Headquarters U.S. Air Force

Integrity - Service - Excellence

Air Force Depot Maintenance

Ready for Renaissance

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Director, Budget Mgmt & Execution
Air Force Working Capital Funds

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Overview

- Air Force Depot Maintenance
  - Current structure
  - Financial mechanism
    - (Depot Maintenance Activity Group - Working Capital Fund)
  - Products & Services
  - Customer base
  - Scope of Operations
  - Problems originating in the 1990s
- Depot Maintenance Reengineering & Transformation
  - Approach & Objectives
  - Organization & Focus Areas
  - FY03 Initiatives

Air Force Depot Maintenance Activities

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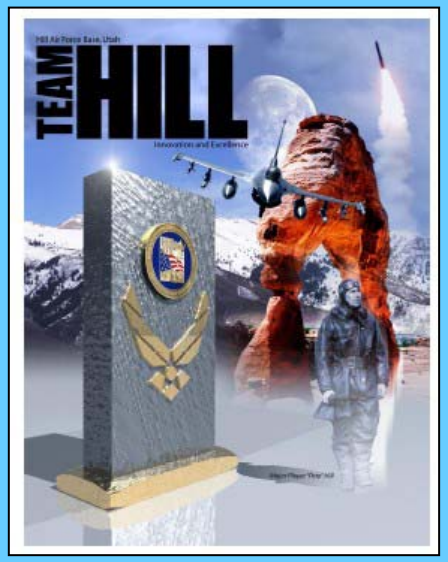
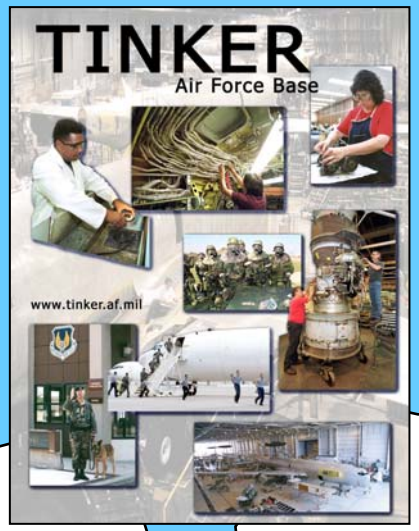
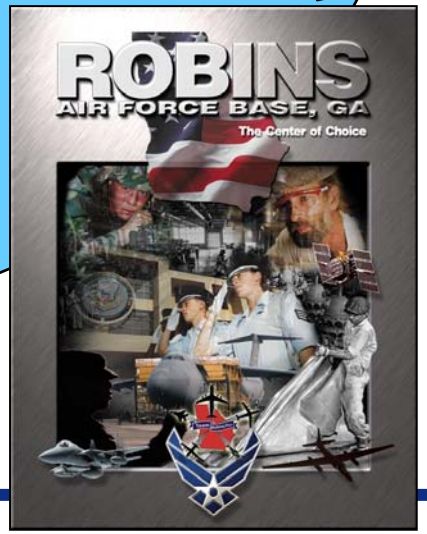


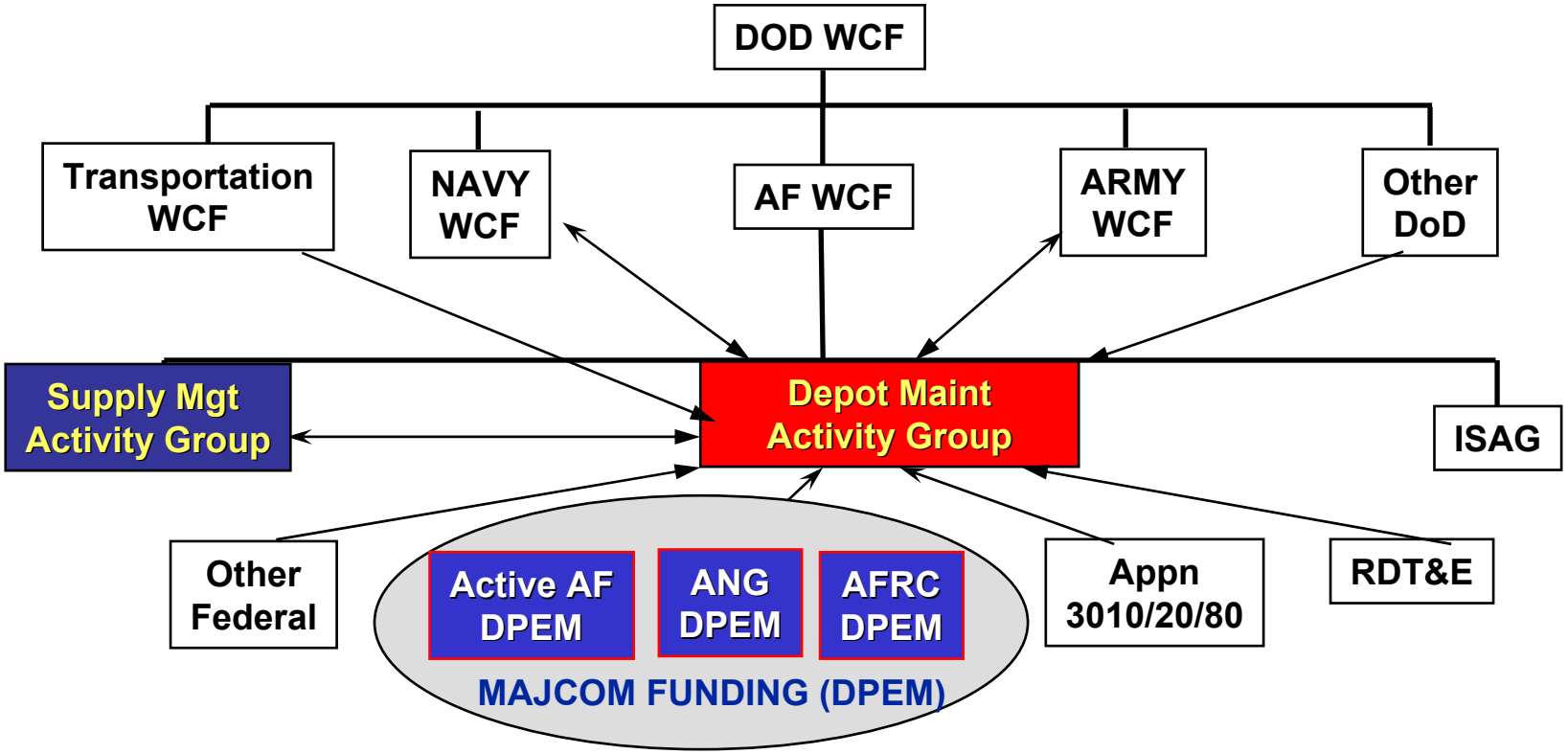
AMARC





The Business Mechanism

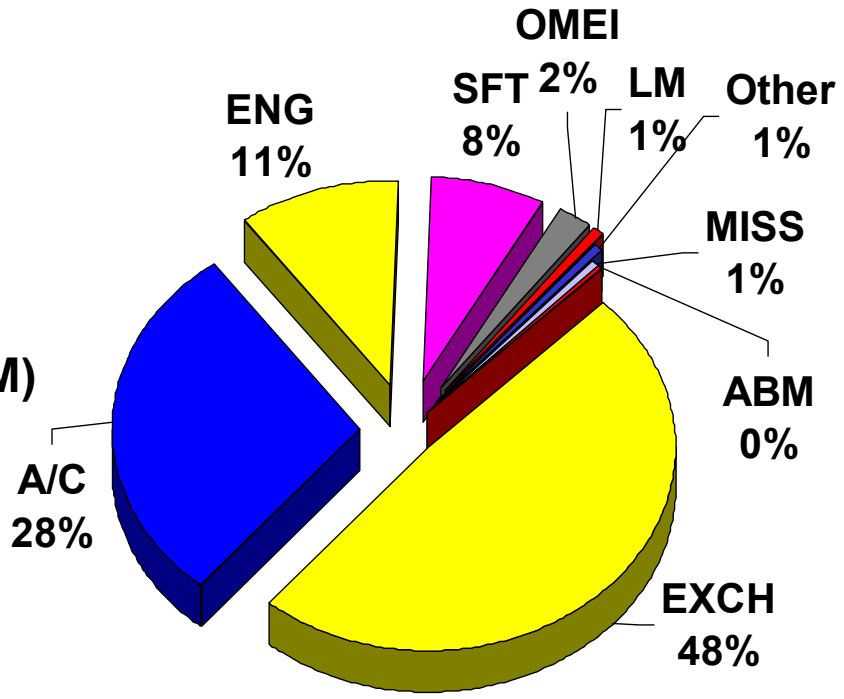
Depot Maintenance Activity Group



DMAG "sells" depot maintenance services to a myriad of customers

DMAG Products & Services

- Depot Level Repairs Purchased from DMAG
  - Exchangeables (Spare Parts) ($3.1B)
  - Aircraft PDMs/UDLM ($1.8B)
  - Engines Overhauls ($673M)
  - Software ($483M)
  - Other Major End Items (OMEI) ($144M)
    - Space Systems, Ground Comm,
    - Special Purpose Vehicles, etc
  - Local Manufacture ($47M)
  - Other ($35M)
  - Missiles ($33M)
  - Area Base & Tenant (ABM) ($25M)



Includes Organic <u>and</u> commercial sources contracted by AFMC!

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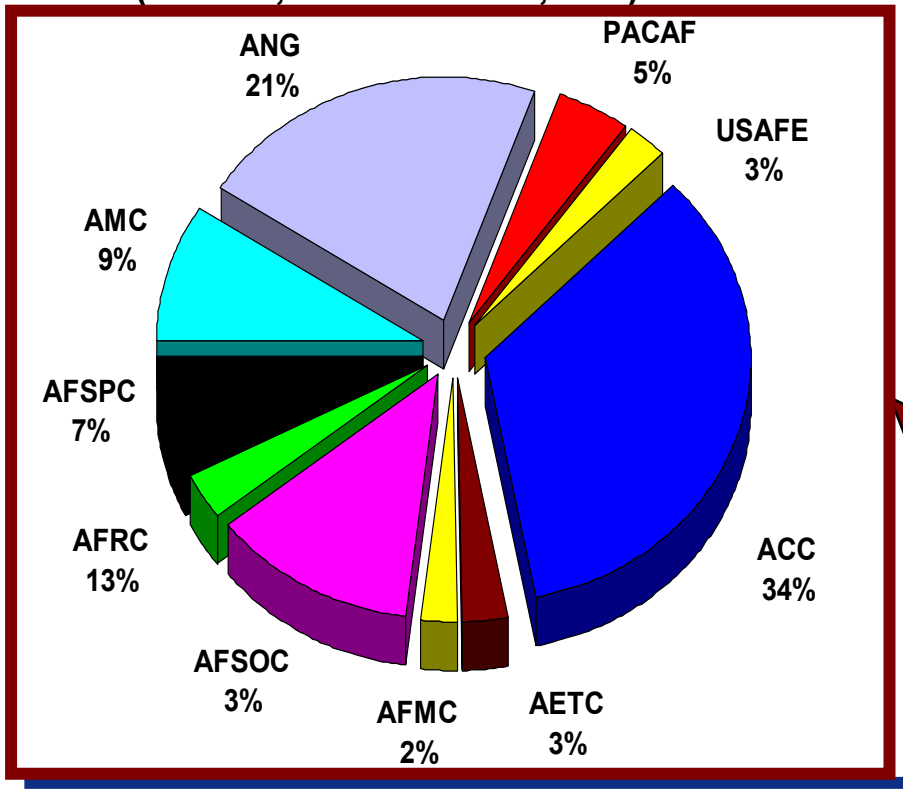
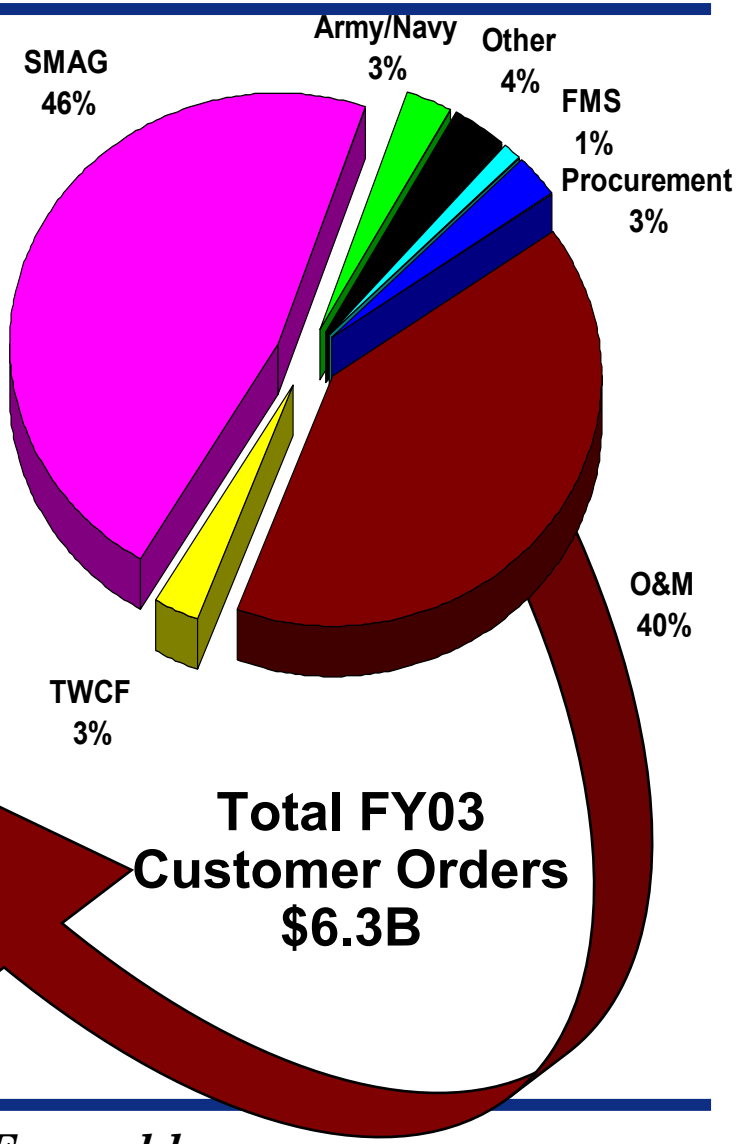
Customer Base

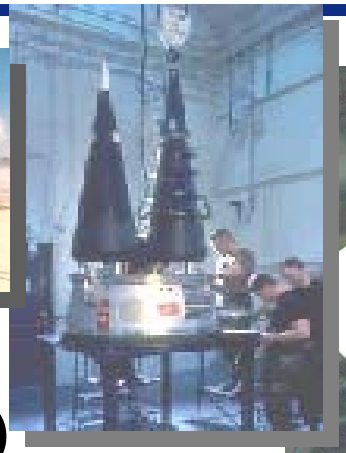
- Supply Mgt Activity Group (SMAG)
- O&M (Active, Guard & Reserve)
- Transportation Working Capital Fund (TWCF)
- Procurement Appropriations
- Army/Navy
- Foreign Military Sales (FMS)
- Other (RDT&E, Other Federal, Etc.)





Total FY03 Customer Orders $6.3B

Scope of Operations
Air Force Depot Maintenance



- $6B+ Net Revenue
- Overhauls (DPEM):
  - 3 aircraft/workday (744 / year)
  - 4 engines/workday (1018 / year)
- Repairs 2530 exchangeable spare parts daily (632,396/year)
- Stores 4485 aircraft ($27 B)
- Employs 21,401 Personnel
  - 34.4% reduction since 1994

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1990s: A Decade of Decay

- Directed business changes
  - Spares inventory reductions -- reduced repair flexibility
  - Lost control over production material
  - Stock funding of depot level repairables -- raised costs
  - Overhead cuts -- quality, material control, engineering
  - Maintenance broken into weapon system “companies”
- BRAC
  - 5 ALCs & AGMC became 3 ALCs
    - Transfer problems -- equipment, processes, data
    - Competition processes changed focus away from warfighter
    - Loss of depot maintenance experience
  - Drastic cuts in organic infrastructure investment

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1990s: A Decade of Decay

- Information systems atrophied
  - JLSC failure -- legacy systems on hold
  - No timely, enterprise-driven data to manage with
- Abnormally high risk pushed to the WCF
  - Demand-based exchangeable repair
    - Workload predictability diminished
  - Aging cost growth (material) denied in the rates
- PBD 437 (now in FMR) -- crippled WCF mechanism
  - Requires execution year O&M reimbursement
  - A bandage, not a cure for inadequate cost baselines
  - Makes WCF a “four letter word”

Addressing the Problems in the New Millenium

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Depot Maintenance Review Team (March 2001)

- Sponsored by AFMC/CC and AF/IL
- SAF, HAF, AFMC, ALC, and MAJCOM members
- Identified problems across a broad spectrum of depot maintenance functional areas

DMRT

Transitioned To

Depot Maintenance Reengineering and Transformation (2002)

- Personnel involved to work issues from all AF levels
- 37+ initiatives assigned to 8 Focus Area Teams
- Focused improvement
  - resources inserted, regular AF reviews

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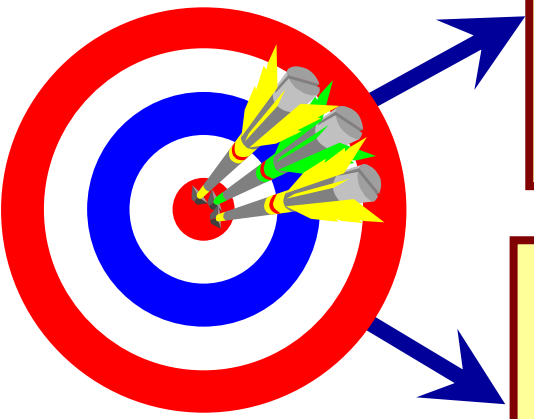
DMRT Objective

Targeted Performance



Warfighter Support

- Re-engineer processes:
  - Reduce flow times, increase production and throughput
  - Responsive to peacetime & contingency requirements
- Reverse problems introduced during 1990s downsizing

Financial Performance

- Eliminate unprogrammed and unbudgeted costs
- Resolve disconnect between requirements & budget process
- Reduce financial risk to AF Total Obligation Authority (TOA)
- Improve accountability of Working Capital Fund operations

This is an Air Force project…Not an AFMC project…
Requires Air Force solutions!

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DMRT's 8 Focus Areas

Customers & Providers

300+ Inputs

37+ Initiatives

Categorized into 8 focus areas

Workload/Production	Standardized process improvement strategy
Financial	Correct disconnects in the financial requirements and budgeting processes
Organization Structure	Clarify chain of authority, responsibility, accountability
Workforce	Train and develop maintenance workers and leaders
Material	Responsive support to meet flexible workload requirements
Infrastructure	Re-capitalize/invest based on depot maintenance strategy
Information Technology	Develop integrated IT strategy
Metrics	Achieve a balanced focus on warfighter support and financial performance

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DMRT Organization

AF/IL Implementation Office
USAF/IL-D BG (s) McCoy

Co-Sponsors
USAF/IL LG Zettler
AFMC/CC Gen Lyles

Co-Chairs
Asst DCS/IL Ms O'Neal
AFMC/LG BG Gabreski

OC-ALC/CD
Mr. Conner

OO-ALC/CD
Mr. Miner

AFMC Implementation Office
AFMC/LG Col Busch

WR-ALC/CD
Mr. Davis

Infrastructure
Champions:
Mr Dunn, AF/ILM
BG Cannan, AFMC/CE
Focus Area Team Lead:
Mr Bek, AFMC/CEP

Org Structure
Champions:
BG Harrell, AF/ILM
Ms Walker, AFMC/LG
Focus Area Team Lead:
Mr Falldine, WR-ALC/XP

Metrics
Champions:
Mr Dunn, AF/ILM
Ms Walker, AFMC/LG
Focus Area Team Lead:
Col (s) Schmidt, AFMC/LGP

Financial Mgmt
Champions:
Mr Stuart, SAF/FMB
BGen Faykes, AFMC/FM
Focus Area Team Lead:
Mr Koenig, SAF/FMBM

Info Tech
Champions:
Mr Dunn, AF/ILM
Ms Walker, AFMC/LG
Focus Area Team Lead:
Mr Hannaford, AFMC/LGN

Workload/ Production
Champions:
Mr Dunn, AF/ILM
Ms Walker, AFMC/LG
Focus Area Team Lead:
Ms Dryden, AFMC/LGP

Material Support/ Spares Campaign
Champions:
BG Mansfield, IL-I
Mr Richey, AFMC/LG
Focus Area Team Lead:
Wg Cdr Gell, AFMC/LGIL

Workforce
Champions:
Mr DUnn, AF/ILM
Mr Barone, AFMC/ DP
Focus Area Team Lead:
Mr Peterson, AFMC/DPC

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DMRT FY03 Actions

Workload/Production: Implement standard process improvement strategy and standardized shop floor metrics that relate to the customer and shop floor

- Standard process improvement CONOPs developed
- Automate shop floor metrics & display capabilities

Financial: Transform and realign financial processes and policies to enable other DMRT initiatives to achieve improved financial performance

- Develop predictive budget model for forecasting & POM alignment
- Eliminate recursive supply / maintenance pricing problem
- Transition contract depot maintenance to appropriated funding
- Revise execution year loss recovery & workload carryover rules

Organization: Clarify lines of accountability, responsibility, and authority at ALCs

- Restructure depot maintenance entities into single ALC organization
- Develop standardized depot maintenance structure (Effective Oct 02)

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DMRT FY03 Actions

Material Support: Provide responsive material support to depot maintenance to meet flexible workload requirements

- Improve material policies & stock levels that support depot maintenance
- Improve purchasing, supply chain management, forecasting processes

Infrastructure: Re-capitalize/invest based on AF depot maintenance strategy

- Formalize depot maintenance infrastructure planning process
- Publish Depot Infrastructure Master Plan linked to Depot Maintenance Strategy

Training: Train and develop maintenance workers and leaders

- Stand up dedicated maintenance technical training organization
- Create supervisory training course for new maintenance leaders

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DMRT FY03 Actions

Information Technology: **Develop integrated strategy to support depot maintenance operational needs**

- **Establish IT roadmap to improve standardization and performance**
- **Focus resources and integration priorities on specific depot improvement goals**

Metrics: **Establish a standardized set of warfighter focused metrics, balanced and related to strategic objectives (*Balanced Scorecard*)**

- **Survey customer goals, missions and metrics**
- **Develop and define balanced scorecard metrics**
- **Automate data collection and presentation**

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Conclusions

- AF depot maintenance is still a robust capability
- Significant impediments to depot maintenance created during the 1990s
- DMRT is a renaissance opportunity for AF depot mx
  - Wide range of problems documented
  - Root causes investigated
  - Corrective initiatives identified
  - Those initiatives are in progress
    - FY03 is the “big push”
- Air Force leadership committed to critical changes to make our depot maintenance “world class”