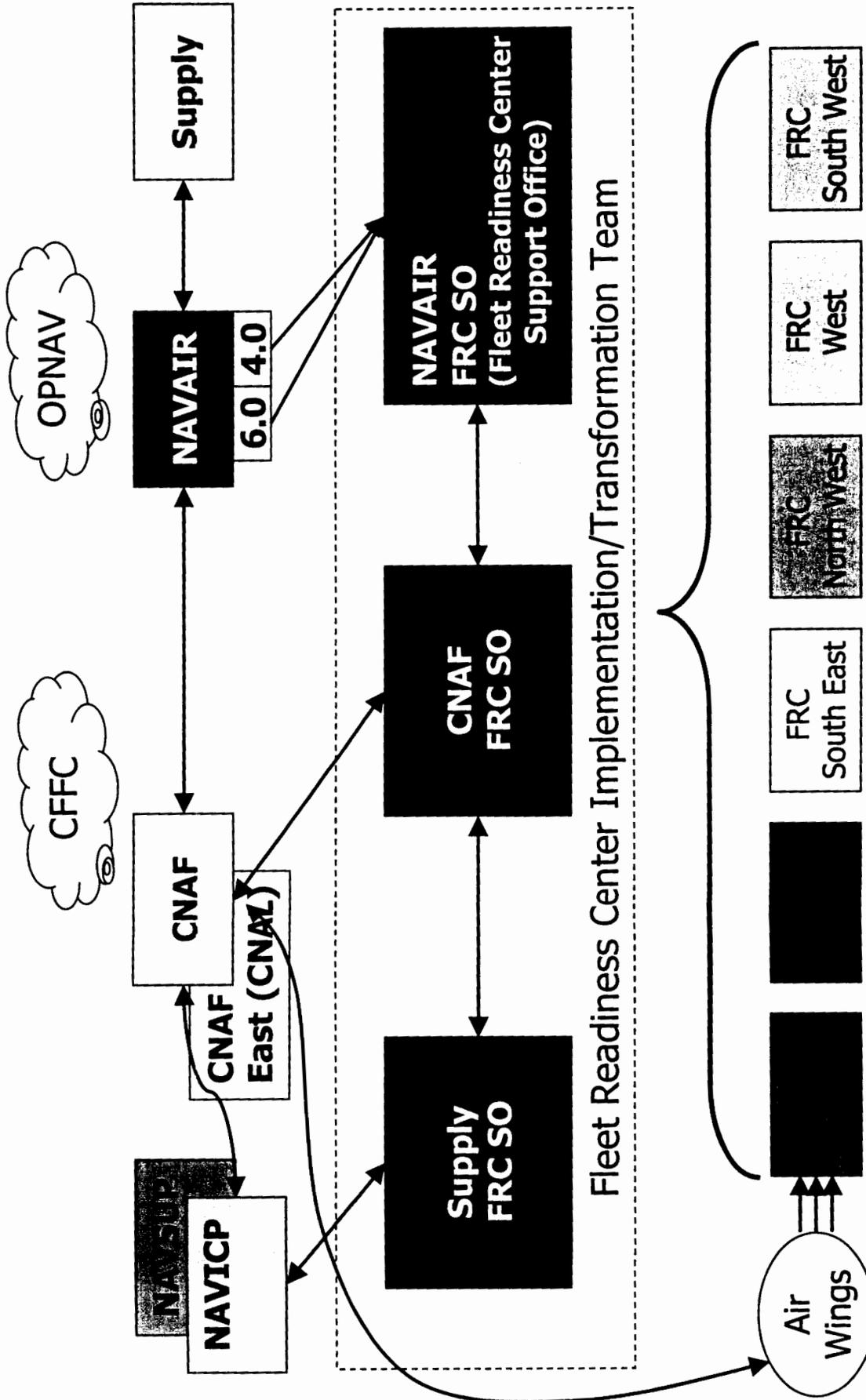
Now We Step Off

Making a lasting and profound **LOGISTICAL** and **CULTURAL** change in the way we do business (Operations, Maintenance, and Supply) across the entire Naval Aviation Enterprise.

Leadership commitment is KEY to the success of FRC and the viability of Naval Aviation for the future.



BRAC Implementation



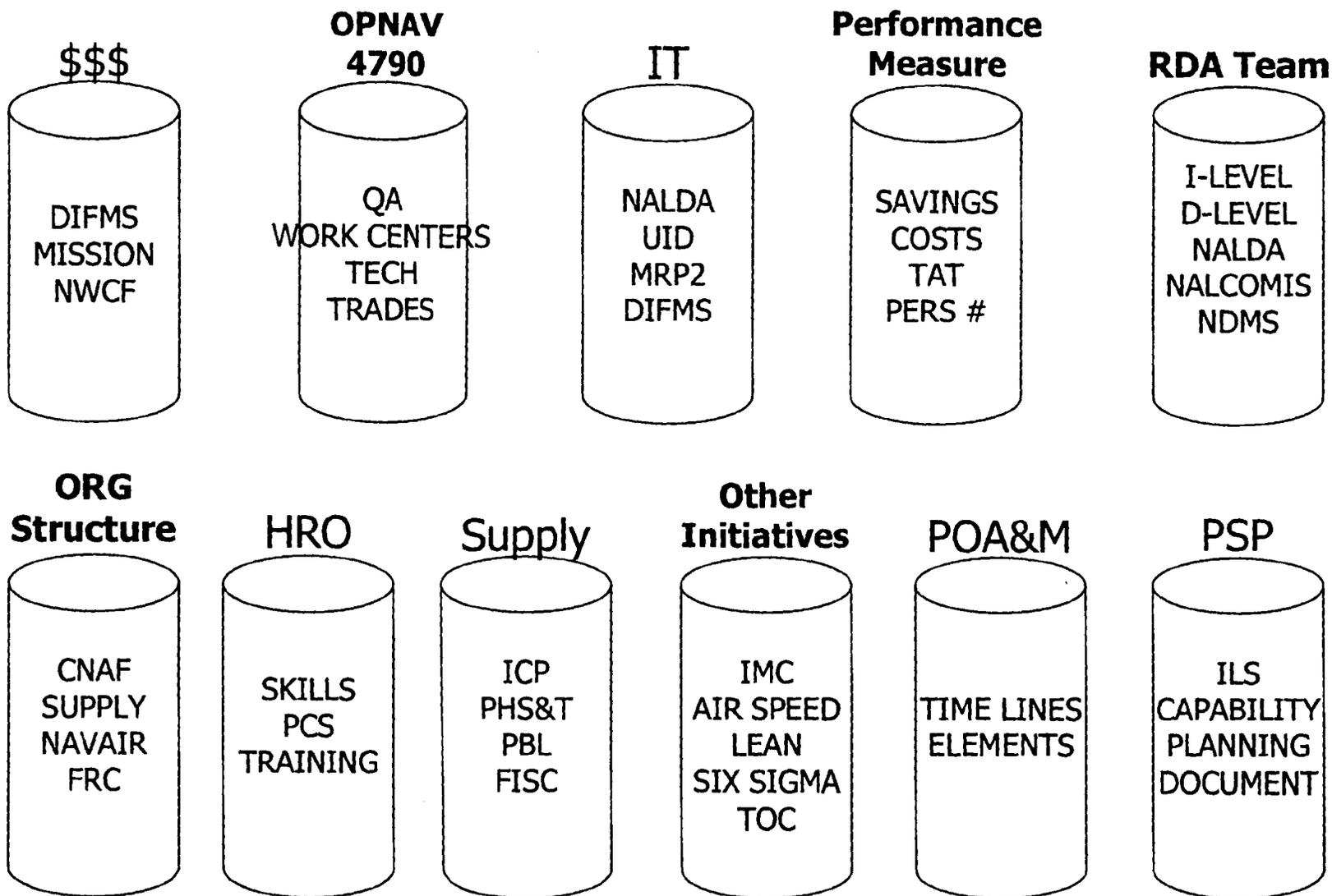
TEAMS

Teams should be comprised of multi-discipline subject matter experts.



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Pillars of FRC Implementation



Workload Requirements & Funding

\$\$\$



Workload Requirements:

Issue; Planning "depot workload" will take on a different look depending on how this type of work is funded.

Interim Resolution; Identify interim process for planning "depot workload" Process needs to be formulated in conjunction with the BCM working Group Establish financial and workload working groups/teams .

Workload Requirements Funding:

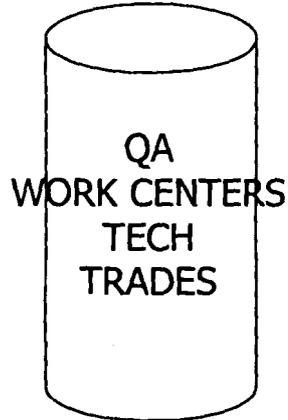
Workload Funding Sources: Issue; Currently, I level maintenance is mission funded, while depot maintenance is funded thru the Navy Working Capital Fund.

Interim Resolution; Identify process to track/allocate repair funding using both mission and NWCF monies.



OPNAVINST 4790

**OPNAV
4790**

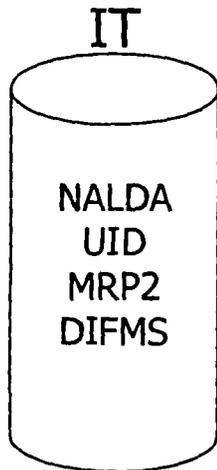


Anticipate changes to the NAMP Manual in order to facilitate the implementation of the FRC concept.

Expect changes to integrate the I and D level Volumes, which will encompass such things as Quality Assurance, Work Center Codes, Training and Maintenance Reporting.



Information Technology



An Integrated Maintenance Information system will be required to allow "off equipment" repair actions to be documented in such a way as to show the complete repair history of subject components. This integrated data must be available to perform required analysis to determine concept cost savings in terms of reduced BCM's, reduced TAT and overall repair cost reductions.

Issues: I & D Maintenance Information Systems do not "talk" to each other causing documentation of similar information in different systems.

I & D level systems do not collect or share common information, historical data or repository data.

Incorporation and recording of any modifications, changes, and or bulletins accomplished at site that have established increased D level capability.

Interim Resolution: (short term) MOA required between former I & D level activities.

(short term) Create interface between NALCOMIS and NDMS so the necessary data can be shared and entered only once.

Final Resolution: Establish a working group which includes reps from NAVAIR, CNAF, that have a working knowledge of NALCOMIS, MRP II, and or NDMS. Including Engineering and Logistics data requirements.

Performance Measurements of FRC Concept

Performance Measure



Implement Fleet Driven Metrics.

Establish baseline (BCM, Manpower, Costs etc.).

There will be a requirement to effectively measure the impact of the FRC process at all sites. This may include tracking number of BCM actions not taken due to FRC capability, track TAT of items repaired at the FRC site that gained repair capability.

Will need to document reduction to SHORECAL pipeline and associated \$\$.

Ensure workload accomplished at FRC site are included in all Joint Service Maintenance Reports.



Repair Data Analysis Team

RDA Team



SME's will be required to identify specific component candidates for combined I/D level Maintenance.

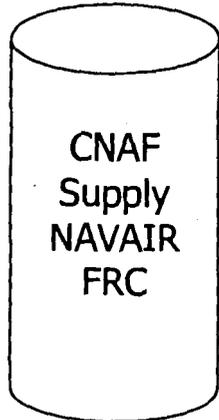
Issues:

- Analyze NALDA data of total BCM's for candidate components, by activity.
- Review ICRL by activity (update when/if necessary).
- Identify the numbers of artisans, by trade skill. This is required to support repair of selected components at each site.
- Identify any special IMRL Gear, tools, test equipment, publications, or qualification requirement that will be needed to support selected component repair.
- Identify engineering support LES/TEI's or special instructions needed to support the repair of selected items.
- Analyze and identify SM&R code changes based on components selected for repair.



Organizational Structure of FRC Enterprise

ORG Structure



An FRC Organizational Structure must be clearly defined with attendant details to be contained in the NAMP Manual. This Org Structure will include functions at each level.

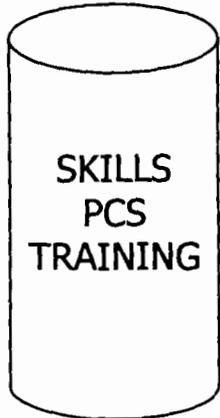
The organizational charts should clearly reflect the chain of command and the management level.

Realign to a central Support Office to coordinate workload & budget.



HRO

HRO



Need to Identify HRO support for each FRC, this support would be required to accomplish/provide the normal needs that would be required to support any industrial activity. This support may be provided via regional activity or one currently on site.

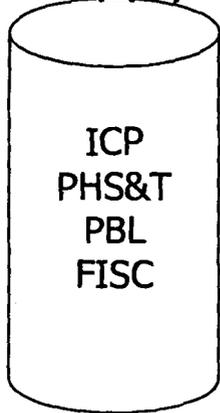
The support would include but not be limited to the following areas:

- Position descriptions
- Training
- Labor Management Issues
- PCS actions
- Military Manpower



Supply Support

Supply

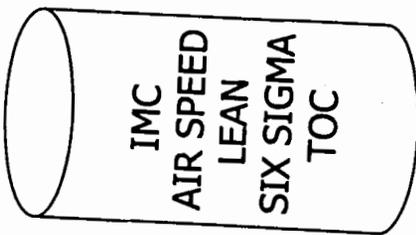


AVDLR's: FRC implementation will result in a reduction of BCMs due to "D" level maintenance being done at former I level site. This will result in sizeable reduced AVDLR costs to the NAVY. NAVSUP will have to reduce its footprint accordingly, trying to maintain a same size organization would only drive the cost of the component rework/repair program to unacceptable levels. All functional activities associated with Naval Aviation Maintenance and Supply Support will become members of the working groups which affect the supply system.

There will be a reduction in SHORECAL requirements as the FRC is implemented.

Other Naval Aviation Enterprise Initiatives

Other Initiatives



The Fleet Readiness Centers Maintenance Concept is an initiative that complements ongoing NAE cost and readiness initiatives, such as Air Speed, LEAN, IMC, TOC and SIX SIGMA.

The tools of **AirSpeed**.

Theory of Constraints is based on the belief that any organization has at least one constraint and that any improvements on non-constraints may not yield as significant ROI as working on the constraint.

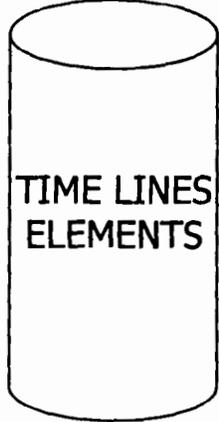
LEAN focuses on the removal of waste, defined as anything not necessary (no value added) to produce the product or service.

SIX SIGMA is based on the assumption that the outcome of the entire process will be improved by reducing the variation of multiple elements.



POA&M

POA&M

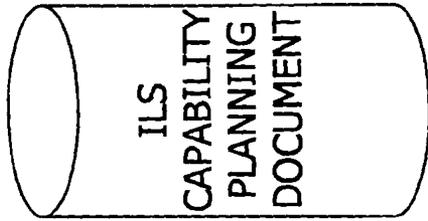


Develop and maintain a plan of action with key milestones for the implementation of the FRC's.



Phased Support Plan

PSP



A Phased Support Plan will be developed for each FRC and each selected component that level 3 capability is going to be established. In some cases multi items may be included in each plan but only when doing so will not create problems in the ability to track the capability establishment of any one item.

The PSP will be the official plan used in the establishment of capability. Each plan will address all Integrated Logistics Elements need to ensure capability is established in an orderly manner.

Elements Addressed will include but not be limited to the following:

- Item Description
- System Supported
- Maintenance Plan
- Manpower/Personnel Requirements
- Supply Support
- Support Equipment
- Training
- Pubs/Tech Data
- Facility requirements
- IT Support



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Summary

"We Have Committed

Ourselves

to Take A

Leadership Role in Readiness for

Naval Aviation"

Significant Commitment to Change

BACK-UPS

NAVAIR GOALS – VADM MASSENBURG 4 DECEMBER 2003

Our Goals are:

- **To balance current and future readiness.** We need to ensure that we provide our Naval Aviators with the right products to fight the Global War On Terrorism and other potential future conflicts.
- **To reduce our costs of doing business.** We need to pursue actual cost reductions, not so-called 'savings' or 'avoidance.' We need to return resources to recapitalize our Fleet for tomorrow. We must continue to introduce best business practices and remove barriers to getting our job done with greater efficiencies.
- **To improve agility.** Our ability to make rapid decisions in support of emerging Fleet requirements is essential if we are to continue to provide value to the nation. We must reinvigorate a solid chain of command that values responsibility and accountability in its leadership.
- **To ensure alignment.** We have come a long way aligning ourselves internally, now it is time to ensure that we are fully aligned, internally and externally, with CNO's transformation initiatives.
- **To implement Fleet-driven metrics.** Single Fleet-driven metrics will ensure we directly contribute to the Naval Aviation Enterprise.

Maintenance Support Process

- **As Is...**
- **To Be...**
- **Transition...**



FRC Milestone/Phases

3/05 1stQtr	6/05 2nd Qtr	9/05 3rd Qtr	12/05 4th Qtr	3/06 1stQtr	6/06 2nd Qtr	9/06 3rd Qtr	12/06 4th Qtr	3/07 1stQtr	6/07 2nd Qtr	9/07 3rd Qtr	12/07 4th Qtr	3/08 1stQtr	6/08 2nd Qtr	9/08 3rd Qtr	12/08 4th Qtr
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Jan 1, 2005
 4/7/05-10/6/05 Phase I
 10/1/05-6/30/06 Phase II
 7/1/06-10/17/07 Phase III
 10/18/07-12/31/08 Phase IV
 Dec 31, 2008

Phase One:

- Establish Working groups: (One Technical representative from each of the Organizations; N43, NAVAIR, NAVICP, CNAF, & CFFC)
 - Develop FRC Organizational Structure
 - Develop Plan of Action & Milestones
 - Develop Briefing Information & Plan
 - Identify/Consolidate Information Systems for Maintenance Planning
 - Identify Funding for Planning Resources

Fleet Readiness Center Integration Team (FRCIT)

3/05 1st Qtr	6/05 2nd Qtr	9/05 3rd Qtr	12/05 4th Qtr	3/06 1st Qtr	6/06 2nd Qtr	9/06 3rd Qtr	12/06 4th Qtr	3/07 1st Qtr	6/07 2nd Qtr	9/07 3rd Qtr	12/07 4th Qtr	3/08 1st Qtr	6/08 2nd Qtr	9/08 3rd Qtr	12/08 4th Qtr
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Jan 1, 2005
 4/7/05-10/6/05 Phase I
 10/1/05-6/30/06 Phase II
 7/1/06-10/17/07 Phase III
 10/18/07-12/31/08 Phase IV
 Dec 31, 2008

Phase One con't:

Establish FRC Oversight team

- FRC TEAM LEAD
 - NAVAIR Representative -CNAF Representative
 - N43 Representative -CFFC Representative
 - NAVICP Representative -Briefing Teams

COST-WISE READINESS = f(Availability, Inventory, Cost of Operations)

FRC Milestone/Phases

3/05 9/05 12/05 3/06 6/06 9/06 12/06 3/07 6/07 9/07 12/07 3/08 6/08 9/08 12/08
1stQtr 2nd Qtr 3rd Qtr 4th Qtr 1stQtr 2nd Qtr 3rd Qtr 4th Qtr 1stQtr 2nd Qtr 3rd Qtr 4th Qtr 1stQtr 2nd Qtr 3rd Qtr 4th Qtr

Jan 1, 2005

4/7/05-10/6/05
Phase I

7/1/06-10/17/07
Phase III

10/18/07-12/31/08
Phase IV

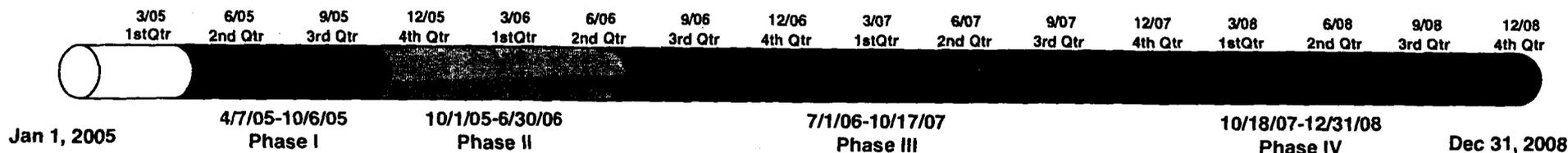
Dec 31, 2008

Phase Two:

- Identify Changes/Revisions to Existing Policy/Procedures/Instructions
- Identify Supply Support Requirements
- Provide Program Brief to all Site to be Engaged as FRC's
- Complete Financial Plan
- Identify Working Group Personnel Requirements for all Sites



FRC Milestone/Phases



Phase Three:

- Develop item list for each FRC Site
- Develop Implementation Plan (IP) for each Site
- Get Approval of all Changes to PUBS/Instructions/ and Policies

Phase Four:

- Approve IP for each Site
- Begin Implementing IP at each Site.



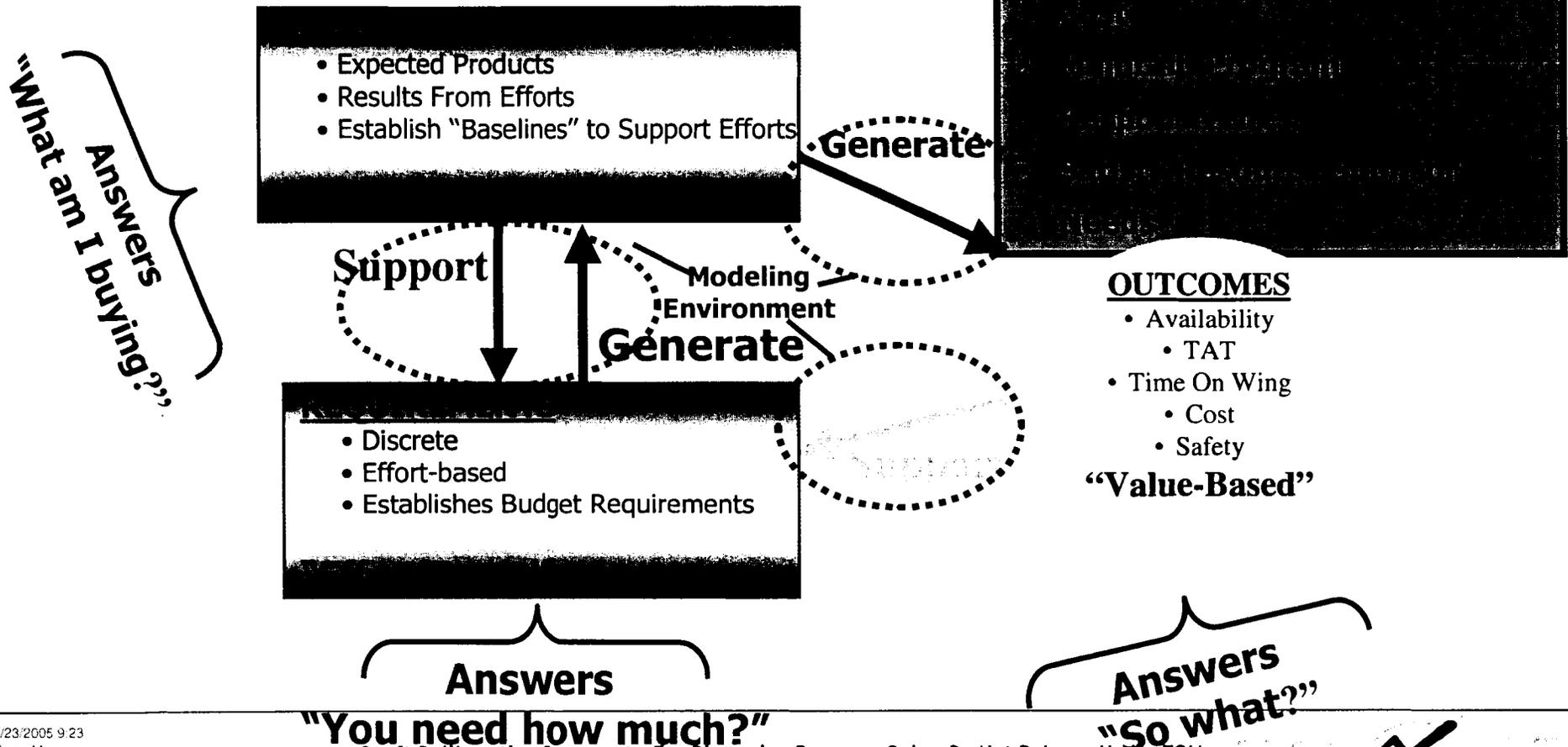
What is the Problem ?

- Focus – Near Term Budget Execution; not Affordable Readiness Outcome
 - **Lack of Product Definition – Output vs Outcome**
 - **Level of Effort With No Validated Model for Estimating**
- Interdependency Among Other Colors of Money
- No Consistent Metric for Measuring Performance
- No Quantitative Cause and Effect

"TO BE" Core Process Methodology

Need To Answer:

- What is done?/What it costs? - "effort"
- What did you get?/What it cost? - "products"
- What happens? Was it worth it? - "Outcomes"



Directly Supports

- IETMs
- General
- TACOMAN
- P/IRAC

- Tactical Software**
- UDF Updates
- STRS

Engineering

Fleet Issue
PPC/
Technical Data

Logistics



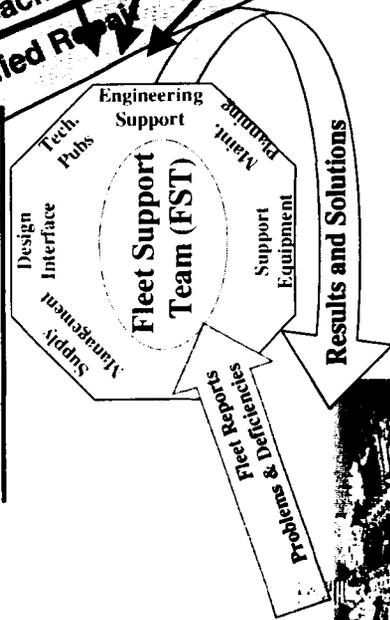
Support

- NAMDRP
- S.E. Tracking
- OOMA / NALDA
- Pneu, GTC, ARS/EFT
- S.E. Calibration

Health of the

...and is an enabler, for FSTs

In-Service Support



Hardware Condition Feedback
Qualified Repair
Build Spec / Processes
Hardware Condition Feedback

Tools

- LMTCS
- AV3M
- Configuration Management

Industrial

Analysis/Decision Support

Air System Support



Supports training and
Process Change Proposal
FCP are being used in AFSS
within a single CSIP

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Requirements Determination Process



PROGRAM TEAMS DEVELOP FINANCIAL REQUIREMENTS
Incorporates Fleet Priorities



PEER GROUP REVIEWS

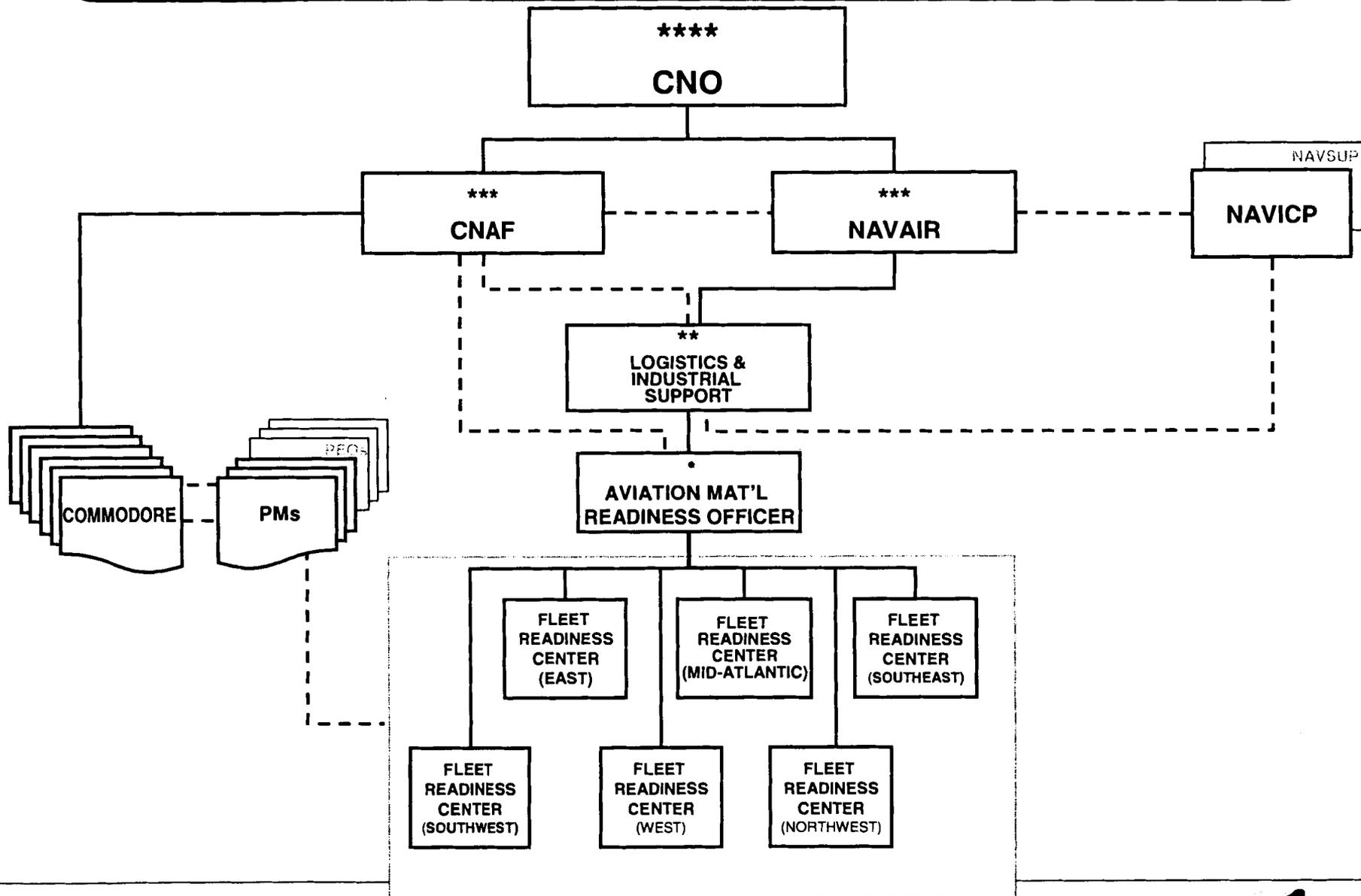


REQUIREMENTS TO OPNAV

SENIOR REVIEW BOARDS
Fleet Membership



Fleet Readiness Center (FRC) Future End State



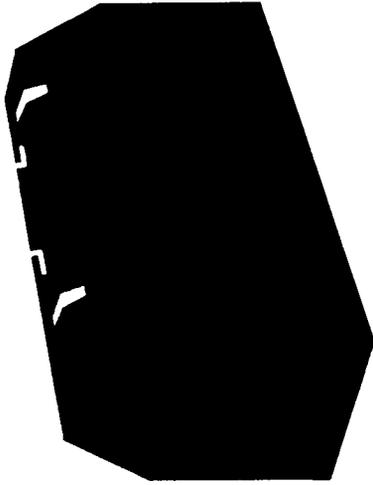
NAVICP Inventory

Aviation - 121,000 NSNs

\$15.8B Annual Procurement/repair
budget

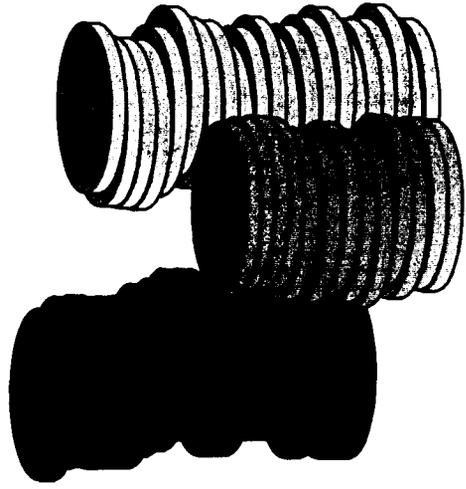
Fleet Readiness Centers (FRC's) will reduce
annual repair budget.

NAVICP Management



Repair When Possible

(FRC's puts level 3 repair capability closer to the user on selected items.)



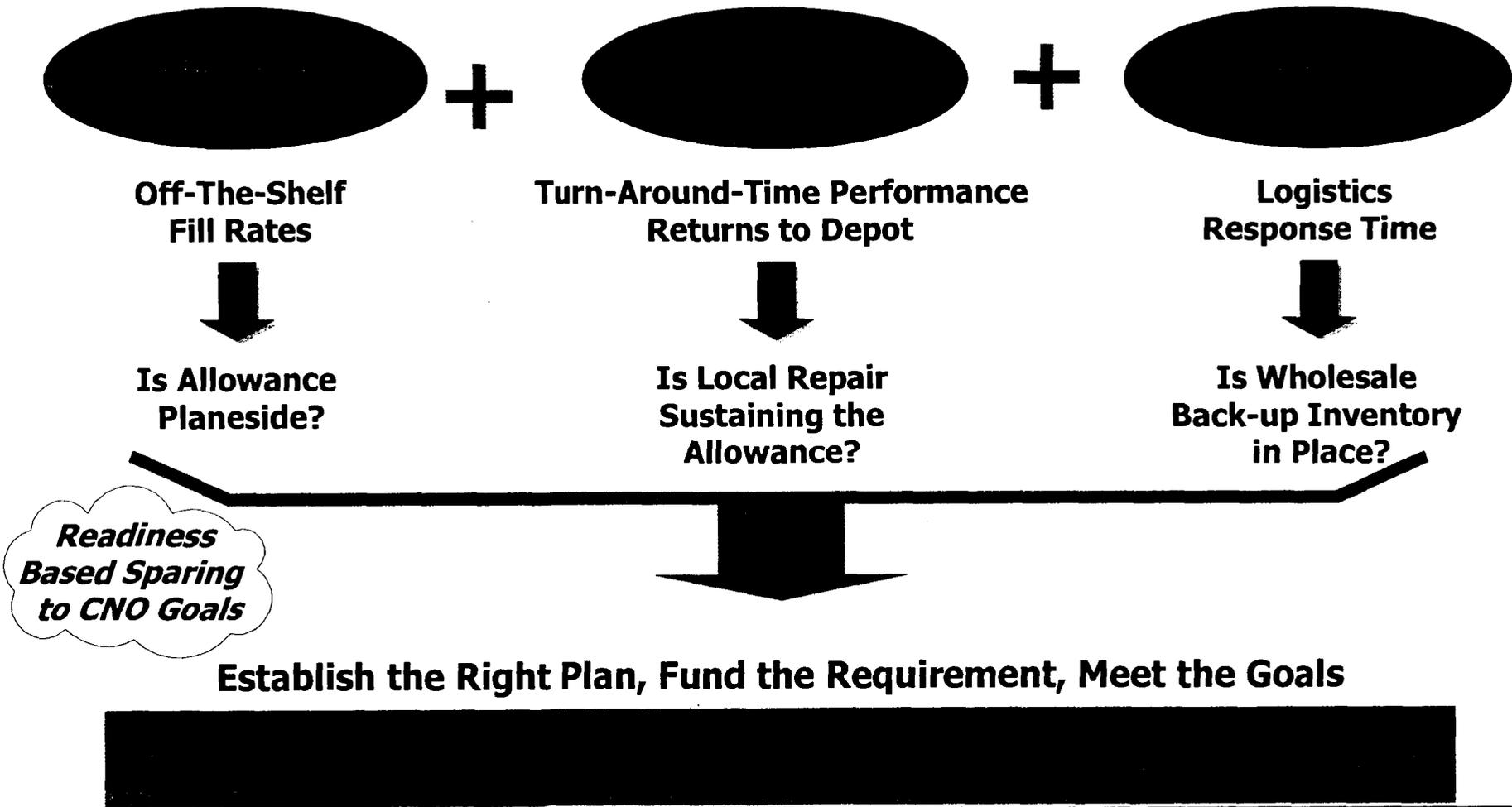
Procure When Necessary



Aviation Allowance Process

FRC's bring more level 3 repair capability to the local repair sites, which reduces BCM's.

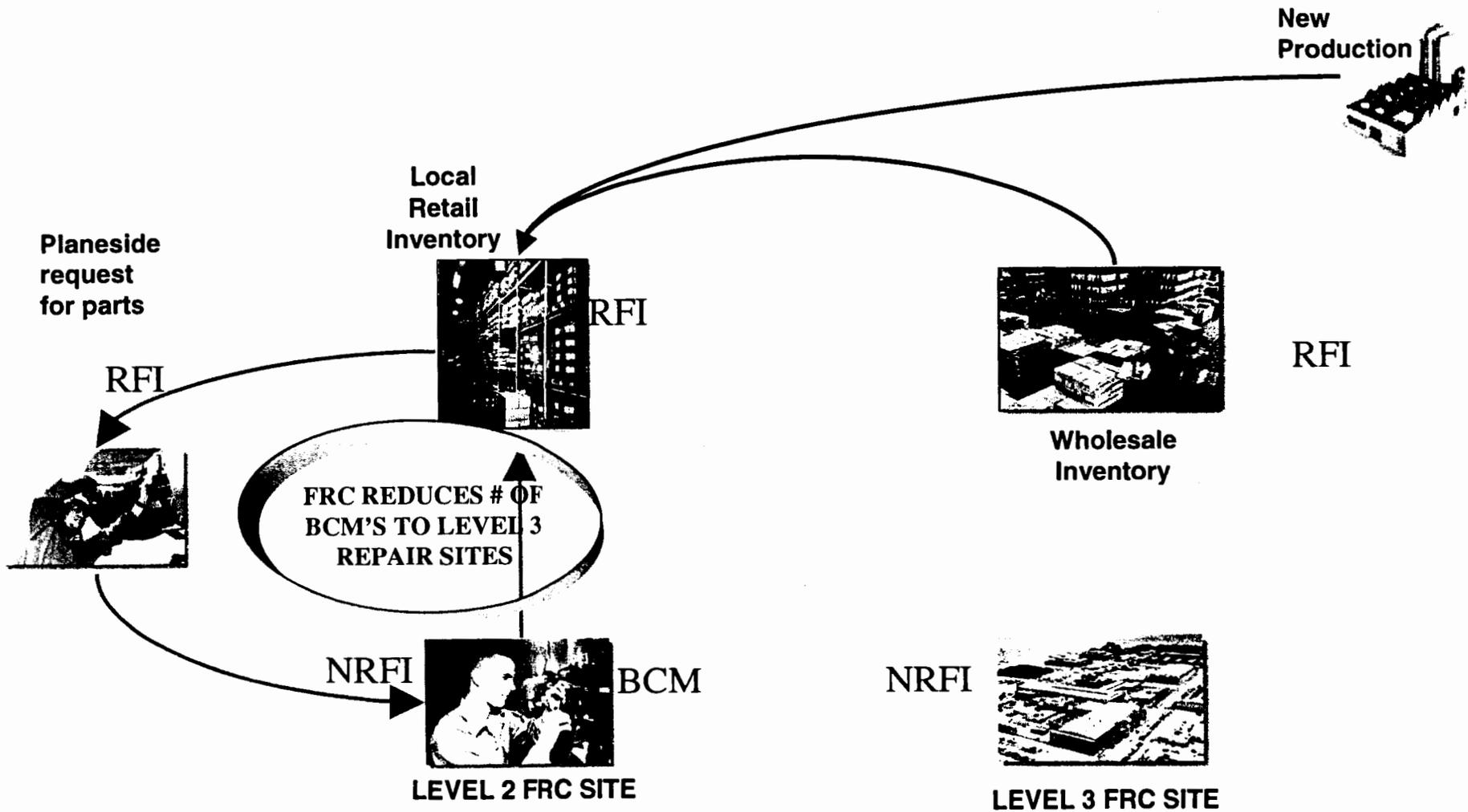
Critical Building Blocks



OPNAV Inst. 4790 Levels of Maintenance



AVDLR Flow



BCM Source Data

- Total (Beyond Capable Maintenance) BCM counts based on actual fleet generated AV-3M data.
- Pulled for each Aircraft Intermediate Maintenance Department (AIMD) & Marine Aviation Logistics Squadron (MALS)
- ADHOC query for FY-03 pulled from Naval Aviation Logistics Data Base (NALDA)



BCM Reduction Calculation

- Estimated BCM REDUCTION CALCULATION
 - Determined the total number of BCM's by activity. (BCM's 1-9)
 - Determined the total number of BCM's in categories 1, 3, & 5-8 then Calculated a percentage of those against the total number of BCM's. (Data from AIMD's Oceana, Jacksonville, & Mayport revealed 94% of total reported)
 - Estimated percentage of non-commercial or interservice repair at the depots to be about 70%
 - Estimated savings for "I to D" integration based on initial results of NADEP North Island's "I to D" Pilot program (Initial results ranged from 30% to 65% - for purposes of this calculation 40% was used)
 - Calculation. BCM's by activity *times* BCM's in categories 1, 3, & 5-8 *times* estimated percentage of commercial or interservice repair *times* estimated savings from "I to D" integration
 - Example:
 - Activity BCM's = 3500
 - Calculation: $3500 \times .94 \times .70 \times .40 = 921.2$
 - Estimated BCM reductions = 921

I-Level Manpower, SHORECAL, AVDLR Calculations

- The calculations below were applied individually to each activity.
- I-Level Manpower Reduction Calculations
 - Determined a productive man year by multiplying the average hours in a work week (40 hours) times 52 weeks. (40 X 52 = 2080hrs)
 - Summed the BCM Man Hours expended, by production division, (500 & 600 division only) for BCM 1, 3, 5 and 7.
 - Calculation. total BCM Man Hours / 2080 = Manpower Reductions
- **SHORECAL Savings Calculation**
 - **Determined a 15% SHORECAL savings would be used**
 - **Based on the savings experienced by moving depot artisans to fleet activities to perform Integrated Maintenance Concept (IMC) inspections. (Historical data indicates IMC produces a 20-25% savings)**
 - Calculation. Total SHORECAL \$\$\$\$ X 15 % = SHORECAL Savings \$\$\$\$
- **AVDLR Savings Calculation**
 - **Summed The Cost For BCM Actions 1, 3, 5, and 7 that were determined to be avoided by FRC and Counted as AVDLR Savings**



Depot Bullet Realignment/Reductions

- **Total estimated Direct Labor personnel reductions.**
 - Estimate the total BCM reduction (Calculated as per slide 3)
 - Compute a Composite depot workload standard (WLS)
 - Based on average component WLS from all three NADEP's (28.63 hrs per component)
 - Use the Productive man year figure (1615 hours) from DOD 4151.18H
 - **Calculation.** (BCM reductions) **X** (Composite Depot WLS) / (productive manyear) = Personnel Reductions
- **Depot personnel realigned to I-level.**
 - Determine the Total estimated Direct labor personnel reductions from calculation above
 - Estimate depot repair manhours required at I-level based on percentage of composite WLS which represents actual repair portion of WLS (estimated at 31.44%)
 - **Calculation.** (Direct Labor personnel reductions) **X** (depot repair manhours required at I-level)
- **Depot billet reductions (Direct labor).**
 - **Calculation.** (Direct Labor personnel reductions) – (Depot personnel realigned to I-level) =
- **Depot billet reductions (Indirect labor).**
 - Determine the Total estimated Direct labor personnel reductions from calculation above
 - Variable portion of depot overhead function based on 30% fixed and 70% variable (calculation assumes direct to indirect ratio of 50/50)
 - **Calculation.** (Direct Labor personnel reductions) **X** (Variable portion of depot overhead function) = Indirect Labor Billet Reductions
- **Depot billet reductions (Direct & Indirect).**
 - **Calculation.** (depot billet reductions (direct labor)) + (depot billet reductions (indirect labor)) = Total Depot Billet Reductions.



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Depot Billet Realignment/Reductions

Example:

BCM reductions = 921

Total Direct labor reductions

$$921 \times 28.63 / 1615 = 16$$

Depot personnel realigned

$$16 \times .3144 = 5.03 \text{ (rounded down to 5)}$$

Direct billet reductions

$$16 - 5 = 11$$

Indirect billet reductions

$$16 \times .70 = 11.2 \text{ (rounded up to 12)}$$

Total direct & indirect billet reductions

$$11 + 12 = 23$$

