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LOGISTICS AND
MATERIEL READINESS

July 16, 2012

MEMORANDUM FOR PRODUCT SUPPORT MANAGER CONFERENCE ATTENDEES

SUBJECT: Product Support Manager (PSM) Conference Report, June 5-7, 2012

The PSM Conference was held from Tuesday, June 5, 2012 to Thursday, June 7, 2012. Key conference highlights are listed below:

DAY 1:

Mrs. Lisa Smith opened the conference and provided the welcoming remarks, administrative announcements, and thanked the attendees for supporting the second Assistant Secretary of Defense (Logistics & Materiel Readiness)-sponsored PSM conference. Afterward, Mrs. Sue Dryden, Deputy Assistant Secretary of Defense (Materiel Readiness) (DASD(MR)) addressed the benefits of attendance, focusing on the interaction and collaboration between industry and government participants. Key points from her Strategic Overview included:

- Department of Defense Strategic Guidance is moving towards a smaller, leaner military.
    - As we move from the Middle East to the Far East, there is a greater necessity to rebalance global posture.
- PSMs are critical leadership positions within the program offices, addressing product support challenges.
    - PSMs need to lead with innovation to drive down life cycle costs.
- Life Cycle Logisticians/PSMs are strategically positioned to help cope with budget structure changes.
- A variety of training and tools are online and being developed to support PSMs

Mrs. Dryden concluded that government and industry should team together to provide affordable readiness for our Warfighters.

Product Support: Our Strategic Advantage
Mr. Lou Kratz, Vice President of Logistics and Sustainment, Lockheed Martin Corporation, discussed the industry perspective of Product Support challenges and opportunities. Key points are indicated below.

- Mr. Kratz echoed the Department's challenges, as addressed by Mrs. Dryden.
- The challenges associated with the cost of supporting fielded systems mandate broadening government-industry partnerships for a balanced solution.
- Life cycle product support solutions must provide required capability at an affordable cost.

Mr. Kratz concluded by identifying areas where government and industry need to improve to effectively take on challenges.

The remainder of Day 1 was focused on panel discussions and briefings on Product Support Business Models, Service Implementation Updates, PSM Challenges and Expectations, and Policy Briefings, with highlights from each briefing below.

Product Support Business Model – PM/PSM/PSI/PSP Responsibilities
Mr. John Boyce of ODASD(MR) discussed strategies and plans for product support, presenting the Product Support Business Model and addressing interactions between the Program Manager, Product Support Manager, and Product Support Integrator/Product Support Provider.

Panel Discussion – Services Product Support Implementation
Mrs. Dryden moderated a panel addressing Product Support implementation among the Services. The panel members discussed how each Service is addressing the challenges of the Congressional mandate for life cycle management, Better Buying Power, and Logistics Efficiencies, while meeting operational logistics requirements. The Services were represented by Mr. Wimpy Pybus, Deputy Assistant Secretary of the Army, Acquisition Policy and Logistics; Mr. Brian Detter, Deputy Assistant Secretary of the Navy, Expeditionary Programs and Logistics Management; and Mr. Scott Reynolds, Deputy Assistant Secretary of the Air Force for Logistics, Office of the Assistant Secretary of the Air Force for Installations, Environment and Logistics.

- Mr. Pybus addressed the Army's newly developed Product Support Concept of Operations; they want the PSM to be the logistics/sustainment expert – serving as the sustainment point of contact for Program Executive Officers (PEOs) and Program Managers (PMs).
- Mr. Detter presented the Navy's current efforts to create logistics and sustainment considerations within "urgent operational" needs; more focus on logistics is better.
- The Air Force Materiel Command has reorganized, with an Initial Operational Capability of October 1, 2012. Mr. Reynolds discussed the current Air Force Product Support Strategy and the need for enterprise leadership and vision.

Project Proof Point
Mr. Al Banghart, Defense Supply Chains Lead at Deloitte Consulting LLP, discussed Project Proof Point, an OSD-sponsored Performance-Based Logistics study that demonstrates the ability of PBLs to reduce the Services' cost-per-unit of performance, while simultaneously increasing the absolute levels of system, subsystem, or component readiness.

Panel Discussion – Product Support Manager Expectations and Challenges (Government and Industry)
Mr. John Baranowski, ODASD(MR), moderated a panel, addressing PSM expectations and challenges for government and industry. In addition, the panel addressed best practices implemented to prepare the PSM to meet expectations. Panel member highlights were:

- Mr. Bob Leavitt, PSM, Heavy Lift Helicopters, Navy:

    - Reliability drives not only cost but also supportability.
    - Support strategies need to be built early.
    - Problems with reliability are currently captured at the subsystem level, which is inadequate. They need to be captured at the component level.
    - Sufficient insight into data is necessary to identify where and why failures occur.
- Mr. James Breidenbach, PSM, Military Satellite Communications (MILSATCOM), Air Force:
    - Geographic separation from the PM causes challenges.
        - Make sure you're present!
    - Cultural separation from the PM and the program office causes challenges.
        - Acquisition and sustainment should be combined; there's a divide between the core acquisition and the core sustainment, and there shouldn't be.
- Mr. Tom Stevenson, Assistant Program Executive Officer, Land Systems Marine Corps for Acquisition Logistics and Product Support (APEO LS ALPS), Marine Corps:
    - Need to identify and support the next generation of PSMs.
    - Emphasized the importance of mentoring.
- Mr. Bill Kobren, Director, Logistics & Sustainment Center, Defense Acquisition University (DAU):
    - Several new DAU training courses are available to assist PMs, PSMs, Systems Engineers, etc. with product support policy and guidance (http://acc.dau.mil/productsupport).
- Mr. Shaugnessy Reynolds, Director, Life Cycle Logistics & Support, Northrop Grumman:
    - Create an environment for employees to thrive.
    - Focus on employee's discretionary training requirements.
    - Emphasize the need to assess current leadership.

Technical Data Rights (Acquisition Strategy)
Mr. David Sharpe, Open Architecture Program Office, PEO Integrated Warfare Systems, addressed:

- US Laws and DoD Guidance have a renewed emphasis on assessing the long-term technical data needs, regardless of the sustainment approach.
- Data rights are rights granted to the government for technical data and computer software.
- Data rights decisions made during the initial acquisition can have far-reaching implications over the system's life cycle.
- Data for competition does not have to cost more money.

Reliability and Maintainability (R&M) Engineering Update
Mr. Andrew Monje, Deputy Director for Reliability and Maintainability Engineering, Office of the Deputy Assistant Secretary of Defense for Systems Engineering, and Mr. Jim Farmer, ODASD(MR), spoke about R&M and the interactions between the PSM and SE.

- The main goal is to design for supportability, with key attributes focused on reliability and maintainability that enable achievement of the desired sustainment outcomes.
- Addressed current policy requirements associated with reliability analysis, planning, tracking, and reporting.
- Provided an overview of the reliability policy (DTM 11-003), signed March 21, 2011.
- Summarized the status of implementing the reliability policy in DoD 5000.02 and other related program documentation (i.e. Systems Engineering Plan & Acquisition Strategy outlines, etc).

Life Cycle Sustainment Plan
Mr. John Medlin and Mr. Bob Houts, both ODASD(MR), addressed the latest changes to the LCSP template.

- LCSP – it's your tool.
- LCSP is the nexus of critical thinking to deliver affordable life cycle product support.
- Walked through the LCSP outline and addressed expectations associated with each section.
- Take-Aways:
    - The LCSP is used to succinctly convey the plan for formulating, implementing, and executing the sustainment strategy.
    - An outline is available to help programs generate their LCSPs; it provides structure, mandated information, and examples.
    - The LCSP outline is a living document – evolving based on increasing maturity of activities, data, and lessons learned.
    - Use the web site https://acc.dau.mil/lcsp-outline.

DAY 2:

Mrs. Lisa Smith, ODASD(MR), called the meeting to order at 8:00am. After administrative announcements, Mrs. Smith introduced Mr. Richard Ginman, Director, Defense Procurement and Acquisition Policy, OSD. Mr. Ginman's briefing discussed contracting strategies, incentives, and language.

- Too often, we pay too much and think too little – we don't understand how to incentivize desired provider behavior and measure performance.
    - Understand your program; what it is you're after; and how to incentivize it.
- The importance of reading Acquisition Strategies was addressed.
- There are no arbitrary restrictions on contract length or type beyond what is identified by the Federal Acquisition Regulation (FAR).
- An appropriate contract length and type should be utilized to deliver an affordable and effective support solution.

Partnering and Industrial Integration
Mr. Joe Fengler, Director, Honeywell Defense Logistics

- We live in a legacy world; most of us are working on systems/subsystems that are over 20 years old. We need solutions that will work with already-fielded systems.
- Industrial integration. There are public/private partnerships in existence, but this is a work in progress – we need to do more.
    - There is currently a joint industry-government, OSD-led industrial integration team working on ways to improve public/private partnerships.
- Next challenge - think enterprise.
    - Not Service-specific solutions.

Performance-Based Logistics: The DLA Approach
CAPT John Spicer, USN, assigned to the Defense Logistics Agency

- PBL is a logistics support solution that transfers inventory management, technical support, and supply chain functions to a provider for a specified level of performance, at the same or reduced cost.
- DLA is working to implement this model across the Department, focusing on enterprise-level solutions that cut across multiple programs and/or Services.

Product Support Analytical Tools Database
Mr. Mike Bayer and Ms. Andrea Reese, DAU

- DAU and OSD compiled a listing of analytical tools to assist the PSM and others in the program office in developing support solutions. A searchable database was created on the DAU website (https://acc.dau.mil/psa-tools) and a demonstration of how to utilize it was provided.

Tailoring PBL: "How Much Do You Want?"
Mr. Gilbert Diaz, Senior Manager, PBL at Raytheon

- PBL represents an evolution in product support.
- It requires tailoring and active management.
    - It is not "fire and forget."
- "You get what you pay for."
    - Value received should exceed the contract price.
    - Value will vary, based on incentives (or disincentives).

DoDI 5000.02 and Life Cycle Sustainment Enclosure Update
Mr. Terry Emmert, ODASD(MR)

- Provided progress in the DoDI 5000.02 update.
    - Fact-of-life draft.
    - Working with Procurement and Acquisition Policy to synchronize with other sections.
    - Synchronize various inputs.
        - The 5000 has been structured around weapons systems, but we need to adjust other business models (IT, Business Systems, Rapid).
- Life Cycle Sustainment Enclosure to the DoDI 5000.02.
    - Five main sections:
        - Sustainment Across the Life Cycle.
        - Leadership.

        - Life Cycle Sustainment Plan.
        - Sustainment Metrics.
        - Reviews.

Resource to Readiness
Mr. Jim Farmer, ODASD(MR)

- It is difficult to effectively link resources to materiel readiness outcomes.
    - Different measures of materiel readiness are used by different organizations.
    - System-level readiness is usually not immediately impacted by changes in short-term funding levels because the sustainment enterprise can compensate, for a time.
- Resources-to-Readiness issues affect virtually every level of decision making across the DoD.
    - Numerous organizations are working the issues.
- The PSM must understand the true state of readiness on programs and endeavor to share results, models, and lessons learned to be able to better defend his/her budgets.

Panel Discussion – Sustainment Funding and POM Challenges
Mr. Jim Kelly, ODASD(MR), moderated a panel discussion on expectations and techniques that PMs and PSMs can use to successfully define and defend their resource requirements in a challenging fiscal environment. Panel members were:

- Colonel Rich Addo, USA
- Captain Mike Murphy, USN
- Lieutenant Colonel Rob Pittman, USAF

Mr. Kelly opened by introducing the panel members and previewing key areas of each member's presentation. Mr. Kelly also provided a broad overview of the challenges the Department faces in PB-13 and its strategy to address the future fiscal environment of reduced resources. COL Addo presented a candid overview of the Army's sustainment-related operation and maintenance accounts, highlighting the resourcing strategy that PSMs must be aware of when validating weapon system requirements. CAPT Murphy built on the panel theme by presenting the specific steps the Navy is taking to address affordability across its portfolios of systems and capabilities. Lt. Col. Pittman continued the panel theme, focusing on the methodologies and tools that OSD-AT&L uses to assess the affordability of individual major defense acquisition programs.

Counterfeit Parts
Mr. Paul Peters, DASD(Supply Chain Integration)

- 4-6% of the $700 billion of worldwide trade is counterfeit.
- The newer the systems, the more we're relying on Original Equipment Manufacturers (OEMs) and Original Component Manufacturers (OCMs), and the threat of counterfeit should be much less.
- Intrusion can happen at any level.
- Intervention is more than contracting.
- Memo from USD(AT&L) Overarching DoD Counterfeit Prevention Guidance addresses an area of critical concern while Department policy is in coordination.

Diminishing Manufacturing Sources and Material Shortages
Mr. Alex Melnikow, Defense Standardization Program Office – Diminishing Manufacturing Sources and Material Shortages (DMSMS), spoke about the importance of addressing DMSMS when developing product support solutions and actively managing DMSMS. He identified where PSMs could find more information on the topic and encouraged PSM attendance at the DMSMS Workshop.

- SD-22 Guidebook will be released in August 2012.
  - 100+ contributors.
- Developing a DMSMS Management Plan.
- DMSMS Workshop will be held in August 2012.
- Additional resources for PSMs may be found at www.dmsms.org.

Operating and Support (O&S) Cost Guidebook
Mr. Joseph "Colt" Murphy, ODASD(MR)

- The O&S Cost Guidebook lays out management decision points per milestone.
- Will Cost/Should Cost Management.
  - Goal – drive productivity improvements into programs during contract negotiations and throughout program execution.
  - Goal – eliminate cost overruns and deliver programs below budget baselines that are set using independent Will-Cost estimates.
- Affordability – Better Buying Power.
  - AT&L Memo, November 2010.
  - Affordability target is presented with analysis.
- Provide O&S cost transparency for decision makers on O&S activities containing cost ramifications.

DAY 3:

Mrs. Lisa Smith called the meeting to order at 8:00am. The first speaker of the morning was Mr. Dave Floyd, Director for PBL Programs at DAU.

Integrated Product Support Elements
Mr. Dave Floyd, DAU
Mr. Floyd addressed the recently completed Integrated Product Support Elements (IPSE) Guidebook and its relationship to the Product Support Manger's Guidebook. He talked about the purpose of the IPSE Guidebook and its intended audience. His presentation included the rationale for evolving from Integrated Logistics Support (ILS) to Integrated Product Support (IPS), covered the differences between ILS elements and IPS elements, the standard definitions, and implementation. The IPSE Guidebook can be found at:
https://acc.dau.mil/CommunityBrowser.aspx?id=470931

Maintenance Initiatives Impacting Product Support
Ms. Corey Battistoni and Mr. John Sutton, both ODASD(MPP)

- Depot Maintenance – Corey Battistoni
  - 10 USC Chapter 146:

        - The intent is to provide an efficient source of depot maintenance.
        - Ensure viability to government depots.
        - Maintain a strong national industrial base.
    - 10 USC 2460:
        - Depot-level maintenance and repair.
            - Hardware and software.
            - Independent of any location or funding source.
            - Will likely change again in 2013.
    - 10 USC 2464:
        - Core law.
        - Capability must be established within four years of IOC or fielding.
    - 10 USC 2366a:
        - MS A: Determine whether or not core law applies to your weapons systems.
            - Don't need a design or analysis for this.
    - 10 USC 2366b
        - MS B: Estimate of the requirements for core depot-level maintenance and repair capabilities.
    - 10 USC 2466
        - 50/50 Accounting – Can't spend more than 50% of your depot-appropriate funds on contractors.
            - To maintain industrial base.
    - 10 USC 2474
        - Service Secretaries required to designate each depot activity or military arsenal as Center of Industrial and Technical Excellence (CITE) in their core competencies.
    - 10 USC 2469
        - "The $3 Million Rule"
            - Cannot change location of performance for workload at DoD depots valued at $3 million or more.
    - 10 USC 2472
        - Prohibition on Management by End Strength
    - http://acq.osd.mil/logmpp/index.html

- Public-Private Partnering (PPP) – John Sutton
    - PPP: Cooperative agreement between an organic product support provider and one or more private-sector entities to perform defense-related work.
    - Why partner?
        - Mitigate problems with supply chain.
            - Cooperation with maintainer and supplier.
        - Industry, DoD and Warfighter all win.
        - Enable compliance to statutory constraints.
            - More flexibility.

Rapid Acquisition Policy and Application

Mr. Jim Farmer, ODASD (MR)

- Rapid Acquisition:

    - Now-focused, ACAT II or below.
    - Streamlined process.
    - Specific, contingency/operational requirement.
    - Quick assessment of alternatives.
    - Limited development, if feasible.
    - High visibility on results.
    - Limited investment (generally, but not always).
    - May transition to Normal Acquisition Program.
    - 75% solution acceptable.
- Revised CJCSI 3170.01H Three Requirements "Lanes:"
    - Deliberate Requirements.
    - Emergent Requirements.
    - Urgent Requirements.
- Inherent Risks – Acquisition Viewpoint:
    - Solution Failure.
    - Inadequate sustainment planning.
- Key Sustainment Challenges:
    - Early emphasis on technology.
        - Involving a logistician early is key.
    - Fielding of immature systems.
    - Inherent O&S costs.
- Goals:
    - Support for current operations.
    - Improve buying power and drive logistics efficiencies.
        - Integrating Life Cycle Management principles into DoD and Service acquisition and sustainment processes.
    - Institutionalize a balance-risk approach (deliberately accepting higher acquisition risk when it mitigates higher operational risk).
- Capabilities will not be sustained if sustainment is not affordable! PSMs are very important to guide the transition to enduring capability, as well as supporting capabilities for the current fight!

Forums

The final events of the day were two detailed discussions on Product Support. The first was focused on leading a product support team and had current or former PSMs talk about the challenges they faced. It also discussed the LOG 365 Senior Seminar being developed for PSMs. The second forum focused on developing and implementing a successful life cycle product support strategy. Each session was facilitated by DAU instructors and was intended to bring the various presentations of the conference together and apply the information to the PSM's mission.

Successfully Leading a Product Support Team

Mr. Dave Floyd and Mr. Steve Brown, both DAU

Panel members:

- Mr. Lansen Conley, PSM – F-22 "Raptor," Air Force
- Mr. Howard Waiters, PSM – Medium Tactical Vehicles, Marine Corps

- Col George LaVezzi,USAF, PSM – C-17 "Globemaster III," Air Force
- Mr. Mike Overs, Assistant PEO-Logistics Air-6.6.1 – Heavy Lift Helicopter and Surveillance Aircraft, Navy
- Mr. Craig Carson, Director, PM GCV Logistics – Ground Combat Vehicle, Army
- Leadership Tips:
  - Communication is key to an effective PS team.
  - Logistics must be seen as one of three technical branches equal with Engineering and Testing.
  - Consider affordability (same output, lower cost).
  - PSM needs to think 2-5 years out, as much as possible.
  - Keep PS focused on Warfighter.
  - Must walk fine line on depot partnering relationship between SPO, depot and PSI.
  - Consider specialized knowledge requirements needed within the team.
  - Develop charters that clearly define stakeholders, goals, responsibilities and methodologies.
  - Build/maintain key stakeholder relationships.
  - Get involved in the acquisition process early.
  - Establish POAMs to solidify and track schedules.
  - Establish a prioritized task matrix.
  - Passion outweighs experience.

Developing, Implementing, and Executing a Life Cycle Product Support Strategy
Mr. Terry Johnson and Mr. Brian Yoo, both DAU

- Product Support Management is more difficult than rocket science.
- Life Cycle Product Support Strategy:
  - Team effort; you can't do it alone.
  - Begin with the end in mind.
  - The LCSP Evolves:
    - Materiel Solution Analysis:
      - Establish notional maintenance concept and metrics.
      - Identify key technologies.
      - Analyze processes and Life Cycle Cost (LCC) drivers.
    - Technology Development:
      - Establish sustainment concept and execution plan framework.
      - Set metrics goals/thresholds and test methods.
    - Engineering and Manufacturing Development:
      - Support structure and Product Support Package (PSP) requirements defined.
      - PSP and metric verification.
  - Product Support Strategy Tools:
    - Product Support Guiding Principles.
    - Product Support Business Model.
    - Sustainment Maturity Levels.
    - 12 IPS Elements.
    - DoD 5000 and the DAG.
    - PSM BCA, LA Guidebooks, LCSP (DAU Website).

        - USC Title 10 (depot workload sections).
        - Contracting knowledge.
        - JCIDS/PPBES.
        - Integrated Life Cycle Chart.
    - Product Support Business Model:
        - One size does not fit all.
    - Begin with the end in mind; you're going to have to think about what you're going to do, upfront.

Prior to adjourning the meeting, Mr. John Baranowski did a conference recap and thanked everyone for their participation and support.

Sue Dryden
Deputy Assistant Secretary of
Defense (Materiel Readiness)