



# RHUMB LINES

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## Reducing the Total Ownership Cost of our Current and Future Fleet

*"To sustain this force for the future, we are addressing the growing cost of owning our fleet by integrating total ownership and manpower costs into all of our program decisions and by pursuing cost reduction strategies for major acquisition programs..."*

– Adm. Gary Roughead, Chief of Naval Operations

Reducing Total Ownership Cost (TOC) is an on-going, long-term effort that requires a steadfast commitment from all Navy personnel. The challenges the Navy faces with respect to the affordability of the fleet are formidable. Many of the changes the Navy implements today will take years to generate returns. All hands must be committed to continuously identifying, developing and implementing opportunities to reduce cost. The Navy's future depends on it.

### Reducing Total Ownership Cost

- Reducing Total Ownership Cost (TOC) of Navy ships, aircraft and command, control, communications, computers, intelligence, surveillance and reconnaissance systems is key to building and sustaining a capable yet affordable fleet.
- As the Navy faces significant financial pressures, trends in the cost to own and operate the fleet must be well understood and aggressively managed to ensure affordability of the current and future fleet.
- All facets of the Navy must actively seek out and implement opportunities to reduce the cost to design, build, operate, support and dispose of Navy assets across their entire life cycle.

### Efforts underway across the Navy to reduce TOC

- Open architecture implementation, utilizing standards-based interfaces to network and improve commonality and functionality, has resulted in increased vendor competition and lower costs.
- Standardizing purchases of maritime hull coatings for ships across shipyards consolidated more than 500 contracts to a single contract. Using common items across multiple users can standardize procurement and reduce TOC.
- Leveraging the lessons learned from the Virginia-class submarine program, the Ohio-class submarine replacement team is using a "design, build, sustain" philosophy – incorporating concepts such as commonality for off-ship infrastructure as one of many possible affordability initiatives. Avoiding unique support solutions is a TOC effort.

### Institutionalizing affordability in the Navy's culture

- There is a new order in the way the Navy is doing business. It is clear that the Navy must change its focus and culture to instill the necessity of reducing TOC in everything the Navy does. Significant strides have been made in the recent past, but the Navy must institutionalize affordability in its culture.
- TOC considerations are integrated into every facet of major defense acquisition program policy, governance, execution and oversight.
- Performance-based logistics solutions support many of the Navy's ships and aircraft, increasing readiness and improving reliability, while pressurizing TOC.

### Key Messages

- It is the job of everyone in the Navy to reduce the cost to own and operate the fleet.
- Reducing TOC is imperative for building and sustaining a capable and affordable fleet.
- Navy personnel must create and exploit every opportunity to reduce TOC.
- The Navy's focus and culture must be changed to make TOC a key component in decision-making.

### Facts & Figures

- 80% of a ship or aircraft TOC is "designed in" before a program office gains approval to award production contracts.
- Operating and support costs typically represent more than 50% of the total cost to own and operate a Navy ship or aircraft over its lifecycle.
- 222 of the 285 ships in commission today will still be in the fleet in 2020.