



Base Realignment & Closure 2005 – Depot Level Reparable (DLR) Procurement Management Consolidation

Stephen Rodocker
Pillar Lead,
DLR Procurement Management



Overview



- Depot Level Reparable Procurement Management
 - Base Realignment & Closure (BRAC) Decision
 - Organizing for Transition
 - Impact of the Change
 - New Supply Chain Alignment
 - Making the Transition
 - DLR Numbers
 - Schedule for Implementation



Top Five Priorities



- Mission –
 - *Support to the War Fighter*
 - *Distribution Process Owner*
- Transformation –
 - *Enhanced Capabilities for the Future War Fighter*
- People –
 - *Transforming Our Human Capital and the Workplace*
- Alignment –
 - *To War Fighters...To Supply Chains*
- One Enterprise –
 - *Seamless Partnering for War Fighter Logistics Support*

***BRAC – The Agency's
13th Transformation Initiative***



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 DLR and Consumable Item procurement management provider
- Supporting all Service requirements by FY 11:
 - A single face to industry for all DLR and consumables procurement
 - DoD fully leveraging its DLR and consumable buying power
 - Commercial partners maintaining a single procurement management strategic partnership

**Saves DOD \$1.9B by Leveraging all Procurement Buys
and Managing them within a Single Agency!**



Transformational Change Consolidate Procurement of DLRs



- Disestablishes Three Service Inventory Control Points (ICPs) through Consolidation
 - FT Monmouth, Ft Huachuca, Rock Island
 - Establishes Aberdeen as a New ICP Site
- Keeps Engineering Functions with Components
- Realigns Procurement Management Responsibility of Class IX Depot Level Reparables to DLA
- Achieves Savings Through
 - Reduced Inventory Investment
 - Leveraging Larger Purchases
 - Increased use of Performance Based Agreements (PBA)



BRAC 2005 Governance



SECDEF

Infrastructure Executive Council

Infrastructure Steering Group

OSD BRAC Office

Joint Cross Service Groups

Business Managers

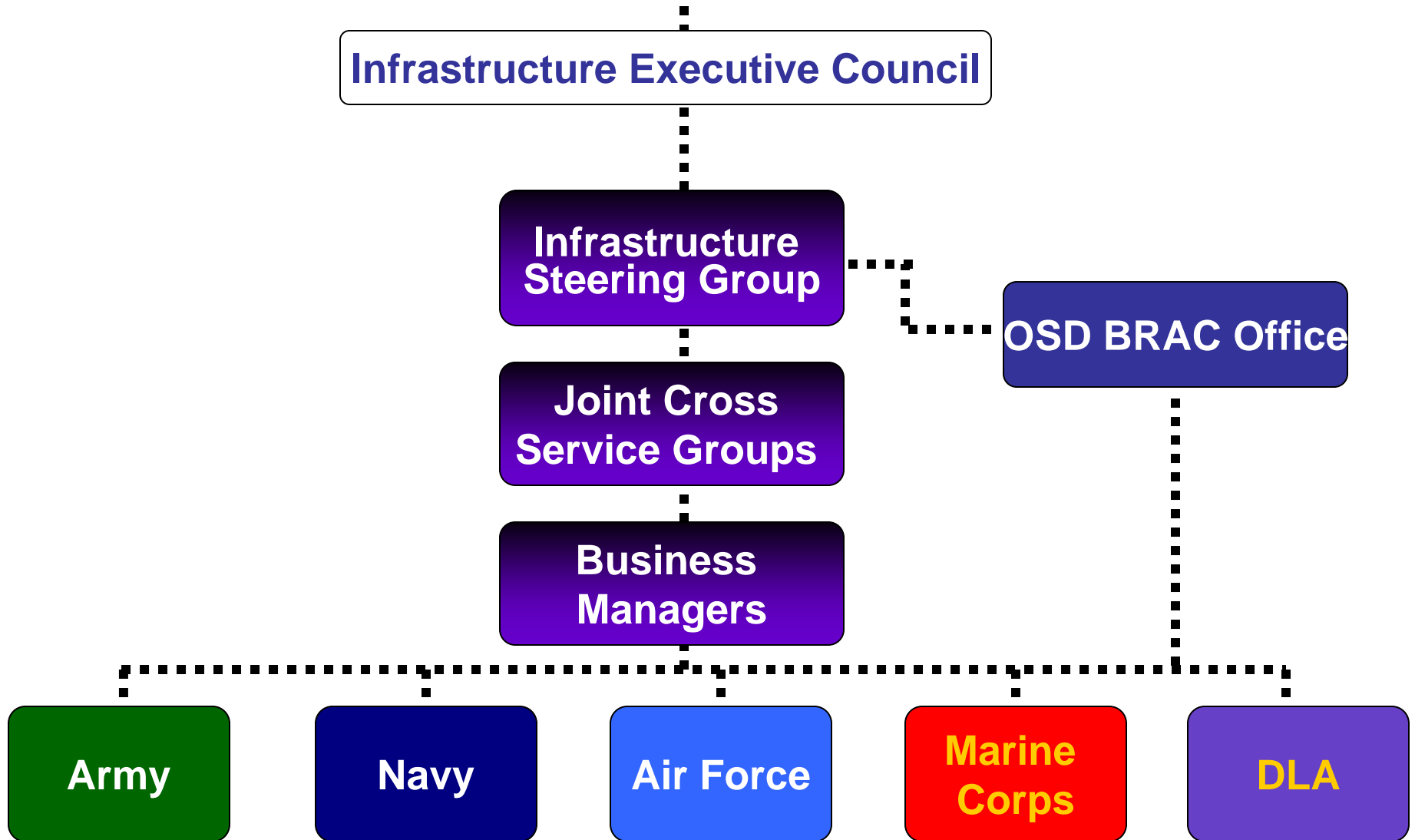
Army

Navy

Air Force

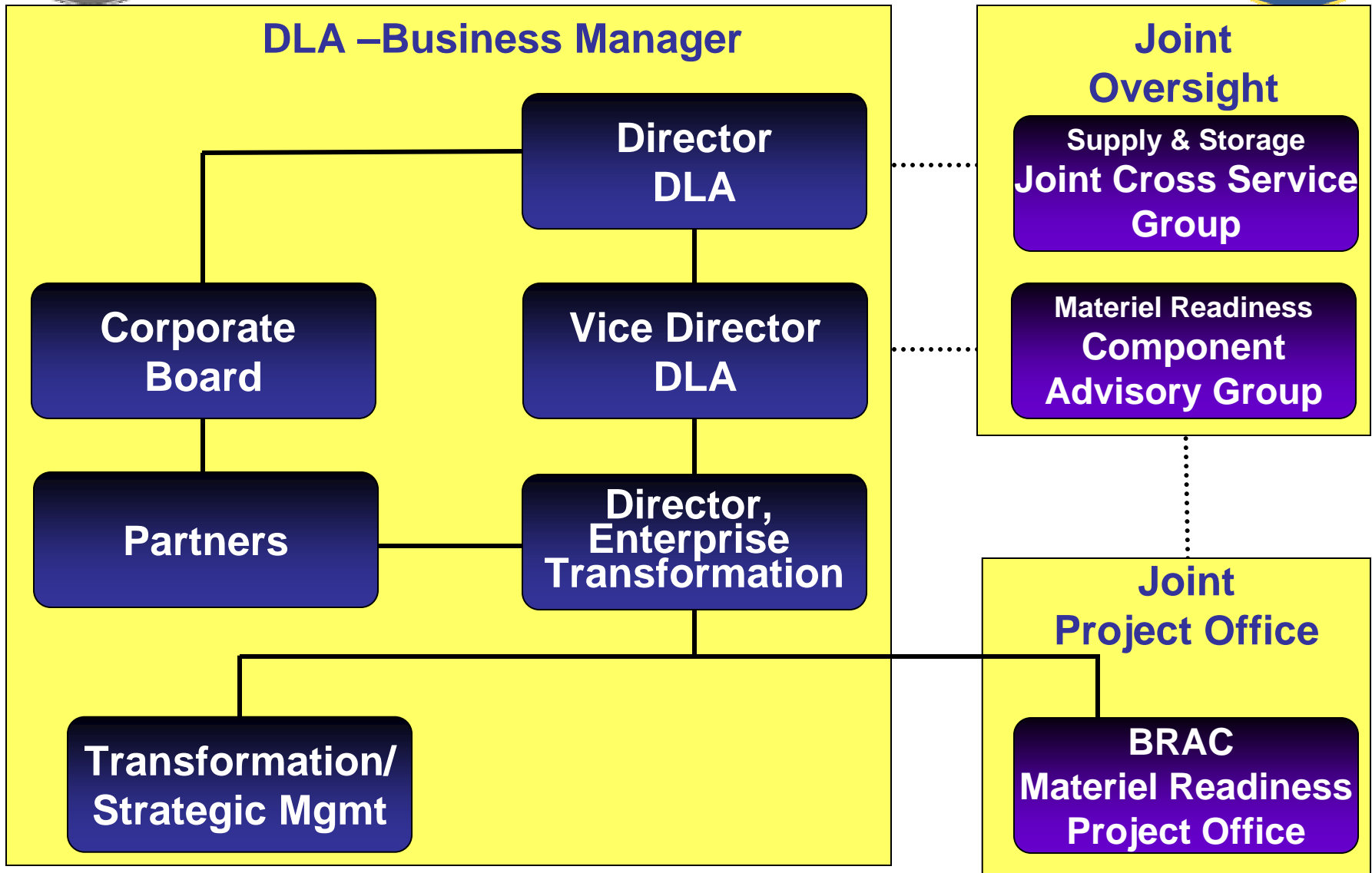
Marine Corps

DLA



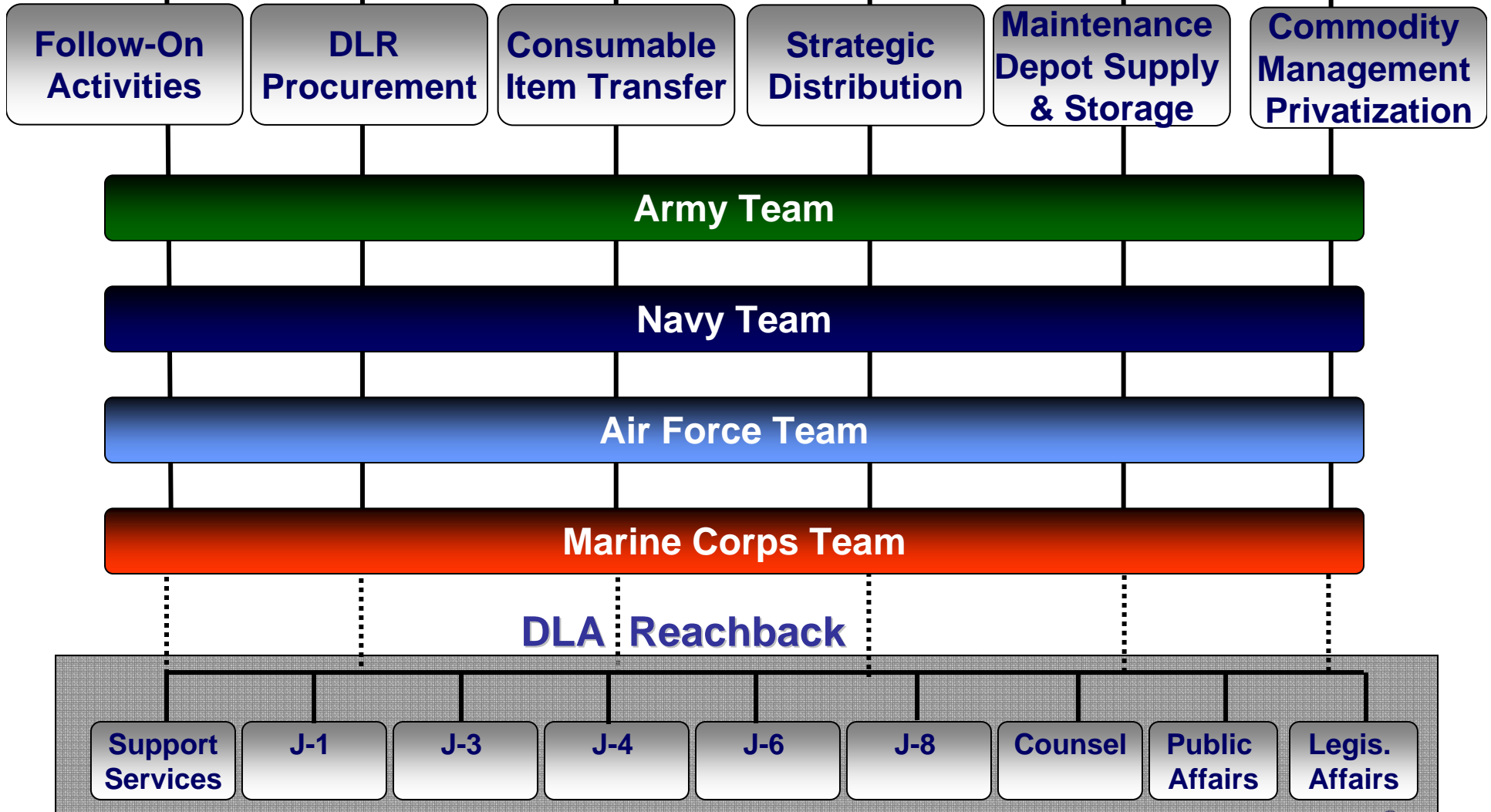


Governance





BRAC Materiel Readiness Project Office

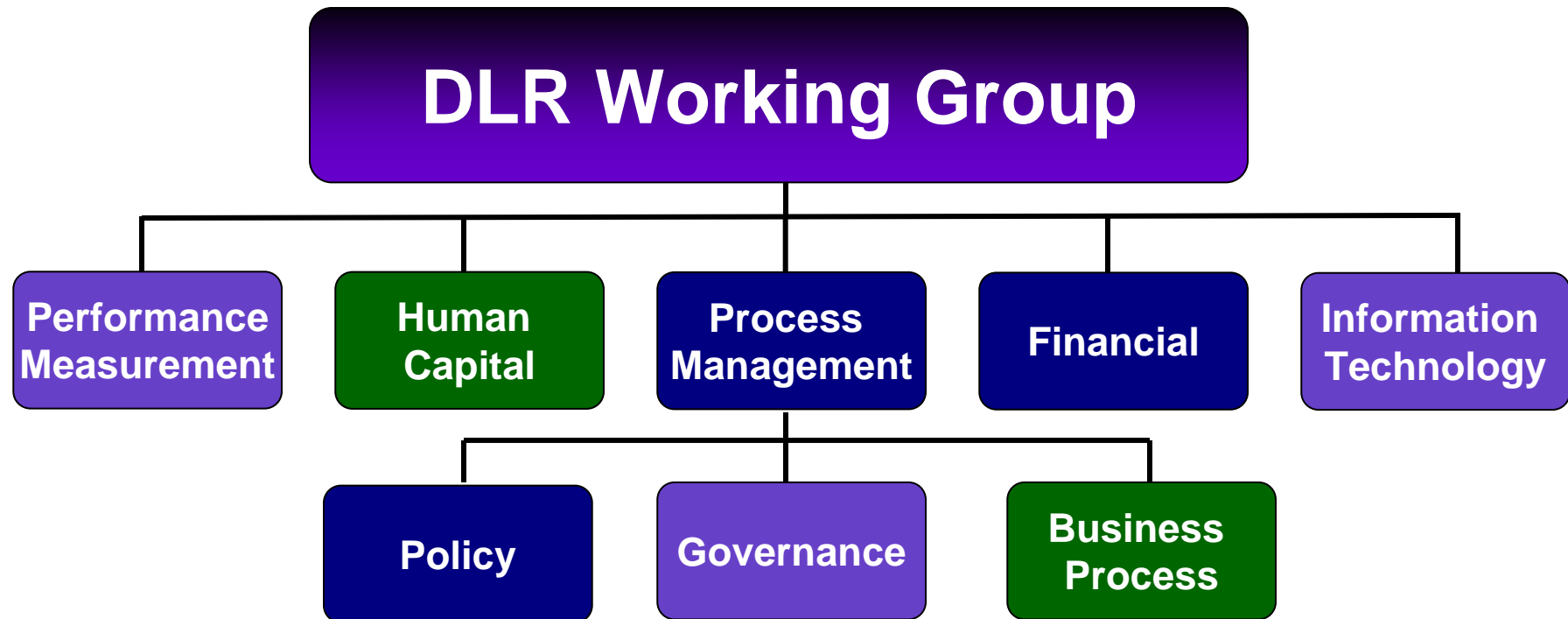




DLR Working Group Goal & Organization

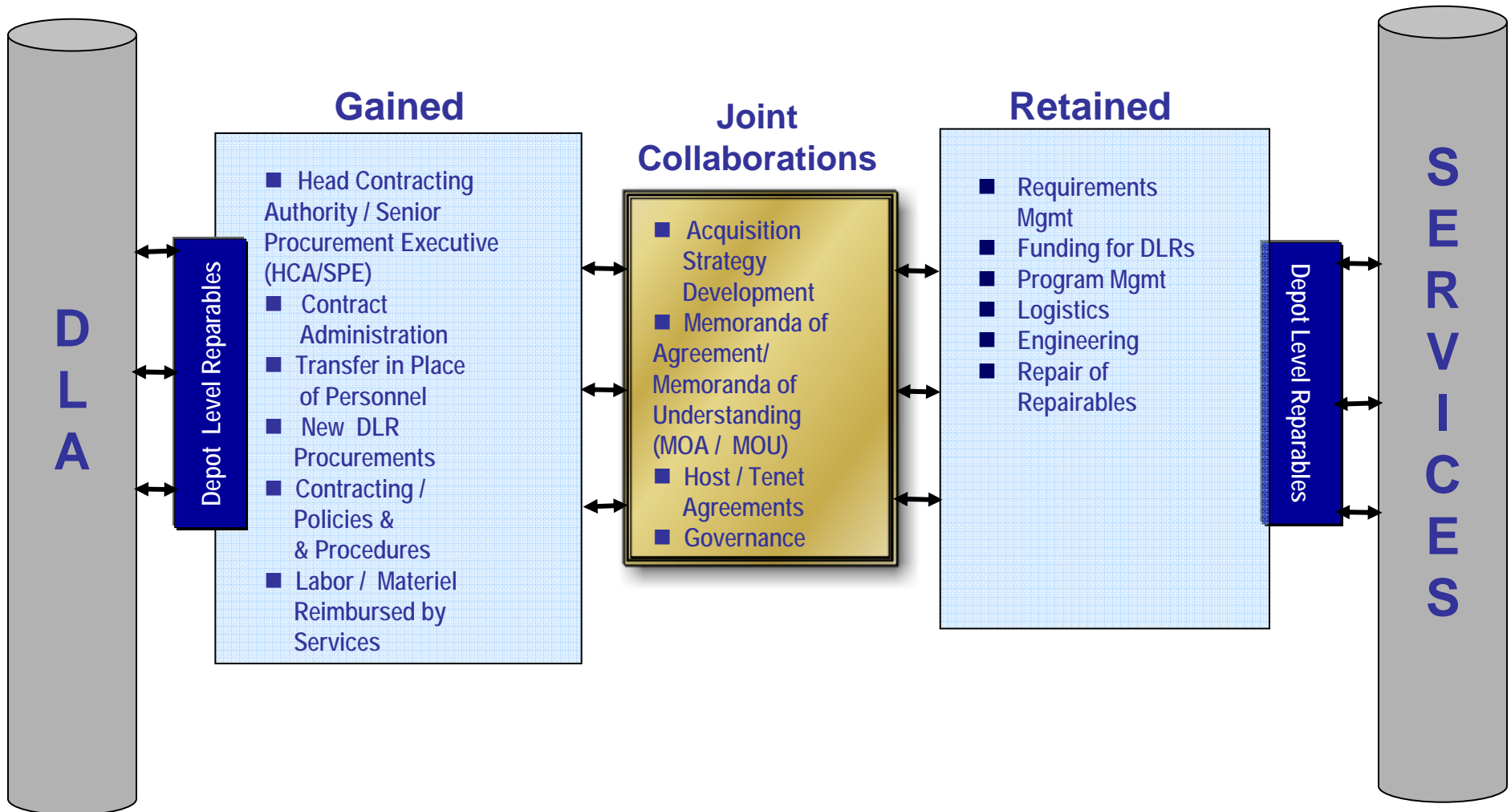


Goal - To provide World Class DLR procurement support to the warfighter with maximized performance at lowest overall cost





DLR Procurement Management Consolidation





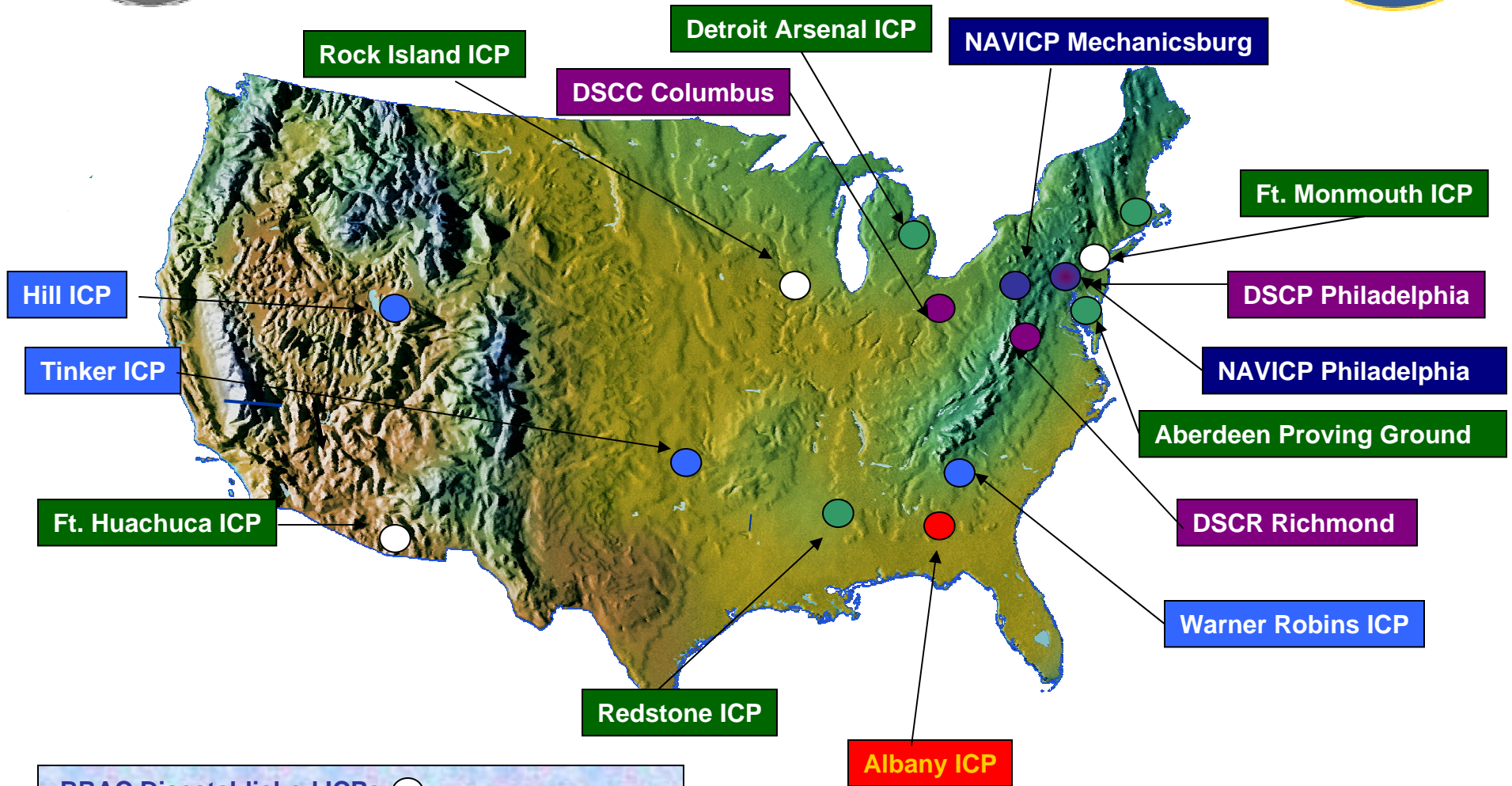
DLR Procurement Impacts



- Leverage Full Buying Power of DoD (\$42B in FY05 for weapons support items)
- One Buyer Vice Five... Increase Items & Actions per Contract
- Decrease Contracts (253,000)
- Cost of Contract Administration (Government & Supplier)
- Top Five Air Force & DLA's Aviation Supply Chain Suppliers are same
- More Performance Based Contracts, Direct Vendor Delivery, Reduced Administrative Lead Time/Production Lead Time
- Decrease Cost per Unit



DLR Procurement Management Consolidation



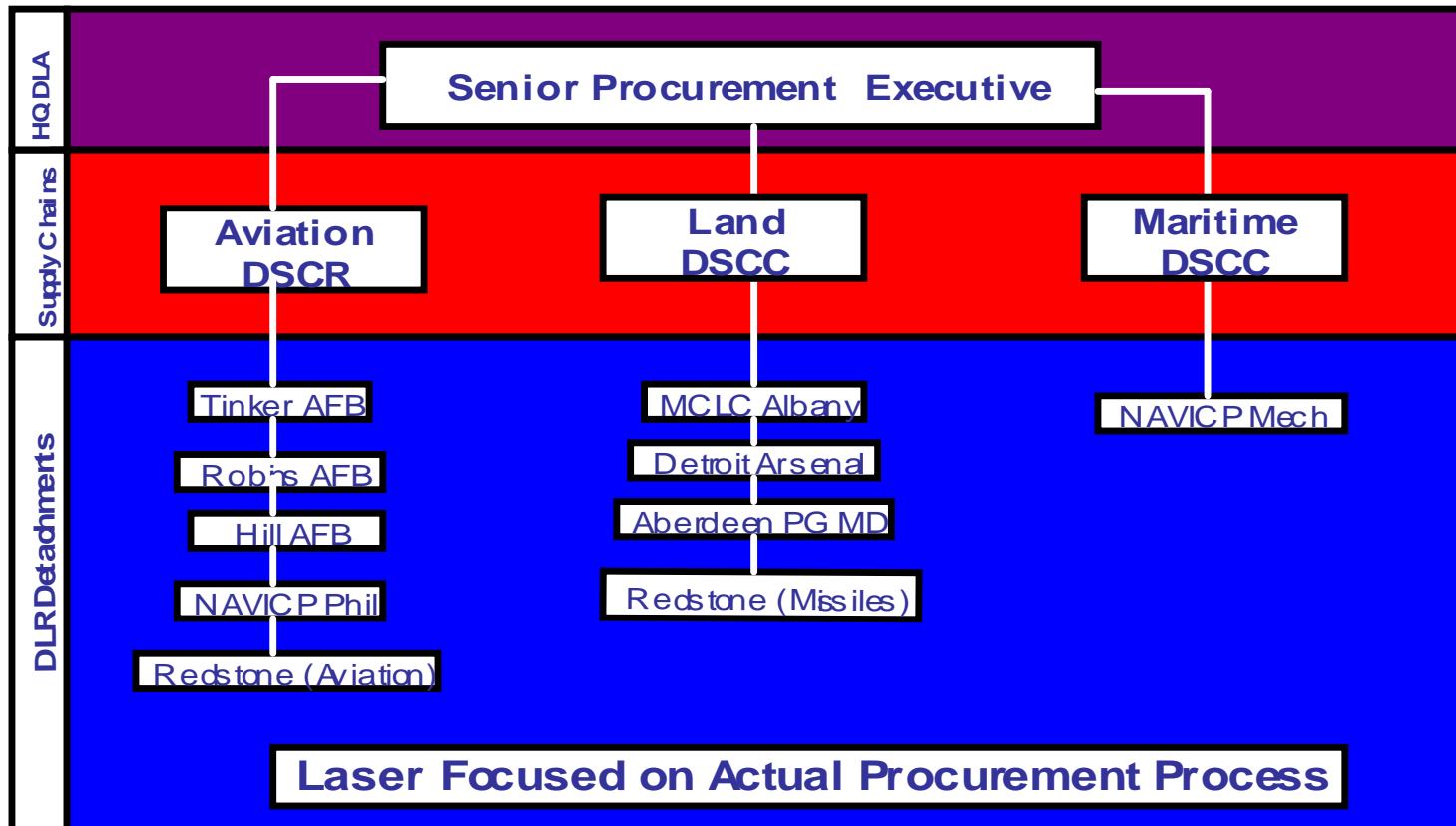
BRAC Disestablished ICPs ○
All ICPs transfer DLR procurement and almost all consumable management to DLA



Realigned DLR Procurement Management

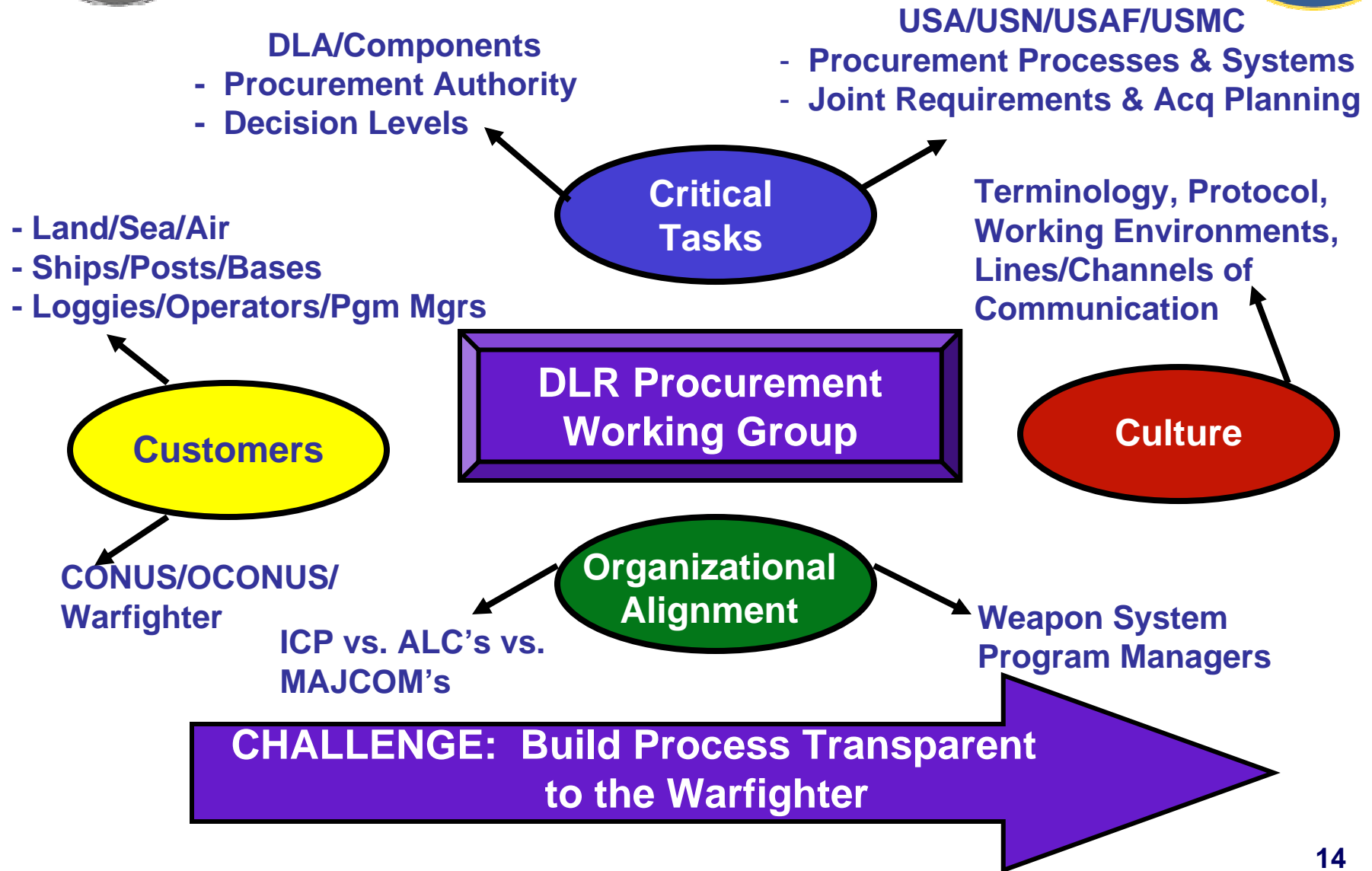


DLR Procurement Management Consolidation Organizational Structure



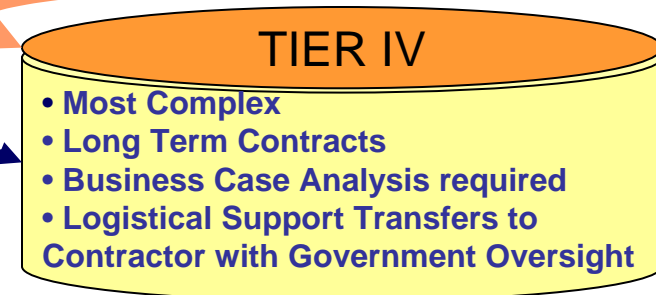
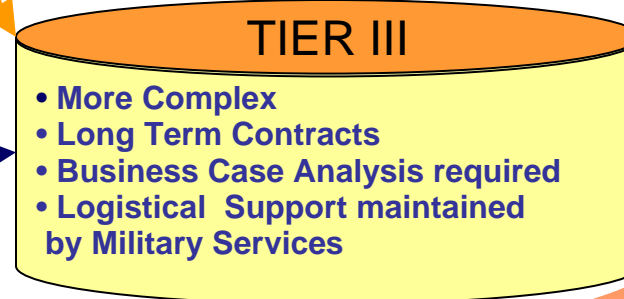
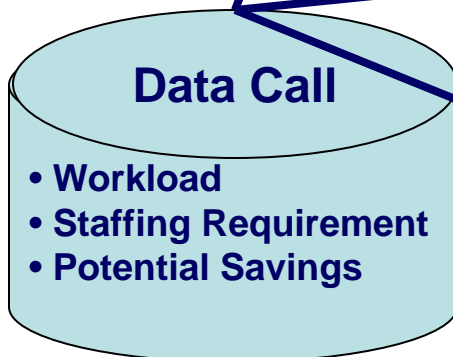
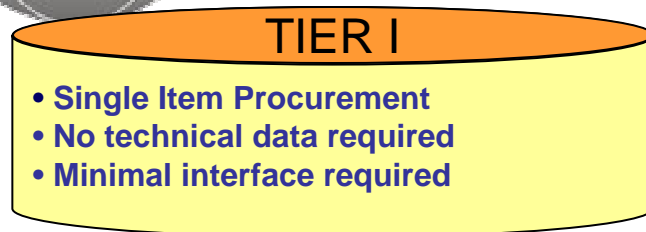


DLR Procurement Management Complexity





DLR Procurement Management Phased Approach

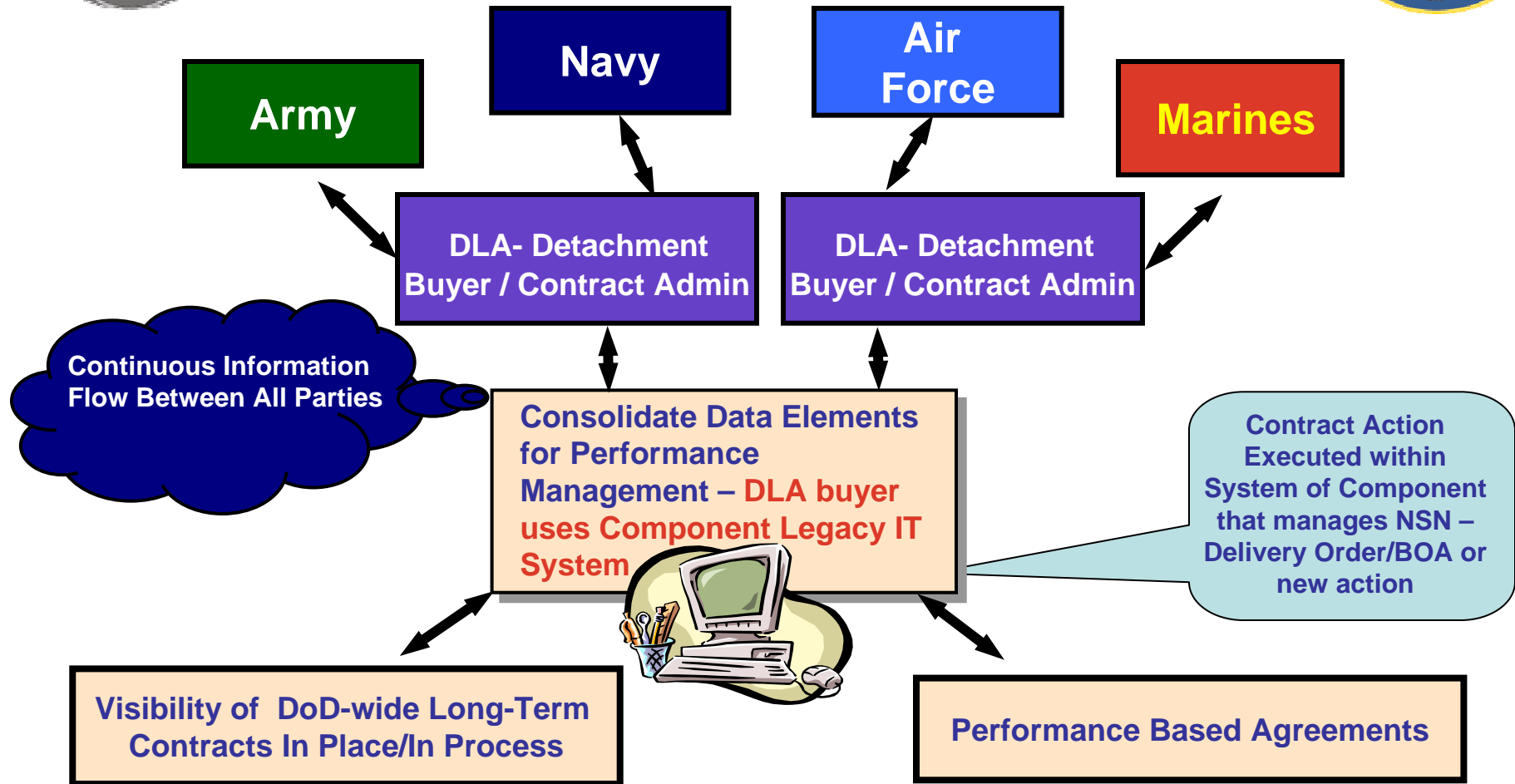


Moving to Three Tier Approach

Workload Transitioning by Tier



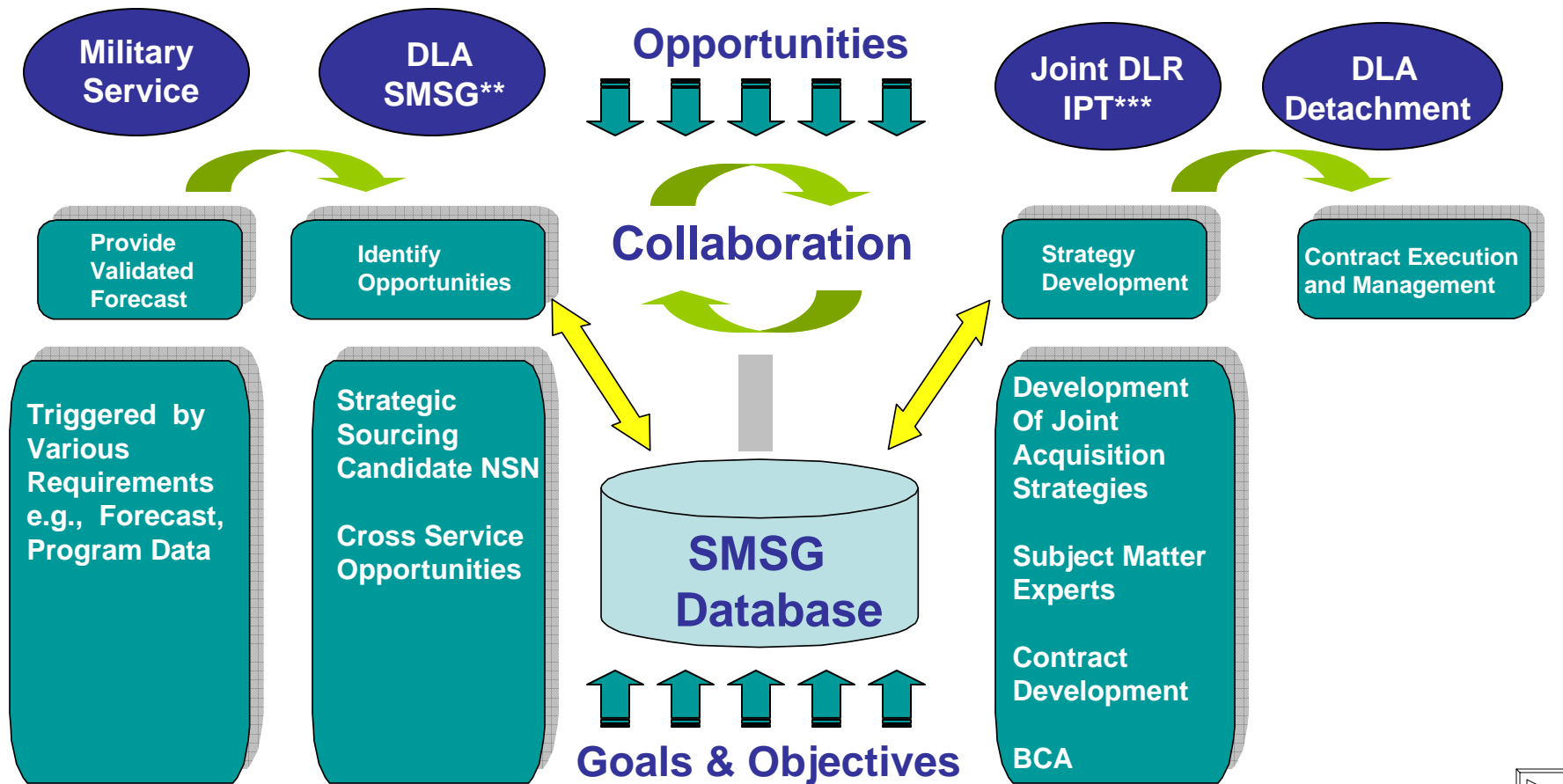
Tactical Buys – Interim State



DLA Buyers will Execute Contract Action for Existing Requirements



Procurement Business Process - Strategic



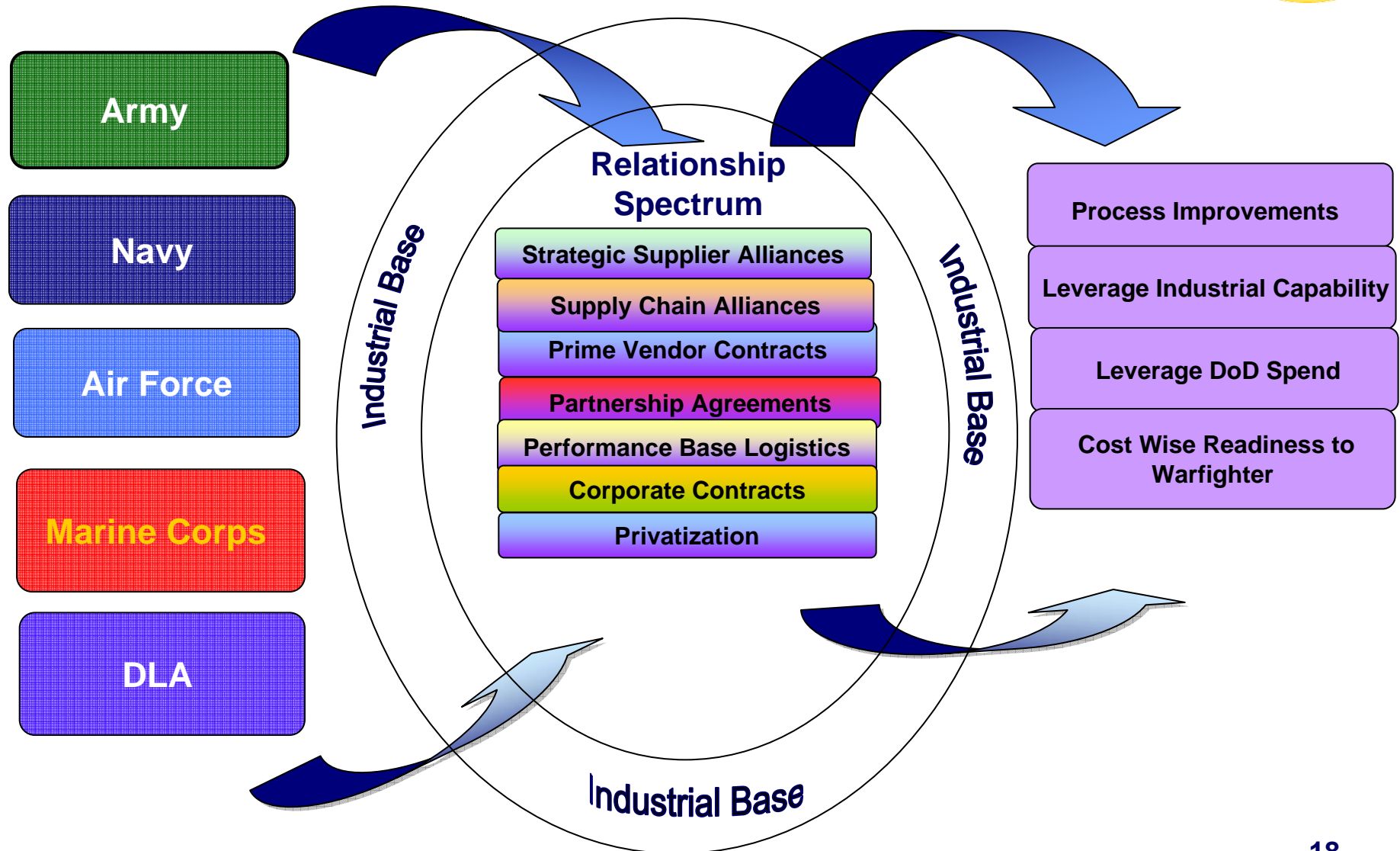
All Acquisition Strategies Co-Developed by DLR IPT

**Strategic Material Sourcing Group

***Integrated Process Team



Leveraging Best Business Practices





DoD Logistics is Big Business



Annual Budget:

\$42 billion in supply
\$68 billion in maintenance
\$10 billion in transportation
\$120 billion total logistics costs
(FY 05 President's Budget)

Operational Resources:

51,000 vendors
2000+ legacy logistics systems
45,000+ requisitions per day
\$77 billion inventory



\$700 billion in assets:

- 300 ships
- 15,000 aircraft
- 30,000 combat vehicles
- 900 strategic missiles
- 330,000 ground vehicles

It's a complex enterprise, and a central challenge is delivering cost effective operational availability.



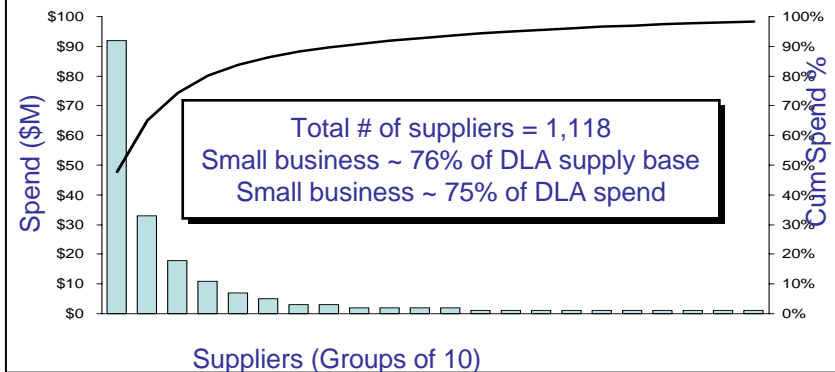
Commodity Management – Bearings



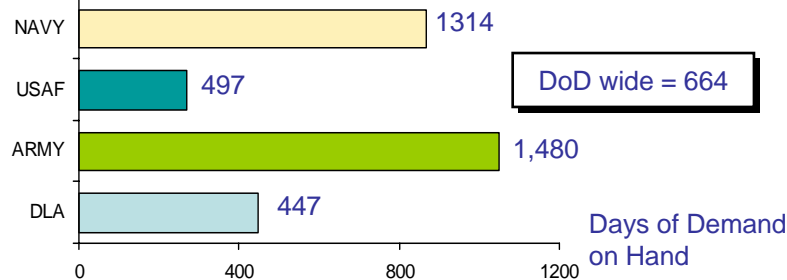
DEMAND CHARACTERISTICS

# of Bearings NSN's	118,854
➤ Replenishment items	14,171
➤ NSO /non stock	100,445
➤ Service Managed	4,238
Total Bearings usage (1)	\$233M
Total Bearings spend (2)	\$272M
➤ Sole sourced	\$51M
➤ Competitive	\$165M
➤ Undetermined	\$56M

SUPPLY CHARACTERISTICS



INVENTORY INVESTMENT CHARACTERISTICS



Total Bearings inventory (3)	\$426M
➤ Replenishment	\$161M
➤ NSO/non stocked	\$104M

PERFORMANCE CHARACTERISTICS

Supply Availability	85%
Administrative Lead-time (avg.)	115 days
Production Lead-time (avg.)	159 days
Backorder age (avg.)	48 days

CY 2004 data for "active" items (stock code = replenishment)

(1) CY 2004 demand, (2) CY 2004 contract spend, (3) Inventory is a snapshot as of July 2005; Spend lags demand;



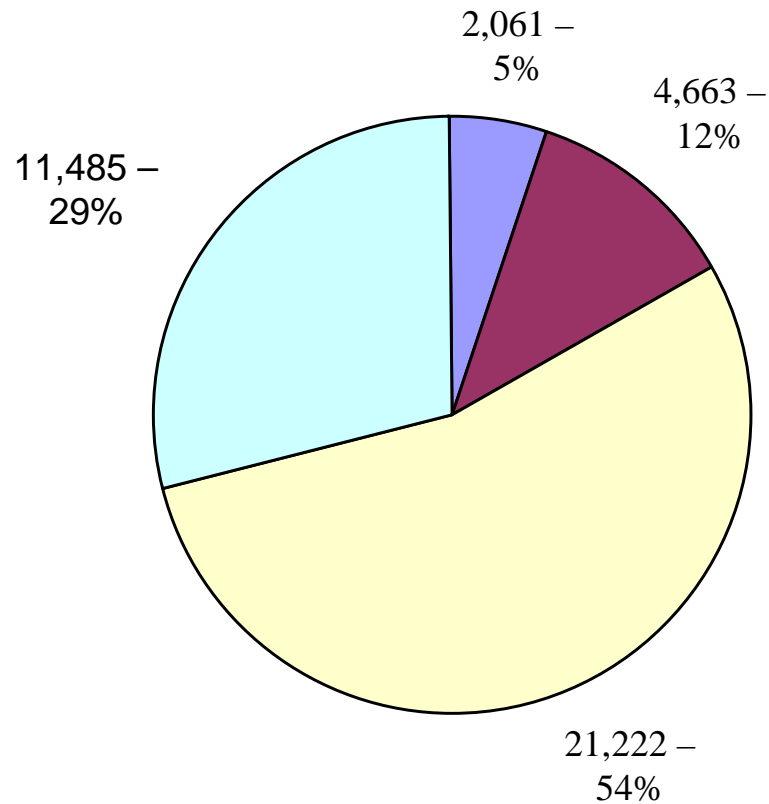
Top 20 Suppliers Across Services



CAGE	Legal Name	# Items	# Contracts	# Contract Actions
32168	ALL TOOLS, INC	26	28	30
34623	AM GENERAL LLC	55	74	212
3B1R2	BELL BOEING JOINT PROJECT OFFICE	78	4	99
97499	BELL HELICOPTER TEXTRON INC	666	106	914
98247	CANADIAN COMMERCIAL CORPORATION	275	244	399
8V613	DOUGLAS MCDONNELL HELICOPTER COMPANY	220	113	195
99207	GENERAL ELECTRIC COMPANY	1007	39	1659
07482	GENERAL ELECTRIC COMPANY	294	12	697
73030	HAMILTON SUNDSTRAND CORPORATION	396	237	656
02LU7	HONEYWELL INTERNATIONAL INC	610	265	852
04939	LOCKHEED MARTIN CORPORATION	238	125	267
76301	MCDONNELL DOUGLAS CORPORATION A WHOLLY OWNED SUBSIDIARY OF BOEING	681	21	889
45152	OSHKOSH TRUCK CORPORATION	85	108	216
59211	PARKER HANNIFIN CORPORATION	433	152	596
4U884	RAYTHEON COMPANY	84	24	97
78286	SIKORSKY AIRCRAFT CORPORATION	1252	84	1785
77272	THE BOEING COMPANY	468	95	785
04NP0	THE GOODYEAR TIRE & RUBBER COMPANY	18	24	78
15152	THE PURDY CORPORATION	61	75	104
52661	UNITED TECHNOLOGIES CORPORATION, PRA TT & WHITNEY DIVISION	547	14	747
				21



Item Counts by Competition Type

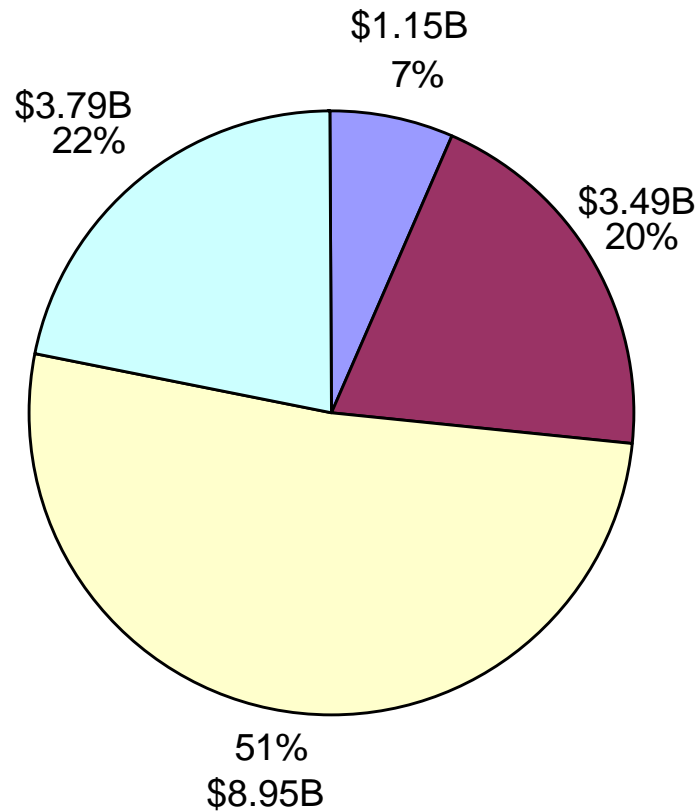


Total Items – 39,431

■ Fully Competitive ■ Limited Competition ■ Sole Source ■ Unknown



FY 03-05 Spend by Competition Type

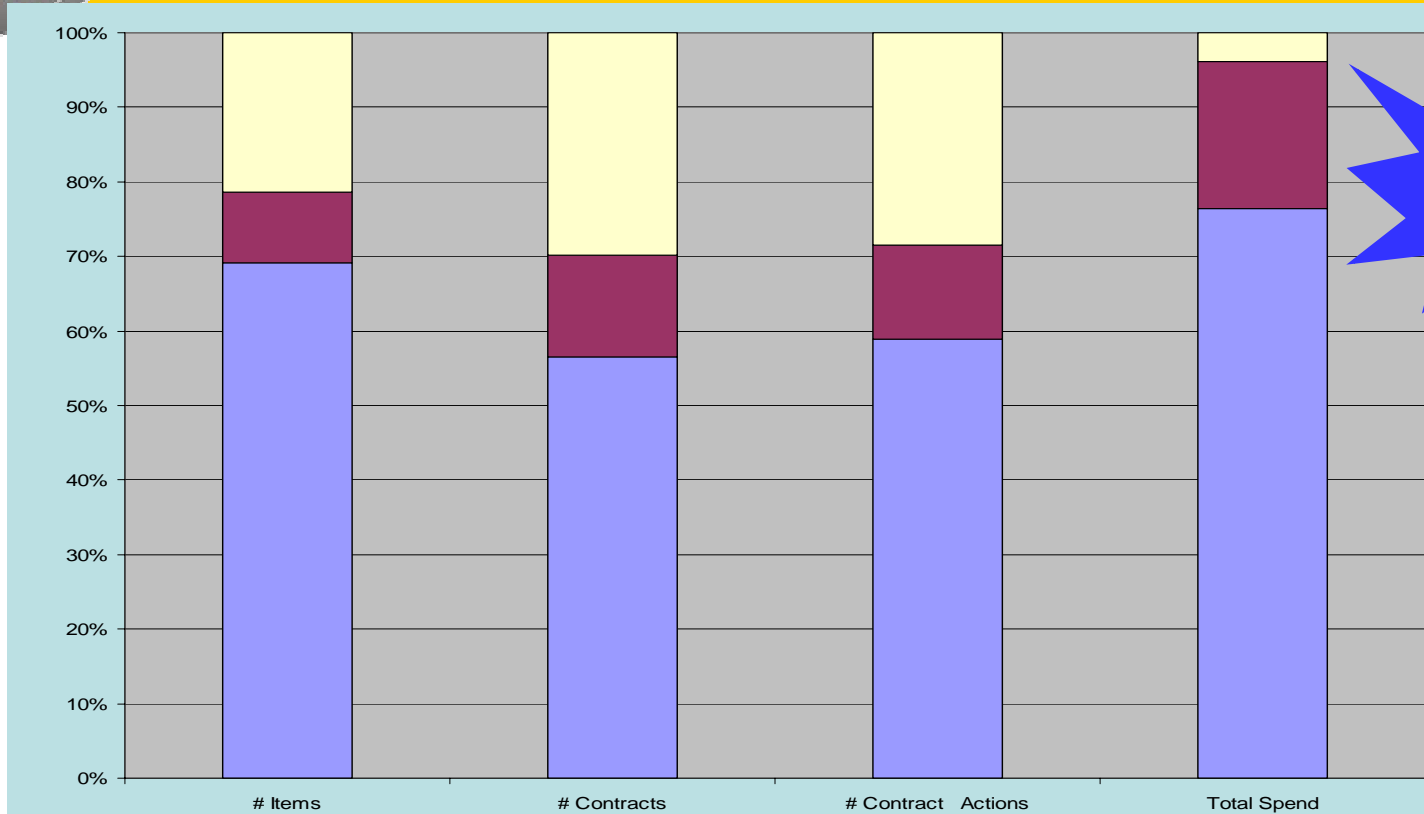


Total Spend - \$17.4 B

■ Fully Competitive ■ Limited Competition ■ Sole Source ■ Unknown



FY 03-05 Component Contract Data



**\$8.9 B
on LTC**

Supply Chain	# Items	# Contracts	# Contract Actions	Total Spend
Aviation	27,253	20,993	37,781	\$13.3 B
Land	3,736	5,099	8,140	\$ 3.4 B
Maritime	8,443	11,059	18,234	\$.7 B
Total	39,432	37,151	64,155	\$17.4 B



Implementation Timeline



ID	Task Name	Half 2, 2006	Half 1, 2007	Half 2, 2007	Half 1, 2008	Half 2, 2008	Half 1, 2009	Half 2, 2009	Half 1, 2010	Half 2, 2010	Half 1, 2011	Half 2, 2011
11	DLA Detachment Standup					◆ 9/15						
12	Transition Operations begin					◆ 10/1						
13	Tier I Complete						◆ 6/30					
14	Tier II Complete						◆ 6/30					
15	Tier III Complete								◆ 6/30			
16	Tier IV Complete									◆ 9/30		



Summary



- Significant Consolidation of DoD Procurement Management
- \$1.9 B in Savings over 20 years
 - Leveraging DoD Buying Power
 - More Strategic Sourcing Arrangements
 - Fewer Contracts...More Contract Actions/Contract
 - More Performance Based Contracts
 - Lower Cost
- Joint Collaboration Essential
- Implement Best Business Practices
- Phased Implementation
 - Target Completion – 30 Sep 10