

Industrial Joint Cross-Service Group (IJCSG)

Meeting Minutes of March 3, 2005

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

The Chairman opened the meeting. The purpose of this meeting was to review further scenarios from each of the subgroups. Mr. Wynne said he will start looking hard at the items/issues previously passed over by the IJCSG.

Mr. Wynne said there will be a virtual IEC meeting on Thursday that will look at all issues of record for both major issues and philosophical issues. This is so the routine maintenance of the IEC doesn't take up all of the scheduled meeting time.

Mr. Wynne introduced RDML Mike Bachman, the new NAVAIR Vice Commander. RDML Bachman briefed his Joint Readiness Centers (JRC) proposal to the IJCSG. He stated, under this concept, depot maintenance is not performed in the confines of a physical depot. It is an Integrated Maintenance Concept (IMC) with depot artisans closer to the fleet.

RDML Bachman said it is not just about maintenance improvements, it is also about linking to Supply Chain Management in a pull model. JRC can be done, but it will take leadership and alignment across all services to make it work for the customer.

Mr. Wynne said even though there is benefit to the JRC construct, we need to sit back and look at customer flow and link customer flow back to maintenance work. JRC would be doing some good things; however, it may sub-optimize some Air Force and Army processes. Try to sell the philosophy (as done with the Navy) to the Air Force and Army and see what their construct of a JRC would look like. Look at the Air Force AEF (and collapsing backshops) construct and see how a JRC would affect Hill, Warner Robins, Kirtland, etc.

Mr. Wynne said the Navy deploys with two levels of maintenance on the carrier, but the Marine Corps can't do that, so we also need to look at the Marine Corps construct. RDML Bachman said the Marine Corps is convinced that if applied correctly and buffers are inserted and patterns are documented they can do pre-positioning and not have to move a huge footprint.

Mr. Beckett said, unlike the Navy, Air Force centralized intermediate capabilities don't deploy.

Mr. Potochney asked how the Working Capital Fund (WCF) would play and how different funding difficulties would be reconciled. RDML Bachman said they (the Navy) were starting to work through those issues with the Comptroller. Mr. Wynne stated that from his perspective, the WCF was more flexible. RDML Bachman said in the past that was true, but PBD 437 changed all that.

Mr. Wynne stated there is a possibility that labor rates in candidate recommendations may be used to strengthen some weaker ideas. There is a pretty consistent outcome, but still can't get comptrollers to agree on a methodology.

Mr. Pauling gave a presentation on a potential methodology to assess cost variability. Mr. Potochney said off-line calculations are allowed as long as they are documented as a footnote in the COBRA. Mr. Wynne instructed the group to find out where there are similar applications. Mr. Berry asked if there would be a problem if the data used is not certified. Mr. Potochney said that it is alright to deduce/make projections based on certified data.

Mr. Wynne asked what the IJCSG thought about the presentation since it "is a bit more esoteric than BRAC." He said, how conservative can we be to get some sense of this without going overboard. Could we go less wrong if we used 30 percent for overhead which is consistent with how we do indirect? Mr. Pauling said yes, that would be consistent. Mr. Potochney said it can be done as long as it is supportable, and Mr. Wynne said to use Mr. Pauling's briefing as support.

Mr. Berry said is 50 percent of indirect personnel acceptable according to the BRAC 95 Commission Report. Mr. Wynne said he doesn't mind criticism for being too conservative. Mr. Potochney said the new COBRA does include recap savings and the IJCSG doesn't want to double count savings and people/personnel billets. Mr. Pauling said he looked at the people and they are not being double counted, but he will continue to look at it.

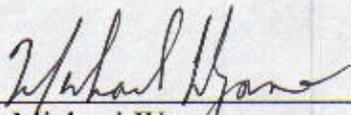
Mr. Motsek said he wanted to figure out the math behind the presentation and data to be able to do the math. Mr. Wynne said okay, we have been criticized in the past and want to be conservative.

Mr. Wynne said use 30 percent and calculate the results. We need to see if we can apply this process consistently. He stated the process may also have application to other JCSGs. He asked Mr. Potochney to draft guidance that could be used by other JCSGs.

There was additional discussion relating to the timeframes for the consideration of the more controversial issues. It was concluded that many of the "hard issues" had been pushed to the right, but time was getting short and decisions would have to be made.

DCN: 11298

Mr. Motsek said there was a data issue IND-0127B derivative. The data tells you that you can close the installation, but in reality the workload says maybe not. He will work with the Army and the subgroup to resolve. The Marine Corps indicated they are reviewing their Core requirements based on OPlans and recent experience. It was suggested that if significant workload is transferred to an Army installation, joint management would have to be considered.

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

Attachments:

1. List of attendees
2. Presentation Charts

**Industrial JCSG Meeting
March 3, 2005
Attendees**

Members:

- Michael Wynne, Acting Undersecretary of Defense for Acquisition, Technology and Logistics
- RADM Klemm
- Gray Motsek, Deputy G3, Support Operations, Army Material Command
- Allen Beckett, Deputy Director of Maintenance, Deputy Chief of Staff for Installations and Logistics
- Maj Gen Mary Saunders, Defense Logistics Agency

Alternates:

- Shanna Poole, HQMC

Others:

- RDML Bachman
- RDML Hugel
- Dave Pauling, ADUSD OSD MPP&R
- Pete Potochney, OSD BRAC Office
- Alex Yellin, OSD BRAC Office
- John Desiderio, OSD BRAC Office
- Jay Berry, OSD Maintenance Policy, Programs and Resources
- Maj John Greco III, Defense Logistics Agency
- George Kingsley, Defense Logistics Agency
- Frank O'Rourke, Defense Logistics Agency
- Steve Krum, NAVSEA
- Don Fathke, NAVAIR
- COL Sarah Smith, OSD Maintenance Policy, Programs and Resources
- COL Neeley, Supply and Storage JCSG
- Mark VanGilst, HQ USAF/ILMM
- Maj. S. DuBois, HQMC
- Brian Shanley, HQMC
- LtCol Walt Eady, JCS/J4
- Lt Col Jeff Brock, JCS/JF
- Willie Smith, HQ AFSC
- CAPT Porter, Mr Wynne's MA
- Douglas Ickes, DODIG
- Sal Culosi, LMI

Attachment 1



Industrial Joint Cross Service Group

March 3, 2005

DELIVERING READINESS AT THE RIGHT COST

*'An Alternative Vision of Integrated
Joint Aviation Maintenance'*

The Honorable M. Wynne, USD (AT&L)
Industrial Joint Cross Service Group

FEBRUARY 2005



VALUES

"WHAT DO WE BELIEVE"

DCN: 11298

**Driving Factors
Behind Naval
Aviation
Maintenance
Transformation**

- Achieving Fleet Readiness
- At "Cost-Wise" levels (Less \$'s)
- Through:
 - Optimizing Time On Wing (Less Stuff)
 - Enhanced Speed (Less Time In Maint)
 - Leveraging our People's ideas (Continuous Improvement)

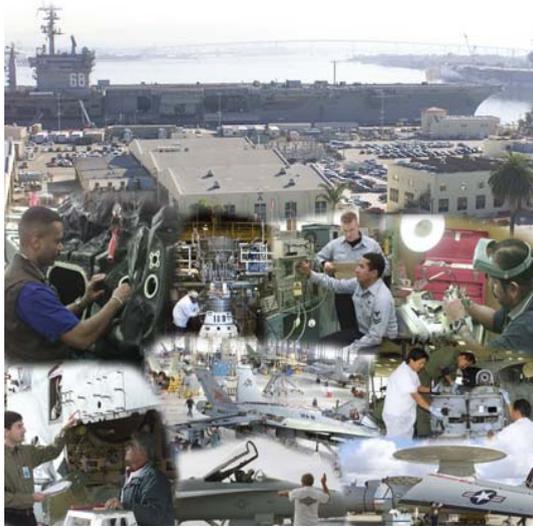
**Single Fleet Driven Metric
Aircraft Ready for Tasking at Reduced Cost**



AVIATION MAINTENANCE CONSOLIDATION

ECN: 298

Navy model



Legacy model

'Where Capacity Alone Drives You'



Targets NAS NORIS
- Primary fighter support
- Low density/high demand aircraft support

Enterprise model

- Integrated O/I/D maintenance
- Driven by readiness demand
- Driving down enterprise costs

Factory model

- Depot level maintenance
- Driven by annual aircraft induction schedules
- Absorbing more workload through Depot efficiencies

JCSG Proposal - Increases cost and reduces readiness to Navy



Cost Impacts



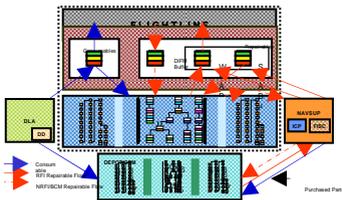
Readiness Impacts

FLEET READINESS	COST WISE	TIME ON WING	SPEED	PEOPLE
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AVIATION MAINTENANCE CONSOLIDATION

DCN: 11298



Business

- NAVRIIP
- Air Speed
- LEAN
- Six SIGMA
- Theory of Constraints
- Fleet Readiness Centers (FRC)

Products

- Product Enterprise Team (PET)
- Integrated Inservice Reliability Team (IISRP)
- Aging Aircraft Integrated Product Team
- Integrated Maintenance Concept (IMC)
- Propulsion Management Board (PMB)

People

- Sea Warrior Training and Recruiting (Star 21)
- Optimization Manning Experiment

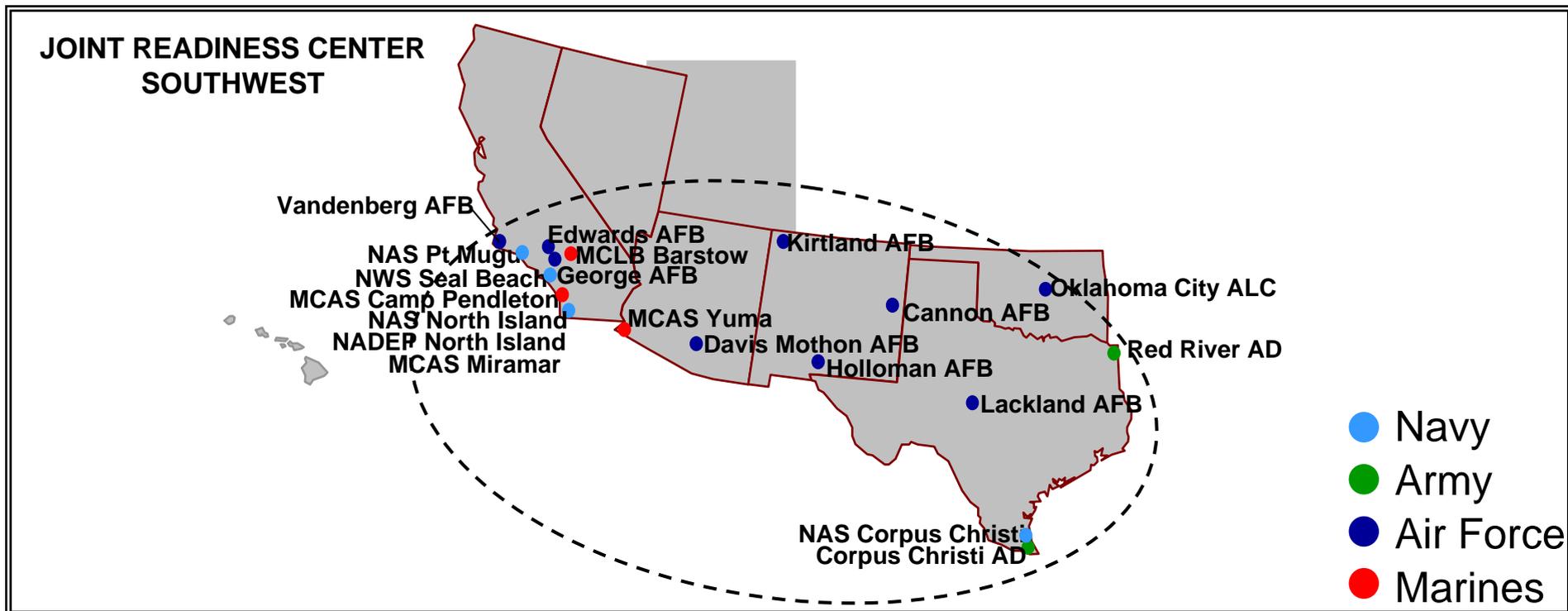




SOLUTION

**Delivering COBRA
Net Present Value
Savings of \$6.3 B
In Navy Alone**

- Create Joint Readiness Centers
 - Integrate DOD regional maintenance capability under joint leadership
 - Introduce Navy FRC enterprise process
 - Establish joint governance model

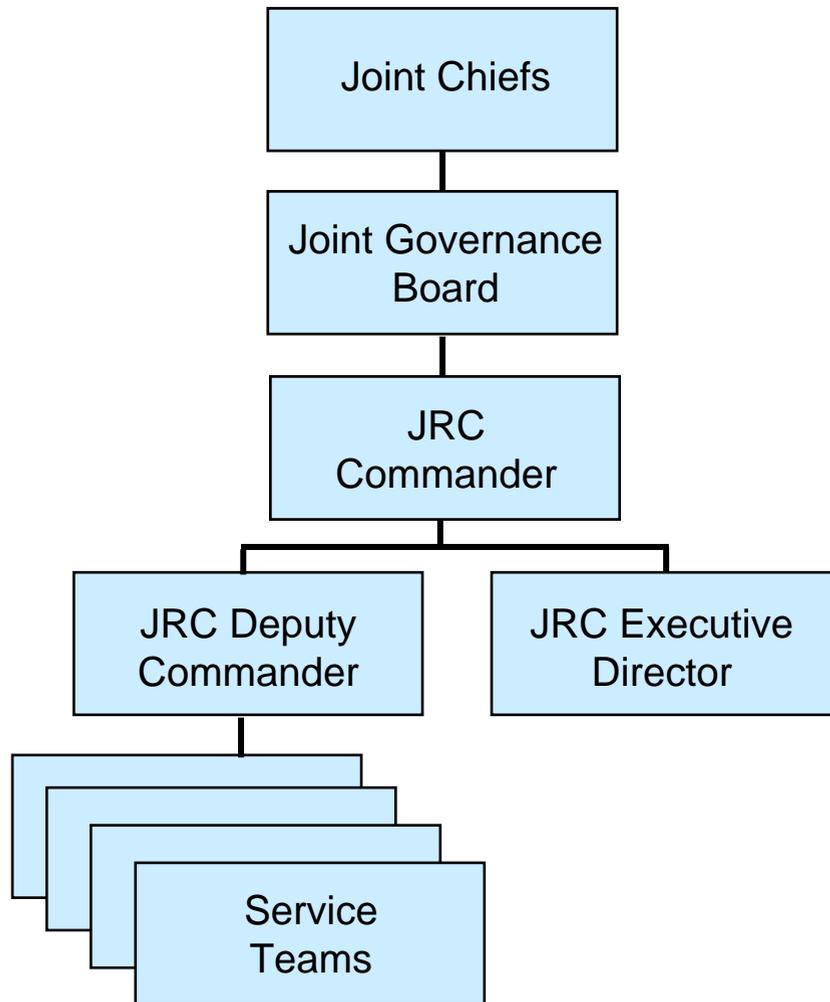


FLEET READINESS	COST WISE	TIME ON WING	SPEED	PEOPLE
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PROPOSED JOINT GOVERNANCE MODEL

OPN: 1298



- **Joint Governance Board**
 - Service Senior Logistician
 - Senior Service Aviation Operators
 - OSD AT&L senior rep
 - Joint Staff senior rep
- **JRC Commander (2-star)**
 - Joint billet with occupant selected by Governance Board
- **JRC Deputy (1-star)**
 - Joint billet with occupant selected by Governance Board
 - Must be alternate Service from JRC Commander and be among Services supported by the JRC
- **JRC Executive Director (SES)**
 - Selected from all Service candidates
- **Service Teams**
 - Staffed by respective Services to facilitate Service support within JRC



ADVANTAGES

DCN: 11298

- Achieves greater savings
- Addresses geographic concerns
- Provides pilot effort that can be expanded to other regions without a BRAC
- Minimizes likelihood of personnel disruption and hence, potential readiness impact, during transition



BACK-UPS



COST IMPACT

DCN: 11298

- Projections:

- NADEP North Island “TOTAL CLOSURE”

- Scenario (SDC 83C) : moves workload to WRAFB, Hill AFB, Tinker AFB, CCAD, and NADEP JAX
 - Cost Analysis projects a \$109.2M* per year increase in current costs

<LABOR RATE DIFFERENTIAL ONLY>

- NADEP North Island “DEEP DEPOT MAINTENANCE”

- Scenario (SDC 127B): moves workload to WRAFB, Hill AFB, and NADEP JAX
 - Cost Analysis projects a \$49.9M* per year increase in current costs

<LABOR RATE DIFFERENTIAL ONLY>





CAPACITY ISSUES

DCN: 11298

- Conflicts with DOD 4151.18H peacetime capacity guidance
- Assumes people are only constraint and that all shops have capacity for expansion
 - Equipment, tooling and facility constraints ignored
 - Existing multi-shift operations not considered
 - Assumes no artisan/skills constraint
- Navy analysis indicates
 - 1.5 shift operation with 50% increase in work will only yield 30% increased throughput with corresponding 20% increase in WIP



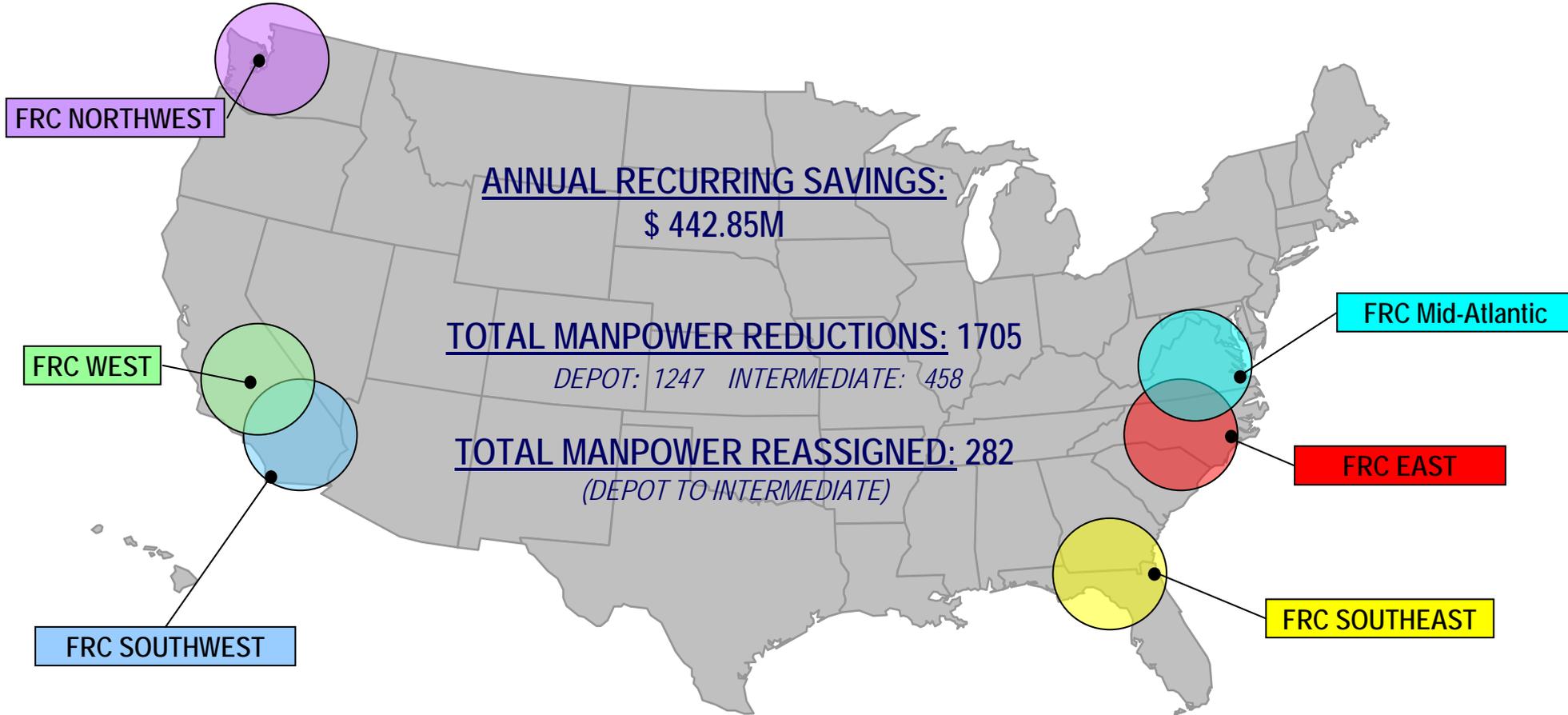


FLEET READINESS CENTERS

DCN: 11298

IMA / MALS / DEPOT CONSOLIDATION

Reliability & Cycle Time improvements reduce costs to the Enterprise



What the Navy is doing represents transformation

FLEET READINESS	COST WISE	TIME ON WING	SPEED	PEOPLE
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AVIATION MAINTENANCE CONSOLIDATION DEFINITIONS

DCN: 11298

BUSINESS

Naval Aviation Readiness Integrated Improvement Program (NAVRIIP)

NAVRIIP seeks to provide cost-wise aircraft ready for tasking for all Navy and Marine Corps Warfighters throughout the Naval Aviation Enterprise.

AIRSpeed

AIRSpeed is Naval Aviation Readiness Integrated Improvement Program's (NAVRIIP) enabler for operationalizing cost-wise readiness across the naval aviation enterprise, focusing on the total aviation solution within all levels of supply and maintenance. AIRSpeed is the term Navy uses for the blend of best business practices applied across the enterprise

LEAN

Lean is a process improvement strategy that focuses on the removal of waste, which is defined as anything not necessary (no value added) to produce the product or service. The goal is to achieve perfection through the total elimination of waste in the value stream.

SIX Sigma

A strategy based on the assumption that the outcome of the entire process will be improved by reducing the variation of multiple elements. It is a process improvement strategy that uses quality improvement as the method for business improvement.

Theory of Constraints (TOC)

TOC is a set of tools that examines the entire system for continuous process improvement and is applied at aircraft intermediate maintenance departments, aviation supply departments, Marine air logistics squadrons, and Naval Aviation Depots. TOC specifically identifies barriers in process flow, so they can be eliminated or at least improved.

Fleet Readiness Centers

(WORKING) Fleet Readiness Centers will merge former Depot and Intermediate level maintenance activities that integrate Intermediate and Depot level maintenance capabilities in such a manner as to result in a seamless continuum of "Off Aircraft / Off Equipment" maintenance, logistics and engineering support. FRCs provide the right mix at the right location resulting in the highest degrees of availability and readiness at the lowest overall cost to the War Fighter. Non-deployed Military Maintainers will team with depot level Civil Service and Contractors within FRCs and FRC sites to provide the most effective and efficient maintenance.





AVIATION MAINTENANCE CONSOLIDATION DEFINITIONS

DCN: 11298

PRODUCTS

Product Enterprise Team (PET)

Integrated In-Service Reliability Program

IISRP is an integral element of NAVAIR's global strategy to meet the Chief of Naval Operation's readiness and cost objectives by improving fielded component reliability resulting in increased time on wing providing an overall increase in readiness. This in turn will reduce Weapon System life-cycle costs by reducing the number of components returned to the depot for repair, lowering fleet maintenance expenses, and reducing required spares inventory.

Aging Aircraft Integrated Product Team

Integrated Maintenance Concept (IMC)

Integrated Maintenance Concept is Reliability Centered Maintenance- (RCM) based analysis and packaging of Organizational, Intermediate, and Depot level Preventive Maintenance tasks in a platform's Maintenance Plan to ensure that these tasks are performed at the right location and interval, by the appropriate level of maintenance that will result in the highest degrees of availability and readiness at the lowest overall Life Cycle Cost.

Propulsion Management Board

The Propulsion Management Board was created to provide centralized, multi-disciplinary, multi-competency executive level leadership and guidance and ensure that schedule, cost, performance, sustainability, and readiness objectives, for Naval Aviation Enterprise propulsion systems, are achieved.

PEOPLE

Sea Warrior and Recruiting (Star 21)

A training and recruiting program in support of Sea Power 21 that is used to recruit, detail and train sailors based on valid fleet requirements for specific aviation rates.

Optimization Manning Experiment

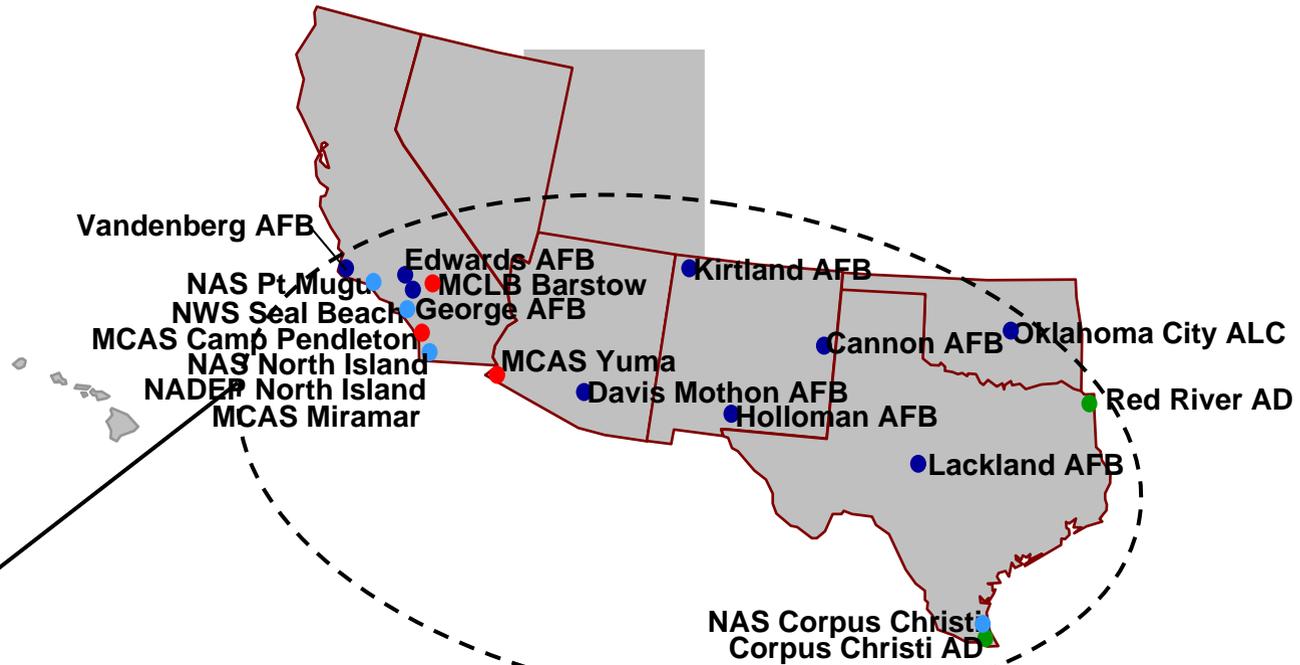
A manning assessment conducted based on a Consolidated Maintenance Organization (CMO) involving a typical Carrier Air Wing. This experiment was used to illustrate manpower savings that may be achievable through consolidation of squadron maintenance responsibilities.





JOINT READINESS CENTER SOUTHWEST

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- Navy
- Army
- Air Force
- Marines



ISSUES

DCN: 11298

- Capacity Assumptions – *not always valid* 
 - Critical to scenario – based on assumption all work currently at 1.0 levels
 - 1.5 not achievable in all areas without additional investment
 - Lacking investment, cycle time and readiness will be negatively impacted
- Geography – *not considered*
 - Maintenance location impacts response time and readiness
 - Moving Navy off waterfront will impact readiness
 - No base closures result from proposal (limited savings)
- Business model – *not considered*
 - Navy enterprise model achieves greater  savings and associated readiness benefit



Cost Variability From BRAC Maintenance Realignment

March 3, 2005



Issue

- COBRA does not capture all the differences in efficiencies that could result from the realignment.
- How do the direct, indirect and overhead expenditures not considered by COBRA affect the total cost implications of base realignments?



Treatment of Unit Costs Components by COBRA

DCN: 11298

- Direct Labor Deltas: (Not included in COBRA)

- Indirect Deltas:
 - COBRA analysis assumed a 30% efficiency for indirect personnel.
 - Assumes all other indirect expenditures transfer.

- Overhead Deltas:
 - COBRA accounts for:
 - ❑ reductions in overhead due to shutdown of square footage at losing site and
 - ❑ all expenditures associated with changes in personnel for Base Operating Support (BOS) at loser and gainer

Treatment of Unit Costs Components by COBRA (Continued)

DCN: 11298



■ Overhead Deltas:

- COBRA does not account for differential for other overhead associated with movement of workload:
 - ❑ Savings for consolidation of ERP
 - ❑ Savings from any reduced depreciation of physical plant and equipment that may no longer be needed from consolidation
 - ❑ Other (e.g. Consultant fees, Other support fees ...)

Application to North Island MX1.3 Scenario (Direct Labor Rates)

DCN: 11298

■ Movement and rates sorted by Site

Direct Labor Hourly Rate EXCLUSIVE of Overhead and Indirect

Commodity	Movement (000 DLH)	Gaining_Site	Gaining Sites	Losing Site North Island
			Direct Labor Rates	Direct Labor Rates
Aircraft Rotary	-48.33	CORPUS CHRISTI ARMY DEPOT	\$33.41	\$30.16
Fabrication & Manufacturing	-64.68	Hill AFB	\$41.34	\$36.40
Aircraft Landing Gear Components	-133	Hill AFB	\$31.76	\$32.97
Calibration	-109.66	Hill AFB	\$10.00	\$33.33
Aircraft Fighter/Attack	-832.79	Hill AFB	\$27.42	\$34.41
Other	-64.04	Hill AFB	\$52.03	\$38.68
Aircraft Structural Components	-159.33	Hill AFB	\$28.45	\$33.10
Aircraft Other	-875	NAVAIRDEPOT_JACKSONVILLE_FL	\$38.29	\$44.57
Other	-156.32	NAVAIRDEPOT_JACKSONVILLE_FL	\$33.83	\$38.68
Aircraft Ordnance Equipment Components	-26.66	NAVAIRDEPOT_JACKSONVILLE_FL	\$10.00	\$32.46
Aircraft Hydraulic Components	-79.66	NAVAIRDEPOT_JACKSONVILLE_FL	\$27.49	\$32.88
Aircraft Other Components	-468.01	NAVAIRDEPOT_JACKSONVILLE_FL	\$29.04	\$34.72
Aircraft Fighter/Attack	-0.54	NAVAIRDEPOT_JACKSONVILLE_FL	\$29.77	\$34.41
Aircraft Instruments Components	-106.33	Robins AFB	\$24.17	\$33.10
Fabrication & Manufacturing	-19.32	Robins AFB	\$24.18	\$36.40
Aircraft Cargo/Tanker	-244.33	Robins AFB	\$32.00	\$35.50
Aircraft Avionics/Electronics Components	-265	Robins AFB	\$24.61	\$33.10
Depot Fleet/Field Support	-14.49	Robins AFB	\$27.57	\$33.30
Aircraft Other Components	-91.65	Tinker AFB	\$27.85	\$34.72
Other Engines	-48.33	Tinker AFB	\$23.96	\$31.90
Ground Support Equipment	-2.33	TOBYHANNA ARMY DEPOT	\$29.92	\$51.00

* Using FY-03 Data



Movement Summary

■ Total of 3.8 million Direct Labor Hours are moved from North Island

- to gaining sites

Gaining_Site	Movements From North Island to Gaining Site (K DLH)
Corpus Christi AD	48
Hill AFB	1,364
NADEP Jacksonville	1,606
Robins AFB	649
Tinker AFB	140
Tobyhanna AD	2
Totals	3,810

- To gaining Service

Gaining Service	Workload Movement From North Island (K DLH)
Air Force	2,153
Navy	1,606
Army	51
Total	3,810

Application to North Island MX1.3 Scenario



- **Direct Labor: Recurring annual savings of \$23.3M per year due to differences in direct labor rates of product (not Included in COBRA)**

\$M

Service Component	Direct Labor Costs for North Island	Direct Labor Costs for Gaining Sites	Annual Recurring Savings
USA	\$1.6	\$1.7	-\$0.1
USAF	\$73.7	\$60.2	\$13.5
USN	\$64.8	\$54.9	\$9.9
Total	\$140.1	\$116.7	\$23.3

- **Indirect Savings: Recurring savings of \$26.6M due to 30% reduction in indirect personnel (Included In Cobra)**

* Using FY-03 Data

Application to North Island MX1.3 Scenario



- Overhead Annual Recurring Deltas Included in COBRA:
 - \$9.0M due to shutdown of 1.2 million square feet at North Island (losing site) and
 - \$1.1M for changes in personnel for Base Operating Support (BOS) at loser and gainer
- Summary of Annual Recurring Savings *Exclusive of Overhead and Other Indirect that is not included by COBRA:*

	Total Recurring Savings (\$M)	
	30% Indirect Personnel Efficiencies	
	No	Yes
Direct Labor Differences (Not in COBRA)	\$23.3	\$23.3
Indirect Savings for Personnel	\$0.0	\$26.6
Overhead (In COBRA)		
Square footage	\$9.0	\$9.0
Base Operating Support	\$1.1	\$1.1
Total Recurring Annual Savings	\$33.4	\$60.0

Application to North Island MX1.3 Scenario

Rates-based Parametric Analysis to Address Overhead Costs

DCN: 11298



- Rates-based analysis presumes that all overhead is a function of direct labor hours which would tend to understate the savings. When workload is transferred, the overhead rate of the gainer would be expected to decrease. Nonetheless, this parametric analysis gives a reasonable upper and lower bound on transfer costs when gaining rates are higher than losing rates.
- Overhead rates from the most recent JDMAG Depot Maintenance Operations Indicators Report and maximum impact without any volume discount

Overhead Costs

Gainer		Movement (K DLH)	North Island Rate	Total = Overhead NI (\$K)	Movement (K DLH)	Gainer Rate	Total = Overhead Gainer (\$K)	Maximum Impact of Movement	
Service	Site							Site	Service
Army	Corpus Christi AD	48.33	\$48.19	= \$2,329.0	48.33	\$51.85	= \$2,505.9	(\$176.9)	(\$154.6)
	Tobyhanna AD	2.33	\$48.19	= \$112.3	2.33	\$38.62	= \$90.0	\$22.3	
Navy	NADEP Jacksonville	1606.19	\$48.19	= \$77,402.3	1606.19	\$54.44	= \$87,441.0	(\$10,038.7)	(\$10,038.7)
Air Force	Robins AFB	649.47	\$48.19	= \$31,298.0	649.47	\$55.70	= \$36,175.5	(\$4,877.5)	(\$20,565.9)
	Tinker AFB	139.98	\$48.19	= \$6,745.6	139.98	\$69.58	= \$9,739.8	(\$2,994.2)	
	Hill AFB	1363.5	\$48.19	= \$65,707.1	1363.5	\$57.50	= \$78,401.3	(\$12,694.2)	
Totals (\$M)			\$183.59			\$214.35		(\$30.8)	
Baseline Overhead Costs Considered in COBRA			\$104.41			\$121.91		(\$17.5)	
Remaining Overhead			\$79.18			\$92.45		(\$13.3)	



Definition of Volume Discount

DCN: 11298

- Fraction of losing organizations costs that are saved or do not transfer to gaining organization:
- Example:
 - Losing organization overhead costs \$1000.00 for 100 hours (\$10.00/Hr)
 - Gaining organization overhead costs \$2000.00 for 200 hours (\$10.00/Hr)
- When 100 hours are transferred from loser to gainer, assume that \$700.00 of its \$1000.00 in overhead cost are transferred to the gainer
- Volume discount = 30% (\$300.00 of losers costs of \$1000.00 **do not** transfer)
- New overhead rate at gainer is reduced by 10% to \$9.00/Hr

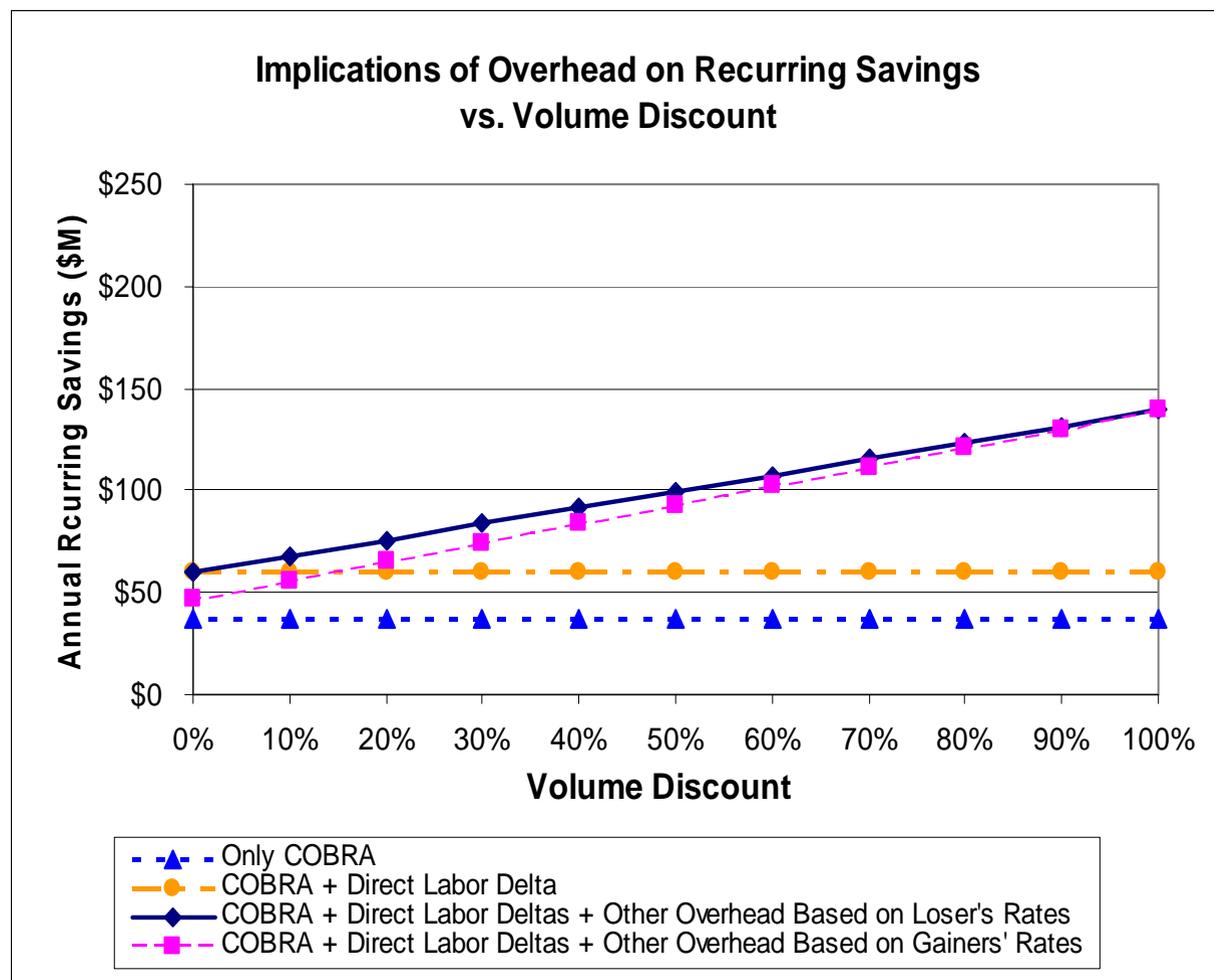
$$\frac{\text{NewTotalOverhead}}{\text{NewTotalHours}} = \frac{\$2000 + \$700}{200 + 100} = \frac{\$2700}{300} = \$9.00$$

Recurring Saving For All Gaining Sites For North Island Movements Under MX1.3 Overhead With Volume Discount

DCN: 11298

- Graph depicts all COBRA costs PLUS the following costs not included in COBRA:

- direct labor
- overhead expenditures based on overhead rate differential



Application to North Island MX1.3 Scenario

DCN: 11298

Rates-based Parametric Analysis to Address Indirect Costs*

- Rates-based analysis presumes that all indirect costs are a function of direct labor hours which would tend to understate the savings. When workload is transferred, the overhead rate of the gainer would be expected to decrease. Nonetheless, this parametric analysis gives a reasonable upper and lower bound on transfer costs when gaining rates are higher than losing rates
- Indirect Rates from Military Value Data Call and Maximum Impact Without Any Volume discount

Indirect Costs

Gainer		Movement (K DLH)	X North Island Rate	=	Total Indirect NI (\$K)	Movement (K DLH)	X Gainer Rate	=	Total Indirect Gainer (\$K)	Maximum Impact of Movement	
Service	Site									Site	Service
Army	Corpus Christi AD	48.33	x \$61.04	=	\$2,950.1	48.33	x \$51.90	=	\$2,508.5	\$441.5	\$609.9
	Tobyhanna AD	2.33	x \$114.0	=	\$265.6	2.33	x \$41.75	=	\$97.3	\$168.3	
Navy	NADEP Jacksonville	1606.19	x \$28.53	=	\$45,821.3	1606.19	x \$50.07	=	\$80,422.7	(\$34,601.4)	(\$34,601.4)
Air Force	Robins AFB	649.47	x \$48.54	=	\$31,526.4	649.47	x \$68.87	=	\$44,727.4	(\$13,201.0)	(\$22,036.4)
	Tinker AFB	139.98	x \$55.41	=	\$7,755.8	139.98	x \$72.87	=	\$10,200.6	(\$2,444.8)	
	Hill AFB	1363.5	x \$49.42	=	\$67,382.0	1363.5	x \$54.11	=	\$73,772.6	(\$6,390.6)	
Totals (\$M)					\$155.70				\$211.73		(\$56.0)
Baseline Indirect Costs Considered in COBRA					\$88.55				\$120.43		(\$31.9)
Remaining Indirect					\$67.16				\$91.30		(\$24.1)

* Using FY-03 Data

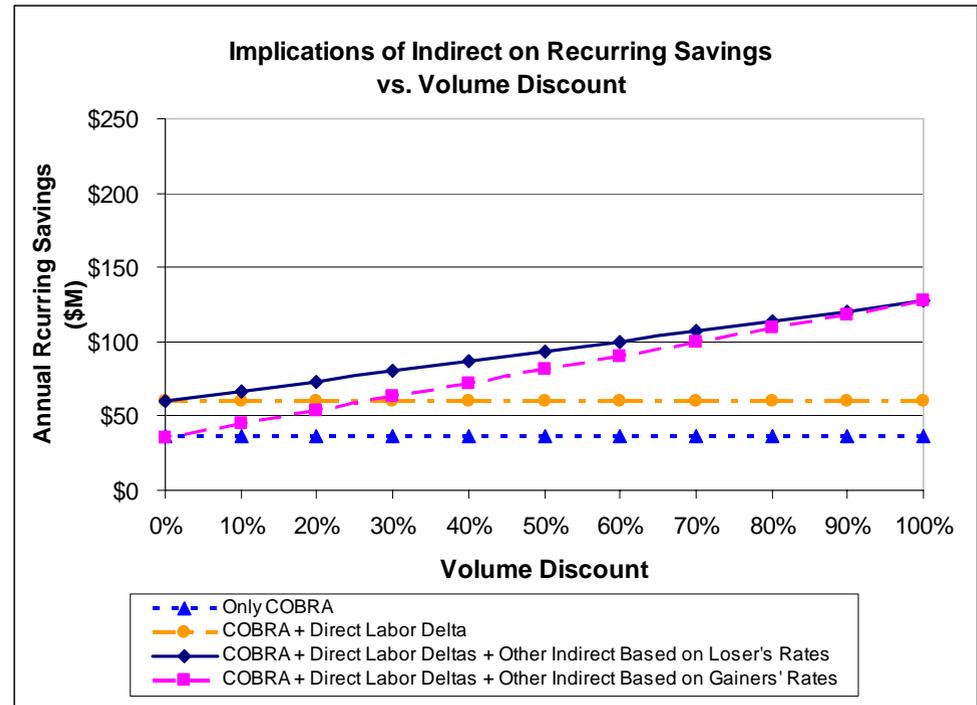
Recurring Saving For All Gaining Sites For North Island Movements Under MX1.3 Other Indirect vs. Volume Discount

DCN: 11298



■ Graph depicts all COBRA costs PLUS the following costs not included in COBRA:

- direct labor
- indirect expenditures based on indirect rate differential



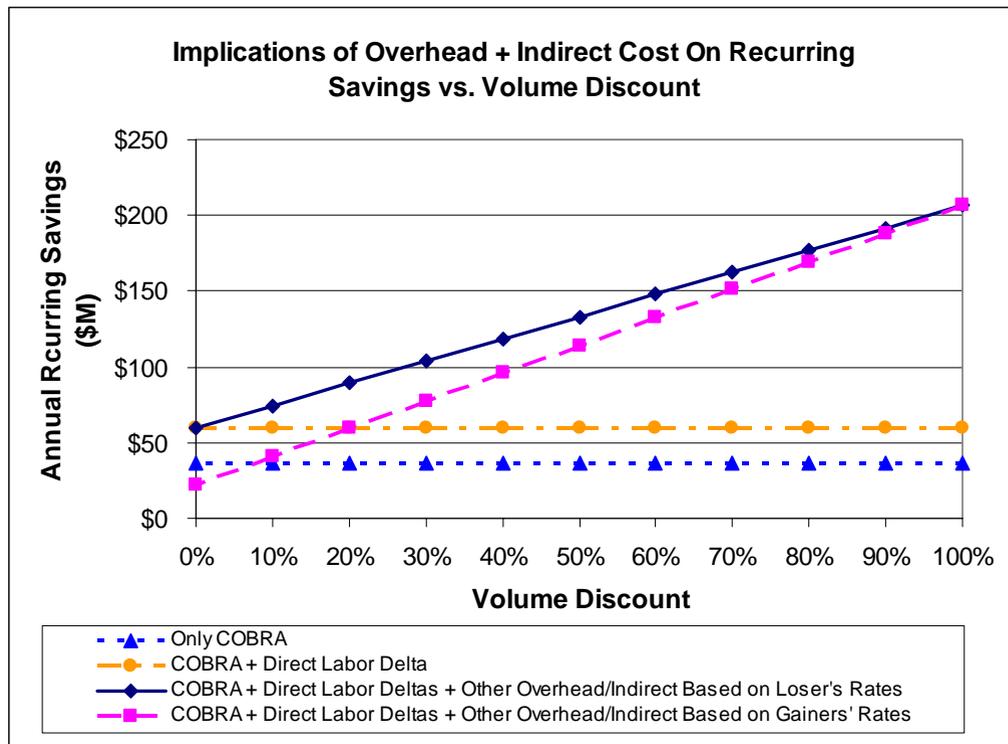
Recurring Saving For All Gaining Sites For North Island Movements Under MX1.3 Overhead + Indirect vs. Volume Discount

DCN: 11298



■ Graph depicts all COBRA costs PLUS the following costs not included in COBRA:

- direct labor
- overhead based on overhead rate differential
- indirect expenditures based on indirect rate differential



Summary

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North Island Movements for MX1.3

- Indirect and overhead Included In COBRA Analysis yield a range of annual recurring savings of between \$10.1M and \$36.7M per year

	30% Indirect Personnel Efficiencies Included In COBRA (\$M)	
	No	Yes
Indirect Costs Efficiencies Overhead (In COBRA)	\$0.0	\$26.6
Square Footage Shutdown	\$9.0	\$9.0
Base Operating Support	\$1.1	\$1.1
Total Recurring Annual Savings In COBRA Analysis	\$10.1	\$36.7

- Direct, indirect and overhead not included in COBRA yield a range of annual recurring savings between \$169.6M and \$23.3M (using loser rates) or between \$169.6M and -\$14.1M (using gainer rates)

Annual Recurring Savings Not Addressed by COBRA Analysis (\$M)

	Total Volume Discount = All Non-personnell Overhead and Indirect Costs of Loser Site Are NOT Incurred by the Gaining Sites	No Volume Discount = All Non-personnel Loser Overhead and Indirect Transferred to Gainer at Indicated Rate	
		Loser Rate	Gainer Rate
Direct Labor Savings	\$23.3	\$23.3	\$23.3
Range of additional Overhead Savings	\$79.2	\$0.0	(\$13.3)
Range of additional Indirect Savings	\$67.2	\$0.0	(\$24.1)
Total	\$169.6	\$23.3	(\$14.1)

- Combined affects show a range of annual savings between \$22.6M and \$206.4M for the case where the consolidation realizes a 30% efficiency on indirect personnel costs