



***DoD Logistics Transformation:
The Future Logistics Enterprise
April 8, 2003***

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Assistant Deputy Under Secretary
of Defense (Supply Chain Integration)



The time is now.

“We entered the century really arranged to fight big armies, big navies, and big air forces, and not to fight the shadowy terrorists and terrorist networks that operate with the support and assistance of terrorist states.

And that's why we are so focused on transforming the department and the armed services.

To win the global war on terror, the armed forces simply have to be more flexible, more agile, so that our forces can respond more quickly. ”

**The Honorable Donald H. Rumsfeld
United States Secretary of Defense**

March 6, 2003





Agenda

- **The Logistics Challenge at the Department of Defense (DoD)**
- **Weapons Systems Support**
- **End-to-End Warfighter Support**
- **Enterprise Integration**
- **Progress to Date**
- **Questions**



DoD Logistics

**Our Business: Project and sustain US forces to remote locations
in support of our national security objectives**

- **Employ over 1 million people and engage over 80,000 industrial providers**
 - **600,000 personnel are deployable**
- **Structured to win the Cold War**
 - **Multi-echelon inventory and maintenance**
 - **Large, capital-intensive footprint**
- **Consume over \$85B/year**
 - **80 percent committed to weapon system support**
 - **Limited correlation between input and output**



***When we say logistics we mean the
biggest supply chain in the world.***

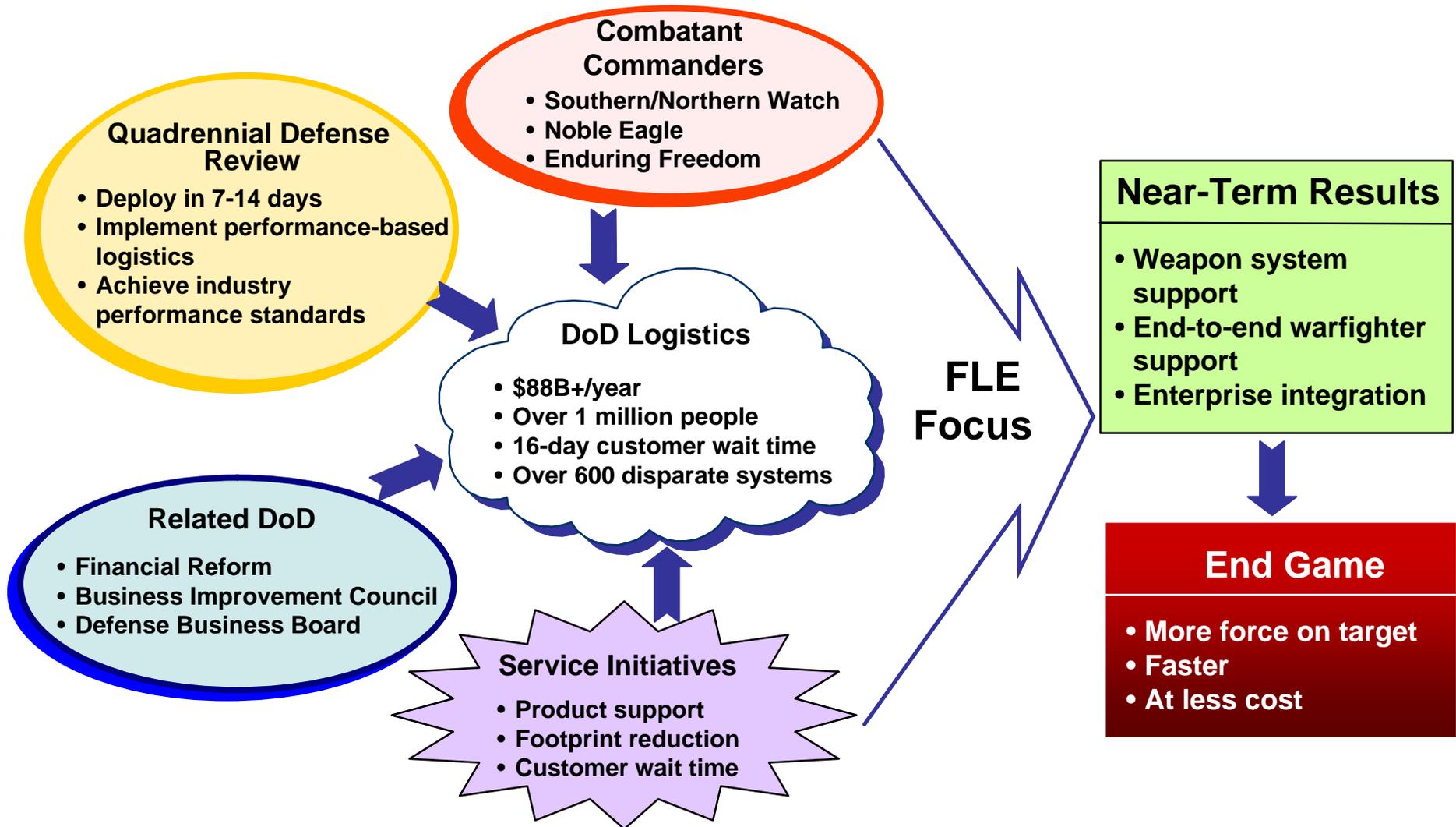


Future Logistics Enterprise (FLE)

- **DoD's near-term plan to transform logistics**
 - **Weapon system support**
 - **End-to-end customer support**
 - **Enterprise integration**
- **Focused on improving warfighter support**
- **Enabled by best practices and commercial solutions**



Change drivers



The Future Logistics Enterprise Vision is the Roadmap to Transformation



Future Logistics Enterprise

Enterprise Integration

Demand Planning

Combatant Commanders

- Army
- Navy
- AF
- USMC
- Force Requirements
- Operational Tempo

Theater Logistics Operations

- In-Theater Distribution
- Ammo, Fuel, Food

Joint Planning/Execution

Force Providers

Supply Planning

Program Manager and Executive Agents

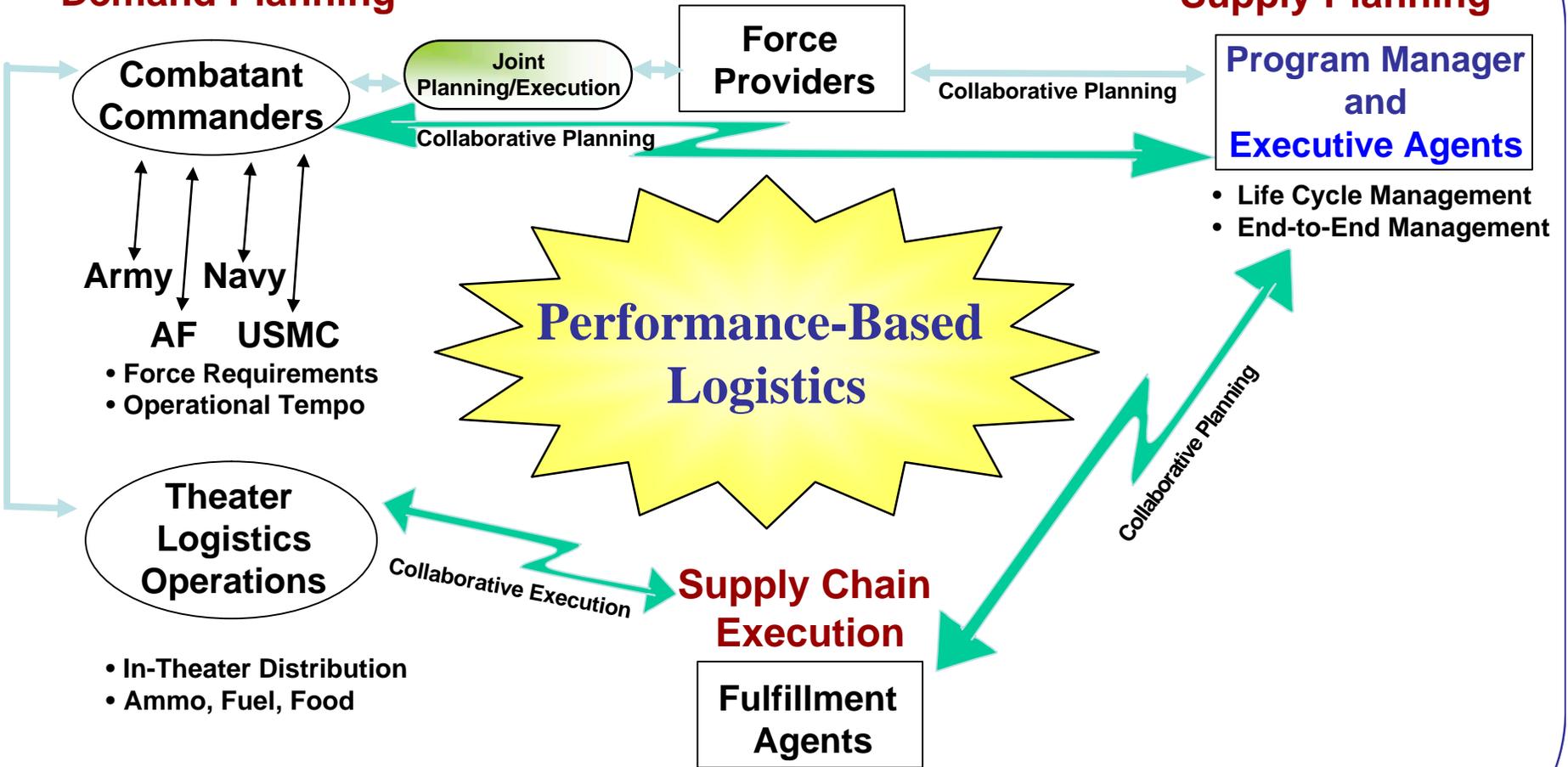
- Life Cycle Management
- End-to-End Management

Performance-Based Logistics

Supply Chain Execution

Fulfillment Agents

Industry/Government Partnerships





What's New

- **End-to-end responsibility and accountability**
 - Program Managers
 - Executive Agents
- **Real-time demand planning and capture from the source**
 - Combatant Commanders
 - Deployed forces
- **Processes and systems that embed best practice**
 - Distribution
 - Information management

*Providing our forces with consistent, reliable
logistics support*



Weapons Systems Support

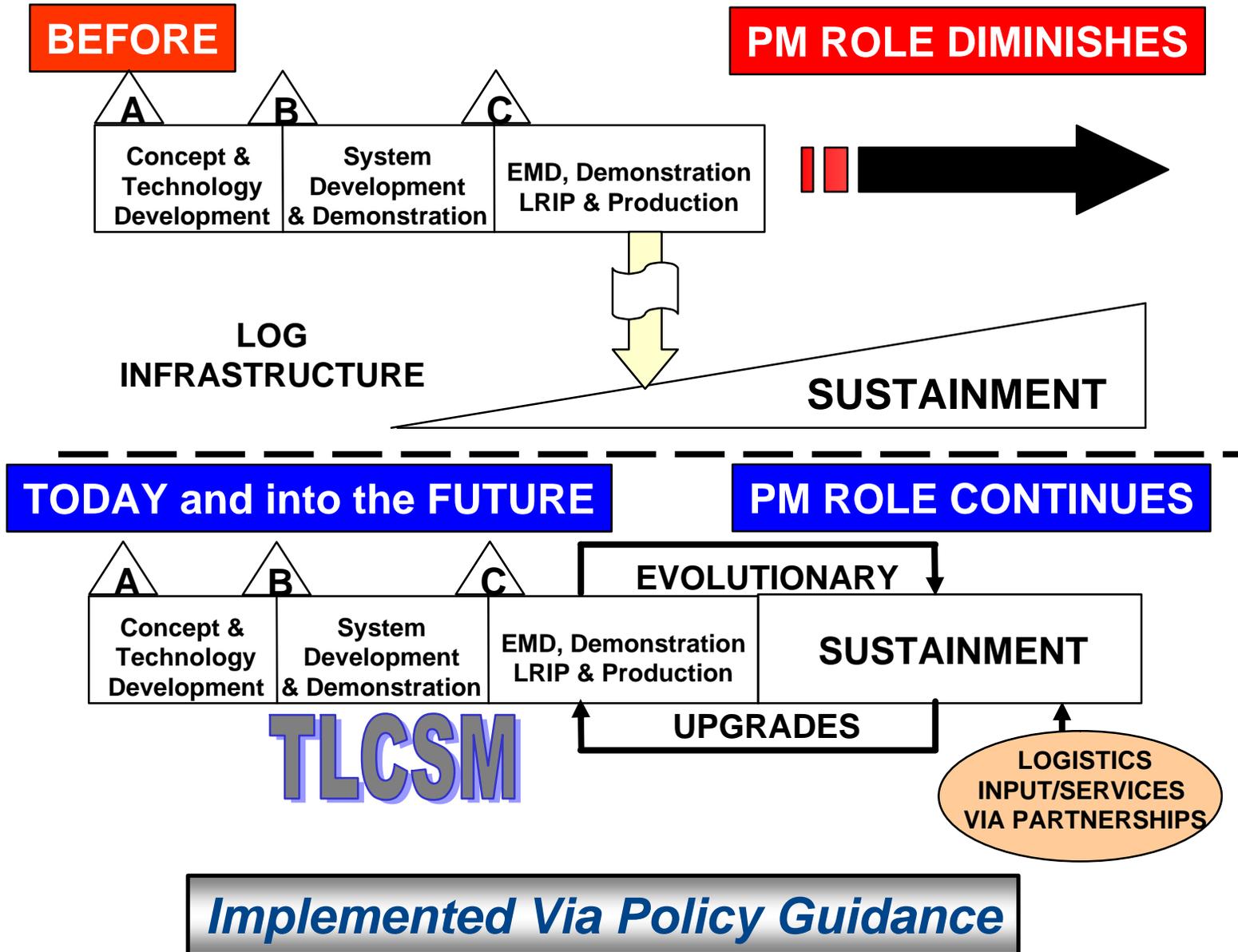


Weapon System Support Challenges

- Weapon system reliability designed to 75-85% range
 - Will not support rapid force projection
- Estimated weapon system sustainment cost of \$67B
 - Unable to link cost to performance
- Average wait time of 16 days for repairable parts
 - Disconnects across logistics functions
- World-class organic and commercial maintenance capabilities
 - Competing rather than cooperating
- Promising demonstrations of automated maintenance aids and parts management
 - We need to proliferate across the Department

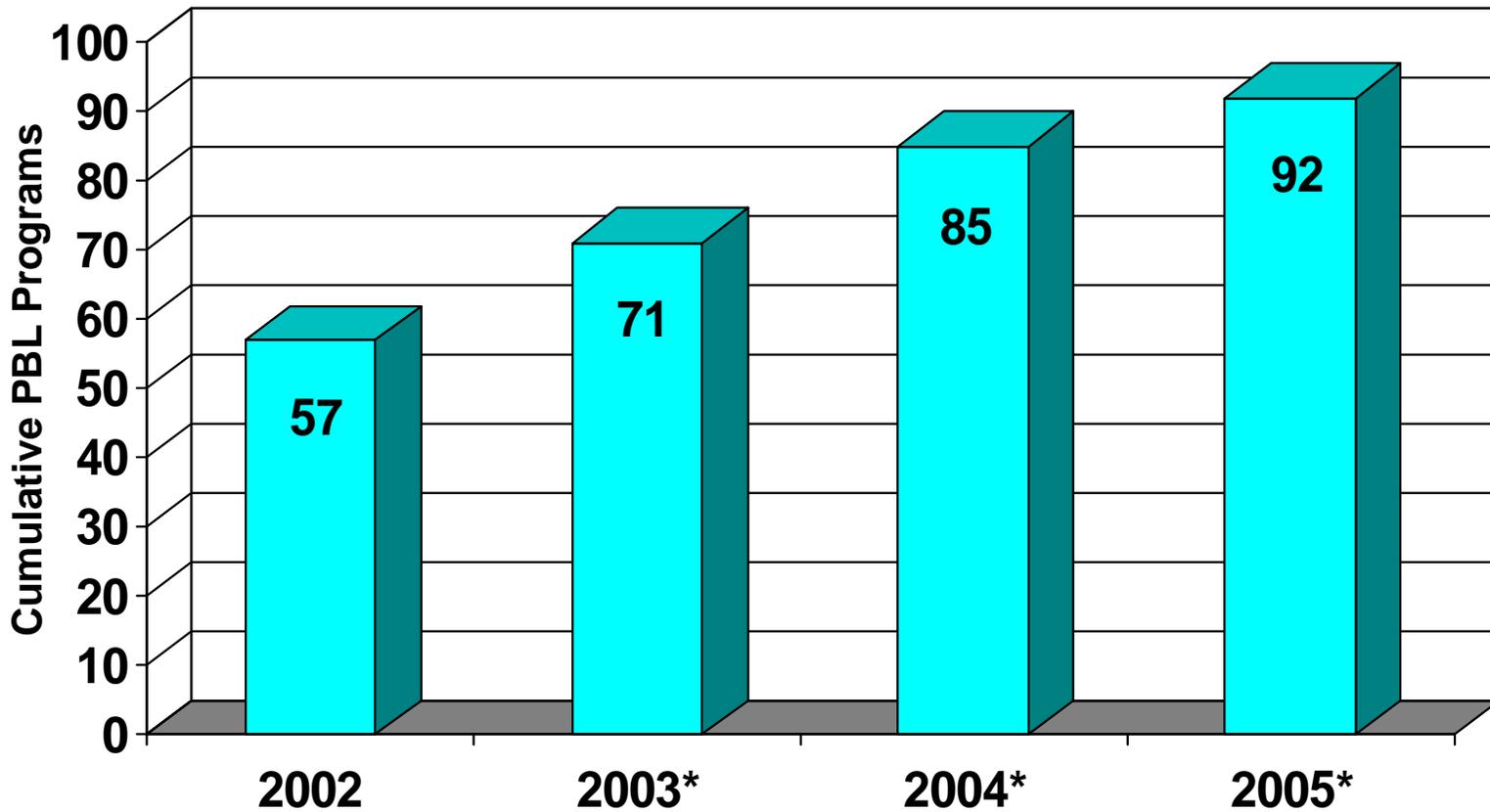


Life Cycle Management





PBL Implementation



* Projected PBLs Based on Approved Service Plans



Public-Private Partnering

Warfighter

- Improved logistical support
- Improved responsiveness
- Technology infusion
- Increased reliability

Organic Depots

- Enhanced operating efficiency
- New investment
- Access to technical innovation
- Preserve skilled workforce

Commercial Firms

- Access to process permits and proven capabilities
- Minimize process flows
- Avoid investment in duplicative capabilities
- Long-term agreements



Early Indicators of Success

~40% REDUCTION
LOG FOOTPRINT

~60% MORE
SORTIES



JSF

Performance-Based Logistics

- Designed-in Reliability
- Single Contract for Sustainment

JSTARS PBL Aircraft Availability

Provided 199 additional aircraft days in FY01 & FY02



Auxiliary Power Unit



On-Line
Shipping & Inv
Mgmt

Industry/Government partnership

Results

Units in repair from: 252, to: 0

98% shipped same day (was 60% prior to PBL)

92% delivered within 4 days worldwide

CWT reduced from: 35 days to: 5 days



Migration to the FLE End State

FIELDDED	CURRENT	FUTURE
 <p>F-18 C/D</p>	 <p>F-18 E/F</p>	 <p>JSF</p>
 <p>DDG</p>	 <p>LPD-17</p>	 <p>DDX</p>
 <p>BRADLEY</p>	 <p>Stryker</p>	 <p>FCS</p>
<ul style="list-style-type: none"> • Transaction-based • Fractured Supply Chains • Random Failures • Batch Process orders • Limited Accountability 	<ul style="list-style-type: none"> • Performance-Based • Integrated Chains • Fleet Management • Integrated Systems • PM Accountability 	<ul style="list-style-type: none"> • Capability-Based • Industrial Integration • Autonomic Logistics • End-to-End Solutions • Single-Line Accounting

Response Time:

16 days

2000

5-8 days

2010

1-5 days



End-to-End Warfighter Support



End-to-End Warfighter Support

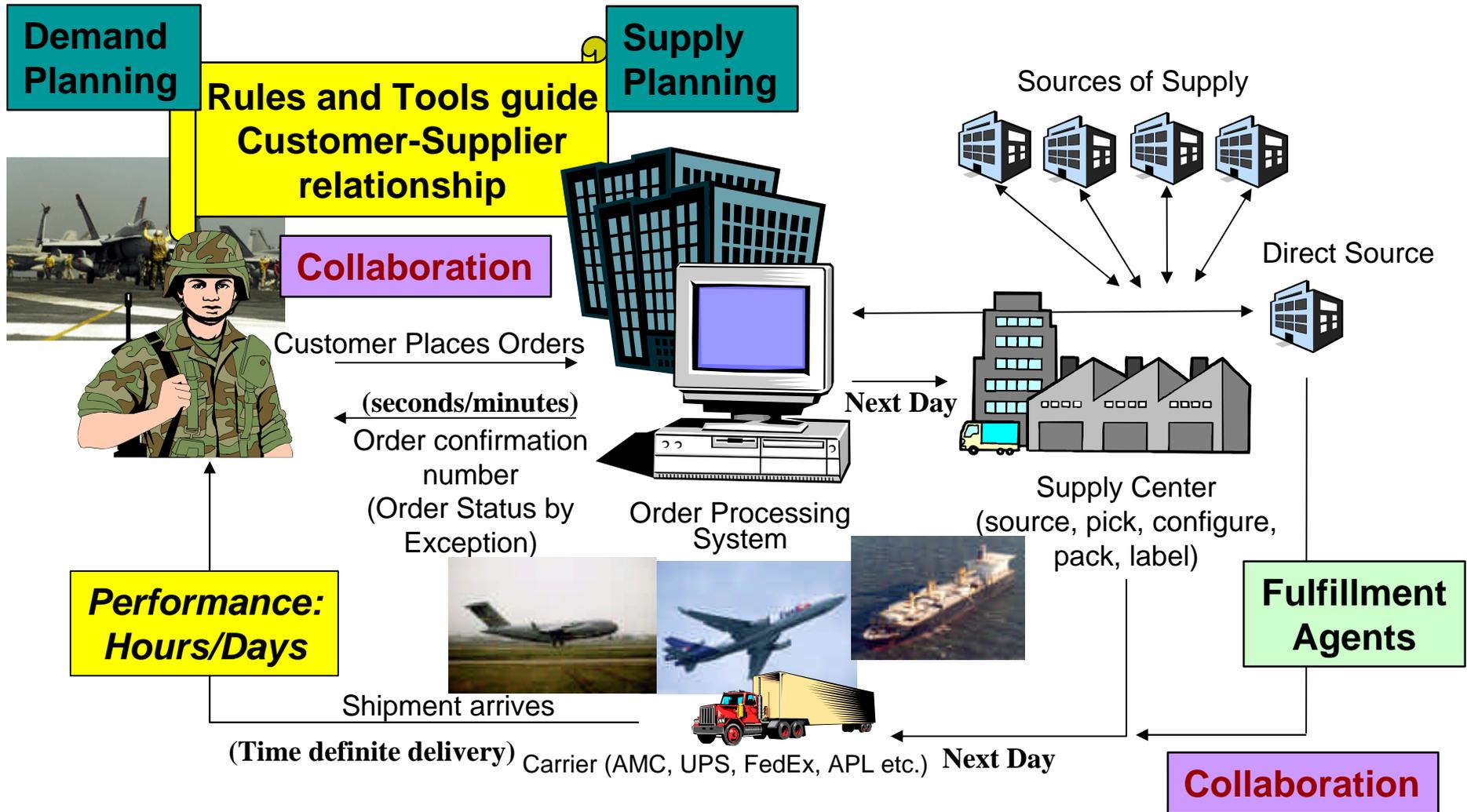
Uncertainty in the Supply Chain

- Lack of customer confidence
- Lack of timely consistent information
- Unsynchronized materiel flow and hand-offs
- Lack of collaboration in planning and execution





Best Practices Distribution Process



Simple, responsive, reliable, visible



Executive Agents

Combat Commodities

Operational Requirements

Combat Services



Subsistence



Bulk Pol



Medical Supplies



Construction Supplies

End-to-End Customer Service

Performance Driven Contracts



End-to-End Customer Support

Fully Resourced Reqmts



Port Opening



Water



In-Theater Distribution

And Others

COMMODITIES AND SERVICES RESOURCED AND DELIVERED TO OPERATIONAL REQUIREMENTS



Change the Process

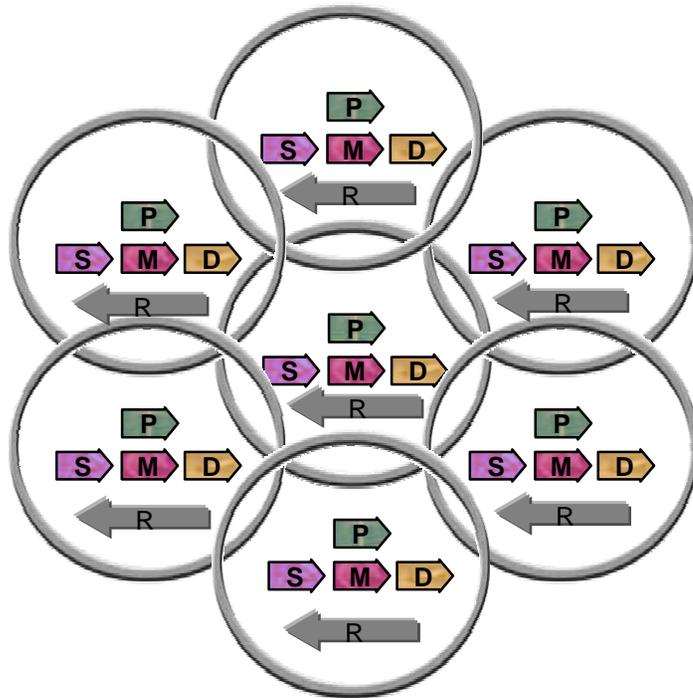
TRANSFORM DOD LOGISTICS BY...

- **Shifting key roles and responsibilities for end-to-end customer support**
 - Source of Supply assumes ultimate responsibility for fulfilling the requirement, regardless of who is executing portions of the process
 - Requires proactive collaboration between Source of Supply, fulfillment agents, and customer
 - Operate within Performance Based Agreements (PBAs) between Customer and Source of Supply
- **Through updated Materiel Management, Acquisition & Financial Policies**
 - Key Policy Changes In Place By Jun 03
- **Filling Information Gaps; needed information provided to the warfighter**

***SHIFTING FROM MANAGING INVENTORY TO
MANAGING THE SUPPLY CHAIN!***



Real-Time Demand Planning



Planning Trigger: Event Occurrence

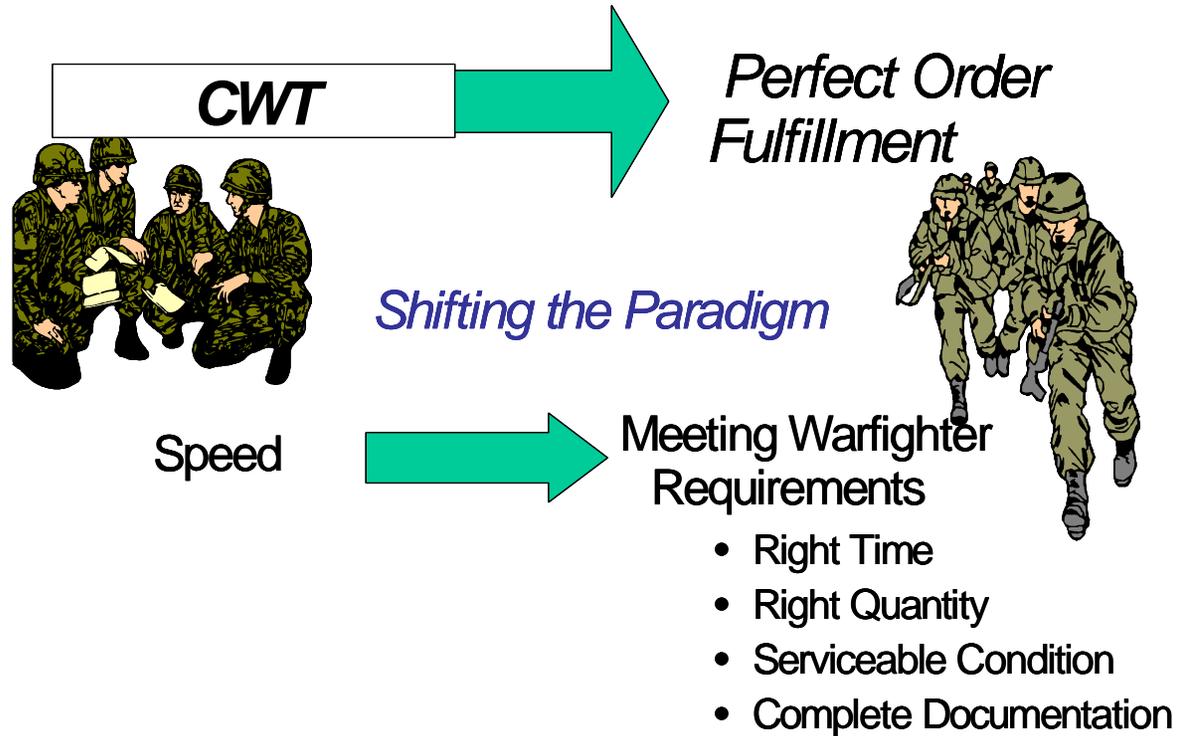
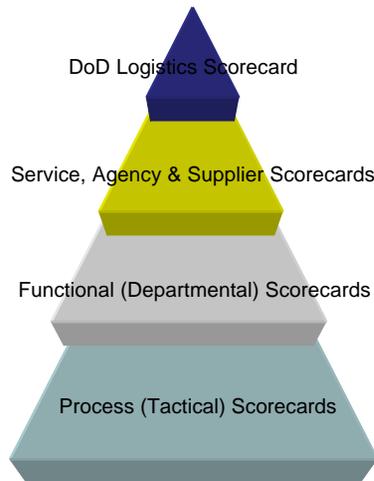
Communication Path: Concurrent

Logistics Focus: Maximize Value to the Warfighter (operational availability)

Core processes across DoD with concurrent links working in real time



Measure Output



Performance Criteria Will Drive Behavior



Enterprise Integration



Enterprise Integration

Linking people, processes
& information . . .



. . . to seamlessly deliver
warfighting capability.

Enterprise Integration End State:

Highly trained and skilled people within the DoD Logistics Enterprise have access to near real time, actionable information

...provided by modern, commercially-based software products

...that have been rapidly implemented to enable reengineered logistics processes and business rules



Managing for Success

Joint Logistics Board -- JLB
Senior Domain Leadership (3 and 4 star level)
DUSD(L&MR) Chair
Representation from All Services/Agencies

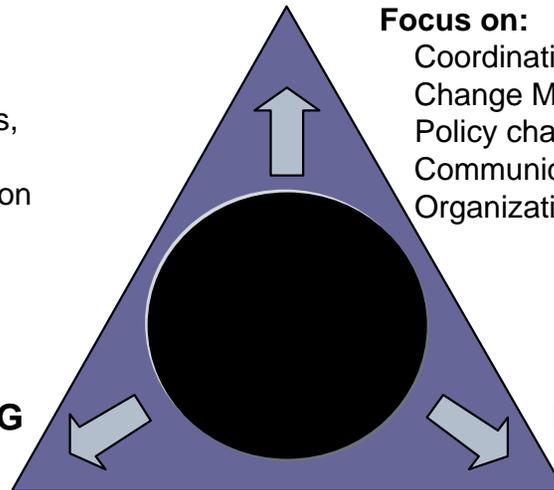
Change Management Group - CMG
“Make it Stick”

Commercial Industry Team:

One Rep (CIO, Exec Sponsor, VP Logistics, CEO etc) from selected companies that provide input/advice to each of the groups on varying topics

Focus on:

- Coordination with JLB
- Change Management
- Policy changes
- Communications/Public Relations, Messaging
- Organizational Readiness



Program Implementation Group - PIG

“Do it Right and Fast”

Focus on:

- Best Implementation Practices
- Lessons Learned
- Infrastructure
- Integrated Schedule
- EI Toolkit
- Modernization Programs Education and Training
- RICE
- Security

Best Business Practices Group - BBPG

“Reengineer for Success”

Focus on:

- Architecture
- Balanced Scorecard - KPI/Metrics
- COTS Product Exploitation
- Business Process Reengineering
- End-to-End Processes
- Roles/Org Model
- Logistics Education



Progress-To-Date

- Promulgated life cycle management across DoD
 - **Established 60 performance-based logistics programs**
- Secured depot partnering enabling legislation
 - **Issued partnering policy**
 - **Established 47 depot partnerships**
- Defined end-to-end service for key combat commodities
- Developed comprehensive logistics enterprise architecture
 - **Recognized as the logistics domain within Financial Management Enterprise Architecture (FMEA)**
- Initiated COTS business solutions for 100,000 users

***A Consistent Logistics Agenda;
Moving Forward with Implementation***



Logistics Excellence



Don't our sons and daughters deserve it!