Department of Defense
Efficiency Initiatives

Fiscal Year 2012
Budget Estimates

Office Of the Under Secretary of Defense (Comptroller)

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

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DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

OVERVIEW

The specific efficiency initiatives for the Department of Defense are summarized as follows:

(Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Army Efficiencies	2,665	29,540
Navy Efficiencies	4,302	35,070
Air Force Efficiencies	3,384	33,284
SOCOM Efficiencies	389	2,280
Civilian Workforce Freeze	2,510	13,277
Defense Agency, OSD and COCOM Baseline Review	1,334	11,237
Health System Reforms	179	6,901
Service Support Contracts Reduction	812	5,696
JFCOM Disestablishment	292	1,870
Reports, Studies, Boards and Commissions Reduction	275	1,249
Intelligence Community Review	41	372
Business Transformation Agency (BTA) Disestablishment	98	337
Civilian Senior Executive Position Reduction	(4)	111
Assistant Secretary of Defense (Networks and Information Integration) (NII) Disestablishment	13	65
General/Flag Officer Reduction	-	11
Economic and Other Adjustments (includes GS pay freeze in FY 2012)	7,841	37,141
Total	24,131	178,441

Numbers may not add due to rounding.
NOTE: Efficiencies are calculated comparing the Future Years Defense Program (FYDP) supporting the FY 2011 President's Budget to the FYDP supporting the FY 2012 President's Budget.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

In recognition of the fiscal pressures the United States is facing, the Department of Defense launched a comprehensive effort to reduce its overhead expenditures. The goal was to sustain the U.S. military's size and strength over the long term by reinvesting those efficiency savings in force structure and other key combat capabilities. The Military Departments and the U.S. Special Operations Command (SOCOM) were instructed to find at least $100 billion in savings that they could keep and shift to higher priority programs. In addition to the Military Departments and SOCOM reviews, Secretary Gates directed a number of initiatives with the goal of reducing overhead costs and improving efficiency across the Department as a whole, with special attention to the massive headquarters and support bureaucracies outside the Military Services and SOCOM. As a result of these efforts, the FY 2012 budget request reflects a $24 billion reduction to the FY 2012 program in the FY 2011 President's Budget and a reduction of $178 billion over the period of FY 2012 through FY 2016.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

MILITARY SERVICE EFFICIENCY INITIATIVES

To achieve the $100 billion savings target, the Military Departments and Special Operations Command conducted a thorough scrub of their bureaucratic structures, business practices, modernization programs, civilian and military personnel levels, and associated overhead costs. The result was savings that totaled $100 billion over 5 years. The specific savings by category are:

Summary by Efficiency Category (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Reorganizations	3,523	25,055
Better Business Practices	3,923	45,462
Program Reductions/Terminations	2,629	21,464
Reduced Lower Priority Programs	666	8,192
Total Service Efficiencies	10,741	100,173

Summary by Title (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Military Personnel	1,606	12,379
Operation & Maintenance	3,768	46,391
Procurement	2,235	22,718
RDT&E	2,110	16,876
Military Construction	1,061	1,838
Family Housing	-	132
Revolving Funds	(39)	(161)
Total Service Efficiencies	10,741	100,173

Numbers may not add due to rounding.
NOTE: Efficiencies are calculated comparing the Future Years Defense Program (FYDP) supporting the FY 2011 President's Budget to the FYDP supporting the FY 2012 President's Budget

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

ARMY EFFICIENCY INITIATIVES

The Army achieved a total of $2.7 billion in FY 2012 overhead efficiencies and $30 billion across the Future Years Defense Program (FYDP) compared to the FYDP supporting the FY 2011 President's Budget request. Overhead efficiencies enabled the Army to maintain forces and force structure, sustain an Army at war and build soldier and family resiliency, build readiness and strategic flexibility required to respond to future conflicts, and accelerate the fielding of urgent warfighting capabilities while modernizing its force for future conflicts.

The Army implemented an aggressive plan to streamline management headquarters and reduce overhead by consolidating organizations and implementing best practices. Specific initiatives include:

- Reducing infrastructure civilian and military manning by restructuring headquarters management, eliminating unneeded task forces, and consolidating six installation management command regions into four.
- Implementing workforce management reforms to reduce service support contractors and control growth in the civilian workforce.
- Restructuring force mix and design, including forces committed to joint/theater missions, based on lessons learned, to increase the pool of available forces.
- Implementing enterprise information technology solutions and reducing the number of Army data centers by 75 percent.

The Army efficiency initiatives included terminating or reducing weapons systems with declining relevance or unnecessary redundancy through comprehensive capability portfolio reviews.

- The Army terminated a long-range cannon (Non-Line-of-Sight Launch System (NLOS-LS)) due to its unaffordable redundant capability in the air-ground munitions portfolio.
- Based on reprioritization of air and missile defense capabilities, the surface-to-air missile system (SLAMRAAM) was terminated.
- The Army also terminated a mines weapon system (Scorpion) by reprioritizing its mine-counter mine portfolio and purchasing a more affordable solution (Spider).

The Army reviewed all overhead programs for areas that could be reduced with minimal risk to operational capabilities. A balanced facilities investment strategy was implemented to save military construction by leveraging investments in base operations and facility sustainment. The strategy ensures soldiers and families have quality facilities and services to sustain their warfighting edge. Army's review of overhead programs also included an assessment of current energy use and implementation of energy conserving projects funded by the Energy Conservation Investment Program and other Army funding sources such as Operation and Maintenance.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Summary by Efficiency Category (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Reorganizations	764	5,399
Better Business Practices	202	10,324
Program Reductions/Terminations	1,288	10,982
Reduced Lower Priority Programs	412	2,834
Total Army Efficiencies	2,666	29,539

Summary by Title (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Military Personnel	796	5,897
Operation & Maintenance	310	11,183
Procurement	-	-
RDT&E	1,270	10,959
Military Construction	290	1,500
Family Housing	-	-
Revolving Funds	-	-
Total Army Efficiencies	2,666	29,539

Numbers may not add due to rounding.
NOTE: Efficiencies are calculated comparing the Future Years Defense Program (FYDP) supporting the FY 2011 President's Budget to the FYDP supporting the FY 2012 President's Budget.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Specific savings for Army efficiency initiatives are:

Reorganizations (FY 2012, $764 million; FYDP, $5.4 billion)

- Reduce infrastructure civilian and military manning by restructuring headquarters management and eliminating unneeded task forces (FY 2012, $0 billion; FYDP, $0.1 billion). The Army is reducing the number of positions in support organizations by more than 1,000. The bulk of these are realized by eliminating the Army Evaluation Task Force at Fort Bliss, Texas, and assigning its critical evaluation mission to an operational brigade combat team at Fort Bliss.
- Reduce recruiting and retention incentives (FY 2012 $764 million; FYDP, $5.3 billion). The Army has restructured its recruiting and retention efforts in order to capitalize on the current and projected economic environments.

Better Business Practices (FY 2012, $202 million; FYDP, $10.3 billion)

- Consolidate e-mail infrastructure and data centers (FY 2012, $0 billion; FYDP, $0.5 billion). The Army is leveraging the Defense Information Systems Agency's world-wide email capabilities at their Defense Enterprise Computing Centers to reduce operating costs by over 70%. The Army plans to reduce data centers by more than 50% which will generate significant net savings starting in FY 2015.
- Reduce contractor staff augmentation (FY 2012, $0 billion; FYDP, $3.5 billion). In addition to the Defense-wide contractor workforce reductions, the Army will implement management reforms, based on capability portfolio reviews, that will result in greater reductions to Army service support contractors.
- Streamline logistics sustainment processes (FY 2012, $127 million; FYDP, $0.6 billion). The Army is working to optimize its distribution/disposal/transportation network in order to minimize second destination transportation costs. In addition, the Army is closing four chemical weapons demilitarization sites earlier than programmed, reducing war reserves ammunition stock requirements due to accelerated retrograded ammunition from Korea, and implementing organizational clothing and individual equipment bar code technology to enable quicker and more accurate processing of soldiers through central issue facilities.
- Streamline the Installation Management Command process (FY 2012, $0 billion; FYDP, $1.0 billion). The primary source of efficiency savings is reductions in Installation Management Command regional headquarters from six to four. The Northeast regional office at Fort Monroe, Virginia, and the Southeast regional office at Fort McPherson, Georgia, are collocating at Fort Eustis, Virginia, in accordance with BRAC law, providing the opportunity to consolidate them into one office. The Army also plans to consolidate the Korean regional office with the Pacific regional office at Fort Shafter, Hawaii

- Reduce support processes (FY 2012, $75 million; FYDP, $3.6 billion). The Army has adopted an Enterprise Governance Approach to transforming business operations and obtaining the best possible outcomes for the entire Army rather than individual portions of the force.
- Streamline recruiting and training processes (FY 2012, $0 billion; FYDP, $1.1 billion). The Army is working to refine and optimize full spectrum training requirements in support of the Army Force Generation Process. These efforts should result in a training program that is more efficient and effective in supporting a dynamic environment that will demand operations that span the spectrum of conflict from humanitarian and civil support to counterinsurgency to general war.

<u>Program Reductions/Terminations (FY 2012, $1.3 billion; FYDP, $11 billion).</u>

- Cancel procurement of Surface-Launched Advanced Medium-Range Air-to-Air Missile (SLAMRAAM) (FY 2012, $103 million; FYDP, $1.1 billion). The Army terminated this anti-air/missile defense system to focus on current/near-term indirect fire threat. It is mitigating risk through increased reliance on other proven/emerging capabilities.
- Terminate Non-line of Sight Launch System (FY 2012, $605 million; FYDP, $3.2 billion). As a result of a comprehensive review of Army/Joint fire support capabilities relative to current/projected threats, the Army terminated this redundant program and increased reliance on other capabilities (e.g., guided artillery munitions).
- Reduce Abrams sustainment costs (FY 2012, $0 billion; FYDP, $1.2 billion). Earlier investments to reduce tank types to two variants are now paying dividends in lower sustainment costs.
- Delay fielding of Enhanced – Infantry Brigade Combat Team network (FY 2012, $0 billion; FYDP, $1.4 billion). The Army is reducing early fielding of Increment 1 (9 to 6 BCTs) to provide additional time for development and testing.
- Delay next generation Ground Combat Vehicle (FY 2012, $490 million, FYDP, $0.8 billion). The Army withdrew its Request for Proposal to clarify its requirements for the next generation combat vehicle, thereby freeing near-term funds to be applied to other high priority programs.
- Terminate Scorpion landmine (FY 2012, $69 million; FYDP, $0.2 billion). The Army restructured this landmine-alternative effort to better reflect recent operational experience and demand. It is mitigating risk by increasing reliance on a less expensive alternative.
- Other Program reductions (FY 2012, $0 billion; FYDP, $3.1 billion). Other changes include reducing purchase quantities of Excalibur rounds based on portfolio redundancy in available precision effects, ammunition reductions in war reserve materiel based on lessons learned.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Reduce Low Priority Programs (FY 2012, $412 million; FYDP, $2.8 billion)

- Balance Army installation investment with installation sustainment (FY 2012, $290 million; FYDP, $1.5 billion). The Army shifted $1.4 billion in lower priority military construction projects to base operations while fully funding sustainment of existing facilities at 90% of OSD's Facilities Sustainment Model to protect investments.
- Reduce recruiting support and other manning initiatives (FY 2012, $122 million; FYDP, $1.3 billion). The Army has restructured its recruiting and retention efforts in order to capitalize on the current and projected economic environments.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

NAVY EFFICIENCY INITIATIVES

The Department of the Navy achieved a total of $4.3 billion in FY 2012 overhead efficiencies and $35 billion across the Future Years Defense Program (FYDP) compared to the FYDP supporting the FY 2011 President's Budget request. These savings had a major, positive impact on the FY 2012 budget and any residual risks are prudent and manageable.

The Navy is focused on becoming a leaner more efficient force that meets the operational demands of the fleet and the joint force while optimizing personnel readiness. In implementing this strategy the Navy is focused on shaping the force and reorganizing/streamlining organizations and operations to build a more efficient organization by eliminating duplicative staffs, streamlining staffs, eliminating unnecessary contractor support, and looking at personnel policies and practices.

- The Navy aggressively streamlined the active and reserve personnel end strength reducing it by 10,600, while at the same time realigning 6,800 billets to provide additional warfighting enhancements. Specific reorganization and headquarters initiatives include:
    - Combining 2nd Fleet with US Fleet Forces Command.
    - Reducing manning at fleet shore commands.
    - Reducing patrol wings.
    - Expediting reserve squadron retirements.
    - Disestablishing several carrier strike group/destroyer squadron/submarine staffs.
    - Consolidating administrative functions.
    - Consolidating System Command Warfare Center overhead.
- Due to the active management of the Navy's unique portfolio of bases, sustainment funding for Navy facilities was reduced to 80 percent of the modeled value.
- Efficiencies are also realized in readiness and through fleet training concepts such as revalidation of the flying hour program by type, model, and series of aircraft. Efficiencies were gained in recruiting, advertising, and housing.

Efficiencies were also gained from implementation of better business practices by buying smarter and becoming more energy efficient.

- Contract efficiencies are realized through innovative acquisition practices, combined with a strict requirements process to eliminate program creep and control costs across a number of major systems. Production efficiencies and increased use of multi-year procurements (MYPs) are key principles. Specific MYPs yielding savings include the E-2D and F-18 E/F/G aircraft.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

- The long-term management of total ownership costs allows efficiencies for post-delivery systems using strategic sourcing, quality-based maintenance, and event-based maintenance.
- Warfighting efficiencies are realized through improved procurement of aviation spare parts and better use of training ammunition.
- The Department of the Navy aggressively pursued energy initiatives focused on reducing consumption of traditional fossil fuels while finding alternative energy sources.

The Department of the Navy also realized efficiencies through a strict review of critical mission requirements within the Department. This resulted in the identification of several programs that were underperforming or less effective investments and, therefore, have either been revamped or terminated.

- Terminated the Expeditionary Fighting Vehicle (EFV).
- Restructured the Joint Light Tactical Vehicle (JLTV).
- Terminated the SM-2 missile modification program in favor of the more capable SM-6 missle.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Summary by Efficiency Category (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Reorganizations	2,243	15,424
Better Business Practices	1,493	14,129
Program Reductions/Terminations	566	5,517
Reduced Lower Priority Programs	-	-
Total Navy Efficiencies	4,302	35,070

Summary by Title (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Military Personnel	593	5,079
Operation & Maintenance	1,361	12,489
Procurement	1,087	14,240
RDT&E	529	3,057
Military Construction	771	366
Family Housing	-	-
Revolving Funds	(39)	(161)
Total Navy Efficiencies	4,302	35,070

Numbers may not add due to rounding.
NOTE: Efficiencies are calculated comparing the Future Years Defense Program (FYDP) supporting the FY 2011 President's Budget to the FYDP supporting the FY 2012 President's Budget.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Specific savings for Navy efficiency initiatives are:

Reorganizations (FY 2012, $2.2 billion; FYDP, $15.4 billion)

- Reduce ashore manpower, reassign personnel to operational ships and air units; adjust special pays and advancements; and eliminate duplicative functions (FY 2012, $470 million; FYDP, $4.7 billion).
- Disestablish Second Fleet headquarters; staffs for submarine, patrol aircraft, reserve aircraft, carrier staffs, and destroyer squadrons; and one carrier strike group staff (FY 2012, $131 million; FYDP, $1.2 billion).
- Utilize personnel efficiently (force shaping) and examine personnel policies/practices; develop housing allowance efficiencies; and rebaseline advertising (FY 2012, $275 million; FYDP, $1.4 billion).
- Reduce contractor support (FY 2012, $202 million; FYDP, $1.7 billion).
- Streamline air/ship/equipment maintenance; revalidate flying hour program model; modify fleet training concepts; and restructure maritime prepositioning force squadrons (FY 2012, $273 million; FYDP, $4.2 billion).
- Implement flexible and tailored responses to infrastructure sustainment (FY 2012, $893 million; FYDP, $2.2 billion).

Better Business Practices (FY 2012, $1.5 billion; FYDP, $14.1 billion)

- Increase use of multiyear procurement (MYP) contracts and acquisition production strategies for ships and aircraft (FY 2012, $585 million; FYDP $5.3 billion).
  - Littoral Combat Ship Block Buy ($3.0 billion)
  - F-18 aircraft MYP ($0.9 billion)
  - E-2D aircraft MYP ($0.3 billion)
- Reduce energy consumption (FY 2012, $566 million; FYDP, $2.3 billion). Initiatives focus on reducing fossil fuel consumptions while finding alternative energy sources. Efforts will reduce petroleum use in non-tactical vehicles by 50 percent by FY 2015.
- Reduce Total Ownership Cost through strategic sourcing and quality based maintenance (FY 2012, $60 million; FYDP, $1.0 billion).
- Improve warfighter support for aircraft spares and Marine Corps equipment (FY 2012, $282 million; FYDP, $5.5 billion).

- Align aviation spares with aircraft quantities
- Align Marine Corps equipment to requirements
- Reduce R&D overhead
- Accelerate Unmanned Carrier Launched Airborne Surveillance and Strike System (UCLASS)

Program Reductions/Terminations (FY 2012, $566 million; FYDP, $5.5 billion)

- Terminate the Expeditionary Fighting Vehicle (EFV) system (FY 2012, $275 million; FYDP, $2.8 billion).
- Restructure the Joint Light Tactical Vehicle (JLTV) (FY 2012, $0 billion; FYDP, $1.6 billion).
- Cancel Standard Missle BLK III modifications(FY 2012, $61 million; FYDP, $0.4 billion)
- Other program reductions (FY 2012, $230; FYPD, $0.7 billion).

AIR FORCE EFFICIENCY INITIATIVES

The Air Force achieved a total of $3.4 billion in FY 2012 overhead efficiencies and $33 billion across the Future Years Defense Program (FYDP) compared to the FYDP supporting the FY 2011 President's Budget request, reflecting an extraordinary Air Force effort to ensure the maximum value out of every taxpayer dollar received. It is constructed to advance key tracks outlined by Secretary Gates, and focuses on shifting resources from overhead and support functions to force structure and future modernization while streamlining operations across the Air Force enterprise.

The Air Force looked at the full spectrum of operations -- from base-level to headquarters -- to develop a wide range of efficiency initiatives to streamline and right-size the organization and management staffs to forge a leaner, more-effective Air Force. Specifically, the Air Force is consolidating two air operations centers in the United States and two in Europe, and consolidating three numbered Air Force staffs. These consolidations will allow for realignment of 347 military billets across Air Force mission requirements and a reduction of 212 civilians. The Air Force is also aggressively streamlining installation support functions.

The Air Force scrutinized logistics, facilities and support business processes to gain maximum efficiencies, while delivering the same level of service. Specific savings in weapon system sustainment are the result of an end-to-end assessment of weapon system sustainment requirements and processes. The assessment identified improvements in depot and supply chain business processes that will support sustainment of an additional 410 new airframes. As one of the Federal government's largest consumer of energy, the Air Force is acutely aware of the potential long-term savings in energy conservation and, therefore, will continue to reduce energy consumption through efficiencies by leveraging proven commercial aviation policy and practices for flight planning and weight reduction. The Air Force is aggressively pursuing advanced simulator training and improved mission training tools to reduce fuel consumption in support of flying hour training requirements.

Acquisition efficiencies are being achieved by reducing acquisition program management and instituting knowledge-based contracts. The Air Force also reviewed specific programs against mission requirements, the Infrared Search and Track Program was terminated and several space programs were restructured.

The Air Force reviewed all overhead programs for areas that could be reduced with minimal risk to operational capabilities. Specific reductions were made in facility sustainment, information technology and communications costs. Initiatives to consolidate data centers, implement Air Force-wide enterprise services, consolidate information technology purchases to gain economies of scale, and implement centralized purchasing of commercial satellite communications will reduce costs while still providing customers with needed service.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Summary by Efficiency Category (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Reorganizations	516	4,232
Better Business Practices	2,156	20,615
Program Reductions/Terminations	584	3,663
Reduced Lower Priority Programs	128	4,773
Total Air Force Efficiencies	3,384	33,283

Summary by Title (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Military Personnel	217	1,402
Operation & Maintenance	1,902	21,770
Procurement	984	7,422
RDT&E	281	2,606
Military Construction	-	(49)
Family Housing	-	132
Revolving Funds	-	-
Total Air Force Efficiencies	3,384	33,283

Numbers may not add due to rounding.
NOTE: Efficiencies are calculated comparing the Future Years Defense Program (FYDP) supporting the FY 2011 President's Budget to the FYDP supporting the FY 2012 President's Budget.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Specific savings for Air Force initiatives are:

Reorganization (FY 2012, $516 million; FYDP, $4.2 billion)

- Realign manpower and personnel into force structure and readiness, while improving operational capabilities and ability to support the warfighter (FY 2012, $493 million; FYDP, $3.1 billion).
- Consolidate 2 Air Operations Centers (AOC) in the U.S. and two in Europe, and consolidate 3 Numbered Air Force staffs (FY 2012, $0 billion; FYDP, $0.1 billion). In the U.S., the Air Force will consolidate 601 AOC located at Tyndall AFB, Florida, with 612 AOC located at Davis-Monthan AFB, Arizona. The merged AOC will support NORTHCOM and SOUTHCOM. In Europe, the Air Force will merge 617 AOC supporting AFRICOM into the 603 AOC supporting EUCOM. Inactivates 3 Numbered Air Forces (12AF, 17AF, 19AF).
- Consolidate installation support at Major Commands and optimize civilian manpower by reducing headquarters Air Force and Major Command overhead (FY 2012, $23 million; FYDP, $1.0 billion).

Better Business Practices (FY 2012, $2.2 billion; FYDP, $20.6 billion)

- Improve Weapon System Sustainment (WSS) through end-to-end requirement review and better supply chain management processes (FY 2012, $603 million; FYDP $3.0 billion). Deliver equivalent of 84% total validated requirement at a WSS funding level of 80% by improving Air Force Materiel Command depot production, achieving Contractor Logistics Support efficiencies, and other efficiencies resulting from the Secretary of Air Force-directed WSS end-to-end assessment.
- Achieve logistics and installation efficiencies (FY 2012, $0 billion; FYDP, $2.9 billion) by reducing inventories, reducing flying hour spares, streamlining base and MAJCOM maintenance operations, implementing strategic sourcing of supplies, services and construction, and eliminating lease housing.
- Reduce training costs (FY 2012, $268 million; FYDP, $1.7 billion) by reducing legacy fighter/bomber Flying Hour Program (FHP) costs by 5% while maintaining mission readiness at or above current standards. Increase use of high-fidelity simulators, mission training centers, and distributed mission operations, as well as fuel management and improved mission planning. Reduce Air Force Reserve Command F-16 flying hour program by 10%, and reduce the F-22 flying hours to correct utilization rate (UTE) from 20 UTE to 16 UTE.
- Achieve acquisition excellence and restore affordability to acquisition programs while maintaining or improving operational capabilities by scrutinizing contract terms, making government processes/regulations support productivity/stability, and drive to

improve outcomes on new contracts in near years resulting in efficiency savings starting in FY 2015 (FY 2012, $0 billion; FYDP, $1.7 billion).

- Reduce program management and administration costs (FY 2012, $190 million; FYDP, $1.7 billion). Achieve 15% overall efficiency while improving or maintaining program cost, schedule, and delivery by reducing acquisition program level contracted administrative support.
- Reduce knowledge based contract services cost (i.e., engineering, management, and oversight functions) by 4% (FY 2012) to 10% (FY 2016) while delivering the same or higher level of capability by reducing acquisition program level contract services personnel (FY 2012, $252 million; FYDP, $1.6 billion).
- Reduces total cost of facility sustainment to 80% of Facility Sustainment Model without degrading operational capabilities (FY 2012, $309 million; FYDP, $1.6 billion).
- Reduce acquisition contract support and overhead (FY 2012, $314 million; FYDP, $1.5 billion).
  - Lowers F-35 unit cost to those projected by the Joint Estimate Team.
  - Reduces the cost of Science and Technology (S&T) overhead and reinvests the savings to improve S&T productivity and capabilities.
  - Reduces the cost of operations at Test and Evaluation Ranges while maintaining or improving range capabilities.
  - Reduces acquisition unit costs of major end items through more efficient contract negotiations.
  - Restores affordability to acquisition programs while maintaining, or improving, operational capabilities and ability to support the warfighter.
- Reflect space acquisition efficiencies (FY 2012, $221 million; FYDP, $1.3 billion). Restructures the National Polar-orbiting Operational Environmental Satellite System into the Defense Weather Satellite System Program and adjusts Global Positioning System (GPS) Enterprise to achieve programmed efficiencies.
- Reduce the cost of information technology (IT) operations by 25% by adopting enterprise information services, consolidating network IT, collapsing AF gateways, migrating applications, centrally controlling IT purchases, eliminating legacy telecom, and reducing commercial SATCOM costs (FY 2012, $0 billion; FYDP, $1.3 billion).
- Reduce fuel and energy consumption within the Air Force Mobility Command (FY 2012, $136 million; FYDP, $0.7 billion). Achieves aviation fuel efficiencies by implementing data analysis enabling flight planning improvements.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

- Reflect other process efficiencies (FY 2012, $0 billion; FYDP, $1.6 billion). Achieves reduced cost of sustainment for C-17 and F-22 through optimal mix of organic and Contractor Logistics Support (CLS). Right-size excess infrastructure and facility support costs through reduction of existing Air Force physical plant inventory.

<u>Program Reductions/Terminations (FY 2012 $584 million; FYDP, $3.7 billion)</u>

- Reflect acquisition program efficiencies (FY 2012, $197 million; FYDP, $1.6 billion) to include:
    - Terminate the AF Infra-red Search and Track program.
    - Divest the Airborne Warning and Control System (AWACS) tail 008.
    - Retire Mobile Consolidated Command Center in FY 2013
    - Terminate Advanced Targeting Pod-Sensor Enhanced (ATP-SE) procurement in FY 2012
    - Reduce ATP-SE interim contractor support.
- Reduce program management overhead (FY 2012, $249 million; FYDP $1.3 billion). Executes operation and maintenance reductions across base operating support accounts.
- Other program reductions (FY 2012 $138 million; FYDP $0.8 billion).

<u>Reduce Lower Priority Programs (FY 2012 $128 million; FYDP 4.8 billion)</u>

- Achieve Major Command support efficiencies by reducing support activities at each Command to realign savings to directe readiness and mission activities (FY 2012, $0 billion; FYDP, $4.2 billion).
- Other low priority programs (FY 2012, $128 million; FYDP $0.6 billion). Programmatic adjustments including: link 16 crypto modernization slip, reduce Air Force key management infrastructure, reduce Air National Guard (ANG) Area Processing Center procurement, reduction of Air Force Network (AFNET) increment 2, and re-phasing AFNET support. Also, reduces some low priority installation services and headquarters programs.

SPECIAL OPERATIONS COMMAND EFFICIENCY INITIATIVES

The U.S. Special Operations Forces Command (SOCOM) achieved a total of $389 million in FY 2012 overhead efficiencies and more than $2 billion across the Future Years Defense Program (FYDP) compared to the FYDP supporting the FY 2011 President's Budget request. Overhead efficiencies enabled the SOCOM to maintain forces, while modernizing its force for future conflicts.

The SOCOM terminated the Joint Multi-Mission Submersible program and transferred funding, to include residual Advanced SEAL Delivery system Operation and Maintenance funding, to support the Command's Undersea Mobility Way Ahead.

Efficiencies were also gained from the implementation of better business practices to buy smarter. Specific efficiencies include:

- Consolidating multiple task orders into a single Special Operations Forces (SOF) Information Technology contract.
- Reducing procurement quantities and development costs in several acquisition programs to manage cost growth and leverage existing software.
- Reducing SOF-unique equipment buys when service-common equipment met the requirement parameters.

The SOCOM also realized efficiencies in classified programs.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Summary by Efficiency Category (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Reorganizations	-	-
Better Business Practices	72	394
Program Reductions/Terminations	191	1,301
Reduced Lower Priority Programs	126	585
Total SOCOM Efficiencies	389	2,280

Summary by Title (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Military Personnel	-	-
Operation & Maintenance	195	949
Procurement	164	1,056
RDT&E	30	254
Military Construction	-	21
Family Housing	-	-
Revolving Funds	-	-
Total SOCOM Efficiencies	389	2,280

Numbers may not add due to rounding.
NOTE: Efficiencies are calculated comparing the Future Years Defense Program (FYDP) supporting the FY 2011 President's Budget to the FYDP supporting the FY 2012 President's Budget.
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DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Specific savings by initiative are:

Better Business Practices (FY 2012, $72 million; FYDP, $394 million)

- Consolidate multiple task orders into a single Special Operations Forces (SOF) Information Technology Contract (FY 2012 $67 million; FYDP, $368 million).

Program Reductions/Terminations (FY 2012, $191 million; FYDP, $1.3 billion)

- Terminated the Joint Multi-Mission Submersible program and transferred funding, to include residual Advanced SEAL Delivery System O&M funding, to support the command's Undersea Mobility Way Ahead (FY 2012, $127 million; FYDP, $751 million).
- Reduce procurement quantities and development costs in several acquisition programs to manage cost growth and leverage existing software (FY 2012, $-49 million; FYDP, $-522 million).

Reduce Low Priority Programs (FY 2012, $126 million; FYDP, $585 million)

- Reduce funding associated with efficiencies gained in classified programs (FY 2012, $112 million; FYDP, $458million).

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

DEPARTMENT OF DEFENSE-WIDE EFFICIENCY INITIATIVES

During the formulation of the FY 2012 President's Budget, Secretary Gates directed a baseline review of how the Department is staffed, organized and operated as a whole. Special attention was paid to DoD headquarters, administration, and support elements outside the Military Departments and SOCOM: the Office of the Secretary of Defense (OSD), the Joint Staff, remaining Combatant Commands (COCOM), the Defense Agencies, and the DoD field activities. All these have seen significant growth in budget, staff, and contractors over the last decade.

This reform effort – combined with a government-wide freeze on civilian salaries and other changes – is projected to yield about $78 billion in savings over the next 5 years. Several actions do not require budgetary approval so the Department will begin implementation immediately. The DoD used these savings to accommodate the topline reduction of $78 billion in its proposed budget topline for FY 2012– FY 2016. The DoD-wide reforms include:

Department of Defense Wide Efficiency Initiatives (Dollar Savings in Millions)

	FY 2012	FY 2012 - FY 2016
Civilian Workforce Freeze	2,510	13,277
Defense Agency, OSD and COCOM Baseline Review	1,334	11,237
Health System Reforms	179	6,901
Service Support Contracts Reduction	812	5,696
JFCOM Disestablishment	292	1,870
Reports, Studies, Boards and Commissions Reduction	275	1,249
Intelligence Community Review	41	372
Business Transformation Agency (BTA) Disestablishment	98	337
Civilian Senior Executive Position Reduction	(4)	111
Assistant Secretary of Defense (Networks and Information Integration) (NII) Disestablishment	13	65
General/Flag Officer Reduction	-	11
Economic and Other Adjustments (includes GS pay freeze in FY 2012)	7,841	37,141
	13,391	78,267

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Civilian Workforce Freeze (FY 2012, $2.5 billion; FYDP, $13.3 billion) - This initiative retains all Military Services and Defense Agency civilian full-time equivalents (FTEs) at the FY 2010 authorized and funded levels for FY 2011 to FY 2013 as a result of process improvements and reduced overhead functions.

- Limited exceptions to the freeze were granted to sustain the Defense acquisition workforce.

Defense Agencies, OSD, and COCOM Baseline Review (FY 2012, $819 million; FYDP, $4.1 billion) – Streamlines overhead operations in Defense Agencies and DoD field activities, including the Office of the Secretary and the COCOMs (except SOCOM). Savings followed zero-based management reviews of staffing and organization to determine the tasks and missions that form the Department's core priorities, and the right structure needed to provide a balanced and an agile workforce, focused on the Department's most critical and emerging priorities.

- The Defense Agencies, the Under Secretaries' offices within the Office of the Secretary, and the COCOMs all presented recommendations to achieve greater efficiencies within their organizations. Most of these recommendations were accepted and garnered the savings and some were postponed for further study.

Health Care Reforms (FY 2012, $179 million; FYDP, $6.9 billion) – Proposes reforms in military health care to better manage medical cost growth, recognize a shared commitment for health care with beneficiaries, and better align the Department with the rest of the country. These will include initiatives to become more efficient, as well as modest increases to TRICARE fees for working age retirees -- with fees indexed to Medicare inflation in future years. Potential savings from these initiatives are about $7 billion over 5 years.

Service Support Contracts Reduction (FY 2012, $812 million; FDYP, $5.7 billion) – Reduces the Department's reliance on these types of contractors by 10 percent per year from FY 2011 to FY 2013, from the FY 2010 level.

- Service Support Contractors are defined as "any contracted personnel who provide support as staff augmentation for Government employees."
- The cumulative 30 percent reduction was based on specific contractor data as reported by the Services and Defense Agencies.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

Joint Forces Command (JFCOM) Disestablishment (FY 2012, $292 million; FYDP, $1.9 billion) - Eliminates the Four Star Headquarters operation, along with redundant or non-essential functions and reassigns essential functions to other organizations while scaling each remaining function to an efficient and appropriate capacity.

- The President approved the recommendation to disestablish JFCOM on January 6, 2011.
- The Chairman of the Joint Chiefs of Staff retains responsibility to ensure jointness.
- The implementation plan disestablishes JFCOM by August 31, 2011.

Reports, Studies, Boards and Commissions Reductions (FY 2012, $275 million; FYDP, $1.2 billion) – Reduces the Department's reliance on advisory studies by 25 percent below FY 2010 actual levels and eliminates all non-essential, lesser-value reports, including all reports generated by DoD Issuances that are 5 years or older.

- The Department will also engage the Congress on ways to meet their needs while working together to reduce the number of reports and non-discretionary Federal Advisory Committees requirements.

Intelligence Community Review (FY 2012, $41 million; FYDP, $372 million) – Resizes the geographic COCOM Joint Intelligence Operations Centers (JIOCs) for early planning and synchronization operations only, and establishes a rotational and surge model for Defense Intelligence Agency analysts, operational planners, and Intelligence, Surveillance, and Reconnaissance (ISR) integrators to support the COCOMs.

- Disestablishes the Defense Intelligence Operations Coordination Center and the Joint Functional Component Command for Intelligence, Surveillance, and Reconnaissance and transfers key functions to the Joint Staff.
- Consolidates several other intelligence functions and elements to achieve efficiencies.

Business Transformation Agency (BTA) Disestablishment (FY 2012, $98 million; FDYP $337 million) – Eliminates the BTA not later than June 30, 2011.

- The Deputy Chief Management Officer (DCMO) retains delegated acquisition oversight and compliance oversight for the entire business mission area.
- The DCMO also assumes responsibility for policy, integration, Enterprise Information Web, the Warfighter Requirements Office, and oversight functions previously performed by BTA.
- The Washington Headquarters Services assumes responsibility for the Task Force for Business and Stability Operations.

DEPARTMENT OF DEFENSE EFFICIENCY INITIATIVES

- The Defense Logistics Agency assumes responsibility for the remaining business systems, such as Electronic Document Access, Wide-Area Work Flow, Standard Procurement System, and the Defense Information System for Security.

Civilian Senior Executive Reductions (FY 2012, $-4 million; FYDP, $111 million) – Eliminates 209 Senior Executive positions beginning in FY 2013, of which 126 will be eliminated and 83 will be downgraded to GS-15 positions. The eliminations followed a review of senior civilian staff to ensure it is properly sized and aligned with DoD missions and goals.

- The 209 Senior Executive positions include 97 SES, 21 Senior Level and Scientific and Professional, 5 Defense Intelligence Senior Executive Service, 53 Defense Intelligence Senior Level, and 33 Highly Qualified Expert staff members.
- The FY 2012 funding includes costs for Voluntary Separation Incentive Payments where necessary.

Networks and Information Integration (NII) and J6 Disestablishments (FY 2012, $13 million, FYDP, $65 million) – Transfers acquisition program oversight responsibilities from the Assistant Secretary of Defense for Networks and Information Integration (ASD(NII)) to the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) and all remaining NII responsibilities to the DoD Chief Information Officer (CIO). The Joint Staff will transfer its J6 (Command, Control, Communications, & Computer Systems) funding and manpower to the DoD CIO and the U.S. Cyber Command beginning in FY 2012.

General and Flag Officers Efficiencies (FY 2012, $0 million; FYDP, $11 million) – Eliminates 101 General and Flag Officers from the FY 2010 baseline and downgrades 22 General/Flag Officers over several years to avoid the need for extraordinary authorities for early retirements, unprojected departures, and adversely affecting Service promotion plans. Positions will be eliminated over the next 2 years.

Civilian Pay Freeze and other adjustments (FY 2012, $7.8 billion; FYDP, $37.1 billion) – Adjusts civilian payroll funding to reflect no pay raise in FY 2011 or FY 2012, consistent with the President's and the Congress' direction to freeze Federal pay at the FY 2010 levels for the next 2 years. Also includes adjustments associated with economic assumptions, and end strength revisions for the Army and Marine Corps as announced by Secretary Gates.