Land Supply Chain Breakout Session

August 28-30, 2006
Agenda

• Welcome
• Organizational Alignment
• One DLA/BSM
• Business Profiles
• SMSG
• Contract Administration
• Summary
• Open Dialogue
Focus On the Warfighter
Organizational Alignment
The ICP… Organization

ICP Commander

Deputy Commander

Chief-of-Staff
Deputy Chief of Staff

Maritime Cust Ops
Maritime Supp Ops
Land Cust Ops
Land Supp Ops
Aviation Det
Process Mgt
Procurement
Ops Support
Legal

Product Test Labs

Human Resources CSO-C
IT J6C
Financial J8C
Base Support DES-C

Aligned to BSM business model
Focus On the Warfighter
One DLA/BSM
Customer Relationship Management
- Customer Insight
- Customer Service
- Emergent Problem Resolution
- Returns Management

Business Systems Modernization

Supplier Relationship Management
- Strategic Materiel Sourcing
- Strategic Supplier Alliances
- Supplier Partnering

The Vision
Enhance DLA and supplier interaction based on the specific needs of a relationship in order to allocate time and resource more efficiently to best support the warfighter.
Focus On the Warfighter
Business Profiles
The Nine Indicators Impacting Your Business

Order Fulfillment (Delivery)
- Stock availability
- Order quantity fill rate
- Logistic response time
- Time definite delivery

Planning
- Attainment to plan

Financial
- Aged accounts payable

Tech Quality (PQDRs)
- Order quality

Procurement
- Administrative lead time
- Production lead time

These KPIs measure how we do business with you
Land Supply Chain

- 360K NSNs, 3 sites, $1.4B in sales
- Army/Marines
  ...85% of demand
- 3,200 + suppliers
- 400K contract actions
- 450 employees
- 21 integrated supplier teams
Land Supply Chain FSCs
(Preponderance of FSCs assigned to Land SC)

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<th>COLS FSCs</th>
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*Tires and tire-related support
Focus On the Warfighter
Sourcing Challenges
Small Arms Challenges

- Diminishing manufacturing base
  - Develop priority list for sourcing efforts
  - Value Engineering to dedicate individual to assist in developing sources

- First article and production lot failures
  - Increased use of pre-award surveys
  - Qualified source list
  - Increased surveillance visits by DCMA
### Additional Sourcing Challenges

<table>
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<tr>
<th>Part Number</th>
<th>Description</th>
<th>Part Number</th>
<th>Description</th>
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<tbody>
<tr>
<td>1005-00-625-7592</td>
<td>Bar trigger</td>
<td>2920-01-048-9790</td>
<td>Plate assembly</td>
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<tr>
<td>2590-01-212-1057</td>
<td>Parts kit door</td>
<td>2540-01-185-4387</td>
<td>Top assembly, HMMWV</td>
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<tr>
<td>1095-00-407-0674</td>
<td>Rack small arms</td>
<td>1005-01-033-4538</td>
<td>Extractor, cartridge</td>
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<tr>
<td>2510-01-061-8923</td>
<td>Screen ballistic, radiator</td>
<td>1005-00-556-4102</td>
<td>Rod cleaning</td>
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<tr>
<td>2540-01-199-6761</td>
<td>Bow, vehicular</td>
<td>2590-01-265-3185</td>
<td>Control assembly, push/pull</td>
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<tr>
<td>2510-01-249-1586</td>
<td>Door, hatch</td>
<td>2530-01-357-9776</td>
<td>Cylinder assembly brake</td>
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<tr>
<td>2510-01-374-3119</td>
<td>Side rack</td>
<td>2590-01-328-2904</td>
<td>Brushguard</td>
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<tr>
<td>2530-01-364-9825</td>
<td>Carrier sprocket</td>
<td>1005-01-032-8143</td>
<td>M240 machine gun</td>
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<tr>
<td>1005-00-992-7287</td>
<td>Ring bolt</td>
<td>2590-00-752-9138</td>
<td>Strainer, element</td>
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<td>1095-00-151-4385</td>
<td>Lanyard, firing</td>
<td>2530-00-753-9267</td>
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<td>2530-00-274-4511</td>
<td>Wheel cylinder</td>
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Focus On the Warfighter
Strategic Material Sourcing Group (SMSG)
## Business Drivers on LTC

<table>
<thead>
<tr>
<th>Coverage</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06 Goal</th>
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<tr>
<td>NSNs</td>
<td>47%</td>
<td>57%</td>
<td>73%</td>
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<tr>
<td>ADV</td>
<td>67%</td>
<td>71%</td>
<td>78%</td>
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<tr>
<td>ADF</td>
<td>62%</td>
<td>69%</td>
<td>79%</td>
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Goal for FY06 - 2,874 NSNs

Result: $8 out of every $10 awarded in Land supply chain against long-term contracts.
FY07 SMSG Strategy

Objective:
- Key business drivers on long-term contract
- Prioritized approach to project selection

Target population:
- FSC 5340 – hardware
- FSC 1005 – small arms
- Weapon systems
- Generator kits
- Tires (ancillary support)
Focus On the Warfighter
Supplier Relationship Management (SRM)
Strategic Supplier Alliances & Supply Chain Alliances

Objectives –
Identify and leverage opportunities for DLA and Services to implement and execute SSAs with key industry partners

Goals –
PLT reduction
ALT reduction
Demand planning
Technical support
Pricing and materiel price reduction
Future contract Incentives
Strategic Supplier Alliances
Buyer/seller agreements for sharing information and working together to leverage customer buying power and enhance the supplier’s ability to deliver value. (Applies to sole-source OEMs.)

Supply Chain Alliances
Less formal relationships, with competitive suppliers, offering DLA the ability to collaborate (after contract award) and develop opportunities to improve business processes for both DLA and the suppliers.
Strategic Supplier Alliances & Supply Chain Alliances

Successes

Tremendous surges in demand and support
Continued dialogue to facilitate customer support
Significant improvement of on-time delivery
Significant support of key NSNs

SRM Vendors

AM General, LLC
• Amtech Corporation
• BTMC Corp.
• Badger Truck Center
• Caterpillar, Inc.
• Cummins Engine Company Aftermarket
• General Dynamics Land Systems (GDLS)
• General Dynamics Land Systems-Canada
• Canadian Commercial Corp.
• Grove U.S., LLC
• Kalmar RT Center, LLC

• Komatsu America International
• Armor Holdings/Ogara-Hess & Eisenhardt
• Oshkosh Truck Corp.
• Penn Detroit Diesel Allison
• SAIC D/B/A Procurenet, Inc.
• Stewart & Stevenson Tactical V
• BAE Systems Land and Armament
• Watec, Inc.
• West Side Tractor SLS Co. Del
• Wheeler Bros., Inc.
• FN Manufacturing
SRM Strategy

Actions

• Ongoing Line of Balance with SRM vendors via monthly open order report, regular communication with SRM personnel
• Priority identification is for high priority requirements, highest backordered items (top 200)
• Issued to vendor beginning of each month, status requested by mid-month
• Report posted for easy access to status by WSSMS, CAS, SP, buyers
• Routine sharing of 8 qtr demand history to aid in forecasting and backorder prevention
Focus On the Warfighter
Contract Administration
Total Backorders
July Post Award Profile

Resolve delinquencies & focus on delivery assurance
Land Backorder Reduction
Post-Award Plan

3Q baseline data as of May 2006

- SRM 22 Vendors: 10,354 Lines
- TOP 200 200+ Vendors: 20,267 Lines
- LOB 13 Vendors: 3,917 Lines

Touches 49% of BO Lines
Land Backorder Reduction
Post Award Plan

Objective:
- Reduce and prevent backorders
- Assure contractor focus aligned with customer needs
- Streamline contractor and government communication
- Impact as many BO items in each age category as possible with given resource constraints

Multi-pronged approach
- Highest backorder NSN focus
- SRM backorder strategy
- Line of balance
Land BO Post Award Reduction Plan

Action plan:
- No cost expedites
- Premium pay as warranted
- Partial deliveries encouraged
- Expedite critical items as consideration for other extensions
- Use DCMA for monitoring/status
- Monthly status requests to vendors with Top 200 orders
- No cancellations/delivery extensions without IST concurrence
- Recommendations for LOB consideration
- Improvements to due-in posture
- Recognition to vendors & associates who achieve significant backorder reductions
Focus On the Warfighter
FASI Global
FASI

- Regional contract- 1358 NSNs
- Supports land-based fleets in south, southwest and southeast (10K DoDAACs, 500+ sources)
- Supported hurricanes Katrina and Rita
- Small business…83%!

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Orders</th>
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<tr>
<td>FY05</td>
<td>$51.7M</td>
<td>154.1K</td>
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<tr>
<td>FY06</td>
<td>$17.6M</td>
<td>52.2K (thru Apr 06)</td>
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Validated seamless interface to service 10,000 DoDAACs and over 500 approved sources

Supported U.S. Army training operations under the Spring 2001 Division Capstone Exercise (DCX) at the National Training Center (NTC)

Sustainment support for: OEF, OIF, GWOT
Acquisition Strategy

- Estimated contract value per year – $354M (two year base)
- Contract term – ten years (four, two-year options)
- NSN population – 1980
- Target award date – May 2007
Maximizing SB Participation

- Industry Day/Pre-Solicitation Conference held
- Market Survey- 11 market surveys completed
- Negotiate an aggressive subcontracting plan
- Subcontracting Plan Oversight Team
FASI Global subcontracting plan goals will be tied to DSCC goals

<table>
<thead>
<tr>
<th>DSCC GOALS</th>
<th>FY05 GOALS</th>
<th>FY05 ACTUALS</th>
<th>FY06 GOALS</th>
<th>Current FASI</th>
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<tr>
<td>SMALL BUSINESS</td>
<td>58.2%</td>
<td>61.4%</td>
<td>60.0%</td>
<td>68.9%</td>
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<td>HUBZone</td>
<td>3.0%</td>
<td>3.9%</td>
<td>2.5%*</td>
<td>4.5%</td>
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<tr>
<td>SMALL DISADVANTAGED</td>
<td>3.7%</td>
<td>3.9%</td>
<td>4.1%</td>
<td>4.2%</td>
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<tr>
<td>WOMAN OWNED</td>
<td>5.9%</td>
<td>9.8%</td>
<td>6.9%</td>
<td>9.6%</td>
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<td>SERVICE DISABLED</td>
<td>3.0%</td>
<td>.40%</td>
<td>.80%*</td>
<td>.94%</td>
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<tr>
<td>8(a) (SDB Subset)</td>
<td>.50%</td>
<td>.64%</td>
<td>.72%</td>
<td>.74%</td>
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*Agency assigned goal
FASI Global Website

- Draft solicitation period
  - Sept. 5 to Sept. 19, 2006
- Award
  - May 31, 2007
- Information related to FASI Global
  http://www.dscc.dla.mil/offices/land/FASIglobal.html
Current/Future Initiatives

- HMMWV Recap
- Tire-related support
- Small arms support
- SMSG FY ’07 focus areas
- Kitting

Booth #707
Focus On The Warfighter

SMSG FY ’07 Focus Areas

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<thead>
<tr>
<th>BSM Execution</th>
<th>SSA Action Plans</th>
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<tr>
<td>HMMWV Recap</td>
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<td>New SCAs</td>
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<td>Tire Support</td>
<td>Kitting</td>
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<td>SMS LTC Goals</td>
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Open Dialogue