

A National Level Vision Needed for the Defense Sustainment Industrial Base

Statement by Colonel Tom Miller

Free to choose a topic for research here at Brookings this year, I picked one that frankly I felt I needed to understand to a greater degree and felt certain that officers and civil servants entering staff positions on their Service Staff, OSD or the Joint Staff needed to have a better appreciation for as well.

So those officers and civil servants are actually the audience for my research paper, to use it as sort of a primer on the issue of the mix of public and private sustainment for weapon systems. As with many complex debates it has a number of stakeholders and variables which aren't centrally documented. The attempt of my research was to capture a significant portion of the issue, provide context on the environment, and finally some recommendations on the way ahead so they are better prepared to support senior decision makers in the near term environment.

The terminology defense industrial base describes a very large enterprise so it is helpful to provide to context on this label so if there is debate over the issue it is over the content and not the lexicon that is used. If we begin with a distinction between the industrial base that involves the manufacture of new weapon systems and the industrial base that provides parts and repair and upgrade capability for those systems throughout their life cycle it is helpful. Companies can of course be in both worlds but that the focus of my discussion will be on the sustainment world as it gets less attention in the media. After the environment I'll describe in the next few minutes, I'll argue that it will be even more important in the future.

Since providing even a top level discussion of the all the facets of weapon systems sustainment would fill volumes, I narrowed my discussion even further to depot maintenance specifically as an important aspect but only one of many aspects of sustainment.

The sustainment industrial base operates in an environment with some key statutory requirements so I'd like to highlight a few to frame the discussion.

Core – Title X has a number of requirements in this area one of which is called Core Logistics Capabilities. Specifically DOD must maintain those capabilities to “Maintain and repair weapon systems and other military equipment necessary to meet Joint Chiefs of Staff developed requirements. The services measure this workload in hours by weapon system. While this might sound straightforward it is difficult to calculate and doesn't provide the level of fidelity needed to ensure the government has ready access to the sustainment requirements needed to support weapon systems in a contingency scenario.

The measure often referred to as 50/50 is another governing requirement. 50/50 refers to the requirement that not more than 50 percent of the funds made available in a fiscal year to a military department or defense agency for depot level maintenance and repair workload may be used for contract performance. So to clarify, core is hours and 50/50 is dollars measurement (it used to be 70/30 then 60/40 has been 50/50 since 1997).

There are many other important factors including the Buy American Act and the Minimum Capital Investment requirement but time is short so I won't go into those.

Last year's NDAA directed a comprehensive study directed by the last NDAA. It is a soup to nuts look at nearly every aspect of depot maintenance on the government side. One of the goals of that study is to better understand what capabilities and capacities we have and what we will need. To be effective you can argue that the government needs to understand the private sector to that degree as well as the public sector.

So if we are concerned about the future, it seems logical to look what we are really talking about as far as capacity and capability. The DoD has a standardize methodology to calculate organic capacity so rough comparisons can be made between facilities. Capacity catches the attention of many because of the natural if not direct relation to a number of jobs.

Less direct is the factor of capability. For almost any capability, whether it is precision manufacturing, low observable technology or solid rocket motors, you have some common components which are equipment, skilled personnel, information and materiel.

What I view as the risks - So with the context of what the sustainment industrial base is, the legislation effecting it, capacity and capabilities There are many no doubt but a few are:

As the acquisition of new weapon systems decreases, major defense companies will need to look for a way to preserve their industrial capability and utilize their facilities, capital equipment, and skilled workforce. Increasing the amount of sustainment workload they pursue for weapon systems already fielded is natural option. The services have both a statutory responsibility and a risk mitigation need to possess core logistics capabilities organically. This environment can create an unvetted scramble in a post OIF/OEF environment with outcomes that don't benefit either player and certainly not the warfighter.

There will be precious fewer dollars to be spent by strategic decision makers in both government and industry. Without a vision and a strategic process to determine what is needed and where it would be accomplished...

Costs can become prohibitive

Key providers could exit the business or sell off a subsidiary with the government unprepared to take over

And Knee jerk reactions can occur as weapon system availability starts to suffer

It isn't hard to imagine in an enterprise and large the defense environment having all of these risks converge. A scramble for workload, competing strategies, and reduced budgets with which to execute. In the turbulence of the scramble and the scramble leads to a lack of access to needed sustainment which will effect weapon system availability.

RECOMMENDATIONS

So, though this strategic process is the primary need to mitigate this risk there are other actions that can be taken in the mean time.

During the DOD's insourcing effort, activities should be pursued which provide core capabilities necessary for weapon system support. This is not a push for workload with a predetermined number of jobs attached to it (easy to measure and important in a challenging economy) but instead

the capability which losing access to presents the most risk (hard to measure yet important for National Security)

Finally, Innovative partnerships like the Air Force's Heavy Press Program of the 1950s where the Air Force paid for the capital equipment which was needed for manufacturing large bulkheads or something along the lines of the Civil Reserve Air Fleet only instead of airlift capability needed in surge capacity we pursue industrial capability.

My view is that this isn't about fencing off organic work. The Department needs a healthy private sustainment industry and relies on it everyday to produce weapon system for the Warfighter. What is needed is a vision and a strategic process that determines the how much and what type of capabilities we need and where it should be to manage expectations and prevent the scramble...and ultimately make sure access doesn't negatively impact weapon system availability.

With that I'll conclude and I look forward to your questions.