Acquisition...Increasing Our Strategic Sourcing Focus

Mr. Milton K. Lewis, SES
Executive Director, Contract & Acquisition Management
Briefing Outline

• Recapping Our Spend Analysis
• Strategic Sourcing Strategies
  – An Overview of Our Approach
• Today’s Major Strategic Programs
• Tomorrow’s Challenges & Opportunities
• Questions
“If you don’t know where you are going, any road will get you there.”

- Lewis Carroll
Briefing Outline

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A Spend Analysis was conducted to derive the optimal population of NIIN candidates for long term procurement strategies over the next 5 year horizon.

There are 2.2 M items in Land and Maritime, representing $2.7B in annual demand value. Spend focused on business drivers that resulted in identifying 4% of these items which cover 72.5% of the ADV, and 70.5% of the annual actual obligation dollars.
Spend Analysis by Federal Supply Class (FSC)

Spend FSC by ADV AUG 09

31 FSCs hold 80% of the Spend ADV and 78% of the actual Obs

Group 1: 2540, 2530, 5340, 6135, 2510 – Vehicle Parts, hardware, and batteries
Group 2: 6140, **4820, 5330**, 2610, 5985 - Batteries, Valves, Antennas, Batteries
Group 3: **4730**, 1005, 4720, **5930**, 3040 - Hoses, Fittings, Pipes, Guns
Group 4: **5935**, 2590, 2520, 4320, 4810 - Connectors, Vehicle Parts, Pumps, Valves
Group 5: 5945, **4710**, 2815, 2910, 2620 - Relays, Pipes, Tires, Engine Components
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• Recapping Our Spend Analysis
• **Strategic Sourcing Strategies**
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Guiding Principles

- Protect the supply chain
  - Deliver conforming material
- Enhance warfighter readiness
  - Ensure availability and responsiveness to customer need
- Efficient use of taxpayer dollars
- Leverage automation whenever possible
- Maximize small business participation
Four Procurement Avenues of Approach

1. Acquire whole supply chains or commodity groups
   - Tire Privatization Initiative
   - Maritime Supply Chain Partnership: Microelectronics, etc.
   - Batteries

2. Where appropriate to customer need, acquire and integrate supplies and services
   - PBL arrangements, Integrated Logistics Partnerships, Industrial Product Support

3. Where integration services are not required, acquire strategic material with flexible response
   - Long-term contracts with performance requirements, strategic supplier alliances

4. For non-strategic material: transactional buys... automate where possible
Strategic Sourcing Approaches

• Strategic
  - Supplier based: Corporate long-term contracts (LTCs) with OEMs with many NSNs crossing the DLA enterprise
  - Customer or Weapon System based: ILP (CP), IPV, ROWPU
  - Commodity based: Supply Chain Partnership Initiative

• Operational
  - Manual awards above or below the Simplified Acquisition Threshold (SAT)
  - Automated awards below the SAT (PACE)
  - Single or small NSN grouping Indefinite Quantity Contracts (IQCts) and Automated Indefinite Delivery Purchase Orders (AIDPOs)
## Strategic Sourcing Spectrum

### Strategy Aligned by Commodity Group (FSC)

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<th>FSC Examples</th>
<th>Strategic</th>
<th>Operational</th>
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<td>FSC 5XXX</td>
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### Notional Spend Distribution
# Strategic Sourcing Spectrum

## Strategies Aligned by Weapon System or Platform

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<th>FSC</th>
<th>Strategic Long Term Contracts</th>
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<td>Examples</td>
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<td>Bridging Systems</td>
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## Notional Spend Distribution
Spend Distribution by Contract Type (FY 08)

**Land**
- LTC: $1,188,605,344 (66%)
- Manual: $492,596,874 (27%)
- PACE: $131,902,831 (7%)

**Maritime**
- LTC: $484,067,676 (33%)
- Manual: $684,802,189 (47%)
- PACE: $289,959,628 (20%)

**Award Actions**
- LTC: 401,477 (84%)
- Manual: 52,880 (11%)
- PACE: 26,372 (5%)

- LTC: 151,243 (49%)
- Manual: 86,306 (28%)
- PACE: 70,687 (23%)

LTC = Long Term Contracts  PACE = Procurement Automated Contracting Evaluation
• Recapping Our Spend Analysis
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DLA Support to MRAP

We broke the mold in provisioning and sustainment

Parts Support Strategy: Original Plan vs Actual

Incremental CLS transition to organic, based on NSN assignment and theater requisitions

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Provisioning

Phase I: Forecasted & Demand Driven Parts

- Type II NSNs (CAGE & PN) assigned for ASL/PLL
- Obtain TECH Data

Phase II: Complete Weapon System

- Long Term Contracts (Sole Source & Competitive)
- Type I NSNs (Fully Described) Assignment/Identification

Army G4 direction: Enable units to order via NSN using tactical STAMIS

Organic Supply System (MILSTRIP) NSN Requisitions

Phase 1

Air Conditioning Parts (258 NSNs)
Planning began in Spring 08
Undedinitized Contract Actions (UCA)
Issued May 08 - deliveries through FY08

Phase 2

Over 5000 NSNs (OEM)
Planning in June 08
UCA's issued in July 08
Deliveries continue in 2009

Phase 3

Long term contracts (up to 19K NSNs)
Market Survey began Oct 2008
1D new LTCs and adds to current
Award by Sep 09
**Tire Privatization Initiative (TPI)**

**Program Requirements:**

- Worldwide Supply Chain/Inventory Management
- Inventory drawdown/elimination
- Obsolescence Management
- Industrial Base Maintenance
- Customer Support
- Time Definite Delivery
- Service Tailored Support
  - **Land/Army**
  - **Aircraft/AF and Army**
    - Landing Cost Index Program
    - Retread
    - Scrap Disposal

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**Time Definite Delivery Standards**

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Better than 95% On-time Delivery
Integrated Logistics Partnerships (ILP)

aka “Customer Pay”

• Jan 06 HMMWV RECAP at LEAD and RRAD; expanded to Maine Military Authority, Apr 06
  • 23.8 M parts issued; 23,376 vehicles repaired
  • 99.999% stock availability (6 Sigma results) 532 bin stock outs (compared to thousands pre-CP)
  • Savings: $4520 per vehicle at RRAD / $3414 per vehicle at LEAD = 691 more vehicles produced
  • Army, AMG, and DLA inventory levels = $26.4M, a 76% reduction in the pre-CP Army inventory
  • Army inventory reduced by 93.4% to $7.3M
  • RECAP PM decreased inventory investment by >95%
• Awarded follow-on contract 6 Nov 08 to AM General
  • Future expansion to Marine Corps

“Before Customer Pay, we went for about three months without producing a single vehicle that had 100 percent parts. Today, we go about three months without a single vehicle missing a single part.”
--Dr. John Gray, LEAD Dep Cmdr
Industrial Product Support (IPV)

• Integrated logistics solution for line-side bench stock at:
  - Anniston Army Depot
  - Red River Army Depot
  - Tobyhanna
  - and Letterkenny Army Depots

• Program Goals:
  - Improved reliability and responsiveness
  - Supply Chain Management, Parts Acquisition, Bin Management,
  - Forecasting, Obsolescence Management, ---
    Customer Service Reps, Kitting, and Quality Assurance
  - Single point accountability
  - 99.85% Stock Availability at bin level

...next step is an umbrella contract to implement more rapidly at other locations...
Fleet Automotive Support Initiative (FASI) - Global

Increasing annual demand value coverage

Objectives

- 100% contractor management of supplies
- Reduced DLA inventory investment and customer costs
- Improved end-to-end supply chain visibility

Supply Chain Partners

- Lockheed Martin
  - We never forget who we’re working for

Savings...

Lower prices $16M/year
Inventory reduction $200M

Regional (FY00) Global (FY09) Global w/Add (planned)
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M-ATV Vehicle Support

- Initial production delivery order to Oshkosh Defense to build MRAP-All Terrain Vehicles (M-ATV) for Afghanistan ops.
- 3 year contract with orders up to $3.3B for production, delivery, and associated support.
- First M-ATVs will be fielded by October.
- Produce 1,000 vehicles/month by Dec 2009.
- MRAP JPO is planning to procure limited initial spares and wants DLA to provide sustainment during fielding, as we are doing for rest of MRAP
- DSCC/DLIS/ DLA are supporting early sustainment efforts

"From an equipment standpoint, there's no higher priority than to get these vehicles in theater as rapidly as we can."
- ADM Mike Mullen, Chairman Joint Chiefs of Staff

M-ATV FACT CHECK
- The M-ATV is a separate category within the MRAP family of vehicles.
- Mission: Small-unit combat operations in highly restricted rural, mountainous and urban environments.
- Troop Transport: Carry up to five personnel — four plus a gunner.

Service Requirements:
- Army vehicles - 2,598
- Marine vehicles - 1,565
- SOCOM vehicles - 643
- Air Force vehicles - 280
- Navy vehicles - 65
- Test vehicles - 93
# Tires Successor Initiative (TSI)

## Objectives
- 95% or better on-time delivery
- Address...
  - Industrial base concerns
  - OCONUS pricing

## Key Features
- Critical timeline
- Engagement strategy with stakeholders
- Cost reductions

## Timeline

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- **RFP**
- **Projected Award**
- **FOC**
ANAD-RRAD IPV Successor

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- **Objectives**
  - A contract for continued support of the ANAD & RRAD maintenance lines.
  - Provide worldwide support for customers using same items as depots. Eliminate dual support channels for DLA.
  - Issue solicitation July/Aug 09. Award by May 2010.

- **Key Features**
  - Flexible contract scope to handle new items and inactivate others.
## Maritime Supply Chain Partnership
### Microcircuits and Semiconductors (FSC 5961/5962)

### Scope
- 95,000 NIINs
- 12,500 (13.1%) Active
- 68,000 orders for 447,000 units
- $27M in Sales annually

### Environment
- Non-Conforming Material/ Counterfeit
- Obsolete/ Secondary Market
- Customer feedback

### Actions
- 100% Traceability
- Qualified Suppliers List for Distributors
- Product Verification Testing
- ESA/ Obsolescence

### Concerns
- Supportability and obsolescence
- Other commodities

### Way Ahead

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### Strategic Program Roadmap

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- RFP
- Projected Award
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Legend:
- ▲: RFP
- ★: Projected Award

Phase 1 - Phase 4
Sourcing Trends – What you can expect

- Tailored requests for information (RFI)
- Reduced period of performance (including options)
  - 5 years or less
- Increased use of draft RFPs
- Increased use of oral presentations in the evaluation
- Use of incentives/disincentives provisions
- Aggressive small business participation goals
- Military Services participation in source selection
- Increasing emphasis on joint procurement opportunities
Joint Opportunities – The Way Ahead

Reconfigure DoD logistics to achieve economies, efficiencies and improve support to the future force.

#175 Privatization
#176 Consumable Item Transfer
#176 Depot Level Reparables
#177 Supply, Storage & Distribution

2005 2011

2006

2007

2008 2009

2010

2011

Focused on business-related logistics economies

Today

Yesterday

Tomorrow

Traditional military logistics linear processes

Standardized force-focused logistics network

Jointness

Synergy

Redundancy

Efficiencies

Logistics

DLA

ERP Integration

Infrastructure Reduction

Functional Consolidation

Air Force

Army

USMC

Navy
# DLA Strategic Partners & Top MILSVC Suppliers

## Synergy Across Military Services – Opportunities to Leverage DoD Buying Power

### Military Service Top Vendors (2003-2005)

<table>
<thead>
<tr>
<th>DLA Strategic Partners</th>
<th>Air Force</th>
<th>Army</th>
<th>Navy</th>
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### Significant Overlap in Top Suppliers

- **DLA Unique**
  - Air Force Unique
  - Army Unique
  - Navy Unique
  - Marine Corps Unique
  - DLA/Military Service Common Supplier
Depot Level Reparable Sites

- DLR Sites
- SS&D Sites
- DLR & SS&D Site

**Sites**
- MCLB Albany (DLR & SS&D Site)
- DSCC Columbus
- Tobyhanna Army Depot
- Aberdeen Proving Ground
- Norfolk Naval SY
- Tobyhanna Army Depot
- Anniston Army Depot
- MCLB Barstow
- NAIVCP Mechanicsburg

**Timeline**

- **FY 09**
  - NAVICP Mech Phase I (9-Nov-08)
  - TACOM Warren (15-Feb-09)
  - Shipyard Kickoff (10 May-09)
  - Marine Corps Kickoff
  - Portland Naval SY & IMF
  - Pearl Harbor Naval SY & IMF

- **FY 10**
  - NAVICP Mech Phase II (TBD)
  - CCO Appointments
  - TACOM Rock Island
  - Portsmouth Naval SY
  - Pearl Harbor Naval SY & IMF
  - Pearl Harbor (25 Apr-10)
  - Norfolk Naval SY & IMF

- **FY 11**
  - LOGCOM
  - TACOM
  - CECOM (Sept-11)
  - Norfolk II (Jun-11)
  - Aniston (Jan-Mar 11)
  - MCLB Albany (Sep-09)
  - MCLB Barstow (Sep-10)
  - NAIVCP Mech Phase II (15-Feb-09) (Apr-11)
  - NAIVCP Mech Phase II (19 Jul-09) (Jun-11)
  - Pearl Harbor (25 Apr-10) (Jun-11)
Maritime Joint Opportunities

**Raytheon (DLA SSA Partner)**

- **DLR additions to the DSCC/Raytheon Corporate Contract**
  - Commodity-based: 74 Mechanicsburg circuit cards, annual value ~$1.25M awarded Mar 2009
  - CAGE-based (El Paso): 161 Mechanicsburg DLRs, annual value ~ $3.4M estimated award date in early FY10

- **Long-Term Acquisition Strategy** ... convene Joint IPT in Aug with Service POCs and CCOs ... SSAT feedback received from Navy & Air Force ... annual SSAT projections $8M in Mech (997 items) & $267K in Phil (14 items) ... determine best long-term vehicle/support strategy

**Rockwell (DLA SCA Partner)**

- DSCC & Air Force have existing long-term contracts
- Service DLRs a mix of commercial and non-commercial items

- **Long-Term Acquisition Strategy** ... convene Joint IPT in Aug with Service PPOCs and CCOs ... SSAT feedback received from Navy ... annual SSAT projections $3.4M in Mech (43 items) & $273K in Phil (9 items)

**IMO Pump**

- Added Navy DLR pump to DLA LTC ... demand projected at ~ $4.1M over FY09/ FY10 ... awarded Jun 2009
Land Joint Opportunities

**Joint projects**
- Include Army CIT NSNs (two transfers in 09, one in 10)
- Assigning DLR and CIT NSNs to Buyers
- Coordinating with Marine Corps

**Add-on projects underway**
- Detroit Diesel, Oshkosh Corp *(including M-ATV)*
- Cummins Engine
- BAE Systems, Fairfield, OH - 106 NSNs
- AM General

**Additional add-on projects in research**
- General Dynamics Land Systems-Canada: 88 NSNs
- Cadillac Gage Textron Inc.: 47 NSNs
- BAE Systems, Sealy, TX: 12 NSNs
- General Dynamics Land Systems: 207 NSNs
- BAE Systems, Land & Armament, Anniston, AL: 5 NSNs

114 NSNs Total: 50 DLRs
64 consumables

359 NSNs Total: 70 DLRs
64 consumables
Strategic Programs Directorate

Director/Deputy Strategic Programs Directorate

MRAP

Operations, Analysis & Planning

Acquisition Execution I

Acquisition Execution II

SRM

Program Management

Matrixed Resources
Procurement, Small Business, Legal

Implementation Timeline

Aug-09
Phase I
IOC, CONOPS

Oct-09
Phase II
Physical Move SMSG

Mar-10
Phase III
Program Mgmt Div

Oct-10
Phase IV
FOC
We can never be any better than the suppliers who support us.

Thank you for all you do!
Working together to bring them home safely!
Questions?