



## Executive Roundtable: Defense MRO/Sustainment Requires Shifts, Cuts

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**Over the past five years, government and industry leaders have indicated the need to understand the full range of MRO capability supporting the warfighter. This includes not only the shop capability, but also where supplies are being produced and the impact of cuts and shifts in where MRO is provided. The basic premise: have we evaluated, independently, where the MRO enterprise can surge in the most cost-effective way? Without knowing this answer, making informed decisions is impossible.**

**The Aviation Week Executive Roundtable: MRO Military met April 5 and will advance a recommendation to conduct this study. The April 5 roundtable, sponsored by Siemens PLM Software and attended by 46 government and industry leaders, was the eighth annual meeting of the group. Aviation Week convened its first Executive Roundtable in November 2004 as a means for aerospace and defense leaders to come together in a non-competitive environment to discuss issues and challenges impeding program, business and government performance. In the past eight years, more than three dozen roundtables have been convened to define actions designed to support a healthy enterprise. The roundtable participants divide into small groups to identify challenges, discuss possible solutions and then provide an overview to the group. Attendees then select those areas seen as priorities.**

**Hosts for the meeting were General (USAF Ret) William Begert, VP Aftermarket Services for Pratt & Whitney's Military Engines business; and Carole Rickard Hedden, Aviation Week Special Projects Editor. Begert opened the meeting with a reminder that regardless of era, the nation has a plan for the speed and reach that must be maintained to respond to threats and defense. The withdrawal from Iraq**

and drawdown in Afghanistan will result in obvious changes in tempo, while the pivot to the Asia Pacific will result in new demands.

Following lengthy discussion, the group proposed an independent study to determine what readiness means in the new environment:

- **Based on threat/defense strategies, what is the best blend of company-specific and industry capability. For instance, if a war plan requires XX divisions to move to the Middle East or Asia in XX days – what is required to deliver the complementary level of maintenance/repair/overhaul during this surge period?**
- **What locations are required to meet the strategy (organic and commercial)?**
- **What is the cost of “carrying” the ability to surge on demand? (Dollars and time as part of the calculus)**
- **Assess the impact and risks associated with worldwide supply base -- what must remain in production within the United States?**

In addition to the study, the group identified several other priorities for action:

- **Lean out and establish a base foundation for the process for acquiring sustainment/MRO capabilities and conducting business case analysis; extend duration of contracts to achieve cost efficiencies.**
- **Establish and maintain for longer periods of time a central MRO leadership committed to best vs. parochial solutions.**
- **Let industry do what it does best – for example, supply chain management.**
- **Increase use of commercial standards for commercial derivative programs**
- **Choose pilot programs to test solutions (blending fleets, addressing acquisition process, etc.)**

To provide additional thinking for the roundtable conversation, Aviation Week hosted a luncheon for MRO Military Symposium attendees during which all attendees were asked for their input. The luncheon findings included:

What do you consider the top-level concerns?

- Establishing a DoD budget strategy, beyond cutting, and linked directly to defense/threat strategy.
- Loss of talent as necessary cuts are made.
- Distinguish between capacity and capability and take appropriate action; acknowledge that reversibility will be achieved at a cost.
- Assure innovation investment in the area of MRO, not just design/development of new systems.

From your perspective, what are the biggest opportunities to reduce waste?

- Improve root cause analysis capability
- 50/50 statutes must be applied as an enterprise, not by program
- Consolidate where it makes strategic sense.
- Analyze throwaway vs. rework, as well as parts flow for streamlining and LEAN.

What are the greatest opportunities to cut cost?

- Bureaucracy.
- Make true business-based decisions.

- Increase use of longer-term contracts.
- Apply LEAN concepts to contracting process.
- Reduce warehousing of parts.

Following discussion of these luncheon inputs, the roundtable participants addressed a set of questions and developing responses. Following are these responses.

### **Tables 1 and 2**

Discussions focused on driving out cost at the administrative/business level.

Recommendations include:

- Base oversight on performance versus identical oversight/reviews for all.
- Contracting personnel need to be included in future MRO Military conversations, beyond programs and practitioners.
- Investigate use of commercial-build standards and where appropriate.
- Establish pilot programs to evaluate and assess who should do what in a fully optimized MRO operation (organic vs. industry and where); we must challenge ourselves to select these versus waiting for it to be imposed.
- We need to achieve a level of acquisition in which we codify the deliverable versus dictating and policing the “how”.
- There is no contracting standard and current contracting practices are not following any precedent.
- Establish and measure first pass yield of the contracting process.
- Long-term contracts have been chosen to reduce waste and cost in the contracting process as well as overall. No standards for contracting.
- We must include the contractor community in this symposium and roundtable ... to bring us together in understanding a common language and effort.

### **Tables 3 and 4**

As the military force withdraws from Afghanistan, draws down and shifts its strategy to address emerging threats –

What are the biggest risks? What are the opportunities? What are the gaps?

- We will not be able to recover all that is lost as the drawn down and costs occur; the base corollary of national power will change.
- We need to identify emerging needs in terms of sustainment versus total focus on cut.
- Assure an MRO enterprise view versus program-by-program assessment of balance to 50/50 statutes.
  - Who does what best?
  - Where is there redundancy?
  - Act on real information vs. fear tactics.
  - Break down the walls between public and private - the enterprise
- The lack of a common accounting system across public and private results in disjointed economic perspective and inability to make fact-based business case.

## Tables 5 and 6

Over the years, there has been discussion of how to use resources to their full extent, including combining fleets and service branch operations where possible.

- Recognize that service branches or even organizations within a branch have different missions, making their needs and requirements much different.
- There is not a common definition of readiness, making it difficult to assess or evaluate performance and best options. This lack of definition has been addressed for the past eight years: now is the time to resolve.
  - What role will the Readiness Management Group have in setting this definition?
  - If Joint staff is the referee to adjudicate demand for readiness, how can the decision be fed into the MRO enterprise in a way that will result in efficiency and quality?
  - Metrics must link directly to the definition of readiness (is it mission capable or reading for tasking or what?)
- We all need to work together to prevent “hollow force”.
- In addition to readiness, the participants indicated that there is no clear definition of capacity – if we don’t have this how can we know what the base level required is and what the requirement is for “surge”?
  - Capacity is not direct labor hours alone – must include tooling, capital equipment, innovation.
- Are we backing into a hollow force without intending to?
- Efficiency alone will drive awful behaviors – effectiveness must be included.
- Must develop contracting that allows a system to flourish that identifies and takes full advantage of who does what best. Identify what industry does best and what organic operations do best. Examples include –
  - Industry tends to manage parts best.
  - DoD tends to move parts around best.
  - DoD does best in touch labor.
- Need to revise the way metrics are reported for accuracy. For instance, delivery of parts may be 85% but if the 15% is fan blades, then huge issue. At the same time, 85% for everything can create cost. Need to establish appropriate for major needs.
- Combining resources/depots/centers and operations must be done selectively and where it makes sense – not as an overall solution.

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