



# ***Doing Business with the Navy***

***Rear Admiral Kathleen Dussault  
Director, Logistics Programs and Corporate Operations Division  
Office of the Chief of Naval Operations***

***11 June 2012***

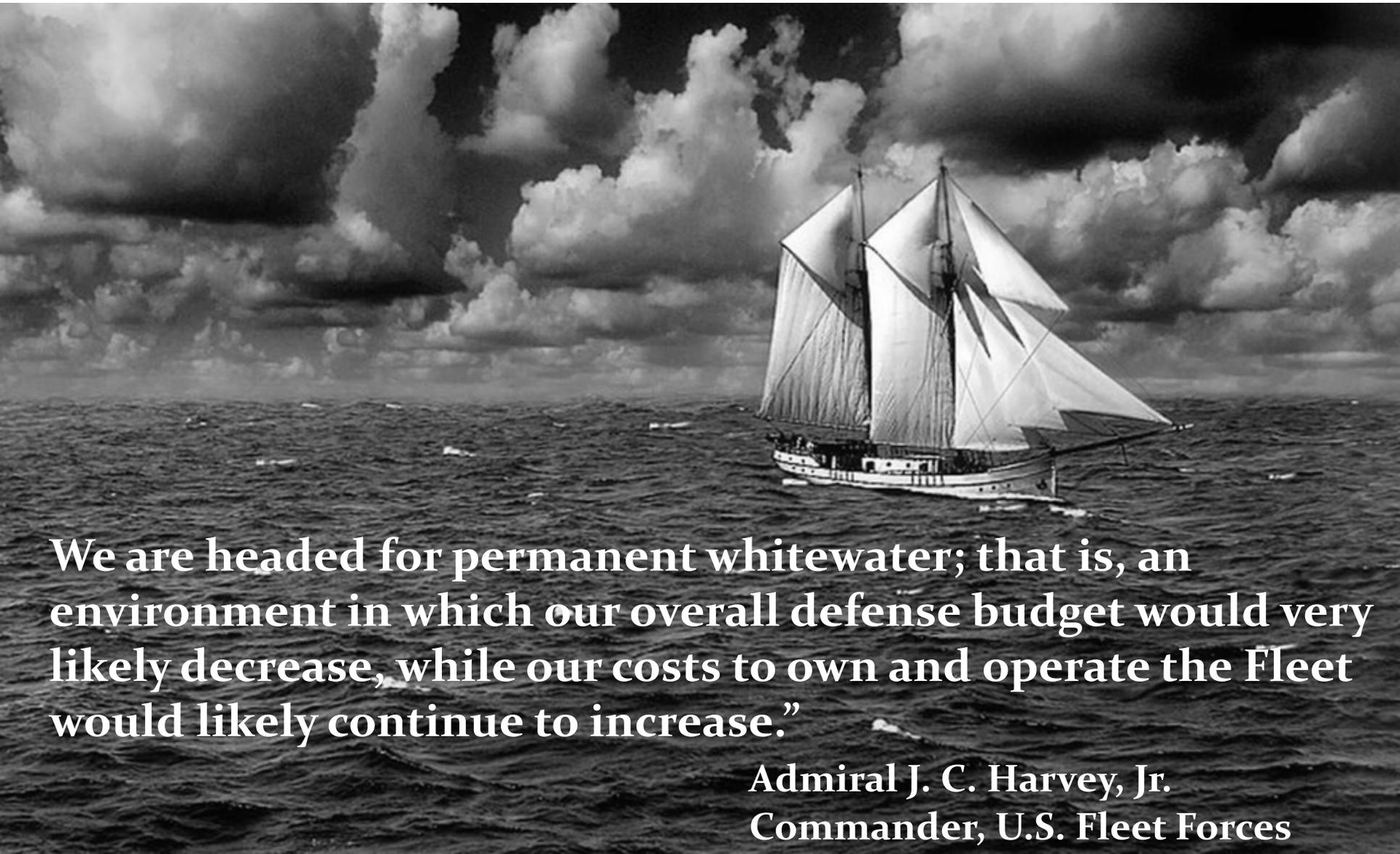


# ***Agenda***

- **Understanding the Fiscal Environment**
- **Rationalize Navy business process**
- **Encourage partnership between small businesses and the Navy**
- **Opportunities for agile small business innovation during difficult “economic waters”**



# ***Navigating through Difficult Economic Waters***



**We are headed for permanent whitewater; that is, an environment in which our overall defense budget would very likely decrease, while our costs to own and operate the Fleet would likely continue to increase.”**

**Admiral J. C. Harvey, Jr.  
Commander, U.S. Fleet Forces**



# Fiscal Environment

## DoN Topline 1948-2017

Navy Fleet Size

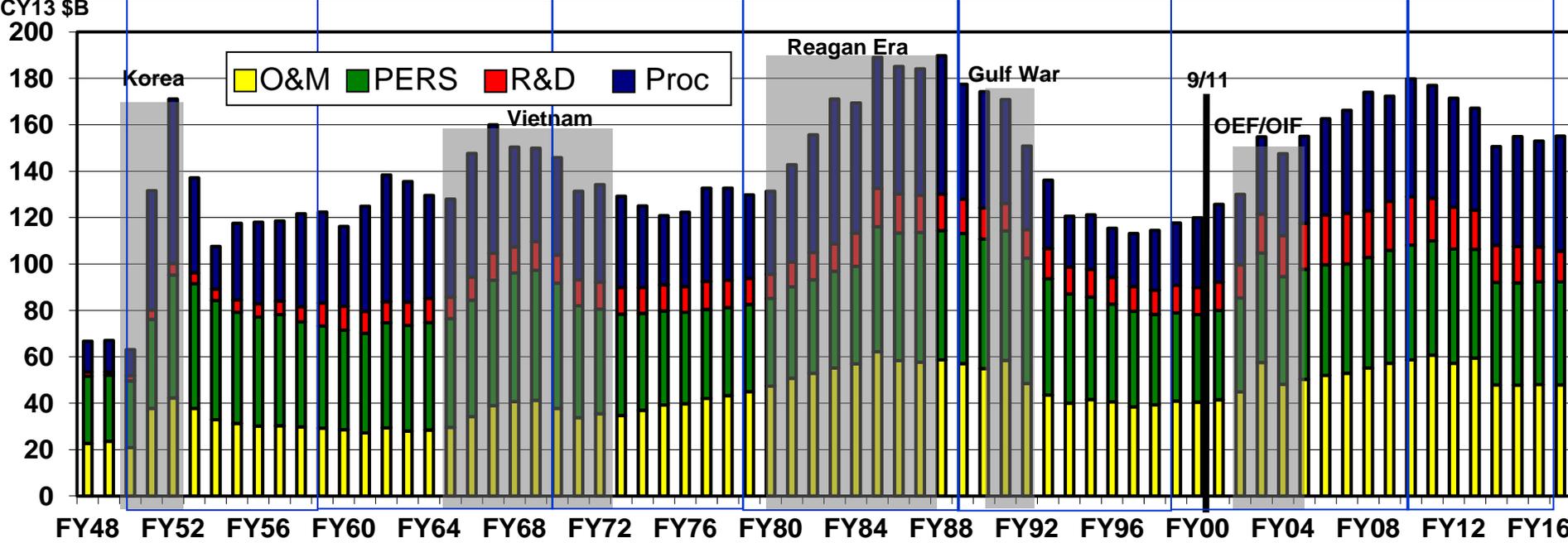
Ships  
A/C  
Endstrength

568  
5300+

← 287  
← 3800+  
← 605K  
→ 320K

AVG % of TOA BY DECADE

	1950s	1960s	1970s	1980s	1990s	2000-2009	2010-17
O&M	27%	24%	30%	33%	33%	33%	33%
PERS	38%	35%	33%	28%	35%	30%	28%
R&D	5%	8%	9%	8%	9%	12%	10%
PROC	31%	34%	29%	31%	23%	25%	29%



Source Data: NATIONAL DEFENSE BUDGET ESTIMATES FOR FY 2013 (a.k.a., FY13 Green Book) published by OSD(COMPTRROLLER)



# ***Our Reality***

A close-up photograph of a golden key resting on a piece of torn, aged paper. The word "SUCCESS" is written in large, dark, serif capital letters across the paper. The lighting is warm and dramatic, casting shadows and highlighting the textures of the paper and the metal of the key.

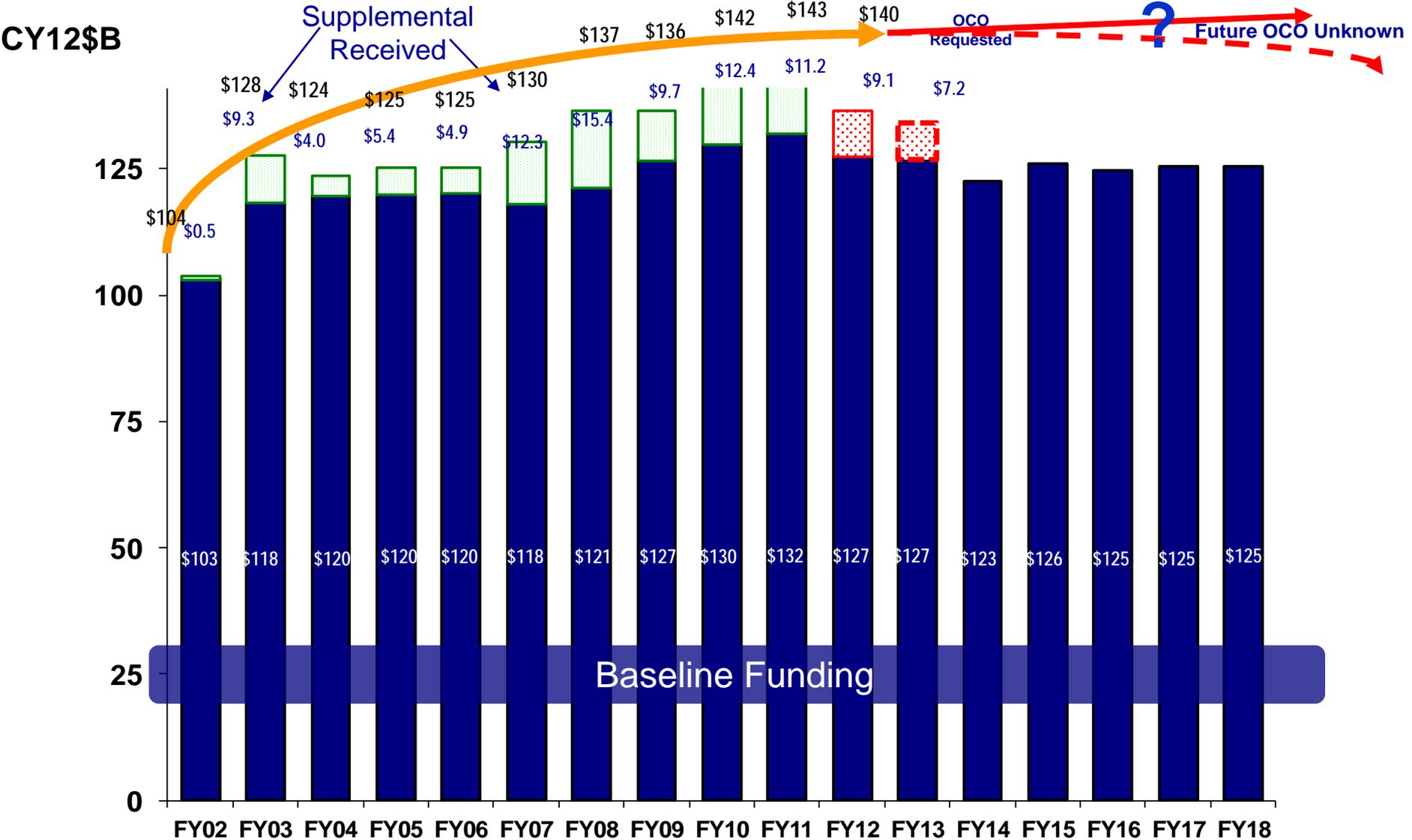
SUCCESS

**“Our future success depends on our ability to learn and adapt from the past.”**

**Admiral Jon Greenert, CNO  
Battle of Midway Commemoration**



# Navy TOA with Supplemental Funding





# ***Revised Maritime Defense Strategy***

***“We will begin a “Strategic Pivot” to reinforce our presence in the Western Pacific, as we continue to secure the sea lanes in the Persian Gulf, Arabian Sea, Indian Ocean, and guard against aggression emanating from North Korea and drug interdiction on the southern approaches.”***

***President Barack Obama***



***Make no mistake — in a steady, deliberate and sustainable way — the United States military is rebalancing and brings enhanced capabilities to this vital region.”***

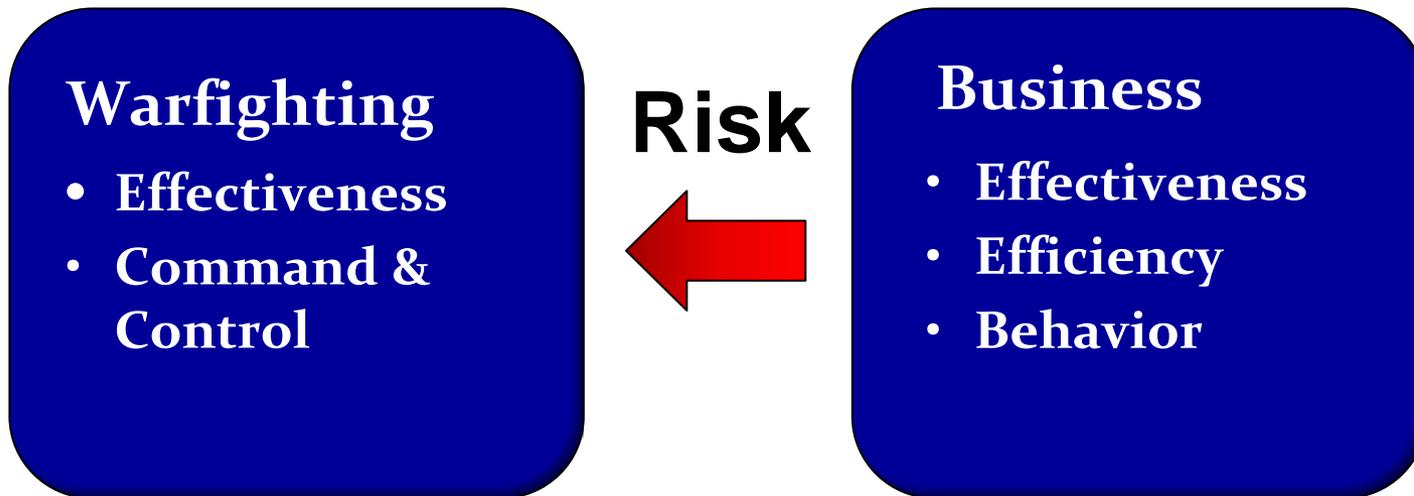
***Defense Secretary Leon Panetta***



# *The Business of the Navy*

*The leading question on everyone's mind about programs and spending should be "How is this going to affect warfighting? That's our craft."*

*Admiral Jon Greenert, CNO*





# *Navy Wholeness*

*It is imperative that the Department of Defense and specifically the Navy maximize the use of human and fiscal resources; prevent fraud, waste, and abuse; and provide the warfighter the best capabilities to achieve the Nation's security strategy.*

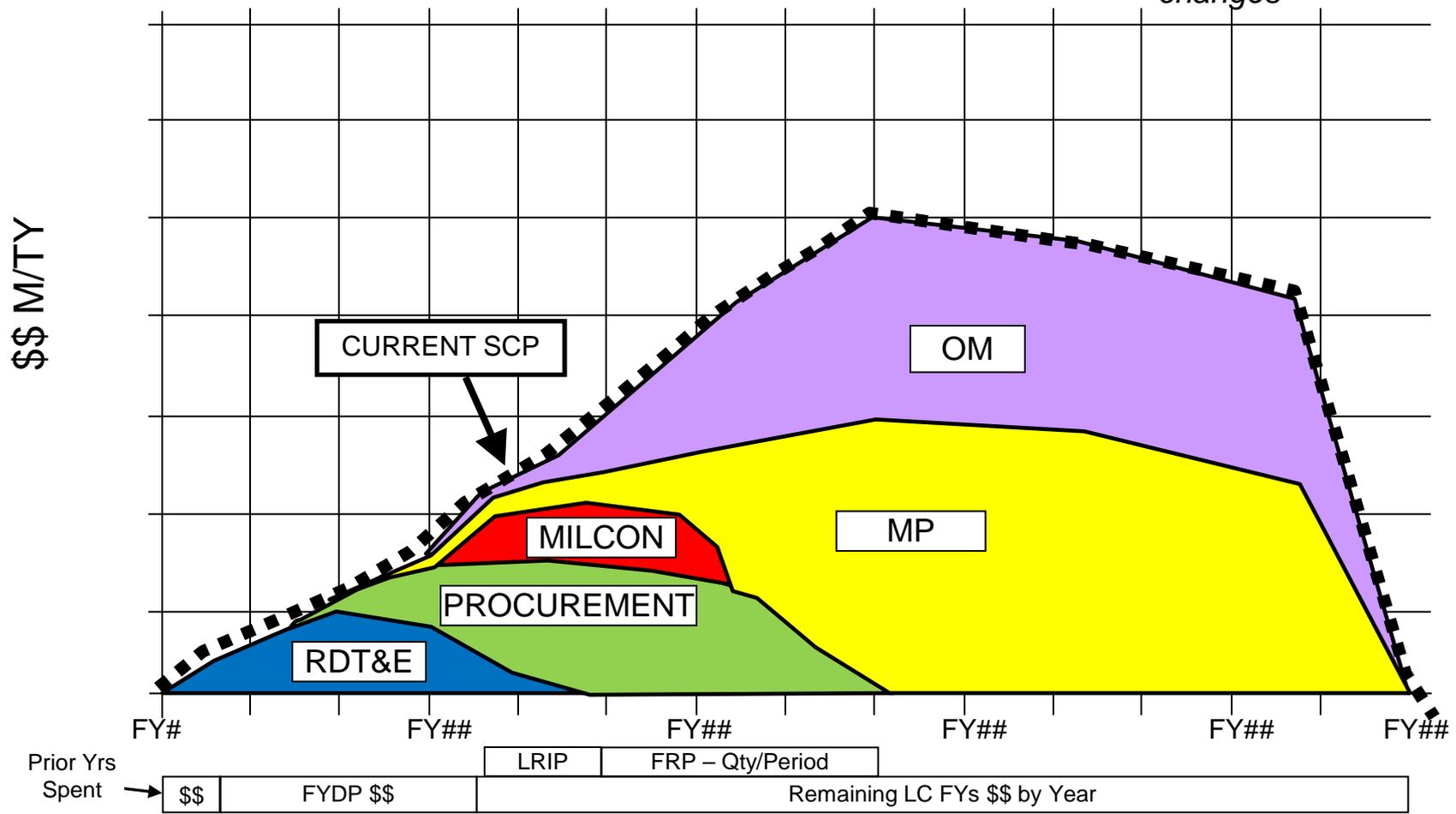




# Program Governance: TOC is a Major Metric and Decision Factor

## By Appropriation Across Projected Lifecycle

Note any life-cycle assumption changes





# ***Navy Business Operations Office Established***

- **N41 designated as the Navy Business Operations Office**
  - OPNAV Staff element responsible for setting Navy business policy
  
- **Director's mission:**
  - Coordinate business operations
  - Optimize total ownership cost (TOC)
  - Improve performance across the Navy Enterprise
  - Ensure Navy's actions comply with statutory business operations requirements and DoD and DON policies and regulations

***VCNO's agent for execution of Navy business transformation***



# ***Rationalize Navy Business Process***

**“Our challenge is to eliminate overlapping, redundant, ineffective processes and costly infrastructures required to maintain them; and identify and adopt best practices across our organizations as standards for all.”**

**Admiral Jon Greenert, CNO**



## ***Small Business Partnerships***

**Small business is presently providing the products, solutions needed to support our sailors and marines, and can provide the innovations necessary to help us solve life cycle sustainment and/or safety of life problems.**

**ADVANCING TECHNOLOGIES  
TO IMPROVE MISSION READINESS**



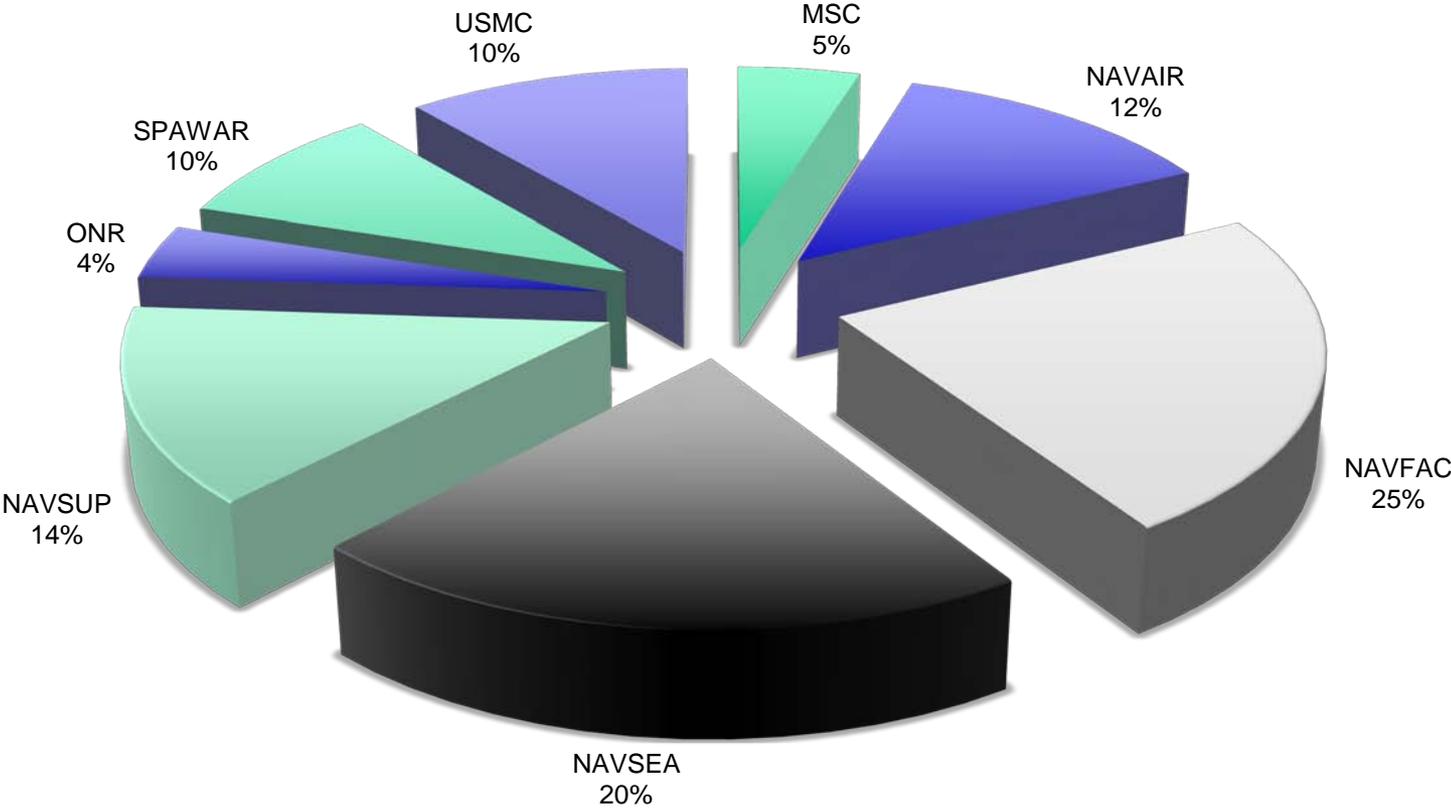
# ***DoN Top 10 Small Business Areas***

<b>Description</b>	<b>Total Spend</b>
<b>ENGINEERING SERVICES</b>	<b>\$2,607,879,441</b>
<b>COMMERCIAL AND INSTITUTIONAL BUILDING CONSTRUCTION</b>	<b>\$1,582,502,707</b>
<b>SHIP BUILDING AND REPAIRING</b>	<b>\$1,100,308,333</b>
<b>RESEARCH AND DEVELOPMENT IN THE PHYSICAL, ENGINEERING, AND LIFE SCIENCES (EXCEPT BIOTECHNOLOGY)</b>	<b>\$1,013,736,371</b>
<b>FACILITIES SUPPORT SERVICES</b>	<b>\$578,668,888</b>
<b>GENERAL MEDICAL AND SURGICAL HOSPITALS</b>	<b>\$333,369,194</b>
<b>DEEP SEA FREIGHT TRANSPORTATION</b>	<b>\$298,740,031</b>
<b>OTHER COMPUTER RELATED SERVICES</b>	<b>\$298,450,562</b>
<b>OTHER HEAVY AND CIVIL ENGINEERING CONSTRUCTION</b>	<b>\$232,235,626</b>
<b>RADIO AND TELEVISION BROADCASTING AND WIRELESS COMMUNICATIONS EQUIPMENT MANUFACTURING</b>	<b>\$230,577,707</b>



# ***DON Small Business Awards Areas***

***\$14.8 Billion awards to Small Business in 2011***





# *CNO's Perspective on Change*



*“I know we have got uncharted waters ahead. I see storm warnings out there and I see the clouds forming. Folks, we are in for some heavy weather, I think, out ahead... I am confident that we’ll get through there. We will stay on course. We will need to be judicious, deliberate and vigilant.”*

*Admiral Jon Greenert, CNO*



# *Questions*



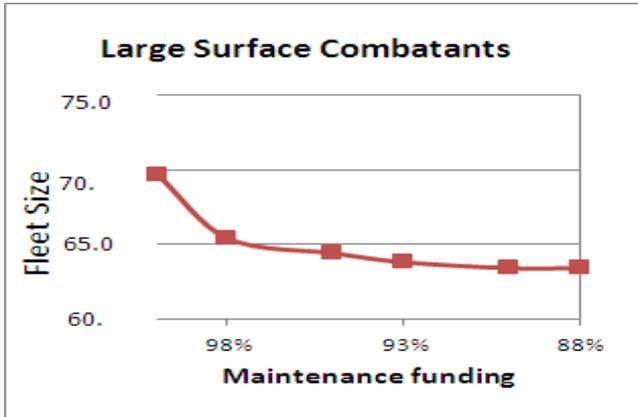


***BACK UP SLIDES***

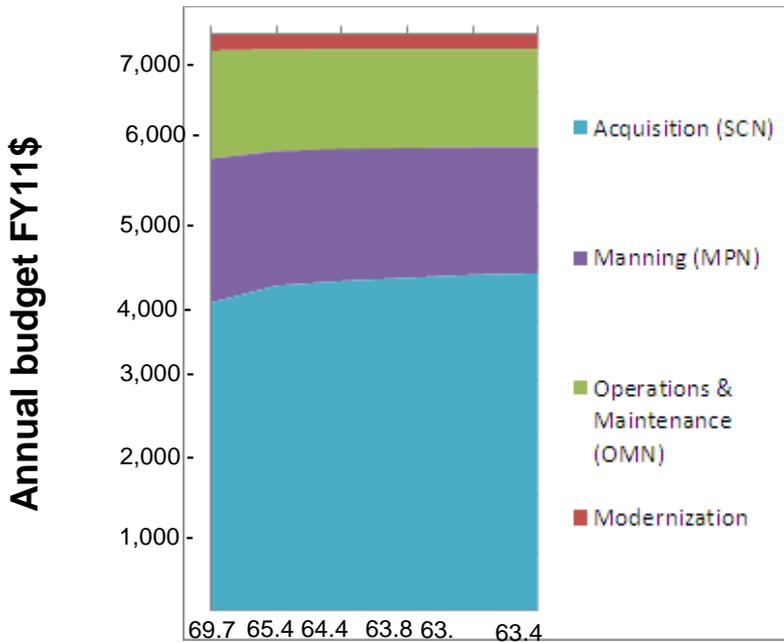


# Maintenance Funding

Affect on Service Life, Fleet Size, and value Initial CNA Results



Large Surface Combatants			
Maintenance funding	ESL	Fleet size	New ships/year
100%	35.0	69.7	1.99
98%	31.2	65.4	2.1
95%	30.3	64.4	2.13
93%	29.7	63.8	2.15
90%	29.3	63.4	2.17
88%	29.1	63.4	2.18



Large surface combatant fleet size

- Apply the ESL model to derive the steady state size based on a fixed budget (acquisition, modernization, maintenance, and MPN)
- ESL and Fleet size are maximized by maintaining and modernizing the current Fleet