DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

AUG 18 2015

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference - Logistics as a Competitive War Fighting Advantage

The Department of Defense (DoD) operates one of the largest logistics enterprises in the world, comprised of over 100,000 suppliers, $96.4 billion in inventory, and supported by 18 maintenance depots, 25 distribution depots, and over 49,500 customer sites. The annual cost to operate and maintain the logistics enterprise is over $170 billion and covers supply, maintenance, and transportation. The Department of Defense's logistics enterprise exists to support the "tip-of-the-spear" and gives the U.S. a qualitative advantage over our adversaries; as such it is necessary that DoD optimize the use of resources and maximize the dollars available to support missions. While the enterprise has made significant progress the last several years reducing inventory and streamlining processes, additional opportunities exist.

To help the Department identify these opportunities, I am establishing a Task Group under the Defense Business Board (DBB) to recommend those actions the Department should take to optimize our logistics enterprise. Specifically, the DBB should:

- Review the existing governance model for logistics across DoD and align recommendations in a practical manner that reflect current realities. Compare current logistics activities to those of "best of breed" private sector companies by major category of activity, to identify improvements that should be made regardless of where the service is being provided, while preserving and advancing logistic expertise within DoD as a core competency.

- Review private sector best practices on inventory management and reducing annual operating costs for fielded systems, and make recommendations on how those practices and associated processes and systems can be applied to DoD.

- Identify how private sector companies prioritize activities and then create and operationalize incentive structures. Make recommendations on those structures best suited to DoD.

- Review prior studies and reports conducted by DoD, DoD Advisory groups, Congress, the U.S. Government Accountability Office, and other relevant advisory organizations to identify opportunities.

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- Identify any legislative requirements or other barriers that hinder the Department from implementing the recommendations (e.g., the 50/50 rule on contracted depot maintenance or capital investment minimums). Categorize recommendations into those that are: immediately actionable with no new legislation; immediately actionable but requires new legislation; requires further analysis but no new legislation; requires further analysis and new legislation.

- Develop an executable plan for each recommendation and identify the organization(s) and executives within the Department that should be responsible for implementation.

- Review such other matters as the DBB determines relevant.

The DBB will provide its findings and recommendations to the Secretary of Defense or the Deputy Secretary of Defense no later than April 21, 2016.

As a subcommittee of the DBB, pursuant to the Federal Advisory Committee Act of 1972 as amended, the Government in the Sunshine Act of 1976 as amended, and other applicable Federal statutes and regulations, this Task Group shall not work independently of the DBB's charter and shall report its recommendations to the full DBB for public deliberation and approval. The Task Group does not have the authority to make decisions on behalf of the DBB, nor can it report directly to any federal representative. The members of the Task Group and the DBB are subject to 18 U.S.C. 208, which governs conflicts of interest.

Robert O. Work