V-22 Osprey Program Cited For Excellence in Acquisition Reform

To recognize the efforts of the V-22 Program for its contribution to acquisition reform, Dr. H. Lee Buchanan, assistant secretary of the Navy for Research, Development and Acquisition, presented the V-22 government and industry team the 1999 Department of Defense Acquisition Executive's Certificate of Achievement here May 3.

Col. Nolan Schmidt, V-22 program manager, accepted the prestigious award on behalf of the entire V-22 team, which is cited for its work in establishing a "highly-innovative, commercial, fixed-price contract for commercial engine procurement and commercial logistics support of the Allison AE-1107C engine." This contract is known as "Power by the Hour" because Allison provides the majority of the maintenance and supply support beyond the flight line. This support includes configuration management, training, spare parts inventory and engine certification.

"For the first time, the Allison and V-22 team have directly aligned warfighter requirements with industry's primary motivator -- profit," said Schmidt. "Our warfighting customer's No. 1 engine requirement is for the engine to run reliably, consistently and with the lowest level of maintenance possible. When Allison fills that warfighter requirement, optimally it will improve their bottom line while decreasing overall program cost in the future."

"It is estimated that the Power by the Hour Program could ultimately save the Department of Defense more than $533 million by enabling us to avoid costly investments in engine logistics infrastructure," said Buchanan. "More important, with its fixed cost per engine operating hour, the program gives Allison incentive to constantly seek improvements in V-22 engine reliability and safety."

Buchanan added that the $533 million savings resulting from this highly innovative program and process will enable the Navy to have one more ship. "You are truly out in front in acquisition reform and a superb example of how to make the acquisition system more efficient and responsive," he said.

This collaborative Department of Defense effort began in 1996, culminating with a May 1998 contract award, which program officials believe is an approach that could be a watershed event in future logistics support program planning.

During this two-year effort, a side-by-side comparison was made of engine life cycle costs for a commercial engine supported by Power by the Hour versus a military engine operating with internal military support. The latter was more costly because of the infrastructure investment required for military support, according to Cmdr. Mike Ahern, V-22 deputy program manager for business.

Ahern added that with the commercial approach, no investment was needed for the stand-up of depot or intermediate level repair capabilities or depot repair parts. In short, the V-22 program will save millions of dollars as well as provide increased engine flying hours.

The award of this contract is an example of integrating the Department of Defense into commercial practices. "The V-22 team successfully established a process by which material and information flow between the military and contractor to support all maintenance and supply actions," said Ahern. "By using electronic data exchange, the team created a seamless channel from the operator to the contractor using existing DOD and contractor capabilities."

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