

# Gansler Testifies Before Congress on Transformation of DoD Logistics

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STATEMENT BEFORE THE  
HOUSE ARMED SERVICES COMMITTEE READINESS SUBCOMMITTEE

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**Editor's Note:** This information is in the public domain at <http://www.acq.osd.mil/acqweb/usd/>.

**M**r. Chairman and Members of the Committee: Thank you very much for giving me the opportunity to appear before you today to report to you on the transformation of defense logistics. I have submitted a prepared statement for the record, but would like to take just a few minutes to express some of my concerns about barriers to our logistics reengineering efforts and my hopes that we can somehow accelerate the rate of change and see still greater results in the near future.

What is so frustrating, Mr. Chairman, is that we are dealing with achieving the art of the possible, not with some untried and untested, "science fiction" vision of a logistics support system of the future. What we are trying to bring about in defense logistics has already been demonstrated in the commercial world. In fact, today, you can log on to the Internet, click on to a commercial resource, choose what you want, place an order, check its availability, purchase it, track its progress from the warehouse to your door, and have greater than 99 percent confidence that it will arrive at the right place at the right time.

The result of advances in information technology in the commercial world has been a new era of high customer satisfaction and vastly improved performance at much lower cost. In defense logistics, however, such advances are more apt to



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move at a snail's pace, largely due to institutional resistance, outdated systems, and numbing bureaucratic delays.

## A Vicious Cycle

Our equipment is aging. We cannot replace much of that equipment in the near future. Consequently, our Operations and Maintenance [O&M] costs will continue to escalate. This results in reduced readiness – yet at increasing costs. And, unless we reverse the trend quickly and deliberately, we face what I have described as a “death spiral” – a situation where reduced readiness requires us to keep removing more and more dollars from equipment modernization and putting it into daily O&M, thus further delaying modernization, causing the aging equipment to be over-used, further reducing readiness, and increasing O&M – a vicious circle.

We now have approximately 1.25 million DoD personnel in logistics. We spend around \$80 billion on logistics support; and, in spite of these resources, we still fail to do a world-class job in dependability, responsiveness, or costs. However, our vision of world-class defense logistics – encouraged by the reality of world-class commercial support systems – sustains us in our determination that we can – and must – make our logistics transformation happen.

Having said all this, what is our strategy for making our vision a reality?

## Attack O&M Costs

First, we must directly attack the problem of large and increasing Operational and Maintenance costs on our aging legacy equipment. To do this, the Joint

Staff, Military Departments, Defense Logistics Agency, and our Transportation Command are pursuing a multitude of initiatives, including 30 Pilot Programs that are designed to improve support of our existing weapons systems and provide increased reliability to our aging equipment.

### **Deploy Transformed Logistics System**

Second, and in parallel with the initiatives designed to improve current Operation and Maintenance Costs, is the urgent need to deploy a responsive, dependable, efficient, and effective transformed logistics system. This must begin with a specific strategy; here, we have established a focused Logistics Strategic Plan and a set of actions and metrics to implement it and measure its performance. Two key elements of our strategy are the implementation of an overall 21<sup>st</sup> century logistics architecture and, most important, a modern logistics information system — one that will provide for our unique defense requirements what is already in place and working well in the commercial world. My prepared statement discusses these initiatives in some detail. This modern information system will improve the speed and precision of our logistics capabilities through improved situational awareness. Developing such a modern logistics information system is absolutely critical to our success.

### **Apply Lessons Learned From Pilot Programs**

Lastly, we must apply all the positive lessons learned from our Pilot Programs widely and rapidly across all of our systems. Our intent has been to explore multiple strategies in these programs so that the Services can tailor product support principles to meet their specific needs.

### **Why Not 100 Percent?**

During the past three years, we have achieved some dramatic improvement in our logistics performance. Average logistics response time (from requisition to receipt of material) has been reduced from 36 days to 14 days. Secondary inventory item levels have been reduced

by \$11 billion. And in-storage asset visibility has increased from 50 percent to 94 percent.

But why not essentially 100 percent — as is achieved by world-class operations today? And why not response times of five days — with high confidence on all deliveries? Again, *such numbers are achievable*. Clearly, we still have a long way to go. Army Chief of Staff General Eric Shinseki has stated that there cannot be an Army transformation without a logistics transformation. His vision for the transformed Army envisions rapid deployment of a brigade within 96 hours and five divisions within 30 days. Clearly, a logistics system that still requires an average of 14 days' response time is incompatible with such a rapid mobility concept.

Our specific initiatives and goals, therefore, call for modern information systems, such as the Army's Log Mod concept; total asset visibility; and a system that focuses on the customer's needs, not our capabilities. Speed and dependability are what our warfighter requires — foxhole to factory to foxhole — and we must meet those needs.

Using market forces, through competitive sourcing, can help us meet those needs with both greater performance and lower costs. (In fact, we've been finding savings of more than 30 percent, regardless of whether the winner is the public or the private sector.) We can expand the use of competitively sourced support for both new and legacy systems; expand our partnering arrangements; improve reliability and sustainability through continuous technology refreshment; expand the use of prime vendor and virtual prime vendor support; reengineer our financial processes; improve the integration of our supply chains; and create complementary/interoperable information systems, taking advantage of what is easily available in the commercial world.

### **It's the Warfighter**

In conclusion, Mr. Chairman, I believe we can do a world-class job in logistics support. It's our responsibility both to

the warfighter and to the taxpayer. I mentioned the fact that logistics carries an annual price tag of around \$80 billion. Surely, this is fertile ground for both improved performance and for substantial cost savings. Most important, however, is our commitment to the warfighter. The warfighter relies on us for the weapons to fight with, the ammunition for those weapons, the trucks to carry those weapons and ammunition, and 100 percent confidence that those systems and their support will be there on time and in good order. The warfighter deserves nothing less and we can promise nothing less.

We clearly need your help in the future, as we have in the past, if we are to be successful. Your commitment to the warfighter is nothing less than ours, and we appreciate your support. I look forward to continuing to work with you to make this happen.

Thank you very much.

## **Inside DSMC**



**N**avy Capt. Conway Halsall joined the DSMC staff as Director, School of Program Management, and Manager, Advanced Program Management Course, effective July 1, 2000. Halsall comes to the College from Naval Sea Systems Command, where he was the Director of Aircraft Carrier Refueling Complex Overhauls. A 1978 graduate of the University of Virginia, he holds a Master's Degree in Nuclear Engineering, and he has a proven sub-specialty in education and training management.