

IN PERSON

Assistant Secretary of Defense (L&MR)
Alan F. Estevez





Earlier this year, Assistant Secretary of Defense for Logistics and Materiel Readiness Alan Estevez spoke before a class of acquisition professionals at National Defense University. They presented a number of questions that he agreed to discuss again with the readers of *Defense AT&L*.

DAT&L: *We all are aware that DoD has been tasked to do more with less and prepare for budget cuts in the future. Given that, how do we keep from becoming a hollow force in the years ahead?*

Estevez: Well, you really have to go back to how we crafted the budget. The fact is, the first thing we did prior to developing a budget is, we de-

vised a defense strategy, recognizing the targets that were in the Budget Control Act for that budget. The defense strategy came before we put dollars against programs in the budget. So we built a strategy that rebalances our global posture and presence, emphasizing Asia-Pacific while continuing our efforts in the Middle East. Of course, this doesn't mean that we walk away from our commitments globally. After reshaping our defense strategy, we sized the force and our programs around that strategy, carefully crafted with the Services and Service leadership.

We then built a budget that can sustain the force that we have which in turn sustains the strategy. Now with that said, we must remain capable of responding to the changing nature of warfare. This will potentially require us to make adjustments in the budget to cover those gaps.

In the budget submission, we sustained R&D, and we essentially sustained our modernization programs. We ensured some of the poor performers were terminated. By ensuring a deliberate planning process in developing the strategy, force structure, and the budget, it demonstrated that we have the ability to sustain the force structure as designed—which should preclude DoD from having a hollow force.

DAT&L: *In addition to R&D and modernization, what other priorities are there?*

Estevez: From a logistics standpoint, I essentially have four priorities: First, sustaining current operations. We are still engaged in Afghanistan, which is a very tough place from the logistics standpoint to be at war, because it's a landlocked country. And it's surrounded by at least one country that is definitely not our friend and other countries that have their own ways of doing things. And so we have to work through that. So doing that is job one. And there are a couple of facets to that: One is again, sustaining the forces on the ground—continuing, as the enemy adapts, to adapt back.

So under the leadership of Sec. Panetta, Dr. Carter, and previously, Sec. Gates, we put a great effort into increasing the capability of the force—ISR capabilities, small devices like handheld ground-wire detectors that find IEDs, and MRAPS. There are about 14,000 MRAPS of varying types in Afghanistan, and we're sustaining those at a well over 90 percent readiness rate—very good.

Even with closure of PAK GLOC [Pakistani Ground Lines of Communication], we've done a great job of sustaining the force there. We had some challenges with food and fuel, but essentially, we're actually on the rise for both of those commodities right now. And that, frankly, is because of the great efforts of the logisticians in theater, the Defense Logistics Agency, and United States Transportation Command in supporting that.

We can talk about retrograde down the pike: Getting out of Afghanistan is also going to be a real trick—much tougher than the retrograde from Iraq, which was no mean feat in and of itself. So that's job one.

Moving down the line: We've learned many lessons in the last 10 years or so in our contracting environment—contracting for support on the battlefield. We have a couple of lessons that were provided by other organizations. Some of those recommendations we were learning ourselves. We have the Gansler Commission report. We have the Commission on Wartime Contracting report. And I would say that we've done a great job in the last 5 years of turning ourselves around from where we were in contracting on the battlefield and managing the contractors that are on the battlefield. Developing whole operational contract support construct continues to be one of my priorities.

Now the challenge is that we've done that for the near term. The way I like to term that is: We had a gaping wound. We've sewn that up and stanching the bleeding. But really, the key to success is to embed that in the DNA of the culture going forward. So it's not only about this war now, it's also about having a plan for future contingencies. And there's still some work to be done there.

Priority 3 is life cycle logistics management. How do we embed in the thought process that we need to sustain what we are buying new for the next 30, 40, 50 years, depending on the platform that we're buying? That's pretty important. Thirty percent of the cost of a platform is in its research and development acquisition, while the remaining 70 percent is in sustaining that [product] over its life cycle. It becomes pretty important to buy a weapon system so that it has a lower cost in sustainment. We've done a lot to raise the level of that discussion at defense acquisition boards and within the defense acquisition community.

Equally important to the mix is the development of solid sustainment strategies. Once you've bought it, how are you going to sustain it? There are a number of different ways of doing that, including performance-based logistics [PBL] strategies. How do you do these PBL strategies well? We have a whole area of assessments around that we are working with the acquisition community and the sustainers of that community, to ensure that that's embedded in their thought process.

The final priority is what I'll call excellence in logistics/supply chain. How do we do our business well? How do we increase the capability of our tradecraft in that area? Improving our processes increases military capability. If you are sustaining a force on the battlefield well, you are freeing up capability to do other things. Although we didn't start off as well as desired, we've performed exceptionally over the last number of

years sustaining and moving the force in Afghanistan and Iraq. Nonetheless, there are things we could do better.

And then just in the general industrial base side of it, the normal business of the Department—again, there are processes we can do better to both increase our capability and lower our costs. Lowering our costs is important in this environment. If I can take cost out of the logistics business area without decreasing capability, I'm freeing up dollars for other requirements inside the Department. I think that's important.

DAT&L: *Can you discuss opportunities DoD is leveraging to share technology and resources in new ways?*

Estevez: Joint strike fighter is obviously a coalition platform, but there's some work to be done there. We're looking at joint capabilities inside the Department. For example, when we look at our depot structure, how do we optimize our depots to ensure that they're getting the right workload at the right depots across the joint community, versus Service-specific? We just did a major assessment in the UAV area, where we're targeting specific depots to do that workload. So instead of scattershotting that capability (because every Service has its own UAV capability because of mission sets), if we develop capability in Depot X, why can't Depot X do that for the joint community versus one particular Service? That'll give us some savings.

We're leveraging, of course, DLA. We just did an assessment called strategic network optimization, which has the potential to provide DoD with a couple of hundred million dollars over the FYDP [Future

Years Defense Program] return on investment—just by managing the distribution process and the network around that better. And I'd say that's a down payment; there are more efficiencies to be gained in that area.

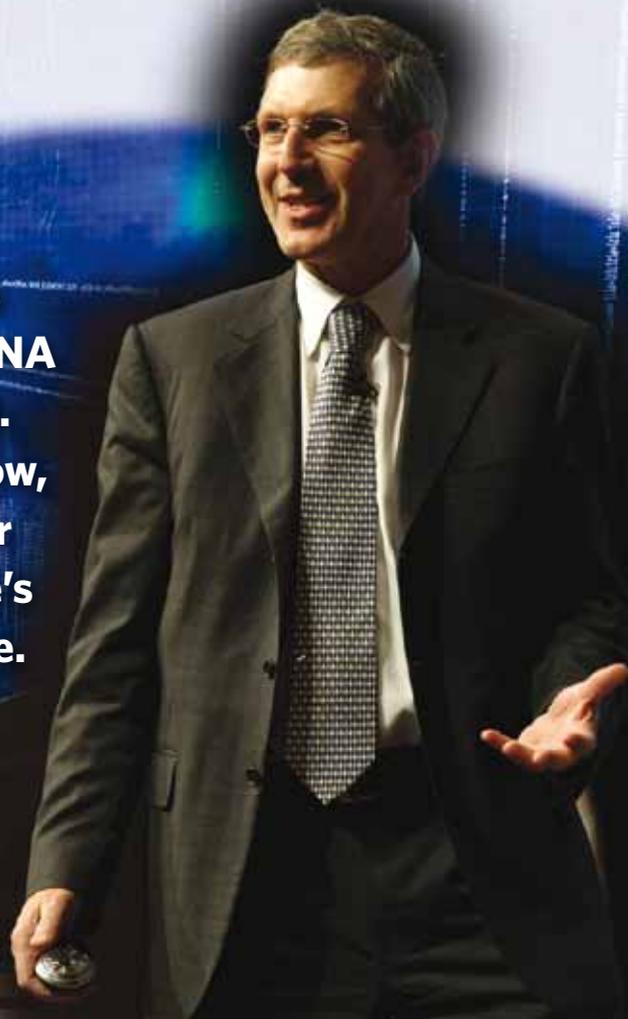
DAT&L: *Can we use working capital funds for reliability upgrades?*

Estevez: Depends on how you bought the platform and how you're sustaining that. So if a working capital fund happens to be paying the performance-based logistics on a contract and the PBL contract on component X includes reliability upgrades, sure. But in general, reliability upgrades tend to be paid out of procurement accounts.

DAT&L: *How do PBL contracts impact Service force structure and design?*

Estevez: There's a range of how PBL contracts operate. We just did a study called ProofPoint [Editor's note: See the March-April 2012 issue for an article about this study.]—two iterations

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of it—that did deep dives into a number of programs. Some of them show real benefit; others had some problems. But in general, if you look across the continuum of contracts, a well-done PBL contract can save dollars or increase readiness or, in the best of cases, both.

Now with that said, they're not the easiest contracts to develop. So you really need A-team contracting officers, A-team sustainers, and A-team program managers to develop the right contract construct for what it is you're putting under a PBL contract.

I'm not sure a PBL contract changes force structure, though it could change how many people you need sustaining an item out there on the battlefield—or back in depot, for that matter. I don't know that we've changed how many X platforms as a whole that we buy. For example—if we buy joint strike fighters, we buy against a threat and a need. Theoretically, if I could really guarantee X percentage of readiness, I would buy less. I don't think we're quite there yet in changing the dynamics, but

we certainly could say that what we have done will increase the readiness while decreasing the capability needs to sustain that readiness against a particular platform.

DAT&L: *Should OSD drive the alternate-fuel development or let the commercial sector drive and we follow?*

Estevez: Well, let's start out [noting] that industry is who is out there developing alternative fuels, not the Department. It's not work that's being done in our labs; it's being done in the commercial sector. The Department definitely has a role, as long as there's a link to military value of putting dollars against capabilities—in this case alternative fuel—that can help jumpstart that tool [or] technique.

The general thought process on alternative fuels would be that they would increase the overall supply of petroleum product. That does two things: It can lower the cost of the product. Petroleum is based on a worldwide marketplace and is a fungible product. It could [also] increase U.S. security. Both those things are in the Department's interest. So the Department putting some dollars against alternative-fuel capability makes perfect sense.

DAT&L: *How does OSD balance modernization with reset using overseas contingency operations [OCO] funds (or otherwise)?*

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Estevez: The basic rules say that OCO is not to pay for modernization; investment accounts are to pay for modernization. With that said, there are upgrades that are going on the battlefield for needs right now, today, that OCO is paying for. So if I upgrade an MRAP with an underbelly kit, increasing its capability to sustain a blast and protect its riders—that would be viewed as modernization. That is paid for out of OCO. But if I'm going to do Apache Block III, that portion of it would be paid out of investment accounts.

DAT&L: *Will OCO budgets be rolled into O&M?*

Estevez: Well, OCO is not just O&M. There is OCO that pays for investment, OCO that pays for R&D—JIEDDO [Joint Improvised Explosive Device Defeat Organization] work, for example—that turns into a real capability back on the battlefield today, which is what OCO is designed to do—to sustain the fight that we're in.

Obviously, there are pressures on budget as a whole, including pressures on the OCO budget. And as we complete our mission in support of contingency operations, OCO budgets will decline—not necessarily—and hopefully not, in fact—as a one-to-one. Because there's a requirement after we draw down in Afghanistan—I can't predict what the force structure in Afghanistan will be post-2014. We recently signed a security agreement with the Afghans that calls for a U.S. and Afghan partnership post the 2014 drawdown of combat operations in Afghanistan. And how that will be paid for—that's a prediction I'm not prepared to make.

But I do know that as equipment comes out of Afghanistan, it will need to be reset. Equipment doesn't exactly come out as the force comes out, and our hope is that there are OCO funds available to pay for that reset. We all know that there's a bill to be paid after the fact. Again, I cannot predict how the budgets will transpire in Congress during the 2014, 2015 timeframe.

DAT&L: *What is the vision of logistics and our posture in the Pacific? Are there any specific initiatives?*

Estevez: A couple of things I will say: The Pacific is pretty large. That makes logistics: 1) important and 2) harder to manage. Now again, we just did logistics in two wars, one of which was in a landlocked country. Most people forget that based on the president's decision in February 2009, we deployed a couple of brigades (20,000 people) throughout that year. Additionally, when the president said to surge forces in Afghanistan in December 2009—*increase the force by 30,000*—U.S. TRANSCOM and CENTCOM worked through the numbers. TRANSCOM essentially said, "You can't fit any more equipment or materiel into the flow pattern in order to close that

force by August of 2010." Yet we managed to put in 7,000-plus MATVs into that flow pattern.

So logistics is capable of incredible agility and flexibility. And that's again because of the great logisticians out there on the battlefield, the great work of TRANSCOM, the military Services, and the Defense Logistics Agency, in doing that.

So in talking about the Pacific: We do have a logistics laydown in the Pacific; it's not like we are just suddenly going there. Obviously, we have forces in Korea today. We have forces in Japan today. One thing that will happen is our forces—certainly Marine Corps forces—will be more dispersed. We'll have to look at that dispersion in relation to our mobility requirements. We're about to do a new mobility-requirements assessment, based on the new force structure. The last one was done on a force structure that had the Army and the Marine Corps at 100,000 more people than they will have in the future force structure. So that changes the mobility requirements right there.

But increasing dispersion of the force structure will require some mobility requirements to cover that slack. Between our force of C-17s, modernized C-5s (and we're increasing the capability of the C-5B fleet, being changed into C-5Ms)—also our C130s and our CRAF [Civil Reserve Air Fleet]—our contingency airlift fleet, which is commercial carriers that we rely on—my expectation is that given the numbers, we'll be able to sustain the force laydown that we have in the Pacific, but we'll see what happens as we do this study.

DAT&L: *Do you have any thoughts about the relationship of DLA and TRANSCOM and possible merger?*

Estevez: They have a great relationship! First of all, if you're going to talk about this, you probably cannot limit it to TRANSCOM and DLA; they are two components of the logistics structure. Merging the relationship of those two really is a piece—and I don't think it's the biggest piece, frankly—of the logistics structure. I think that the relationship of TRANSCOM and DLA is great. TRANSCOM and DLA have different missions. They have different focuses. They work very well together in sustaining the force on the battlefield.

If you start looking at DLA: DLA probably buys about 80 percent of the materiel for the Department—I'm talking about repair parts. It increases when you include food and fuel, which they are able to provide in a lot of different places. Food and fuel are provided all over the world. However, it is important to note that while DLA buys about 80 percent of our repair parts, the military Services buy the remaining 20 percent; that 20 percent is actually 80 percent of the value of the inventory, which for the most part, are readiness drivers. So they are as

much in the mix as DLA and TRANSCOM when you start talking about sustaining the force on the battlefield.

And here again, we are showing that we do it. DLA is all over the battlefield today, doing distribution capability, doing food, fuel, support capability, doing disposition. DLA cuts up battle-damaged equipment, turns it into scrap. All that is being done on the battlefield today by DLA. None of what I just talked about, except for the distribution piece, is in TRANSCOM's mission set. And I don't think TRANSCOM's looking for that mission set. And when you really look at DLA, it's about a \$42-billion-a-year buying agency with about \$3 billion or \$4 billion of distribution depot operations rolling in on top of that.

DAT&L: *Speaking of depots: One NDU student asks: If I put a dollar into a depot, how do I get a dollar of readiness?*

Estevez: First, let me just say our depots do some great work. We are probably over capacity in the depot structure. We will be reviewing that, and if Congress authorizes a BRAC, we'll definitely be reviewing depot structure. But the depots do a great job. If you put a piece of equipment into the depot, you are going to get a great piece of equipment out on the other end of that. When you start looking at depots, you start looking at the overhead structure behind them; there's a cost to doing that. From a pure touch-labor standpoint, depots are as competitive as any commercial entity out there in doing that.

So when I talked earlier about supply-chain excellence, you have to look at it in the total. It's not just the depot operations. You have to look at the logistics system that sustains that depot, both the commercial industry piece of that and the organic piece of that, to determine whether you're achieving value. In general, I'd say yes. But could we do better? The answer is also yes.

Now let me just add another thought: When you start talking about this mix—in our earlier discussion about PBL, many of those are done under depot partnership arrangements. But it's also important, as we compress

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spending inside the Department based on our budget requirements, that we sustain a vibrant industrial base. Dr. Carter has been quoted as saying that when we decide to buy a new airplane, a new combat vehicle, a new truck, a new ship, we go to the commercial sector to do that. We do not have that capability inside the Department of Defense. So it's important to have those people out there when it comes time to do that. And it's not just the company, who you might go to in order to buy that equipment. It's the second-, third-, fourth-tier suppliers we also rely on, on the sustainment side.

So it can't be all about the organic structure. It has to be about the industrial base and the organic structure at the optimum mix to achieve optimum results of readiness and optimum results of investment, through procurement, for the dollar spent by the Department of Defense.

DAT&L: *Another question is about the Afghanistan drawdown, which you discussed earlier.*

Estevez: Let me just give you a couple of thoughts about why Afghanistan is going to be so much more challenging than Iraq. In Iraq, we had Kuwait there as a great base of operations. Kuwait has great port facilities. The Kuwaiti government let us operate [Army Camp] Arifjan on their soil and some other sites, so that we were able to bring forces in, set them up, get them trained, send them north—the same capability was there in turning that around to redeploy back. Plus we had logistics forces in Kuwait that were able to do a big piece of the drawdown. We do not have that same capability in Afghanistan. There is no Kuwait as a “catcher's mitt,” where you can move all this equipment to and do wash racks and prep capability before you move it back to the States.

Afghanistan is a landlocked country, and it has a road network that is nowhere near the road network of Iraq. We're still in contact with the enemy in Afghanistan. Right now we have one or more main routes into Afghanistan shut down in both directions. That would be our main route for ground movement out through Pakistan. My expectation is routes will open up at some point—not entirely sure when. [Note: *Pakistan re-opened these routes in July 2012.*] Northern distribution routes, which have been fabulous for our sustainment mission in Afghanistan—we really haven't exercised them for retrograde. We are starting to do that. It will take a while before we hone the practices of that; this includes multiple border crossings of the Central Asian states, plus Russia, plus the Baltic States. It will take a while before we get flow really going either through the northern distribution network or through Pakistan, whenever Pakistan and we reach an agreement to reopen the routes through Pakistan.

And of course, we are flying equipment out. We can do that with all those multimodal capabilities, and TRANSCOM is run-

ning some operations to do that. But all in all, it's going to be a pretty difficult operation. And it's not about moving people; it's about moving equipment. And moving people is also more complex in Afghanistan than it was moving them out of Iraq.

DAT&L: *Is someone looking ahead at any “leapfrog” technology for OSD and ERPs?*

Estevez: The question is pretty broad. I'll hone it back to the IT portion of that. Obviously, our R&D structure and the Service labs are certainly looking at next generation technology. And DARPA—its business is looking at next-gen technology. And obviously, we are going to start looking at the grid and the infrastructure on that, how to utilize cloud, and where the commercial sector is advancing—all that's going to play into the Department's strategy.

From an ERP [enterprise resource planning] perspective and an IT perspective, the Department does not do IT well. I wish we would do it better. Each of the Services has made some major investments in ERPs over the last 10 years. Most of those are going to come into fruition in the next couple of years. Some of them are already operating.

We need that to happen for a couple of reasons: One, for all those things I talked about in supply chain excellence and lowering costs: ERPs give you great capability to look holistically in that regard. And I think we're going to see the benefits of that in the coming years. So it's not just about ERPs; it's about the business process that you put in behind that as well. Some Services are not as advanced as others, and there will be problems.

Second—and we do have a major focus in the Department given that the Secretary has emphasized this and actually put goals on it—is auditability. We do have a legal requirement to be auditable. The government as a whole—the Department is going to be the last Cabinet Department that has a clean audit statement. ERPs are a foundation to help the Department have a clean audit and track equipment on the books; frankly, I think the American taxpayer expects us to be able to track our books.

DAT&L: *One DAU dean asks: OSD Log was at the human capital forefront a few years ago by issuing the DoD Logistics Human Capital Strategy in 2008. What have we learned about leading our talent, and what can DAU and our stakeholders do to help further this initiative?*

Estevez: I'll talk about log as a piece of that. Human capital is critical, obviously, across the Department—not just in the log area, but you can name an area, and there are little fiefdoms in some of these areas of the acquisition workforce. And we have a major emphasis on growing and increasing the skillset

of the acquisition workforce—something that DAU is in the forefront of, on the acquisition side, of course. A sliver of the log workforce is acquisition workforce; the bulk is not.

Cyber is a growing area. Medical capability—the Department’s done some great work in the medical capability for the forces that are coming back that require that. I had an opportunity to visit Walter Reed, and observed the incredible work that we are doing to help our wounded warriors that are coming back. That will actually come out into the public sector as we grow those capabilities.

From the log workforce, what we did a couple of years ago is we asked, what are the skillsets needed? Then we stood up at NDU the Center for Joint and Strategic Logistics—that Lt. Gen. (retired) Chris Christianson is heading up for us. Chris has gone out and looked at a number of different courseware in the public university sectors and what we teach in the military university system and has identified some training capabilities that we need to increase.

So it’s a mixed area on how you do that—how you build the right logistician. So there’s great university capability out there. We send people to the universities I mentioned to ensure that the right skillset is developed. It is also critical that we make sure that our military courseware keeps pace with the commercial sector.

DAT&L: *You mentioned areas where you think there could be more logistics training, that Lt. Gen. Christianson is looking into—*

Estevez: Well, he’s looking at a couple of things in both the supply chain area and the joint military education area. One that he likes to talk about is assigning a junior major as a planner on the joint staff with no joint experience. So what has been done to build that officer? And that’s some of the areas

that he’s looking at. I will always raise the point that you need to do that in the civilian workforce as well.

Then I go back to the question of: How do I build someone who understands what good supply chain management looks like? So if I’m going to make our depots and our supply chain that sustains those depots into a cost-effective operation, as well as an effective operation, we need to fix those capabilities. There’s understanding how commercial supply chain works; there’s understanding how the industrial base operates.

It’s both experience and education that get people to understand that capability, so that when I have a supply planner at Defense Logistics Agency, he really needs to understand how that commercial supply chain operates that he’s buying from, if he’s going to buy well. If I’m going to have that sustainment operator who’s going to plan how I’m going to sustain joint strike fighter, or LCS or JLTV or ground combat vehicle—it’s not just how does Boeing or Lockheed or BAE or Northrop do it. It’s understanding their supply chain. How does that operate? So having that background and knowledge is value-added when developing sustainment contracts or framing a performance based logistics contract. It is critical that we understand where we have the best leverage and how we can strike the best deal. The mix of skills that I just went through: Contracting, acquisition, logistics all need to be in play there. If we’re going to operate in a constrained-resource environment, having the appropriate tradecraft and the skillset is the only way we are going to achieve great support. I think it is important to focus on that.

DAT&L: *Mr. Estevez, thank you very much.*

Estevez: My pleasure.



Special thanks to Vice Director George Topic of the Center for Joint and Strategic Logistics, National Defense University, Ft. McNair, Washington, D.C.

MDAP/MAIS Program Manager Changes

With the assistance of the Office of the Secretary of Defense, *Defense AT&L* magazine will, beginning this issue, publish the names of incoming and outgoing program managers for major defense acquisition programs (MDAPs) and major automated information system (MAIS) programs. This announcement will list all such changes of leadership, for both civilian and military program managers.

For April–June 2012

Capt. Donald R. Harder (USN) relieved **Capt. Steve J. McPhillips (USN)** as program manager for the Command and Control Program (PMW 150) on May 16, 2012.

Capt. William S. Dillon (USN) relieved **Capt. Michael T. Moran (USN)** as program manager for the Maritime Patrol and Reconnaissance Aircraft Program (PMA 290) on May 29, 2012.

Capt. John S. Lemmon (USN) relieved **Capt. Shane G. Gahagan (USN)** as program manager for the Hawkeye, Advanced Hawkeye, and Greyhound Program (PMA 231) on May 29, 2012.

