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Defense Writers Group

2 October 2019

DWG: Welcome General Lyons. Thank you for coming.

General Lyons: Thanks David, I appreciate it.

DWG: A lot going on in this town, but we won't get into that.

General Lyons: Most things, if I'm in the corner fields of Illinois I don't have to pay much attention. [Laughter].

DWG: You've been in the command for about a year now, so you know everything, right?

General Lyons: I've got people that know a lot.

DWG: This is an on the record conversation, but we do have some rules. We don't broadcast, we don't stream, but it is on the record and it's all Q&A.

Why don't I start by asking you, you're the first Army officer to lead TRANSCOM, and I wonder whether you come in with fresh eyes. In other words, are you doing things any differently than your Air Force predecessors did? What's your take on TRANSCOM? How are you running it?

General Lyons: It is true all my predecessors were airmen, although they were joint, they were Air Force officers but they were joint in nature, and I think every one of them did a phenomenal job. I actually, I speak to a good number of them on a frequent basis just for context and perspective.

I think for me, following in the shoes of some really fine officers, and I was the deputy commander there a couple of years

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ago, what I think I do bring is having lived on the receiving end of the logistics apparatus and the TRANSCOM mobility capabilities, so having seen it from the receiving end I've always been a big advocate and a big fan. And then coming to the command and kind of looking behind the curtains, for example, under the hood so to speak, I realize how much more there is to it than I even realized on the receiving end, so I'm actually really proud of the men and women of TRANSCOM that I see as kind of the unsung heroes of the joint force that really enable a lot of activities across the joint force. Our whole power projection apparatus.

So I mentioned to you earlier as we were talking, I tell the Secretary, I think I have the best job in the joint force, to be honest with you. I have the authorities that I need to operate day to day. I have the preponderance of assigned forces I need to operate. So for the most part, I said to the Secretary in the first phone call I said, Mr. Secretary, I shouldn't have to come to you very often. I don't have these big policy issues you've got to contend with. He said yeah, roger, I understand all that, but I also understand that we need to be able to get to the fight and be credible. So he was quite fascinated by TRANSCOM and the whole TRANSCOM mission set.

But I'm having a great time, and to be the first Army guy in the billet is just kind of one more step in the transformation of TRANSCOM, I think.

DWG: Can I just ask you about the use of the term [very resort]. Did TRANSCOM play any kind of role in that decision to use that hotel? And what do you have to say about that topic?

General Lyons: It's interesting to me, the answer to your question is no, TRANSCOM didn't play a role. I think you're well familiar with the way that entitlements work and the way TDY works inside the services and what the per diem rates look like and how that all works.

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In the Air Force, the air component, you know, they did quite a bit of detailed research because they thought they needed to do due diligence to ensure that the perception that was emerging was a credible perception. And any of the data that I saw there was really no issue whatsoever in terms of the entitlements or violation of entitlements or violation of the rules. But to answer your question, no, I don't get into the business of where airmen, soldiers or sailors stay when they're TDY as long as they're complying with the rules and the laws and the policy.

DWG: Travis, Bloomberg.

DWG: Thanks for doing this, General. We appreciate it. In August I believe you issued the RFP for the household good contract. Can you talk at all about the responses you've gotten and your hopes at this point for a final contract?

General Lyons: That's a good question. It seems to be a fairly popular topic, depending on what circles you travel in.

We issued the RFP about two weeks ago. It went out. There were some that thought that no company could take a contract like this and really make it all work.

There had been a number of industry reps that have come to the table, I'm not talking about tier one defense contractors, but I'm talking about pretty credible folks that have formed alliances with the command said we think we can do this.

So in the pre-industry days, there was a series of them, working up. There is today a lot of interest in doing this, so we'll see how it pans out.

Folks are going to start coming in with proposals. We don't anticipate -- we've got a number of wickets to get through first. There's a GAO audit that's looking at this. We're in close coordination with them. There's a business case analysis under review. We've always said that whatever we're going to do

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is going to be cost neutral at best, but perhaps even less expensive.

And the purpose of why we're doing it is simple this. Moving season after moving season it's the same predictable pattern. You know, you go through a peak in the summer and the quality of service goes down. Then I actually got a number of letters my first week in command from Congress and others that were generated from social media and other complaints and I looked at them and I said hey, what's the legitimacy here in what we're reading about? And frankly, there as a lot of legitimacy.

The current systems do not hold the industry accountable in a meaningful kind of way. It's a completely decentralized planning and execution throughout the services, so we need to come up with a process to hold industry accountable. Industry recognizes that. It's a big gap.

Inside the department we don't have clear lines of responsibility of who's accountable for delivering a service because we don't have good service metrics out there.

Then most of all, we've got to have a consistent pattern of quality delivery to include the peak season.

So we hired some folks from Boston Consulting and some others to take a look and see just in terms of the market analysis how would we generate the right incentives for companies to invest in this kind of a market so that you had quality capacity during peak. They came back to us and said hey, you know, if you move to a DFAR kind of a contract construct with clear metrics and a longer period of performance so you get folks to invest in capacity when you need it, that's the right way to go.

So that's where we're at today. I think there's a lot of promise. The Service Chiefs are pretty excited, Service Secretaries are pretty excited. I'd say about half of industry is now pretty excited about it. There's another half of

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industry that's not so excited about it, a little resistant to change. I acknowledge that. I've talked to industry, I've talked to associations and so forth and so on.

But my deputy, Vice Admiral Mewbourne, he hosted an executive working group with the household industry a couple of weeks ago and he came back and said hey boss, there were two types of people at the table. He said there was the type of people that had been in this business their entire life and they realize nobody in their right mind would join it except unless you inherited from your family, but hard-working folks that said hey, we need to reform. We've kind of gone to a place that's not healthy for industry or healthy for the department. And then the other type of person at the table was the guys that were in the top-level suits with gold watches that could barely raise their hand saying hey Admiral, this is fine. We're doing just fine.

So you've got a real revenue distribution issue. The guys who are paying the price are the guys who are at the curbside that are actually sweating to deliver a service that aren't getting the compensation they need.

So part of this construct is to drive that level of investment, incentivize the level of quality service at the curbside. So a long answer to an easy question but it's a rather complicated issue once you start peeling it back.

DWG: I appreciate that. If I can just follow up. Congress is looking at possibly adding some stuff into the annual authorization bill that could potentially slow down this process a little bit.

We're farther down the road now, there's been a lot of discussion, the bill may be coming close to being finished. Have you got any indication from the Hill in which direction they might go? Do you have any concerns that remain about what Congress might decide to do?

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General Lyons: Not really. In the HASC and the SASC and the SACD, frankly, I'm pretty aligned. I've talked to the Chairman of the HASC, I've talked to others on the Hill. The language that's drafted today I think is language that's meaningful. It directs the GAO look to be completed by the January/February timeframe. It directs a business case analysis. I think these are all reasonable things. These are things we would have done anyway.

So we acknowledge there are still some significant gates that we've got to get through to go back to the services and say here's a viable proposal, a viable way to move this process forward. So we've got to get through all those wickets. I'm actually very receptive to that.

The only area where we had a disagreement I would tell you is with the staff on the HACD and that's probably because we didn't get to them sooner than the industry got to them. Their draft report language would have delayed any activity whatsoever for at least a year, and that was not a position that I shared, it wasn't a position the Secretary of Defense shared.

So I think where we're at today is in a good place. We've got a lot of work to do. We're just in the beginning of the journey but I think we've got to do -- what we all recognize is we've got to do something because we're not in a place today where we should be to deliver a service for our family members and hold industry accountable.

DWG: Otto Kreisher, Sea Power. Then Dimitry.

DWG: You mentioned about sealift. [MARAD] and MSC had a big exercise last month mobilizing 26 of their ships. There's a lot of concern about the [age] of those ships and an even bigger concern about the number of qualified mariners to man those ships. How did that exercise work out? What problems did you uncover?

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General Lyons: I appreciate the question. We activated 32 ships, a combination of [MARAD] and Military Sealift Command. We're still working through the results. We don't have all the, we call it a turbo activation. We don't have all the scorecards in. It takes a little bit of time. We'll get to a quantitative analysis but I also think we'll get to some qualitative analysis to your point about when you pressure test the whole system, do all your mariners show up out of the union hall, to your point, right? There's a whole series of goodness.

Secretary Spencer was very helpful in helping us get some money to increase the number of ships that we wanted to activate, and this really came out of a discussion with the SecDef on the way ahead with sealift modernization.

The answer to your question, my take-away so far, this is initial and we'll publish a report probably at the end of the month with greater detail, but it validated what we were tracking in terms of ability to activate ships to task. We tracked that about 60-65 percent on a day to day basis, and that's what it looked like when we drew the ship names out of a hat, so to speak.

Then for the ships that did get activated, so for those that weren't in either scheduled or unscheduled maintenance or, you know, on some other mission, that got us to 32 ships.

What I would say though is of those 32 ships, most of them did pretty well. We're still waiting for final results, but in terms of sea trials and initial quick reporting, it's about in the 80-85 percent range. And these ships on average, so for the 32 ships on average they're about 43 years old. The commercial industry's at about 15, is where they swap their ships out.

So more results forthcoming here in the coming weeks. I don't have all the results back. But it was a great pressure test. We'll look at the numbers but we'll also get the quality

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assessment. It's not just the mariners but also the Coast Guard and everything else that comes into being when you have to do something on that scale.

Now we had some storms coming in at the same time down at Beaumont. It was a great pressure test to the system. We'll share with you the results, and certainly with the Navy.

DWG: Congress authorized that three-tier program, modernize your fleet, improve your fleet. Part of it is fix some of the ones you have, and then either buy new or to buy used off the commercial market. There hasn't been much action on that. Are you in the process of doing any of those three?

General Lyons: Yes. If it were up to me it would be faster, right?

That was part of the discussion with the Secretary a couple of weeks ago and part of our process of working with the Navy.

As you mentioned, Congress authorized seven in the two different bills, two and five, and what I'd like to do in the authorization to acquire used vessels, to accelerate that sooner than later. I know there's work right now at the department to fund the seven that we're talking about. We wouldn't do them all in one year, but starting next year to be able to start that process we need to kind of go through that process, get it underway and make sure we've got all the systems in place. So I'm pushing to accelerate. The Navy's program right now would need to be plussed up to do what I'm asking them to do, but the Deputy Secretary and others are supportive of finding the money to do that.

DWG: A completely different issue. The Marine Corps is pushing to use alternative platforms because of the threat to areas that they're facing particularly in the Pacific. They don't think the big [gators] can survive so they're looking at some of these ships that, MSC and MARAD ships, that are light stand, both

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commercial standard and crewed by civilian mariners who aren't supposed to go into harm's way.

Have you taken a look at that program and what it would do to you?

General Lyons: I haven't talked to the Marines on that.

The whole fleet that MSC has that's bigger than the sealift fleet. There's a lot of capability, a lot of flexibility to come at an adversary from a lot of different ways. I think what you're hearing is a lot of creative concepts on how you can approach an adversary from the littoral. Whether it's the landing platforms or other capability.

I really encourage the creative thinking in terms of how do we create multiple options and multiple dilemmas for an adversary, as to our ability to come at an adversary from many different ways. The prepositioned fleet is separate, as you know, from the sealift fleet. But yeah.

DWG: Dimitry?

DWG: I wanted to ask you about Afghanistan and the former Soviet Republics of Central Asia. Assistant Secretary of State Clark Cooper from the Political/Military Affairs Bureau was here a couple of weeks ago and briefed us, the Defense Writers Group. And he spoke about those issues. He also spoke about his, and I want to quote him, "a desire to ensure a more cohesive northern access corridor" which is basically your department, "regardless of what happens with the Afghan peace talks or reconciliation."

And secondly, he spoke about getting from the Soviet Republics off of those historic sustainment lines with Russia which is not your department I'm guessing.

I have this two-fold question. What about northern distribution network? Is it still operational? I don't even frankly

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remember the last time it was mentioned. Right now things are flowing through Pakistan I think and everything is okay. So northern distribution network. Is it operational?

And this northern access corridor that Clark Cooper referred to, what's it all about?

General Lyons: Two related issues but slightly different.

The northern distribution network that you're referring to that was developed really when Duncan McNab and probably his predecessor was Commander of TRANSCOM was again, to give multiple options and multiple ways to come in and support the troops in Afghanistan in the NATO mission there.

Those access routes and the physics that go with them were developed during that timeframe and still exist today.

The northern access corridor is a broader initiative, the same nations involved, but that would facilitate the overflight of combat air forces, ISR, tankers, other platforms of that nature.

In my discussions with nations in the region they're very receptive to the ability to do that.

There are other political concerns, obviously, in the region that they've got to contend with. That's a work in process is what I would say. Secretary Cooper probably characterized it better than I would, but that's a work in progress led by the State Department.

DWG: Thanks.

DWG: Is it alive? Does anything ever go through the northern route? Or at the moment is Pakistan the one way in?

General Lyons: No, it's alive. What I would say to you is if you look at the footprint in Afghanistan today, it's far less

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than it was in the 2009-2010 timeframe when we were building those forces up. So the level of requirements are significantly less. So the level of activity on those networks is far less than it ever was before.

DWG: But are you still actively using it? Or it exists in name only, as a backup option. Or you are still using that not in distribution anymore.

General Lyons: To a much more limited degree, but it is alive and well and operating.

DWG: [Ashleigh]?

DWG: Good morning. AI is a really big thing across the department. I was wondering how U.S. Transportation Command is utilizing that in terms of maintenance, things like that. Or if you guys are looking at it at all.

General Lyons: We're definitely looking at it. Sometimes I hear AI and some people use it as a buzzword, not to suggest that you are. But we're trying to be disciplined in the approach because I actually see the power of data in what, particularly in the logistics enterprise. You can just imagine the potential there. And because much of our logistics data is in the unclassified space, there's opportunities really to leverage commercial technologies in this area.

So the high end, the goal would be yes, machine learning, AI kinds of capability moving from today where we are in terms of disparate systems, transactional type of data, to how can you bring this together to better enable decision-making, forecasting, maintenance reliability, any number of things that you can imagine, so there's great potential there.

So at the platform level, that I leave pretty much to the services. At the command and control level, which is where we're focused for the most part, we've done a couple of things.

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We've developed an enterprise data environment as a proof of principle. Prior to DoD's initiative we had a, General [McHugh] had a sprint to the cloud initiative. We've moved a limited number of systems into the cloud environment, still working to make them cloud native and move the entire architecture over time.

What I find, it's not a magic, snap your fingers, all of a sudden you're there. It's a very arduous journey over time. So we took about half a dozen use cases and were trying to work through the use cases to say how can we really leverage the data that we have in meaningful kind of ways. Then eventually you start to hit a tipping point and you start to move and gain momentum. That's essentially how we're approaching it. But we're a long way from AI today, but we're working through the fundamentals.

Any time you have a discussion about AI, it always comes back to the data and the data capability so we're trying to build a data structure, the foundation to enable a future that includes AI.

DWG: So are you finding kind of right now that there's not a lot of markers in your data? Do you have to kind of clean that data up a lot?

General Lyons: There's a lot of cleansing that's required. I'm not a big advocate of trying to direct from a policy perspective on how people must tag data or create data. I think the computing power today enables you to do a lot of that and it should be done at a computing level. But you nailed it. In TRANSCOM we've got nearly 100 IC systems. If I looked across the broader joint deployment enterprise, it's even more than that. And they've all been evolved and developed in their own kind of ways for the right kind of reasons. But now as you look at it from a top perspective on how you want to enable strategic decision-making, resource allocation. There's a lot of work to be done to bring these into kind of a what I would say is a cloud computing native environment to where you can leverage the

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data and then get to a higher opportunity for machine learning.

DWG: Paul, US News.

DWG: Hi, General. Thank you for doing this.

I'd like to go back to Afghanistan for a minute. [Inaudible] a lot of experience getting in and out of that country, and [inaudible] and drawing down and all the rest. And I know in the past there have been moments when in anticipation of a drawdown TRANSCOM got a lot busier to prepare to then pull things out of that country.

I'd like to get your sense of where you are now. Do you feel as though you're in the midst of a drawdown and preparing for a larger drawdown? Can you talk about what your [inaudible] to Afghanistan is right now?

General Lyons: As far as TRANSCOM's perspective on being postured to be able to respond, I think we're in pretty good shape.

Regarding the policy issues and what General McKenzie's trying to work through and General Miller on the ground in Kabul, I will defer to them as the experts to comment on that.

But should the Secretary or Frank or anybody call and say hey, I need you to do this, I need you to rapidly, I think we're pretty well postured to be able to do that.

DWG: In terms of what you're doing now, are you in the process of bringing things out of that country? Are you moving more in?

General Lyons: It's about level. There's been some minor tweaks on the force of judgment that General Miller made on his own accord when he took command over there. We were able to support that. It's a pretty level steady sustainment, but there are no major movements in terms of uplift or drawdown at this

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time.

DWG: How about the region writ large? In the summer we saw a lot of response to new threats that Iran posed. This last week I think there were some reports of new equipment being moved to that theater. Following last year, [inaudible] was pulling things like [inaudible] batteries out of CENTCOM AOR to respond to threats from China and Russia. Can you sort of talk about what's going on next? Do you see sort of a continued influx of equipment?

General Lyons: I'm sure you saw Secretary Esper and the Chairman's press conference I guess maybe a week ago Friday coming up. They talked about the additional forces in response to the attack on the Saudi oil fields, so that's in execution. That was announced as a Patriot battery and a couple of radar sections, largely defensive in nature. There are some other activities that we're working that are related to the region that will affect the Kingdom in terms of moving combat equipment. All that to come.

It really depends on, again, from a TRANSCOM perspective I look at are we prepared to move whatever force elements we're required to move. I think we're in a good position to be able to do that.

Then the question of policy, on a broader policy level, is what force elements, when, et cetera, et cetera? What other coalition partners are going to be part of the effort? And so forth.

DWG: -- pulling equipment out of that region to address threats from China and Russia. Do you see that as reversed? Or was that the case last year?

General Lyons: I wouldn't say -- I don't know that I'd characterize it that way. I'm not tracking, for example, any particular force elements that were pulled out. I think all the

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force elements that are there are consistent with the strategy and so forth and so on.

I think what you're describing, though, is a fairly reasonable tension between the world we must contend with today and the desire for Service Chiefs to invest and modernize to a higher-end adversary. But you've got to contend with the [VEO] fight that you've got today, and we all acknowledge that, and then what's that natural tension of how much forces do you apply against it vis-à-vis reserving force capability to respond to a higher-level threat or any other threat around the globe.

DWG: Calla Bab, Voice of America. And Courtney, you're next.

DWG: Thank you. Two totally unrelated questions.

General Lyons: Oh, thank you. [Laughter].

DWG: So when General Eberhart was the head of Air Mobility, he was really interested in using space to get [inaudible] transported to places faster. And he said that they were working on white papers [inaudible] using space to transport cargo. Where is that now? Where does that stand now?

General Lyons: There's really no what I would say physical work going on in that space, no pun intended, to -- there's a lot of creative thinking going on in terms of how could you use that atmospheric layer to conduct logistics, for example? What I encourage people to do is think broadly. Just remember, our core purpose doesn't change. It's to be able to project the Joint force at a time and place of choosing. You know, great multiple options, multiple deployments for the adversary. So how can you use space to do that?

We're clearly relying on space for communications and a number of other related kinds of capabilities and intelligence, but to be able to use space for logistics, I'd say this is purely in the idea stage. There's no physical activities going on there.

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DWG: And then on a totally related note, I was talking with someone from [inaudible], an Army guy, and we were talking about China. He pretty much said that if there was a conflict with China the U.S. [forces] that would be prepared to send there would never get there. The way that the world is now there are too many things that cyber and attack -- it would be almost impossible to get forces there in that region to have a fight in the Pacific.

How are you thinking about that as the head of TRANSCOM? What kinds of conversations are you having with your PACOM counterpart to kind of mitigate that risk?

General Lyons: That's a great question. You look at a defense strategy in the unclassified version, we talk about being able to project and sustain the joint force in contested environments under persistent multi-domain attack, and whether cyber or some other level of attack.

I wouldn't say we wouldn't be able to get the force there. However, I acknowledge that there will be a significant amount of competition well before you get to the region. So we fully acknowledge that and we're working in those areas all the time.

Again, I go back to the core purpose which is to be able to project power on a global scale. I work myself back through what are those potential adversary actions that could degrade or perhaps deny, but degrade our ability to do so.

It's a little tougher to do than you might think, by the way. But we certainly recognize that we'd have to fight our way through.

So the level of coordination and collaboration with what you referred to as a geographic combatant command, the traditional GCCs, is pretty tight because we've got to be fully integrated in all the warfighting functions -- protection and maneuver and

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et cetera, to create the conditions to be able to deliver the force and close the force in a timely fashion. I'm talking about the decisive force.

You think about an immediate force. You get the immediate force out immediately, tonight so to speak. Then if you want to deliver the decisive force, that's a heavy lift. So we're working all that through a series of wargames and so forth as you might imagine.

DWG: Have you recommended to the Admiral that maybe he needs to preposition more forces in the region? Is that even part of your role? Is that part of the discussion that you guys have?

General Lyons: It's certainly part of the calculus. If you're already present and I would say to you for us global posture is really important. That's what gives us the flexibility to move east or west or whatever the Secretary or the Chairman need.

So prepositioning capability is certainly a way to mitigate your initial thrust of strategic lift. There's no question about that. That's part of the equation, a certain level of prepositioned capability and a certain level of activity that's engaged every day. Prepositioned equipment sets, and then being able to respond with the rest of the force pretty rapidly. Some forces you can get there quite rapidly, like tonight; and then other forces take a little bit more time and you've got to close the force.

We certainly acknowledge the world has changed dramatically and that an adversary would certainly attempt to contest our ability to get there.

DWG: Courtney, Inside Defense.

DWG: Back in March you told Congress that you were working with the Air Force to possibly adjust the KC-135 retirement schedule as you wait for the KC-46 to come on-line. I think at the time

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you said that you were talking about maybe retaining 8 KC-135s as part of that. Can you talk about how that discussion has evolved over the last several months? Especially as there's more KC-46 problems that have come to light? Are you looking at maybe wanting to retain more than 28 KC-135s?

General Lyons: Actually the Air Force has been very supportive in that whole effort. Whether the number is 28 or some other number, to me it's a function of capability over time. So when the KC-46 program was delayed and then there wasn't a commensurate delay of retirements for the 135 fleet, what I foresaw is a dip in capability where there was already a shortage in capability. The Air Force also recognized it. That's why -- it's largely condition based. It's not a finite number of tails as much as it is we need to ensure that we don't drop in capability our ability to generate booms over time. So what the Air Force is committed to do is to do that. Again, you think that's pretty simple, you just delay the retirement. But there's a cost to that. And really, I think the biggest challenge for the Air Force here is in manpower. You're really working to attempt to transition your pilots to a new weapon system but you've got to retain some number for an increased number of 135s. But they're working through it and I really admire the work that they are doing. So we're in a good place on that.

DWG: So that number isn't necessarily set because of other variables then.

General Lyons: It's kind of time dependent. But 28's a reasonable marker at this particular time.

DWG: I also wanted to ask, the House is proposing a follow-up to the mobility capability requirement study that you all released earlier this year. They're saying they want something that maybe looks a little further out into the future on what mobility needs are. And I'm curious. I think the interim report for that would be due early next summer. What work have

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you guys already started on that? And have you kind of set the scope for that study?

General Lyons: That's a great question and it's a pretty important document because it drives a force sizing/shaping for the mobility forces for the department.

We've broadened the scope considerably. In years past we would look predominantly at the strategic mobility fleet and conduct that analysis. What's changed is quite a number of things. You've got to consider the environment that we'll operate in, back to the question about contested environments. But it's really, in my view it's the ability to meet the national defense strategy. So the analysis has got to be broader in terms of context so force sizing and shaping it not just a matter of the mathematics. It's also a matter of your ability to integrate the strategic logistics implications for the strategic outcomes you're trying to achieve as a nation.

The department, we've always had a gap between what we do in campaigning and combat analysis relative to strategic logistics analysis, and we've got to tie those, got to knit those together to have a more meaningful impact.

There's other parts of that in terms of the level of resiliency in our global posture, in terms of global resilience in our global command and control. So I look at strategic mobility. It starts with a global network, and the nit's complemented with mobility capability, your C-17s and so forth. And then it's really optimized by your global command and control, which is why you have a functional combatant command so that you can swing through multiple GCCs, geographic combatant commands, the [inaudible] mission.

DWG: What is the time frame you'll be looking at? We need this capability in this time.

General Lyons: I may have to take that one. Previously it had

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always been inside the program. To your point, right? So my own view is we ought to stretch ourselves outside the program. A, any findings we deliver that are inside the program are already too late. Right? IF they're impacting.

That's why the results of the Air Force's look to the future and TRANSCOM's MCRS last year were different in terms of tanker numbers, right? It was largely because they look to the future and we were still confined to the five-year defense plan.

I just don't recall the language that's written in there right now, but it's public language. I wouldn't guess for you, but I can't recall how that ended up. Even if we're confined to the FYDP, we'll have a view towards the future.

DWG: Richard Sisk, Military.com.

DWG: Sir, GAO did a report last week about foreign military sales. It says that the cost for transporting equipment to the foreign buyer was way higher than it would be for us to send our own stuff. Basically, they're saying you're stiffing them. Your comments on that, sir.

General Lyons: No. If you're familiar with the way we do operate, we operate on a working capital fund, so it's a reimbursable. This would be really a discussion for Defense Security Cooperation more so than TRANSCOM. We don't adjust our rates. Our cost recovery rates do vary based on whether we're talking about a channel or a dedicated lift or whatever the case may be. But no, we don't, there's not a special markup. [Laughter].

DWG: Federal News Radio, Scott.

DWG: Back to PCSing. Your busy season is winding down. How did this year go? Can you say anything about it? If not, what about the previous year? [Inaudible]?

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General Lyons: I think last week we were working with kind of the after-action reviews on the peak. I think the peak showed some marginal improvements. I think the work that the services did in the OSD P&R to kind of elongate the orders processed, more lead time, a little bit of smoothing in terms of demand, but not a lot. That's very difficult to do. So there are some indicators that went a little bit better, I think largely because of the amount of leadership focus that was on this.

Having said that, though, the broad trends fundamentally don't shift. When you go up this big bell curve on your summer peak you still have a depression in your satisfaction rates and your other metrics in the program. And we still have issues with holding carriers accountable in a meaningful kind of way across the entire enterprise. So those things we still have to address. But there were some indicators that there was a slight improvement in satisfaction. But fundamentally, programmatically, we haven't made any progress yet. It will take some time to do that.

DWG: The current structure that you use, it's just multiple vendors. Can you give us the layman's kind of terms on that? And how many vendors do you use in that kind of structure?

General Lyons: It's a great question. If you're familiar with what they call this [freight tender]. If I have a contract with you and you have to provide a service, I work directly with you and you provide the service and you're accountable. In a tender kind of a construct, what you do is you allow, I'll use the term transportation service providers, but I'll caveat that in a minute. You allow transportation service providers at various echelons and localities to compete for work. That work could be regional or national or any other kind of work. It's really managed by the services. They each own their own regional offices where they control workload.

But the transportation service provider is a little bit misleading. What transportation service provider really means

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in that construct of the current program is that somebody procured what they call a [SCAC] code which is a code where it permits them to do business inside the automated system called the Defense Personal Property System.

So once you know that and you correlate the codes to carriers, there's a pretty big mismatch. So TSP doesn't mean you have to actually have a capability in the current system. There's 950 roughly plus or minus codes that compete for work. There's a number of them that get aggregated to certain intermediate providers. And at the end of the day there's not really mechanism to hold that particular TSP or code accountable.

So if I'm a regional personal property office and I say hey, your performance is substandard, and I'm not awarding any more work to you in the northeast region. You go to the southeast region, they'll never know the difference right? So if I'm a consumer, I find that problematic. If I'm a consumer and I don't have transparency in terms of the levels of performance and providers -- I don't go in a restaurant without looking up the recommendations, right? Then I make my choice. We don't provide any of that.

So we have a fundamental disconnect in the way that we hold or we don't hold the vendors accountable for their performance and their service. That's probably one of the main things in terms of the global household good construct is to clarify metrics on delivery, on claims, on levels of service, so we're all clear on that. Then we have a clear grading system and we measure performance. You as the CEO of a company, just like I sit around the table with all our other modes of transportation and talk to CEOs, are accountable for your level of performance and you're rewarded or penalized based on your performance. That does not exist today.

Unfortunately, when this process changed in the intermediate management, the folks that don't actually, aren't actually asset owners, started to sweep up the codes, they started to sweep up

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about 15-17 percent of a pass-through rate. So the middle management piece is getting very very wealthy. The folks at curbside that are sweating, are really sweating. They're having a hard time making do. And nobody's making an investment for the future because every transaction, all 450,000 of them are in individual discreet transactions on a tender baseline.

The department has 20 percent of the domestic household goods market. We don't behave like we have 20 percent of the market is what I would argue to you. So we've got to go through this reform effort to get accountability, number one. Number two and most importantly, is to get our service levels consistent in the summer just like they are in the off-season. That's kind of how it works or how it doesn't work, right? To be honest with you, that's kind of what we found.

DWG: We've got ten minutes and I'm just going to open it up. You don't need to ask me for permission, just go ahead and ask a question.

Does anybody have one? If not, I'd like to follow up on what you just said. I'm a total layman, I'm not one of the experts like many of these journalists here.

General Lyons: We've got a lot of experts around the table.

DWG: Are you saying that there's a need for a global system of checking vendors as to whether or not they're serving well, and a global system for letting the services and the other customers of DoD know what that service is like? And how much, if you put such a system in place, how much would it change which vendors get used and how things work, do you think?

General Lyons: Are you talking specifically the household goods or all --

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General Lyons: I use the word global because that's kind of the term of the contract, that naming convention is global household goods contract.

But in a broader construct, in all the other transportation modes, for example, there's many different ways you can use your acquisition tool set and we do that. Where if it's a wartime linkage, our contracts are written in a way that we have multiple vendors as providers so we don't have a single point of failure. So we have many sealift providers, many airlift providers, et cetera, et cetera.

In the household goods side it's not a warfighting function, it's really essentially a business transaction for the department.

What I am suggesting is we've got to have a means to hold accountable those that are supposed to be providing a service. Clarity on the metrics and a means to hold them accountable. That's the big thing that's actually missing today. I don't know if that answers your question, David.

DWG: I had now quite caught that it was about household goods specifically.

General Lyons: Yeah.

DWG: I guess I'm asking more generally, vendors. Vendors of transportation needs, is there a global system? Should there be a global system measuring how well they did? And are you planning to put one in? Or is this only about household goods and --

General Lyons: No, this is about household goods. This discussion.

In the other accounts, whether it's airlift, sealift, package parcel we do for all the government, there's a whole portfolio

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of acquisition in TRANSCOM works. The tools and processes actually work. I wouldn't actually change those processes. Those are FAR based acquisition tools. Some of them are readiness based, depending on the function. So that actually works.

I don't know if you're alluding to this. We are doing a certain amount of vendor vetting to make sure who we're doing business with are the right kind of folks and are not adversarial in nature, that are infiltrating subcontract or value chains. We see a little bit of that. So those processes are good. This is just unique to household goods that we're completely on a tender based system.

And tender based systems work for some things. But it doesn't work for something of this magnitude which is over a couple of billion dollars of department money.

DWG: My question applies to one of the other questions, positioning equipment forward to help the transportation thing. [Inaudible] have been looking at that, particularly in the Pacific, trying to move some of their forces forward but they're working against the concern that the Chinese, particularly on their missile capabilities, can reach fairly deep in the Pacific. So there's a concern that even some of the bases we have now would be vulnerable in a conflict. They have prepositioned ships already in the Pacific. Diego Garcia, Guam. Are you looking at the potential risk to your forward positioned forces in the case of a conflict like that?

General Lyons: Yeah. Of course we do. All the time. It's kind of a combination because the services own the prepositioned program. In the case of Indo-Pacific, Phil Davidson owns the area of responsibility of protection and all those kinds of things that shows you where the --

There's this trade space between how much you put forward and how much you consolidate, versus how much you disaggregate,

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right? So concepts like dynamic basing and other kinds of things like that. Where the tension exists is, you know, where you're able to consolidate, that's a much more efficient approach from a logistics enterprise perspective. But it may not be from a warfighting perspective.

So we've got to relook at the posture, and we continuously re-evaluate the global posture all the time to make sure that we've got sufficient resiliencies so that if we lose a particular location or a node, we still can continue to operate.

But the cost of de-aggregation is something that we're looking at as a department.

Ultimately at the end of the day, as you think about the future and future technology, what you'd ideally want to do is figure out a way to deliver lethal effects without this rather large logistics apparatus, right? Because otherwise you're on the wrong end of the cost curve as that thing continues to go up.

So the services are working various initiatives that I think offer some promise of being able to deliver lethal effects without the same traditional logistics requirements that we look at today to deliver a large force. But it will be a bit of a combination. It won't be one or the other.

DWG: I just wanted to go back to your mention of doing vendor review regarding supply chains. Can you give us a little more detail about how you're doing that, what the process is?

General Lyons: I'll be happy to.

TRANSCOM has a vendor vetting program. In that program we do look at not just our prime vendors but the vendors that the primes do business with. The intent really is to ensure that we're not contracting with the enemy, right? So that program's been in play now for a few years. I think it's been pretty successful. For us, we have an acquisition directorate and what

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I would describe as a finite group of vendors that we do business with so we can kind of get our arms around it.

I think for the department as a whole, it's a much bigger challenge because of all the interfaces, services and others, so forth and so on. But there is an effort to move in that direction. But I am very comfortable with the TRANSCOM program. I think it's a pretty good model for the department. I think the department looks at it as a model.

DWG: What did you find in the system? You said there were one or two examples of contracting with the enemy that heightened the problem.

General Lyons: Without getting into a classified discussion what I would say is there's been a couple of occasions where we've seen adversaries attempt to infiltrate acquisition values chains. Whether that is through whatever mode. And operate in that space with let's just say large collection platforms. They're no longer used in the system.

DWG: This would I suppose have intelligence benefits.

General Lyons: Right.

DWG: And others.

General Lyons: That's right.

DWG: I wanted to ask you about the status of the President's properties, his resorts. If I heard you correctly earlier, you said I believe that TRANSCOM doesn't have any role in deciding those policies. I think that would be an issue for the Defense Travel System.

Do you have any sense if there was a department-wide policy change who would initiate that change? Would it be at the Under Secretary level? At the SecDef level? Do you have any sense of

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that?

General Lyons: There's a broad set of entitlements at the department level managed by PNR and Defense Travel. But each of the Service Chiefs have a certain amount of flexibility in their entitlements as well, because ultimately that's who's paying. So they can shape the entitlement fees.

So inside of a service they can certainly adjust policy if they so desire. If they were so compelled to do so.

Again, I don't have a lot of, I don't have any details on that other than my casual interface and conversations with the air component, but my own view of the data that I saw, there wasn't really much there, to be honest with you. There was no behavior that was inconsistent with the ethics or the policy that exist today, violation of financials or entitlement or anything like that. The story got legs, though, for reasons that stories get legs in this town.

DWG: Now Congress is interested, and there's a hold on the Air Force Secretary nominee and Congress is expecting some guarantees from the department on this. I'm just trying to figure out, do we have the authority if it was changed, and how that might occur.

General Lyons: I'll leave that alone. Somebody said to me, hey General, I've stayed there and I would have preferred to stay at the other hotel that I usually stay at. So I don't think, you know, there's been painted this picture of this large, lavish hotel. I don't know. I've never been there. But everything anybody's done has been within per diem and authorization. There's lots of hotels. This was a political spark, and obviously -- I think we have to keep to the facts and let the facts drive the policy and then just kind of deflate the emotion out of the story, to be honest with you. That's hard to do sometimes, but that's what we've got to do.

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DWG: Last question. Federal News.

DWG: Back to household good. I know we've ping-ponged. Sorry.

From what I understand, the plan is to go to a single provider, and that's where that RFP you talked about earlier. Why not just put together a Yelp, or contract with Yelp and say these are the ones that we approve of, like USAA does. USAA approves mechanics. Wouldn't that seem to be an easier process than just putting it all in one where you could have problems with monopoly or single source and all that kind of stuff?

General Lyons: I don't think you have a problem with monopoly. The market as it exists, this is where we had Boston Consulting take a look. The market as it exists, exists, whoever were to take this on for the department would subsume that market and then evolve it.

So here's kind of philosophically, yeah, there's many different approaches to the way you might be able to approach this. This is not an area of core competency for the Department of Defense. It's kind of one of these things where you ought to stick to your knitting. It is an area of core competency for business and business knows the market and business is driven by incentives. And when you put business in the driver's seat to drive to the expectation that you hold them to, typically they're going to deliver. If they don't, there's a penalty, and if they do there's a reward. They understand the market and understand how to shape the market.

What I find is inside the department if we're not careful we start to get into these situations and we start to over-engineer by excessive policy or rules or other activities when we don't really understand the second and third order impacts of the market and it doesn't typically work well.

So our core competency is as a combatant command. To project the joint force. And this is kind of an area that's spread

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across all the services, so to speak. I don't really own all of it but I got the letters and I said I'll take the initiative and come up with a proposal.

I think it's prudent in this case, it's kind of like many areas in the department where they're not core warfighting related. You can in fact establish a contractual relationship for that particular service and hold people accountable to provide service.

There are other ways you can do this, but I would not be a proponent of trying to manage this, trying to create some sort of a large infrastructure inside the department to manage it. It typically doesn't go well. We don't have the same level of market intelligence or the market incentives that the market brings. That's kind of where I'm at.

DWG: General Lyons, thank you so much for joining us today.

General Lyons: Thanks. I appreciate all the great questions, by the way. I can tell everybody did their homework. Enjoy your day.