



May 5, 2017

Ms. Kristin French
Assistant Secretary of Defense for
Logistics and Materiel Readiness (Acting)
Pentagon 1E518
3500 DEFENSE PENTAGON
Washington, DC 20301-3500

Dear Ms. French:

Together, the Aerospace Industries Association (AIA) and the National Defense Industrial Association (NDIA) represent a substantial portion of the nation's defense industrial base, including companies with primary concerns for improving readiness and responsiveness in our military capabilities. We see potential for improvements in these areas, and stand ready to work with the Department of Defense to make today's systems and capabilities even stronger over the coming years.

To that end, AIA and NDIA have approved the attached position paper which provides industry's perspective on some of our current logistics and readiness challenges, and puts forward key recommendations to improve the effectiveness and efficiency of our logistics and sustainment systems. Among other things, we call for greater use of innovative strategies such as public-private partnerships, performance-based logistics, and new methods of service contracting.

We hope these recommendations are helpful to the Department, and we look forward to continuing discussions about ways to "leap ahead" in this area, beyond incremental improvements, to achieve results that are both transformational and highly cost-effective.

If you or your staff would like to discuss these ideas further, please contact Mr. Rich Efford (AIA) at (703) 358-1086 or Mr. James Thomas (NDIA) at (703) 247-9463.

Sincerely,

A handwritten signature in black ink that reads 'David F. Melcher'.

LTG David F. Melcher, USA (Ret.)
President and CEO
Aerospace Industries Association

A handwritten signature in black ink that reads 'Craig R. McKinley'.

Gen. Craig R. McKinley, USAF (Ret.)
President
National Defense Industrial Association

Transforming Readiness: A National Security Imperative



THE NATIONAL SECURITY CHALLENGE

The new President and administration face a national security environment where uncertainty, ambiguity and surprise will dominate the course of events. The nation and the joint force will be confronted with creative and capable adversaries and the full range of threats from regular to irregular warfare overseas, humanitarian/disaster relief efforts on a massive scale, and cooperative engagement in a global context. Our enemies will employ abilities that range from low end disruptive technologies like improvised explosive devices and suicide bombers to highly sophisticated, long-range precision guided missiles, space and cyber-attack. Finally, the dangers from weapons of mass destruction may expand from stable nation-states to less stable ones, and potentially to non-state actors.¹ Our ability to respond to this array of threats will depend on acquisition and logistics readiness systems that are agile, flexible, reliable, responsive and affordable – attributes which current systems do not demonstrate.

The implication of these challenges is not whether the nation possesses the technology to counter our adversaries, but whether we can field and support new technologies affordably, quickly and effectively enough to meet warfighter needs. In this context, the need to reform our acquisition and readiness systems is a strategic imperative, and goes beyond the periodic calls to streamline and straighten out the bureaucracy. The Aerospace Industries Association (AIA) and National Defense Industrial Association (NDIA) urge, and are ready to assist, the new administration in carrying out effective reform of logistics readiness processes. Without such reform, our technological superiority on the battlefield is in jeopardy.

WHAT IS THE PROBLEM?

There has been no shortage of good intentions, studies and initiatives over the past two decades to improve DOD's sustainment process.² The Department of Defense made performance-based logistics (PBL) its preferred sustainment strategy after the 2001 Quadrennial Defense Review, and PBL improvements have been part of DOD's sequential "Better Buying Power" initiatives – BBP 1.0 (2010), 2.0 (2012), and 3.0 (2014). In 2015, Deputy Defense Secretary Bob Work tasked the Defense Business Board to review and provide recommendations on ways the Department could improve its logistics effort. In his words, "The Department of Defense's logistics enterprise exists to support the "tip-of-the-spear" and gives the U. S. a qualitative advantage over our adversaries; as such it is necessary that DOD optimize the use of resources and maximize the dollars available to support missions."³

Through the years, DOD policymakers have continued to study this problem, develop guidebooks, and revise DOD Instruction 5000. In fact, DOD Instruction 5000 has been revised 37 times since 1971. Unfortunately, these efforts have resulted in little comprehensive or lasting reform. In fact, some recent changes have only added bureaucracy and regulatory requirements.

¹ See, for example, U. S. Joint Chiefs of Staff, "The Joint Operating Environment 2035, Operating in a Contested and Disordered World" (July 2016).

² See, for example, the "Call to Action" report by the Tail-to-Tooth Commission, Business Executives for National Security.

³ Terms of Reference Memorandum, August 18, 2015, Deputy Defense Secretary Bob Work to Defense Business Board.

Likewise, the U. S. Congress has taken several positive steps, including passage of the Weapon Systems Acquisition Reform Act (WSARA) of 2009⁴, creation of a pilot program in 2016 to improve the reliability and maintainability of major weapon systems, and language in the 2017 National Defense Authorization Act calling for an independent review and report on sustainment planning in the DOD acquisition process.⁵

The results of these initiatives cause us to believe that a stronger focus is needed in the new administration, one that could have a transformative impact. Future systems need to be more easily configurable, more agile and more responsive than those of today. They must be led by civilian and military logisticians who are likewise agile, flexible and responsive – and understand the impact of profound change in this area on the effectiveness of our warfighters. They need to be innovators focused on delivering operational outcomes, and not just “working the system”. Leaders in the new administration, working with the military services and industry, must develop new directions, policies and procedures to fundamentally recast the way in which we ensure the readiness that our troops deserve.

While logistics is not headline-grabbing, the Government Accountability Office estimates that the costs to operate, maintain, and dispose of a weapon system account for more than 70 percent of its total life cycle cost.⁶ Given the continued budget pressure, we believe a number of targeted initiatives could result in significant cost savings, freeing up funds for other current and emergent military needs, improving DOD’s “tooth to tail” ratio, and delivering more capability to America’s warfighters.

WHAT WE RECOMMEND

Maintain Strong Organizational Leadership. — First and foremost, there must be a high priority on quickly filling executive vacancies in the Office of the Secretary of Defense (OSD) Logistics and Material Readiness (L&MR) organization with innovative and highly qualified individuals. Several of the most senior positions have remained vacant for extended periods of time. It is critical to have stable, senior leadership at the helm of this organization, taking a more active role in monitoring the execution of DOD policies.

Support Public-Private Partnerships for Providing Logistics and Sustainment. — There are critical capabilities in both the public and private sector that are needed for logistics and sustainment support. Failing to work together to provide the best capabilities of both for improving operational outcomes and reducing cost would represent a missed opportunity to furnish our armed forces with the logistics and sustainment support that is vital to their mission. There are numerous examples in military aviation of successful public-private partnerships between original equipment manufacturers (OEMs) and fleet readiness and air logistics centers. In most of these partnerships, the OEMs provide program management, forecasting and parts support while the DOD depot provides direct artesian and facility support. We believe these partnerships should be significantly expanded.

Improve the Implementation of Performance-Based Logistics. — Notwithstanding policy and strategy documents giving performance-based logistics (PBL) a high priority, its implementation has had mixed results. There is much data demonstrating the savings and efficiencies from PBL arrangements. In one recent study commissioned by the DOD, 19 of the 21 PBLs covered by the study showed performance improvements, sometimes as much as 100%. In the vast majority of cases (16 of 21), costs to the Department went down. Not only do successful PBL strategies leverage a best value mix of public- and private-sector capabilities, they reduce DOD’s costs per unit of performance while simultaneously driving up system, subsystem, and component readiness and availability. Industry believes that more needs to be done to leverage the appropriate use of these contract types.

Explore Contracting for Capabilities as a Service. — Other nations are contracting with industrial base firms to provide capabilities as a service rather than buying and owning discrete end items. In these cases, services such as pilot training and aircraft refueling are provided on a streamlined basis with impressive results in terms of readiness and capability. Another example involves search and rescue capabilities in the United Kingdom, where the government turned to the commercial sector for a modernized and more reliable helicopter fleet, which was purchased by the government as a service. These arrangements also offer an innovative way of contract financing compared to traditional cost-based progress payments. Typically, such contracts link payments to performance instead of progress, and at the same time lessen the Department’s audit burden. DOD should take greater advantage of this model, freeing up resources needed for our troops at the “tip of the spear”.

AIA and NDIA look forward to working with the new administration to create greater competitive advantage for our warfighters through more effective readiness and logistics systems. We must work together to succeed.

⁴ Public Law 111-23, enacted May 22, 2009.

⁵ Section 844 of S. 2943, the conference agreement for the National Defense Authorization Act, 2017.

⁶ U. S. Government Accountability Office, “Setting Requirements Differently could Reduce Weapon Systems’ Total Ownership Costs” (GAO-03-57), February 11, 2003.