Base Realignment & Closure 2005 – Depot Level Reparable (DLR) Procurement Management Consolidation

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Overview

- Depot Level Reparable Procurement Management
  - Base Realignment & Closure (BRAC) Decision
  - Organizing for Transition
  - Impact of the Change
  - New Supply Chain Alignment
  - Making the Transition
  - DLR Numbers
  - Schedule for Implementation
Top Five Priorities

- Mission –
  - Support to the War Fighter
  - Distribution Process Owner

- Transformation –
  - Enhanced Capabilities for the Future War Fighter

- People –
  - Transforming Our Human Capital and the Workplace

- Alignment –
  - To War Fighters…To Supply Chains

- One Enterprise –
  - Seamless Partnering for War Fighter Logistics Support
DLR Procurement Management Consolidation

The Decision

• ...realigns or relocates the procurement management and related support functions for the procurement of depot-level reparables (DLR) to the Defense Logistics Agency....

Post-BRAC Business Model

• A single, integrated DLR and Consumable Item procurement management provider
• Supporting all Service requirements by FY 11:
  – A single face to industry for all DLR and consumables procurement
  – DoD fully leveraging its DLR and consumable buying power
  – Commercial partners maintaining a single procurement management strategic partnership

Saves DOD $1.9B by Leveraging all Procurement Buys and Managing them within a Single Agency!
Transformational Change
Consolidate Procurement of DLRs

– Disestablishes Three Service Inventory Control Points (ICPs) through Consolidation
  • FT Monmouth, Ft Huachuca, Rock Island
  • Establishes Aberdeen as a New ICP Site

– Keeps Engineering Functions with Components

– Realigns Procurement Management Responsibility of Class IX Depot Level Reparables to DLA

– Achieves Savings Through
  • Reduced Inventory Investment
  • Leveraging Larger Purchases
  • Increased use of Performance Based Agreements (PBA)
BRAC 2005 Governance

SECDEF

Infrastructure Executive Council

Infrastructure Steering Group

Joint Cross Service Groups

Business Managers

Army

Navy

Air Force

Marine Corps

DLA

OSD BRAC Office
Goal - To provide World Class DLR procurement support to the warfighter with maximized performance at lowest overall cost
Depot Level Reparables

Gained

- Head Contracting Authority / Senior Procurement Executive (HCA/SPE)
- Contract Administration
- Transfer in Place of Personnel
- New DLR Procurements
- Contracting / Policies & Procedures
- Labor / Materiel Reimbursed by Services

Joint Collaborations

- Acquisition Strategy Development
- Memoranda of Agreement/Memoranda of Understanding (MOA / MOU)
- Host / Tenet Agreements
- Governance

Retained

- Requirements Mgmt
- Funding for DLRs
- Program Mgmt
- Logistics
- Engineering
- Repair of Repairables

DLR Procurement Management Consolidation
• Leverage Full Buying Power of DoD ($42B in FY05 for weapons support items)

• One Buyer Vice Five… Increase Items & Actions per Contract

• Decrease Contracts (253,000)

• Cost of Contract Administration (Government & Supplier)

• Top Five Air Force & DLA’s Aviation Supply Chain Suppliers are same

• More Performance Based Contracts, Direct Vendor Delivery, Reduced Administrative Lead Time/Production Lead Time

• Decrease Cost per Unit
All ICPs transfer DLR procurement and almost all consumable management to DLA
Realigned DLR Procurement Management

DLR Procurement Management Consolidation
Organizational Structure

Senior Procurement Executive

Aviation
DSCR

Land
DSCC

Maritime
DSCC

DLR Detachments

Tinker AFB
Robins AFB
Hill AFB
NAVCP Phil
Redstone (Aviation)

MCLC Albany
Detroit Arsenal
Aberdeen PG MD
Redstone (Missiles)

Navicp Mech

HQ DLA

Land
DSCC

Maritime
DSCC

Laser Focused on Actual Procurement Process
DLR Procurement Management
Complexity

Critical Tasks

DLR Procurement Working Group

 Customers

CONUS/OCONUS/Warfighter

ICP vs. ALC’s vs. MAJCOM’s

Organizational Alignment

Weapon System Program Managers

Terminology, Protocol, Working Environments, Lines/Channels of Communication

USA/USN/USAF/USMC
- Procurement Processes & Systems
- Joint Requirements & Acq Planning

Challenge: Build Process Transparent to the Warfighter

DLA/Components
- Procurement Authority
- Decision Levels

- Land/Sea/Air
- Ships/Posts/Bases
- Loggies/Operators/Pgm Mgrs

Culture

CHALLENGE: Develop Process Transparent to the Warfighter
DLR Procurement Management
Phased Approach

**TIER I**
- Single Item Procurement
- No technical data required
- Minimal interface required

**TIER II**
- Single or Multiple Item Procurement
- Technical Requirement
- Or Special Testing Requirement
- Some interface required

**TIER III**
- More Complex
- Long Term Contracts
- Business Case Analysis required
- Logistical Support maintained by Military Services

**TIER IV**
- Most Complex
- Long Term Contracts
- Business Case Analysis required
- Logistical Support Transfers to Contractor with Government Oversight

Data Call
- Workload
- Staffing Requirement
- Potential Savings

Moving to Three Tier Approach

Workload Transitioning by Tier
Tactical Buys – Interim State

Army

Navy

Air Force

Marines

Consolidate Data Elements for Performance Management – DLA buyer uses Component Legacy IT System

Continuous Information Flow Between All Parties

Visibility of DoD-wide Long-Term Contracts In Place/In Process

Performance Based Agreements

Contract Action Executed within System of Component that manages NSN – Delivery Order/BOA or new action

DLA Buyers will Execute Contract Action for Existing Requirements
Procurement Business Process - Strategic

All Acquisition Strategies Co-Developed by DLR IPT

**Strategic Material Sourcing Group
***Integrated Process Team
Leveraging Best Business Practices

- Army
- Navy
- Air Force
- Marine Corps
- DLA

Relationship Spectrum
- Strategic Supplier Alliances
- Supply Chain Alliances
- Prime Vendor Contracts
- Partnership Agreements
- Performance Base Logistics
- Corporate Contracts
- Privatization

- Process Improvements
- Leverage Industrial Capability
- Leverage DoD Spend
- Cost Wise Readiness to Warfighter
DoD Logistics is Big Business

Annual Budget:
$42 billion in supply
$68 billion in maintenance
$10 billion in transportation
$120 billion total logistics costs
(FY 05 President’s Budget)

Operational Resources:
51,000 vendors
2000+ legacy logistics systems
45,000+ requisitions per day
$77 billion inventory

$700 billion in assets:
• 300 ships
• 15,000 aircraft
• 30,000 combat vehicles
• 900 strategic missiles
• 330,000 ground vehicles

It’s a complex enterprise, and a central challenge is delivering cost effective operational availability.
Commodity Management – Bearings

**DEMAND CHARACTERISTICS**

- **# of Bearings NSN’s**: 118,854
  - Replenishment items: 14,171
  - NSO /non stock: 100,445
  - Service Managed: 4,238

- **Total Bearings usage** (1): $233M
- **Total Bearings spend** (2): $272M
  - Sole sourced: $51M
  - Competitive: $165M
  - Undetermined: $56M

**SUPPLY CHARACTERISTICS**

- **DoD wide Cum Spend %**: 100%
- **Total # of suppliers**: 1,118
  - Small business ~ 76% of DLA supply base
  - Small business ~ 75% of DLA spend

**INVENTORY INVESTMENT CHARACTERISTICS**

- **NAVY**
  - Days of Demand on Hand: 1,314
- **USAF**
  - Days of Demand on Hand: 497
- **ARMY**
  - Days of Demand on Hand: 1,480
- **DLA**
  - Days of Demand on Hand: 447

- **Total Bearings inventory** (3): $426M
  - Replenishment: $161M
  - NSO/non stocked: $104M

**PERFORMANCE CHARACTERISTICS**

- **Supply Availability**: 85%
- **Administrative Lead-time (avg.)**: 115 days
- **Production Lead-time (avg.)**: 159 days
- **Backorder age (avg.)**: 48 days

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(1) CY 2004 demand, (2) CY 2004 contract spend, (3) Inventory is a snapshot as of July 2005; Spend lags demand;
### Top 20 Suppliers Across Services

<table>
<thead>
<tr>
<th>CAGE</th>
<th>Legal Name</th>
<th># Items</th>
<th># Contracts</th>
<th># Contract Actions</th>
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<tr>
<td>32168</td>
<td>ALL TOOLS, INC</td>
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<td>AM GENERAL LLC</td>
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<td>212</td>
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<td>BELL HELICOPTER TEXTRON INC</td>
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<td>HAMILTON SUNDSTRAND CORPORATION</td>
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<td>02LU7</td>
<td>HONEYWELL INTERNATIONAL INC</td>
<td>610</td>
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<td>LOCKHEED MARTIN CORPORATION</td>
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<td>76301</td>
<td>MCDONNELL DOUGLAS CORPORATION A WHOLLY OWNED SUBSIDIARY OF BOEING</td>
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<td>PARKER HANNIFIN CORPORATION</td>
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<td>THE GOODYEAR TIRE &amp; RUBBER COMPANY</td>
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<td>UNITED TECHNOLOGIES CORPORATION, PRATT &amp; WHITNEY DIVISION</td>
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Item Counts by Competition Type

- Fully Competitive: 11,485 (29%)
- Limited Competition: 2,061 (5%)
- Sole Source: 4,663 (12%)
- Unknown: 21,222 (54%)

Total Items: 39,431
FY 03-05 Spend by Competition Type

- Fully Competitive: $3.79B (22%)
- Limited Competition: $1.15B (7%)
- Sole Source: $3.49B (20%)
- Unknown: $8.95B (51%)

Total Spend - $17.4 B
## FY 03-05 Component Contract Data

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<th># Items</th>
<th># Contracts</th>
<th># Contract Actions</th>
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<td>27,253</td>
<td>20,993</td>
<td>37,781</td>
<td>$13.3 B</td>
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<td>Land</td>
<td>3,736</td>
<td>5,099</td>
<td>8,140</td>
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<td>Maritime</td>
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<td>11,059</td>
<td>18,234</td>
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<td><strong>Total</strong></td>
<td>39,432</td>
<td>37,151</td>
<td>64,155</td>
<td>$17.4 B</td>
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$8.9 B on LTC
## Implementation Timeline

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Summary

• Significant Consolidation of DoD Procurement Management
• $1.9 B in Savings over 20 years
  – Leveraging DoD Buying Power
  – More Strategic Sourcing Arrangements
  – Fewer Contracts…More Contract Actions/Contract
  – More Performance Based Contracts
  – Lower Cost
• Joint Collaboration Essential
• Implement Best Business Practices
• Phased Implementation
  – Target Completion – 30 Sep 10