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DEPARTMENT OF DEFENSE JUSTIFICATION OF ESTIMATES FOR DEFENSE MANAGEMEN REPORT INITIATIVES

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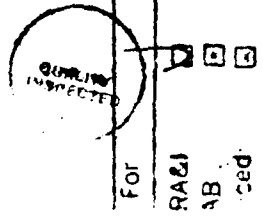
JANUARY 1990

DEFENSE MANAGEMENT REPORT INITIATIVES

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**DEFENSE MANAGEMENT REPORT INITIATIVES
SUMMARY OF ACTIONS TAKEN AND BUDGET IMPACT**

DEFENSE MANAGEMENT REPORT: INITIAL ACTIONS TO ACHIEVE ITS OBJECTIVES

The Department of Defense is engaged in a sustained, long-term effort to streamline its management, with a special emphasis on Defense acquisition management. The first major installment of this effort is reflected in the actions taken to reduce management costs in the FY 1991 budget. These budget actions are in response to the President's call for DoD management improvements in his February 1989 address to Congress. Following the President's request for management improvement, the Department completed the Defense Management Report (DMR) in July 1989. It sets substantial dollar savings targets for management improvement beginning in FY 1991 and continuing at least through FY 1995.

Using the DMR as its guide, the Department has identified initiatives to save about \$2.3 billion in FY 1991. Over a five year period, FY 1991-1995, the cumulative savings will be close to \$39 billion, with corresponding reductions of approximately 18,300 civilians, and 24,600 military. These savings through better management have made an important contribution towards reaching the President's budgetary goals, and will enable the Department to maintain greater military capabilities than would have been otherwise possible.

APPROACH TO MANAGEMENT IMPROVEMENTS

The Department's approach to the DMR has been a cooperative effort with the full participation of the Military Departments.

Improvements in technology have made many of the proposed changes possible.

DoD's approach to achieving DMR efficiencies emphasized the following:

- Develop management efficiencies that do not require force level or strategy changes.
- Maintain the level and improve the quality of management support, while reducing the costs.
- Use technology, including ADP systems and communications, to reduce costs.

- Increase the accountability of program managers by increasing the visibility of total program costs and by placing the costs of doing business under the control of people executing the programs.
- Use budget savings realized through management efficiencies to meet DoD's budget target.
- Consider further reductions in the DoD management support structure and associated cost reductions if, for other reasons, force level reductions are necessary.
- Achieve personnel reductions through attrition and early retirements if reductions in personnel are necessary due to streamlining and consolidations. Displaced employees will be assisted in finding appropriate positions in the Department.

With these guidelines in mind, DoD has identified areas where management efficiencies will produce savings. Acquisition and logistics management were the primary focus of this effort because:

- The President charged DoD to fully implement the Packard Commission proposals; and those recommendations mainly addressed problems in acquisition and logistics.
- Acquisition and logistics management account for about one-third of the DoD budget.
- Management deficiencies identified by OMB, by the Inspector General, and in the DoD Annual Statement of Assurance suggest there is a high potential for management efficiency and cost reduction in these areas.

In addition, emphasis was given to other functional areas including:

- Administration
- Automated Support and Information Systems
- Finance, Procurement and Contract Management

- Consolidation Studies

In each of these functional areas, budget savings were sought through the use of management efficiency concepts including:

- Consolidating operations in support areas.
- Streamlining operations by eliminating unnecessary layering and redundant functions.
- Improving business operations through better systems and procedures.
- Reducing headquarters operations where such reductions can occur without impairment to management control.

A description of the issues and the results expected from actions in each of the functional areas follows. Service specific initiatives are described here, but presented in more detail in the Service DMR Reports.

LOGISTICS

The Department spends approximately \$30 billion a year managing the supply system, including the cost of supplies. The value of inventory on hand is approximately \$100 billion and has been increasing annually. The logistics initiatives address the need for improvement of the supply system and reduced supply costs. Specific changes have been identified for supply management, distribution, transportation, and management of clothing and textiles.

It has become evident that the current policies and procedures have served to impede improved operations and may have increased the cost of doing business by not allowing the flexibility to make smart management decisions. In addition to the impediments institutionalized through policy, there is the problem that "stove-pipe thinking" has also become institutionalized. One of the major changes needed is a change in mind-sets. Supply managers must see and understand -- must have visibility of -- the costs of their operations and the willingness to make trade-off decisions to do what is in the best interest of the Department. A global perspective is required as DoD moves into the future.

- Materiel Management Costs in Stock Fund

Funding of operational costs of materiel management and distribution will be moved to the Stock Funds and these costs will be reflected in the cost of materiel through the surcharges the Military Departments pay for materiel. This allows greater visibility of the actual cost of operation. It also allows managers greater flexibility in making decisions that may ultimately result in cost reductions by taking down some of the barriers between appropriations. It is envisioned that in at least some areas manpower requirements may be increased, but with an overall decrease in the cost of the materiel. For example, a supply center may find intensified value engineering, or materiel break-out efforts, could break sole source contracts and result in decreased cost of materiel through increased competition. In a Supply Depot, more workyears in transportation may increase shipment consolidation, thus resulting in reduced costs.

The major cost factor is inventory, and a key to improved inventory management is increased visibility of assets. If the item manager can look into the retail, wholesale, and operating stocks, decisions to redistribute can be made rather than a decision for a new procurement. This reduces lead time, costs, and inventory levels. Systems changes are necessary to accomplish this change and are being programmed as DoD works toward a single logistics system.

- Improved Management of Repairables

This initiative transfers Army and Air Force funding of repairable parts from direct appropriations to the stock funds. This in turn will require users to pay for new repair items which in the past have been free issue and will give users an incentive to repair rather than purchase new items. The estimated savings are the result of reduced consumption due to users having the option to choose between repair or replacement. The Navy transferred the funding of these items to the stock fund in the early and middle eighties and realized a reduction in demand for repairable items. The savings for Army and Air Force reflect an expected decrease in demand. There is an additional benefit by providing the opportunity to reprogram between the various categories of cost because of having a single funding source for procurement and maintenance of repairables.

- Multi-Year Contracting

Policies are being changed to assist in changing the way DoD buys and manages. One of these provides obligational authority to permit multiple year contracts with guaranteed minimums. The idea behind this change is to move us toward just-in-time materiel management while building long-term relationships with contractors but not binding us from moving items to more favorable contracts as practical. Multiple year contracts can drastically reduce lead times that are very costly.

- Storage Location Policies

Another policy affecting returns is the decision to retain returns at the closest depot to reduce handling and transportation costs. Ownership of the item will remain with the wholesale item manager and when an item is requisitioned, they will notify the holding depot to release the materiel. Another initiative that affects stocking policy is to allow the storage of materiel close to the vendor rather than the customer. In these times of overnight delivery, transportation can be efficiently managed and this initiative is expected to result in savings.

- Reducing Transportation Costs

The Department spends \$2 billion per year on transportation costs. Some of the innovations that have taken place in the private sector will be incorporated into DoD operations. This includes the establishment of regional freight consolidation centers that will operate much like the Federal Express hubs; modifying the priority system to ensure that only those items that are urgently required are shipped separately; shipping material directly from vendors to users and utilizing a "guaranteed traffic" program that includes competitive awards to carriers to provide scheduled movements on specific routes in return for reduced rates.

• Clothing and Textiles

Clothing purchases for each of the next three years will be limited in order to reduce inventory growth. The purpose is to alter an unacceptable drain on DoD resources. That is, over the last few years, receipts from purchases have exceeded sales by approximately \$500 million. Reducing sales by \$80 million for each of the next three years will reverse the growth and be reflected in surcharge reductions in FY's 1992-1995.

The policy for introducing new clothing items will be changed to require the Services to pay for purchases up front, thereby making customers more aware of the cost of adding new items to the inventory. Also, the Services will be encouraged to use commercial specifications, increase standardization, and reduce the number of clothing sizes. Finally, specification development for clothing items will be consolidated and centralized.

The majority of Army initiatives in the logistics area are directed toward the Army Materiel Command. These initiatives, which focus on streamlining and reduction measures, include: streamlining functions at AMC Headquarters, streamlining Depot Systems Command Headquarters, merging Logistics Support Activities into a single organization, combining Test, Measurement, and Diagnostic Equipment Activities to a single site, and streamlining the Management Engineering Activity by reducing the scope of its functions. Other initiatives include Streamlining Contract Administration Services at Army Ammunition Plants to provide a more efficient and effective organization; reducing wheeled vehicles support costs by removing overage and overmileage vehicles from the Army fleet; and logistics systems improvements by consolidating functions, reducing inventory, and reducing materiel returns.

Navy is pursuing several specific initiatives in the logistics area. They are striving to achieve cost reductions at Naval Aviation Depots resulting from reducing commercial maintenance, ADP, direct labor and overtime, material, and administrative overhead costs. They are also attempting to improve efficiency and lower cost of ship maintenance and repair at naval shipyards through continued efforts under the Naval Industrial Improvement Program. Also, additional contract competition is being proposed in areas not previously subject to competitive review. These additional areas might include some contractor furnished equipment on new procurement aircraft, depot level repairable components, and installation of aircraft modifications.

The Air Force proposals in the logistics area include ADP improvements, increased contracting, and organizational restructuring and streamlining. The Air Force will reduce aircraft spare parts requirements based on automated data processing tools and improved spares computation methods, change time accounting for commercial aircraft by adopting the Federal Aviation Administration standard to measure flight time, contract base fuel activities at four bases, convert all Air Training Command service store activities to contract operations, provide for a single military/civilian system acquisition work force, reduce manpower in the Air Force Logistics Command through enhanced automated data processing tools, eliminate duplication of program management functions in the Air Force Systems Command, develop a streamlined acquisition organization by consolidating and refining the roles of Program Manager, Program Executive Officers and Service Acquisition Executive, and reduce the buying of war reserve material vehicles.

While a number of initiatives have been described for the logistics area, the main theme is improved efficiency and effectiveness. As expressed earlier, success is dependent on the degree which managers are willing to change. Increased visibility and understanding of all facets of logistics allow for better management decisions. Enhanced ability should provide positive reinforcement to all employees involved in this important business. Nothing is being tried that has not proven itself as a motivator for improvement.

ADMINISTRATION

The Packard Commission and the DMR both called for streamlining of headquarters operations and other efficiencies that lead to reductions in staff augmentation. A series of actions address those objectives.

- Streamlining the Defense Agencies and OSD Offices

The Defense Agencies were asked by the Under Secretary of Defense (Acquisition) to seek management improvements and efficiencies. Defense Agencies will realize reductions through organizational changes, headquarters reductions, automation improvements and procurement efficiencies.

Although the budget anticipates these savings will be made through personnel reductions, the Agencies were given the flexibility to implement alternative program reductions, if appropriate, which do not require corresponding end strength decreases.

The DMR recommended streamlining the Office of the Secretary of Defense, and the budget will reflect personnel reductions. This decrease will be offset by transferring some billets into OSD which the Inspector General believes should be shown on OSD rolls rather than in Defense Agency totals.

- Reducing Costs of Civilian Personnel Services

The Department has operated with a lower ratio of personnel staff to population served than most Federal Agencies. The decision reflected in the budget is that all Services should operate with the same ratio of personnel staffing to population being serviced. The Navy ratio is 1:61 and is the recommended mix. The Navy has adopted the "Manage to Payroll" philosophy which reduces centrally managed regulations and gives line managers more flexibility in their personnel management. By adopting a similar personnel management philosophy, the other Services can achieve similar savings.

- Industrial Funding Military Personnel Cost

Military personnel costs have not previously been reflected in the cost to run industrial facilities, shipyards, ammunition plants, etc. In FY 1991, we will reflect military personnel costs to ensure visibility of these personnel expenses to managers.

- Civilianization of Military Spaces In Support Functions

DoD will substitute civilian manpower for military manpower in positions which do not specifically require a military incumbent. On the average, a civilian work force is less costly than a military work force, and overhead support-type functions can be performed by civilians as opposed to military. These functions include installations management, management headquarters for support commands, research and development, training and personnel, joint activities, and support activities. The savings result from the conversion of about 20,000 positions over the five year period.

The Army proposals for administrative efficiencies include reducing travel costs by increasing the use of video-conferencing and by relying on other telecommunications media, consolidating Army laboratories using the results of an ongoing study, consolidating operational test and evaluation under a single command and technical test and evaluation under a single command, and streamlining Information Systems Command by merging various elements and eliminating others.

The Navy plans to streamline operations, eliminate functions and reduce staff positions on the Navy Secretariat Staff through the creation of a single acquisition office. They intend to increase productivity at the Naval Air Labs as a result of full implementation of Total Quality Management (TQM) principles, resulting in substantial savings primarily in the areas of utilities, administration, program, and improved workforce allocation. Also, they plan on reducing Naval Industrial Fund cost of operations at Space and Naval Warfare R&D Labs by decreasing production and General and Administrative (G&A) costs which will be reflected in lower rates charged to all customers of the R&D labs.

The Air Force administration initiatives focus on reductions of personnel, elimination of duplication, and refinement of mission requirements. The Air Force will eliminate 8 of the peacetime logistics readiness centers, reduce layering, divest functions, consolidate functions and acknowledge paybacks from technology investments at the Air Force Communications Command, consolidate Public Affairs Offices of USAF Europe, consolidate personnel functions at 17 numbered Air Forces, delete remaining Personnel Assistance Teams from Major Commands, restructure Headquarters Air Staff and subordinate units, streamline Security Assistance and Foreign Military Sales, and convert current east and west coast Over-the-Horizon Backscatter radar operations squadron personnel from active duty Air Force to contractor.

IMPROVING AUTOMATED MANAGEMENT INFORMATION SYSTEMS AND IMPLEMENTING CORPORATE INFORMATION MANAGEMENT

The Department of Defense has made a strong commitment to the improvement of the way it collects, uses and manages information that supports its business operations. The Department presently spends \$9 billion annually on automated information systems that are essential to the management of the Department. DoD is committed to improving the standardization, quality and consistency of data from its multiple management information systems. Further, it is committed to adoption of single systems in each of the major functional areas of management.

Deputy Secretary Atwood developed a plan in response to the DMR mandate to improve support systems and to achieve needed improvements through implementation of a Corporate Information Management Program for DoD. This will involve calling on an executive level group of outside experts to help DoD develop the appropriate procedures and mechanisms for systems that are standardized and integrated and provide top management with useful, timely information on the business operations of the Department.

- Develop Standard Automated Data Processing Systems

Approximately \$4 billion of DoD's information systems spending is devoted to the development of new systems. A significant portion of the \$4 billion is spent on developing Service-unique systems to meet essentially the same requirement. The Department has traditionally had multiple management information systems performing the same or very similar functions in each Service and other organizational elements. Examples of these duplicate system developments are: payroll, warehousing, accounting, and supply management. Under this initiative, the development effort will gradually transition towards DoD-wide uniform systems. Teams of experts from the Military Services and OSD are being assembled in each of the functional areas to accomplish this objective.

- Computer Aided Logistics Support

Computer aided logistics support (CALS) will allow the Department to accept digitized logistics technical information from weapon system contractors, using OSD-accepted standards, in digitized electronic format rather than hard copy. CALS will support the technical information needs of the Department and develop a network system architecture for interoperability of existing/emerging stand-alone technical information data bases currently used in DoD. The Navy has proposed ten separate initiatives of CALS that have the potential for improving the development, maintenance, and dissemination of logistics and design data, and have the potential for wider utilization in DoD. Acceleration of ongoing programs will achieve significant savings compared to currently funding levels.

FINANCE, PROCUREMENT AND CONTRACT MANAGEMENT

Both the financial and contract communities have recognized that further cost efficiencies and operational improvements can be achieved through the consolidation of like activities, the establishment and maintenance of control over valuable resources and property, and enhanced measurement and accountability for assets owned or contracted for.

by the Department. Economic benefits will be derived by more closely scrutinizing specific managerial oversight responsibilities related to financial monitoring, the consolidation of DoD contract management, and the use of consultants by DoD.

- Improved Accountability for Government Furnished Material

Action has been taken to establish better control and accountability over Government Furnished Material (GFM). The primary initiative is the development of a financial management system, as part of the DoD financial management network, to record, monitor and account for the issuance of GFM to contractors. This system will employ traditional accounting principles and standards in a manner similar to other financial systems already in place as a control over issued materials. The system would generate financial reconciliations and accountings which do not now exist. This accountability will force contractors to be more conscientious about the use of government furnished resources, discourage requests for material in excess of requirements, correlate materials issued with finished products, and enhance recovery of unused material.

- Reduction in Contracted Advisory and Assistance Services

The Department will establish better management controls over Contracted Advisory and Assistance Services (CAAS) to improve documentation, competition and approval of services provided by consultants in this area. The initiative focuses on new requirements to maintain control over funding provided to Federally Funded Research and Development Centers and DoD funding passing through to projects situated in and managed by the Department of Energy. The controls will provide more accurate reporting of consulting costs, both in the budget justifications and the Federal Procurement Data System. This action is also responsive to the congressional concern over DoD spending on CAAS and perceptions that DoD has grown too dependent on contractors to perform work that is more appropriately performed by the Department.

- Streamlining Contract Management

The DMR called for the consolidation of all DoD contract administration services into a single organization. These services have been divided among the three Military Departments and the Defense Logistics Agency (DLA) for many years. This initiative provides for placement and consolidation of all those functions in DLA. Consolidation should make possible the elimination of differing procedures

for management contracts now in existence among the four agencies handling contract administration. It should also enhance professionalism and increase the focus and attention on contract administration. It will also make it possible to present a single face to industry on all contract management issues.

The Navy is pursuing several specific initiatives in the areas of finance and contract management. The Navy plans to streamline the procurement process by delegating additional contractual authority to the Program Executive Officer (PEO) and raising certain approval thresholds. This will reduce the numbers of levels needed to approve waivers, thresholds and exemptions. There is an extended savings in that the streamlined acquisition approval processes should reduce contract costs as the workload on the contractor, the ultimate source of contract data, is reduced. This workload reduction will promote greater efficiency and a gradual increase in savings. Also, the Navy plans on increasing the obligational authority to buy ships in larger lots, thereby reducing the amounts of money requested for added ships. Savings result from the lower costs associated with purchase of ships in larger lots, rather than one by one or in small lots.

The Air Force will establish a single Funding Pool for Initial Operational Test and Evaluation Funds. This will make operations more efficient and eliminate routine tasks and resolve Initial Operational Test and Evaluation (IOT&E) funding problems resulting from scheduling changes. Also, the Air Force will utilize competitive multiyear procurement and producibility enhancements to achieve savings on the purchase of replacement satellites for the NAVSTAR Global Positioning System constellation.

IMPACT OF FY 1991 DECISIONS ON THE BUDGET

A number of initiatives will improve logistics systems and save \$1.4 billion in FY 1991. Initiatives to streamline administrative functions are expected to save \$.3 billion. Savings of \$.3 billion are anticipated from ongoing studies to consolidate, establish executive agencies, and/or achieve greater efficiencies at various support activities, such as depots and laboratories, which are discussed further in the next section. Better control of procurements and contracts will save \$.2 billion, and better procedures for developing automated management information systems will save \$.1 billion. Total savings reflected in the FY 1991 budget from the initiatives equal \$2.3 billion.

In addition to these direct savings, the action previously discussed to improve management of repairable items will allow the Department to propose a reduction of \$2.8 billion in budget authority in FY 1991 and a total of \$10 billion over the 5-year period.

This is because repairable items will be bought through the DoD stock fund accounts beginning in FY 1991 instead of through the procurement accounts. Since stock funds are revolving accounts that do not require annual appropriations to obligate funds, the budget authority previously associated with these procurements will no longer be required. Since this is largely a budget and accounting change, it has not been included as a part of our DMR savings package. It is an important management improvement because it requires managers to make cost conscious choices between repair or purchase of new items.

These initiatives will continue throughout the five year planning period and the cumulative savings from FY 1991 to FY 1995 are expected to be \$39 billion.

FURTHER STUDIES/ANALYSES TO BE COMPLETED

The decisions taken in the preparation of the FY 1991 budget to reduce the costs of providing support services have made major management improvements and resulted in substantial dollar cuts. There are, however, a number of recommendations for future management actions which require further analysis prior to decision. In keeping with the guidance in the DMR that there must be a sustained, multi-year effort to streamline the Department's management, teams of experts are being assembled to give further study to proposals in many of the same functional areas where savings were taken in FY 1991, as well as in other areas.

These proposals appear to hold promise as a means to reduce DoD costs further without affecting military capability or reducing the level of support.

- Studies of Consolidation of Management Support Operations

Study teams will be reviewing opportunities to achieve greater efficiencies through possible consolidations, management changes, and associated savings in the following areas:

- Supply Depots Throughout DoD

There are 33 supply depots in the DoD system operated by each of the three military departments and by the Defense Logistics Agency, providing supplies to all elements of the Department. Exploring consolidation in a single

service or agency may result in significant reductions in base and headquarters level overhead costs, systems development costs and better utilization of existing capacity.

- Inventory Control Points Throughout DoD

The three Military Departments and the Defense Logistics Agency operate separate supply functions, managing about 5 million items valued at approximately \$100 billion through 20 activities called Inventory Control Points. Of the 5 million items managed, 4 billion are consumables, that is, items that would be used and disposed of when they have been used. Further savings in overhead, system support, mission, and facilities costs could be achieved through consolidation, and/or other management efficiencies.

- Maintenance Depots Throughout DoD

The Army, Navy and Air Force all operate separate maintenance functions for the purposes of modification, maintenance and repair of ships, planes, tanks and other major items of equipment. Savings could be achieved in overhead reductions, closure of unneeded facilities and better oversight over maintenance operations through consolidations and/or other management efficiencies.

- Automated Management Information Systems Design Centers and Operations

The Department operates approximately 1,000 data processing installations, called information technology facilities. These facilities are engaged in software design, modification of systems, maintenance of systems, data processing operations, and administrative support. Additional cost reductions are anticipated through more efficient central operations, better use of limited information technology resources and reduction in the number of staff needed.

- Accounting Operations and Finance Centers Throughout DoD

There are four military pay systems and centers, dozens of accounting systems, and hundreds of accounting and finance stations throughout DoD. Operating savings could be realized by reducing the numbers of systems, and by a central streamlining of all accounting and finance operations. Such a move would greatly enhance the operation of a single accounting system for the Department. A decision to create such a single system was taken as part of the DMR budget process.

- Research and Development Laboratories and Test Facilities

Each Military Department operates laboratories and test facilities. Nine facilities are engaged in work on guided missiles, 8 work on lasers, 15 on medical research, 8 on environmental issues and 6 on psychology research. Consolidation of some of these could reduce costs through reduction in overhead, streamlining operations and centralization of professional staff associated with specific areas of research and technology.

The study teams are to examine all options, challenge the present way of doing business, and make recommendations about what should be done to improve efficiency and reduce duplication. Reports from the study teams are due by May 1 to the Deputy Secretary. As previously stated, another \$300 million in savings can be captured in FY 1991 through implementation of recommendations made by these study teams.

• Development of Requirements For Standard Management Information Systems

Beyond the consolidation studies, the Department has also now committed itself to a set of major developmental efforts aimed at changing fundamentally its approach to the deployment of major automated information systems used to support the Department's business operations. The Defense Management Report called for streamlining of the Department's business and management support activities. The Department has long had multiple management information systems performing the same or very similar functions in each Service and throughout other organizational elements of the Department. The success that industry has experienced in developing integrated management information systems and in eliminating redundancy indicates that much can be done in DoD to reduce costs now associated with multiple systems.

The Department plans to eliminate multiple systems and to implement single systems to support major functional areas important to the sound management of the Department. This decision recognized that major improvements are needed in the standardization, quality and consistency of data produced by the Department's multiple management information systems.

In order to evaluate the depth of the problem in DoD and to give the Department guidance in developing corrective measures, an executive level group of outside experts and DoD officials has been established to recommend an overall approach for the Department and to assist in the development of a corporate information management program for the Department. The Department will begin work on the development of requirements for single systems during FY 1990 in six areas. These are:

- Civilian payroll
- Civilian personnel
- Financial management
- Warehousing
- Supply management
- Contract payment

The requirements for these six are to be developed by teams of experts over the next 18 to 24 months, with other areas to be selected in the future.

• Further DMR Management Efficiency Studies

The six analyses of possible consolidations and the six systems requirement analyses together represent a major commitment to a sustained, multi-year approach to improving management. In addition, the Department will engage in further analyses in the functional areas where emphasis has been placed thus far, and will actively search for still other management efficiencies throughout the Department. Those analyses will begin in January 1990, and will be completed in time for them to be incorporated as appropriate in the FY 1992 budget. This process will be repeated each year. The Department is committed to continuous improvement in management efficiency and effectiveness.

LEGISLATIVE PROPOSALS, REGULATORY, AND POLICY CHANGES

The maze of confusing and sometimes contradictory statutes and regulations governing defense management is one of the most substantial barriers to improving management in DoD. Therefore, in addition to budget actions and planned studies/analyses, there are also a set of legislative proposals, being developed with OMB, to foster the goals of the Defense Management Report. These legislative proposals will involve such areas as production, acquisition and logistics, personnel, environment, and financial management.

DoD has begun a process to reduce the self-imposed burden of regulatory and policy guidance. Timely and favorable consideration by Congress of the proposed legislative changes will enable the Department to take a number of broad-ranging actions which will produce economies and efficiencies in many functional areas.

Drawing from these initiatives, the Department seeks to encourage Congress to revise the statutory framework governing Defense acquisition management to permit full implementation of the Defense Management Report.

DMR SAVINGS

(Dollars in Millions)

	<u>FY 1991</u>	<u>Total 5 Years FY 1991-FY 1995</u>
Army	753.0	10,263.0
Navy	662.0	11,894.0
Air Force	733.0	9,269.0
Defense Agencies	(127.0)	2,042.0
Consolidation Studies	<u>300.0</u>	<u>5,600.0</u>
Totals	2,321.0	39,068.0

Numbers in () indicate investments or offsetting increases

DMR SAVINGS (\$ IN MILLIONS)

DMR INITIATIVES Numbers in () indicate investments or offsetting increases.	FY 1991	TOTAL FY 1991-1995
LOGISTICS		
Defense-wide		
- Reducing Supply Costs	429	10,142
- Change in Clothing & Textile Policies	180	887
- Improved Management of Repairables	223	2,142
- Reducing Transportation Costs	145	998
Army Logistics	188	2,757
Navy Logistics	213	2,014
Air Force Logistics	75	2,056
Subtotal	1,453	20,986
ADMINISTRATION		
Defense-wide		
- Better Management of Civilian Personnel	22	162
- Streamline Defense Logistics Agency HQ	4	33
- Civilianization of Military Spaces in Support Functions	22	541
- More Efficient Management of Defense Agencies	55	1,148
- Streamlining the Office of the Secretary of Defense	15	158

DMR SAVINGS (\$ IN MILLIONS)

<u>DMR INITIATIVES</u> Numbers in () indicate investments or offsetting increases.	FY 1991	TOTAL FY 1991-1995
- Non-Availability Statements for Outpatient Care	20	503
Army Administration	163	1,069
Navy Administration	8	376
Air Force Administration	20	271
Subtotal	329	4,261
BASE OPERATIONS & FACILITY MANAGEMENT		
Defense-wide		
- Reducing DoD Electric Costs	-	121
- Moving from Leased Space onto Military Facilities	-	(150)
Navy Facility Management	10	50
Subtotal	10	21
AUTOMATED SUPPORT & INFORMATION SYSTEMS		
Defense-wide		
- Develop Standard Automatic Data Processing Systems	188	2,178
- Computer Aided Logistics Support (CALS)	(154)	2,166
Subtotal	34	4,344

DMR SAVINGS (\$ IN MILLIONS)

DMR INITIATIVES Numbers in () indicate investments or offsetting increases.	FY 1991	TOTAL FY 1991-1995
FINANCE, PROCUREMENT & CONTRACT MANAGEMENT		
Defense-wide		
- Reduction in Contract Advisory & Assistance Services	216	1,099
- Streamlining Defense Contract Management	(7)	255
- Better Controls over Government Furnished Material	(2)	376
- Conventional Ammunition Working Capital Fund	-	581
Navy Procurement & Contract Management	2	1,408
Air Force Financial Management	(14)	137
Subtotal	195	3,856
CONSOLIDATION STUDIES		
	300	5,600
TOTAL	2,321	39,008

DMR CIVILIAN REDUCTIONS
(FY 1991)

	<u>Reduction Before Civilian Substitution</u>	<u>Civilian Substitution Adjustment</u>	<u>Total Reduction</u>
Army	3,945	(1,693)	2,252
Navy	3,166	(1,656)	1,510
Air Force	8,164	(3,021)	5,143
Defense Agencies*	<u>(998)</u>	<u>(124)</u>	<u>(1,122)</u>
Totals	14,277	(6,494)	7,783

Numbers in () indicate investments or offsetting increases

*The net increase in Defense Agencies civilian employment in FY 1991 is due to the transfer of 4,190 positions from the Military Departments into the Defense Logistics Agency in order to consolidate contract administration services.

DMR CIVILIAN REDUCTIONS
(FY 1991 - 1995)

	<u>Reduction Before Civilian Substitution</u>	<u>Civilian Substitution Adjustment</u>	<u>Total Reduction</u>
Army	10,236	(5,074)	5,162
Navy	8,560	(4,966)	3,594
Air Force	14,454	(9,065)	5,389
Defense Agencies	<u>4,522</u>	<u>(371)</u>	<u>4,151</u>
Totals	37,772	(19,476)	18,296

Numbers in () indicate investments or offsetting increases

DMR CIVILIAN REDUCTIONS

DMR INITIATIVES Numbers in () indicate offsetting increases.	FY 1991	TOTAL FY 1991-1995
LOGISTICS		
Defense-wide		
- Reducing Supply Costs	0	0
- Change in Clothing & Textile Policies	0	(52)
- Improved Management of Repairables	0	0
- Reducing Transportation Costs	0	0
Army Logistics	2,097	7,336
Navy Logistics	1,586	6,455
Air Force Logistics	4,442	10,191
Subtotal	8,125	23,930
ADMINISTRATION		
Defense-wide		
- Better Management of Civilian Personnel	1,015	1,185
- Streamline Defense Logistics Agency HQ	128	128
- Civilianization of Military Spaces in Support Functions	(6,494)	(19,476)
- More Efficient Management of Defense Agencies	2,777	8,331
- Streamlining the Office of the Secretary of Defense	254	379

DMR CIVILIAN REDUCTIONS

DMR INITIATIVES Numbers in () indicate offsetting increases.	FY 1991	TOTAL FY 1991-1995
- Non-Availability Statements for Outpatient Care	0	0
Army Administration	639	1,627
Navy Administration	242	925
Air Force Administration	155	591
Subtotal	(1,283)	(6,310)
BASE OPERATIONS & FACILITY MANAGEMENT		
Defense-wide		
- Reducing DoD Electric Costs	0	0
- Moving from Leased Space onto Military Facilities	0	0
Navy Facility Management	28	28
Subtotal	28	28
AUTOMATED SUPPORT & INFORMATION SYSTEMS		
Defense-wide		
- Develop Standard Automatic Data Processing Systems	0	0
- Computer Aided Logistics Support (CALs)	0	0
Subtotal	0	0

DMR CIVILIAN REDUCTIONS

DMR INITIATIVES Numbers in () indicate offsetting increases.	FY 1991	TOTAL FY 1991-1995
FINANCE, PROCUREMENT & CONTRACT MANAGEMENT		
Defense-wide		
- Reduction in Contract Advisory & Assistance Services	(106)	(264)
- Streamlining Defense Contract Management	1,027	1,027
- Better Controls over Government Furnished Material	(8)	(115)
- Conventional Ammunition Working Capital Fund	0	0
Navy Procurement & Contract Management	0	0
Air Force Financial Management	0	0
Subtotal	913	648
CONSOLIDATION STUDIES		
	0	0
TOTAL	7,783	18,296

DMR MILITARY REDUCTIONS
(FY 1991)

	<u>Reduction Before Civilian Substitution</u>	<u>Civilian Substitution Adjustment</u>	<u>Total Reduction</u>
Army	442	1,778	2,220
Navy	23	1,670	1,693
Air Force	<u>1,648</u>	<u>3,046</u>	<u>4,694</u>
Totals	2,113	6,494	8,607

DMR MILITARY REDUCTIONS
(FY 1991 - 1995)

	<u>Reduction Before Civilian Substitution</u>	<u>Civilian Substitution Adjustment</u>	<u>Total Reduction</u>
Army	792	5,333	6,125
Navy	32	5,007	5,039
Air Force	<u>4,327</u>	<u>9,136</u>	<u>13,463</u>
Totals	5,151	19,476	24,627

DMR MILITARY REDUCTIONS

DMR INITIATIVES	FY 1991	TOTAL FY 1991-1995
LOGISTICS		
Defense-wide		
- Reducing Supply Costs	0	0
- Change in Clothing & Textile Policies	0	14
- Improved Management of Repairables	0	0
- Reducing Transportation Costs	0	0
Army Logistics	22	52
Navy Logistics	0	0
Air Force Logistics	474	1,915
Subtotal	496	1,981
ADMINISTRATION		
Defense-wide		
- Better Management of Civilian Personnel	0	0
- Streamline Defense Logistics Agency HQ	12	12
- Civilianization of Military Spaces in Support Functions	6,494	19,476
- More Efficient Management of Defense Agencies	0	0
- Streamlining the Office of the Secretary of Defense	28	71

DMR MILITARY REDUCTIONS

DMR INITIATIVES	FY 1991	TOTAL FY 1991-1995
- Non-Availability Statements for Outpatient Care	0	0
Army Administration	408	703
Navy Administration	8	8
Air Force Administration	1,161	2,376
Subtotal	8,111	22,646
BASE OPERATIONS & FACILITY MANAGEMENT		
Defense-wide		
- Reducing DoD Electric Costs	0	0
- Moving from Leased Space onto Military Facilities	0	0
Navy Facility Management	0	0
Subtotal	0	0
AUTOMATED SUPPORT & INFORMATION SYSTEMS		
Defense-wide		
- Develop Standard Automatic Data Processing Systems	0	0
- Computer Aided Logistics Support (CALs)	0	0
Subtotal	0	0

DMR MILITARY REDUCTIONS

DMR INITIATIVES	FY 1991	TOTAL FY 1991-1995
FINANCE, PROCUREMENT & CONTRACT MANAGEMENT		
Defense-wide		
- Reduction in Contract Advisory & Assistance Services	0	0
- Streamlining Defense Contract Management	0	0
- Better Controls over Government Furnished Material	0	0
- Conventional Ammunition Working Capital Fund	0	0
Navy Procurement & Contract Management	0	0
Air Force Financial Management	0	0
Subtotal	0	0
CONSOLIDATION STUDIES		
	0	0
TOTAL	8,607	24,627

Defense Management Initiative

Issue: Reducing Supply System Costs

Scope: Army, Air Force, Navy, DLA

Budget Summary:

<u>SERVICE/AGENCY</u>	<u>(Dollars in Millions)</u>		
	<u>Savings</u> <u>FY 1991</u>	<u>Savings</u> <u>FY 92-95</u>	<u>Total</u> <u>Svgs</u>
Army (Stock Fund)	56.0	2,245.0	2,301.0
Navy (Stock Fund)	116.0	2,437.0	2,553.0
Air Force (Stock Fund)	63.0	2,029.0	2,092.0
Defense Agencies (Stock Fund)	194.0	3,002.0	3,196.0
Grand Total	429.0	9,713.0	10,142.0

Initiative Description: This initiative gives managers the visibility and flexibility to manage supply costs better. Operational costs will be moved into stock fund accounts, thereby enabling DoD to better control these costs in order to obtain savings in procurement costs. This will also ensure that the level of operational funding is tied to actual workload rather than to an estimate made 24 months earlier. Beginning in FY 1991, these operational costs will be reflected in stock fund surcharges paid by customers. Savings of 3 percent of total supply costs are anticipated due to this new ability to better control overall costs, and these savings have been reflected in the Services budgets. Reductions for the outyears will also be reflected in stock fund surcharges.

In addition to improving the funding of operational supply costs, this initiative also includes policy changes that will enhance the visibility and management of inventory in the supply system. Included are the following:

- 1) Stockage policies will be changed in order to reduce transportation costs and take advantage of shipment consolidation and other improved transportation techniques while continuing to meet customer requirements. Specifically, items will be stored in the depot closest to the source of supply because experience indicates volatility of customer demand is such that inventory managers have not been able to accurately store

materiel closest to the customer. As a result, savings in first destination transportation costs are possible by storing materiel closest to the vendor and shipping to the customer when an item is requisitioned. Also, items that customers wish to return to DoD wholesale depots, but for which there is not an immediate demand elsewhere, will be retained at retail level resulting in significant savings in handling and transportation. Ownership will still revert to the wholesale manager who will direct the holding retail depot to release an item when it is requisitioned.

2) Goals will be set to increase the use of commercial items, thereby reducing the number of items made to more expensive Service specifications. Examples of items that will no longer be procured according to military specifications include common items such as toothpicks and undergarments.

3) The use of multiple year contracts will be encouraged to significantly improve materiel availability by reducing lead time. Multiple year contracts are recommended for families of items that have been historically procured using sole source contracts. They have an advantage in that they guarantee annual dollar values rather than a guaranteed number of items. The new policy will allow the flexibility to move some items to another vendor if applicable, or to renegotiate lower prices. It also enables the Department to establish long-standing relationships with primary contractors. Reduced lead times will result in significant reductions in inventory and increased supply availability.

4) A new policy will also permit DoD to fund drawings and technical data through the stock fund accounts. This change will give supply managers the ability to have the information necessary to break out sole source contracts, thus reducing procurement costs. Currently drawings and technical data are purchased by procurement accounts during initial provisioning, but not to the extent required. This initiative will allow item managers to target sole source items and purchase the data necessary to develop competitive sources. In addition, funding of incomplete items from the stock funds will also be allowed to encourage the purchase of parts rather than more costly complete items. Lead times on incomplete items are shorter and the cost is lower than purchasing and stocking the complete item.

Defense Management Initiative

Issue: Reducing the Cost of Clothing and Textiles

Scope: Army, Navy, Air Force and the Defense Logistics Agency (DLA)

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Defense Stock Fund	180.0	-	180.0
Army (Mil Pers)	-	147.0	147.0
Army (O&M)	-	<u>220.5</u>	<u>220.5</u>
Total Army	-	<u>367.5</u>	<u>367.5</u>
Navy (Mil Pers)	-	48.0	48.0
Navy (O&M)	-	<u>72.1</u>	<u>72.1</u>
Total Navy	-	<u>120.1</u>	<u>120.1</u>
Marine Corps (Mil Pers)	-	28.2	28.2
Marine Corps (O&M)	-	<u>42.4</u>	<u>42.4</u>
Total Marine Corps	-	<u>70.6</u>	<u>70.6</u>
Air Force (Mil Pers)	-	59.3	59.3
Air Force (O&M)	-	<u>89.0</u>	<u>89.0</u>
Total Air Force	-	<u>148.3</u>	<u>148.3</u>
Grand Total	180.0	706.5	886.5

End Strength Reductions

<u>Organization</u>	<u>FY 1991</u>	<u>FY 92-95</u>	<u>FY 1995</u>
Army			
Military--Officers	-	10	10
Civilians	-	15	15
Navy			
Military	-	-	-
Civilians	-	31	31
Marine Corps			
Military	-	-	-
Civilians	-	1	1
Air Force			
Military--Officers	-	4	4
Civilians	-	6	6
Total	-	67	67
DLA (Offsetting Increases)			
Military--Officers	-	(14)	(14)
Civilians	-	(52)	(52)
		<u>(66)</u>	<u>(66)</u>

Initiative Description:

Inventory Growth: Clothing purchases for each of the next three years will be limited in order to reduce inventory growth. The purpose is to alter an unacceptable drain on DoD resources. That is, over the last few years, receipts from purchases have exceeded sales by approximately \$500 million. Reducing sales by \$80 million for each of the next three years will reverse the growth and be reflected in surcharge reductions in FY's 1992-1995.

New Item Introduction: The policy for introducing new clothing items will be changed to require the Services to pay for purchases up front, thereby making customers more aware of the cost of adding new items to the inventory. A well-planned procedure for introducing new items is needed because many times clothing requirements have been submitted out-of-cycle, with little time for cost-benefit analyses, or a determination of actual need.

Use of Commercial Specifications: The Services will be encouraged to use commercial specifications, increase standardization, and reduce the number of clothing sizes. Most of the clothing items procured are based on military specifications. The use of these specifications results in higher costs to the Department, and in some instances results in some quality manufacturers refusing to bid on DoD work. From these actions, savings will be reflected in FY 1992 to FY 1995 prices.

Consolidation and Centralization of Specifications Development: Specification development for clothing items will be consolidated and centralized. A consolidated activity will bring increased standardization and reduced military specifications. At present, each Service has its own specification development activity. Rather than focus on parochial interest, a centralized activity would consider all aspects of procuring clothing for the Department.

Defense Management Initiative

Issue: Stock Funding of Reparables

Scope: Army, Air Force

Budget Summary:

<u>SERVICE/AGENCY</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total SVRS</u>
Army (Stock Fund)	96.0	804.0	900.0
Air Force (Stock Fund)	207.0	1,115.0	1,322.0
Corporate Information Management (Investment)	<u>(80.0)</u>	-	<u>(80.0)</u>
Grand Total	223.0	1,919.0	2,142.0

Initiative Description: This initiative transfers Army and Air Force funding of repairable parts from direct appropriations to the stock funds. This in turn will require users to pay for new repair items which in the past have been free issue and will give users an incentive to repair rather than purchase new items. The estimated savings shown above are the result of reduced consumption due to users having the option to choose between repair or replacement. The Navy transferred the funding of these items to the Stock Fund in the early and middle eighties and realized a reduction in demand for repairable items. The savings for Army and Air Force reflect an expected 10% decrease in demand. There is an additional benefit by providing the opportunity to reprogram between the various categories of cost because of having a single funding source for procurement and maintenance of reparables.

To accommodate system changes required, implementation will be phased. The free issue policy will continue until January 1, 1992. Funding of procurement actions through the stock fund will commence on October 1, 1990, and funding of depot maintenance actions will commence on July 1, 1991.

The use of the stock funds rather than appropriated accounts permits an adjustment of overall funding levels as requirements change during execution. The initiative also eliminates the need for \$2.8 billion in budget authority in FY 1991 by transferring \$2.8 billion from the appropriation accounts to the stock fund accounts, which are revolving funds.

Defense Management Initiative

Issue: Reducing Transportation Costs

Scope: DoD-Wide

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total SVGS</u>
Army (O&M)	57.0	331.5	388.5
Navy (O&M)	35.9	214.0	249.9
Marine Corps (O&M)	2.6	14.1	16.7
Air Force (O&M)	37.9	220.1	258.0
Defense Agencies (O&M)	8.6	47.0	55.6
Army Reserve (O&M)	.2	1.1	1.3
Navy Reserve (O&M)	.1	.6	.7
Marine Corps Reserve (O&M)	.2	1.1	1.3
Air Force Reserve (O&M)	.2	1.1	1.3
Army National Guard (O&M)	1.3	7.2	8.5
Air National Guard (O&M)	<u>1.0</u>	<u>5.2</u>	<u>6.2</u>
Grand Total	145.0	843.0	988.0

Initiative Description: This action intensifies and accelerates efforts on five transportation initiatives begun in FY 1990, and takes further reductions. Necessary up-front investment costs will be funded from the gross savings. The five initiatives are:

Guaranteed Traffic Program: The Military Traffic Management Command will award carriers specific traffic lanes for a designated time period (usually one year). In return, carriers will reduce their rates by sometimes 20 percent or more.

Regional Freight Consolidation Centers: Regional freight centers will consolidate small shipments into larger shipments which will dramatically reduce transportation costs. Eight of ten DoD shipments are less-than-truckload, which on the average, costs seven times more than full truckload shipments.

Issue Priority Group (IPG) Policy: Currently, the requisition priority system both establishes the importance of the requisitioner and dictates the mode of transportation. Often the material is needed only for replenishment of the requisitioner's inventory, and immediate shipment is not required. This initiative will eliminate unnecessary transportation costs by permitting supply centers to ship high priority material by a cheaper mode unless the requisitioner requires faster delivery.

Direct Shipments from Vendors to Users: This initiative will have vendors route shipments directly to users, bypassing DoD depots or storage facilities.

Prepayment Audits: Intensified DoD audits of bills prior to payment will permit increased recoveries from overbillings or erroneous charges.

Defense Management Initiative

Issue: Streamline Headquarters, Army Materiel Command (AMC)

Scope: Army

Budget Summary:

<u>(Dollars in Millions)</u>			
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Svgs</u>
ARMY (06M)	5	44	49

Appropriation:

<u>(End Strength Reductions)</u>			
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
MILITARY	9	29	38
CIVILIAN	133	134	267
Grand Total	142	163	305

Initiative Description: This initiative streamlines the Headquarters, AMC and focuses it on the three major roles of a materiel command, as directed by the Defense Management Report (DMR). The Headquarters will concentrate on command and control, policy, planning, program integration, resource management and performance evaluation. This will allow for a reduction of 267 civilian and 38 military spaces, and will not involve any up front expenditures.

Defense Management Initiative

Issue: Streamline the Army Materiel Command (AMC)

Scope: Army

Budget Summary:

<u>(Dollars in Millions)</u>			
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
ARMY (O&M)	33.1	401.9	435.0
ARMY (RDT&E)	4.9	60.1	65.0
Grand Total	38.0	462.0	500.0

<u>(End Strength Reductions)</u>			
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Total	1200	3600	4800

Initiative Description: During FY 1991 through FY 1995, the Army Materiel Command will streamline its total operation by 4,800 spaces. This effort will be focused on streamlining acquisition management functions and eliminating unnecessary management layers. The resulting, more efficient organization will continue to accomplish its mission without an adverse effect on readiness. The AMC Headquarters will carefully manage this streamlining initiative to minimize disruption to specific organizations and preclude a Reduction In Force (RIF) action.

Defense Management Initiative

Issue: Streamline Headquarters, Depot Systems Command (DESCOM)

Scope: Army

Budget Summary:

(Dollars in Millions)

	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total SVGS</u>
ARMY (O&M)	1.8	16.8	18.6

Appropriation:

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
MILITARY	5	-	5
CIVILIAN	98	-	98
Grand Total	103	-	103

Initiative Description: After reviewing several options concerning DESCOM, the Army concluded that streamlining the Headquarters was the best course of action. This initiative will eliminate 98 civilian and 5 military spaces. The functions they perform will be absorbed by other activities, including Headquarters, AMC.

Defense Management Initiative

Issue: Merge AMC Logistics Support Activities

Scope: Army

Budget Summary:

<u>(Dollars in Millions)</u>			
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Svgs</u>
ARMY (O&M)	7.5	35.0	42.5

Appropriation:

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
MILITARY	1	1	2
CIVILIAN	89	105	194
Grand Total	90	106	196

Initiative Description: AMC will consolidate several logistics support activities into a single organization located at Letterkenny Army Depot, Chambersburg, PA. The activities involved include: the Logistics Control Activity (LCA), Presidio, CA; the Catalog Data Activity (CDA), Harrisburg, PA; the Materiel Readiness Support Activity (MRSA), Lexington, KY; the Packaging, Storage, and Containerization Center (PSCC), Tobyhanna, PA; and the General Materiel and Petroleum Activity (GMPA), Harrisburg, PA. The consolidation will unify the efforts of these activities and will improve management flexibility in sharing resources. It will also reduce administrative and staff support personnel and related expenses. Total personnel reduction will be 196 civilians.

Defense Management Initiative

Issue: Combine Separate Test, Measurement and Diagnostic Equipment (TMDE) Activities

Scope: Army

Budget Summary:

	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
ARMY (OSM)	.7	1.2	1.9
ARMY (RDT&E)	.3	1.2	1.5
Grand Total	1.0	2.4	3.4

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
MILITARY	7	-	7
CIVILIAN	36	-	36
Grand Total	43	-	43

Initiative Description: The Army TMDE program has been centrally managed under a Secretary of the Army charter since 1982. In conjunction with efforts directed by the Base Realignment and Closure Act of 1986, this consolidation further centralizes the elements involved with TMDE. These elements include the Office of the Deputy Executive Director of TMDE in Alexandria, VA; the Project Manager for TMDE in Fort Monmouth, NJ; the Central TMDE Activity and the Army Ionizing Radiation and Dosimetry Center, both at Lexington, KY. This consolidation will improve operations and allow for the reduction of approximately 36 civilian spaces.

Defense Management Initiative

Issue: Streamline AMC Management Engineering Activity (MEA)

Scope: Army

Budget Summary:

Appropriation:

<u>(Dollars in Millions)</u>			
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
ARMY (O&M)	1.2	23.6	24.8
<u>(End Strength Reductions)</u>			
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
CIVILIAN	31	159	190

Initiative Description: AMC plans to reduce the mission scope of MEA by eliminating the functions associated with efficiency reviews and subject matter assessments. MEA will retain responsibility within AMC for the manpower staffing standards program. This streamlining will result in a reduction of 190 civilian spaces.

Defense Management Initiative

Issue: Streamline Contract Administration at Army Ammunition Plants (AAP)

Scope: Army

Budget Summary:

(Dollars in Millions)

	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
ARMY (OCA)	1.4	26.4	27.8

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
CIVILIAN	187	-	187

Initiative Description: The Army plans to provide a more efficient and effective organization dedicated to enhanced CAS functions at each of the 14 active AAPs. This streamlining action will not only result in the upgrading of the quality of the CAS workforce, but also result in a reduction of 187 civilian spaces.

Defense Management Initiative

Issue: Reduce Wheeled Vehicle Support Costs

Scope: Army

Budget Summary:

<u>(Dollars in Millions)</u>			
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Svgs</u>
ARMY (O&M)	81.5	859.0	940.5
<u>(End Strength Reductions)</u>			
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>

Initiative Description: The Army intends to remove more than 57,000 by 1997 overage, overmileage, and obsolete vehicles from the Army fleet in order to save operations and support costs. The savings generated by this initiative reflect pulling these vehicles from the major commands. These savings result from the Army's Tactical Wheeled Vehicle Modernization Plan (TWVMP). The Army Major Commands participated in the development of the plan by nominating overage, overmileage and obsolete vehicles. The cost of maintaining these vehicles exceeded their usefulness.

Defense Management Initiative

Issue: Logistics System Improvements

Scope: Army

Budget Summary:

	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
ARMY (O&M)	37.7	583.9	621.6
OTHER PROCUREMENT, ARMY	12.3	516.8	529.1
Grand Total	50.0	1100.7	1150.7

Appropriation:

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
CIVILIAN	323	1241	1564

Initiative Description: The Army intends to initiate several improvements to the Army's logistics support system. Key to these improvements is the consolidation of selected wholesale and retail logistic functions. Also included is reducing the inventory of selected end items and retention levels of stocks with no known requirement, reducing materiel returns and consolidating supply support for maintenance depots operations.

Defense Management Initiative

Issue: Naval Aviation depots
Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
NAVY (O&M) NAVAIR	9.6	202.3	211.9
NAVY (O&M) Other Customers	0.6	13.0	13.0
RESERVE NAVY (O&M)	0.7	15.6	16.3
AIRCRAFT PROCUREMENT, NAVY	1.3	26.6	27.9
WEAPONS PROCUREMENT, NAVY	0.0	0.7	0.7
RDT&E, NAVY	0.2	4.0	4.2
FOREIGN MILITARY SALES	0.1	2.0	2.1
NAVY STOCK FUND	5.3	110.3	115.6
NAVY INDUSTRIAL FUND	0.2	4.5	4.7
Savings/Reduction to NIF Cost of Operations	18.0	379.0	397.0
Additional O&M, N (NAVAIR) for Commercial Procurement	2.0	28.0	30.0
Total Savings	20.0	407.0	427.0
End Strength Reductions (Civilians)	86	369	455

Initiative Description: This initiative encompasses the Naval Aviation depots and Naval Aviation Depot Operations Center, Patuxent River, Maryland. Cost reductions will be achieved in five operating areas: 1) commercial maintenance costs for contractor-supported overhaul and repair of aircraft and related ground support equipment via recompetition; 2) automated data processing via productivity increases and increased utilization of commercial off-the-shelf programs versus in-house development; 3) direct labor and overtime via increased worker productivity and

reduced product turnaround times; 4) Material via improved inventory control, reduced concurrent rework and reduced scrappage; 5) and administrative overhead through improved worker productivity and elimination of non-value added programs and reports. The combination of these efforts will permit a reduction of Navy industrial fund rates charged to customers. It should be noted that some cost savings will accrue to other claimants and services who are customers of the depots.

The cost savings identified above will be achieved as follows:

Commercial Maintenance Costs: Savings are based on an estimated 2 percent reduction in costs for recompetition of \$400 million in contracts managed by the Naval Aviation Depot Operations Center (NADOC). Savings estimates are based on latest experience. Contracts will expire over period of years as the option period expires. Savings will accrue to NADOC-managed NAVAIR depot, AIRLANT, AIRPAC, CNATRA and Reserve programs.

Automated Data Processing (ADP): Savings projections are based on the anticipated positive results of a joint NAVAIR/Navy Data Automation Command business plan which seeks to achieve operating cost reductions at the regional data automation centers. This will result in lower overhead costs to the naval aviation depots which will be reflected in the Navy industrial fund (NIF) rates.

Direct Labor and Overtime: Savings are based on achieving a 5 percent reduction in direct labor costs utilizing FY 1990 projected costs as a baseline.

Material: Savings represent a projected 5 percent reduction due to corporate objectives to improve bills of material, inventory ordering controls and material inventory control.

Administrative Overhead: Savings represent a projected 3 percent reduction based on collective depot input. The goal is ambitious given prior Navy industrial improvement program initiatives in this area.

The \$47.0 million in savings identified for "direct labor and overtime via increased worker productivity..." and "...administrative overhead through improved worker productivity..." represent the equivalent of approximately 500 thousand direct and indirect labor hours. Average yearly overtime, both direct and indirect is 1,800 thousand hours. The savings would be accommodated by reducing overtime 28 percent thus there would not be personnel savings. Maintaining projected personnel allows us the ability to better surge to meet emergent peacetime or mobilization requirements.

Defense Management Initiative

Issue: Naval Shipyard Productivity

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
Navy Industrial Fund	57	741	798
End Strength Reductions (Civilians)	1,500	4,500	6,000

Initiative Description: Improve efficiency and lower cost of ship maintenance and repair at Naval Shipyards. The Department of the Navy will reduce direct and overhead personnel costs at the naval shipyards by the implementation of a phased action strategy. The Naval Shipyard Phase Action Strategy includes improvement in ship overhaul schedule and adherence, productivity improvement in shipyard direct labor, reduction in indirect costs, and a human resources plan that matches work force to workload. As a result of these initiatives, reductions in end strength of 1,500 will be achieved in FY 1991 with cumulative reductions of 6,000 by FY 1994.

These savings are predicated on productivity improvements to be achieved during a period of expected workload decrease. Should workload increase, or decrease more than expected, these savings may be different than indicated.

Improvements are anticipated to be accomplished as follows:

- productivity improvements in direct labor through the use of improved work packaging and job planning, uniform integrated technical work procedures, improved manpower planning by second level supervisors, and improving work definition and execution. This will enable the waterfront worker to do his job better.
- reduce the amount of overhead required to support direct labor by implementing control systems for overhead charges, using more flexible personnel practices and reducing F&CA costs.
- ensure the best balance of work force to workload.

Defense Management Initiative

Issue: Inapplicable Inventory

Scope: Department of the Navy

Budget Summary:

(dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
Navy Stock Fund	50	100	150

Initiative Description: A revised OSD Retention/Disposal policy would allow Inapplicable Inventory to be sold to foreign governments and to the public through the Defense Reutilization and Marketing Service. These sales will increase Navy Stock Fund (NSF) cash and eventually be reflected in reduced customer prices to the O&M,N Navy accounts.

In 1985, OSD imposed a moratorium on disposal of spares that had a weapon system application regardless of the expected needs of the services. This policy has directly impacted the value of long supply inventory carried by the Navy and the attendant storage capacity consumed by this material. The Naval Supply Systems Command has received approval from OSD to conduct a pilot program to test a revised disposal criteria. Execution of this revised policy will not impact Fleet readiness and will generate revenues for the U.S. Government.

Defense Management Initiative

Issue: Non-Traditional Competition

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
AIRCRAFT PROCUREMENT, NAVY	66.1	360.0	426.1
WEAPONS PROCUREMENT, NAVY	1.0	16.3	17.3
Navy Stock Fund	18.7	177.0	195.7
TOTAL	85.8	553.3	639.1

Initiative Description: Since FY 1985, the proportion of Navy contracts which are awarded competitively has increased from just over fifty percent to over ninety percent. Further savings from competition is dependent on identifying non-traditional areas which can be subject to competition for the first time. Three areas are: (1) some contractor furnished equipment on new procurement aircraft is procured sole source by the prime contractor; the equipment will now be supplied as government furnished material and procured competitively by the Navy; (2) depot level separable components are normally repaired at a "designated overhaul point", which may be a public or commercial source; repair will now be competed between all capable repair activities; and (3) installation of aircraft modifications will be performed by the lowest cost activity, either public or private.

New production aircraft equipment now purchased on a sole source basis by the prime contractor will be competitively procured as government furnished material. Additional in-house support is required to select appropriate breakout and competitive procurement candidates. Once a decision is reached to take management responsibility away from the prime, NAVAIR assumes the engineering, logistics, contracting, testing, and overall management. The cost of management will be a factor in the decision to break a component away from the prime weapon system manufacturer. Each component will require a different level and technical mix of support.

The Navy currently assigns component rework either to Navy operated repair depots or to commercial depots. These decisions are normally made during weapon system acquisition and are based on a number of factors. This initiative involves the competing of component rework effort currently assigned to organic (Navy-owned) repair facilities. To accomplish the savings identified, we will begin to compete (or at least screen for potential competition) 10 percent of the current organic repair work in FY 1991 and increase the level of competition by 5 percent each year through FY 1995 (e.g., 15 percent in FY 1992, 20 percent in FY 1993) so that 100 percent of this work has been subjected to competition by FY 1995. Experience gained through Project BOSS indicates that 25 percent of the competed value can be saved through competition. This method will not cause any decrease in previously budgeted program. Savings will be realized by the fleet customer in the form of reduced stock fund prices for repairables.

Modification installations during aircraft standard depot level maintenance will be assigned to lower cost performers considering the cost of work at both Navy and commercial activities.

Defense Management Initiative

Issue: Reduction In Aircraft Spares Requirements

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>	
	<u>Savings FY 1991</u>	<u>Total Savings</u>
Aircraft Procurement, AF	0	800.0
Total	<u>0</u>	<u>800.0</u>

Initiative Description: This initiative recognizes decreases in aircraft spare parts requirements computations based on automated data processing (ADP) tools and improved spares computation methods. Recent computations show spares requirements declining significantly from prior computations. By utilizing ADP tools in conjunction with improved spares computation methods, the Air Force was able to save funds beginning in FY92.

Defense Management Initiative

Issue: Change Time Accounting for Commercial Aircraft

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Operation and Maintenance, AF	3.6	15.8	19.4
Operation and Maintenance, ANG	.1	.7	.8
Total	<u>3.7</u>	<u>16.5</u>	<u>20.2</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 27222F KC-10A	1.1	5.1	6.2
PE 35114F Traffic Cont Lan Sys	.2	.7	.9
PE 41216F Airlift Mission Actys	.4	1.6	2.0
PE 41314F Op Support Airlift	1.7	7.6	9.3
PE 84742F Under Grad Nav Trng	.2	.8	1.0
Operation and Maintenance, AF	<u>3.6</u>	<u>15.8</u>	<u>19.4</u>

Initiative Description: Commercial off-the-shelf aircraft are maintained by contract logistics support in accordance with Federal Aviation Administration (FAA) standards. The Air Force measures flight time accounting from take-off roll to touchdown plus five minutes. This adds six minutes to FAA criteria for each flight. On a one-hour flight this is 11 percent. FAA defines flight time as from lift-off to touchdown the true in-flight time. The flight time being entered into the aircraft maintenance records is computed using the Air Force definition; however, maintenance records is logistics support payments are supposed to be based on FAA time. This initiative capitalizes on cost efficiencies by the Air Force adopting the FAA standard. Under the FAA criteria, aircraft in the Air Force inventory would require fewer inspections without impacting safety.

Defense Management Initiative

Issue: Contracting for Base Fuel Activities

Scope: Air Force

Budget Summary:

	<u>(Dollars in Millions)</u>		
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Savings</u>
Operation and Maintenance, AF (Investment)	(1.6)	(13.0)	(14.6)
Military Personnel, AF	2.0	25.5	27.5
Total	<u>.4</u>	<u>12.5</u>	<u>12.9</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	4	0	4
Enlisted	227	0	227
Civilian	15	0	15
Total	<u>246</u>	<u>0</u>	<u>246</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 85796F Base Operations	(1.6)	(13.0)	(14.6)
Operation and Maintenance, AF	(1.6)	(13.0)	(14.6)

Initiative Description: Presently Air Force personnel fulfill the requirement for operating base fuel activities at four Air Training Command (ATC) bases: Columbus, Laughlin, Reese, and Randolph AFBs. These personnel are responsible for all the associated activities of managing fuel requirements for the base, to include both aircraft and ground vehicles. Manpower and dollar savings will be realized by converting these four bases' fuel activities to contract operations. Contract operations of this activity has proven to be successful at other Air Training Command bases. The mobility taskings that currently exist at these four bases will be redistributed to other MAJCOMS. The refueling equipment that is in place will be distributed to other Air Force bases to fill Air Force shortfalls.

Defense Management Initiative

Issue: Contracting for Operation of Base Service Stores

Scope: Air Force

Budget Summary:

	<u>(Dollars in Millions)</u>		
	<u>Savings</u> <u>FY 1991</u>	<u>Savings</u> <u>FY 92-95</u>	<u>Total</u> <u>Savings</u>
Operation and Maintenance, AF (Investment)	(.1)	(1.0)	(1.1)
Military Personnel, AF	.2	2.6	2.8
Total	<u>.1</u>	<u>1.6</u>	<u>1.7</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Enlisted	23	0	23
Civilian	10	0	10
Total	<u>33</u>	<u>0</u>	<u>33</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 85796F Base Operations	(.1)	(1.0)	(1.1)
Operation and Maintenance, AF	<u>(.1)</u>	<u>(1.0)</u>	<u>(1.1)</u>

Initiative Description: Base service stores provide the supplies associated with the management and operations of a base. These supplies include administrative (paper, pencils, etc.), cleaning supplies, and tool issue (small craftsman tools). The base service stores in the Air Training Command (ATC) are managed by Air Force personnel. This initiative would convert the operation of ATC's administrative and cleaning supplies issue to a contract operation. The tool issue portion will be combined with the clothing supply and will subsequently remain an Air Force operation.

Defense Management Initiative

Issue: Develop a Streamlined Acquisition Organization

Scope: Air Force

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Operation and Maintenance, AF (Investment)	(3.6)	(2.5)	(6.1)
Military Personnel, AF (Investment)	(.4)	(4.2)	(4.6)
<u>Total (Investment)</u>	<u>(4.0)</u>	<u>(6.7)</u>	<u>(10.7)</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer (Offsetting Increases)	(21)	0	(21)
Civilian (Offsetting Increases)	(7)	0	(7)
<u>Total (Offsetting Increases)</u>	<u>(28)</u>	<u>0</u>	<u>(28)</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 91212F Service Wide Support	(3.6)	(2.5)	(6.1)
<u>Operation and Maintenance, AF</u>	<u>(3.6)</u>	<u>(2.5)</u>	<u>(6.1)</u>

Initiative Description: By studying, developing, and implementing a more streamlined acquisition organization, the Air Force can achieve substantial cost avoidance on major programs. This project will address consolidating and redefining the role of the Program Manager, the Program Executive Officers, and the Service Acquisition Executive.

The Program Manager (PM) is the individual vested with full authority, responsibility, and resources to execute an approved program on behalf of the Air Force.

Program Executive Officer (PEO) is the corporate Air Force operating official who participates in strategic planning activities and supervises a portfolio of related programs that have been designated for special attention because of military value, cost, priority, or other key features.

The Service Acquisition Executive (SAE) supervises the entire Air Force Acquisition System and is the senior corporate operating official for all acquisition programs.

Defense Management Initiative

Issue: Funding Acquisition Career Development

Scope: Air Force

Budget Summary:

	<u>(Dollars in Millions)</u>		
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Savings</u>
<u>Appropriation</u>			
Operation and Maintenance, AF (Investment)	(13.5)	(96.7)	(110.2)
Military Personnel, AF (Investment)	(4.6)	(61.2)	(65.8)
Total (Investment)	<u>(18.1)</u>	<u>(157.9)</u>	<u>(176.0)</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer (Offsetting Increases)	(234)	(75)	(309)
Enlisted (Offsetting Increases)	(17)	0	(17)
Total (Offsetting Increases)	<u>(251)</u>	<u>(75)</u>	<u>(326)</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 84731F General Skill Trng	(6.0)	(45.6)	(51.6)
PE 84752F Other Prof Education	(6.4)	(46.4)	(52.8)
PE 88751F Civ Trng/Educ/Dev	(1.1)	(4.7)	(5.8)
Operation and Maintenance, AF	<u>(13.5)</u>	<u>(96.7)</u>	<u>(110.2)</u>

Initiative Description: This initiative will provide for a single military and civilian systems acquisition work force. It will provide a formal acquisition professional development system which will focus on education, training, and experience. The new system will improve the matching of acquisition professionals with acquisition jobs. The output of the advanced academic degree program will increase.

Defense Management Initiative

Issue: Restructure Air Force Logistics Command

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Operation and Maintenance, AF	37.0	724.0	761.0
Military Personnel, AF	.7	10.6	11.3
Total	<u>37.7</u>	<u>734.6</u>	<u>772.3</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	37	33	70
Civilian	3379	3932	7311
Total	<u>3416</u>	<u>3965</u>	<u>7381</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 71111F Supply Depot Ops	19.6	228.6	248.2
PE 71112F Inventory Cont Ops	34.5	395.7	430.2
PE 71113F Procurement Ops	(4.2)	64.0	59.8
PE 72207F Depot Maintenance	.6	(3.2)	(3.8)
PE 72829F Logistics Admin Spt	.7	(1.9)	(2.6)
PE 72890F Visual Info Actlv	.1	.3	.2
PE 72894F Real Property Maint	(10.3)	(14.5)	(24.8)
PE 72895F Base Comm	.1	.3	.4
PE 72896F Base Operations	(2.4)	27.8	25.4
PE 72898F Mgmt HQ	(2.2)	.4	(1.8)
PE 78012F Logistics Spt Act	3.1	28.2	31.3
PE 78016F Inactive Acft Storage	.2	(.5)	(.3)
Operation and Maintenance, AF	<u>37.0</u>	<u>724.0</u>	<u>761.0</u>

Initiative Description: The restructuring of Air Force Logistics Command (AFLC) affects the entire organizational structure. From the headquarters at Wright Patterson Air Force Base to all subordinate units, initiatives are planned to consolidate duplicate functions, eliminate layering and streamline management. Savings are derived entirely from personnel reductions beginning in FY91 and ramping up to reductions of 70 officers and 7311 civilians from FY94-97. The manpower reductions come largely from savings associated from improved automated data processing systems. For these savings to be realized, AFLC will require additional funding to bring these systems on-line sooner.

Defense Management Initiative

Issue: ADP Enhancements to Support Restructure of AFLC

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Other Procurement, AF (Investment)	(2.2)	(28.7)	(30.9)
Operation and Maintenance, AF (Investment)	(14.7)	(92.0)	(106.7)
<u>Total (Investment)</u>	<u>(16.9)</u>	<u>(120.7)</u>	<u>(137.6)</u>
		<u>(O&M Details)</u>	
PE 78012F Log Support Activ	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Operation and Maintenance, AF	(14.7)	(92.0)	(106.7)
	<u>(14.7)</u>	<u>(92.0)</u>	<u>(106.7)</u>

Initiative Description: Air Force Logistics Command's (AFLC) restructure produces savings from manpower reductions. These reductions are associated with efficiencies gained from enhanced automated data processing (ADP) tools. Additional funding is needed to bring these ADP enhancements on-line sooner. Savings from manpower reductions offset the cost of the ADP improvements.

Defense Management Initiative

Issue: Restructure Air Force Systems Command

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
RDT&E, AF	2.1	106.9	109.0
Operation and Maintenance, AF	24.1	292.3	316.4
Military Personnel, AF	15.0	254.3	269.3
<u>Total</u>	<u>41.2</u>	<u>653.5</u>	<u>694.7</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	294	670	964
Enlisted	161	813	974
Civilian	1045	1817	2862
<u>Total</u>	<u>1500</u>	<u>3300</u>	<u>4800</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 71113F Procurement Ops	15.2	85.0	100.2
PE 72806F Acq & Cmd Support	5.5	167.2	172.7
PE 72890F Visual Info	.3	(.5)	(.2)
PE 72894F Real Property Maint	(.9)	(2.2)	(3.1)
PE 72896F Base Operations	(.1)	10.7	10.6
PE 72898F Mgt Hq	1.9	14.8	16.7
PE 78011F Industrial Prep	.1	(.1)	0
PE 78012F Log Support Activ	(.1)	(.1)	(.2)
PE 78019F UTAH Test/Train Range	.1	1.8	1.9
PE 78022F Eastern Test Range	.6	8.5	9.1
PE 78032F Space/Msl Test Cntr	1.5	7.2	8.7
Operation and Maintenance, AF	<u>24.1</u>	<u>292.3</u>	<u>316.4</u>

Initiative Description: Restructuring eliminates duplication of program management functions on major and selected programs (now the Program Executive Officer's responsibility). AFSC will continue to provide the necessary support infrastructure for program management. AFSC will divisions will retain program management responsibility for other than major and selected programs, but will report directly to the Service Acquisition Executive for program management matters, thus eliminating additional management functions from the present program management procedures are being institutionalized to optimize the size of system program offices to match the level of effort required. The HQ AFSC staff will be reduced and reorganized to focus on the headquarters' redefined mission of providing support infrastructure for all acquisition efforts.

Defense Management Initiative

Issue: PCS Funds Required to Support DMR Initiatives

Scope: Air Force

Budget Summary:

	(Dollars in Millions)	
	Savings FY 1991	Total Savings
Military Personnel, AF (Investment)	(20.0)	(20.0)
Total (Investment)	<u>(20.0)</u>	<u>(20.0)</u>

Initiative Description: The elimination and changes to programs will require personnel to be moved as their units are either reduced or closed. Initiatives such as reducing aircrew training, reducing headquarters staffs at numbered Air Forces, eliminating Fighter Lead-In Training (LIFT) and other flying squadrons, contracting out portions of base services, and numerous other closures and restructuring actions will dictate the need to relocate personnel. This will be a one time requirement with a significant impact in FY91.

Defense Management Initiative

Issue: Reduce WRM Vehicle Buy

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Other Procurement, AF	50.4	47.7	98.1
<u>Total</u>	<u>50.4</u>	<u>47.7</u>	<u>98.1</u>

Initiative Description: With this initiative, the Air Force will reduce it's buy of war reserve materiel (WRM) vehicles for FY91-92. This includes some reduction of procurement of medical war readiness vehicles, air base operability vehicles, chemical/biological warfare defense vehicles, etc. These Management prerogatives are possible pending a detailed management review of all WRM requirements. Forecasted vehicle use rates, shortage factors and rotation of WRM vehicles with in use vehicles now provide management flexibility to reduce the near term WRM vehicle procurement rates.

Defense Management Initiative

Issue: Better Management of Civilian Personnel

Scope: Army, Air Force, DLA

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army (O&M)	12.0	74.0	86.0
Air Force (O&M)	9.2	63.2	72.4
DLA (O&M)	<u>1.2</u>	<u>4.8</u>	<u>6.0</u>
Grand Total	22.4	142.0	164.4

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Army Civilian	552	64	616
Air Force Civilian	422	106	528
Defense Logistics Agency Civilian	<u>41</u>	<u>0</u>	<u>41</u>
Total	1015	170	1185

Initiative Description: The Army and Air Force will take steps to achieve a lower ratio of personnel staffing to population being serviced. The Navy ratio is 1:61 and is the recommended mix. The Navy's "Manage to Payroll" philosophy reduces centrally managed regulations and gives line managers more flexibilities in their personnel management. By adopting a similar personnel management philosophy, the Army and Air Force will achieve similar savings.

Defense Management Initiative

Issue: Streamlining Defense Logistics Agency Headquarters

Scope: Army, Navy, Air Force, Defense Logistics Agency

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army (Mil Pers)	.2	.8	1.0
Navy (Mil Pers)	.2	.8	1.0
Air Force (Mil Pers)	.2	.8	1.0
Total (Mil Pers)	.6	2.4	3.0
Def Logistics Agency (O&M)	<u>3.1</u>	<u>26.4</u>	<u>29.5</u>
Grand Total	3.7	28.8	32.5

End Strength Reductions

<u>SERVICE/AGENCY</u>	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Army, Officers	4	-	4*
Navy, Officers	4	-	4*
Air Force, Officers	4	-	4*
Defense Logistics Agency, Civilians	<u>128</u>	-	<u>128</u>
Total	140	-	140

* Military end strengths were not returned to the Services' force structure and, therefore, are reductions to DoD's overall military strengths.

Initiative Description: This action provides for streamlining DLA headquarters operations. This is possible, even with the added contract administration services workload because that workload is being transferred from the Army, Navy and Air Force largely to field offices and operations within DLA.

This reduction reflects a 15 percent staff reduction in DLA headquarters.

Defense Management Initiative

Issue: Civilianization of Military Spaces in Support Functions

Scope: DoD-wide

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army			
Mil Pers	9.4	207.8	217.2
O & M (Investment)	34.0 (24.6)	731.2 (523.4)	765.2 (548.0)
Navy			
Mil Pers	4.1	94.4	98.5
O & M	31.5 (27.4)	675.8 (581.4)	707.3 (608.8)
Air Force			
Mil Pers	12.5	279.1	291.6
O & M	57.7 (45.2)	1239.7 (960.6)	1297.4 (1005.8)
Defense Agencies, O&M	(2.9)	(61.3)	(64.2)
GRAND TOTAL	23.1	520.1	543.2

End Strength Reductions

<u>SERVICE/AGENCY</u>	<u>FY1991</u>	<u>FY 92-95</u>	<u>FY 1995</u>
Army			
Officer			
Enlisted	427	854	1281
Civilian (Offsetting increases)	1351 (1693)	2701 (3381)	4052 (5074)
Navy			
Officer	290	579	869
Enlisted	1380	2758	4138
Civilian (Offsetting increases)	(1656)	(3310)	(4966)
Air Force			
Officer	531	1061	1592
Enlisted	2515	5029	7544
Civilian (Offsetting Increases)	(3021)	(6044)	(9065)
Defense Agencies (Offsetting increases)	(124)	(247)	(371)

Initiative Description: DoD will substitute civilian manpower for military manpower in positions which do not specifically require a military incumbent. On the average, a civilian work force is less costly than a military work force, and overhead support-type functions can be performed by civilians as opposed to military. These functions include installations management, management headquarters for support commands, research and development, training and personnel, joint activities, and support activities. The savings result from the conversion of about 1.4 percent of military spaces in support functions in FY 1991, 2.8 percent in FY 1992, and 4.2 thereafter -- for a total of nearly 19,500 converted positions by FY 1993.

The above savings are offset by the need to substitute civilians in the Services and in Defense Agency spaces which currently have military incumbents in certain support functions.

Defense Management Initiative

Issue: More Efficient Management of Defense Agencies

Scope: Defense Agencies

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICB/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total SVGS</u>
Defense Agencies(O&M)			
Defense Logistics Agency	27.1	542.4	569.5
Defense Mapping Agency	9.1	181.8	190.9
Defense Communications Agency	2.7	54.7	57.4
Defense Nuclear Agency	1.0	19.1	20.1
On-Site Inspection Agency	.1	1.3	1.4
Defense Contract Audit Agency	8.7	173.4	182.1
Defense Investigative Service	3.9	78.7	82.6
Inspector General	1.8	36.9	38.7
Defense Adv Research Projects Agency (R,D,T&E)	.2	4.9	5.1
Total	54.6	1,093.2	1,147.8

	<u>End Strength Reductions</u>	
Defense Agencies		
Defense Logistics Agency	1,527	3,054
Defense Mapping Agency	421	841
Defense Communications Agency	110	221
Defense Nuclear Agency	47	94
On-Site Inspection Agency	4	7
Defense Contract Audit Agency	373	745
Defense Investigative Service	212	425
Inspector General	76	153
Defense Adv Research Projects Agency	7	14
Total Civilians	2,777	5,554

Initiative Description: The Defense Agencies were asked by the Under Secretary of Defense (Acquisition) to seek management improvements and efficiencies. These improvements and efficiencies will achieve a 5 percent reduction in 1991, 10 percent reduction in 1992, and a 15 percent reduction in 1993, from a 1990 base for all Defense Agencies and the Office of the Inspector General. Defense Agencies will realize reductions through organizational changes, headquarters reductions, automation improvements and procurement efficiencies.

Although the budget anticipates these savings will be made through personnel reductions, the Agencies were given the flexibility to implement alternative program reductions, if appropriate, which do not require corresponding end strength decreases.

Defense Management Initiative

Issue: More Efficient Management of Defense Agencies
Scope: Defense Logistics Agency (DLA)
Budget Summary:

<u>SERVICE/AGENCY</u>	<u>(Dollars in Millions)</u>	
	<u>Savings FY 1991</u>	<u>Total Svqs</u>
Defense Logistics Agency - O&M	27.1	569.5
Defense Logistics Agency		
Civilian	685	4581
Military	---	---
Total	685	4581

End Strength Reductions

Initiative Description/Implementation Plan:

Consolidate DLA Financial Operations

DLA's financial operations for contractor payments, Stock Fund payments and accounting will continue to be consolidated. Staff positions currently duplicated at field activities will be eliminated through DLA automation efforts. While continuing the consolidation DLA will remain involved in the CIM development and look for every opportunity to incorporate those concepts into this initiative.

Regionalize ADP Operations

Regionalization of areas where DLA has multiple primary level activities will eliminate duplicative computer operations and system work. Regionalization is scheduled for completion four years from date of final authorization of the Director, DLA.

Discontinue Retail Sales at Defense Reutilization & Marketing Service

Discontinue retail sales at the DRMO and revert to standard methods of national and local sales. DRMOs will no longer conduct retail sales except when retail is determined to be the most efficient and effective method of sales for the specific commodity in question. We will provide this service at the request of a host military installation commander when he provides the personnel to conduct the sale. We can implement this initiative within 75 days from final approval from DoD.

Retain DLA Depot Returns at Returning Depot in lieu of Shipping to Managing Depot

This policy change would allow returns to be retained at the returning depot or the nearest depot, rather than shipped to a supply depot managed by the wholesale manager. Ownership of the item would remain with the wholesale item managers and when an item is requisitioned, they will notify the holding depot to release the materiel. This policy will result in a significant reduction in handling and transportation costs.

Defense Automatic Addressing System (DAAS) ADPE Replacement and Modernization Program (DARP)
The DAAS performs routing and processing services for the US Military Services, other Defense Agencies, DoD contractors; NATO, Foreign Military Sales customers and the entire DoD logistics community. Costs associated with this initiative can be reduced through implementation of the DAAS ADPE Replacement/Modernization Program (DARP). This initiative would improve information reliability, reduce downtime, handle increased levels of message traffic and provide additional on-line services. Full deployment is scheduled for the end of FY 1992.

Modernized Parts Control Automated Support System (MPCASS)

This proposal is to implement the MPCASS which provides for automated enhancements to the semi-automated parts control process. MPCASS establishes a relationship between part numbers and items of supply identified in military specifications and thereby reduces the time required to accomplish parts selection recommendations. Objectives of this modernization effort are to expedite parts evaluation, modernize the parts control process from a semi-automated process to a fully automated on-line system, and provide high speed digital communications to include text and engineered drawings between the users. The final development phase is expected to begin in September 1991.

Defense Logistics Services Center (DLSC) Modernization

DLSC's primary mission is to maintain automated information systems in support of the logistical functions of DoD, other government agencies, and foreign governments through the collection, processing, and storage of the Federal Catalog System and other logistics data. This modernization effort would significantly improve the processing of logistics data throughout the federal logistics community. Deployment is scheduled for Spring 1992.

DLA Integrated Materials Handling Complex (IMC)

The IMC is a highly automated facility at DLA's Defense Depot, Mechanicsburg, PA consisting of a receiving system; high-rise storage systems for large quantities of flammable materiel; and packing and shipping systems. The computer-controlled bin operation complex is designed to support 2,000 receipts and 15,000 issues in a single eight-hour shift. It is an important part of our depot modernization program. Increased locator accuracy, total visibility of the items in process and increased productivity will be additional benefits.

The ongoing installations of an automated guided vehicle system and conveyor/rotary rack system are scheduled for completion in June 1990. The initial operating test is scheduled for September through November 1990. Full implementation is scheduled for December 1990 (date contingent upon successful completion of two installations noted above).

New DLA Warehousing/Storage Procedures

DLA began efforts in 1983 to develop and implement DWASP, a transaction-oriented automated system to receive, store and issue materiel using a coordinated DoD package of requirements for a DoD standard depot system developed as the result of a DoD study which began in 1973. DWASP replaces a 1960's batch processing oriented system.

Portions of the system, receiving and bar coded shipping documentation, have been implemented, but part of the system remains to be implemented. Portions remaining include issue and transportation applications, warehouse stock management, and the Enhanced DLA Distribution System (EDDS) interface. Completion is targeted for August 1993.

DLA Standard Automated Materiel Management Systems

The Standard Automated Materiel Management System (SAMMS) supports the Integrated Materiel Management (IMM) mission which provides worldwide supply support to the Services. SAMMS automated functions include distribution, requirements, supply control, financial management, accounting and billing, and cataloging.

Implementation and deployment of SAMMS Immediate Improvement Initiative (SAMMS I³) will provide needed enhancements. The enhancements are estimated for deployment to all DLA Centers by the end of FY 1994.

DLA Automation of Cataloging Process

Cataloging Tools On-Line (CTOL) provides an automated system to assist users in developing item identification for national stock numbers. Deployment at five DLA Supply Centers is expected to be complete by June 1991.

Defense Management Initiative

Issue: More Efficient Management of Defense Agencies

Scope: Defense Agencies

Budget Summary:

(Dollars in Millions)

Savings FY 1991	Savings FY 92-95	Total Savings
9.1	181.8	190.9

Defense Mapping Agency (DMA)

End Strength Reductions

621	841	1,262
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Initiative Description: The Defense Mapping Agency (DMA) goal is to reduce overhead and management structure and increase efficiency without impacting the quality and quantity of our products and services. To accomplish this DMA studies thus far have identified 89M and 200 spaces which can be saved by reducing the cost of support functions and reducing management overhead by restructuring in areas such as Acquisition, Logistics, Facilities Engineering, Personnel, Requirements, and Comptroller. Further studies are underway to determine the method of achieving the out-year reductions. These studies are expected to lead to major changes in the way DMA operates and the possible elimination of facilities. DMA plans to utilize the flexibility provided by OSD to implement alternatives to achieve the reductions which do not require corresponding end strength reductions. This will allow DMA to appropriately size the DMA workforce to operate in the most efficient manner possible and within the reduced funding constraints while taking advantage of modernized production capabilities.

Defense Management Initiative

Issue: More Efficient Management of Defense Agencies

Scope: Defense Agencies-DCA

Budget Summary:

(Dollars in Millions)

	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Defense Communications Agency (DCA)			
Operation & Maintenance (O&M)	2.0	47.5	49.5
Research & Development (R&D)	.7	7.2	7.9
Total DCA	<u>2.7</u>	<u>54.7</u>	<u>57.4</u>

End Strength Reductions

110	221	331
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Initiative Description: Savings can be achieved through a variety of management improvements and efficiencies that will primarily result in reduced operating costs. Consolidating operations in support areas, such as consolidation/closing of DCA field activities overseas, will achieve savings in personnel and operating costs. Improving automated management information systems through more efficient operations and better use of resources will be realized by using electronic, optical scanning, and other computer imaging technology to achieve greater efficiency in the production and distribution of major agency reports. Operating and personnel cost savings in this area will also be achieved through consolidating computer facilities and temporary duty (TDY) expenses. With teleconferencing system which will save travel and temporary duty (TDY) expenses. With the consolidation of the JTC3A test activities at the Joint Interoperability Test Center, technical support contracts can be consolidated and more competitive contracting can be accomplished resulting in more efficient acquisition management. Organizational studies and efficiency reviews currently underway will further identify areas for end strength reductions.

DEFENSE MANAGEMENT INITIATIVE

Issue: More Efficient Management of Defense Agencies

Scope: Defense Agencies

Budget Summary:

<u>(Dollars in Millions)</u>		
<u>Savings</u> <u>FY 1991</u>	<u>Savings</u> <u>FY 92-99</u>	<u>Total</u> <u>Svgs</u>
1.0	19.1	20.1

Defense Nuclear Agency

End Strength Reductions:

DEFENSE AGENCIES (O&M)

Defense Nuclear Agency (O&M)

47

94

141

Initiative Description: The Defense Nuclear Agency (DNA) was asked by the Under Secretary of Defense (Acquisition) to seek management improvements and efficiencies. These improvements and efficiencies will achieve a 5 per cent reduction in 1991, 10 per cent reduction in 1992, and a 15 per cent reduction in 1993 and out, from a 1990 base. DNA will realize reductions through organizational changes and consolidations, mission realignments, and program reprioritizations.

a. Organizational Changes and Consolidations. DNA is located at five major locations. Significant improvements will be derived through a series of consolidation of functions, improvements in automation, as well as a realignment of responsibilities to eliminate unnecessary layering.

b. Mission Realignments. Action has been initiated in coordination with the Army to transfer the management responsibility of Johnston Atoll (JA) to that service.

c. Program Reprioritizations. In-depth reviews have been completed on RDT&E programs with the view of adding emphasis and priority to those programs which add the greatest value.

DEFENSE MANAGEMENT INITIATIVE

Issue: More Efficient Management of Defense Agencies

Scope: Defense Agencies

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-98</u>	<u>Total Svgs</u>
Defense Agencies (O&M)			
On-Site Inspection Agency	.1	1.3	1.4
	<u>End Strength Reductions</u>		
Defense Agencies (O&M)			
On-Site Inspection Agency	4		11

Initiative Description: The On-Site Inspection Agency (OSIA) was asked by the Under Secretary of Defense (Acquisition) to seek management improvements and efficiencies to achieve reductions in the budget beginning FY 1991. As the Agency mission is primarily operational, procedural changes have been implemented for the transportation of personnel and cargo in support of the inspections conducted in the Soviet Union under the terms of the Intermediate-Range Nuclear Forces (INF) Treaty. Scheduling rotation of portal monitors to coincide with other inspection teams entering and exiting Moscow; hand carrying of resupply items by the rotating teams; and reducing certain backup military aircrews and aircraft are current actions being taken to improve both the management and efficiency of the program.

- 3) Contractor Self Governance: DCAA will continue to promote improvement in contractor's systems of internal controls and the means used to monitor such controls, with the goal of reducing the level of DCAA auditing required where appropriate. Coordinated planning and audit performance between DCAA, contractors internal auditors and external auditors will be emphasized as a means to avoid duplicative auditing through reliance on each others work.
- 4) Audit Procedures: Studies will be conducted to seek more efficient audit methods and procedures in areas such as audit planning, computer aided audit tools, risk assessment in audit performance, and electronic transmission of audit reports.
- 5) Procurement Liaison: DCAA will strengthen liaison with procurement organizations to avoid wasted effort due to miscommunication, and assure that audit service is directed to the procurement office needs.

Staffing reductions required beyond those saved through the aforementioned initiatives will be implemented by DCAA management by carefully reviewing current mission priorities and deferring audit work where possible.

Defense Management Initiative

Issue: More Efficient Management of Defense Agencies

Scope: Defense Investigative Service (DIS)

Budget Summary:

<u>SERVICE/AGENCY</u>	<u>Dollars (in Millions)</u>		
	<u>Savings</u> <u>FY 91</u>	<u>Savings</u> <u>FY 92-95</u>	<u>Total</u> <u>Svgs</u>
Defense Investigative Service	3.9	78.7	82.6
Operations and Maintenance			
End Strength Reductions	212	425	637

The Defense Investigative Service (DIS) is a DoD component which reports directly to the Deputy Under Secretary of Defense for Security Policy, Office of the Secretary of Defense (OSD). Its missions are to conduct personnel security investigations for military and civilian personnel of the DoD and DoD contractors, administer the DoD Industrial Security programs on behalf of the DoD and other federal departments and agencies, and, conduct other investigations and related operations, as directed.

Initiative Description: We intend to streamline the industrial security program and personnel security investigative management and operational structure at DIS subordinate field elements. This initiative may eliminate unnecessary layers of personnel as well as push responsibility for and accountability of DIS services to front line managers. Study teams will be formed to review opportunities for greater effectiveness through further consolidations, management changes and streamlining. This includes assessing the regional structures as well as the overall DIS structure to determine if consolidation would improve efficiency in the personnel security and industrial security arenas as well as the personnel, administrative, and management analysis areas.

There will be a strong commitment to improving the way that DIS collects, uses and manages information that supports and directs its operations. This, coupled with automation improvements, should result in better management control systems which may bring about reductions in the cost of managing DIS. Continued enhancements to automation in the handling of personnel security questionnaires/clearances will be pursued to further reduce turn around times and manual processing with the primary goal of reducing manpower requirements. Continuation of automation improvements such as DISNET, the electronic transmission of investigative reports, will be stressed to improve the quality and efficiency of operations.

Defense Management Initiative

Issue: More Efficient Management of Defense Agencies

Scope: Defense Agencies

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svg</u>
Inspector General	1.8	36.9	38.7

End Strength Reductions

Inspector General	76	153	229
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Initiative Description: It is anticipated that the above projected savings will be achieved through: (1) Consolidation of selected administrative and management functions, thereby achieving greater organizational uniformity and efficiency while eliminating duplication; (2) Initiating more selective pursuit of investigative issues - raising thresholds of interest - thereby avoiding the least productive but nonetheless costly investigations; (3) Modifying the orientation of the inspection function to achieve an even higher level of selectivity of issues with the result that fewer inspections would be conducted. Those inspections which are conducted will offer greater benefit to the Department and (4) Effecting greater coordination and selectivity regarding the conduct of audits throughout the Department with the result of a modest decrease in the number conducted annually.

DEFENSE MANAGEMENT INITIATIVE

Issue: More Efficient Management of Defense Agencies

Scope: Defense Agencies

Budget Summary:

SERVICE/AGENCY

Defense Advanced Research Projects Agency
(RDT&E, Defense Agencies)

(Dollars in Millions)

Savings	Savings	Total
<u>EX 1991</u>	<u>EX92-95</u>	<u>Savings</u>
.2	4.9	5.1

End Strength Reductions

7	15	22
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Initiative Description: DARPA is implementing this budgetary reduction by implementation of the following:

- 1) Personnel reductions through elimination of management layers and consolidation of functions and elimination of marginal contract service agents and associated support. Commensurate reductions in travel, supplies and equipment will also occur.
- 2) Consolidation of existing MIS support contracts, upgrading of office automation products and development of improved data processing systems.

Defense Management Initiative

Issue: Streamlining The Office of The Secretary of Defense

Scope: Office of the Secretary of Defense

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total SVGS</u>
Army, (Mil Pers)	.8	9.8	10.6
Navy, (Mil Pers)	.5	5.8	6.3
Marine Corps (Mil Pers)	.1	1.6	1.7
Air Force (Mil Pers)	1.0	11.5	12.5
Defense Agencies (O&M)	<u>12.7</u>	<u>114.6</u>	<u>127.3</u>
Grand Total	15.1	143.3	158.4

End Strength Reductions

<u>SERVICE/AGENCY</u>	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Civilian	254	125	379
Military			
Army	8	16	24
Navy	10	5	15
Marine Corps	1	3	4
Air Force	<u>9</u>	<u>19</u>	<u>28</u>
Total Military	28	43	71

Initiative Description: The Defense Management Report recommended streamlining the Office of the Secretary of Defense and the budget reflects an OSD staff reduction of 5 per cent in 1991, 10 percent in 1992 and 15 percent in 1993. This decrease will be offset by transferring some billets into OSD which the Inspector General believes should be shown on OSD rolls rather than in Defense Agency totals.

Defense Management Initiative

Issue: Non-Availability Statements for Outpatient Care

Scope: Army, Navy, Air Force

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army (O&M)	7.1	173.8	180.9
Navy (O&M)	7.3	178.5	185.8
Air Force (O&M)	<u>5.3</u>	<u>130.6</u>	<u>135.9</u>
Grand Total	19.7	482.9	502.6

Initiative Description: CHAMPUS beneficiaries are currently required to receive a certificate of non-availability - which indicates that a military treatment facility is too full to care for them - for all inpatient medical procedures. This initiative would expand this requirement to include outpatient care.

DoD will institute a policy to require non-availability certificates for high cost outpatient medical procedures. The new policy will ensure that high cost procedures are not performed in civilian hospitals if military medical facilities have the capacity to do them. The additional efforts at DoD hospitals and clinics would be offset by far greater savings to CHAMPUS costs. It would also result in a 20 percent savings to beneficiaries, who pay part of the costs for procedures done in civilian facilities.

Defense Management Initiative

Issue: Reduce Travel Costs (O&M Travel Only)

Scope: Army

Budget Summary:

<u>(Dollars in Millions)</u>			
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Svgs</u>
ARMY (O&M)	125.0	500.0	625.0
<u>(End Strength Reductions)</u>			
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>

Initiative Description: The Army intends to reduce travel costs to levels consistent with FY 1988. This will be accomplished by increasing the use of video-teleconferencing and by relying on other telecommunications media such as telephone, facsimile, messages, electronic mail, and official mail to transmit information and effect coordination. Greater management emphasis and oversight will be placed on all travel, but particularly on non-critical mission travel, on conference-related travel, and on the numbers of travelers on the same trip. While increased management oversight will apply to all travel, reduced funding levels will not be placed on critical areas such as recruiting, student professional development, and GSA leases for non-tactical vehicles used in Army field units in lieu of tactical vehicles.

Defense Management Initiative

Issue: Consolidate/Streamline Army Laboratories

Scope: Army

Budget Summary:

<u>(Dollars in Millions)</u>			
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Byqg</u>
ARMY (RD1&E)	-	55.0	55.0

Appropriation:

<u>(End Strength Reductions)</u>			
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
CIVILIAN	-	300	300

Initiative Description: The Army is addressing through the "LAB 21" task force, various means to improve the quality of Army laboratories and Research, Development and Engineering Centers and to enhance management efficiencies. This study will include a review of organizational structure, process improvements and management improvements, and at the conclusion, will recommend specific initiatives to the Army leadership. The LAB 21 study group will report out its results in January 1990.

Defense Management Initiative

Issue: Consolidate Army Test and Evaluation

Scope: Army

Budget Summary:

<u>(Dollars in Millions)</u>			
<u>Appropriation:</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Syqs</u>
ARMY (RDT&E)	22.2	242.9	265.1
ARMY (O&M)	2.8	46.1	48.9
ARMY MILITARY CONSTRUCTION	-	- 9.0	- 9.0
Grand Total	25.0	280.0	305.0

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
OFFICER	94	49	143
ENLISTED	173	158	331
CIVILIAN	331	502	833
Grand Total	598	709	1307

Initiative Description: The Army envisions consolidating all operational test and evaluation (OT&E) under a single command reporting to the Chief of Staff of the Army, and consolidating most technical test and evaluation (TT&E) under a single command within the Army Materiel Command (AMC). The OT&E Command combines the Operational Test and Evaluation Agency (OTEA) and the Test and Experimentation Command (TEXCOM), makes a test center at Fort Hood the major OT&E facility, and closes most of the test boards, leaving a liaison cell of the OT&E Command at each of the closure sites. The TT&E Command combines the Test and Evaluation Command (TECOM), elements of other commands responsible for software and small missile testing, and the Army Materiel Systems Analysis Activity (AMSAA); however, AMC may elect to continue separation of AMSAA from the TT&E Command by making efficiency savings elsewhere. The Army is currently forming a T&E Consolidation Implementation Team to prepare an implementation plan for approval by the Secretary of the Army in June 1990.

Issue: Streamline the Information Systems Command (ISC)

Scope: Army

Budget Summary:

(Dollars in Millions)

<u>Savings</u>	<u>Savings</u>	<u>Total</u>
<u>FY 1991</u>	<u>FY 92-95</u>	<u>Svgs</u>
12.5	70.5	83.0

ARMY (06H)

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
OFFICER	27	24	51
ENLISTED	114	64	178
CIVILIAN	308	186	494
Total	449	274	723

Initiative Description: The Army plans to streamline the Information Systems Command (ISC) Headquarters and many of its worldwide elements within the framework of the overall guidelines presented in the Defense Management Report (DMR) and as directed by the Army Management Review Task Force (AMRTF). This action will result in a FY 91-95 savings of approximately \$80M and result in the elimination of over 700 spaces command wide. Actions and organizational elements potentially impacted include: merging the Headquarters, US Army Information Systems Command (HQ-USAISC), HQ-US Army Information Systems Engineering Command (HQ-USAISEC), US Army Information Systems Management Activity (USAISMA) and the US Army Information Systems Software Center (USAISSC); streamlining the 5th Signal Command, Germany; eliminating the Project Management Office-European Telephone System; eliminating the HQ 1104th Signal Brigade; merge the Information Systems Engineering Command-Europe (ISEC-EUR) and the USAISMA European Field Office into one unit; merge the USAISEC-Far East and the USAISMA Far East Field Office into one unit; establishing an Information Systems Command-National Capitol Region (ISC-NCR) through the consolidation of various administrative and overhead functions; streamlining the Army Printing and Publishing Command; streamlining the USAISEC Software Development Centers; and streamlining the Ft Devens Garrison.

Defense Management Initiatives

Issue: Reduce SECNAV Staff

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>APPROPRIATION</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
O&M NAVY	\$0.9	\$8.7	\$9.6
MILITARY PERSONNEL, NAVY	0.5	2.6	3.1
Total	\$1.4	\$11.3	\$12.7
End Strength			
(Civilian)	44	0	44
(Military)	8	0	8

Initiative Description: Savings will result from streamlined operations, elimination of functions, and an elimination of 52 personnel assigned to the Navy Secretariat staff. Savings are based on the creation of a single acquisition office for the Department of the Navy. The Assistant Secretary of the Navy for Research, Development and Acquisition is designated as the Navy Acquisition Executive and the Navy Senior Procurement Official.

A critical consideration in reorganizing the Secretariat has been the concept of streamlining. Streamlining at the Secretariat level will be achieved by following a concept of operations which delegates execution to the lowest knowledgeable level. This delegation will allow functions performed at the Secretariat level to be eliminated or pushed down to lower levels in the organization and will allow reductions in staffing.

Issue: Efficiency Reviews

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
O&M,N	\$2.4	\$8.9	\$11.3
O&M,MC	2.0	36.0	38.0
Total	\$4.4	\$44.9	\$49.3
End Strength Reductions (Civilians)	198	422	620

Initiative Description: Streamlining of organizational relationships as a result of Defense Management Review initiatives will permit reduced staffing in acquisition organizations. The Department of the Navy conducts an ongoing Efficiency Review program, which consists of industrial engineering studies and other efforts to analyze the level of staffing required to perform various functions. As a result of the organizational streamlining proposed in the basic report, there will be further efficiency benefits which accrue to Navy and Marine Corps acquisition organizations. These further benefits permit increases in the estimated savings which will accrue from the Efficiency Review program.

Defense Management Initiative

Issue: Efficiencies at Air Labs

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
Navy Industrial Fund	0	181	181
End Strength Reductions (Civilians)	0	175	175

Initiative Description: Increased productivity will result in \$25 million savings in FY 1992 and a \$50 million savings in FY 1993 in the Naval Air Propulsion Center, Naval Avionic Center, Pacific Missile Test Center, Naval Air Test Center and Naval Air Engineering Center. Savings in these activities will result from full implementation of total quality management (TQM) principles.

The overall detailed planning associated with the reduction in operating costs has not been completed, however at present we are looking most closely at the NIF activities for the vast majority of the reductions. In all activities we are identifying specific functional areas that appear to be most productive from a cost reduction perspective. The savings are projected to occur in the following areas:

Utilities: Utilities will be reduced through more aggressive load management and cut backs in service to non-critical areas. Some rescheduling of program test schedules will also occur to take advantage of non-peak rates.

Administration: Reductions will be made to travel and other support budgets through aggressive use of the teleconferencing centers coming on-line, reducing already austere training programs to a minimum, and streamlining administrative systems through application of total quality management techniques. It is anticipated that the streamlining will reduce necessary staffing by stopping some duplicative processes and reducing the time taken by personnel to accomplish remaining processes. There will be reduced levels of support provided in non-critical areas.

Program: Increased use of simulation at the test facilities will allow better utilization of test personnel. New programmed simulation capability will allow faster turnaround of information and real-time test decision making which in turn will allow better results with less resource commitment. Changes in how and where the program test is performed will also yield savings in test assets such as aircraft and their associated operating costs.

Improved Work Force Allocation: By using total quality management techniques to review the work performance processes at each field activity, it is anticipated that process changes and better utilization of personnel will result. The gains will come from reducing unnecessary activity, reporting requirements, and/or review layering.

Defense Management Initiative

Issue: Space and Warfare R&D Labs

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
Naval Industrial Fund	0	111	111
End Strength Reductions (Civilians)	0	86	86

Initiative Description: NIF costs of operations will be reduced by decreasing production and G&A costs which will be reflected in lower rates charged to all customers of the R&D labs. The overhead savings will be achieved through a combination of the following actions, among others: 1) Increase application of capital equipment to overhead functions (e.g., video teleconferencing in lieu of travel, data management and office automation); 2) reduce ADP life cycle management justification and reporting costs by delegation of greater approval authority to labs; 3) reduce BOS costs by delegation of greater BOS reprogramming authority; 4) Implement Total Quality Management in spirit with DOD policy.

Issue: Reduce TECHMAN Printing

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
O&M, NAVY	4.7	39.8	44.5
NIF (Investment)	(2.5)	(20.6)	(22.1)
Net Savings	2.2	19.2	21.4

Initiative Description: The use of print-on-demand technology to print technical manuals, replacing the current printing and stocking methodology. This initiative involves the consolidation of the printing and distribution functions currently performed by the Naval Publication and Forms Center (NPRC) and the various Naval Printing and Publications Service (NPPS) centers. The printing and distribution function would then be financed through the Navy Industrial fund (NIF) with requiring activities paying for requested printed matter. Other functions currently performed by NPRC, e.g., accounting, would be transferred to existing NAVSUP field activities. Savings will begin to accrue in FY 1991 as functions are transferred from NPRC, with full savings being achieved in FY 1992 and out. Through this consolidation, use of print-on-demand technology, and efficiencies gained (both through POD and productivity increases at "gaining" O&M,N activities), there will be no decrease in program (level of effort) previously budgeted.

Defense Management Initiative

Issue: Reduce Logistics Readiness Centers

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Savings</u>
Military Personnel, AF	.8	5.3	6.1
Total	<u>.8</u>	<u>5.3</u>	<u>6.1</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	5	0	5
Enlisted	35	0	35
Civilian	1	0	1
Total	<u>41</u>	<u>0</u>	<u>41</u>

Initiative Description: Logistics Readiness Centers (LRC) provide commanders the capability to access information and aggressively manage logistics problems. The Air Force currently has 12 peacetime LRCs located world-wide which require approximately 116 full time personnel. This initiative eliminates eight of the peacetime LRCs and 41 total manpower spaces. The reduction downsizes the Tactical Air Command's, Strategic Air Command's and Military Airlift Command's (MAC) readiness centers, although MAC will retain a reorganized LRC. During increased readiness conditions, additional LRCs will be activated and staffed from within existing personnel.

Issue: Restructure Air Force Communications Command

Scope: Air Force

Budget Summary:

	<u>(Dollars in Millions)</u>		
	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Savings</u>
Operation and Maintenance, AF	3.6	30.5	34.1
Military Personnel, AF	12.4	168.7	181.1
Total	16.0	199.2	215.2

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	55	10	65
Enlisted	939	1088	2027
Civilian	96	57	153
Total	1090	1155	2245

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 11895F Base Communications	.1	1.5	1.6
PE 12895F Command & Base Comm	0	.6	.6
PE 27595F Base Comm - TAC	.1	.7	.8
PE 33112F AF Communications	1.7	14.0	15.7
PE 33126F Long-Haul Comm	0	.6	.6
PE 33998F MGT HQ Comm	.9	4.5	5.4
PE 35114F Traffic Cntrl Landing	0	.6	.6
PE 35123F AFCC Eng and Instal	.7	6.3	7.0
PE 41895F Command & Base Comm	.1	1.3	1.4
PE 72895F Base Comm Logistics	0	.4	.4
Operation and Maintenance, AF	3.6	30.5	34.1

Initiative Description: The restructuring of Air Force Communications Command (AFCC) will reduce layering, divest functions, consolidate functions and acknowledge paybacks from technology investments through several initiatives. One initiative is to streamline AFCC acquisition functions into a single agency by combining acquisition staffs of HQ AFCC, the Engineering and Installation Division, and the Computer Systems Division. Another initiative forming a single integration and interoperability function within AFCC will be accomplished by combining various organizations including technical staffs from the 1842nd Electronics Engineering Group, the Operational Test and Evaluation Center, some HQ AFCC staff, and the Air Force Communications-Computer Systems Integration Office. This centralized agency will consolidate the development of technical architectures and provide centralized systems engineering services to the Air Force. Significant savings will also be realized by divesting HQ AFCC and Intermediate HQ staffs of certain functions and relying on host Major Command staffs, other Defense Agencies, and collocated staffs for assistance. This will achieve economies of scale and maintain appropriate control while implementing greater decentralized execution. Finally, recent achievements utilizing technology gains such as increased automation and digital telecommunications utilizing electronics equipment have provided Air Force users with improved capabilities and decreasing the amount of operators and maintainers required to provide the services. As a result, significant streamlining in the Operations and Maintenance units can be achieved. Thus, the restructuring of AFCC will eliminate layering at several levels, place greater reliance on in-house organizations and outside agencies for management, and let technology work to provide greater capabilities with fewer resources.

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings</u> <u>FY 1991</u>	<u>Savings</u> <u>FY 92-95</u>	<u>Total</u> <u>Savings</u>
Operation and Maintenance, AF	0	.2	.2
Military Personnel, AF	.1	1.1	1.2
<u>Total</u>	<u>.1</u>	<u>1.3</u>	<u>1.4</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	4	0	4
Enlisted	3	0	3
Civilian	2	0	2
<u>Total</u>	<u>9</u>	<u>0</u>	<u>9</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 27596F Base Operations TAC	0	.2	.2
Operation and Maintenance, AF	<u>0</u>	<u>.2</u>	<u>.2</u>

Initiative Description: A duplication of effort can be eliminated by consolidating certain Public Affairs (PA) offices in Europe. PA offices provide counsel and assistance to commanders and key officials at all levels. They help keep the American public informed about Air Force missions, activities, and accomplishments. They respond to inquiries from the news media and the public, work with civilian communities, and provide information about Air Force programs to Air Force members. On bases where there is more than one Air Force organization with a Public Affairs office, the offices will be combined. The single PA office will be able to fulfill the requirements for both organizations, yet will allow a reduction in the total manpower required.

Defense Management Initiative

Issue: Standardize Personnel Staffs at Numbered Air Forces

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Military Personnel, AF Operation and Maintenance, AFR	.6	6.8	7.4
	.1	.8	.9
<u>Total</u>	<u>.7</u>	<u>7.6</u>	<u>8.3</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	9	0	9
Enlisted	46	0	46
AFR Civilian	5	0	5
Civilian	3	0	3
<u>Total</u>	<u>63</u>	<u>0</u>	<u>63</u>

Initiative Description: A Numbered Air Force is an intermediate level of command directly under the headquarters of a large operational Major Air Command. A Numbered Air Force is assigned (or will be assigned) large numbers of operational units comprised of divisions, wings, and squadron. This level of organization also applies to the Air Reserve Components.

A management headquarters combat operation staff serves the Numbered Air Force Commander, a general officer. While the staff is primarily oriented to operations and logistics, some support function expertise is required. During DMR we discovered that personnel support had grown at a greater rate in some Numbered Air Forces. This requires paring down and standardization. As a result we reduced the Personnel function at each of the 17 Numbered Air Forces to three each, and netted the 63 space savings.

Defense Management Initiative

Issue: Delete Remaining Personnel Assistance Teams From Major Commands

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>	
	<u>Savings</u>	<u>Total</u>
Military Personnel, AF	.1	1.0
<u>Total</u>	<u>.1</u>	<u>1.0</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Enlisted	8	0	8
<u>Total</u>	<u>8</u>	<u>0</u>	<u>8</u>

Initiative Description: Two Major Commands (MAJCOMS) still have Personnel Assistance Teams (PATs). These teams are based at the MAJCOM Headquarters and conduct trips to the bases to assist in personnel related issues. As such there exists an additional layer of management for personnel issues. This initiative removes the PATs, thereby eliminating this unnecessary layer of management. The duties performed by the PATS will be absorbed into the existing Director of Personnel staffs at the bases.

Defense Management Initiative

Issue: Restructure of Headquarters USAF/SAF and Subordinate Units

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Operation and Maintenance, AF	1.1	13.2	14.3
Military Personnel, AF	.9	12.1	13.0
<u>Total</u>	<u>2.0</u>	<u>25.3</u>	<u>27.3</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	32	10	42
Enlisted	23	70	93
Civilian	43	69	112
<u>Total</u>	<u>98</u>	<u>149</u>	<u>247</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 72894F Real Property Maint	.4	8.9	9.3
PE 91212F Service-Wide Support	.7	4.3	5.0
<u>Operation and Maintenance, AF</u>	<u>1.1</u>	<u>13.2</u>	<u>14.3</u>

Initiative Description. This initiative addressed the examination of major air staff organizational functions and their subordinate units for the purpose of identifying opportunities to streamline workload and organizational structure, to eliminate duplicated activities, and to improve management practices. The results of the examination included redefining air force requirements for the air force operations center, redistributing functions to the MAJCOMS, and eliminating no-value-added functions.

- AF/XO restructure. The Deputy Chief of Staff Plans and Operations organization redefined the roles of its two directorates. It refined its relationships to the MAJCOMS, and its role in supporting the operation and protection of Air Force installations in wartime. It also redefined the requirements necessary to support air force leadership during national emergencies.

- AF/LE restructure. The Deputy Chief of Staff Logistics and Engineering organization redefined the roles of its subordinate directorates. It reduced the number of directorates from three to two (this excludes the fourth directorate, the Directorate of Engineering and Services, addressed below.) as well as streamlined and improved management oversight and delegation procedures.

- Engineering and Services restructure. Engineering and Services functions, including the air staff Directorate of Engineering and Services and the Air Force Engineering and Services center, redefined their relationship to each other, to the MAJCOMS, and to the secretariat. It also transferred functions to the secretariat and MAJCOMS as well as between the Directorate and the Air Force Engineering and Services center.

Defense Management Initiative

Issue: Streamline Security Assistance and FMS

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Military Personnel, AF	.1	.4	.5
Total	.1	.4	.5

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Officer	2	0	2
Civilian	5	0	5
Total	7	0	7

Initiative Description: Security Assistance is the development and implementation of sales of goods and services to foreign countries. Security Assistance programs implement US foreign policy. Central management of the complex or highly sensitive programs is a necessity. This initiative reviewed all centrally managed programs to identify potential candidates for delegation. The review resulted in transferring a number of routine, less sensitive FMS cases to the MAJCOMS for oversight and management.

Defense Management Initiative

Issue: Contract Over-The-Horizon Radar Operations and Support

Scope: Air Force

Budget Summary:

	<u>(Dollars in Millions)</u>		
	<u>Savings</u> <u>FY 1991</u>	<u>Savings</u> <u>FY 92-95</u>	<u>Total</u> <u>Savings</u>
Operation and Maintenance, AF (Investment)	0	(21.3)	(21.3)
Military Personnel, AF	0	32.8	32.8
Total	0	11.5	11.5

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Enlisted	0	37	37
Civilian	0	313	313
Total	0	350	350

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 12417F OTH Radar	0	(21.3)	(21.3)
Operation and Maintenance, AF	0	(21.3)	(21.3)

Initiative Description: This initiative converts current east and west coast Over-The-Horizon-Backscatter (OTH-B) radar operations squadron personnel from active duty air force to contractor. Contracting operations improves capability by retaining experienced personnel. The initiative retains in-house quality assurance evaluation functions, and reduces base operating support requirements at Mountain Home Air Force Base, Idaho and Bangor Air National Guard Base, Maine, and reduces the requirement for Air Training Command to provide training.

Defense Management Initiative

Issue: Reducing DoD Electric Costs

Scope: Army, Navy, Air Force

Budget Summary:

<u>SERVICE/AGENCY</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army (06M)	-	73.0	73.0
Navy (06M)	-	12.0	12.0
Air Force (06M)	-	<u>36.0</u>	<u>36.0</u>
Grand Total	-	121.0	121.0

Initiative Description: DoD will make a strong case for receiving additional power from the Southwestern Area Power Administration and the Western Power Administration when reallocation, scheduled for FY 1994, occurs. DOE could save the DoD \$121 million annually if additional federal hydroelectric power was provided.

Under a 1987 Memorandum of Agreement between DoD and the Western Power Administration, Western has provided federal power to bases in their management area, saving DoD millions of dollars. However, competition exists between federal and other customers (such as franchised utilities) for this power, and DoD needs to establish a strong case for receiving additional power when a major reallocation, scheduled for FY 1994, occurs. Therefore, DoD will: (1) pursue becoming involved with the Southwestern Area Power Administrations and Western Power Administration plans for power allocation; (2) move power allocations from bases that are closing to other bases; and (3) establish agreements with utilities to allow this electric power to reach the bases that could best utilize it.

Defense Management Initiative

Issue: Moving from Leased Space onto Military Facilities

Scope: Army, Navy, Air Force

Budget Summary:

(Dollars in Millions)

<u>SERVICE/AGENCY</u>	<u>Investment FY 1991</u>	<u>Investment FY 92-95</u>	<u>Total Investment</u>
DoD-wide Contingency Account	-	(150.0)	(150.0)

Initiative Description: This initiative will require legislation to establish a revolving fund to finance renovation or construction of DoD on-base facilities to enable the movement of DoD activities from leased space to on-base facilities. An initial appropriation of \$50 million will be sought each year from FY 1992 through FY 1994. Customers will eventually reimburse the fund through user charges and the fund will become self-supporting beginning in FY 1995. Savings are not expected to accrue until FY 1996.

Defense Management Initiative

Issue: Overseas Base Closure

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
O&M, Navy	10.4	41.6	52.0
End Strength Reductions (Civilians)	28	-	28

Initiative Description: Savings will be achieved through closure of one overseas telecommunications station and downsizing of another by transfer of functions to nearby facilities. Previous base closure reviews did not consider savings to closure of overseas bases. Base operating cost savings will be achieved by consolidation of functions at other stations without impairment to the mission of the Naval Telecommunications System (NTS). Closure costs are being borne by the claimant in FY 1990.

Defense Management Initiative

Issue: Contract Base Information Transfer System

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Operation and Maintenance, AF (Investment) Military Personnel, AF	(.1) .1	(.8) .9	(.9) 1.0
<u>Total</u>	<u>0</u>	<u>.1</u>	<u>.1</u>

(End Strength Reductions)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Enlisted	8	0	8
Civilian	7	0	7
<u>Total</u>	<u>15</u>	<u>0</u>	<u>15</u>

(O&M Details)

	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
PE 85796F Base Operations Trng	(.1)	(.8)	(.9)
Operation and Maintenance, AF	(.1)	(.8)	(.9)

Initiative Description: The Base Information Transfer System (BITS) function receives and dispatches administrative communications for all activities, including any tenant organizations on the base. BITS interfaces directly with the servicing U.S. Postal Service Facility and provides a minimum of one pick-up and delivery daily to each unit. This initiative would convert the BITS operation at Maxwell and Gunter AFBs to a contract operation. Maxwell and Gunter AFBs will serve as test bases for possible implementation at other AF bases.

Defense Management Initiative

Issue: Develop Standard Automated Data Processing Systems

Scope: DoD-Wide

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army (O&M)	67.3	630.4	697.7
Navy (O&M)	71.8	722.3	794.1
Marine Corps (O&M)	7.0	78.7	85.7
Air Force (O&M)	62.1	518.4	580.5
Defense Agencies (O&M)	5.6	45.4	51.0
Army Reserve (O&M)	1.0	30.6	31.6
Navy Reserve (O&M)	0.0	13.6	13.6
Marine Corps Reserve (O&M)	0.0	0.0	0.0
Air Force Reserve (O&M)	0.4	4.5	4.9
Army National Guard (O&M)	5.1	25.1	30.2
Air National Guard (O&M)	1.9	21.2	23.1
Total (O&M)	<u>222.2</u>	<u>2,090.2</u>	<u>2,312.4</u>
Army (Proc)	16.0	338.6	354.6
Navy (Proc)	20.7	275.0	295.7
Marine Corps (Proc)	0.5	5.6	6.1
Air Force (Proc)	0.0	180.7	180.7
Defense Agencies (Proc)	5.8	47.4	53.2
Total (Proc)	<u>43.0</u>	<u>847.3</u>	<u>890.3</u>

Army (RDT&E)	10.6	93.3	103.9
Navy (RDT&E)	0.0	13.8	13.8
Marine Corps (RDT&E)	0.0	0.0	0.0
Air Force (RDT&E)	8.6	96.2	104.8
Defense Agencies (RDT&E)	3.7	32.2	35.9
Total (RDT&E)	22.9	235.5	258.4
Navy (Mil Con)	0.0	8.9	8.9
Gross Savings	288.1	3,181.9	3470.0
Less Investment:			
Central Fund (O&M)	(50.0)	(932.0)	(982.0)
Central Fund (Proc)	(50.0)	(260.0)	(310.0)
Net Savings	188.1	1,989.9	2,178.0

Initiative Description: The Deputy Secretary of Defense established a DOD Corporate Information Management Initiative in October, 1989. The program goals echo the ideas expressed in the Defense Management Review, initiated by the Secretary of Defense. The objectives of the program are: to identify and implement management efficiencies throughout the information systems life cycle, to eliminate duplication of effort in the development and maintenance of multiple information systems designed to meet a single functional requirement, and to ensure information systems support policy directions. More specifically, this effort will ensure the standardization, quality, and consistency of data from DoD's multiple management information systems and will determine standard functional requirements for meeting DOD's management information systems needs.

The program is being implemented through two types of groups. The first is an executive-level group, consisting of industry and DoD leaders, who will recommend an overall approach and action plan for the DoD Corporate Information Management Program, evaluate current oversight practices, and review the procedures of the functional groups that will analyze the Department's various functional areas. This group will be constituted as a Federal Advisory Council and will report directly to Deputy Secretary Atwood.

The activities of the second group will represent a major change in DoD information planning processes. Information systems design and development will be based on overall DoD-wide requirements rather than on parochial requirements. The program will be implemented by multiple groups, established for specific functional areas. The groups will be comprised of key senior level policy, subject matter experts, and information systems experts in the Military Departments and Agencies, led by OSD officials. Their

mission will be to develop concepts for improving business practices, including possible revision of their area's business practices and policies, and increasing management efficiencies. These experts will then identify and develop standard functional requirements and data formats for their functional area, using a disciplined methodology --looking especially to eliminate redundancy, incompatibility, and other inefficiencies. Significant savings are anticipated as a result of eliminating the duplicative development of multiple systems for the same functional requirement as well as future savings resulting from maintaining fewer information systems.

Two pilot functional groups, warehousing and civilian payroll, were convened on December 11, 1989. During the next phase, which starts in March 1990, functional groups on financial management, civilian personnel, materiel management, and contract payment will be convened. Additional functional groups will be identified for the future.

The anticipated savings are offset by investment costs needed to design new systems and to procure related equipment. These funds are specifically identified in the budget as a separate line item in O&M and Procurement for the Corporate Information Management central fund.

Related DMR Initiatives:

In addition to the \$100 million shown above, several other initiatives have included funding in the Corporate Information Management central fund. The central fund includes \$80 million in FY 1991 to support potential system changes necessary for funding Army and Air Force repairables through the Stock Funds, rather than direct appropriations. The Navy Computer-aided Acquisition and Logistics Support initiative includes \$154 million in the central fund. The savings associated with these additional investments are described elsewhere in this package. The funds separately identified in the FY 1991 budget for the Corporate Information Management central fund totals \$334 million.

Defense Management Initiative

Issue: Computer Aided Logistics Support (CALs)

Scope: Navy

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Navy (O&M)	0.0	1,409.1	1,409.1
Central Fund (O&M), Investment	<u>(59.0)</u>	<u>(4.0)</u>	<u>(63.0)</u>
Net Total	<u>(59.0)</u>	<u>1,405.1</u>	<u>1,346.1</u>
Navy (O&M Reserve)	0.0	9.8	9.8
Navy (Other Proc)	0.0	497.6	497.6
Central Fund (Other Proc), Investment	<u>(95.0)</u>	<u>(26.0)</u>	<u>(121.0)</u>
Net Total	<u>(95.0)</u>	<u>471.6</u>	<u>376.6</u>
Navy (Aircraft Proc)	0.0	227.9	227.9
Navy (RDT&E)	0.0	25.0	25.0
Navy (SCN)	0.0	92.6	92.6
Navy (WPN)	<u>0.0</u>	<u>87.1</u>	<u>87.1</u>
Grand Total	<u>(154.0)</u>	<u>2,319.1</u>	<u>2,165.1</u>

Initiative Description: Computer Aided Logistics Support (CALs) will allow the Department to accept digitized logistics technical information from weapon system contractors, using OSD-accepted standards, in digitized electronic format rather than hard copy. CALs will support the technical information needs of the Department and develop a network system architecture for interoperability of existing/emerging stand-alone technical information databases currently used in DOD. The Navy has proposed ten separate initiatives of CALs that have the potential for improving the development, maintenance, and dissemination of logistics and design data, and have the potential for

wider utilization in DoD. Acceleration of ongoing programs will achieve significant savings compared to current funding levels. The Department believes that the additional investment in CALS in FY 1991 will achieve significant savings in FY 1992 - FY 1995. Funding for this effort has been placed in the Corporate Information Management (CIM) initiative to ensure prevention of duplication among other DoD Components.

Defense Management Initiative

Issue: Contracted Advisory and Assistance Services (CAAS)

Scope: DoD-wide

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army (O & M)	17.0	96.8	113.8
Army Reserve (O & M)	.1	-	.1
Army (Other Proc)	3.0	-	3.0
Army (Aircraft Proc)	.2	-	.2
Army (Missile Proc)	2.7	-	2.7
Army (Industrial Fund)	.3	-	.3
Army (WTCV)*	.4	-	.4
Total Army	<u>23.7</u>	<u>96.8</u>	<u>120.5</u>
Navy (O & M)	40.5	165.8	206.3
Navy Reserve (O & M)	1.7	7.2	8.9
Marine Corps (O & M)	3.8	15.4	19.2
Marine Corps Reserve (O & M)	.1	.3	.4
Navy (Other Proc)	5.3	21.9	27.2
Marine Corps (Proc)	.3	1.1	1.4
Navy (Aircraft Proc)	18.4	75.0	93.4
Navy (Weapon Proc)	5.5	22.3	27.8
Navy (RDT&E)	20.8	84.9	105.7
Navy (Shipbldg & Conversion)	6.9	28.3	35.2
Navy (Mil Con)	.2	.9	1.1
Navy (Family Housing)	**	**	**
Total Navy	<u>103.5</u>	<u>423.1</u>	<u>526.6</u>
Air Force (O & M)	53.4	219.2	272.6
Air Force Reserve (O & M)	2.0	8.0	10.0
Air Force Guard (O & M)	2.7	10.2	12.9
Air Force (Other Proc)	8.7	35.6	44.3
Total Air Force	<u>66.8</u>	<u>273.0</u>	<u>339.8</u>

Defense Agencies (O & M)	<u>21.6</u>	<u>88.3</u>	<u>109.9</u>
DoD Total	215.6	881.2	1,096.8

* WTCV: Wheeled and Tracked Combat Vehicle
 **Less than \$20,000

End Strength Increases

<u>SERVICE/AGENCY</u>	<u>FY 1991</u>	<u>FY 92-95</u>	<u>FY 1995</u>
Navy			
Civilian	106	158	264

Initiative Description: The Congress, the Office of Management and Budget, and the DoD Inspector General have all indicated that the management, reporting and budgetary controls over contracted advisory and assistance services need strengthening. As an initial step toward improving control, contracted advisory and assistance services spending was reduced in FY 1991. In addition, other steps are being taken to improve management controls over these services, and efforts are underway to strengthen various facets of contracted advisory and assistance services management. Specifically, the DoD Director for these services will report directly to the Under Secretary of Defense for Acquisition. Moreover, efforts are being directed at (a) expanding the visibility of contracted advisory and assistance services via the budget review process, (b) clarifying and refining definitions in this area, (c) educating DoD managers, users, and procurement personnel regarding documentation, approval, and reporting requirements.

Defense Management Initiative

Issue: Streamlining Contract Management

Scope: Army, Navy, Air Force, Defense Logistics Agency

Budget Summary:

(Dollars in Millions)

<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total SVGS</u>
Army (Mil Pers)	2.5	17.1	19.6
Navy (Mil Pers)	4.9	21.2	26.1
Air Force (Mil Pers)	35.4	151.5	186.9
Army (O&M)	35.1	149.5	184.6
Navy (O&M)	53.4	210.6	264.0
Air Force (O&M)	139.2	625.7	764.9
DLA (O&M) (Investment)	(236.5)	(801.0)	(1,037.5)
Def Logistics Agency (Proc) (Investment)	(15.0)	-	(15.0)
Grand Total	(7.0)	262.0	255.0

End Strength Reductions

<u>SERVICE/AGENCY</u>	<u>FY 1991</u>	<u>FY 92-95</u>	<u>Total</u>
Military			
Army	40	-	40
Navy	80	-	80
Air Force	74	-	74
DLA (Offsetting Increase)	(194)	-	(194)
Total	0	-	0
Civilian			
Army	657	-	657
Navy	1,416	-	1,416
Air Force	3,144	-	3,144
DLA (Offsetting Increase)	(4,190)	-	(4,190)
Total	1,027	-	1,027

Initiative Description: The Defense Management Report called for the consolidation of all DoD contract administration services in a single organization. These services have been divided among the three military departments and the Defense Logistics Agency (DLA) for many years. This initiative provides for placement and consolidation of all those functions in DLA as of the start of FY 1991. It also provides for the purchase of equipment costing \$15 million in FY 1991 needed for establishment of a single automated management system that DLA would use for all contract administration services, as a major element of the consolidation effort.

Consolidation should make possible the elimination of differing procedures for management contracts now in existence among the four agencies handling contract administration. It should also enhance professionalism in contract administration and increase the focus and attention on contract administration. It will also make it possible to present a single face to industry on all contract management issues. The savings reflect an initial reduction of 1,027 work years, due to a decision to reduce the number of regional or district offices from 10 (9 DLA offices and one Air Force office) to 5, and to streamline the remaining offices. The savings associated with this reduction are \$19 million beginning in FY 1991, and for the FY 1991 through FY 1995 period total \$185 million. Future savings of \$103 million are projected in fiscal years 1993 through 1995 once consolidation has occurred and management and regulatory changes can occur to simplify and streamline operations in the field further.

Additional savings in contract administration are taking place as a result of other actions prior to consolidation of these services in DLA or by the beginning of FY 1991, and are reflected in the FY 1991 budget proposals. Air Force is reducing 628 positions in contract administration services in its Air Force Systems Command. The Army is streamlining contract administration in the field at Army ammunition plans as described in a separate Army logistics action involving streamlining of the Army Materiel Command.

In addition to these changes, there will be further analysis of potential future contract administration services into DLA. The possibility of adding in Army Ammunition Plants and Supervision of Shipbuilding (SUPSHIPS) will be studied during FY 1990 and FY 1991. Further, analysis will be undertaken of the possibility of further civilianization of contract administration services. These analyses are to be completed in time for inclusion in the FY 1992 budget, if that is appropriate.

DEFENSE MANAGEMENT INITIATIVE

Issue: Accounting for Government Furnished Material

Scope: Department of Defense-wide

Budget Impact:

<u>SERVICE/AGENCY</u>	<u>Dollars in Millions</u>			<u>Total Svgs</u>
	<u>Investment FY 1991</u>	<u>Savings FY 92-95</u>		
Army (O&M) (Investment)	(.1)	16.6		16.5
Army (Other Proc)	-	51.9		51.9
Army Subtotal	(.1)	<u>68.5</u>		<u>68.4</u>
Navy (O&M)	(.1)	59.6		59.5
Navy (Other Proc)	-	178.6		178.6
Navy Subtotal	(.1)	<u>238.2</u>		<u>238.1</u>
Air Force (O&M)	(.1)	16.6		16.5
Air Force (Other Proc)	-	11.7		11.7
Air Force (Aircraft Proc)	-	28.2		28.2
Air Force (Missile Proc)	-	12.0		12.0
Air Force Subtotal	(.1)	<u>68.5</u>		<u>68.4</u>
Defense Agencies (O&M)	<u>(2.0)</u>	<u>2.8</u>		<u>.8</u>
Grand Total	(2.3)	378.0		375.7
	<u>End Strength Increases</u>			
	<u>FY 1991</u>	<u>FY 92-95</u>		<u>Total</u>
Civilian	8	107		115

Initiative Description: This initiative provides for the establishment of a team to develop an accounting system module to better control material furnished to contractors by the Government for incorporation into end items produced pursuant to applicable contract terms. Current estimates indicate that the value of government furnished material currently in the hands of contractors is in excess of \$14 billion.

Accounting principles and standards, as well as prudent financial management practices, dictate that such material be retained under continuous Department of Defense accounting and financial management control. Much of the current government furnished material is expensed and dropped from inventory control when it is provided to a contractor. The current lack of internal Department of Defense accounting control over this material is considered to be unacceptable from a financial and management oversight perspective. Additionally, it is estimated to cost the Department of Defense significant amounts annually through unnecessary procurement of government furnished material. Significant benefits can be expected to be obtained by improving financial management through the establishment of accounting control over material in the hands of contractors. Most of these savings occur as a result of reduced requirements for the procurement of the material. Initial costs to develop the needed accounting module are estimated to be \$2.3 million.

The team to develop the accounting module will be chaired by a representative of the Department of Defense Comptroller's office and will include representatives from the USD(A), Army, Navy, Air Force, and appropriate Defense Agencies. The Defense Logistics Agency will provide administrative support for the team effort. The additional personnel provided in the initiative will be used to operate the new accounting module. This initiative anticipates that implementation of accounting control over government furnished material will commence no later than fiscal year 1992.

Defense Management Initiative

Issue: Conventional Ammunition Working Capital Fund (CAWCF)

Scope: DoD-Wide

Budget Summary:

	<u>(Dollars in Millions)</u>		
<u>SERVICE/AGENCY</u>	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Svgs</u>
Army (Weapons Proc)	-	284.0	284.0
Navy (Weapons Proc)	-	47.4	47.4
Navy (Other Proc)	-	60.6	60.6
Air Force (Other Proc)	-	<u>189.5</u>	<u>189.5</u>
Grand Total	-	581.5	581.5

Initiative Description: The Department will institute a stabilized rate policy for the Conventional Ammunition Working Capital Fund (CAWCF) to prevent price changes from causing fluctuations in production rates during the year. The elimination of unnecessary fluctuations will provide for smoother, more economical rates of production, thereby lowering costs through more efficient processing of ammunition assembly.

Defense Management Initiative

Issue: Procurement Streamlining

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings FY 1991</u>	<u>Savings FY 1992-1995</u>	<u>Total Savings</u>
SCN TRIDENT SSBN (SWS)	0.2	3.8	4.0
WPN TRIDENT II Missile	1.6	27.2	28.8
OPN B.A.4 Strategic Missile System	0.2	5.1	5.3
Total	2.0	36.1	38.1

Initiative Description: Delegation of additional contractual authority to the PEO and raising certain approval thresholds reducing contract costs. Streamlining of the procurement process by delegating additional contractual authority to the PEO and raising certain approval thresholds reduces the numbers of levels to approve waivers, thresholds and exemptions thereby reducing further questions, audits, requests for additional data and revised formats. There is an extended savings in that the streamlined acquisition approval processes should reduce contract costs as the workload on the contractor, the ultimate source of contract data, is reduced, permitting greater efficiency and a gradual increase in savings.

Defense Management Initiative

Issue: SCN Large Lot Procurement

Scope: Department of the Navy

Budget Summary:

(Dollars in Millions)

<u>Appropriation</u>	<u>Savings</u>	<u>Savings</u>	<u>Total</u>
	<u>FY 1991</u>	<u>FY 1992-1995</u>	<u>Savings</u>
SCN	0	1,370	1,370

Initiative Description: Estimated savings of \$1,370 million have been identified by modifying the acquisition profiles of various shipbuilding programs from the current plan of annual smaller quantity procurements to larger quantity procurements every other year. Significant savings are anticipated since shipbuilders and GFE vendors can more economically and efficiently procure material and coordinate the efforts of their production work force. Navy shipbuilding plans are currently structured to provide limited procurements each year for a wide range of shipbuilding programs. Fiscal constraints often result in low rate buys and single ship procurement of numerous ship types in each fiscal year. The large lot procurement initiative recognizes that substantial savings can be realized by procuring larger quantities of similar ships in a fiscal year. This multiship buy approach was used on the FY 1983 and FY 1988 CVN procurements and resulted in significant savings to the government.

<u>Program</u>	<u>Fiscal Year</u> <u>Range</u>	<u>Previous</u> <u>Profile</u>	<u>Revised</u> <u>Profile</u>	<u>Savings</u> <u>(\$ Mil)</u>
SSN-21	FY 92-95	3-3-3-3	0-6-0-6	544
DDG-51	FY 92-95	5-5-5-5	10-0-10-0	751
MHC	FY 92-94	4-4-1	4-5-0	21
TAGOS	FY 92-94	2-1-2	2-3-0	18
AOE	FY 92-94	1-1-1	0-3-0	36

Defense Management Initiative

Issue: Single Funding Pool for IOT&E

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>	
	<u>Savings</u> <u>FY 1991</u>	<u>Savings</u> <u>FY 92-95</u> <u>Total</u> <u>Savings</u>
RD&E, AF	8.9	17.9
Total	<u>8.9</u>	<u>17.9</u> <u>26.8</u>

Initiative Description: Funds management can be improved if a single program element is established for Initial Operational Test & Evaluation funds. A single program element, with the authority to move funds between IOT&Es, would make operations more efficient and eliminate routine tasks and resolve IOT&E funding problems resulting from scheduling changes. Individual test costs would be tracked so that information on appropriate use of funds can be reported.

Defense Management Initiative

Issue: Multiyear Contract Savings Satellite Procurement

Scope: Air Force

Budget Summary:

<u>Appropriation</u>	<u>(Dollars in Millions)</u>		
	<u>Savings FY 1991</u>	<u>Savings FY 92-95</u>	<u>Total Savings</u>
Missile Procurement, AF (Investment)	(22.7)	132.3	109.6
Total (Investment)	<u>(22.7)</u>	<u>132.3</u>	<u>109.6</u>

Initiative Description: The Air Force will utilize competitive multiyear procurement and producibility enhancements to achieve savings on the purchase of replacement satellites for the Navstar Global Positioning System (GPS) constellation. The contract was awarded for 20 satellites, and options for six more using these guidelines saved \$536.4M over programmed cost. FY91 funded costs for enhancements and multiyear procurement were funded at \$22.7M. Savings come from both NI36 (NAVSTAR GPS) and N011 K-191 (Nuclear Detonation Detection System - NDS).

Defense Management Initiative

Issue: Consolidation Studies

Scope: Army, Navy, Air Force, Defense Agencies

Budget Summary:

(Dollars in Millions)

<u>SERVICE/AGENCY</u>	<u>Savings</u> <u>FY 1991</u>	<u>Savings</u> <u>FY 92-95</u>	<u>Total</u> <u>Savings</u>
DoD-wide Contingency Account	300.0	5300.0	5600.0

Initiative Description: The Deputy Secretary directed the establishment of study teams to review possible consolidations, management changes, and associated savings - as given above - in the following areas:

Consolidation of Supply Depots throughout DoD: There are 33 supply depots in the DoD system operated by each of three Military Departments and by the Defense Logistics Agency, providing supplies to all elements of the Department. Consolidating in a single service or agency could result in significant reductions in base and headquarters level overhead costs, systems development costs, and better utilization of existing capacity.

Consolidation of Inventory Control Points throughout DoD: The three Military Departments and the Defense Logistics Agency operate separate supply functions, managing about 5 million items valued at approximately \$100 billion through 20 activities called Inventory Control Points. Of the 5 million items managed, 4 million are consumables, that is, items that would be used and disposed of when they have been used. If these inventory control points were consolidated, savings in overhead, system support, mission, and facilities costs could be achieved.

Consolidation of Maintenance Depots throughout DoD: The Army, Navy and Air Force all operate separate maintenance functions for the purposes of modification, maintenance and repair of ships, planes, tanks, and other major items of equipment. Consolidation could result in savings through reductions in overhead, closure of unneeded facilities and better oversight over maintenance operations.

Consolidation of all DoD ADP Design Centers and Operations: The Department operates approximately 1,000 data processing installations, called information technology facilities. These facilities are engaged in software design, modification of systems, maintenance of systems, data processing operations, and administrative support. Consolidation of these under a single manager could result in reduced costs through more efficient operations, better use of limited information technology resources and reduction in the number of staff needed.

Consolidation of Accounting Operations and Finance Centers throughout DoD: There are four military pay systems, dozens of accounting systems, and hundreds of accounting and finance stations throughout DoD. Operating savings could be realized by consolidating accounting and finance operations.

Consolidation of Research and Development Laboratories and Test Facilities: Each Military Department operates laboratories and test facilities. There is considerable overlap. For instance, nine facilities are engaged in work on guided missiles, 8 work on lasers, 15 on medical research, 8 on environmental issues, and 6 on psychological research. Consolidation of some of these could reduce costs through reduction in overhead, streamlining operations, and centralization of professional staff associated with specific areas of research and technology. An Army study called LAB 21 and an Army initiative to restructure Test and Evaluation activities will be considered in the development of alternatives within this initiative. The Navy is also studying consolidation of these facilities and its work will also be considered in the development of alternatives.

In reaching their conclusions, the study teams will also consider the effect of actions being proposed by the Services in other DMR initiatives.