

The Myth of the Rheostat

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We are in a recession, but we still have to find the money to rescue the banks, get a jobs program going, and bail out Detroit. And, we still have a couple of pretty hot engagements going on in Southwest Asia that are continuing to cost lives and money.

The budget knives are out. Ever since 9/11, the Pentagon budgets have been strong. Those days are coming to an end.

"The areas most likely to get cut are acquisition and procurement," said Steven Kosiak of the Center for Strategic and Budgetary Assessments.

The day has come for thoughtful reflection in the defense community. We need to decide how we are going to pay for new systems while still being able to afford fielded systems. Instead we're hearing people talking about the need to "preserve budget flexibility" and avoid "must pay bills." Some seem to believe in some sort of panacea that will relieve us of the responsibility to make choices.

More and more often there is talk of controlling support costs with a "rheostat strategy," the ability to dial up or dial down system performance or mission capability rates based on funding availability. In the abstract that sounds really interesting, but let's get real. System performance is a function of design, design is a function of investment, and costs are a function of design and use. So if you want to drive down product support costs you either invest up front or reduce use. There are no free lunches.

Operations and maintenance funding is consumed as a function of use. The levels of labor, inventory, repair parts and depot resources used to keep a system operational are directly related to the level of use of the system. If you design (or redesign) and field a more reliable system, product support costs less. If you design

and field a less reliable system, product support costs more.

The only decision points are whether to use the system and whether to maintain it. In either case, reducing mission capability does not reduce total cost. The cost is merely deferred, and in some cases increased.

Experience has taught us that broken systems that aren't fixed as a quickly as possible are dangerous. Things happen to forms, paperwork, and the system itself. There's a reason we have regulations on hangar queens. Broken jets need to be fixed.

Now is a time to step carefully, avoid hip shot "buzz word" approaches that make nice bumper stickers and lack substance. Too often, inside the Beltway bumper stickers become a rallying cry for those enamored with seemingly easy answers. The rheostat is no answer at all; it is a dangerous mirage.

Now is when we should be discussing stable, long-term collaborative strategies that incentivize up-front investment in reliability improvement and drive down total costs over the life cycle. Now is when we should be talk-

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Now there might be some nominal reduction in inventory because you could trade time for inventory position and aggregate inventory at a central location. You might be able to reduce manpower and create backlog. But, these are marginal impacts on costs in the near term, with potentially catastrophic financial implications across the life cycle.

This rheostat is a fool's bargain. Even if you don't maintain the system, you still have to pay for the infrastructure. You still have the opportunity cost of the money tied up in the system that the taxpayer already bought, sitting around collecting dust. You have the parts sitting on the shelf.

A "rheostat" is the 21st century version of Potemkin's village. We'll still have all our systems, but they'll just be hollow, useless shells. The rheostat will dial us back to the empty pipelines and bare firewalls of the 1990s.

ing about how intelligent supply chain integration can harness network-wide knowledge in a manner that creates superior, more effective and affordable product support.

Now is when we should be articulating reasoned choices and viable strategies to live within our means. Life cycle affordability can, and must, be modeled, measured, benchmarked, managed and continuously improved. Cost, schedule, performance and affordability across the life cycle are key and co-equal performance parameters. We should stop pretending they are not.

We obsess about acquisition costs and pull everything we can out of the unit cost during procurement to keep Congress happy, and figure we'll deal with the product support and affordability constraints someday.

Well, someday is here. ▀