Demand Intelligence Sharing with Industry

“Update”

12 June 2012
“With country facing a financial crisis, the Defense Department must cut $489 billion over the next ten years.”

Secretary of Defense Leon Panetta
13 Jan 2012 to the El Paso, TX Chamber of Commerce

*Source: American Forces Press Service*
## The Challenge We Saw in Sep 2011

- Combat operations in Iraq ended 31 Dec
- POTUS OEF withdraw NLT CY ’14
- 10 years robust spending on OND/OEF weapon systems
- Huge stockage of MRAP and other repair parts
- Short window for Industrial RECAP/RESET
- Decreasing budgets

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*Needed to increase dialogue with our customers on the future*
Customer/Supplier Base Linkage

Generate Requirements

Aggregate Requirements

Fill Requirements

Customers

Operational

Industrial

Suppliers

DoD’s End-to-End Supply Chain ...
... Needs active engagement of all to operate effectively/efficiently
Purpose

• Prevent / Reduce Iron Mountains as OPTEMPO decreases

• Must buy Smartly and Effectively
  – Overall Demand Decreases
  – Must Prevent Over Procurements

• **Tell you what we know**

• Adjust our Plans for the Future

• Solicit Intelligence and Provide more routine Situational Awareness to our Partners
The Future…

We Need Your Help

• Shifting National Priorities
• Future Pressure on Military Service Budgets
• Withdrawing Troops from Overseas Contingency
• Reset in Resource Constrained Environment
• Suppliers Adjusting Now
• Must Make Prudent Forecast Adjustments
  – Focus Investments Wisely
  – Protect Readiness
• Forecast Models Rely on Demand Histories

The past is not an accurate predictor of future requirements
Intelligence Gathered

• Expecting services to use material bought from the last 10 years
• USMC / Army Tactical Vehicle Divestiture
• MRAP Stock Divestiture
• Retrograde Details, $2.4B in excess
• Multi-years of DLA SOH
• Force Structure Reductions
• DoD budget cuts
• POTUS OEF withdraw NLT CY ’14
• DLA systematically adjusting forecasting
April year over year, CL IX orders down from 316K to 295K; Land 150K to 113K, Maritime from 75K to 49K
Tactical Vehicle Sustainment Sales

FY11
Total Sales: $1.1B

FY12 (to date)
Total Sales: $416M

- 22% of Demand
- 41% of Dollars

Enduring Combat Operations

- 21% of Demand
- 43% of Dollars
Shared Intelligence and Forecasting Focus Areas

**Intel**
- Army G-4
- JPO MRAP
- AMC
- LOGCOM
- CENTCOM
- DST-A
- MARCORSYSCOM
- OSD
- DLA-C
- DLA Service Teams
- RAND

**Interface**
- DLA Land and Maritime Customer Operations

**Focus Areas**
- Tactical Wheeled Vehicle Divestiture
  - APS
  - MRAP
  - BMD/MCM Patriot
  - Retrograde
  - SSA Closures
  - SPR Process
  - FMS
  - Suppliers
  - Tire Support Initiative

**S&OP Process**
- Process
  - Internal
  - Enterprise
- Tools
  - Digital Demand Dial (3D)
  - Supply Plan Adjustments (DFU-SKU)
  - Constrained Supply Planning (CSP)

**Output**
- Actions
- Suppliers
- DLA Enterprise
- Services
Actions Accomplished

- Iraq SSA closure analysis identified 58K NSNs with demand history that needed to be adjusted:
  - $123M in overforecasting (Cost Avoidance)
  - Effects 20K NSNs with Due-ins

- MRAP:
  - Over 7K NSNs purged from system
  - $18M in Over Procurements cancelled
  - Modified Customer Return process to reduce DLA buyback of excess
  - Over $70M of cancelled contracts and PRs

- OEF SMU S&OP 3D project approved - $1.05M immediately plus additional $7.02M by end CY14

- Special Program Requests (SPR) Summit/DDE Prototypes

- MRAP Inventory Reduction to date $17M. Another $25M recommended by MRAP CLIX Optimization IPT.

Cost Avoidance Totals

- SSA / SMU $130M
- MRAP OPs $18M
- MRAP CNX $70M
- LVS Reduction $2M
- APS-ASC $56M
- SPRs $55M

TOTAL $331M
OEF Retrograde

**Intel Received**
- USMC reduces 10K forces 2012
- End of operations 2014
- **SMU value ↓ from $106M to $54M**
- Army move from 18 SSAs to 13 by end of CY12

**Intel Needed**
- Equipment Density changes
- Timeline for Army SSA Closures
- SSA NIIN losses & stock level reductions

**Action Plan**
- **Coordinating with AMC and JSC-A**
- Forecast adjustments of reduced SMU inventory already done – 27K NIIN / $8.07M
- Collaborated dial down where projected demand significantly lower than history

**Timeline and Milestones**
- Dec –14 Units withdrawn
- Oct 12 – Review Results
- Aug 12 – S&OP Implementation
- Jul 12 – Enterprise S&OP
- Jul 12 - Internal S&OP Decision
- Jun 12 – Develop COAs
- 9 May 12 – VTC Forecasting Summit

**Impacts**
- PR reductions
- Demand Planning Accuracy improvement
- Potential canceling of PRs
- **Buy what you need for future requirements**

DLA POC: LTC Stephen York, 614-692-6786
## Army/USMC Divestiture

### Tactical Wheel Vehicles (TWV)

## Intel Received
- **Forecasting Summit:** 30-45K Army/USMC vehicles divesting in the next 3-5 years
- **Army G-8 DRAFT TWV Divestiture EXORD FY13**
- **Marine Corps Ground Combat and Tactical Vehicle Strategy Decision Point 2 – Jul 11**

## Intel Needed
- PMs to validate Weapon System Life Cycle Information - need includes NSN level by variant.
- **Type of Divesting – Reserve / NG / FMS / Complete from Annex A of FINAL TWV Divestiture EXORD FY13**

## Action Plan
- Identify WSDCs for divesting with Army/USMC
- Systematic drawdown on Unique NSNs
  - Phased Approach; process must be repeatable
  - Two-year Forecast + WS Divesting Schedule = Dial-Down Recommendation
- Ongoing coordination with Customers and DLA organizations
- Carefully monitor MA and OR of affected WSDCs while drawing down
- **Recommendation:** Implement Percentage-Based, Dial-Down Process; according to Divestiture Schedule

## Time Line/Milestones

### 10 Jan 12 – Initial S&OP COAs Review
- **5-7 Feb 12 – TWV Conference**
- **12 Apr 12 FMS Summit**
- **9 May 12 – Forecasting VTC**
- **12 Jun 12 – S&OP Follow-up**

## Impacts: FY12-FY17
- Cost avoidance (two-year, rolling forecast).
- Reduced stock levels - Unique NSNs

## Update:
- **Army 5 HMMWV variants, 12 MTV Veh, & 7 HTV Veh identified**
- **LVS – 35% forecast reduction in Feb for $2.3M; total reduction of $6.7M when complete.**

## Goals
- Reduce SOH of obsolete equipment.
- Allocate resources to buy and forecast the right items
Obligations for Tactical Vehicle Sustainment

$ Billions

FY 10 FY 11 FY 12 FY 13 FY 14 FY 15

Actual

Projected

DLA Total Land & Maritime TWV Obligations

As of end 2nd QTR FY12

DLA Budget will continue to decrease over the out years!
DLA Land and Maritime expects decreases across all tactical wheeled platforms!
MRAP Tactical Vehicles

Objectives

- Reduce MRAP excess inventory while maintaining Warfighter Readiness
- Reduction of DLA storage cost
- Support Depot RESET, MSF, RSA, & Svc Maintenance events in compressed timeline
- Improve Weapon System Support Program Parts Reconciliation w/Army and Marines

Intel Received

- DP-147 & USMC Enduring Fleet Footprint
- Incremental Parts ID’d for Divestment & Phaseout
- Collection of Mandatory Replacement Parts

Proposed Action Plan

- Data Cleansing (Divestiture/Phase Out parts)
- Over Procurement Prevention & Reduction
- Right Size inventory across DLA
- Scrutinize customer material returns closely
- Continue SSA Zero Balance Reviews
- Further Develop Other Customer Avenues
  - Exchange or Sale/Return for Credit

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FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15
MRAP Inventory Stratification (22 May 12)

- **Approved Acquisition Objective (AAO)** – SL, ALT, PLT, COVDUR, BO, 2 yrs Forecast Demand
- **Economic Retention Stock (ERS)** – 8-15 years additional retention
- **Contingency Retention Stock (CRS)** – Weapon system retention
- **Potential Reutilization Stock (PRS)** – Excess inventory available for disposition

**Graph Details:**
- **Value in Millions:**
  - AAO: $402
  - ERS: $268
  - CRS: $11
  - PRS: $134

**NSN Count:**
- **AAO:**
  - $0
  - $100
  - $200
  - $300
  - $400
  - $500

- **ERS:**
  - $0
  - $100
  - $200
  - $300
  - $400

- **CRS:**
  - $0
  - $100
  - $200

- **PRS:**
  - $0
  - $100

**Remarks:**
- Looking for new avenues to reduce excess
- DLA L&M BAES DORRA MRAP ReStrat Data as of 22 May 12 (Calculated Monthly)
### Light Tactical Vehicles

**Intel Received**
- 5 variants to be divested (M998, M1025, M1026, M1037, M1038) under WSDC 80A
- TACOM to provide divestiture unique NSNs and quantities in June 2012
- Possible FMS Sales

**Objectives**
- Reduce/eliminate any excess stock buys
- Reduce DLA Inventory Levels
- Minimize backorders

**Proposed Action Plan**
- 2994 Unique NIINs for Weapon System Designator Code 80A
- Percentage in reduction will be determine once divestiture quantities are provided

### Bar Graph

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**Years**
- FY08
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- FY10
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- FY12
- FY13
- FY14
- FY15
Medium Tactical Vehicles

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FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 |

Intel Received

- Force reduction will impact production
- M35 to be divested by 2013
- M800 to be divested by 2013
- M939 to be reduced from 23,216 to 1,621 by 2014
- ASV to see a decrease in OPTEMPO/demands

Proposed Action Plan

- Requested list of NIINs for all Weapon Systems
- **Eliminate all procurements for the M35 and M800 unique NIINs.**
- 15% reduction in common NIINs
- 50% reduction on all procurements of unique & 15% on common NIINs for M939
- 25% reduction on all procurements of unique & 15% on common NIINs for ASV
- Reduce/eliminate any excess stock buys
- Reduce DLA inventory
- Minimize backorders
Heavy Tactical Vehicles

**Intel Received**
- Army will divest approximately 3,262 HTV through FY22
- Final divestiture quantities and models will be determined in June 2012.
- The USMC will divest all LVS vehicles NLT 31 DEC 14
- The 115 LVS currently supporting OEF will remain in place until unserviceable
- Depot work for the LVS was cancelled

**Proposed Action Plan**
- LVS demand plans **reduced by 35%** now with another 35% reduction NOV 12, another 15% May 2013, **final decrement Nov 13**
- Only backorders will be bought for LVS NSNs after NOV 13

**Objectives**
- To reduce / eliminate any excess stock buys
- Reduce DLA inventory Levels
- Identify stock to be disposed upon final divestment
- Minimize backorders
# WSSM Staffing

**LTC AARON P. FITZSIMMONS**  
Chief of Land Readiness  
Email: first.last@dla.mil  
Comml 614-692-xxxx  
DSN 850

<table>
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<tr>
<th>Name</th>
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<tr>
<td>KAREN.DEVER.BLEVINS</td>
<td>Howitzers &amp; Chem / Bio x7663</td>
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| DAVID.DURR - ARMY MHE / NATICK | x9520  
David. Mix temp until Aug 12 x6043 |
| DUANE.GROSS - ASV / MTV     | x7610                                      |
| SARAH.CARRICO - MRAP / MATV | x2376                                      |
| CARL.LANGWELL - MISSILES / AMCOM | x5764                                |
| GINALEE.LEWIS - USMC Engineer and Power Systems | x7331                        |
| JAMES.LOSEY - BRADLEY / M88 / FCS, BRIDGING, MARINES COMM/ELEC | x7625                        |
| ANGELA.TURLEY - MRAP        | x1231                                      |
| DANIEL.NETTLE – CE / PAWS / ROBOTICS | x3207                                |
| SUSAN.PEDERSON – COMM / ELEC, /CECOM | x8727                                |
| LOUIS.PIERI – ABRAMS / WOLVERINE | x4068                                |
| JOHN.PITCOCK - RCV / MRAP READINESS | x3465                                |
| JOHN.E.ROUSE – HTV / TWV    | x2043                                      |
| SHELLY JENKINS – HMMWV / LTV |                                            |
| ANNE.TARRANT – LAV / AAV / STRYKER / SMALL ARMS / MORTARS | x1746                        |
| BRENT.WATSON – RCV / MRAP READINESS | x9119                                |
Supplier Help

Identification of Supply Chain Constraints

Data Cleaning / Stock Re-Engineering

Material Cost Reduction
Closing

Continue to partner for readiness of our Warfighters and Depots

Industry Conference
Summer of 2012
Columbus, OH

Greater Collaboration With Our Suppliers