

Gansler Delivers Keynote Address at DLA Senior Leaders Conference

What We Buy, How We Buy It, and *How We Support It Logistically*



"I AM PLEASED WITH [THE DEFENSE LOGISTICS AGENCY'S] SUCCESS IN WORKING TOWARD OUR GOAL OF ACQUISITION REFORM. YOU ARE A VITAL PART IN THAT EFFORT, SINCE, ONLY BY CUTTING LOGISTIC SUPPORT COSTS CAN WE DIVERT DOLLARS TO OUR GOAL OF MODERNIZATION...AS UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY, I STAND READY TO OFFER YOU WHATEVER SUPPORT YOU REQUIRE TO BRING ABOUT THIS REVOLUTION IN THE WAY WE DO BUSINESS."

ARMY LT. GEN. HENRY GLISSON TOOK OVER THE REINS OF DLA EFFECTIVE JULY 25, 1997. DURING THE DLA SENIOR LEADERS CONFERENCE, DR. GANSLER TOLD GLISSON AND HIS SENIOR EXECUTIVES THAT "...IN MANY RESPECTS, I AM 'PREACHING TO THE CHOIR' HERE TODAY. THE DEFENSE LOGISTICS AGENCY IS EMBARKING ON SOME IMPRESSIVE LOGISTIC SUPPORT REFORM INITIATIVES THAT ARE ALREADY SHOWING SIGNIFICANT COST SAVINGS...WE ARE OFF TO A GOOD START, AND I COUNT ON YOU, GENERAL GLISSON, AND YOUR FINE STAFF TO KEEP UP THE MOMENTUM."



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Editor's Note: In his Dec. 9, 1997, remarks to senior Defense Logistics Agency (DLA) executives, Under Secretary of Defense for Acquisition and Technology, Dr. Jacques S. Gansler spoke of not only force modernization and how to pay for it, but also the importance of how we support it logistically. The following text is an excerpt of his speech, focusing on the logistics aspect of modernizing the forces. (This information is in the public domain and may be accessed from the ACQWeb Home Page at <http://www.acq.osd.mil/ousda/speech> on the World Wide Web.)

I want to thank you, General Glisson, for inviting me here today to meet with your senior Defense Logistics Agency executives. Although I have served only a very short time in my current position as Under Secretary of Defense, my 40-plus years on both the government and industry

sides of the "military industrial complex" have convinced me that our nation's unquestioned military superiority is due, in no small part, to your success in assuring logistic support to our armed forces – at all times and in all places. Our nation will count on you even more as we counter the new threats we face in the first years of the 21st Century, as you meet your challenge to deliver even more rapid and reliable performance at dramatically lower costs!

The Joint Chiefs of Staff made DLA's future role clear in its recent statement on projected global defense requirements – Joint Vision 2010. In its report, the JCS stated that its goal of "seamless joint architecture for force protection" will rely on "our ability to project power with the most capable forces, at the decisive time and place. Logistics must be responsive, flexible, and precise."

This concept of "focused logistics" – the fusion of information, logistics, and advanced technologies – will, if fully implemented, allow our forces to respond quickly to crisis; track and shift equipment, parts, and other supplies even while enroute; and deliver tailored logistics packages and other supplies, with a minimum of delay, to the appropriate level of operations.

When I appeared before the Senate Committee on Armed Services for my confirmation hearing on October 1, I told members that the challenge we face in the Department of Defense acquisition and technology arena during the next few years is threefold: to modernize our current weapons systems; to develop and deploy the major new systems and subsystems required for 21st Century operations; and to support those systems efficiently and effectively – but, to do so at a lower cost and within a drastically reduced cycle time.

We must fully exploit the “Revolution in Military Affairs” – modernizing for 21st Century warfare – and simultaneously engage in a “Revolution in Business Affairs” – by taking full advantage of the technologies and management lessons that have turned around American commerce and industry during the past decade. It is this latter revolution which Secretary Cohen endorsed so strongly in the recently announced Defense Reform Initiative. We must transfer valuable commercial business lessons to the Department of Defense.

The critical issues facing us in Acquisition and Technology over the coming years, therefore, are: *what we buy*; *how we buy it*; and *how we support it logistically*.

The United States has deferred modernization during the past decade, with a procurement account that has fallen by more than 70 percent. We can no longer continue on this path. Not only is the equipment wearing out and becoming obsolete, but technology has changed dramatically. And there are new – and different – threats before us.

These threats range from terrorist actions, transnational actors and rogue nations, major urban and theater warfare, and on up to nuclear war. Our future enemies are unlikely to attempt to match the United States’ overwhelming military superiority on a tank for tank, ship for ship, or plane for plane basis. Rather, they are likely to deploy weapons of mass destruction, and/or advanced, low-cost weapons which today can often be purchased on the global arms market and sometimes even from the commercial market, making it possible for them, in theory, to win – or at least cause us significant problems – with fewer dollars. We must not only counter this threat, but stay ahead of it. Thus, we must make our decreasing dollar investment accelerate the pace of modernization. A difficult challenge!

It makes no sense, from any standpoint, either to use out-of-date equipment, spend money updating equipment that is no longer tactically or strategically relevant, or to adhere to traditional military-unique logistic support models.

New weapons and systems must be deployed, for example – including integrated, secure, and “smart” command, control, communications, and intelligence infrastructures; “smart weapons”; and credible deterrents against projected early 21st Century threats such as biological, chemical, nuclear, and information warfare, as well as against large numbers of low-cost cruise or ballistic missiles. What we produce in the next generation must be the most advanced, the most effective, and the most flexible obtainable. It must be deployed on a much faster cycle in order to make the best use of the continuing advances in technology. The United States must fully exploit its leadership in advanced technology and achieve truly integrated, multi-Service operations, at all levels; and, increasingly, on a multi-national basis.

Another major priority is to bring about rapid force projection and global reach of military capability. Your critical role in this overall effort will be to remain fully adaptive to the rapidly changing requirements of our armed forces and the new weapons systems, subsystems, and equipment they will need to meet the changing threat to our homeland. Our increasingly dispersed and mobile forces will require enhanced logistic support and response in *hours* rather than weeks.

All this, of course, requires fundamental changes in our acquisition and other combat support programs. The message of the Secretary’s Defense Reform Initiative is clear. We must upgrade our current systems, develop new systems, and improve our support – all with no major increase in the Defense procurement budget.

During my confirmation hearing, I listed five priorities for achieving this goal and which require immediate and specific attention. Two dealt explicitly with logistic support. Let me briefly describe all five.

We must pursue aggressively and fully the acquisition reform initiatives of the past few years; and add to these where appropriate. Inventory management re-

form; an increase in the use of commercial practices and distribution systems to satisfy materiel requirements; more competitive sourcing of current in-house work; and greatly expanded purchase of common-use, commercially available items, are just a few of the ways in which the Defense Logistics Agency can further this initiative.

We must work to bring about far greater civilian/military industrial integration. We seek a greatly expanded partnership with a revived and prospering commercial industry – not a partnership in which we become simply the pawns of commercial products and processes, but a dynamic and vigorous engagement that, through R&D, creates technically advanced products and systems with common applications and that, through use of flexible manufacturing, allows production of defense-unique items on the same lines with high-volume commercial items.

Civilian/military integration in the acquisition process is the key to the success of such a partnership. We must take full advantage of the commercial information technology revolution, specifically as it applies to efforts to modernize our logistic support network; and learn from the successes of commercial package transfer services and rapid produce-to-order manufacturing firms, ways we can reduce dramatically costs and delays in our logistic support.

The Department must shift the major share of its resources from support to modernization and combat. Currently, about 65 percent of the DoD budget goes into the support and infrastructure area. Reducing our support costs will make more of our limited funds available for modernization and deployment of new systems and subsystems.

We must meet the objectives outlined in Vision 2010 by totally re-engineering our DoD logistics system. Focused logistics will help us to achieve much faster response at much lower cost. Advanced information systems – some of which you already have in place – are key to this transformation.

Finally, we must focus on training and educating our acquisition workforce to meet the demands of this massive re-engineering effort. Unless we all know how best to do what we are doing; understand why we are doing it; and comprehend the benefits to be derived from doing it better, acquisition reform will not succeed.

I know that some of you may fear that a shift of resources from support to modernization means that the Defense Logistics Agency will play a greatly diminished role under the reform initiative announced by Secretary Cohen. On the contrary, the “lean and mean” strategy envisioned in our transformation from “tail to teeth” and our move to a focused logistics program enhance your role in our 21st Century global defense strategy. This is not a going-out-of-business sale for logistics; it’s simply going modern. And going modern means going *better, faster, and cheaper*.

Going better will require the transformation of logistic functions to incorporate advanced information systems and capabilities; modular support systems and packages able to be deployed for any contingency. We must support an overall re-engineering of our logistic support capability, after abandoning the traditional model of transferring supply and maintenance responsibility from industry to government after delivery. We must incorporate the best commercial practices available, especially in the area of inventory management and control, in order to shorten dramatically the logistics tail and put more of our scarce dollars into modernization and combat capability.

Going faster means taking advantage of global electronic networks; commercial distribution systems such as Caterpillar, for example, which resupplies domestic commercial dealers in one to two days and overseas dealers in 100 countries in two to four days at the most (or they pay for it!); and global package delivery systems, like FEDEX and UPS, which handle millions of overnight packages each day (compared with military requisitions,

which during the height of Operation Desert Shield, peaked at 35,000 deliveries per day).

Going cheaper means buying less, increasing our competitive sourcing, and achieving major reductions in cycle times – in procurement, production, repair cycle time, and order and ship time. These reductions will also help us to cut infrastructure costs and current inventory levels by billions of dollars. Domestic world-class commercial firms have already done this, and we must pursue similar aggressive actions throughout the Department. We should also consider ways to improve integration of equipment design and manufacture with post-delivery logistic support, in order to reduce the current level of support costs as a percentage of overall cost. We must begin to consider “Total Cost of Ownership” in our systems and equipment.

In our maintenance requirements, we must shift to the use of functional specifications – the form, fit, and function [F³] of the item – rather than its detailed design. This makes it easier to replace and produces significant cost savings. And, as noted, we must also begin to design dual-use products, processes, information systems, and logistic support systems that meet common requirements of the military and commercial industry. This can bring about significant savings and increased efficiency, as well as improve yields, cut costs, and spread the power of our limited investment dollars.

I know that, in many respects, I am “preaching to the choir” here today. The Defense Logistics Agency is embarking on some impressive logistic support reform initiatives that are already showing significant cost savings. Your use of “prime vendor” and “direct vendor” delivery practices has cut the delivery time on medical supplies from 30 days down to 24 hours in 98 percent of the orders. Direct delivery from vendor to customer – often using Internet or electronic ordering technology – has made it possible for military hospitals to cut the logistics tail to pieces by drastically re-

ducing inventories, achieving cost savings in their operations, and ordering only what they need for current use. Defense Logistics Agency medical supply inventories have been reduced by more than 70 percent since [fiscal] 1991, with savings of \$396 million.

As you know, DLA is currently adapting this program for use in subsistence supplies procurement and delivery, utilizing local commercial sources on an as-needed basis for food supplies and even for more sophisticated hardware items and repair and maintenance.

We are moving ahead aggressively on other fronts. We have revised DoD regulations to authorize purchases from local commercial suppliers rather than through central supply services when such purchases produce the best value. This reduces reliance on our central supply system to those cases where the Department can leverage its buying power to produce lower costs.

DLA is also using electronic ordering and billing systems to cut down on cost and paperwork and has even established an Electronic Commerce Mall on the Internet to facilitate clothing and equipment purchases.

All this is impressive and shows that we can count on DLA for support in our acquisition reform initiatives. Your efforts so far are demonstrable evidence of your commitment to significant cost savings and the goal of “focused logistics” set by the Joint Chiefs of Staff. I am pleased with your agency’s success in working toward our goal of acquisition reform. You are a vital part in that effort, since only by cutting logistic support costs can we divert dollars to our goal of modernization, with new systems and subsystems specifically designed to meet new threats. As Under Secretary of Defense for Acquisition and Technology, I stand ready to offer you whatever support you require to bring about this revolution in the way we do business. We are off to a good start; and I count on you, General Glisson, and your fine staff to keep up the momentum.