DCN: 11283

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION
TECHNOLOGY
AND LOGISTICS

ACTION MEMO

FOR: ACTING UNDER SECRETARY OF DEFENSE (AT&L)

FROM: Mr. Jay Berry, Assistant Deputy Under Secretary of Defense for Maintenance Policy, Programs and Resources

10/15

SUBJECT: Meeting Minutes of the Industrial Joint Cross-Service Group (IJCSG)

- The IJCSG met on June 23, 2004 to discuss capacity analysis and transformational ideas.
- The General Accounting Office and Commission have statutory obligations to review the Department's BRAC process. Keeping meeting minutes helps ensure they can meet these obligations without participating directly in our deliberative process.
- We recommend that you, as the IJCSG Chairman, approve and sign the minutes of this meeting provided at TAB A.

COORDINATION: OSD BRAC Office

RECOMMENDATION: That you sign the meeting minutes at TAB A

Attachments:
As stated

DCN: 11283

Industrial Joint Cross-Service Group (IJCSG)

Meeting Minutes of June 23, 2004

Mr. Michael Wynne, Acting Under Secretary of Defense for Acquisition, Technology and Logistics, chaired the meeting. The list of attendees is at Attachment 1.

The Chairman opened this eleventh IJCSG meeting. The purpose of this meeting was to determine a plan for completing the capacity report and to have a brainstorming session on transformational options.

Mr. Potochney presented a briefing on the status of the capacity analysis reports at Attachment 2. He said that because of data problems, the final reports would not be able to be completed by the originally planned June 23, 2004, due date. He further stressed the importance of the direct involvement of the Military Department principals in resolving data issues.

Mr. Orr said that automated analysis of the capacity data by his subgroup was catching some of the data errors, but that other data inconsistencies needed significant time to review and correct through requests for data clarification. All the Military Department principals said that several weeks were needed to provide an interim capacity report. It was agreed that intermittent reports would be provided to perform a progressive closure for the capacity results.

Mr. Wynne then discussed the Transformational Ideas (attachment 3). The ideas were categorized to assist with the discussion. Each idea could be consolidated with other ideas, discarded or included in a final list. After discussing each idea, Mr. Wynne requested further input from the principals in one week. After this final review, the list would be finalized.

Approved: _____
Mr. Michael Wynne
Chairman, Industrial Joint Cross-Service Group

Attachments:
1. List of attendees
2. Status of Capacity Analysis Reports
3. Transformational Ideas for the Industrial Joint Cross Service Group

DCN: 11283

Industrial JCSG Meeting
June 23, 2004

Attendees

Members:

- Michael Wynne, Acting Undersecretary of Defense for Acquisition, Technology and Logistics
- Ron Orr, Principal Deputy Assistant Secretary of the Air Force (Installations, Environment & Logistics)
- Gary Motsek, Deputy G3, Support Operations, Army Material Command
- BGen Willie Williams, Director Logistics Plans and Policies, HQMC
- Brig. Gen. Henry Taylor, Vice Director, Logistics (J-4)

Alternates:

- RADM Mark Hugel, OPNAV

Others:

- Maj. Gen. Mary Saunders, Vice Director, Defense Logistics Agency
- Peter Potochney, Director OSD BRAC Office
- Dave Pauling, OSD Maintenance Policy, Programs and Resources
- Jay Berry, OSD Maintenance Policy, Programs and Resources
- John Desiderio, OSD BRAC Office
- George Kingsley, Defense Logistics Agency
- Mark VanGilst, HQ USAF/ILMM
- Steve Krum, NAVSEA
- COL Sarah Smith, OSD Maintenance Policy, Programs and Resources
- LTC Linwood Clark, OSD Maintenance Policy, Programs and Resources
- Catherine Schneiter, DoDIG
- Maj. S. DuBois, HQMC
- LtCol Walt Eady, JCS/J4
- LtCol Gene Kirkland, JCS/J4
- Willie Smith, HQ AFSC
- Sal Culosi, OSDUSD (MPP&R)
- Alex Yellin, OSD BRAC Office
- CAPT Porter, USD(AT&L) Military Assistant
- LTC Shufflebarger, USD(AT&L) Military Assistant

Attachment 1

Status of Capacity Analysis Reports

- JCSGs tasked to provide capacity reports (interim by May 28 and final by June 23)
- June 23rd deadline will not result in final reports due to data quality and analysis construct issues
  - Missing and erroneous data
    - Inconsistencies (e.g. high number of FTEs but no corresponding funding)
    - Improbable numbers (e.g. 5 billion weighted patient cases at one hospital)
    - Missing elements or entire facility not reporting (e.g. Joint Forces Staff College not reporting education activities)
  - Aggregation
    - Navy reported by command vice by location
    - Army and Air Force data rolled up at installation level (some activities not counted or aggregated)
  - Question construct issues
    - User did not understand or misinterpreted question
    - JCSGs identified additional data requirements

DCN: 11283

Deliberative Document –For Discussion Purposes Only –Do Not Release Under FOIA

CLOSE HOLD

Transformation Ideas

FOR THE

Industrial Joint Cross Service Group

June 23, 2004

DCN: 11283

Draft Deliberative Document – For Discussion Purpose Only

Do Not Release Under FOIA

Process

- **Decentralization of Depot Maintenance**: Perform increased depot work in the field (similar to Navy Integrated Maintenance Concept or Army Special Repair Authorization activities).
- **Centralization of Maintenance**: Converse to 1 above, move large amounts of I-level maintenance to the existing (or remaining) depots
- **Lean Depots:** Implement lean effectively for improved management of the value stream = reduced cycle times which should decrease infrastructure requirements (assuming constant workloads)
- **Tailored Shifts:** Rather than single shift or shift and a half, use tailored shifts for the various commodity groups based on capacity driven formula.
- **Rebaselining of Capacity Per Workstation**
- **Align technology centers on capabilities vice products**.
- **Design of munitions should be to the most stringent joint expeditionary requirements**
- **Incorporate best business practices** where practical but ensure that effectiveness, not efficiency, is the standard to be measured against.
- **Co-locate design, engineering, and maintenance functions** (Armament and Munitions)
- **Put high tech weapons in the government industrial base**.

Joint

- **Co-located Depots**: Two Services use the same facility(s). Separate command structures but shared common operations. E.g., could give Navy a hangar(s) at an Air Force activity.
- **Commodity or Technology Centralization**: Consolidate commodities such as avionics, engines or some such.
- **Logistics Depots**: Combine maintenance, supply, and distribution more effectively under a single command structure. Put value stream under single control. Could do within a Service or across Services
- **Joint Regionalization**: Consolidated intermediate repair facilities that address multi-Service repair requirements
- **Joint Virtual Depots**: Agile capability that does not currently exist. Link (virtually) current depots across services
- **DoD Depot Command**: A previous idea that consolidates depots under one command, similar to DLA
- **Joint Service Depot**: Two or more depots integrated under one rotating joint command. (Similar to 3 and 19 above, but the integrated depot would be under joint service ownership with a rotating service command; e.g., Air Force CO and Navy XO, with the XO fleeting up to CO, the new XO being Air Force and so on.)
- **Joint Industrial Operations**
- **Maintain a Multi-service distribution and deployment network**.

Integration

- **Intermediate-level and Depot-level Convergence**: Reclassify work from Depot-level to I-level. Push work out to the field activities.
- **Consolidated Intermediate- and Depot-Level Regional Activity.** (Similar to 5 above - Navy is doing this for ship maintenance where I and D exist in the same region: e.g., Puget Sound Naval Shipyard and Intermediate Maintenance Facility.)
- **Co-location or Integration of I and D Levels**
- **Vertical integration**. Entire life cycle at same site to increase synergies, e.g. production of raw materials, manufacture of finish parts, storage and demil.
- **Horizontal integration**. Take some of the most costly elements of the M&A processes and put them at the same site to increase efficiencies, e.g. put LAP of all related munitions at same site

DCN: 11283

Regionalization

- **Joint Consolidated Intermediate- and Depot-Level Regional Activity.**
- **Regionalization of Selected I Level Capabilities**

DCN: 11283

Reserves

- **Reserve Depots**: Create depots that are staffed by reservists. Call to active duty when needed.
- **Mobile Depots**: Deployable depot capabilities, either used for daily production or in reserve. Could man with reservists and activate when needed?
- **Rotate active duty and reserve personnel into the munitions centers** to provide a ready source for personnel during surge requirements.

DCN: 11283

Size

- **Eliminate redundancy in functions**
- **Terrorist Threat: Is there some military value to having more not less facilities**? Highly concentrated facilities could be lucrative targets and, if lost, could have substantive impacts on capabilities.
- **Build in redundancy**

Miscellaneous

- **Virtual Standby Depots**: Provide for surge capabilities with virtual depots that are not workloaded in peacetime. Preplanned, organized, and on stand-by (there would be a cost). Facilitized but not working. Then size operating depots to the absolute minimum.
- **Private Sector Facility Takeover**: Take over recently abandoned commercial aircraft facilities, e.g., the United Facility in Indianapolis?
- **Green Field Depot(s):** Open new consolidated depots, state of the art, lean. Close older inefficient depots. A way to recapitalize
- **Mothballed Facilities**: Close and mothball facilities with their current capabilities (those that need to be retained); put on standby.
- **Contract Work In**: Bring in current contract work to improve efficiency of current capacity. Make depots highly efficient by ensuring large amounts of workload are available to be worked.
- **DoD Depot at Commercial Activities**: Disperse some existing capabilities to commercial activities. If core, lease the facility and provide workforce. Co-locate with commercial facility producing items.
- **Partnerships Expansions**
- **Require NLT 10% of all conventional munitions be produced in the organic industrial base**. Limited "Buy America" policies and all provisions of Section 806, of the Strom Thurmond National Defense Authorization Act for FY99 should be enforced to direct at least a minimum level of spending to U.S. facilities before using foreign sources.
- **Recognize that munitions are a unique sector** requiring some level of excess industrial capacity to maintain required capabilities.

Transformation Ideas for IJCSG Consideration

General. Developed from Studies etc

1. Decentralization of Depot Maintenance: Perform increased depot work in the field (similar to Navy Integrated Maintenance Concept or Army Special Repair Authorization activities).

2. Centralization of Maintenance: Converse to 1 above, move large amounts of I-level maintenance to the existing (or remaining) depots.

3. Co-located Depots: Two Services use the same facility(s). Separate command structures but shared common operations. E.g., could give Navy a hangar(s) at an Air Force activity.

4. Commodity or Technology Centralization: Consolidate commodities such as avionics, engines or some such.

5. Intermediate-level and Depot-level Convergence: Reclassify work from Depot-level to I-level. Push work out to the field activities (Similar to 1 but work actually become I-level work rather than D-level work being done in the field).

6. Logistics Depots: Combine maintenance, supply, and distribution more effectively under a single command structure. Put value stream under single control. Could do within a Service or across Services

7. Joint Regionalization: Consolidated intermediate repair facilities that address multi-Service repair requirements.

8. Virtual Standby Depots: Provide for surge capabilities with virtual depots that are not workloaded in peacetime. Preplanned, organized, and on stand-by (there would be a cost). Facilitized but not working. Then size operating depots to absolute minimum.

9. Reserve Depots: Create depots that are staffed by reservists. This could be the work force for 8 above. Call to active duty when needed.

10. Private Sector Facility Takeover: Take over recently abandoned commercial aircraft facilities, e.g., the United Facility in Indianapolis?

11. Green Field Depot(s): Open new consolidated depots, state of the art, lean. Close older inefficient depots. A way to recapitalize.

12. Lean Depots: Implement lean effectively for improved management of the value stream = reduced cycle times which should decrease infrastructure requirements (assuming constant workloads).

13. Joint Virtual Depots: Agile capability that does not currently exist. Link (virtually) current depots across services.

14. Mothballed Facilities: Close and mothball facilities with their current capabilities (those that need to be retained); put on standby.

15. Tailored Shifts: Rather than single shift or shift and a half, use tailored shifts for the various commodity groups based on capacity driven formula.

16. Contract Work In: Bring in current contract work to improve efficiency of current capacity. Make depots highly efficient by ensuring large amounts of workload are available to be worked.

17. Terrorist Threat: Is there some military value to having more not less facilities? Highly concentrated facilities could be lucrative targets and, if lost, could have substantive impacts on capabilities.

18. DoD Depot at Commercial Activities: Disperse some existing capabilities to commercial activities. If core, lease the facility and provide workforce. Co-locate with commercial facility producing items.

19. DoD Depot Command: A previous idea that consolidates depots under one command, similar to DLA.

20. Mobile Depots: Deployable depot capabilities, either used for daily production or in reserve. Could man with reservists and activate when needed?

Ship Overhaul and Repair

21. Joint Service Depot: Two or more depots integrated under one rotating joint command. (Similar to 3 and 19 above, but the integrated depot would be under joint service ownership with a rotating service command; e.g., Air Force CO and Navy XO, with the XO fleeting up to CO, the new XO being Air Force and so on.)

22. Consolidated Intermediate- and Depot-Level Regional Activity. (Similar to 5 above - Navy is doing this for ship maintenance where I and D exist in the same region: e.g., Puget Sound Naval Shipyard and Intermediate Maintenance Facility.)

23. Joint Consolidated Intermediate- and Depot-Level Regional Activity. (Similar to 22 above but would be cross service.)

Maintenance Subgroup Transformation Ideas

24. Regionalization of Selected I Level Capabilities

25. Rebaselining of Capacity Per Workstation

26. Joint Industrial Operations

27. Partnerships Expansions

28. Co-location or Integration of I and D Levels

Armament and Munitions

General Statements and Assumptions:

- Solicit ideas from CINC 129, Think Tanks such as Brookings Institute, Rand, etc.
- JCSGG can make policy recommendations
- If transformation ideas go against existing policy it can still be considered for scenario development.
- Follow on processes should be developed from a joint perspective

Ideas Generated:

29 Align technology centers on capabilities vice products.

- Includes joint PEOs/PMs and SMCA for munitions and armaments
- Full life cycle support at centers with PEOs/PMs and SMCA

30. Vertical integration

- Entire life cycle at same site to increase synergies, e.g. production of raw materials, manufacture of finish parts, storage and demil.

31. Horizontal integration

a. Take some of the most costly elements of the M&A processes and put them at the same site to increase efficiencies, e.g. put LAP of all related munitions at same site

32. Design of munitions should be to the most stringent joint expeditionary requirements

~~33.~~ Incorporate best business practices where practical but ensure that effectiveness, not efficiency, is the standard to be measured against.

- Provide a rationale mix for munitions stocked and the ability to surge the production base to meet warfighting requirements.
- Reduced demil is a benefit

34. Rotate active duty and reserve personnel into the munitions centers to provide a ready source for personnel during surge requirements.
    - Civil servants will see how their products and efforts support the warfighter.
    - The warfighter can provide invaluable insight and recommendations that help the warfighter.
35. Maintain a Multi-service distribution and deployment network.
36. Co-locate design, engineering, and maintenance functions
    - Design has a significant affect on the maintenance function. Because maintenance is a costly part of operational support, co-location can reduce that cost.
37. Eliminate redundancy in functions
    - When each service has an organization that performs that same function, those organizations should be merged unless operational requirements demand a separate organization.
38. Build in redundancy
    - No single point of failure
    - Over the last two decades, the munitions industrial base contracted significantly and many vital subcomponent contractors are now virtually sole source. Recent media attention highlights several of these pivotal links in the munitions supply chain, and initial investigations into force protection aspects of these contractor facilities yield disturbing results. Had Al Qaeda terrorists engineered "industrial accidents" at critical subcomponent manufacturers before the 9/11 attacks, they could have significantly impacted U.S. military strategy. We must act to comprehensively identify all the "weak links in the chain" and to protect and/or back up these critical sources where possible.
39. Require NLT 10% of all conventional munitions be produced in the organic industrial base. Limited "Buy America" policies and all provisions of Section 806, of the Strom Thurmond National Defense Authorization Act for FY99 should be enforced to direct at least a minimum level of spending to U.S. facilities before using foreign sources. Ensure no sole source OCONUS providers for munitions and critical components and materiel. Deviations require very senior level leadership approval. Leverage the government's advantages in environmental permits and explosive safety licenses through partnerships with industry.
    - Helps to maintain a constant workload.
    - Procurement policies that favor lower cost imports without consideration for overall "best value" for long-term U.S. national security interests repeatedly contradicts stated DOD intentions regarding maintenance of a national high performance explosives industrial base and continues to damage the U.S. production base. This pure "best price" approach is inconsistent with DoD's

simultaneous ownership of the U.S. Army Ammunition Plants that dominate domestic production. Clearly, a part of DoD sees these plants as the best means to retain a U.S. industrial base capable of meeting both peacetime and wartime production demands, however the procurement community is not in step with this view. Their decisions have undermined the economic viability of the largely government-owned, contractor-operated plants and put wartime HPE production capability at risk.

40. Put high tech weapons in the government industrial base.

- The government industrial base is more flexible for changing demands, if investments are made in flexible manufacturing.
- Munitions are generally bought in the coming year for delivery two to three (or more!) years out. Long lead times are typical for low density, high technology weapons. This presents some interesting questions regarding how many high tech weapons we should buy for war reserves. High costs dictate buying minimal numbers, but most are being used as fast as they are produced, leaving no excess for war reserves.

41. Recognize that munitions are a unique sector requiring some level of excess industrial capacity to maintain required capabilities. These facilities cannot be measured against a capacity metric, but must be measured against a critical capabilities (including size) and effectiveness in supporting the National Security Strategy and warfighter requirements.

- This may be costly to maintain, but not as costly as failing to meet Title 10 responsibilities. Full spectrum dominance requires the ability to aggressively pursue any level of military action specified by the National Command Authority. Focus on the buyers, not the sellers. Recognize that the real focus is on what the government needs, not what the sellers need to do to compete.