

# ***Headquarters U.S. Air Force***

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***Integrity - Service - Excellence***



## **REDUCTION IN TOTAL OWNERSHIP COST (R-TOC) PROGRAM**

***Two Years Later***



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**Lt Col Lee Plowden  
R-TOC Program Deputy Director  
SAF/AQXA  
6 March 2001**



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# ***Overview***

- **R-TOC Charter**
- **Current State/End State**
- **R-TOC Pillars**
- **Work in Progress**
- **Summary**



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# ***R-TOC Program Focus ...our “Charter”***

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- **Deploy effective tools and processes to control and reduce the ownership cost of weapon systems**
  - **AT&L direction to achieve R-TOC in legacy weapon systems - 20% “stretch goal”**
    - **Reverse “Death Spiral” and return “savings” to modernization**
    - **Congressional Interest - NDAA Sec 912(c), Sec 816**
- **Approach/Use selected Pilot Programs to Develop, test, assess and deploy effective R-TOC tools and best practices**
  - **Primary focus on weapon systems development, acquisition and sustainment functions**
  - **Includes direct costs of weapon systems and indirect costs of installations and services**
- **Joint effort -- coordinate with OSD and other services; transition promising opportunities**



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## *Current State: As Is*

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- **Awareness: Terminology and General Intent; Sporadic in-depth knowledge**
  - Strongest within AFMC (pilot programs, engines, etc.)
- **Denial: AQ “snake oil”; another “4-letter” program**
  - Strongest within lead commands (ACC, AMC, AFSPC)
  - “What’s in it for my organization?”
- **Ignorance/unfamiliarity: What’s an R-TOC? ...ROTC typo?**
  - Strongest within USAFE, PACAF, AFSOC
- **Senior leader support is strong--when approached--but, not a driving force**
  - All are interested in reduced costs and/or increased efficiency
  - Oracle/portal/R-TOC demo had SECAF interest



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## ***Current State: As Is (Cont'd)***

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- Pockets of “R-TOC” popping up in AFMC in addition to pilots
  - Engines, Avionics @WR-ALC, Aging A/C @ASC
- Previous R-TOC program office efforts
  - Perceived as shotgun approach--loud, scattered, short range
  - SECAF Policy Ltr expired
  - Focused training on AFTOC and BCA provided
  - Fledgling tools and processes--incomplete, acceptance is slow but gaining momentum
  - Pilot Programs “experimenting” with numerous process improvements
  - Program structure/approach sensible (3 Objectives/3 Dimensions)
  - OUSD(AT&L) advocacy was strong under Dr Gansler

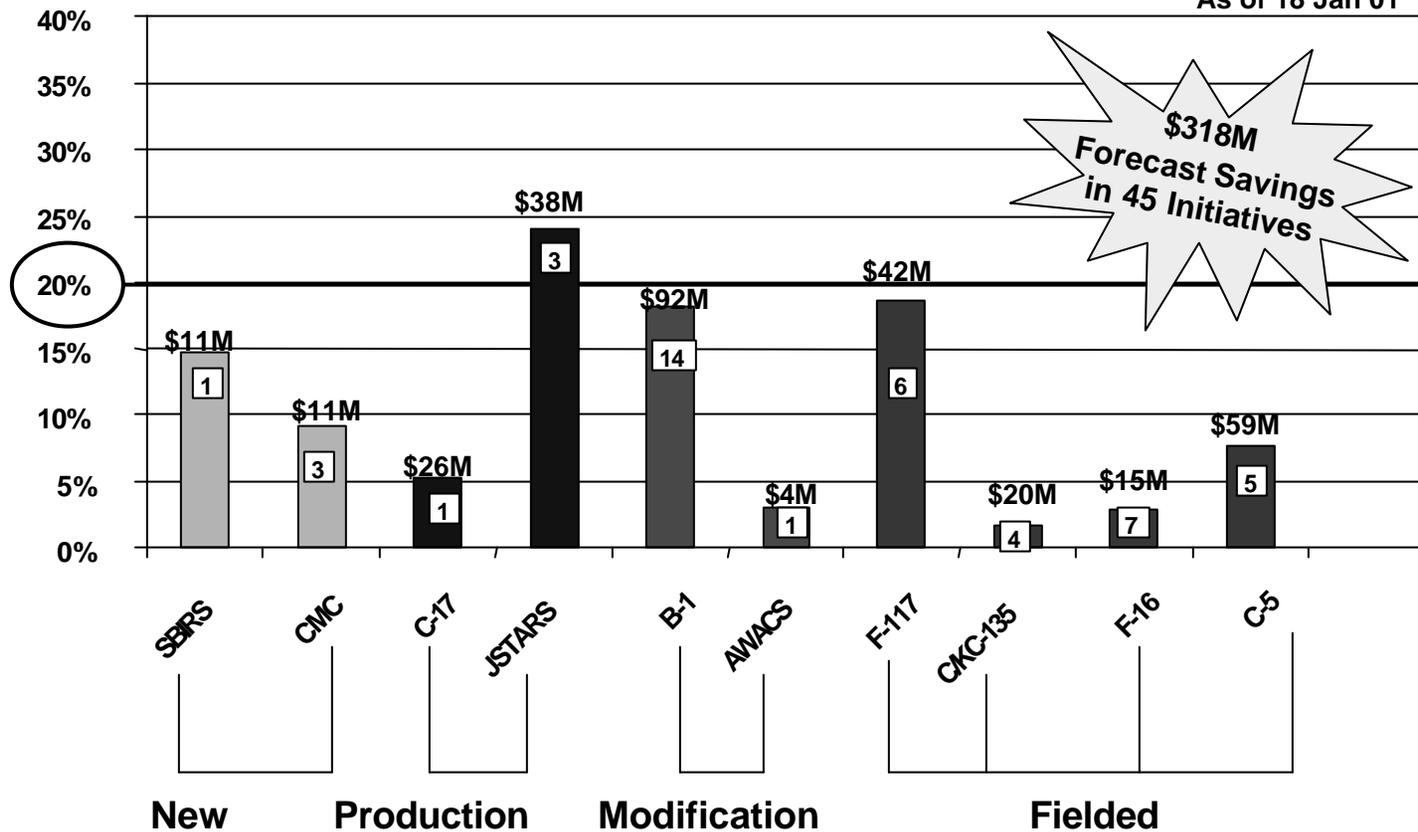


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# Boxscore - Funded

FY05 Initiative Savings as Percentage of Adjusted FY98 O&S  
(Less AVFUEL and MILPERS)

As of 18 Jan 01



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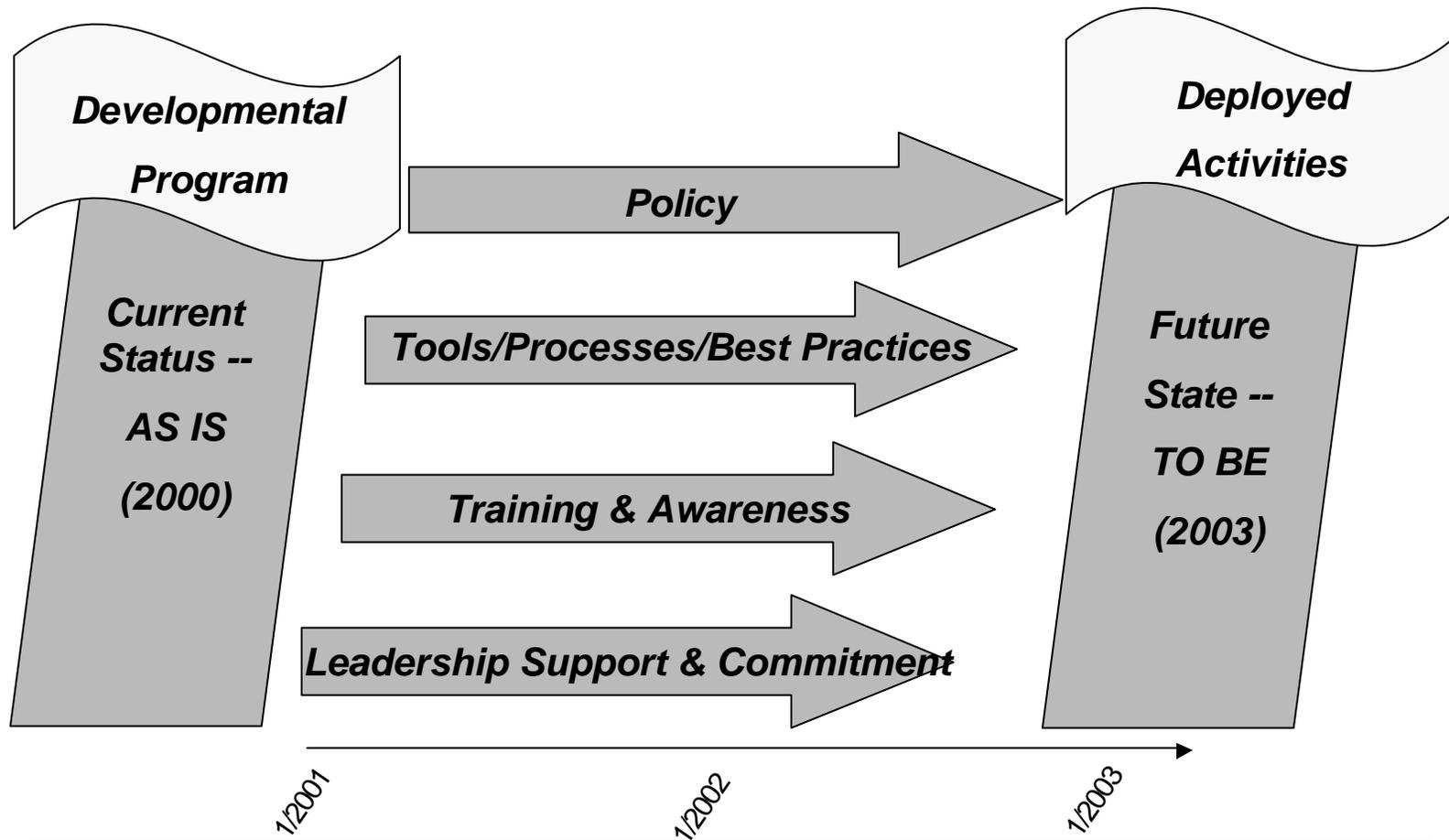
## ***End State: To Be***

- **R-TOC philosophy inculcated and routinely applied in all AF activities -- a continuous activity to identify and implement more cost-effective ways to meet Air Force mission requirements**
    - **Applied as “second nature” to consider ownership costs in decision making**
    - **Analogous to process improvement philosophy**
  - **Senior leaders at HAF, MAJCOMs, and within AFMC have clear visibility AF costs (credible, accurate, current)**
    - **SMs and MAJCOMs able to manage “cost driver list” for particular weapon system and/or activity**
    - **SMs and MAJCOMs have ability to measure success and track results**
  - **Significant reduction and/or avoidance in O&S costs facilitate increased pace and scope of modernization and recapitalization efforts**
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# Bridging the Gap



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## ***(1) Policy***

- Places stake in ground
  - R-TOC purpose, applicability, relationship with other policy (mod management, etc.)
  - Formalizes AF intent, establishes/validates stakeholders and participants
  - May dispel ignorance and squelch denial
  - May signal senior leader commitment/intent

### **Required Tasks**

- A. AFPD: What, why, who
- B. AFI: How to... (what are best practices from pilots and contracts community); review/revise policy on use of BCAs and on CSMI application, as needed



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## ***Policy (Cont'd)***

### **Other Tasks**

- **C. Message change to AFI 10-601**
- **D. Message change to PMD policy**
- **E. ORD or SOR on AFTOC**



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## ***(2) Tools/Processes/ Best Practices***

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- Provide a variety of tools to suit the particular situation
  - Development, production, sustainment
  - Follow the R-TOC construct
    - Cost control (understand current costs)
    - Cost reduction (identify alternatives to reduce costs)
    - Modernization investment (implement, fund as practicable)

### **Required Tasks**

- A. Milk pilot activities: Review and assess for broader application
  - Performance band agreements, CRIPT
- B. Review and assess other Services best practices for AF applicability



# ***Tools/Processes/ Best Practices (Cont'd)***

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## **Required Tasks (con't)**

- **C. Review and assess existing best practices related to R-TOC**
  - **Contractual strategies (TSPR, price commitment curves, etc.)**
  - **Value engineering**
- **D. Grow AFTOC into a complete cost baseline capability**
  - **Add OLAP functionality**
- **E. Mature use of BCAs/EAs to support identification of initiatives**
- **F. Tighten unspecified linkage between R&D enablers and development programs--targeting cost drivers**
  - **Engine S&T → Engine CIP → Engine Mods**
  - **Aging A/C, PRAM, → A/C and SE mods**



# ***Tools/Processes/ Best Practices (Cont'd)***

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## **Required Tasks (con't)**

- **G. Continue CSMI trial in APOM; adjust policy to suit lessons learned**
  - **Keep Matrix up to date (funded, unfunded)**
  - **Reconsider policy for “non-CSMI” CRIs**
- **H. Correlation of cost drivers with readiness issues**



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## ***(3) Training***

- **AETC/AFMC Virtual Schoolhouse**
  - **Interactive/CBT course(s) on R-TOC**
    - **Determine content (intro w/use of AFTOC in generating BCAs)**
  - **Engage w/AETC to establish course**
  
- **CAST/AST Implementation--R-TOC 1st Line of Info & Training**
  - **AST Summit**
  - **Consult w/CAST & AFMC/DR to leverage AST center support**



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## ***(4) Leadership Commitment***

- **Advocate/Support Policy Development**
  - **Enforce policy application**
- **Provide resources to execute R-TOC program**
- **Funding for R-TOC initiatives**
  - **PBD 721, other “R-TOC Pool” of resources**
    - **Linkage with R-TOC developmental prgms (PRAM, Aging A/C, Engine CIP, and certain S&T priorities)**
    - **Defense of R-TOC initiatives in Corp AF, OBRC/IBRC**
- **Articulate/Advocate AF R-TOC priorities and needs**
- **Support and engage in Quarterly R-TOC Forums, as required**



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## ***Work in Progress***

- **Best Practices**
- **PBD 721 Status**
- **Total Ownership Cost System**



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# ***R-TOC Best Practices***

- **Transition the CAIV/TOC Guidebook into an Air Force Instruction or Manual on application of R-TOC**
  
- **Compiling a set of best business practices, tools, preferred processes and lessons learned**
  - **CRIPs, internal databases, cost estimation tools, use of AFTOC/BCAs, performance based agreements, TSPR, etc.,**
  
- **Request Pilot Program participation/input on lessons learned**



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## ***PBD 721 Status***

- Intent was for OSD to provide new “topline” to fund promising R-TOC Initiatives
  
- AF submitted three Initiatives for funding:
  - Engine Tech Order Digitization (\$9.7M)
  - CMC/ISC2 Computer Terminal Replacement (\$0.7M)
  - KC-135 Boom Operator Weapon System Trainer (\$16M)
  
- OSD directed to suspend PBD process until post-Transition
  
- Implication is funding may be forthcoming when new Administration is firmly in place



# ***Total Ownership Cost System***

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- **Web-based, self-service application**
  - **link to AF Portal structure**
  - **quick cycle time**
  - **centralized data made available to any applicable user, anywhere, any time**

**GOAL: Optimize the AFTOC database into a world-class information source for economic decisions at the system/component/field level**



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## *Summary*

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- **R-TOC Policy and Tools in Place**
  - **More work to do**
- **Continued high level interest in R-TOC to maintain and/or improve readiness**
- **Advocate R-TOC tools and processes**

**Vision: Institutionalized R-TOC Culture facilitated by policy, standardized practices, and tools**



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# Back-Ups

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## ***Way Ahead - Vision***

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### **Vision: Institutionalized R-TOC Culture facilitated by policy, standardized practices, and tools**

- Re-focus Dimension I Pilot initiatives and Expand to include other AF programs -- Engines, Aging Aircraft
  - Correlate R-TOC opportunities w/readiness issues
- Develop Dimension II and III initiatives -
  - Dimension II: ABC/M; AFTOC/Infrastructure
  - Dimension III: RCM, Product Support Partnering; Contracting for R-TOC/Industrial Incentives
- Foster Synergies between Acquisition Reform and Logistics Transformation efforts w/R-TOC program