

Implementation and Policy Challenges for the U.S. Department of Defense

John F. Phillips, *U.S. Department of Defense*

In my job I learned very quickly that all that we are doing at the U.S. Department of Defense (DOD) in logistics—velocity management, maintenance or engineering efforts to streamline the process—to reduce the overhead costs is dependent on an assured transportation system. I, therefore, rapidly gained an appreciation for how critical transportation is.

We are about delivering parts to the right place at the right time. Our vision is quite simple; it is intermodal transportation. We are also beginning to privatize. We are doing more partnering with industry. We are doing more dual-use initiatives. We are beginning to embrace industry; not that we have not in the past, but we are expanding the role of industry in all that we do in the world of transportation. Development of advanced technologies is clearly a part of this reengineering effort.

In 1995, we spent about \$10 billion, distributed across personal property, freight, and passengers. Of significance is the fact that 85 percent of those dollars were spent on commercial providers in wartime and 90 percent in peacetime. Privatization is really not a new concept; what is new is that we are beginning to contract for more processes.

If we look at the assets, we can see that in terms of airlift, we have got quite an arsenal—about 177 aircraft and about 8 of those are fast-transport vessels. In the commercial world, we have about 286 in the civil reserve air fleet. The civil reserve air fleet, as you know, is probably one of our first large commercial ventures and it actually goes back to World War II. In seacraft in the commercial world, we have got about 759 vessels, and that will probably expand.

We have no option but to continue to privatize. Based on what is happening to our budget now, by 1999 our manpower will have to be cut by about 50 percent from what it was in 1989; yet, we are deployed currently at about 29 locations throughout the world. That is a logistician's nightmare. If we are going to maintain a fairly high operations tempo, it means we are going to have to rely on commercial transportation and expertise to make up that difference.

At Sacramento and San Antonio, we are privatizing in place. That contract was awarded some months ago and it has proven to be a successful endeavor. Functions and inventory con-

trols that were considered inherently governmental, such as cataloging and procurement, data management, and installation services we are considering privatizing.

The fact is we have a contract in Bosnia for running much of that operation. But an interesting side is that they contracted with a Russian airline to do much of their in-theater air. We are looking at our policies about buying American, but they are doing a great job. If you talk to the warfighters, they are very comfortable. You are going to see more and more of this kind of a partnering activity in all of our operations other than war.

Look at the civil reserve air fleet—this has been around since World War II, but the first time we actually called it up was in Desert Storm and Desert Shield. We also have international cargo that is worth about \$600 million; that is to entice the civil structure to participate in the civil reserve air fleet program.

We would like to do the same thing for sealift. So far in our initial commitment, we have about 22 carriers; that represents about 92 percent of the capacity out there.

All this takes money, and of course we are concerned about maintaining the infrastructure—we are talking about our ports of embarkation, our ports of debarkation, about the rail lines—things that are absolutely critical to our ability to ensure that we can flow the resources through to the region of conflict. And this year we are spending about \$41 million.

We are busy with the business of reengineering and trying to streamline the acquisition process. We are streamlining the payment process and also conducting an assessment of the infrastructure; so we are certainly open to any ideas that industry might have about how to do it. The kinds of results we are looking for are in the acquisition and financial management process, contracting, and interfacing with the customer. Those of you who track goods from factory to foxhole may recognize the five segments of that movement. In times past, we had separate billings for each of those segments. We are trying to come up with a single payment point, a single bill.

Intermodalism has certainly been one of the key themes today, and we have conducted several exercises that have proven the worth of intermodalism. The Army has an exercise to actually deploy troops from Fort Parsons down to Oakland by way of air and then by way of container ship overseas. That had not been done before. We also have Team Spirit Exercise, which is reinforcing our troop support over in Korea. That has proven to be an excellent exercise in intermodalism. We think that intermodalism is here to stay, and we will support it in policy as well as in practice.

There are two things that typically are offered as reasons why we cannot do a lot of reengineering in DOD. One is that transportation is critical; we must have dedicated transportation. The other is lack of data systems and technology. We are in the business of coming up with electronic data interchange, electronic funds transfer; to my mind all this compresses the acquisition life cycle. Within the world of logistics, the difference as a result of compressing that cycle is about \$71 million a day. You can see how things like electronic data interchange and all the other computer capabilities are actually going to allow us to compress the process and save money. Those dollars will be rolled back into force modernization.

We are also putting money into quality of life, some \$4 billion last year. Moving is one of the major irritants of military life. We had some 1,400 carriers; and about 25 percent of the moves resulted in claims totaling a fair amount of money. That is a major source of irritation. Troops are forced to move almost every 18 months, and we are trying to streamline and improve that process.

It is clear that we have run out of options not to change. We simply have to streamline the process. Our reengineering effort is on track and there is a commitment from Secretary Kelly all the way down, and we consider industry a critical partner in this reengineering effort.