Honeywell

Successful Application of the Honeywell Operating System in the Services Environment

Honeywell Technology Solutions Inc.'s (HTSI) core strengths are its culture of agility, its seamless support to customers' mission and commitment to the Honeywell Operating System (HOS) principles. These principles are the foundation upon which it enhances customer relationships, helps customers achieve and exceed their objectives, improves employee engagement, reduces operating costs, and ultimately, contributes to HTSI's success.

While the key HOS principles were originally developed within a manufacturing framework, HTSI adapted HOS into its service environment and achieved measurable positive results.

The HTSI team has worked closely with Honeywell Aerospace HOS to collaborate and calibrate on tailored and meaningful applications for HTSI's different services environments.

How HOS Is Making the Difference

Three of HTSI's largest contracts are illustrative of how HTSI has applied HOS in conjunction with our Department of Defense customers and employees.

- Prepositioning & Marine Corps Logistics Services
- Army Prepostion Stocks (APS-3)
- Air Force Satellite Control Network

Prepositioning and Marine Corps Logistics Services

Under the Prepositioning and Marine Corps Logistics Services (P&MCLS) contract, HTSI's employees maintain and repair 50 percent of all the USMC's ground combat assets – military vehicles, equipment and material at Blount Island Command, Jacksonville, Fla. The services include supply chain, kitting, shipboard and in-theater support.

The Organizational Development focus of HOS has enabled increased levels of employee engagement and satisfaction as noted by the indicators below. The indicators were

- increasing rate of employee suggestions, by 50 percent year over year, and
- an eight percent positive trend increase over three years for Positive Employee Relations (PER) survey across a diverse workforce of exempt, non-exempt and union personnel.

The outcomes linked to continuous improvement through employee engagement and rapid problem solving included a 60 percent reduction of excess government inventory from $22M to $9M, a gain of approximately 40 percent more space and a six percent year-over-year cost reduction for the USMC. HTSI's performance not only met or exceeded the Marine Corps' objectives, but also factored into positive government evaluations. The Contractor Performance Assessment Report (CPAR), a key measurement of quality and customer satisfaction, has been consistently trending very well. Furthermore, the P&MCLS site is scheduled to become HOS Bronze at the end of 2013.

The effectiveness of HOS is measured by various metrics, including safety. HTSI's continuous drive for safety resulted in P&MCLS Customer receiving the Marine Corps Achievement in Safety Award (Group IV) for 2012. The award recognized the Blount Island Command for their significant contributions and accomplishments in the field of safety, mishap preventions and force preservation during Fiscal Year 2012.

Honeywell

Army Prepositioned Stocks (APS-3)

Similar to the P&MCLS contract, HTSI employees maintain and repair U.S. Army ground combat assets based out of Goose Creek, S.C.

As part of a significant HOS baseline and future-state formulation effort, the APS-3 program engaged in an extensive value stream transformation effort of maintenance and logistics operations. The "gate to gate" value stream effort reduced non-value-added maintenance time by 1,047 hours, reduced vehicle movement by 725 miles, enhanced continuous flow between departments, and moved a three-day QAR inspection time to "Same Day Service." Additionally, HTSI's 5S* program reduced excess government inventory by $143M and gained 3,500 sq ft. in space.

These waste reduction efforts resulted in significant improvements as recognized by Greg Hudson, APS-3 Business Manager, in 2011: "Quality first time pass rates consistently exceed 98 percent. HTSI has now departed on a continuous improvement path to efficiency and tangible savings supporting our APS-3 logistics efforts while maintaining high quality. This project has resulted in an outstanding value-based platform that should benefit APS-3 in tangible measurable efficiencies and cost savings for the out-years of this contract. We are already experiencing a reduction of schedule related overtime with improved processes and reduction of non-value steps."

During the past two years HTSI has scored very well on the CPAR rating.

Employee engagement and Lean Thinking were instrumental in the success of the APS-3 during the past three years. Employee suggestions and ideas for improvements increased by 50 percent year-over-year, and there is continued positive trending on the PER survey.

The Goose Creek facility is targeting a Bronze exit in late 2014.

*5S: Sort, Straighten, Sweep, Standardize and Sustain

Recognition

In 2012, *Aviation Week* honored the APS-3 program with its Best Practice recognition. The Aviation Week program honors companies for exceptional leadership development, increased effectiveness, program performance and best practice examples.

Also in 2012, the APS-3 Honeywell program manager was invited to present at the Defense Acquisition University Community Symposium at Fort Belvoir as a program "success story" to show how HOS contributed to achieving mission success.

Honeywell

Applying HOS principles in the Services Environment, HTSI has:

>Created a safer workplace for our employees

>Increased both employee and customer satisfaction

>Reduced operating costs

>Ensured mission success

>Improved performance for our customers

Air Force Satellite Control Network

The Air Force Satellite Control Network (AFSCN) provides support for the operation, control, and maintenance of a variety of United States Department of Defense (DoD) and some non-DoD satellites. This involves continual execution of telemetry, tracking, and command operations. Additionally, the AFSCN provides prelaunch checkout and simulation, launch support, and early orbit support while satellites are in initial or transfer orbits and require maneuvering to their final orbit.

HTSI's employees and subcontractors, based in Colorado Springs, Co., provide engineering services, production, sustainment and support for all the Air Force's satellite ground control stations world-wide.

Safety Is the Focus Across the Three Programs

Since launching HOS across the P&MCLS, APS-3 and SCNC, HTSI has identified and implemented 10,938 improvements, demonstrating its relentless focus on continuing improvement.

More than 30 percent of the improvement ideas have a focus on safety. For example, the APS-3 program has experienced a

- 25 percent reduction in total injuries,
- 39 percent reduction in mishaps,
- 30 percent reduction in total accidents,
- 50 percent reduction in Total Case Incident Rates, and a
- 25 percent reduction in Lost Work Case Incident Rates.

HTSI's HOS focus in Colorado Springs resulted in three consecutive years of

- "green" quarterly voice of the customer scores,
- record revenue and operating income,
- positive trending in PER survey and culture results, and
- an increasing rate of employee suggestions.

HTSI received a very good score in 2013, a full point improvement over the prior year, on the AFSCN CPAR.

Already at HOS Bronze, the program is scheduled to move to Silver in late 2014.

Honeywell

Other Recent HTSI Wins and Successes Based on HOS Principles and Past Performance

HTSIHS&ESafety Performance

Four business groups received Health, Safety and Environmental Management System Milestone Awards for Safety Performance:

- HTSI Corporate Headquarters – Three Million Hours without a Lost Workday Case
- HTSI Cyber Security – Eight Years without a Lost Workday Case
- HTSI Support Operations Classified - Eight Years without a Lost Workday Case and Five Years without a Recordable Accident
- HTSI Continuity of Services Contract – Eight Years without a Lost Workday Case

These key safety performance achievements were a result of using hazard recognition training, emphasizing “close call” reporting and ensuring

U.S. Marine Corps Selects Honeywell for Retrograde of the USMC War-torn Equipment from Theater Based on Past Performance in Middle East

The U.S. Marine Corps Logistics Command (MCLC), Albany, Ga., recently awarded HTSI four of four GSA LOGWORLD contracts that involve responsible drawdown of forces from Afghanistan in support of the redeployment, retrograde, reset and reconstitution strategies of the USMC war-torn equipment from theater. HTSI is the incumbent for this work and has

demonstrated excellent past performance in similar missions in the Middle East.

HTSI won this contract because it has all the people, processes, and procedures in place and we have provided the best value and lowest risk solution.

The majority of the work will be in Afghanistan, with employees also located around the world in Okinawa, Japan, Camp Pendleton, Calif., and Camp Lejeune, N.C.

HTSI Develops Procedures to Automate Satellite Contacts for the U.S. Air Force Satellite Control Network.

HTSI’s Lights Automated Track Support (LATS) provides labor cost savings at the Blossom Point Satellite Operations Center by automating satellite contact procedures afterhours, on weekends and holidays.

HTSI developed the LATS in partnership with the Air Force Satellite Control Network (AFSCN) and the U.S. Navy. Prior to LATS, all satellite contacts through the AFSCN had to be done manually, requiring a person to be in phone contact to confirm pre-pass set ups and report operational status. HTSI’s Automated Ground Operations software tools allowed for automated scheduling and set-up of events with no personnel present. However, additional procedures needed to be developed and tested before AFSCN management would certify use of this tool for conducting ASFCN contacts. The development of these procedures led to approval to perform completely automated satellite contact supports through the AFSCN.

Aerospace Defense & Space
Honeywell Technology Solutions Inc.
7000 Columbia Gateway Drive
Columbia, MD 21046
Tel: 410-964-7000
www.honeywell.com/HTSI
www.honeywell.com

N40-1610-000-000
July 2013