



RBA

REVOLUTION
IN BUSINESS
AFFAIRS



DoN Affordability and Incentives



**Presentation to the
Navy Acquisition Reform Senior Oversight Council
30 Sep 99**



Outline

- DoN Business Challenge and Response
- CREI - DoN Integrated Approach
- CREI and R-TOC Investments Today
- Joint Initiatives



Corporate Navy

- **The Challenge: How to incorporate best business practices to achieve and maintain force requirement levels**
 - DoN still works with paper, has too many decision layers, and its processes just cost too much
- **Where we are:**
 - Defense Reform Initiatives (DRI)
 - Revolution in Business Affairs (RBA)
 - Enterprise Resource Planning (ERP)
 - Naval Human Resource board of Directors (NHRBoD)
 - Naval Intranet Applications (new effort)
 - Strategic Infrastructure Plan (new effort)
 - Cost Reduction & Effectiveness Improvement (CREI) Process



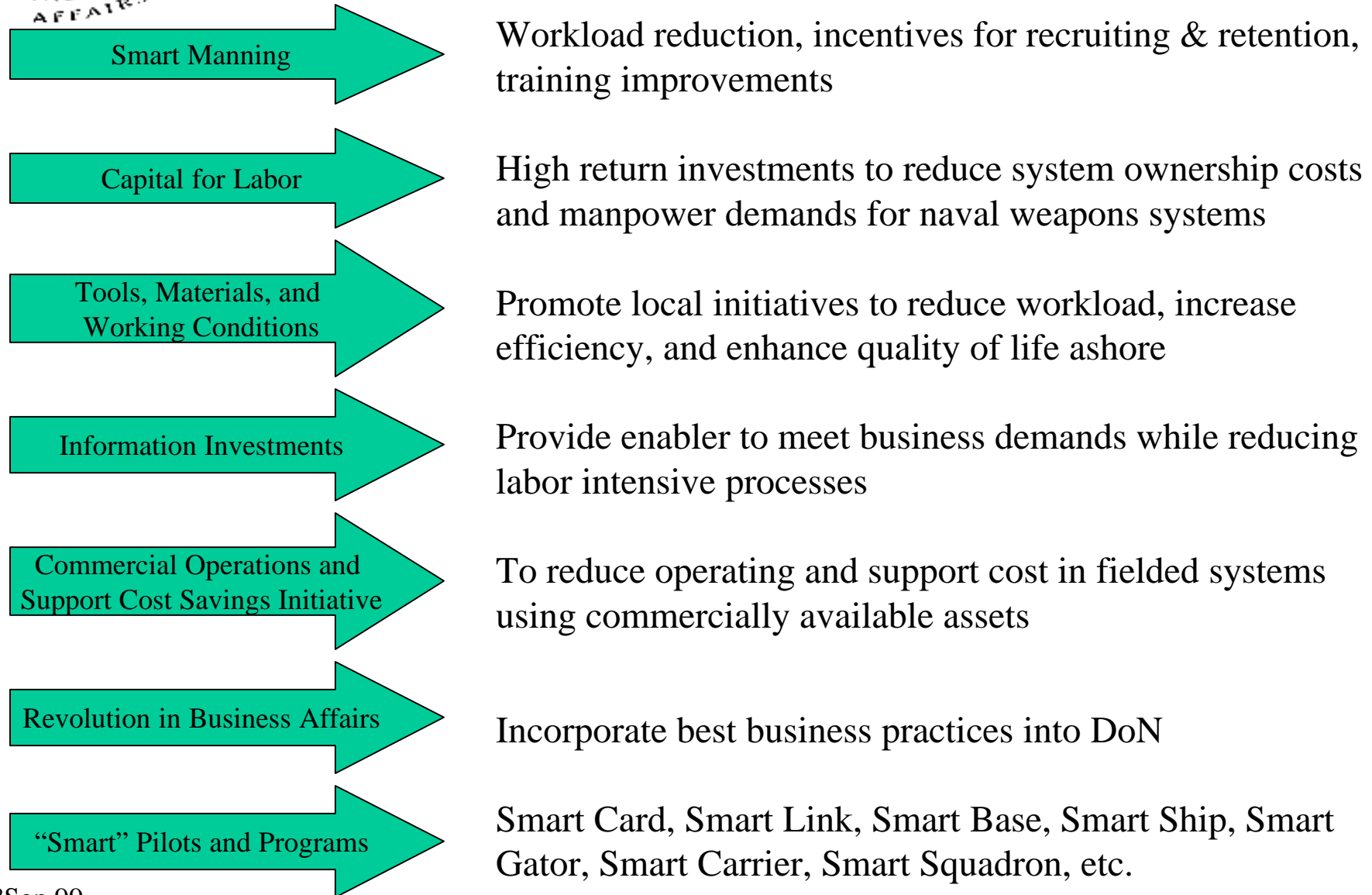
DoN Business Vision and Goals

- Goal 1 - Innovation... Foster continued conceptual, technological, and operational superiority
- Goal 2 - People... Recruit, engage, and retain the best people, military and civilian
- Goal 3 - Decision Support Systems... Deliver recognizable value for every dollar spent
- Goal 4 - Organizing Work... Create a business environment focused on teamwork and outcomes



Backdrop to CREI

Many Processes, Many Products





Backdrop to CREI

Business Practice Shortfalls

- Few incentives for risk taking
- No incentive to invest if savings fall to another organization
- Investment decision process sub-optimized
 - Fragmented efforts
 - Different groups with different standards



Cost Reduction & Effectiveness Improvement (CREI) Process

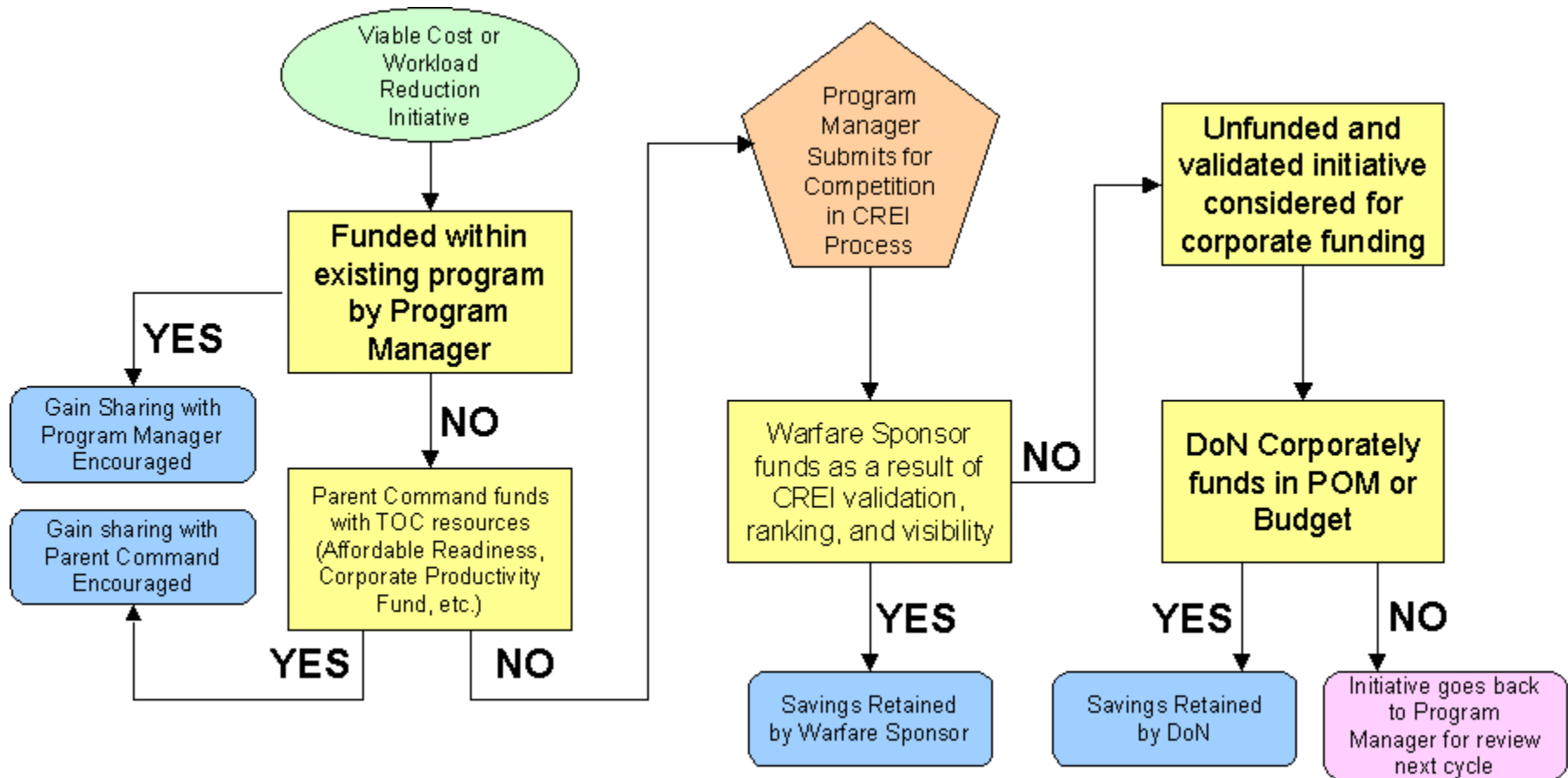
- Annual review to assess and prioritize investments that:
 - Yield high return on investment (savings)
 - Reduce workload
 - Enhance quality of life
 - Improve readiness
- Quality corporate-level decisions
 - Council Co-chaired by Navy Secretariat, OPNAV, and HQMC
 - Representation includes Secretariat, OPNAV, HQMC, and Fleet
- Positive incentives for claimant participation:
 - Protection of unrealized savings
 - Visibility
 - CREI Council policing action
- Annual Report to DoN leadership
- **Integrated into the PPBS**



CREI

Cost and Workload Savings Initiative Funding and Savings Flowchart

- Objective: Positive incentives down to lowest level encourages investments which reduce life cycle costs and Sailor/Marine workload



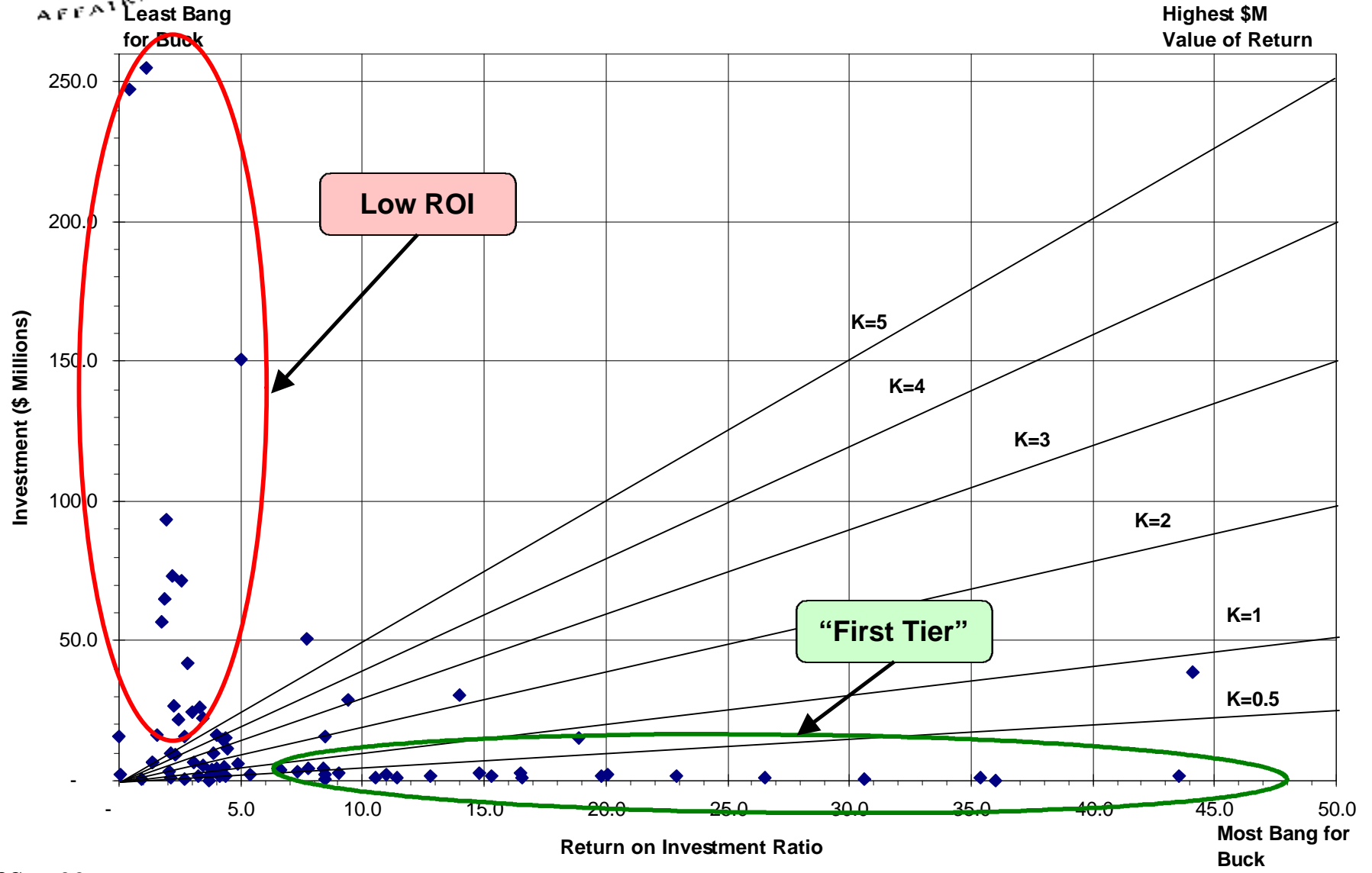


Process Example: FY01 Summer Review Initiative Statistics

- DASN(PPR)/FMB Data Call in May
- 76 initiatives considered
- Initiatives categorized and prioritized using:
 - Program office information
 - Fleet endorsement
 - DASN priority
 - Resource sponsor priority
 - NCCA review
 - FMB review
- Initiatives summarized in four groups
 - Tier One (18)
 - Tier Two (15)
 - Affordability outside of PR-01 budget review (15)
 - Council review (28)



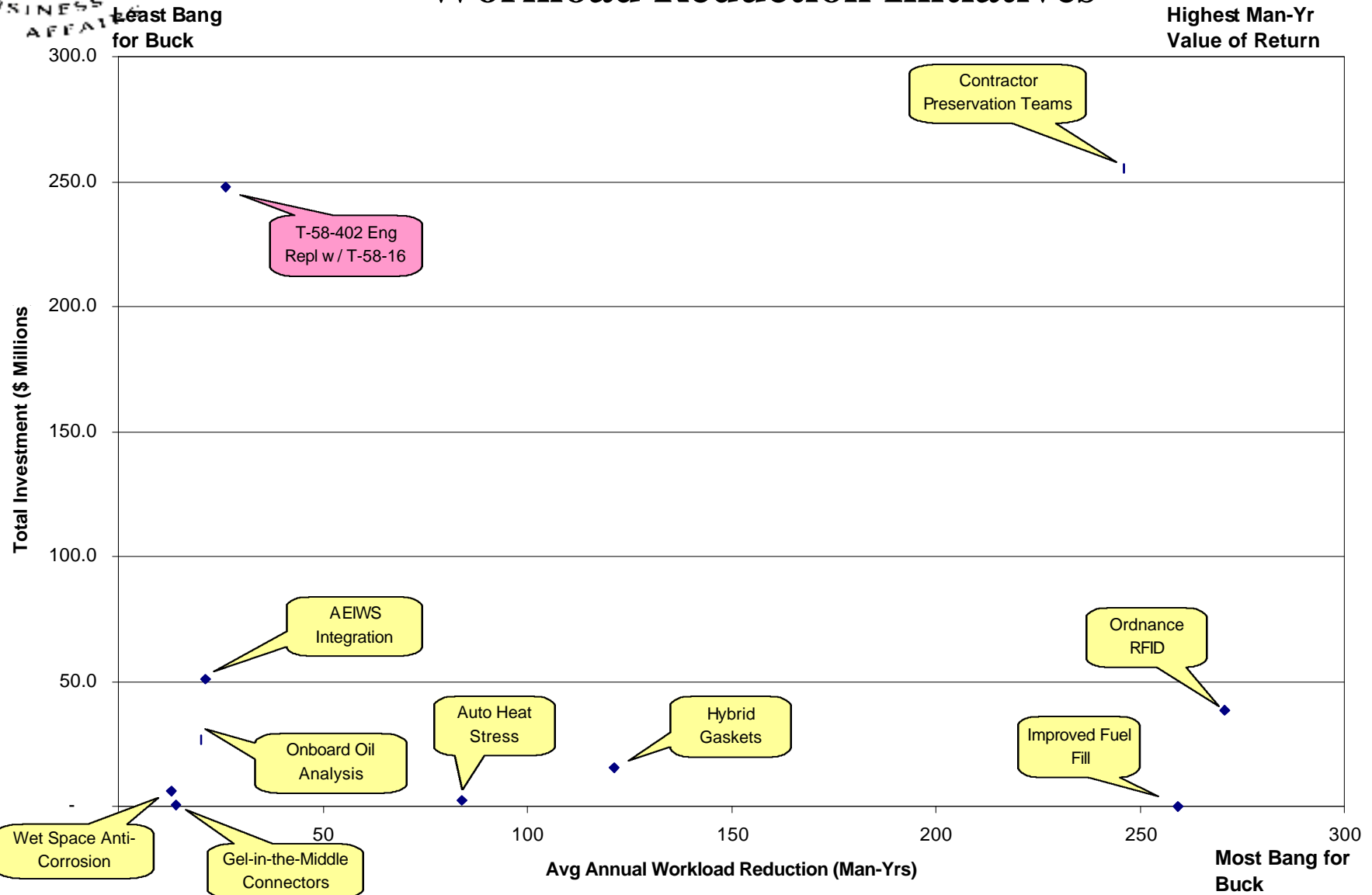
CREI Initiatives PR-01 Summer Review





PR-01 Summer Review

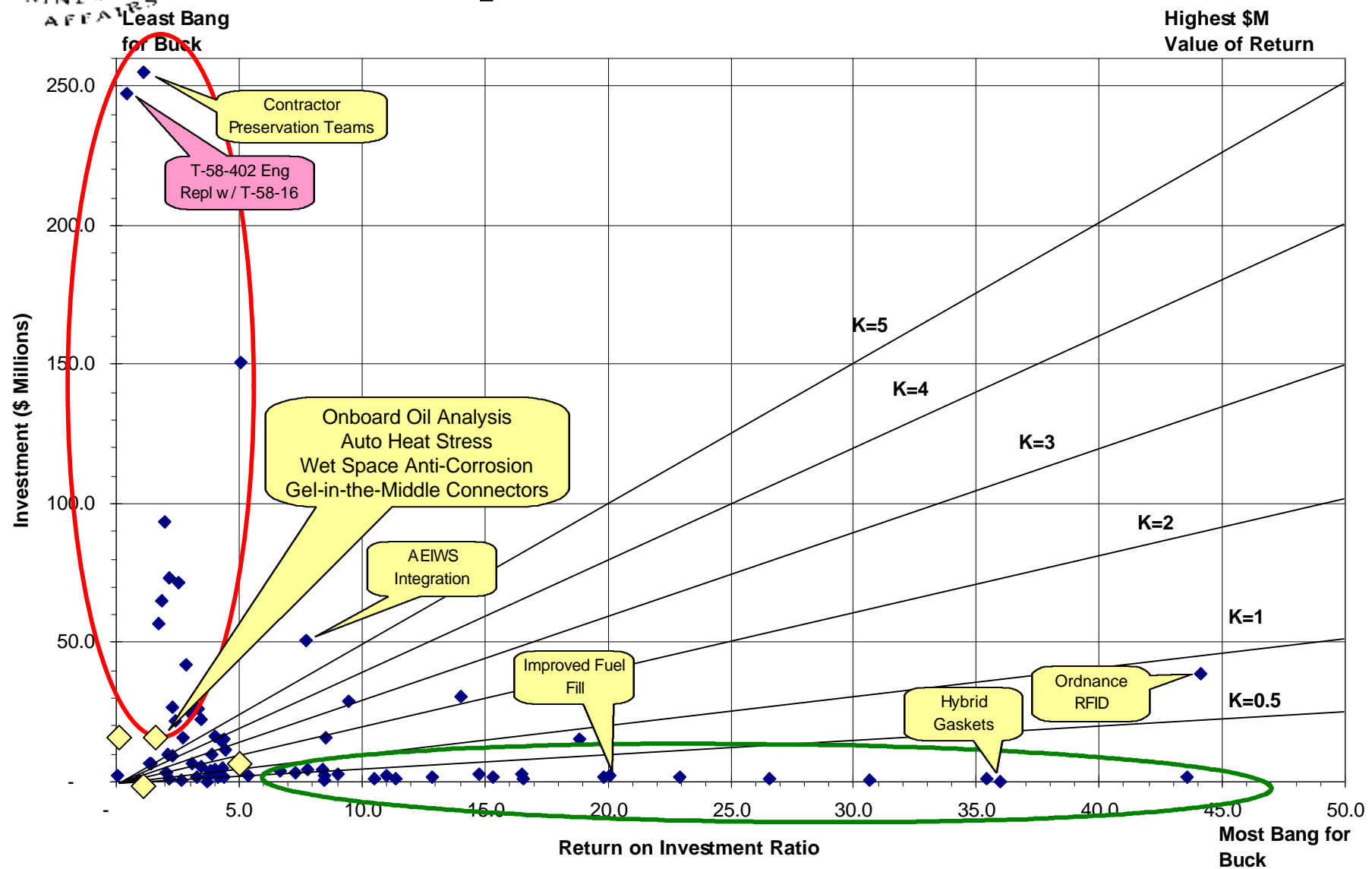
Workload Reduction Initiatives





PR-01 Summer Review

Financial Impact of Workload Reduction Initiatives





Cost Reduction & Effectiveness Improvement Progress Summary

	\$ Millions							Total
FY 00 President's Budget	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY99-05
• Smart Manning	47.5	98.3	93.8	67.4	61.1	49.9	27.2	445.2
• Capital for Labor	56.7	137.2	149.2	128.2	116.9	93.1	72.8	754.1
• Tools, Mat. and Working Cond.	4.8	9.5	13.5	29.5	22.0	12.0	10.0	101.3
• Information Investments	<u>12.5</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>10.0</u>	<u>5.0</u>	<u>0.0</u>	<u>72.5</u>
Total PB-00 Initiatives	121.5	260.0	271.5	240.1	210.0	160.0	110.0	1,373.1
PR-01 CREI (New Initiatives)								
• Smart Manning	0	0	0	0	0	3.8	13.7	17.5
• Capital for Labor	0	0	53.8	37.6	54.3	20.2	30.2	196.1
• Tools, Mat and Working Cond	<u>0</u>	<u>0</u>	<u>6.3</u>	<u>11.5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17.8</u>
Total PR01 CREI	0	0	60.1	49.1	54.3	24.0	43.9	231.4
PR-01 CREI (Existing)								
• LECP Program	93.2	79.8	48.6	63.6	52.7	29.2	12.6	379.7
• Acquisition Initiatives	0	0	54.0	68.4	37.0	25.7	24.3	209.4
• NAVAIR Affordable Readiness*	48.0	54.8	61.2	67.0	62.4	64.2	65.8	423.4
• COSSI	<u>15.7</u>	<u>18.7</u>	<u>12.5</u>	<u>12.7</u>	<u>12.0</u>	<u>12.7</u>	<u>13.2</u>	<u>97.5</u>
	156.9	153.3	176.3	211.7	164.1	131.8	115.9	1,110.0
* FY00-05 are estimates only								
Total PR-01 CREI (new and existing)	156.9	153.3	236.4	260.8	218.4	155.8	159.8	1,341.4
Total (PB-00 & PR-01)	278.4	413.3	507.9	500.9	428.4	315.8	269.8	2,714.5



DoN R-TOC Investment Examples FY00 President's Budget

- **H-1/SH-60 IMDS & HUMS**
 - Enhance safety and reduce life cycle costs by in-flight monitoring of performance and vibration.
 - Investment: \$125.8M Return: \$250.5M ROI: 2.0
- **ADCAP Crossover Battery**
 - Replaces existing single-use thermal battery with a COTS, reusable, conventional chemistry battery.
 - Investment: \$4M Return: \$46.1M ROI: 11.5
- **Environmental Stabilization System**
 - Incorporates controlled humidity preservation technology to prevent corrosion in Marine artillery radars.
 - Investment: \$1M Return: \$2.8M ROI: 2.8



DoN R-TOC Investment Examples

FY-01

- **MHC-51 Diesel Electronic Fuel Injection**
 - Extend the life of the diesel engines by correcting problems associated with low-load operations, reducing fuel consumption, reducing maintenance costs, and increasing engine reliability.
 - Investment: \$6M Return: \$13.6M ROI: 2.3
- **Virginia Class SSN Reverse Osmosis Pressure Exchanger**
 - Replace duplex cycle brine discharge system and reduce space, weight, design complexity, component costs, and installation costs
 - Investment: \$2.2M Return: \$22.4M ROI: 10.2
- **Head and Wet Spaces Anti-Corrosion Coatings & Fixtures**
 - Reduce shipboard man-hours spent on sanitation and save depot level maintenance funds by using corrosion prevention techniques and best available materials.
 - Investment: \$6.1M Return: \$29.6M ROI: 4.9



Joint Service Initiatives

- Joint Services TOC Initiative for 30x173mm Ammunition (AAAV, LPD-17 light weight gun, A-10 Cannon)
 - Common DoD 30mm x 173mm ammunition. Cost savings elimination of environmental concerns with the improvement from Depleted Uranium to Tungsten.
- ForeveReady Missile Battery
 - Reduce procurement costs and replacement costs while providing more battery power in the same volume for TRIDENT II, STANDARD MISSILE FOUR (SM4) and MINUTEMAN missiles.
- COTS Radio Frequency Ordnance Tag Technology
 - Use of COTS Radio Frequency Identification (RFID)/Micro-Electromechanical Sensor (MEMS) technology to provide near real-time source data automation for ordnance management.

We will use existing organizations and processes (Joint Program Managers, Lead Agencies, etc.) to review these and similar initiatives



POM-02 CREI Timeline

1999

Sep

POM-02 data call

29 Oct

Initiative inputs due

Nov

N81/NCCA assessment

Mid-Dec

CREI council POM-02 review and FY99 execution update

2000

Jan

Annual Report and recommendations

May

POM-02 SPP and prior year execution update

Sep

FY02 Budget update



CREI Product

- Corporate level agreement on priority ranking of initiatives
 - Ranking reflects both financial return and workload reduction
 - Fleet inputs carry significant weight
- Results incorporated into POM build and budget review processes



CREI and the DoN Business Vision and Goals

- Goal 1 - Innovation... Foster continued conceptual, technological, and operational superiority
 - Impact of new technologies on warfighting capability
- Goal 2 - People... Recruit, engage, and retain the best people, military and civilian
 - Workload reduction and Sailor/Marine quality of life
- Goal 3 - Decision Support Systems... Deliver recognizable value for every dollar spent
 - Investments in new business and acquisition strategies to reduce life cycle cost
- Goal 4 - Organizing Work... Create a business environment focused on teamwork and outcomes
 - Integration of Fleet, OPNAV, HQMC, and Secretariat positions
 - Positive incentives down to lowest level