DLA Logistics Support In An Austere Environment

May 6, 2014

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Deputy Commander, DLA Land and Maritime
Agenda

- DLA Today
- Looking Ahead
- Cost Reductions
- Strategic Initiatives
- Time to Award Initiative
- Customer Orders Trend
- DLA Land Projected Spend
- Warstopper: Industrial Base Preparedness
- What We Want
- The Bottom Line
- Combatant Commanders Support
  - Food and fuel posture
  - Subsistence Prime Vendor
  - Retrograde
  - Inventory rightsizing/positioning

- Inventory sales
  - FY 11 - $46B
  - FY 12 - $44B
  - FY 13 - $39B
  - FY 14 - $3XB (?)

- Expanding Missions/Emerging Roles
  - Retail support
  - Reparables management
  - Counterfeit risk management
  - Acquisition Time Reduction
  - Commercial fuel transition
  - Humanitarian support
Looking Ahead

- Global Shift in Defense Strategy...smaller, leaner forces
- Recurring Budget Reductions
- Pursuing Audit Readiness
Cost Reductions

Dramatically reducing cost (to date): $3B

- Significantly improving performance
  - Materiel Availability: 90%
  - Backorders: ↓30%
  - Aged Backorders: ↓40%
  - Aged Purchase Requests: ↓50%
  - Cost Recovery Rate steady at 13.2%

“Gentlemen, we have run out of money. Now we have to think.”
~ Winston Churchill ~
Cost Reductions

President’s Budget Review FY15

. . . Savings = “13 in 6”

Total Savings $13B

OSD-C Guidance
(DLA Supply Chain Only) $4B

OSD-C Guidance $4B

Additional Efficiencies $9B

Add’l Efficiencies
(DLA Supply Chain and Energy) $9B

Significantly improved performance to the warfighter while dramatically reducing cost
Cost Reductions

Strategy To Achieve “13-in-6”

- **Culture of judiciousness**
- **Strategic Network Optimization**
  - Less, harder-working inventory + less infrastructure
  - Phase I:
    - Economic SKU Build for CONUS SKUs
    - Dedicated Truck Routes
    - Economic Movement Quantity for OCONUS SKUs
  - Phase II Focus Areas:
    - Enhanced In-Storage Visibility
    - Multi-Echelon requirements computation
    - Optimizing DoD Inventory
- **Continually improved acquisition processes**
  - Increased Long Term Contracting Coverage
  - Improved dialog with Strategic Industry Partners
  - Reduced Time to Award
- **Strategic review of fuel**
- **Excellence in inventory management**
Cost Reductions

Inventory Management Actions

Inventory Reduction

- Disposed of $2.6B in 18 mos
- Another $1.4B by end of FY
- Maintain 90% Material Avail

CONUS Stock Positioning

- Reduced items in multiple locations from 20% to 2%
- Reduced inventory requirement by $173M
- Increasing distribution annual savings:
  - Scheduled Truck ($9M)
  - Container utilization ($11M)
  - STOs ($23M)

OCONUS Stock Positioning

- Economic Movement Quantity (EMQ) pushes large, bulky, faster moving items forward
- Cheaper to fly smaller items
- $20M DOD transportation cost avoidance
- 10K increase in line items forward

Customer focused support at reduced cost!
Strategic Initiatives

- First Destination Transportation and Packaging Initiative
- Commodity Initiatives
- Performance Based Logistics (PBL)
## Strategic Initiatives

### Transportation & Packaging Initiatives

#### First-Destination Packaging (FDP)
- Convert DLA managed shipments to commercial Package (unless required by the material)
- Reduces packaging costs
- Target Class IX, IV and VII Stock
- Implemented March 2013

#### First-Destination Transportation (FDT)
- Convert DLA managed shipments to FOB Origin
- No transportation costs
- No carrier performance monitoring
- Increase supplier competition
- Implemented October 2013

**FDTPI Targets DLA’s Aviation, Land, Maritime, Industrial Hardware and C&E Supply Chains**
Each year, DLA buys over 16,000 Brake Shoes – FDTPI could generate packaging and transportation savings of $77,500.

### Transportation

<table>
<thead>
<tr>
<th>Ship Type</th>
<th>Shipping Rate (per unit)</th>
<th>Rate Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial</td>
<td>Government</td>
</tr>
<tr>
<td>Parcel</td>
<td>$23.79</td>
<td>$5.27</td>
</tr>
<tr>
<td>LTL</td>
<td>$5.29</td>
<td>$3.48</td>
</tr>
<tr>
<td>TL</td>
<td>$1.63</td>
<td>$0.76</td>
</tr>
</tbody>
</table>

- Shipping Brake Shoes from Huntington, IN to New Cumberland, PA
- LTL Savings: $28,960 annual savings
  - 16,000 Brake Shoes X ($5.29-$3.48)
- TL Savings: $13,920 annual savings
  - 16,000 Brake Shoes X ($1.63-$0.76)

### Packaging

- Commercial packaging costs $1.500 per Brake Shoe
- Military packaging costs $4.534 per Brake Shoe
- Using commercial packaging could potentially save $48,540
Strategic Initiatives

Commodity Initiatives

• Tire Support Initiative
• Battery Initiative
  - Lead Acid
  - Lithium Ion
  - Other Chemistries
• Chemical / Petroleum
Performance Based Logistics (PBLs)

• Industrial Product Support Vendor (IPV)
• Integrated Logistics Platform (ILP)
• Integrated Platform Support (IPS)
• Honeywell Auxiliary Power Unit
• GE F Series Engines
• Boeing
## Time to Award Initiative

### Mission

- **Reduce *Time to Award* for DLA**

<table>
<thead>
<tr>
<th>Today</th>
<th>To Be</th>
</tr>
</thead>
<tbody>
<tr>
<td>45% of SAT actions fully automated (31 days avg.)</td>
<td>85% 10 days</td>
</tr>
<tr>
<td>Manual SAT = 100 days (avg.)</td>
<td>35 days</td>
</tr>
<tr>
<td>Large Contracts = 270 days (avg.)</td>
<td>110 days</td>
</tr>
<tr>
<td>Long Term Contracts = 400 days (avg.)</td>
<td>140 days</td>
</tr>
</tbody>
</table>

### Industry Contributions

- Timely quoting (10-day automated)
- Communicate “no quote” situations
  - Minimum buy incentives
  - Providing data when no longer interested in sourcing
- Provide quantity price break ranges
Customer Orders Trend

Land Demand Chain Class IX Order Volume:
Tactical Wheeled Vehicles

29% Percent Decrease March 2012 to March 2014
## DLA Land Spend

<table>
<thead>
<tr>
<th>FSC(s)</th>
<th>Major Commodity</th>
<th>FY13 Spend</th>
<th>FY14 Spend</th>
<th>Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>2610 &amp; 2620</td>
<td>Tires</td>
<td>$141.0M</td>
<td>$56.6M</td>
<td>$70.0M ↓</td>
</tr>
<tr>
<td>6135 &amp; 6140</td>
<td>Batteries</td>
<td>$79.3M</td>
<td>$52.1M</td>
<td>$48.3M ↑</td>
</tr>
<tr>
<td>2530</td>
<td>Brake, Steering, Axle, Wheel, etc.</td>
<td>$203.6M</td>
<td>$59.8M</td>
<td>$82.3M ↓</td>
</tr>
<tr>
<td>2520 &amp; 3040</td>
<td>Power Transmission Parts &amp; Equip</td>
<td>$51.9M</td>
<td>$50.2M</td>
<td>$59.4M ↑</td>
</tr>
<tr>
<td>2510</td>
<td>Structural Component</td>
<td>$78.1M</td>
<td>$27.7M</td>
<td>$29.1M ↓</td>
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<tr>
<td>2815</td>
<td>Diesel Engine &amp; Component</td>
<td>$38.7M</td>
<td>$18.3M</td>
<td>$10.7M ↓</td>
</tr>
<tr>
<td>4320</td>
<td>Pumps</td>
<td>$19.3M</td>
<td>$2.1M</td>
<td>$43.2M ↑</td>
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<tr>
<td>2910</td>
<td>Engine Fuel System Component</td>
<td>$34.7M</td>
<td>$13.9M</td>
<td>$7.4M ↓</td>
</tr>
<tr>
<td>Various</td>
<td>Misc. Vehicle Parts</td>
<td>$48.1M</td>
<td>$78.4M</td>
<td>$71.0M ↑</td>
</tr>
</tbody>
</table>

**Targeted Long Term Projects = 45 with Total Annual Value $136M**
Warstopper

**Industrial Base Preparedness**

- Partner with manufacturers, distributors and Prime Vendors to gain access to commercial inventory
- Stage vendor managed raw material or long lead time components
- Provide industrial equipment (not common)
- Provide lean six-sigma analysis to maximize vendor capacity
- Award industrial base maintenance contract to vital domestic industry (not common)

**Past Investment Items:**
- Class IX - Batteries
- Medical Readiness
- Class II Nomex Fiber
- Operational Rations
- Nerve Agent Antidote Auto Injector
- Class IV Bastions
- Class IX: Specialty Steel

**Investment Dollars:**
Range FY10 - FY14 = $38M - $53M
What We Want

• Supplier/Warfighter Performance Excellence
• Maintain Collaboration
• Cost Control/Reduction
  – Maximize Long Term Contract Coverage
  – Maximize Utilization of Commercial Infrastructure
  – Pursue Joint LTC Opportunities for DLRs and Consumables
• Preserve the Industrial Base
• Best Value
  – Leveraging Best Commercial Practices
  – First Destination Transportation and Packaging Initiative (FDTPI)
The Bottom Line

- Getting out in front of fiscal challenges
- Focusing on “the basics” and driving change
- Living in historic times... responsive to doing things we’ve never done before
- Driving warfighters’ success and optimizing use of all resources
- Need your help to make missions successful!
Disclaimer

• DLA notes that any discussion of requirements and possible future procurements does not constitute a commitment by DLA and should not be relied upon in planning future courses of action. DLA will provide public notice of procurements using means such as FedBizOpps.gov in accordance with applicable law and regulation.

• Any discussion of current contracts does not constitute a change to the terms or conditions of those contracts, including performance requirements. If anyone in attendance at this meeting believes that the discussion indicates a change in a current contract's terms and conditions or a need for such change, please contact the contracting officer for that contract.

- DLA General Counsel