



Land & Maritime Business Conference



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

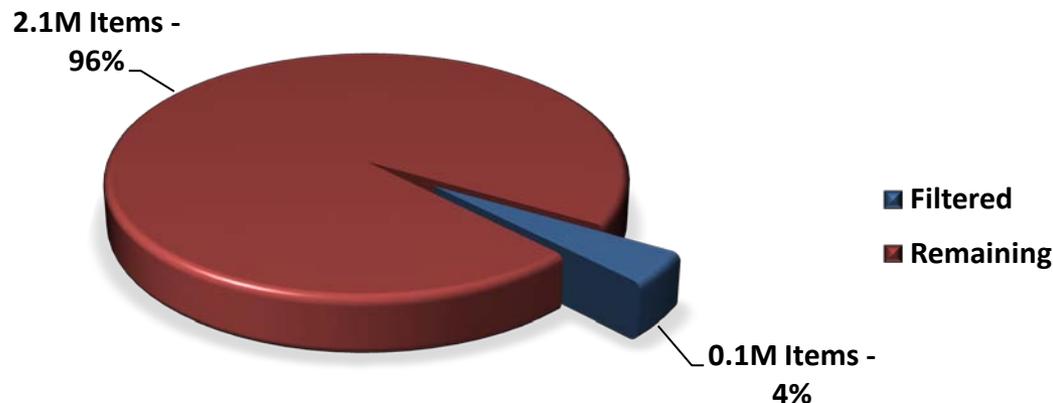
- **Recapping Our Spend Analysis**
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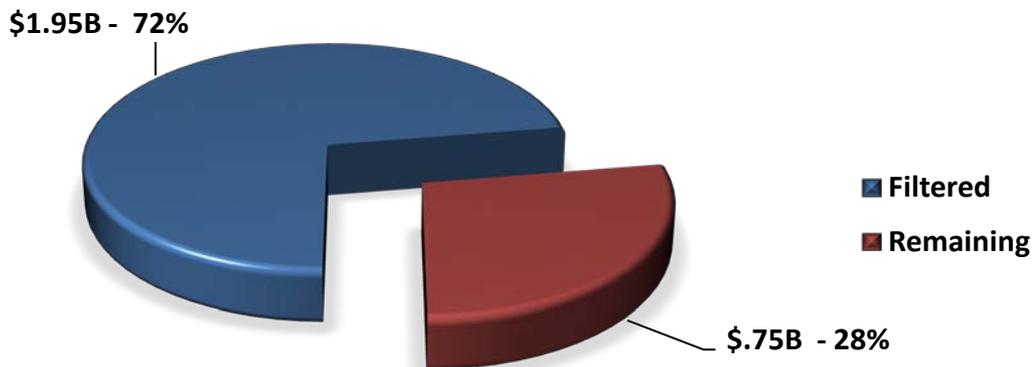
Spend Analysis

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

Items (NIINs)



Dollars (ADV)

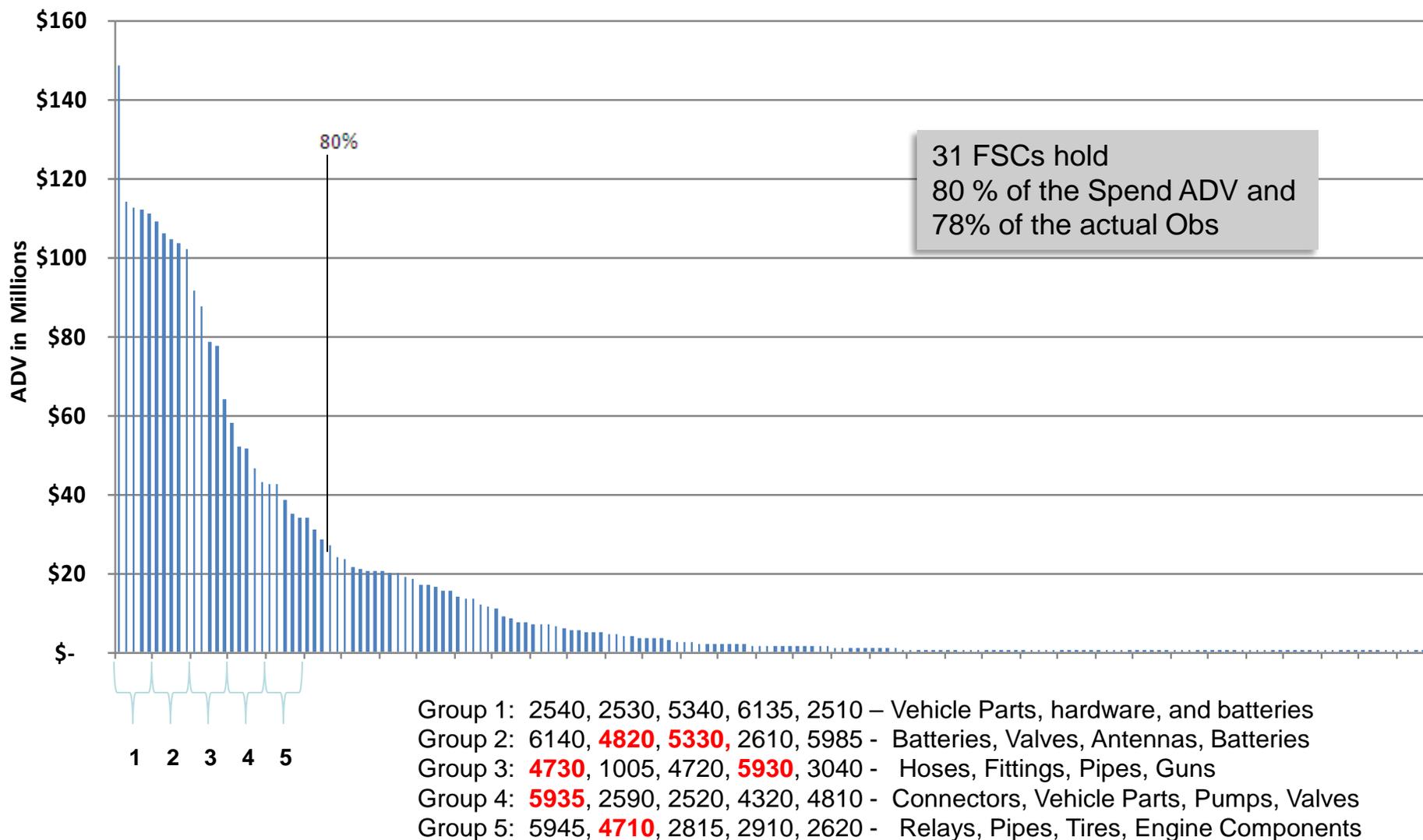


There are 2.2 M items in Land and Maritime, representing \$2.7B in annual demand value. Spend focused on business drivers that resulted in identifying 4% of these items which cover 72.5% of the ADV, and 70.5% of the annual actual obligation dollars.



Spend Analysis by Federal Supply Class (FSC)

Spend FSC by ADV AUG 09





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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 (IQCs) and Automated Indefinite Delivery Purchase Orders (AIDPOs)



Strategic Sourcing Spectrum

Illustrative

Strategy Aligned by Commodity Group (FSC)

FSC	Strategic				Operational		
	Commodity Based	Weapon System	Supplier	Customer Based	LTC	Large/ Small Manual	PACE
Examples	SCP	FASI-G	Corporate Contract	ILP			
FSC 1XXX	50%	5%	20%	10%	0%	10%	5%
FSC 2XXX	20%	25%	10%	5%	5%	10%	25%
FSC 3XXX	30%	10%	15%	20%	15%	0%	10%
FSC 4XXX	15%	20%	25%	15%	5%	15%	5%
FSC 5XXX	5%	10%	15%	20%	20%	25%	5%

Notional Spend Distribution



Strategic Sourcing Spectrum

Illustrative

Strategies Aligned by Weapon System or Platform

FSC	Strategic Long Term Contracts			
	Commodity Based	Weapon System	Supplier	Customer Based
Examples	SCP	CVSI, ROWPU	Corporate Contract	ILP
MRAP	5%	0	65%	0
M1 Abrams	20%	50%	10%	0%
HMMWV	30%	30%	15%	5%
ROWPU	15%	40%	0%	0%
Bridging Systems	15%	40%	15%	0%

Operational		
LTC	Large/ Small Manual	PACE
15%	10%	5%
5%	10%	5%
9%	1%	10%
5%	15%	5%
0%	25%	5%

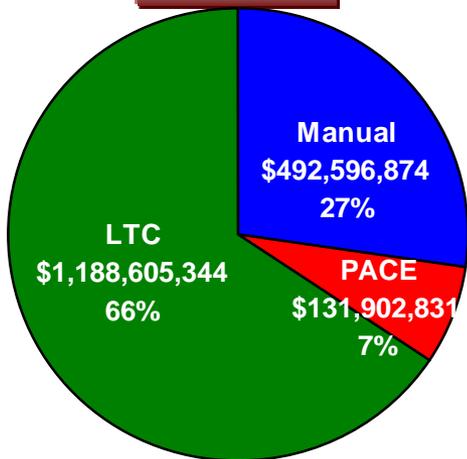
Notional Spend Distribution



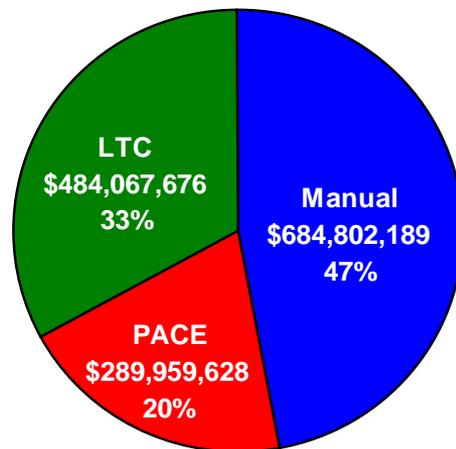
Spend Distribution by Contract Type (FY 08)

Dollars

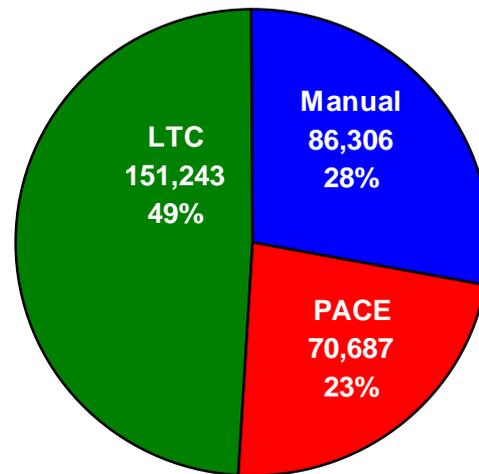
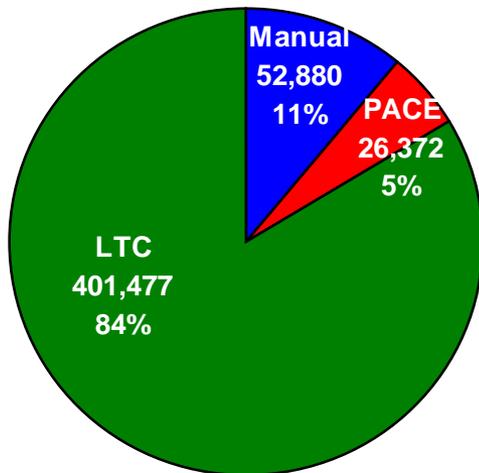
Land



Maritime



Award Actions



LTC = Long Term Contracts PACE = Procurement Automated Contracting Evaluation



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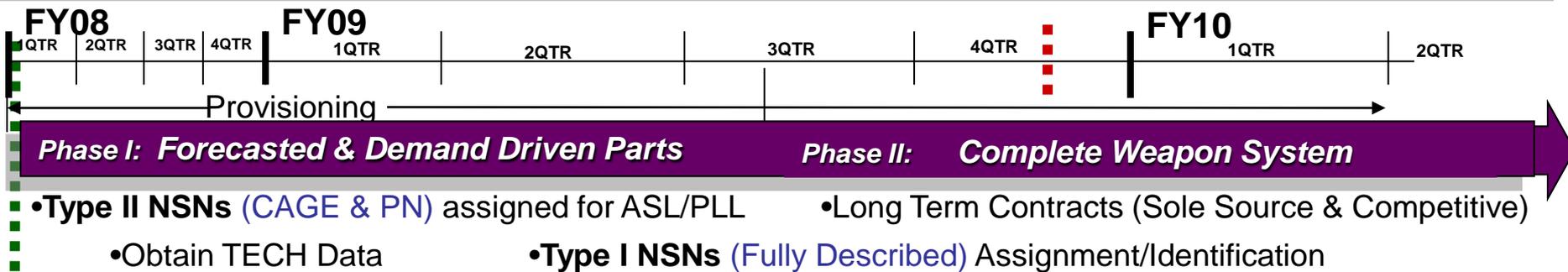


DLA Support to MRAP

We broke the mold in provisioning and sustainment

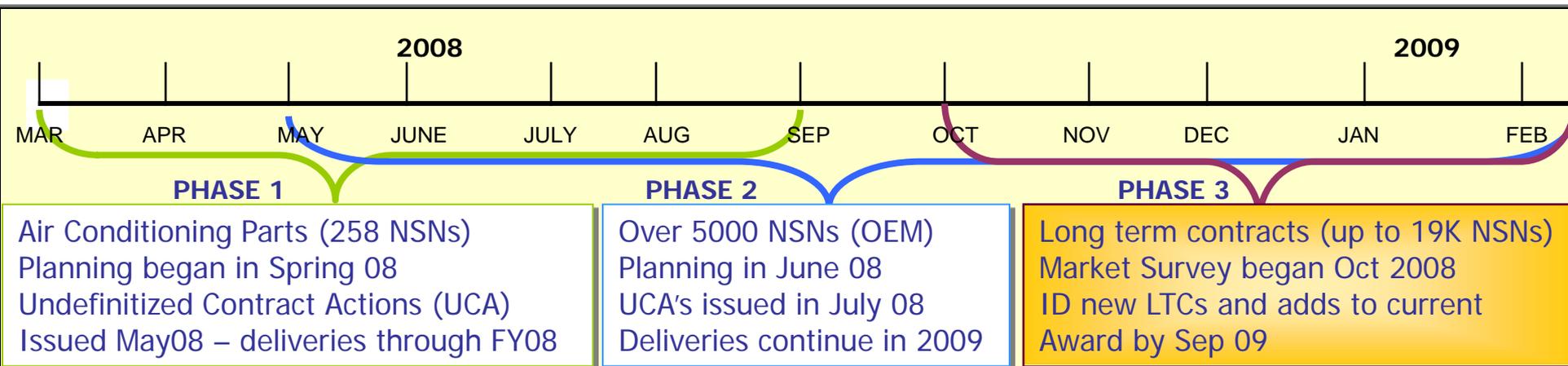
Parts Support Strategy: **Original Plan** vs **Actual**

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



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

Organic Supply System (MILSTRIP) NSN Requisitions





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

**Better than
95% On-time
Delivery**

Michelin North America, Inc.

Ground tires



Michelin Aircraft Tire Company

Aircraft tires



Time Definite Delivery Standards			
CAT**	CONUS	OCONUS	Conflict Support
1	2	8	3*
2	5	12	6*
3	10	30	12*
Expedited	2*	5*	



Integrated Logistics Partnerships (ILP)

aka "Customer Pay"

Letterkenny Army Depot



Red River Army Depot



Point of use
=
point of sale

Linking Suppliers
to Demand

- 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**

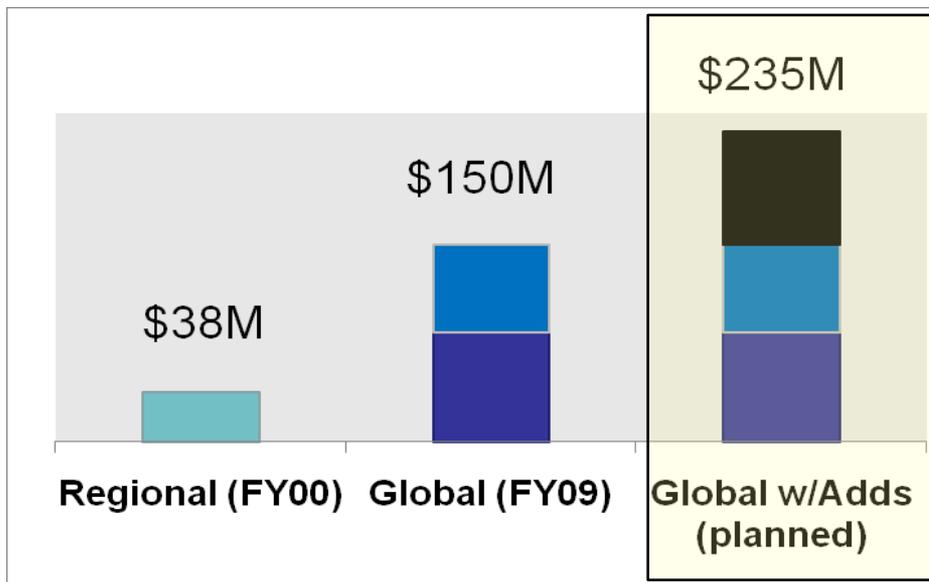


... next step is an umbrella contract to implement more rapidly at other locations...



Fleet Automotive Support Initiative (FASI) - Global

Increasing annual demand value coverage



Savings ...

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

Objectives

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

Supply Chain Partners





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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**



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:

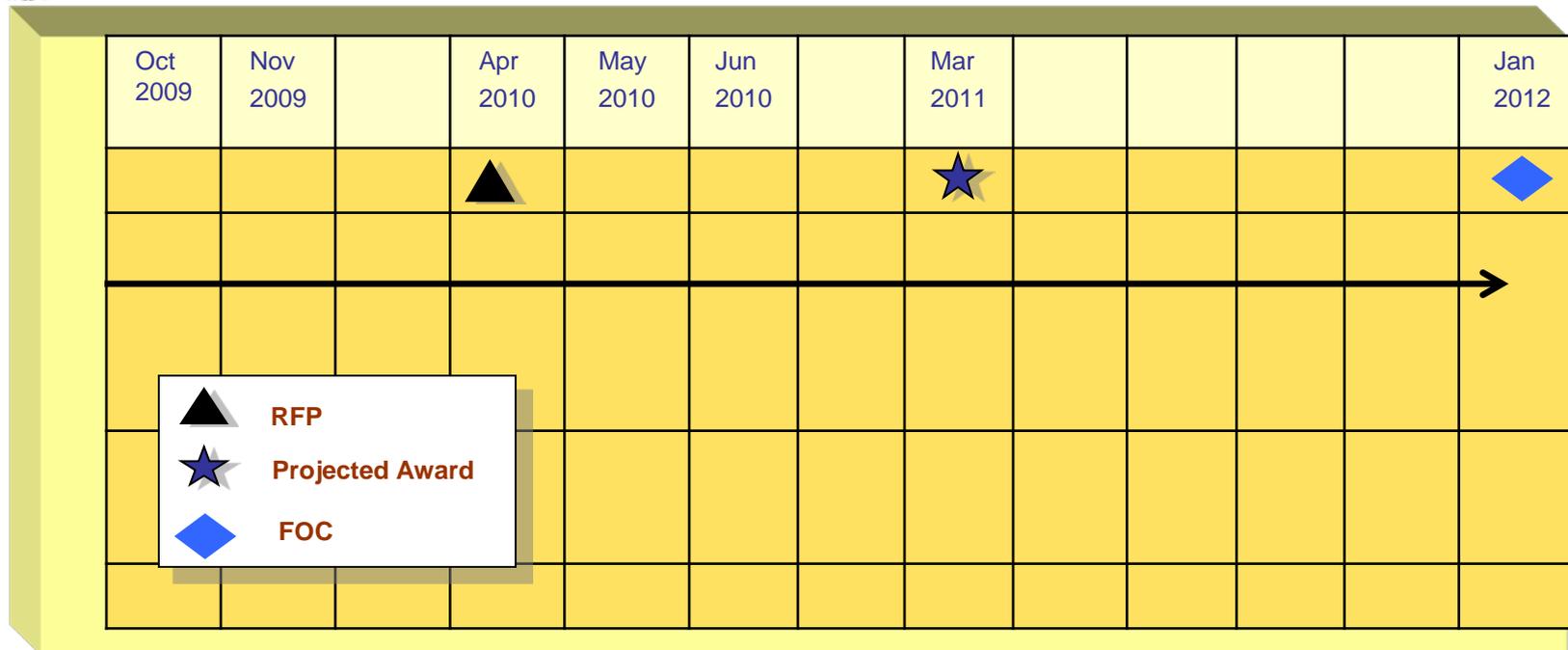
▣ Army vehicles	- 2,598
▣ Marine vehicles	- 1,565
▣ SOCOM vehicles	- 643
▣ Air Force vehicles	- 280
▣ Navy vehicles	- 65
▣ Test vehicles	- 93

"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



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



ANAD-RRAD IPV Successor

May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010
		▲										★
→												
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <p>▲ RFP</p> <p>★ Projected Award</p> </div>												

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	<ul style="list-style-type: none"> • 95,000 NIINs • 12,500 (13.1%) Active • 68,000 orders for 447,000 units • \$27M in Sales annually
Environment	<ul style="list-style-type: none"> • Non-Conforming Material/Counterfeit • Obsolete/Secondary Market • Customer feedback
Actions	<ul style="list-style-type: none"> • 100% Traceability • Qualified Suppliers List for Distributors • Product Verification Testing • ESA/Obsolescence
Concerns	<ul style="list-style-type: none"> • Supportability and obsolescence • Other commodities

Way Ahead





Strategic Program Roadmap

Program	4 th Qtr FY 09	1 st Qtr FY 10	2 th Qtr FY 10	3 rd Qtr FY 10	4 th Qtr FY 10	1 st Qtr FY 11	2 th Qtr FY 11	3 ^h Qtr FY 11	4 th Qtr FY 11	1 st Qtr FY 12	2 nd Qtr FY 12	3 rd Qtr FY 12
H2O Purification Project	▲		★									
IPV RRAD/ANAD	▲			★								
Tires Successor Initiative				▲			★					
MRAP LTC	▲	★ ▲	★	★								
Battery SCP									▲			
CVSI									▲			

▲ RFP
★ Projected Award



Strategic Program Roadmap

Program	4thQtr FY 09	1st Qtr FY 10	2nd Qtr FY 10	3rd Qtr FY 10	4th Qtr FY 10	1st Qtr FY 11	2nd Qtr FY 11	3rd Qtr FY 11	4th Qtr FY 11	1st Qtr FY 12	2nd Qtr FY 12	3rd Qtr FY 12
Maritime FSC SCP	▲			★	★	★	★					
				Phase 1 Phase 2 Phase 3 Phase 4								
	▲ RFP											
	★ Projected Award											



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

Yesterday

Tomorrow

BRAC

2008 2009

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

Today

2010

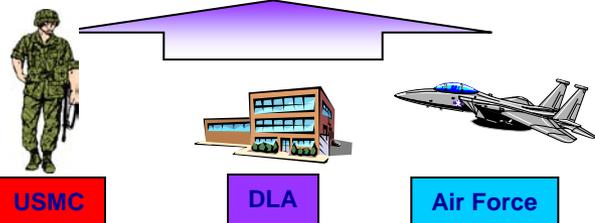
2011

Focused on business-related logistics economies

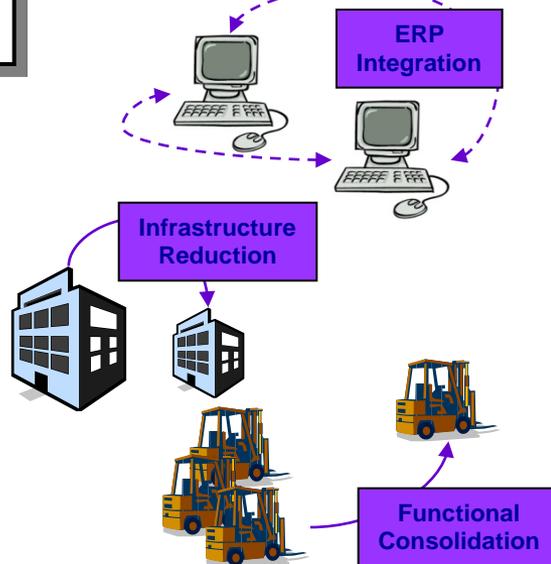
Standardized force-focused logistics network

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

- ↑ Jointness
- ↑ Synergy
- ↓ Redundancy



Traditional military logistics linear processes





DLA Strategic Partners & Top MILSVC Suppliers

Synergy Across Military Services – Opportunities to Leverage DoD Buying Power

Military Service Top Vendors (2003-2005)				
DLA Strategic Partners	Air Force	Army	Navy	Marine Corps
General Electric	General Electric	Goodyear	General Electric	Canadian Commercial Corp
Boeing	United Technologies	AM General	Bell Boeing Joint Project Office	Raytheon
Textron	Dynamic Gunver Technologies	Boeing	Boeing	Ronal Industries
Oshkosh	GKN Aerospace	Lockheed Martin	Sikorsky	Rodelco Electronics
Honeywell	Rolls Royce	Oshkosh	All Tools Inc	Mantech Systems Engineering
Rolls Royce	Parker Hannifin	Purdy Corp	Raytheon	Lockheed Martin
AM General	Kaiser Electronics	Honeywell	Lockheed Martin	L-3 Communications
Goodrich Corp	Northrop Grumman	General Electric	Bell Helicopter/Textron	Northrop Grumman
Parker Hannifin	Raytheon	Bell Helicopter/Textron	Hamilton Sundstrand	Centron Industries
Sikorsky	Goodrich Corp	DRS Optronics	Rolls Royce	Wendon Company
Hamilton Sundstrand	Hamilton Sundstrand	General Dynamics	Canadian Commercial Corp.	Carleton Life Support Systems
Dresser Rand	CFM International	Raytheon	Northrop Grumman	Harris Corp
Eaton Corp	BAE Systems	Pacific Harness and Cable	BAE Systems	Detroit Diesel
Canadian Commercial Corp	Honeywell	Sikorsky	United Technologies	Oshkosh
Pratt & Whitney	Boeing	CE Niehoff & Co	L-3 Communications	Aegis Power Systems
Northrop Grumman	AAR Parts Trading Inc	Fenn Manufacturing		Communications & Power Industries
Lockheed Martin	EFW Inc	Hutchinson Industries		Sensis Corp
General Dynamics		GTA Container		System Technical Support Corp
BAE Systems		Commins Inc		General Dynamics
Smiths Aerospace				
Raytheon				
Moog				
United Defense LP/BAE				
Alcoa Global Fasteners				
Aircraft Braking Systems				
Warren Pumps				
Avibank				
York				

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

Puget Sound Naval SY & Bangor IMF

Warren

NAVICP Mechanicsburg

Portsmouth Naval SY

Tobyhanna Army Depot

Aberdeen Proving Ground

Norfolk Naval SY

DSCC Columbus

MCLB Barstow

Pearl Harbor Naval SY & IMF

MCLB Albany (DLR & SS&D Site)

Anniston Army Depot

1Q 2Q 3Q 4Q FY 09 1Q 2Q 3Q 4Q FY 10 1Q 2Q 3Q 4Q FY 11

NAVICP Mech Phase I (9-Nov-08)

NAVICP Mech Phase II (TBD)

CCO Appt.

LOGCOM (Apr-11)

TACOM Warren (15-Feb-09)

TACOM Rock Island (Apr-11)

CECOM (Sept-11)

Shipyard Kickoff

Norfolk (10 May-09)

Pearl Harbor (25 April-10)

Norfolk II (Jun-11)

Puget I/Bangor (19 Jul-09)

Puget II (Jun-11)

Portsmouth (Feb-10)

Tobyhanna (Feb 10)

Anniston (Jan-Mar 11)

Marine Corps Kickoff

MCLB Albany (Sep-09)

MCLB Barstow (Sep-10)

DLR

SS&D



Maritime Joint Opportunities

Valve
standardization
contracts

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

114 NSNs Total:
50 DLRs
64 consumables

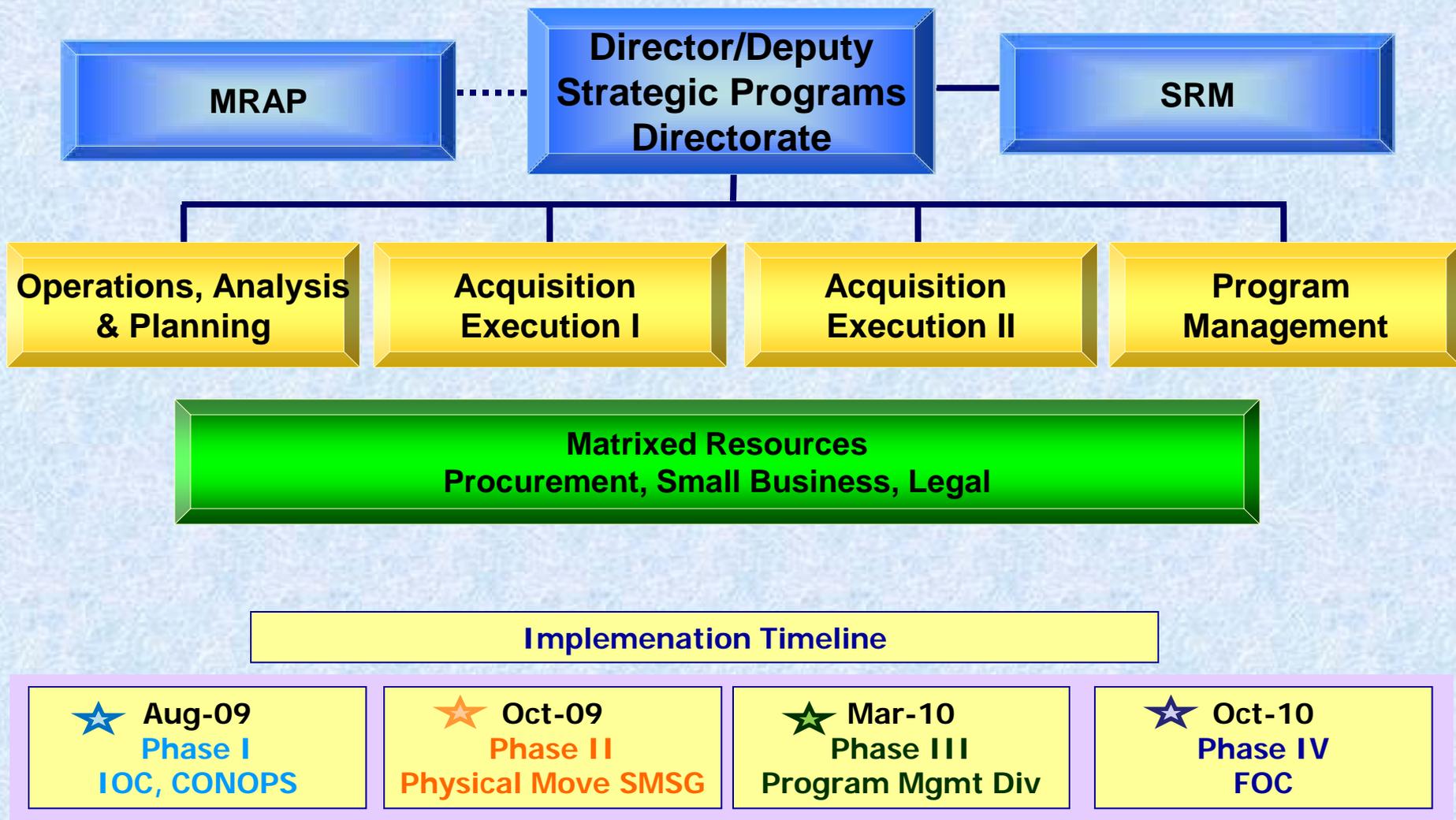
Additional add-on projects in research

- 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

359 NSNs Total:
70 DLRs
64 consumables



Strategic Programs Directorate





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?