Ready. Resourceful. Responsive!

Readiness / Availability

Topics

• Business Overview
• Transformation
• Results

Presented to:
Wharton Service Supply Chain
Thought Leaders Forum 2006
February 9, 2006
Purpose

- Delivering Combat Capability Through Logistics

Mission

- To provide Navy, Marine Corps, Joint and Allied Forces quality supplies and services on a timely basis

Vision

- We will be the customers’ choice for the best value products and services, where a single request by the customer activates a global network of sources and solutions

Providing Worldwide Support Around the Clock … 24 / 7 / 365
Business Overview

Customer Base

AFLOAT
- Carrier Aircraft
- Marine Corps Aviation
- Helo Detachments
- Surface Ships
- Submarines

ASHORE
- 3,432 Aircraft
- 6,820 Aircraft Engines
- 15 Air Launched Missile Types
- Naval Air Stations
- Marine Corps Air Stations
- Other Services and Gov't Agencies
- Coast Guard
- Program Managers

INTERNATIONAL
- 208 Surface Ships
- 72 Submarines
- 115 Nuclear Reactor Plants
- Over 80 Countries
- 2,249 Aircraft
- 652 Ships

MAINTENANCE
- Navy Depots
- Other Service Depots
- Contractor Depots
### Business Profile

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line Items Managed:</td>
<td>474,633</td>
</tr>
<tr>
<td>Employees:</td>
<td>2,439</td>
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<tr>
<td>Payroll &amp; Ops:</td>
<td>$258M</td>
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<tr>
<td>Sales:</td>
<td>$4.2B</td>
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<td>Customer Orders:</td>
<td>648,924</td>
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<tr>
<td>Contract Actions:</td>
<td>47,554</td>
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<tr>
<td>Repair Actions:</td>
<td>244,289</td>
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</tbody>
</table>
Business Overview

On-Going Logistics Challenges

Attack Rising Cost of Aging Weapon Systems

- VS -

Achieve Savings Targets to Recapitalize our Naval Forces

To Succeed ... We Must Reduce Total Life Cycle Costs
Transformation

A Culture of Efficiency

• Virtual organization … reduced resource footprint
• Personnel reduced 45% last 10 yrs … 65% since FY87
• Leveraged investment … less than a nickel of operating costs for a dollar of sales
• Initiatives underway
  – Functional restructuring … ex., IT single provider, financial consolidation
  – Lean\Six Sigma … driving additional efficiencies … first round of projects generated savings in excess of 60 people ($4M)
  – ERP … replacing legacy systems with COTS
  – BRAC … transferring Repairables Procurement to DLA
  – Distance Support … performing supply chain mgmt afloat
Material Management Initiatives

- Optimize Inventory Positioning
  - Move to a "Single National Inventory"
- Expand Use of Readiness Based Sparing
  - Enable Increased Cost/Readiness Trade-off Decisions
- Leverage Transportation
  - Increase In-transit Asset Visibility/Accountability
- Reduce Repair Cycle Time
  - Improve Industrial Material Support/Decrease Material Delays
- Implement Best Commercial Practices
  - Execute Performance Based Logistics Contracts
**Multi-Indenture RBS**

**Multi-Indenture (MI):** Driving RBS trade-offs across all indenture levels of a component ... Reduces WRA investment by minimizing awaiting parts and maximizing local repair capability

<table>
<thead>
<tr>
<th></th>
<th>Single Indenture</th>
<th>Multi Indenture</th>
<th>Net Change</th>
<th>% Change</th>
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<tbody>
<tr>
<td><strong>EISENHOWER</strong></td>
<td>$211.2</td>
<td>$191.0</td>
<td>$(20.2)</td>
<td>-9.6%</td>
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<td><strong>OCEANA</strong></td>
<td>$179.6</td>
<td>$142.5</td>
<td>$(37.1)</td>
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<td><strong>LEMOORE</strong></td>
<td>$184.9</td>
<td>$149.2</td>
<td>$(35.7)</td>
<td>-19.3%</td>
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<tr>
<td><strong>Total</strong></td>
<td>$575.7</td>
<td>$482.7</td>
<td>$(93.0)</td>
<td>-16.2%</td>
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</tbody>
</table>

Retail Assets Returned to Wholesale ... Potential ~ $ 6.5M

One-Time Savings ... Moving to Multi-Indenture/Multi-Echelon
Auxiliary Power Unit
• Availability ... pre-PBL 65% ... PBL guarantees 90% ... 95% actual ... backorders down fm 125 to 0 ... response time reduced fm 35 days to 5
• Throughput ... units awaiting parts down from 232 to 0 ... turn-around-time reduced fm 162 days to 38
• Upgrades ... 18 reliability improvements incorporated; over 60 other enhancements
• Depot Partnership ... NADEP Ch Pt provides touch labor

Tires
• Availability ... pre-PBL 81% ... PBL guarantees 95% ... actual 98% ... 4-day planeside delivery to Baghdad
• Supply inventory down 90% (50k tires to 5k) ... planeside inventory down 66%
• To date 120k tires delivered ... 54k+ old tires disposed of

Model for BRAC Privatization
Results

Material Performance Profile

Availability up 8 Points ... Backorders down 56% ...
Target another 10-15% FY06