



AVIATION WEEK EXECUTIVE ROUNDTABLE:

MRO Military Enterprise Enters New Phase

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Beginning in April 2005, military and industry leaders supporting the Maintenance/Repair/Overhaul and Sustainment initiatives of the Defense Dept. have met annually to identify key issues and actions to improve support of warfighter readiness. This year's roundtable involved just over 60 leaders and was held in conjunction with the MRO Military Symposium in Phoenix, Ariz.

This year's roundtable, hosted by Siemens PLM Software followed the symposium, allowing participants to hear first about the status of the MRO Military business, priorities from the depot commanders and Defense Logistics Agency, as well as a broad-ranging discussion about leadership initiatives. This included particular focus on the state of performance-based contracting for support and sustainment.

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Roundtable participants addressed three core issues:

- Identify recommendations to improve the decision-making process to achieve best overall value and readiness for the Defense Dept.
- Identify best way forward in integrating sustainment/support of legacy and new weapon systems
- Identify key concerns and resolutions on achieving public/private partnership success and balance.

Hosts for the roundtable were Rob Weiss, EVP of Global Sustainment for Lockheed martin Aeronautics Co., and Michael Bruno, Deputy Managing Editor – Defense, AVIATION WEEK. Participants in the roundtables represented the U.S. Air Force, U.S. Marine Corps, U.S. Navy, Office of the Secretary of Defense, AAR Corp., Battelle Institute, Bell Helicopter, Boeing, Eaton, Lockheed Martin, Goodrich, HEICO, L-3 Communications, LeadByEx, Moog Corp., NORDAM, Northrop Grumman Aerosystems, Pratt & Whitney, Sikorsky Aircraft, Timken, and Siemens PLM Software.

Among the most significant and clearly articulated statements from the roundtable was the notion that based on current trends, the Defense Dept. budget will continue to shift toward support of personnel to the degree that insufficient funds will remain for training and sustainment of the weapon systems the personnel use.

This situation inherently requires the cost of sustainment and maintenance/repair/overhaul to be lowered. While obvious in nature, this requirement demands actions be taken across several areas.

1. Work with AIA to develop and recommend legislative action to standardize business case analysis format and review. The current methodology was cited as having too many variables, particularly in reference to the cost of personnel being incorporated in industry business case analysis but not in organic business case analysis. This leads to a fundamental flaw in total lifecycle cost comparisons and continues to escalate a shift in DoD funding toward personnel vs. warfighter and systems.

2. **Assure an independent audit structure to measure the effectiveness of the business case analysis and its ongoing use.**
3. **Work with DoD to reinforce an organizational structure that supports continuous leadership tactics – a deputy moving into command slot to assure this continuity.**
4. **Form an industry/government (depots and fleet readiness centers) task force to establish MRO/sustainment acquisition protocol that identifies use of transactional vs. performance-based contracting. It is believed that doing so will allow quicker identification of contracting needs and supporting processes, thus shortening the cycle time for achieving contract.**
5. **Overwhelmingly, the MRO Military Roundtable found the need for a service leader champion to bring process discipline and standardization to the sustainment/MRO effort. It was noted that there currently is such a position but no one could identify who the individual is – which only magnified the need for this to be a strong and visible part of the acquisition structure.**

The roundtable also was provided an overview of the Aerospace Industries Association's efforts surrounding standardization of data. It was noted that the work to date is focused on the design/development/engineering side rather than on the gathering and analysis of performance data used to drive down cost and cycle time in the maintenance/repair/overhaul/modification stage. The "S Series Specification Project being driven jointly by AIA and the Aerospace and Defense Industries Association of Europe is creating data standardization to improve interoperability and data sharing during the in-service phase of the product lifecycle. This relates directly to point 5 above.

Additional details from the discussions included the following points:

- **Current process/audit procedures do not match contract language or intent, which then forces the enterprise to shift toward transactional vs. performance-based execution.**
- **Office of Sec Def is working on standardization of the business case analysis process; however, industry leaders indicated they believe it will require legislation for full implementation across all service branches to be achieved.**

- Roundtable participants cautioned that use of a business case analysis should be used precisely so as not to create bureaucracy around the purchase of piece parts or basic transactional services.
- Just as industry is rationalizing to reduce duplication and over-capacity, a parallel effort is needed for government owned/operated MRO and sustainment capability – across all services versus “by service”.
- Despite a continuous call for common definitions for the metrics to gauge sustainment/MRO performance, the key performance parameters are defined and applied differently across the enterprise.
- Common program offices that team industry with government have proven successful.
- Trust remains the number one issue preventing full performance improvement.
- Whatever methods are developed by joint industry/government task forces must provide for incentives (gain sharing, etc.) to collaborate and achieve performance in a team environment.
- Somehow, industry must overcome obstacle that long-term profitability is viewed as a negative by the taxpayer/regulator. Among the trends noted is that while a company may lose money in years 1 through 5, achieving profitability in years 6-10 is viewed as excessive. There is no method for smoothing the dollars across the life of a contract to determine the longer-term profitability and thus justification for a new contract baseline.

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