

Air Force Materiel Command

36th Air Armament Symposium



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5 October 2010

Integrity ★ Service ★ Excellence



Overview

- **AFMC Top Issues**
- **Service Contracting**
- **In-sourcing**
- **Efficiency Initiatives**



AFMC Top Issues

1. Nuclear

- AFMC integration role
- Nuclear related material
- Acquisition

2. Acquisition Reform

- New PEO structure
- WSARA and significant increase in oversight
- Standardize life cycle processes
- Development Planning



AFMC Top Issues

3. Personnel

- NSPS conversion
- Functional roles
- Insourcing
- Recruiting/hiring
- Unions

4. Resources

- Efficiencies
- Reduced resources



AFMC Top Issues

5. Depot Efficiencies

- Depot performance
- 50/50, Carryover

6. Science & Technology

- Bridging the technology transition gap
- Role of military in S&T

7. Energy Efficiency and Good Stewardship



Our Workforce and Resources



	AFMC		AF	
Officers	5,868	7%	64,397	14%
Enlisted	13,486	17%	264,855	55%
AF Civ	63,599	76%	158,474	31%
Totals	82,953		487,726	

	FY10
DoD Total*	\$532.0B
AF Total*	\$144.7B
AFMC Managed	\$52.5B



AFMC manages and executes ~ 36% of the Air Force budget

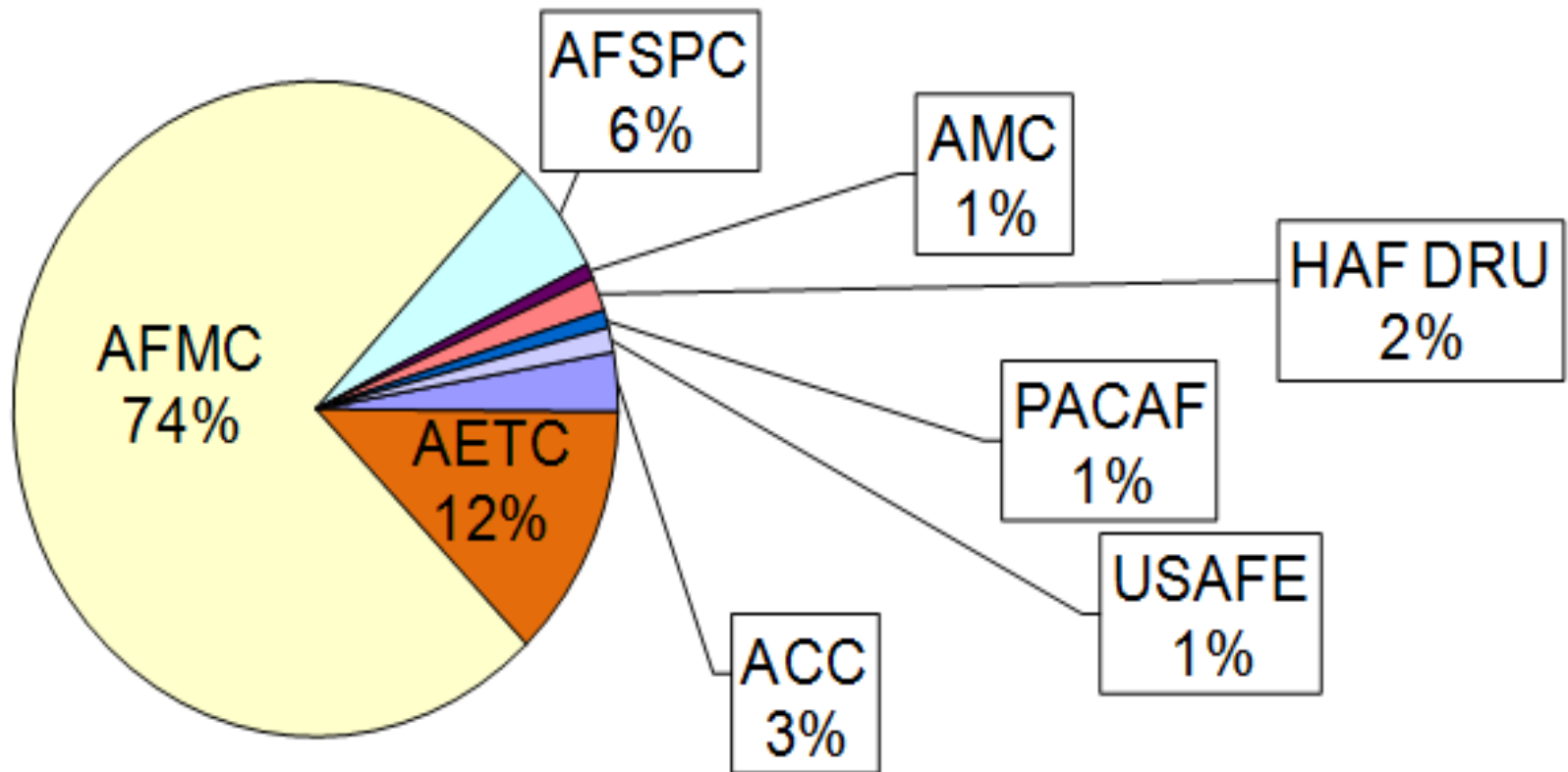


Services Contracting

- **Services Contracting grew to over 50% of DoD Spending**
- **Congressional legislation 2006 NDAA Section 812**
 - New rules on review, oversight, and reporting of Services
- **Air Force Program Executive Office for Combat and Mission Support (Services)**
 - Management and oversight of operational & mission support services
 - Contracts over \$100M
 - 147 programs @ \$149B in 2010
- **In 2008, AFMC delegated Services Advocate role for Service acquisitions between \$100M and \$500M**
- **In 2010, additional authorities delegated to AFMC**



Air Force Services Contracts



*Based on Service dollars in each Command



USD (AT&L) Memo, 14 Sep 10

Deliver warfighting capability we need with the dollars we have - 5 major areas

- 1. Target affordability and control cost growth**
- 2. Incentivize productivity and innovation in industry**
- 3. Promote real competition**
- 4. Improve tradecraft in services acquisition**
- 5. Reduce non-productive processes and bureaucracy**



- Dr. Ashton Carter



Dr Carter's Memo Impact

1. Target Affordability and Control Cost Growth

- Strategic Sourcing

2. Incentivize Productivity & Innovation in Industry

- More efficient contract types and incentives (TM > CP > FP)
- Eliminate Award Fee contracts (e.g. SES, Range, TEAS)

3. Promote Real Competition

- Emphasize Small Business
 - Use past performance on SB goals in source selections
- Adequate time for improved competition (without bridge contracts)
- Procure data rights
- Avoid/Mitigate Organizational Conflict of Interest (OCI)



Dr Carter's Memo Impact

4. Improve Tradecraft in Services Acquisition

- Services Advocate
- Clearly defined requirements and validation process (RAD)
- Improved market research
- More frequent competitions
 - 3 years single award, 5 years multiple award
- Emphasis on small business opportunities
- Limit Time & Materials and Award Fee type contracts
- Contracts over \$1B must contain efficiency clauses
- Metrics to assess Services health

5. Reduce Non-Productive Processes & Bureaucracy

- Common oversight tools
- Aggregate services in organization (Services Management Offices)



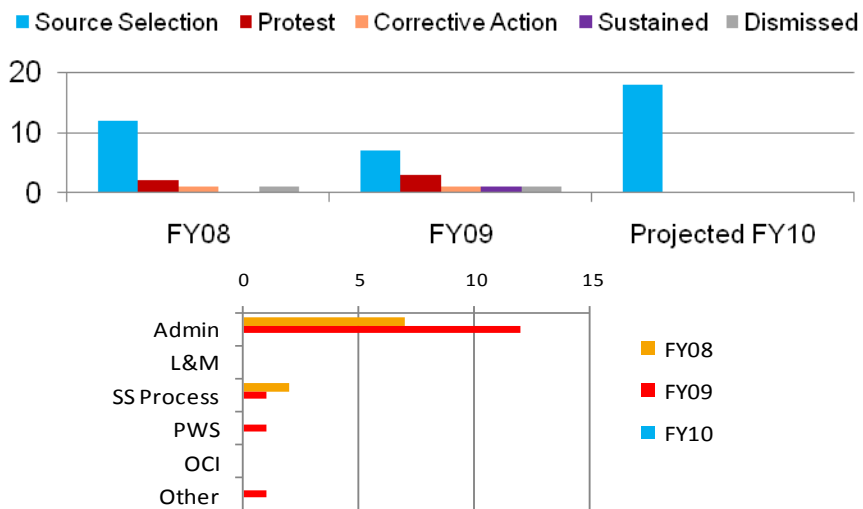
AFMFC – 2010 Services Health

Delegation: Probationary SILVER
Date: August 2008
MAJCOM Advocate: Dr. Steven Butler
MAJCOM POC: Phil Marcum
PEO/CM POC: LtCol Tony Lomelin

APPROACH

Forward Looking	● (Red)
Continuous Improvement	● (Red)
Collaborative	● (Yellow)

Protest History



OVERSIGHT/MANAGEMENT

Program Management	● (Red)
Functional Ownership	● (Red)
Fiscal Responsibility	● (Yellow)



Strategic Sourcing

- **Local organizations lack authority/insight to make strategic purchases**
 - Redundant procurement of similar commodities
 - Workload actions and complexity increasing
 - Needed organization to analyze and authorize strategic purchases
 - Economies of Scale gives the purchaser buying power
- **2010 – Enterprise Sourcing Group established**
 - Aligned to Air Force Materiel Command
 - Governance/Oversight by all MAJCOMs/AF-level stakeholders
 - Manage and Execute AF-wide Strategic Sourcing
 - Now: BOS (e.g. Civil Engineering, Office Supplies, Furnishings, Medical Supplies and Services, IT, Services and Hardware)
 - Later : Contractor Logistics Support (CLS), Engineering Services



In-Sourcing

March 4, 2009

“The Federal Government has an overriding obligation to American taxpayers. It should perform its functions efficiently and effectively while ensuring that its actions result in the best value for the taxpayers...”



Barak Obama

April 6, 2009

“We will reduce the number of support service contractors from our current 39 percent of the Pentagon workforce to the pre-2001 level of 26 percent, and replace them with full-time government employees.”

“Our goal is to hire as many as 13,000 new civil servants in FY10 to replace contractors and up to 30,000 new civil servants in place of contractors over the next five years.”



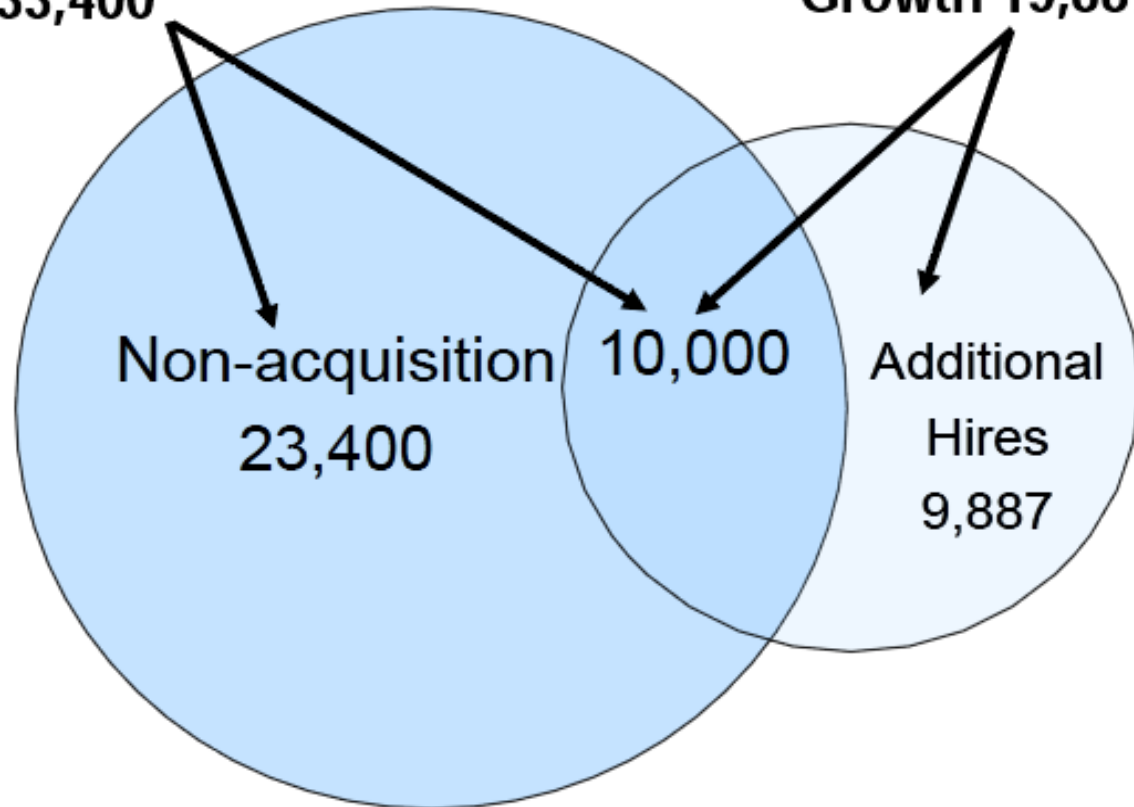
Secretary Gates

SECDEF In-sourcing Initiative FY10-14

NOT A CEILING

Total In-sourcing
33,400

Total Acquisition Workforce
Growth 19,887



FY10

RMD 802 Goal-13,574 → Components' Plans-16,406* → Acquisition Workforce-3,374*

All numbers in this presentation represent authorizations

* Component inputs as of 22 July and may change.



In-Sourcing

- **In-sourcing is conversion of any currently contracted service function to DoD civilian or military performance**
- **In-sourcing actions include:**
 - Conversion of those contracted functions that are considered to be
 - Inherently governmental
 - Exempted from private sector performance
 - Contracted functions that provide personal services
 - Except where specifically authorized by law
 - Have contract administration problems
 - Contracted services that can be performed more cost effectively by DoD civilian personnel

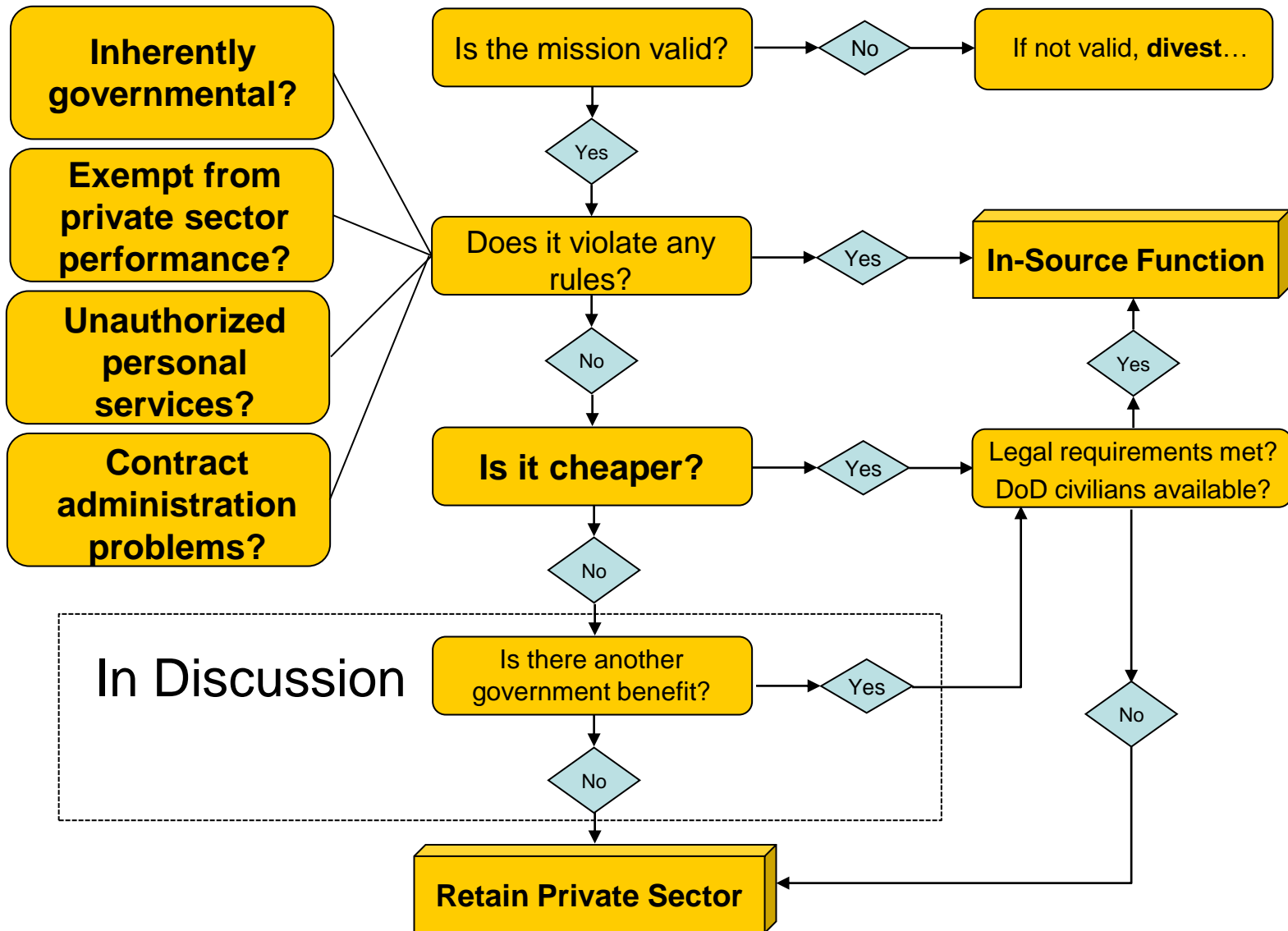


In-Sourcing Criteria

- **In-source immediately (decision not based on cost):**
 - Inherently Governmental (IG) function
 - Exempted functions (overseas rotation, International agreements, esprit de corps)
 - Unauthorized personal services
 - Contract administration problems
- **In-source if supported by cost analysis:**
 - Functions not in above categories
 - Special consideration
 - Closely related to Inherently Governmental
 - Functions performed by DoD Civilians in last 10 years
 - Contracts awarded on a non-competitive basis
 - Contracts that have performed poorly



In-Sourcing Decision Tree





Eglin Insourcing

- **Contractor-to-Civilian Conversions at Eglin**
 - FY09 20
 - FY10 17
 - FY11 36
 - FY12 28
 - FY13 14
- **Several proposed contracts that were evaluated did not pass the cost benefit test**
 - Other contracts will be substituted



Challenges to Insourcing

- **Contractor and Congressional displeasure**
 - Validity of cost savings identified
 - Quality of the insourced work
- **Increasing interest**
 - Freedom of Information Requests
 - Congressional Inquiries
 - Lawsuits
 - Conferences dedicated to insourcing avoidance
 - Stan Soloway, President Professional Services Council



2010: Services and In-sourcing

“Based on the data available after one year, I am not satisfied with the progress made to reduce our over-reliance on contractors.

“...to accelerate this process and achieve additional savings, I have directed that we reduce funding for service support contractors by 10% a year for each of the next three years.”

“...no more full-time positions in these organizations will be created after this fiscal year to replace contractors”

Secretary Gates August 9, 2010





SecDef Efficiency Initiatives

- **Sustaining current structure and needed modernization requires 2-3% real growth**
 - Defense budget growth of 1% per year
 - Difference of 1-2% a year
- **We are taking a hard, unsparing look at how DoD is staffed, organized, and operated**

Secretary Gates May 2010

The goal is not to reduce the DoD topline, but to significantly reduce excess overhead costs and apply savings to force structure and modernization.



Road Ahead

- **Eglin continues to play a major positive role in AFMC**
 - Acquisition
 - Test
 - Science and Technology
 - Close relationship with warfighting community
- **AFMC improving how we manage Service contracts**
 - Efficiencies expected
- **AFMC leading new Strategic Buying Initiative**
 - Efficiencies expected
- **AFMC is reducing reliance on support contractors**
 - Bring inherently governmental and less-cost-efficient work in-house
 - Reduce to FY00 contract expenditure levels
 - Efficiencies expected



Questions

