Value Management

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Agenda

• Source Development
• Castings & Forgings Assistance Tools
• Value Engineering Change Proposals (VECP’s)
• Replenishment Parts Purchase or Borrow (RPPOB)
• Sustaining Engineering (SE)
• Additional VM Programs Managed at DLA
• New Initiatives
• Summary
• Points of Contact
Source Development
Source Development

- Source Development includes several functions that are intended to aid procurement activities in obtaining hard-to-procure items
- Leverages relationships with suppliers and Service engineering activities
- Targets items with no-sources, nonresponsive-sources, or over-pricing issues
- Accomplished primarily through:
  - In-house reverse engineering
  - Contractor reverse engineering
  - Source Approval Request (SAR) development (contractor)
- Aggressive development of new programs targeting reverse engineering as an improved solution
DLA Casting and Forging Assistance Tools
Forging Advanced System Technology

- **R&D Challenges:**
  - Disproportionate share of unfilled orders
  - Fragile supply chains – hidden sole source

- **Objectives:**
  - Reduce unfilled orders
  - Improve forging technology

- **Accomplishments:**
  - Tooling database with 62,000 part numbers and/or National Stock Numbers
  - Developed new software for Lean manufacturing capabilities at forge shops
  - Developed Spray Metal Tooling Machine, Rapid Solidification Process (RSP)

- **Plans:**
  - Metal and Process Optimization (MPO) project to evaluate production methods and materials as a decision making guide for spare and repair parts
  - Automate Job shop Lean & six sigma integration – Reduce energy to move material
  - Email alert of new solicitations to forge shops with existing tooling or capabilities
  - Laser Deposition of Tooling, an additive Mfg technology for Forging Die Repair

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Forging Advanced System Technology

• R&D Challenges:
  – Disproportionate share of unfilled orders
  – Fragile supply chains – hidden sole source

• Objectives:
  – Reduce unfilled orders
  – Improve forging technology
  – Improve responses to solicitations

• Accomplishments:
  – 22K tools in database & $1.5M/mo of solicitations pushed to foundries w/tooling
  – Digital radiography Std for steel investment castings – Eliminating film use/storage
  – Developed & tested mechanical properties of E357 – Beryllium free Cast aluminum alloy
  – Three projects striving to lighten cast components – Reducing weight to save fuel

• Plans:
  – Finalize new digital radiographic casting standards with ASTM International
  – Publish guidelines to select filler metals & welding parameters to reduce corrosion on the welds of SS castings.

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Value Engineering Change Proposals

VECPs
Value Engineering Change Proposals

• Contractual method to share savings
  - Improve DoD supplies and/or equipment
  - Savings shared between Contractor and DoD
  - Described in FAR Clause 52.248-1

• Improvements include any price savings
  - Processes
  - Materials
  - Manufacturing techniques
  - Other
Rules and Tools

- VECP clause in most contracts > $25K
- Clause can be added by modification
- VECP can only be received on an instant contract
- Typical share ratio: 50/50
- Collateral lifecycle savings may be negotiated
Replenishment Parts Purchase or Borrow Program

RPPOB
Why RPPOB?

- **Statutory Requirement**
  - Defense Procurement Reform Act of 1984
    - Public Law 98-525, Section 1216(a)
    - Codified at Title 10 U.S.C. 2320(B)

- Promote full and open competition
- Develop new sources
  - Sole Source
  - Limited Competition Items
RPPOB Methods

• Statutory Requirement

• Direct Purchase
  – Contractor buys at Standard Unit Price (SUP)
  – Item is not returned

• Bailment
  – Item loaned at SUP
  – SUP held in Trust by DFAS
  – SUP monies returned (If item is returned in “A” condition)

• View of Part - Contractors may inspect part in a designated area
RPPOB – What it is Not

- Not intended to proof their manufacturing
- Not available on solicitations/contracts when:
  - In accordance with a specification
  - In accordance with a drawing
- Not to test a competitor’s part

Purpose: Develop New Sources
RPPOB Process

• Contractor request received
• Item reviewed as an RPPOB candidate
• Contact with ESA for approval to bail out
• Contractor provides monies and signs the agreement
• Item directly sent to Contractor
• Contractor provides alternate offer data package
• Data package sent to ESA for final approval
• System updated with approval
Benefits of RPPOB

• Break Sole Source
  – Average 30-40% in procurement savings
• Provide additional sources on limited source items
• Provide source for obsolete items
• Reduce cost through enhanced competition
• Potential for Unlimited Rights Technical Data Packages (TDPs)

Increased Competition = Lower Cost to Taxpayers
Sustaining Engineering Program

SE
Sustaining Engineering

- Proposals solicited from all services
- Proposals evaluated by DLA Aviation and DLA Land and Maritime teams
  - Value Management Team lead
  - Weapon System Support Manager (WSSM)
  - Cognizant DLA Aviation/Maritime/Land Application Team
    - Engineer/technical
    - Product Assurance
    - Buyer
- Selections funded/implemented in order of
  - Date of receipt
  - Weapon system support impact
  - Overall best value to customer
- Accepted proposals funded by DLA
  - Coordinated with ESA
  - Funds available FY 10: $5M
Project Selection Criteria

• DLA managed item
• Minimum ROI of 10:1
  – Lifecycle savings
• Make positive impact
  – Operational readiness
  – ALT/PLT
  – Item demand
  – Unit price
• Reduce field maintenance actions
• Improve competitive position
  – Availability of tech data
  – Increase sources of supply
Additional Value Management Programs
Managed at DLA
Additional VM Programs

Price Challenge Program

- Responsive to customer suspicion of overpricing
- Determine value using tech data, buy history, and similar items
- Provide recommendation when overpricing is discovered
- Corrective action taken to improve pricing or recover funds

Should Cost Program

- Engineering Intrinsic Value Cost Estimate
  - Materials and labor
  - Testing
  - Packaging
  - Manufacturing Charges
  - Overhead and Profit
- Assists Contracting Officers during procurement negotiations
Additional VM Programs

Reverse Engineering

- Performed using Government resources
- Items ordered from Government stock
- Identifies physical, material, mechanical, and environmental properties
- Test requirements identified/determined
- Technical Data Package developed for use in full and open competitive acquisition

Organic Manufacturing

- Utilize manufacturing capacity of government labs/arsenals when private industry cannot meet our needs
- **Public** (organic) and **Private** sources cannot compete against each other for awards!
  - Exceptions:
    - Price: quoted price is formally determined to be unacceptable
    - Delivery: quoted delivery time frame does not meet our requirements.
New Initiatives
NIST Pilot Program

- National Institute of Standards and Technology (NIST)
  - Nationwide network of not-for-profit companies
    - Provide technical consultants to small business
      - Solve manufacturing/material problems
      - Lean Six Sigma
  - Wants to expand to include business opportunities
    - Match opportunities to companies in network
  - Goal: Use NIST to develop new sources
    - Hard to buy items
    - Sole source items
  - DSCC will provide
    - Training on doing business with DLA
    - Samples, tech data, and/or photos
    - Funding for reverse engineering efforts
WARFIGHTER FOCUSED, GLOBALLY RESPONSIVE SUPPLY CHAIN LEADERSHIP

MRAP Support

• Focused support to Land Supply Chain
  – Eliminating duplicate NSNs
  – Reviewing/correcting technical data

• Current focus on “Sources Sought” synopsis
  – Seeking actual MRAP parts manufacturers
  – Synopsis for each MRAP OEM
Summary

• DLA’s Value Management Office provides support
  – Government
  – Customers
  – Suppliers

• Our focus
  – Provide solutions on problem parts
  – Reduce acquisition and support costs

• For further information
  – Contact attached P.O.C.’s
Points of Contact

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