

Defense Logistics Agency



BRAC 2005

DLR Procurement Road Ahead

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27-29 Aug 07



Agenda



- **BRAC Initiatives**
- **Implementation Strategy**
- **Strategic Sourcing Overview**
- **Challenges**
- **Progress**
- **Questions**



Overview of the BRAC 05 Supply and Storage Decisions and Pillars



Decision 35

(Recommendation 176):

Depot Level Repairable (DLR) Procurement Management Consolidation

DLR

Procurement Pillar:

Transfer procurement management and related support functions for the procurement of DLRs from the Military Services to the Defense Logistics Agency (DLA).

Consumable Item Transfer (CIT) Pillar:

Transfer of function related to the management of consumable items from the Military Services to DLA.

Decision 43

(Recommendation 175): **Commodity Management Privatization**

Commodity Management Privatization Pillar:

Transfer supply contracting functions for tires, packaged petroleum products, and compressed gasses from the Military Services to DLA. Disestablish (privatize) all other supply, storage, and distribution functions for these commodities.

Decision 51

(Recommendation 177): **Supply, Storage, and Distribution Management Reconfiguration**

Strategic Distribution Pillar:

Designate 2 DLA Distribution Depots as Strategic Distribution Platforms (SDPs), mirroring the 2 existing SDPs. Designate remaining DLA Defense Depots (DDs) as Forward Distribution Points (FDPs), focused on local customers.

Maintenance Depot Supply and Storage (Retail Supply Operations) Pillar:

Transfer all supply, storage, and distribution functions / work in the Military Service Maintenance Depots from the Military Services to DLA.

Note: For briefing purposes Decision 35 will be presented as two recommendations.



DLR Procurement Management Consolidation



The Decision

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

Post-BRAC Business Model

- **A Single, Integrated new DLR procurement management provider supporting all Service requirements by FY 11:**

Value Added

- **A single face to industry for all new DLR procurement**
- **DoD fully leveraging its DLR buying power**
- **Reduced inventory**
- **Commercial partners maintaining a single procurement management strategic partnership**

Saves DOD \$ by leveraging all procurement buys and managing them within a single agency!



DLA Today & Tomorrow Streamlined Acquisition

Today

The 'Today' section is set against a grey background and illustrates a fragmented acquisition landscape. It lists five military branches, each in a colored oval, with associated acquisition characteristics to their right. A large black curly bracket on the right side of this section groups all these elements together, pointing towards the 'Tomorrow' section.

- Air Force**
- Army**
 - Multiple Clauses
 - Multiple Policies
- DLA**
 - Fragmented Collaboration
- Marine Corps**
 - Multiple Processes
 - Multiple Systems
- Navy**

Tomorrow

The 'Tomorrow' section is set against a light blue background and features a dark blue box with a black border. Inside this box, four acquisition goals are listed, each preceded by a checkmark and the word 'Single' underlined. A large black curly bracket on the left side of this section groups all these elements together, pointing towards the 'Today' section.

- ✓ Single Policy
- ✓ Single Process
- ✓ Single Automated System
- ✓ Single Supplier Collaboration Model



DLA's Strategic Plan for DLR Procurement Management



Extend the DLA Enterprise

Maximize warfighter potential by extending the Enterprise to provide worldwide response and integrated, best value supplies and services consistently to our customers.

- **Extend competencies and capabilities closer to the warfighters.**
- **Actively engage the warfighters to better understand their needs and meet their requirements.**
- **Align demand and supply chain capabilities within the supply chain management model to better support the warfighters and their weapons systems.**
- **Design, implement, and sustain a best value enterprise IT environment.**



Implementation Strategy



DLR Detachment Implementation Strategy



Initial Transition

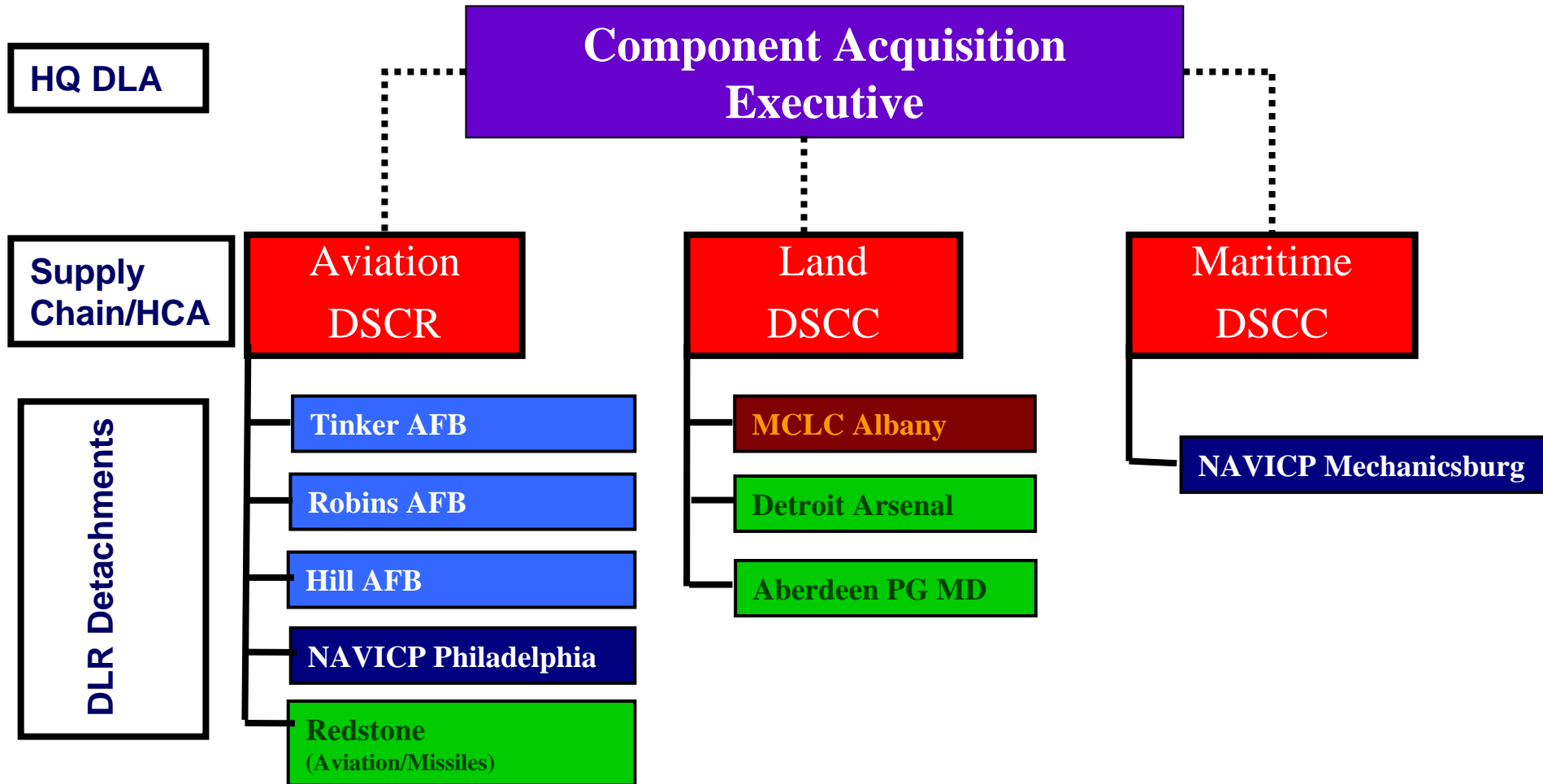
- Buy all new DLRs
- Tiered Implementation
- “As-is / Where-is” - Policy, Process, & IT systems
- Work is reimbursable for acquisition services
- Military Services retain Item Management
- Joint Governance for Joint Acquisition Strategies
- Establish Strategic Materiel Sourcing Group (SMSG) I.T. Solution for strategic sourcing data
- Consolidated buys identified by Strategic Materiel Sourcing Group...long term contracts for consumables & DLRs
- Jointly established Key Performance Indicators and PBAs

DLA Desired End-State

- Detachments remain in place & report to single Chief of Contracting Office at appropriate DLA Supply Chain Head of Contracting Authority
- Single contract writing tool in BSM (e-Procurement)...DLA Policies & Procedures
- DLA Detachment responsible for all DLR procurement
- Full visibility of all procurement & requirement forecasting information
- Fully automated Performance Measurement system to capture & report performance
- Joint Governance for Joint Acquisition Strategies



Depot Level Repairables Organization Structure





Tiered Implementation Approach (Notional)



Tier I - 48%/16%**	Tier II – 46%/62%	Tier III – 5%/20%	Tier IV - 1%/2%
<ul style="list-style-type: none"> • No Data Rights • No First Article • Part Number Buy (non-NSN) • Single Item Procurement (NSN) • Transactional Buys (NSN) • New DLR Procurement (NSN) 	<ul style="list-style-type: none"> • Corporate Contracts – Buy ONLY • Single Item Procurement (not in Tier I) • Multiple Item Procurements (NSN/non-NSN) • New DLRs • Special Tests • Technical Requirements • No Special Services 	<ul style="list-style-type: none"> • OSD Maturity Model I & II PBLs • DLR with incidental services - not repair • Performance Incentives (Positive and Negative) • Requires Business Case Analysis 	<ul style="list-style-type: none"> • OSD Maturity Model III & IV PBLs • Combined with Program Requirements • Requires Business Case Analysis

- **USAF -- All Tiers transferred concurrently**
- **Track and report performance based on jointly established Key Performance Indicators**

**** Items/Dollar Value**



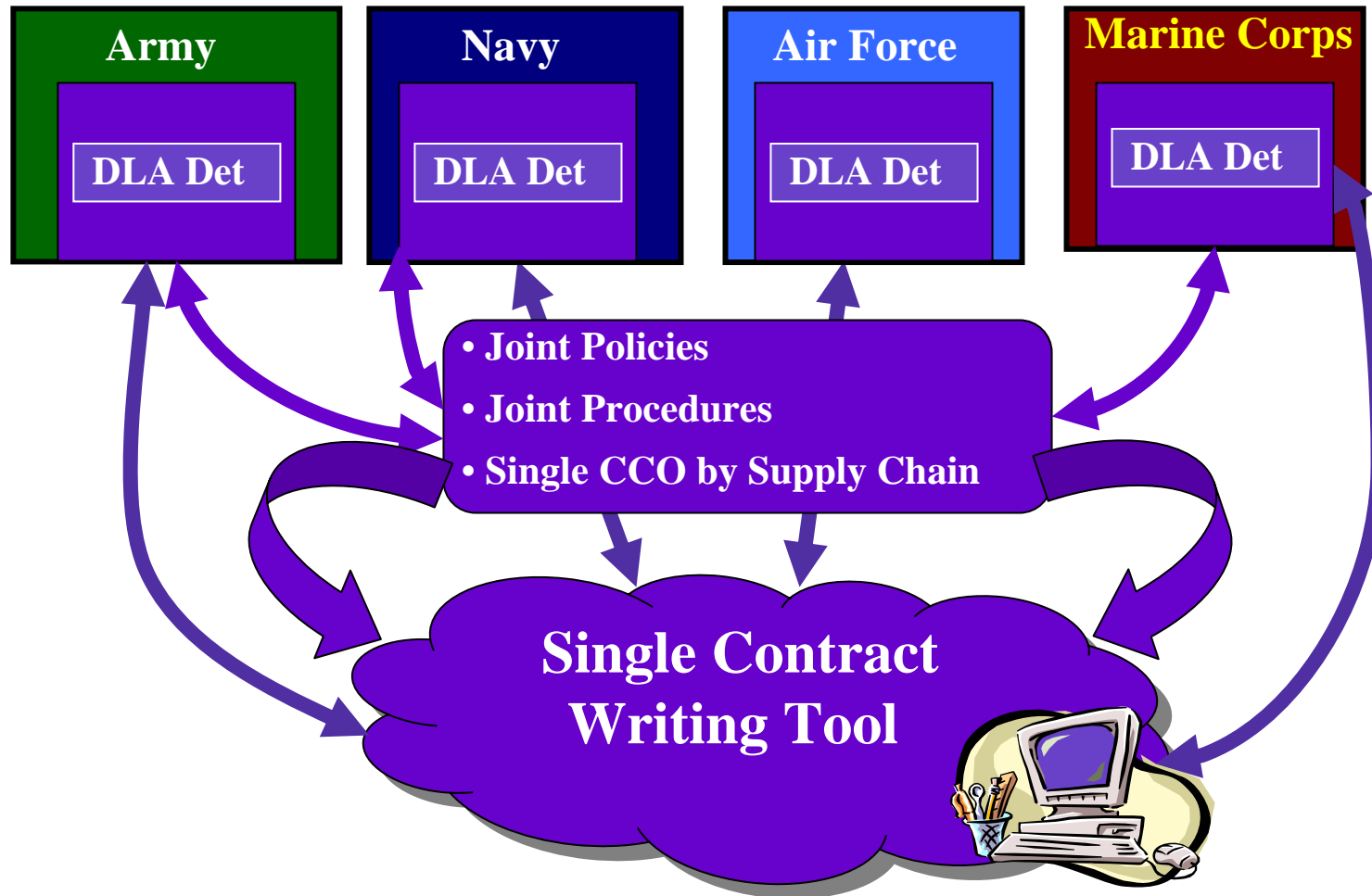
Procurement Business Process – At Detachment Stand-up



DLA buyers will execute contract actions for current purchase requests & administer existing contracts



End-State Procurement Process

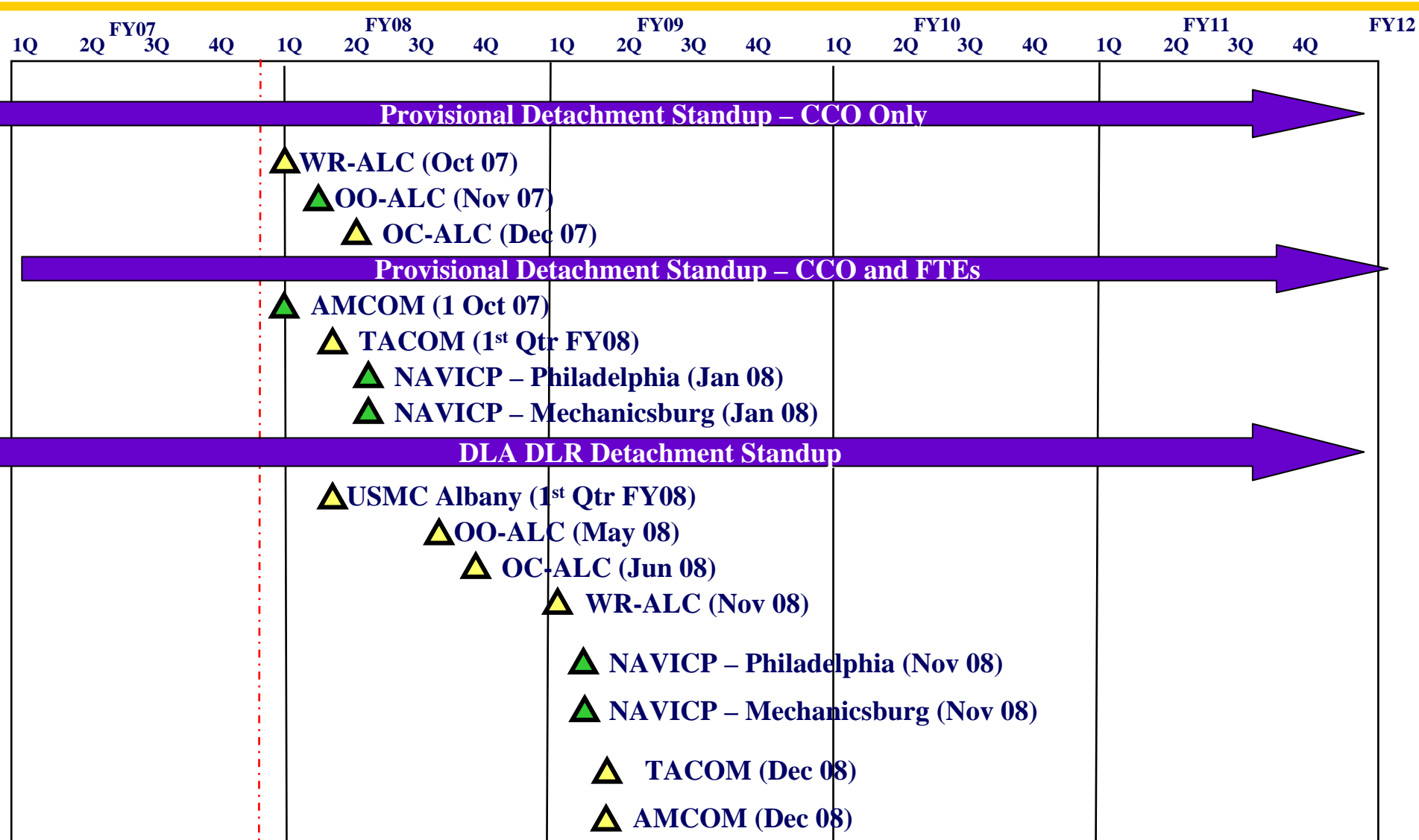


**DLA buyers will execute contract actions using
single contract writing tool**



Implementation POA&M

FY07 – FY11



▲ Firm ▲ Notional



Strategic Sourcing Overview



DLA Strategic Partners & Top MILSVC Suppliers

■ Synergy Across Department – Opportunities to Leverage DoD Buying Power

Military Service Top Vendors (2003-2005)				
DLA Strategic Partners	Air Force	Army	Navy	Marine Corps
General Electric	General Electric	Goodyear	General Electric	Canadian Commercial Corp
Boeing	United Technologies	AM General	Bell Boeing Joint Project Office	Raytheon
Textron	Dynamic Gunver Technologies	Boeing	Boeing	Ronal Industries
Oshkosh	GKN Aerospace	Lockheed Martin	Sikorsky	Rodelco Electronics
Honeywell	Rolls Royce	Oshkosh	All Tools Inc	Mantech Systems Engineering
Rolls Royce	Parker Hannifin	Purdy Corp	Raytheon	Lockheed Martin
AM General	Kaiser Electronics	Honeywell	Lockheed Martin	L-3 Communications
Goodrich Corp	Northrop Grumman	General Electric	Bell Helicopter/Textron	Northrop Grumman
Parker Hannifin	Raytheon	Bell Helicopter/Textron	Hamilton Sundstrand	Centron Industries
Sikorsky	Goodrich Corp	DRS Optronics	Rolls Royce	Wendon Company
Hamilton Sundstrand	Hamilton Sundstrand	General Dynamics	Canadian Commercial Corp.	Carleton Life Support Systems
Dresser Rand	CFM International	Raytheon	Northrop Grumman	Harris Corp
Eaton Corp	BAE Systems	Pacific Harness and Cable	BAE Systems	Detroit Diesel
Canadian Commercial Corp	Honeywell	Sikorsky	United Technologies	Oshkosh
Pratt & Whitney	Boeing	CE Nehoff & Co	L-3 Communications	Aegis Power Systems
Northrop Grumman	AAR Parts Trading Inc	Fenn Manufacturing		Communications & Power Industries
Lockheed Martin	EFW Inc	Hutchinson Industries		Sensis Corp
General Dynamics		GTA Container		System Technical Support Corp
BAE Systems		Commins Inc		General Dynamics
Smiths Aerospace				
Raytheon				
Moog				
United Defense LP/BAE				
Alcoa Global Fasteners				
Aircraft Braking Systems				
Warren Pumps				
Avibank				
York				

Significant Overlap in Top Suppliers

- DLA Unique
- Air Force Unique
- Army Unique
- Navy Unique
- Marine Corps Unique
- DLA/Military Service Common Supplier



Joint Acquisition Strategies Board Governance Model



Level I Roles

- Champion joint acquisition strategies
- Resolve conflicts that inhibit joint acquisition strategies
- Approve overall sourcing and supply chain goals
- Oversee and Monitor performance metrics
- Establish Level II Board



•Standing Membership

(Some Acquisitions May Require Other Vested Senior Leaders)

Level I*
(MRCAG / HQ)
GO/Flag Off / SES

Direction - Strategic Sourcing Strategies- Approval

Level II (Aviation, Land or Maritime Supply Chain) Roles as Delegated by Level I

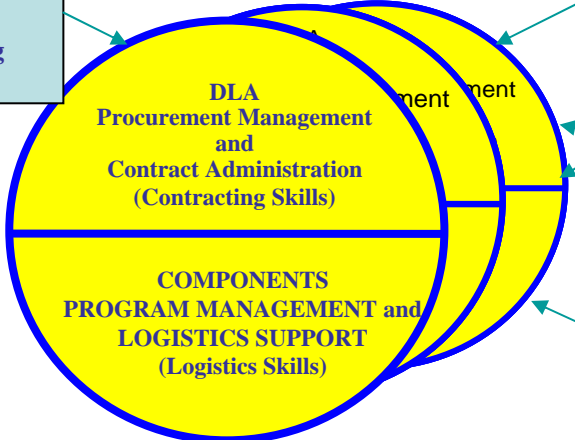
- Own DLR sourcing process
- Set overall sourcing and supply chain objectives and goals
- Approve DLR Acquisition Strategies, Plans, Measures
- Evaluate ongoing strategic procurement performance
- Charter DLR Procurement IPTs



Level II
(Supply Chain)
GO/Flag Off / SES

DLR Procurement IPT

DLA SPE Provides Contracting Guidance



TRANSFERRED:
Procurement Management

SHARED:
Strategy Development

RETAINED:
Requirements Management
Financial
Technical

Level III (Program Execution)

Level III – DLR Procurement Roles

- Establish/execute Joint Component DLR procurement strategies under the direction of the Level I & II Governance
- Execute supplier business agreements (includes sole source & competitive)
 - ✓ determine contract Terms & Conditions
 - ✓ performance requirements
 - ✓ determine price reasonableness
 - ✓ select source
- Capture, monitor, and distribute supplier performance
- Manage operational relationships with suppliers
- Conduct & maintain DLR market intelligence

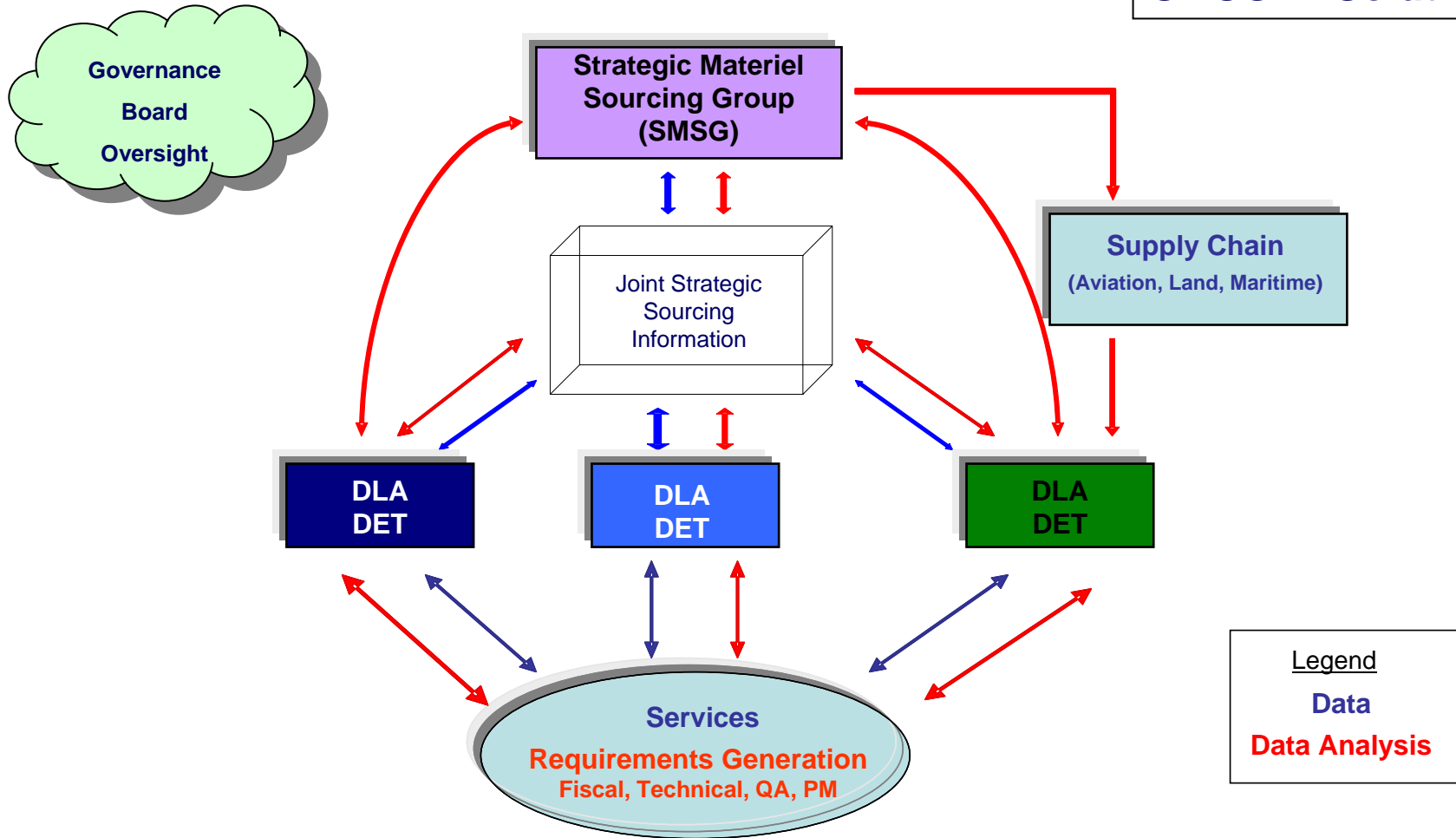


Developing Joint Opportunities



Joint DLR Acquisition Collaboration and Data Flow Model

SMSG IT Solution





Challenges



Depot Level Reparables Transition Challenges



- 1. Day one DLA DLR detachment standup schedule shows earliest transition May 08, two thirds of the way through FY 08**
- 2. Provisional Detachment Stand-up schedule of 01 OCT 07**
- 3. Identifying & Programming Legacy IT System Changes**
- 4. Ensuring that the transferring workforce numbers match the work which will be processed by DLA**



Progress



Progress



- **Governance Structure agreed upon by Materiel Readiness Component Advisory Group (MRCAG)**
- **Implementation Strategy Document completed and agreed upon by each Service and DLA**
- **Overarching Plan of Action & Milestones completed**
- **Initiated Pathfinder effort**
- **Finalized Savings Model**
- **Finalized Financing Of DLR Purchases**



Depot Level Reparable Next Steps



- **Obtain USAF signature on Governance Charter**
- **Identify Site CCO**
- **Complete Site specific Plan of Action & Milestones**



Summary



- **DLA and Air Force committed to a smooth transition**
- **DoD DLR Working Group aggressively spearheading effort**
- **Remaining challenges being worked**
- **Detachment Stand-up gives best chance to achieve savings**
- **Change management activities ramping up.**