

Statement of
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On the State of the Command

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INTRODUCING THE UNITED STATES TRANSPORTATION COMMAND 2015

No other nation can match the ability of the United States of America to deploy and sustain forces on a global scale. The United States Transportation Command (USTRANSCOM) leads a Total Force team of Active Duty, Guard, Reserve, civilians, and commercial transportation providers who operate a world-class Joint Deployment and Distribution Enterprise. Our Service component commands, the Army's Military Surface Deployment and Distribution Command (SDDC), the Navy's Military Sealift Command (MSC), the Air Force's Air Mobility Command (AMC); our functional component command, the Joint Transportation Reserve Unit (JTRU); and our subordinate command, the Joint Enabling Capabilities Command (JECC), in conjunction with the transportation industry, provide unparalleled logistics support and enabling capabilities to our forces, their families, and coalition partners around the world.

Deploying our Nation's military forces and ensuring they receive sustainment at the times, places, and in the quantities they need to succeed is USTRANSCOM's fundamental role in securing our Nation. Our continued success in this role depends on preserving an agile and resilient global distribution network – a complex array of capabilities, infrastructure, access, partnerships, and command and control mechanisms. This complex network underpins our Nation's response to emerging crises, and undergirds our warfighters' successes.

USTRANSCOM's transportation operations are funded by the Transportation Working Capital Fund (TWCF) which enables us to provide timely transportation services to our supported commanders. We are, in turn, reimbursed for the transportation we provide in support of their requirements. We rely on our Service component commands -- AMC, SDDC, and MSC -- along with contracted commercial augmentation, to provide these vital transportation services. The components' and commercial

providers' capacity and readiness levels are key to the success of our global mission and their ability to respond to USTRANSCOM taskings.

STRATEGIC ENVIRONMENT

With the potential return to sequestration-level funding returning in fiscal year (FY) 2016, I remain concerned the combined effect of declining government transportation demand, reduced financial resources, and other economic and regulatory restrictions may drive readiness to unacceptable levels. Reductions in Service components' readiness funding, a likely outcome of sequestration, will negatively affect USTRANSCOM's ability to accomplish our mission. We will continue to work across the Department of Defense (DOD) to ensure USTRANSCOM has the necessary capabilities and capacity required to respond when called upon. USTRANSCOM has always delivered when needed, and we will continue to do so provided our component commands receive the resources they need to execute our global mission.

The transportation resources and cyber infrastructure that enable strategic mobility are key components of the United States' asymmetric logistics advantage in both peace and war. In the future, we expect great reliance on USTRANSCOM's ability to rapidly deploy continental U.S. (CONUS)-based forces to operate in complex, noncontiguous locations with simultaneous operations in multiple theaters. Our Forces will have less access to secure, U.S.-controlled, overseas installations, while operating in a contested communications and cyber environment. Adversaries and competitor nations continue to develop cyber capabilities to exploit and create harmful effects within our areas of operation. For example, advanced persistent threats have the potential to degrade command and control, possibly preventing troops and materials from arriving on time, ready to support the geographic combatant commander.

For our commercial providers, workload demand continues to decline as retrograde operations from Afghanistan drawdown to FY 2016 levels. The ocean liner sector, for example, has experienced a 50 percent reduction from FY 2011 workload, including a 13 percent reduction from last year alone. As a result of this declining workload, the U.S. flag shipping fleet has seen a 20 percent workload reduction since January 2012. In 2013, 11 international trading vessels within the Voluntary Intermodal Sealift Agreement (VISA) program either reflagged to foreign flag ships or were scrapped without replacement due, in large part, to the reduction in demand. This realignment is forcing our commercial sealift providers to make adjustments to the services they provide by either removing liner capacity or expanding alliances with other carriers to take advantage of larger vessels. The net effect of these adjustments may likely require longer response times to meet DOD requirements.

The Ready Reserve Force (RRF), the key first response strategic sealift component for moving U.S. Army and U.S. Marine Corps units to the fight, must also remain ready to meet the needs of geographic combatant commands (GCCs). As 1.6 million square feet of RRF roll-on/roll-off capacity ages out of service in the next 10 years, an executable recapitalization plan must be in place to ensure long-term viability of surge sealift. We are working closely with the U.S. Navy to develop a plan which meets the combatant command requirements and is compatible with future Service force development and budget constraints.

Commercial airlift is also experiencing the effects of declining workload. As our forces draw down from Afghanistan, business available to commercial carriers has declined rapidly, threatening industry's ability to support surge deployments should the need arise. Implementing the recently concluded Civil Reserve Air Fleet (CRAF) study recommendations will be a starting point for ensuring commercial airlift readiness, but will require continued vigilance as demand for DOD cargo continues to decline.

Freedom of access to relevant areas of sea, air, space, and cyberspace is crucial to the world's economy and our Nation's ability to project and sustain global power and influence. USTRANSCOM is working with U.S. Department of State (DOS) and geographic combatant commanders through the En Route Infrastructure Master Plan (ERIMP) and the Campaign Plan for Global Distribution to assure access to ports, roads, and rail in key allied, friendly, and cooperating nations. USTRANSCOM collaborates with government, industry, and academia to develop innovative capabilities to enhance global access by addressing anti access and area denial challenges. We also obtain access through networks and relationships in foreign countries established by commercial transportation providers. USTRANSCOM must continue to leverage existing international infrastructure through close coordination with DOS, the Services, GCCs, and commercial transportation providers in order to ensure unimpeded transportation and distribution networks for the coming years.

READINESS – KEY TO AN UNCERTAIN FUTURE

Strategic Imperative

The Unified Command Plan (UCP) designates USTRANSCOM as the DOD single manager for end-to-end transportation and for all aspects of inter- and intra-theater patient movement. As such, USTRANSCOM is responsible for the command and control of DOD common-user and commercial air, land, and sea transportation; terminal management; and aerial refueling to support the global deployment, employment, sustainment, and redeployment of U.S. Forces.

USTRANSCOM is also responsible for synchronizing distribution planning across combatant commands, Services and DOD agencies. As the Global Distribution Synchronizer, we crafted the first Campaign Plan for Global Distribution. This seminal effort is the first step in facilitating logistics planning synchronization across all geographic and functional combatant command boundaries, as well as identifying and prioritizing necessary distribution network enhancements. In the first year of

execution, we examined the challenges posed by rebalancing and rebasing forces as the DOD transitions to a more CONUS-based focus, increased area access and area denial challenges, shifts in strategic focus, and budget reductions affecting the distribution enterprise's readiness for future operations. This year, we will conduct more in-depth reviews of geographic combatant commanders' theater distribution plans, incorporating strategic guidance from DOD's Guidance for Employment of the Force and the Joint Strategic Capabilities Plan.

While USTRANSCOM is ready to support operations today, we must pay attention to the health of the global distribution enterprise of tomorrow. In the years ahead, smaller and increasingly CONUS-based forces will rely even more on the Defense Transportation System (DTS) to deploy and sustain themselves in multiple theaters, sometimes simultaneously. USTRANSCOM's number one priority is maintaining the readiness of the global distribution enterprise to project combat power or extend America's helping hand, anywhere, anytime, everyday.

Challenges to Enterprise Readiness

Maintaining our organic air mobility, sealift, and surface assets, in tandem with our commercial transportation providers, ensures our ability to be ready in times of need. Over the last year, USTRANSCOM has developed and refined processes with our component commands to track and address their specific organic readiness needs. As we gain more fidelity with these new processes, we expect to more effectively solve some of our critical organic readiness needs through appropriate cargo allocation.

Airlift

The FY 2016 President's Budget includes an end-state fleet of 308 C-130s and 479 tankers to meet air mobility operational requirements. The C-5 and C-17 fleets are undergoing modernization efforts to replace aging components, as well as adding avionics to meet mandated minimum aircraft

separation capability to ensure aircraft ability to meet worldwide commitments. This airlift force structure meets the strategic airlift requirement for a single, large-scale operation, while maintaining the flexibility and adaptability to support smaller Joint Force requirements in another region. Likewise, AMC's aerial refueling fleet can support a single, large-scale operation with a limited capability to support the Joint Force in another region.

Ongoing operations in Afghanistan, the operational surge in support of the military intervention against the Islamic State of Iraq and Syria (ISIS), and the mission to contain Ebola in West Africa have placed increased demands on the Mobility Air Forces. Post-surge, the air and ground crews will need time to regain proficiency in specific skill sets that are not being utilized during these contingency operations. Resetting these skills will restore units to the level of capability commensurate with future combat mission requirements.

Likewise, the commercial airlift providers who move DOD cargo and personnel, particularly those who participate in the CRAF, must be ready to perform DOD's unique missions whenever the need arises. Commercial airlift readiness is measured in terms of both fleet subscription capacity and the timely availability of day-to-day capacity in a non-activated environment. While we are confident the National Airlift Policy is adequate to allow DOD to manage the support our commercial carriers will provide us over the coming years, implementation of that policy will continue to be advised by the CRAF study.

To understand and improve CRAF's ability to support DOD, USTRANSCOM and AMC, aided by outside subject matter experts and CRAF participant interviews, completed a thorough CRAF study and are in the process of implementing several CRAF program changes as a result. When implemented within FY 2016 Airlift Services in Support of the CRAF Contract, the program changes will ensure

continuation of a viable and ready CRAF program that is capable of answering any future requirements, and provide best value and service to the U.S. Government.

Sealift

We rely on the organic sealift fleet provided by MSC and the RRF managed by the Department of Transportation's (DOT) Maritime Administration (MARAD). These government-owned vessels, along with support from the U.S. flag commercial fleet, are vital in times of national emergency.

USTRANSCOM's relationship with the commercial sealift industry is formalized through agreements such as VISA, the Maritime Security Program (MSP), and the Voluntary Tanker Agreement (VTA). MSP provides a fleet of commercially viable, military-useful vessels to meet national defense and other security requirements, while maintaining a U.S. presence in international commercial shipping. Carriers enrolled in MSP receive a stipend to offset operating costs associated with maintaining U.S. flag registry and are required to enroll their U.S. flag capacity in one of the established emergency preparedness programs, VISA or VTA. However, reductions below full program funding, like we experienced with FY 2013 sequestration, threaten assured access to MSP vessels and supporting infrastructure while reducing overall VISA capacity. Full program funding reaffirms our commitment to industry and mitigates future risk to our strategic commercial capacity.

Existing maritime laws also contribute to ensuring a responsive U.S. mariner fleet is ready to meet any DOD contingency requirement. For example, the Jones Act contributes to a robust domestic maritime industry that helps to maintain the U.S. industrial shipyard base and infrastructure to build, repair, and overhaul U.S. vessels. The Jones Act requirement for U.S.-crewed and built vessels provides additional capacity and trained U.S. merchant mariners that can crew RRF vessels in times of war or national emergency.

Although the domestic maritime industry is thriving, the U.S. flag international fleet continues to decline. The reduction in government-impelled cargoes due to the drawdown in Afghanistan and reductions in food aid from the Moving Ahead for Progress in the 21st Century Act policy changes, are driving vessel owners to reflag to non-U.S. flag out of economic necessity. This reflagging and subsequent reduction of the U.S. flag international fleet has the unintended consequence of reducing the U.S. merchant mariner labor base. A strong U.S. mariner base is critical to crewing not only the merchant fleet in peacetime but our DOD surge capacity in wartime. With the recent vessel reductions, the mariner base is at the point where future reductions in U.S. flag capacity puts our ability to fully activate, deploy, and sustain forces at increased risk.

In order for the organic fleet to meet all National Defense needs, these vessels and their crews must be maintained at a high degree of reliability and readiness. Mariners must be trained and available to crew ships in the RRF to meet contingency timelines. We periodically test the readiness of the organic fleet through TURBO ACTIVATION exercises, a Joint Staff program to help ensure our organic fleet's capability. Due to the importance of this readiness measure, we will monitor TURBO ACTIVATION funding closely as we potentially approach sequestration-level funding in FY 2016.

Surface

The U.S. highway and railway systems provide the means to transport military equipment from deploying unit installations to designated seaports of embarkation during a major contingency deployment. But a significant portion of the commercial chain tiedown flatcar fleet, the primary capability for transporting Army unit equipment, is nearing the end of its service life. To mitigate this impending shortfall, we are collaborating with industry to use commercially-available flatcars not previously considered as part of our solution. With the use of chain tiedowns on this other family of

commercial flatcars, we will temporarily maintain railcar capacity as we work with the Army to establish a railcar procurement program to address this surface readiness concern.

Readiness within the ammunition transport industry also remains a concern. Arms, Ammunition and Explosives (AA&E) transport, a highly specialized and limited capacity, is experiencing contracted capacity in both drivers and vehicles, in part due to regulatory restrictions affecting the industry.

Owner/operators, many from small companies, are increasingly reluctant to accept full liability due to financial risks involved, and are mitigating that risk through increased rates to DOD. In addition to the financial pressure, the lack of qualified drivers is also a factor in reduced trucking capacity. Many experienced owner/operators are beginning to retire due to age and increased hours of service rule changes, carrier safety administration requirements, and increased environmental costs. At the same time, younger generations are choosing this career in fewer numbers, further decreasing available capacity in the trucking industry. We continue to work with the trucking industry to find acceptable solutions, one of which is streamlining certification requirements for military veterans who wish to enter the industry, an effort showing great promise in DOD and with the industry.

Preparing for the Future

While USTRANSCOM remains capable today to respond to any contingency or geographic combatant command requirement for movement of forces, significant recapitalization and modernization are necessary to meet future expected demand for transportation services. We work closely with each of the Services to ensure they understand our validated requirements and are incorporating the necessary recapitalization and modernization efforts into their programs.

To address future sealift concerns, USTRANSCOM is working closely with the U.S. Navy to identify the most effective means to recapitalize the RRF. We are also partnering with the Office of the Secretary of Defense-Transportation Policy to produce a study on programs, policies, and incentives that

would ensure DOD has continued future access to sufficient U.S. flag vessels and U.S. mariners. The study will assess the continued viability of the industry's ability to support DOD requirements with U.S. flag capacity and U.S. merchant mariners, along with assessing the U.S. Government costs of current DOD and civilian programs to support commercial sealift, evaluate cost-effective alternatives to meet sealift requirements, and ascertain if major policy, program, and acquisition changes are required to maintain and protect readiness. Where possible, study findings will be shared with MARAD to assist them in developing the National Maritime Strategy. The final report is due in May of this year.

The most important airlift recapitalization effort, the KC-46A program, which will replace the aging KC-135 air refueling tanker aircraft, is on-track and has met every contractual requirement to date. With the first flight anticipated this spring, the KC-46A will provide aerial refueling support to the Air Force, Navy, and Marine Corps, as well as our allies' and coalition partner aircraft. It will also provide increased aircraft availability, more adaptable technology, more flexible employment options, and greater overall capability than current tanker aircraft. The KC-46A remains the most essential element of future air mobility readiness for the DOD.

USTRANSCOM relies on a complex interdependent enterprise of both DOD and commercially-owned domestic and foreign critical infrastructure. DOD continues to evolve towards a comprehensive mission assurance construct designed to synchronize all mission assurance programs. Recognizing that cyber infrastructure underpins much of our physical infrastructure, our Defense Critical Infrastructure Program and Joint Cyber Center (JCC) are working in tandem to assess threats and develop realistic mitigation strategies in conjunction with other interagency cyber organizations. Additionally, our JCC is leading the Command's efforts to ensure USTRANSCOM meets the requirement and intent of the FY2015 National Defense Authorizations Act requiring the reporting on cyber incidents with respect to networks and information systems of operationally critical contractors.

USTRANSCOM also has an enduring interest in the civil sector infrastructure supporting the surface movement of military forces. Our programs for national defense collaborate with civil sector counterparts to ensure the U.S. physical infrastructure is capable of addressing military surface mobility needs. Since 2012, USTRANSCOM has completed several congressionally-mandated studies, including: “Update to Port Look 2008: Strategic Seaports.” This report assessed the road and rail infrastructure, including the strategic highway network routes and the Strategic Rail Corridor Network (STRACNET), in the vicinity of strategic seaports. This analysis determined the highway and railroad infrastructure were capable of supporting military deployments to the ports. Our update of the STRACNET also ensures that it provides sufficient service to our most important DOD installations. We also assessed the structural integrity of the infrastructure outlined in the port planning orders and infrastructure projects beneficial to the DOD, and identified potential funding avenues for repairs. USTRANSCOM reinvigorated its commitment to working with the other members of the National Port Readiness Network on such commercial seaport-related issues by signing a new memorandum of understanding effective, 27 August 2014. This agreement ensures the readiness of commercial seaport infrastructure to support DOD deployment requirements.

U.S. Army Military Ocean Terminal Sunny Point (MOTSU), in Southport, North Carolina, is essential to USTRANSCOM’s support of operational plans in Europe, Africa, and the Middle East. Most of the required, significant infrastructure improvements at MOTSU have been completed in recent years. These improvements enhanced MOTSU’s ability to conduct missions and allowed the terminal to meet documented throughput requirements. Infrastructure improvement projects at U.S. Army Military Ocean Terminal Concord (MOTCO), in Concord, California, are essential to USTRANSCOM’s support of U.S. Pacific Command’s operational plans and the DOD’s military capability in the Pacific Theater for ammunition movements. DOD’s current efforts are centered on preserving the operability of

MOTCO's primary pier until it can be recapitalized with a rebuilt, replacement pier. Together with the Army, we are compiling a comprehensive list of other infrastructure-related requirements to upgrade MOTCO to a modern ammunition port, fully capable of safe and efficient operations, and ultimately allowing uninterrupted delivery of ammunition to the Pacific Theater.

Even in a period of fiscal uncertainty, investing in the readiness of our joint force must remain a top priority. The USTRANSCOM Joint Training Program, funded by the Combatant Commanders Exercise Engagement and Training Transformation (CE2T2) Program, ensures readiness of joint forces to accomplish assigned missions. CE2T2 continues as a vital readiness enabler that directly supports the defense strategy of maintaining the ability to deploy and employ large-scale military forces over transoceanic distances. DOD's largely CONUS-based force of the future will become increasingly reliant upon joint exercises to maintain readiness and achieve engagement objectives. Commanders and Service Chiefs will be equally reliant upon USTRANSCOM to deploy these forces to participate in combatant command exercises. CE2T2 is an instrument for maintaining strategic agility and dynamic presence and allows USTRANSCOM to leverage nearly 140 exercises annually, including our own 18 joint exercises, to meet training requirements that directly contribute to meeting assigned missions.

In addition to providing strategic lift during CE2T2 events, USTRANSCOM exercises its command-and-control nodes and planning teams, deploys strategic mobility personnel and assets, and provides in-transit visibility of personnel, cargo, and patient movement on a global scale. These exercises have immense strategic value including: maintaining global agility -- freedom of action and uninhibited access to global mobility infrastructure; fostering regional, coalition, interagency, and industry partnerships; using our organic and commercial partner strategic lift assets to address readiness requirements; maintaining expeditionary capabilities of the global response force; and maintaining strategic airlift and sealift capacity and readiness.

Joint forces participate in the full spectrum of operations ranging from humanitarian assistance missions to major combat operations. To properly support these forces, USTRANSCOM developed Joint Task Force – Port Opening (JTF-PO), a capability specifically designed to rapidly open and establish initial theater airport and seaport operations. The requirement demands a joint force capability comprised of air, surface, and/or naval elements to support rapid port opening and establish initial distribution throughput. This operational construct builds upon the capability and readiness of expeditionary port opening, emphasizing JTF-PO's significance to expeditionary operations and its support to the Geographic Combatant Commander/Joint Force Commander. Most recently USTRANSCOM deployed JTF-PO elements to Monrovia, Liberia, and Dakar, Senegal, in support of U.S. Africa Command (USAFRICOM) and Operation UNITED ASSISTANCE. JTF-PO provided port assessments, port opening, planning, and communications for the Joint Force Commander and USAFRICOM, and executed over 348 strategic air movements involving the throughput of approximately 3,250 passengers and 7,600 short tons of military equipment, vital medical equipment, and humanitarian aid supplies.

Readiness of USTRANSCOM Enabling Capabilities

As an alert-postured, global response force, the Joint Enabling Capabilities Command (JECC) continually trains to build the experience necessary to succeed in complex and emerging operational environments. By combining JECC-specific training requirements and regularly participating in the Chairman of the Joint Chiefs of Staff's joint training and mission rehearsal exercises, we increase the level of professional knowledge and global awareness JECC deployers deliver to the joint force commander. The JECC's unique blending of Active and Reserve components requires some measure of overhead to ensure access to Guard and Reserve personnel for immediate deployments. The JECC's training program, assured access to Reserve component personnel, and flexibility to deploy the most

cost-effective and operationally responsive workforce mix ensures the command produces well-rounded, professional, and expeditionary joint command-and-control specialists for the DOD.

The JECC maintains operational readiness to provide mission-tailored, joint capability packages for planning and secure communications to combatant commanders to facilitate rapid establishment of Joint Force Headquarters, enable Global Response Force execution, and bridge operational requirements around the globe. In addition to recently facilitating operations in Libya, Mali, Senegal, and Liberia, the JECC assisted in rebalancing the Joint Force Headquarters in Afghanistan, supporting U.S. Central Command's efforts against ISIS and the elimination of Syrian chemical weapons, while supporting multiple theater security cooperation missions.

In an increasingly dynamic operating environment with diminishing resources, the JECC will continue to enhance the readiness of the Joint Force with globally available, responsive, adaptive capabilities to mitigate strategic surprise, shape options, set the conditions for successful contingency operations, and facilitate strategic and operational transitions. Future demand for JECC capabilities is expected to remain high.

Cyber and Information Technology (IT) Readiness

A continuing concern for the future is our ability to operate effectively with our commercial providers in the face of increasing cyber threats. As identified in the recently released Senate Armed Service Committee report, "Cyber Intrusions Affecting U.S. Transportation Command Contractors," the Nation's adversaries actively target and exploit the computer networks of commercial logistic suppliers. As a result, interagency cooperation is critically important to mission assurance. Building trust with these non-DOD partners is a focus of our cyber readiness efforts. The National Cyber Investigative Joint Task Force and regional Federal Bureau of Investigation offices are increasing awareness and

engagement, and providing additional options to counter threats, and USTRANSCOM will continue to build relationships to ensure national partnering and unity of effort.

USTRANSCOM is in the process of developing an information-centric approach using service-oriented architecture (SOA) principles. This transformation will improve our ability to make data-driven decisions by improving the ability to share and reuse information and services. This will be accomplished by focusing on five areas: supporting mode-neutral business, complying with Joint Information Environment (JIE) architecture and implementation guidance, standardizing and stabilizing infrastructure and platform services to support the portfolio, enabling SOA, and evolving the common computing environment.

USTRANSCOM must transition to the JIE in order to comply with the Federal Data Center Consolidation Initiative as we seek to adopt processes for mode-neutral requirements evaluation and multimodal transportation execution. The intent is to transition the DOD's IT environment from multiple nonstandard system-centric architectures to a standardized information-centric architecture.

USTRANSCOM's focus on enabling SOA establishes intrinsic interoperability between IT-enabled services to reduce the need for complex and costly integration. This will allow the design of applications and services to be compatible and interoperable. We are working toward a federated architecture that will unify and standardize disparate environments while allowing the environments to be independently governed. As our SOA matures, there will be an increase of business and technology alignment that will allow IT to mirror and evolve with the business, with an expected reduction of the time and effort required to fulfill new or changed business requirements.

Planning, integration, and direction of cyber operations in support of USTRANSCOM global operations is conducted by the Command's Joint Cyber Center (JCC). The JCC focus is on cyberspace operations and cyberspace key terrain that supports critical transportation operations and enabling

capabilities. The JCC will continue to serve as the command's focal point for all cyberspace operational concerns in the future.

STRENGTHENING THE ENTERPRISE

Enhancements to Supply Chain Management

Assured access to global en route infrastructure is essential to our Nation's ability to project power and influence worldwide. USTRANSCOM uses the Enroute Infrastructure Master Plan (ERIMP) to articulate its strategic access and infrastructure requirements at key overseas locations, providing a 5 to 15 year roadmap for USTRANSCOM mobility operations. The ERIMP is synchronized with the geographic and functional combatant command theater posture plans for an integrated assessment of all posture elements, specifically focusing on current access, transportation infrastructure capabilities, and the enabling support required to meet the distribution mission. USTRANSCOM's ERIMP is shared with our closest allies to enable coalition efforts and strengthen partnership capacity. As DOD rebalances to a more CONUS-based posture, access and infrastructure requirements outlined within ERIMP 2015 are vital to preserving long-term readiness around the globe.

In a broad-based effort to ensure access for the future, we continue to support the Secretary of Defense-directed European Infrastructure Consolidation (EIC) and the President's European Reassurance Initiative (ERI). We are actively participating in each of these efforts to ensure our mission requirements are both preserved while divesting excess infrastructure, and enhanced by making focused investments of benefit to the U.S. and our NATO allies. USTRANSCOM is prepared to mitigate the global mobility risks associated with the proposed basing actions, but remain concerned about any additional reduction in U.S.-controlled mobility infrastructure in the European theater. USTRANSCOM fully supports development of fuel and pavement infrastructure at Mihail Kogalniceanu Air Base,

Romania, as examples of investments that will provide deterrence effects in the short term, as well as long-term benefits to strategic airlift.

The Distribution Process Owner (DPO) Strategic Opportunities (DSO) effort identifies opportunities to reduce costs in the DOD supply chain while simultaneously improving service levels to the warfighter. Working closely with our strategic partners such as the Defense Logistics Agency (DLA) and the General Services Administration (GSA) and collaborating with the warfighting community, the DSO team pursues process improvements, surface and air optimization, supply alignment, and network optimization. Enhanced collaboration and the aligning of business processes between DLA and USTRANSCOM have been significant sources of cost avoidance through improved shipping container and aircraft utilization. The DSO team achieved \$201 million of cost avoidance in FY 2014 with \$1.4 billion in cumulative cost avoidance to date, by implementing practices commonly used by commercial supply chains today.

Meeting the Mission Through Business Transformation

As the single manager of DOD's multi-billion dollar transportation and distribution enterprise, USTRANSCOM must continually seek ways to improve efficiency and reduce costs. An innovative example of this effort is USTRANSCOM's award of the Total Delivery Services (TDS) contract, effectively implementing a strategic sourcing initiative to combine Worldwide Express and Domestic Express under one umbrella contract. The TDS program provides international and domestic commercial small package air delivery services for the U.S. Government, upholding USTRANSCOM's commitment to be the provider of choice by creating a one-stop shop to satisfy customers' express air delivery requirements. The TDS program provides participating CRAF carriers operational efficiency by combining networks, and it postures USTRANSCOM to realize manpower savings through streamlined procurement and administration of similar services. By including an on-ramp for surface

delivery requirements, TDS is poised to expand to meet all customer demands for small package delivery.

We are also reviewing our TWCF rate-setting process and its impact on operational results. We developed a cost and readiness driven workload allocation process over the last year and identified ways to standardize operations to deliver cost conscious courses of action to our supported combatant commanders. This is just one of many initiatives under way to ensure rates are cost-based, simplified, standardized, and streamlined. Our goal is to identify areas of improvement in systems and processes for the upcoming budget cycles. Decreasing DTS workload, coupled with reduced financial resources, is driving our intentions to provide TWCF billing rates that attract additional customers who are influenced by price-based transportation decisions.

The 2014 Quadrennial Defense Review (QDR) states, “Sustaining superior power projection forces – enabled by mobility capabilities including airlift, aerial refueling, surface lift, sealift, and prepositioning – will remain a top priority for force planning and development, even in an austere fiscal environment.” USTRANSCOM’s Deployment and Distribution Cost Based Decision Support (D2 CBDS) program fulfills the QDR mandate of projecting power in an austere fiscal environment while maintaining mission effectiveness by drawing on the collective expertise of our transportation component commands, Service customers, DLA, and USTRANSCOM subject matter experts. The D2 CBDS infuses cost and revenue consciousness into our operational culture, providing cost-informed decision-making capabilities, and supporting cost-metric development to drive desired behaviors. Numerous cost avoidance initiatives, such as Multimodal, Mobility Air Forces Cost Avoidance Tankering, Arctic Overflight, Contingency Efficiency Effort, and Theater Express, illustrate instances where this capability directly challenged the status quo to create tangible results in the form of millions of dollars in costs avoided last year.

Optimization and efficiencies are not a quid pro quo for security. We continue to work with our commercial providers to evaluate foreign subcontractors and ensure illicit entities do not benefit from, or are able to exploit, USTRANSCOM contracts. In collaboration with other government agencies and supported combatant commanders, USTRANSCOM is seeking to bring about whole-of-government awareness and action against identified threats. These efforts strengthen our acquisition activities by better safeguarding funds, adding a layer of defense that protects the efficient and secure transit of goods and personnel, and ultimately enhances the overall security of the global supply chain.

Interagency Coordination

The transportation and distribution enterprise requires close coordination of all government agencies that move or facilitate movement of cargo and personnel within the enterprise. Our drive to improve efficiency and effectiveness, while operating within budget constraints, has resulted in a reduction of redundant efforts, particularly in our intelligence support.

The Transportation-Logistics Intelligence Enterprise (TIE) was established 1 January 2014 and became fully operational on 1 September 2014. The TIE combines the unique skills and expertise of USTRANSCOM's Joint Intelligence Operations Center for Transportation, the Defense Intelligence Agency's Mobility and Sustainability Division, and the National Geospatial-Intelligence Agency to provide the best possible transportation and logistics intelligence support to the full range of transportation operations. The goal is to sustain mission-essential, transportation intelligence capabilities supporting overseas DOD operations in an era of declining resources; achieve resource efficiencies by eliminating redundant intelligence efforts; and improve mission effectiveness through enhanced management, alignment, and integration of these capabilities.

Early TIE successes include generating resource efficiencies and improving customer support. The TIE saved approximately 10,000 working hours through database integration across multiple

agencies. By combining allied and interagency efforts, the TIE increased the timeliness and quality of intelligence support to current operations and crisis contingencies in the Middle East and North/West Africa. These efforts improved U.S. strategic flexibility where troops are providing security against violent extremists and humanitarian assistance in Ebola-stricken countries.

Over the next 18 months, the TIE will maintain a robust core of foundational intelligence on transportation-logistics infrastructure and en route geographic locations; pursue synchronization of multinational production efforts; create professional development programs for intermodal intelligence that include standardized training and joint-duty opportunities; and improve the customer experience for consumers of transportation-logistics intelligence.

Allied, friendly, and cooperating nations enable access to the critical waypoints and transportation nodes necessary for USTRANSCOM operations. International agreements are pivotal to our continued success and further synchronize global distribution. Access hinges on mutually beneficial international relationships. The U.S. Government team, led by the DOS and in cooperation with other non-defense agencies that collaborate closely with USTRANSCOM, such as Customs and Border Protection and the Departments of Transportation and Commerce, works to incrementally improve international relations. On the DOD team, the functional and geographic combatant commands, the Services, and the other defense agencies and organizations work collaboratively to strengthen international partnerships through security cooperation. We leverage this collaboration and conduct multi-level engagements with international partners who provide access or potential access in order to build the relationships and trust that necessarily precede global transportation and distribution.

USTRANSCOM's ability to meet global requirements relies in part on the air, sea, and surface transportation capabilities that reside in commercial industry. We maintain close, productive relationships with the commercial transportation providers in all sectors, as well as Federal agencies like

the DOT that provide oversight and advocacy for those sectors. USTRANSCOM uses a variety of meetings and forums, some directly with other Federal agencies, and others through the National Defense Transportation Association, to collaborate and work issues that would affect our ability to respond to national needs.

A key agency in bridging USTRANSCOM to civil agencies, the Defense Security Cooperation Agency (DSCA), established guidance placing the Defense Transportation System (DTS) on equal footing with freight forwarders for moving foreign military sales (FMS) material by approving the concept of “Best Value.” This is a significant step forward in becoming a “provider of choice” for countries that are not required to move their cargo in the DTS. Additionally, we have asked DSCA to join our Joint Deployment and Distribution Enterprise Governance Forums which will allow DSCA and USTRANSCOM to collaborate in streamlining FMS distribution to our foreign partners.

USTRANSCOM continues to support our troops around the world by moving cargo for the Army/Air Force Exchange Service and the Defense Commissary Agency. This cargo is normally “direct” booked, which leverages our overall negotiating power to provide a reduced cost to the shipper. This ultimately translates to lower operating costs for our nonappropriated funded activities. To expand our services, we are also currently working with the Naval Exchange Service to support their “time sensitive” requirements supporting Sailors and Marines overseas.

USTRANSCOM has also worked hard to overcome recent challenges in other areas of our enterprise. For example, last May USTRANSCOM awarded a new company the contract to move privately-owned vehicles (POVs) for DOD and DOS employees globally. The underperformance of the contractor during the initial summer peak moving season resulted in thousands of POVs delivered late, and our Service members experiencing increased stress during permanent change of station moves.

Significantly increased contract oversight, including identifying problematic shipping processes, insufficient data management, and unresponsive customer service practices, highlighted to the company where they failed to meet contractual requirements, and communicated to them our expectations for their improvement. While their performance has improved dramatically over the last several months, we remain vigilant as we approach the next peak moving season. Our evaluation of their summer surge plan indicates they should perform to an acceptable level.

Unique challenges sometimes provide an avenue to success. The development of the Transport Isolation System (TIS) is one of those instances. At the beginning of the Ebola crisis in Western Africa, the U.S. Military was unable to safely evacuate people who had possibly been exposed to Ebola. Working with the Defense Threat Reduction Agency, USTRANSCOM identified a joint urgent operational need to develop a system to move patients with exposure to highly infectious or contagious diseases. This system would allow the DOD to safely move patients on DOD aircraft and simultaneously provide treatment while en route. Within 60 days of the identified requirement, the DOD awarded a contract for initial production of a TIS capable of moving multiple patients at one time, and achieved full certification and fielding of this life-saving system this past January. While the Ebola crisis served as a catalyst to initiate the acquisition process, the TIS will serve as an enduring capability to transport patients with contagious diseases anywhere in the world.

FINAL THOUGHTS

The transportation and distribution enterprise remains ready to respond to any contingency or to sustain forces for any length of time – a readiness underpinned by the dedicated professionals, military, civilian, and contractors who work tirelessly to serve the Nation’s needs. However, that readiness is under stress and will require a concerted effort across the enterprise, including DOD, the interagency, and Congress to ensure our forces remain able to rapidly project national power and influence anywhere,

anytime. To ensure the necessary authorities and policies are in place to manage the transportation and distribution enterprise, we are working within DOD and with our interagency partners to examine current laws, policies, and transportation and distribution capabilities which may be needed in the future to maintain our combat edge.

Going forward, we are facing, but will overcome future challenges to providing rapid and responsive deployment, sustainment, and redeployment operations, as well as mission-tailored enabling capabilities to the Joint Force Commanders and the great Nation we serve and protect. We will continue to personify our motto...Together, we deliver!