



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Performance Based Logistics The DLA Approach

BG Lynn Collyar, USA

WARFIGHTER SUPPORT ENHANCEMENT

STEWARDSHIP EXCELLENCE

WORKFORCE DEVELOPMENT



Agenda

- Full Spectrum Support
- Current Scope & Impact
- DLA Best Practices
- Performance Based Logistics Circa 2011 & Beyond
- Tomorrow's Distribution Network
- Performance Based Logistics
 - Where We Have Been
 - Where We Are Going
- Counterfeit Parts





Full Spectrum Global Support

Supply Chains

- Land Systems
- Maritime Systems
- Aviation Systems
- Fuel/Energy
- Subsistence
- Medical
- Clothing & Textile
- Construction & Equip

Theater Support

- DLA Europe & Africa
- DLA Pacific
- DLA Central



USNORTHCOM



USEUCOM



USCENTCOM



USPACOM



USSOUTHCOM



USAFRICOM

Distribution

- 26 Distribution Centers
- \$98B DoD Inventory
- 52M sq ft covered storage

Disposition Services

- Co-located with customers
- Over \$25B per year
- Reutilization & Marketing
- Reverse Logistics

Strategic Materials

- Critical items such as titanium, cobalt, and tungsten

Services

- Document Services
- Transaction Services
- Logistics Information Service



Current Scope and Impact

- **A \$42 Billion global enterprise**
 - More than 26,000 military and civilians
 - 28 countries
- **Managing nearly 5 Million line items via eight supply chains**
 - Supply 83% of all Military Services' repair parts and 100% of fuel and troop support consumables
 - Support over 1,700 weapons systems
 - Perform procurement role for depot level reparable
- **Primary DoD receipt, stow and issue warehouser**
- **Reverse logistics processor...reutilization and disposal**
- **Foreign Military Sales (FMS) and Humanitarian Aid**
 - \$1.55 Billion sales supporting 118 Nations
 - NATO Codification lead
 - Haiti relief, hurricane response, etc.
- **A “Day in the Life” of DLA:**
 - 10,000 procurement actions
 - 60,000 receipts and issues
 - 13M gallons of fuel issued





DLA Best Practices

- End to End (E2E) Supply Chain Management
- Strategic Supplier Alliances
- Integrated Product Support Vendors
- Linking Weapon System Acquisition and Sustainment Strategies
- Worldwide Storage and Distribution Network





Performance Based Logistics

An outcome based support strategy that plans and delivers an integrated, affordable, performance solution designed to optimize system readiness

Balances Warfighter readiness and affordability



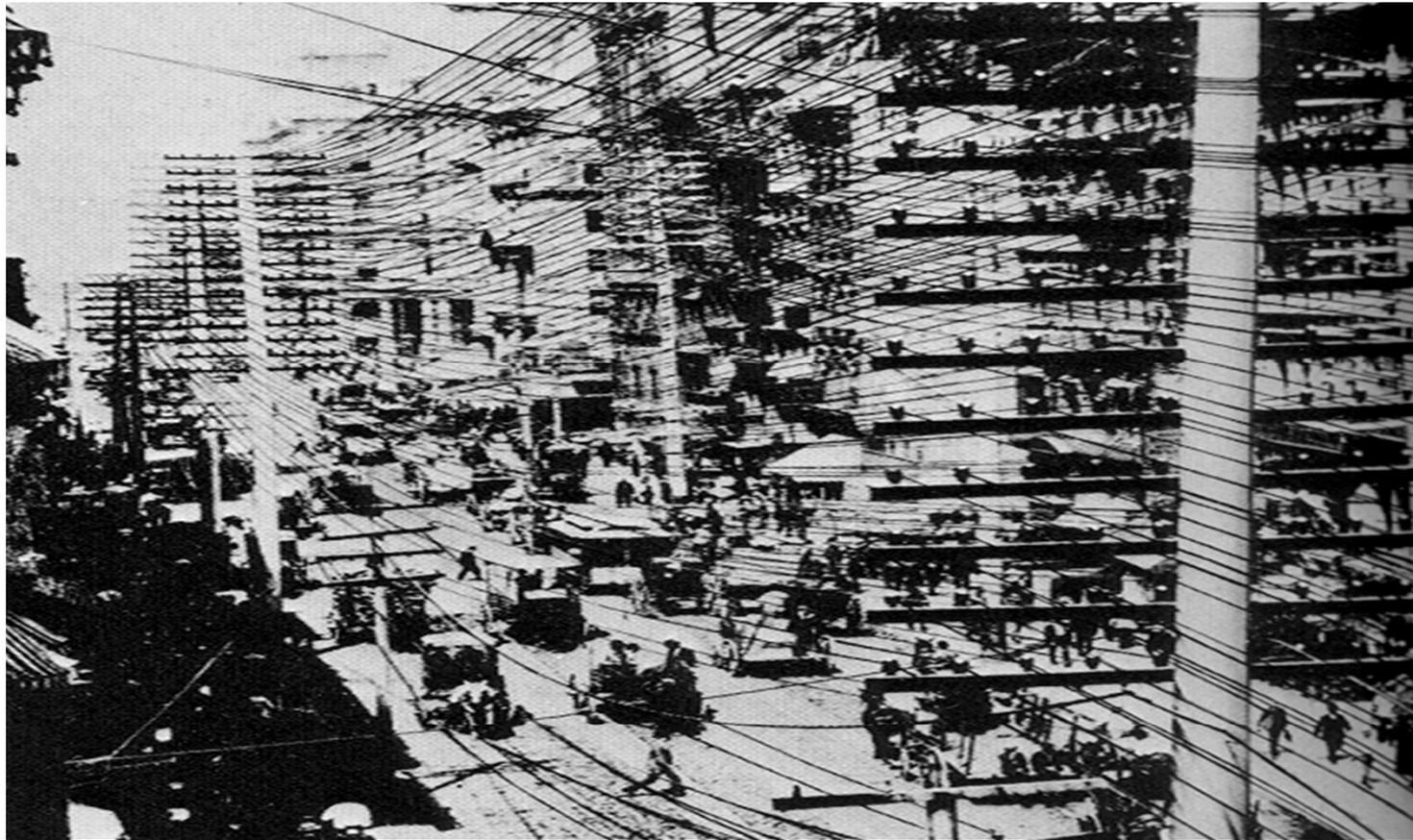
DLA Performance Based Logistics

- PBLs are alternative logistics support solutions that transfer inventory management, technical support, and supply chain functions to a provider for a specified level of performance at the same or reduced cost.
- This approach realigns vendor incentives
 - A fixed price “pay for performance” contract motivates vendor to reduce failures & consumption
 - Long term commitment enables vendor to balance risk vs. investment to attain a return on investments in availability and reliability

DLA is positioned to improve on this business model



Telecommunications Circa 1911



While the introduction of the telephone improved communications, multiple phone companies utilized separate lines and systems. AT&T was able to rationalize the business model, ***reducing cost*** and improving performance.



PBLs Circa 2011

Army

Air Force

Navy

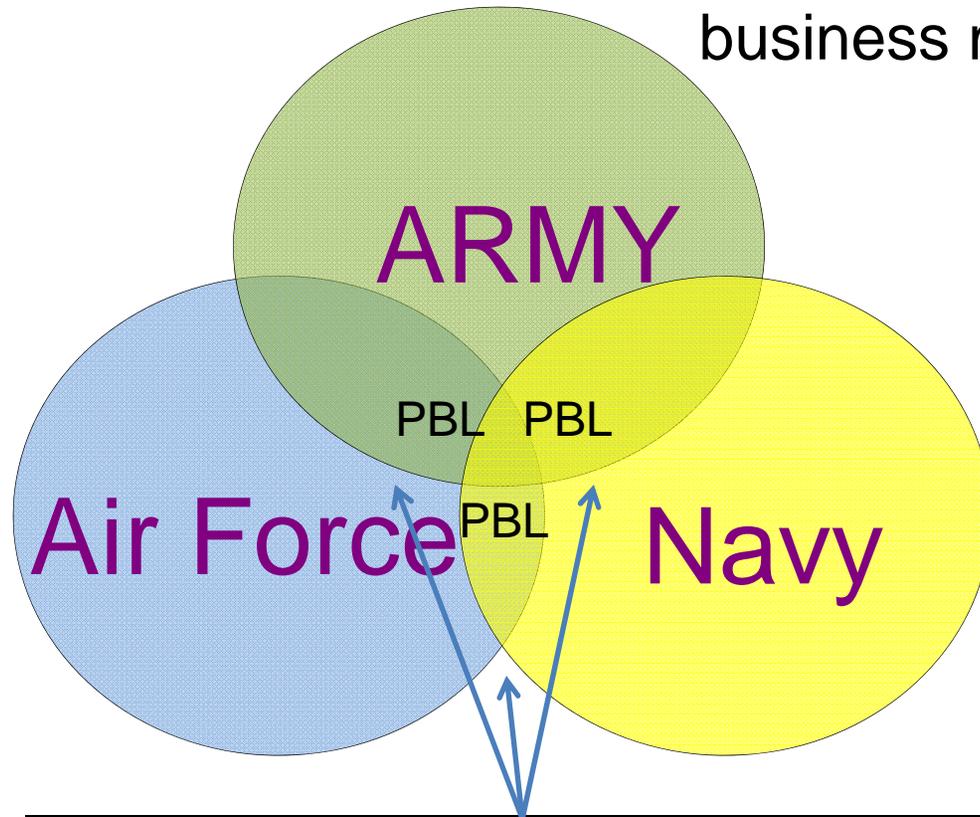
- As the telephone improved communications, PBLs represented an improvement over transactional supply
- By paying a commercial or organic depot for each repair there was no incentive to improve availability and reliability
- The PBL model changed this by paying for specified levels of performance
- Better performance was garnered while paying the same or less

Currently each Service pursues PBL strategies separately with unique (vice common) rules, approaches, terms & conditions



PBLs Circa 2012 and Beyond

Like AT&T, DLA sees great potential in improving the business model



- Rationalize Business Structure
- Leverage economies of scale & scope
- Garner efficiencies associated with one standard business process
- Move from PBL 1.0 (separate efforts) to PBL 2.0 (unified PBL structures that span DoD)

Defense firms have consistently stated that DoD can save 15 to 20% by migrating to a joint PBL structure, while providing better availability and reliability.



PBL-Where We Have Been

- PBL Support Roles
 - Product Support Provider (PSP) to the:
 - Program Office/Manager
 - Organic Product Support Integrator (PSI)
 - Commercial PSI
 - Integrating supply support
 - HMMWV ILP
 - Leveraging economies of scale
 - Tires Privatization
 - Fleet Automotive Support Initiative-Global



HMMWV Integrated Logistics Partnership

Letterkenny Army Depot

"Customer Pay has shown me the way to the promised land."
- Dr. Gray, Deputy CDR, LEAD



Red River Army Depot

HMMWV arrival at Depot



Assembly

Complete

Maine Military Authority



Army, AMG, DLA
Combined Inventory
Levels
Reduced 76%

Army
Inventory
Levels
Reduced
93%

Cost per Vehicle Savings

LEAD
6.6%

RRAD
8.7%

= 691 more HMMVWS
at No Additional Cost

Stock Availability
Increased to
99.99%

RECAP PM
Inventory
Investment
Reduced
95%



F/A-18 F404

Pre PBL

- 43% Availability
- 718 Backorders



Post PBL

- GE in a PBL partnership strategy with FRC SE resulting in:
- 90+% Availability
- 0 Backorders
- Contract value of \$641M
- Cost savings of \$90M





PBL Efficiency Opportunities

- Standardize Requisition Processing
- Eliminate Redundant Service Interfaces
- Consolidate Inventories
- Exploit Economies of Scale
- Reduce Risk (Reduces Contract Cost)
- Transition to Common Configurations
- Standardize Processes (e.g., Log Books)
- Optimize Depot Alignment

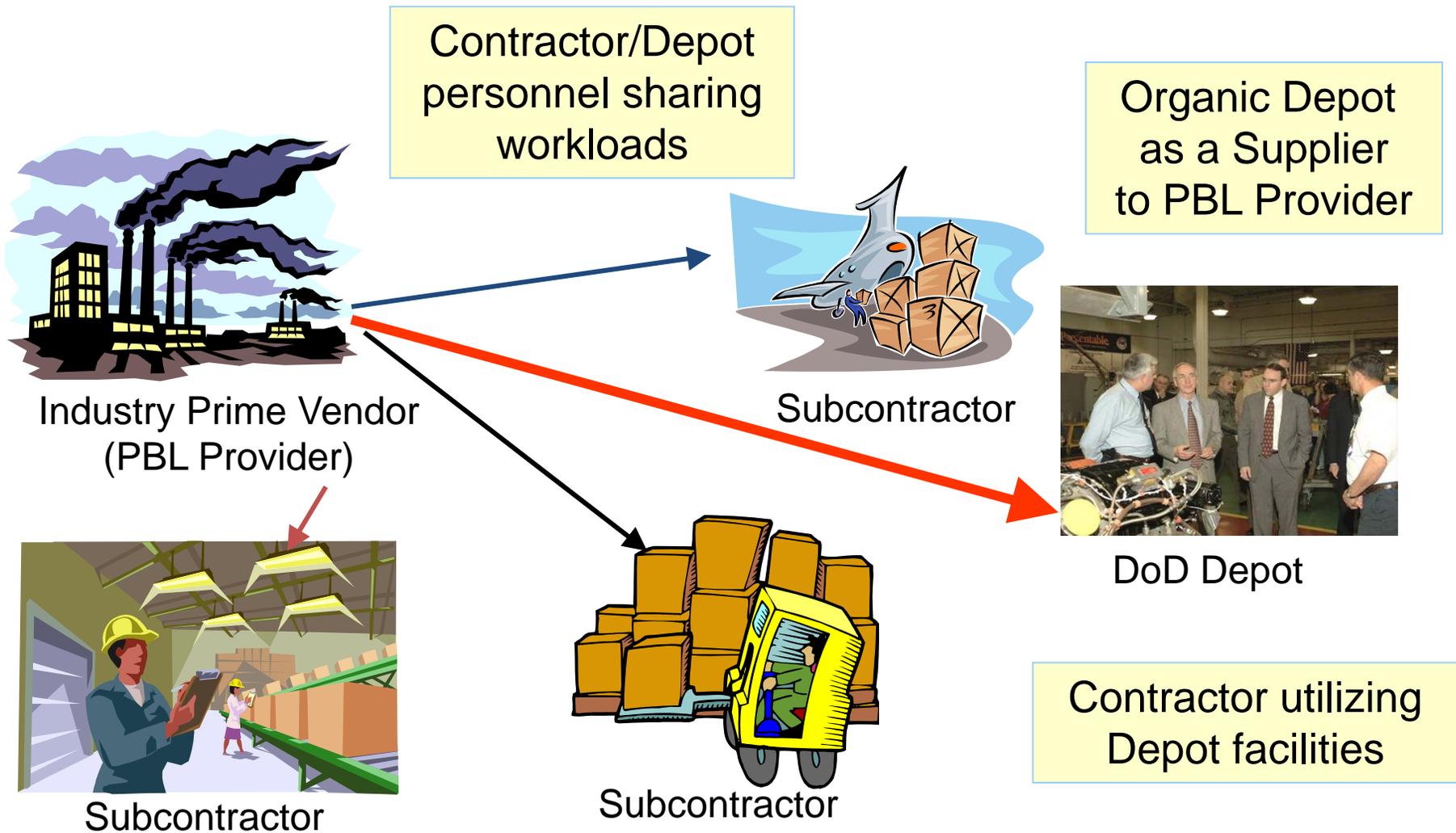


PBL-Where We Are Going

- Expanding PBL capability
 - Paying greater attention to total life cycle performance and weapon system support costs
 - A Headquarters DLA PBL office has been established to expand DLA PBL capability to be a provider of parts and performance-based outcomes
 - Currently identifying pilots



Public-Private Partnerships





DLA PBL Contacts

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Counterfeit Parts

- DLA actively engaged in OSD's effort but also an internal DLA efficiency initiative
- DLA internal Operational Evaluation Team chartered
- Building DLA Workforce awareness through communication and training
- Increasing testing and source qualification for targeted commodities
- Researching potential for decision support tools to detect high risk situations
- Potential for DoD-wide applicability

Increases warfighter support; reduces logistics costs



Questions?



Backup Slides



Life Before PBL



- Disjointed Metrics
- Unreliable Equipment
- Large Inventories
- Large Logistics Footprint
- No Lean Six Sigma
- Stove Piped Supply Chain



High Mobility Artillery Rocket System (HIMARS)



PBL Metric	Required	Actuals
System Readiness Rate	92%	>99%
Mission Capable Deliveries		
CONUS Average	24 hours	~14 hours
OCONUS Average	96 hours	< 1 hour
Repair Turnaround Average		
LRU Field Repairs	5 days	1.2 days
LRU Vendor Repairs	45 days	~34 days

"From start to shoot, HIMARS is performing extremely well in a high-tempo environment and harsh conditions...HIMARS government-industry logistics team is a poster child for what performance-based logistics is supposed to look like." Col. David Rice, project manager, Precision Fires Rocket and Missile Systems office





PBL Characteristics

- Long Term Agreements
- Specified Performance Outcomes
- Availability And Reliability Commitments/Guarantees
- Enabled By The Working Capital Fund
- Robust BCA Must Show Savings Or “Break Even”
- Built In Incentives To Improve Product and Processes
- Commercial Best Business Insertion To Organic Processes
- Leverage Existing Infrastructure... Core Compliant
- Target Firm Fixed Price Contracts (FFP)... Provides Cost Predictability



General PBL Results

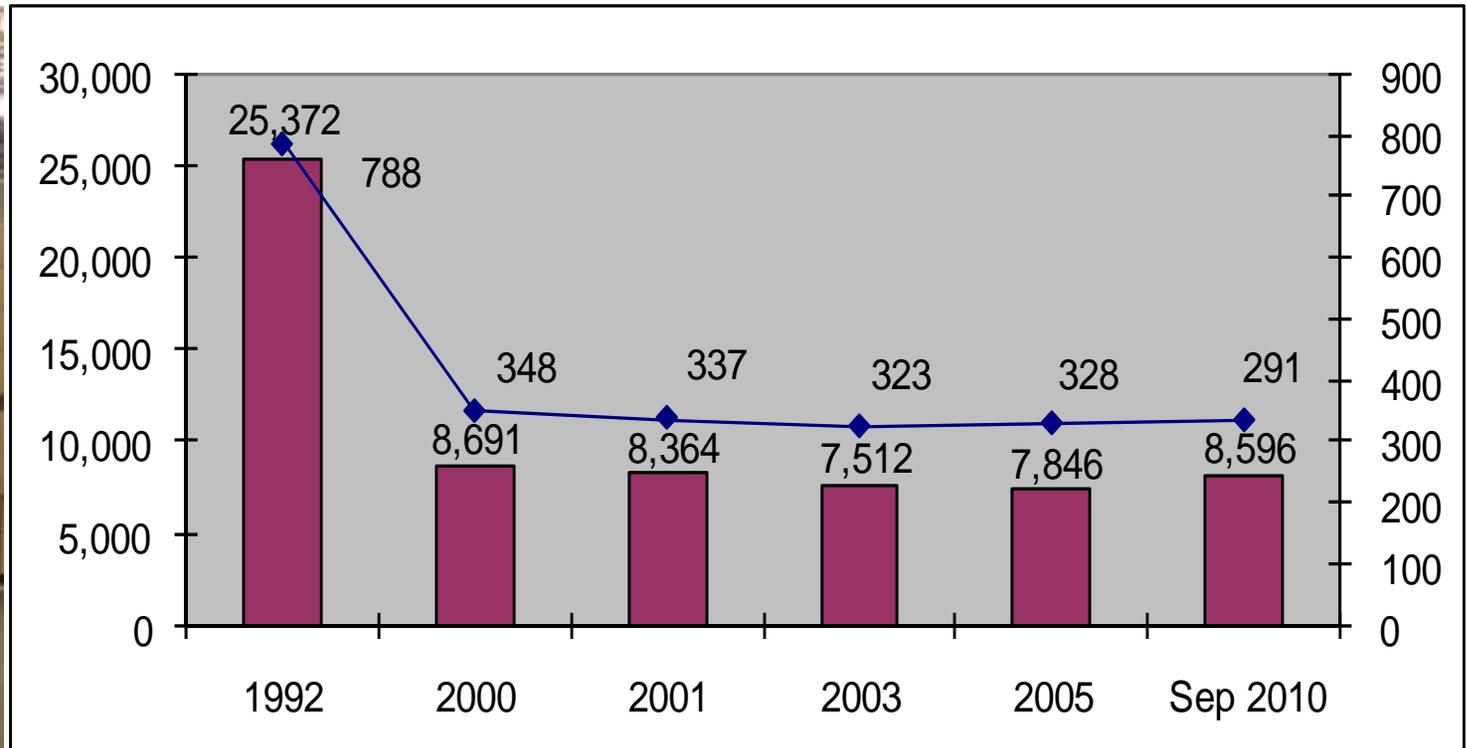
- Increased Material Availability
- Decreased Response Times
- Decreased Repair Turn-Around-Times
- Near Elimination of Awaiting-Parts Problems
- Major Reduction in Backorders
- Reduced Logistics Footprint
- Improved Reliability



Tomorrow's Distribution Network... Today

Personnel Decreased by 66%
Expanding Enterprise
Reducing Infrastructure (-588M Cubic Feet)
Tailor Distribution Support Agreements

Continue to Drive Down Cost
Enhancing DSS = Savings to MILSVS
Executing Lean Throughout Network
Refining Distribution Metrics



Storage Millions of Attainable Cubic Feet

Centralized Management & Decentralized Execution

As of Sep 2010



Land and Aviation Tires Privatization

- Guaranteed 95% Availability
 - **Actual Availability:**
 - Ground 95%
 - Aircraft 98%
- **Program Requirements:**
 - Worldwide Supply Chain/Inventory Management
 - Inventory drawdown/elimination
 - Obsolescence Management
 - Industrial Base Maintenance
 - Customer Support
 - Time Definite Delivery
 - Service Tailored Support
 - Landing Cost Index Program
 - Retread
 - Scrap Disposal



Michelin
Aircraft Tire
Company
Aircraft



Michelin
North
America, Inc.
Ground





Fleet Automotive Support Initiative-Global

- 100% contractor management of supplies
 - Forecasting/Demand Planning
 - Parts Acquisition
 - Item Management (stock levels & locations)
 - Storage & Warehouse Operations
 - Worldwide Distribution & Transportation
 - Supplier Management (emphasis on expanding Small Business participation)
 - Obsolescence Management
- Reduced DLA inventory investment and customer costs
- Improved end-to-end supply chain visibility
- Dedicated Program Customer Service

Supply Chain Partners



Savings

Lower Prices \$16M/Year
Inventory Reduction
\$200M