



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Demand Intelligence Sharing with Industry

“Update”

12 June 2012

DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

DLA LAND AND MARITIME

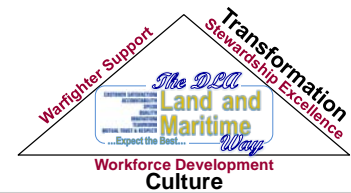
“With country facing a financial crisis, the Defense Department must cut \$489 billion over the next ten years.”

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

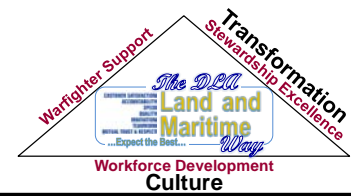


Decreasing budgets

Needed to increase dialogue with our customers on the future



Customer/Supplier Base Linkage



Generate Requirements

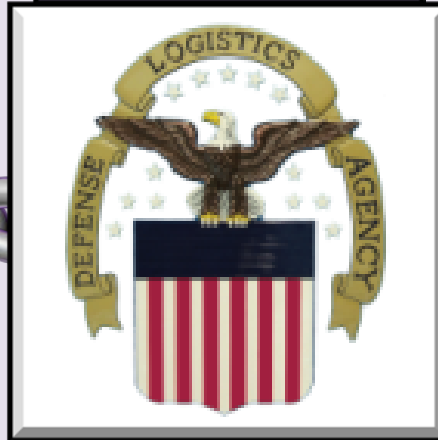
Aggregate Requirements

Fill Requirements

Customers



DLA



Suppliers



Operational

Industrial

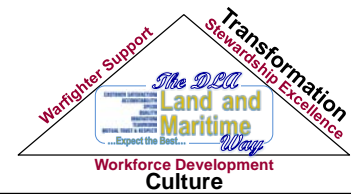
Wholesale

Customer Direct

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



Purpose

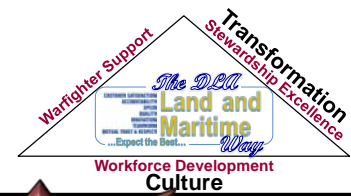


- Prevent / Reduce Iron Mountains as OPTEMPO decreases
- Must buy Smartly and Effectively
 - Overall Demand Decreases
 - Must Prevent Over Procurements
- **Tell you what we know**
- Adjust our Plans for the Future
- Solicit Intelligence and Provide more routine Situational Awareness to our Partners





The Future...



- 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

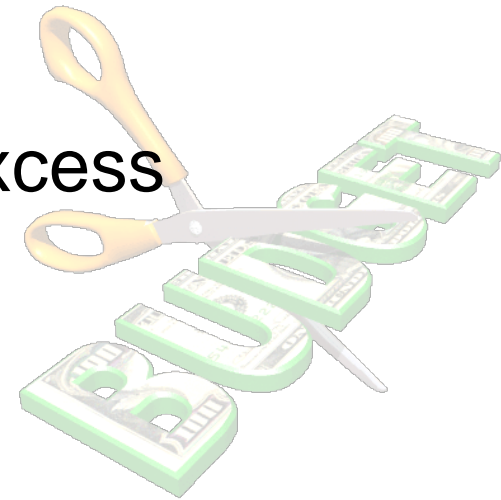
The past is not an accurate predictor of future requirements



Intelligence Gathered

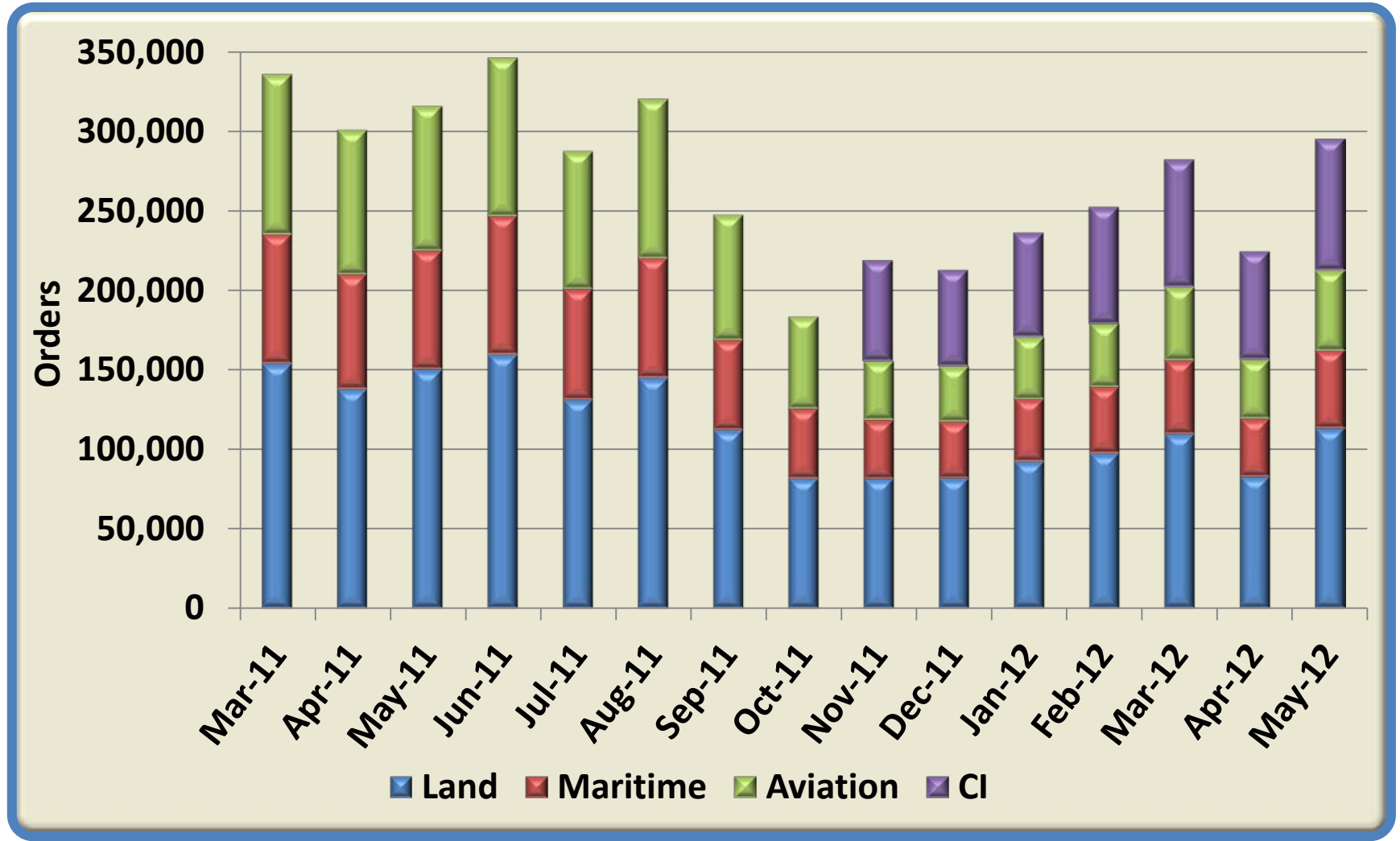
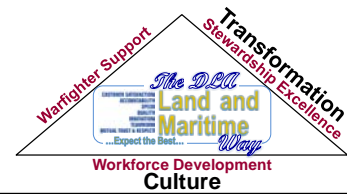


- Expecting services to use material bought from the last 10 years
- USMC / Army Tactical Vehicle Divestiture
- MRAP Stock Divestiture
- Retrograde Details, \$2.4B in excess
- Multi-years of DLA SOH
- Force Structure Reductions
- DoD budget cuts
- POTUS OEF withdraw NLT CY '14
- DLA systematically adjusting forecasting





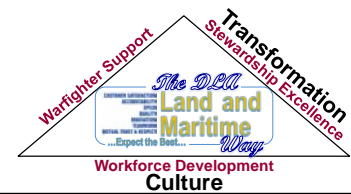
Land Demand Class IX Orders



April year over year, CL IX orders down from 316K to 295K; Land 150K to 113K, Maritime from 75K to 49K

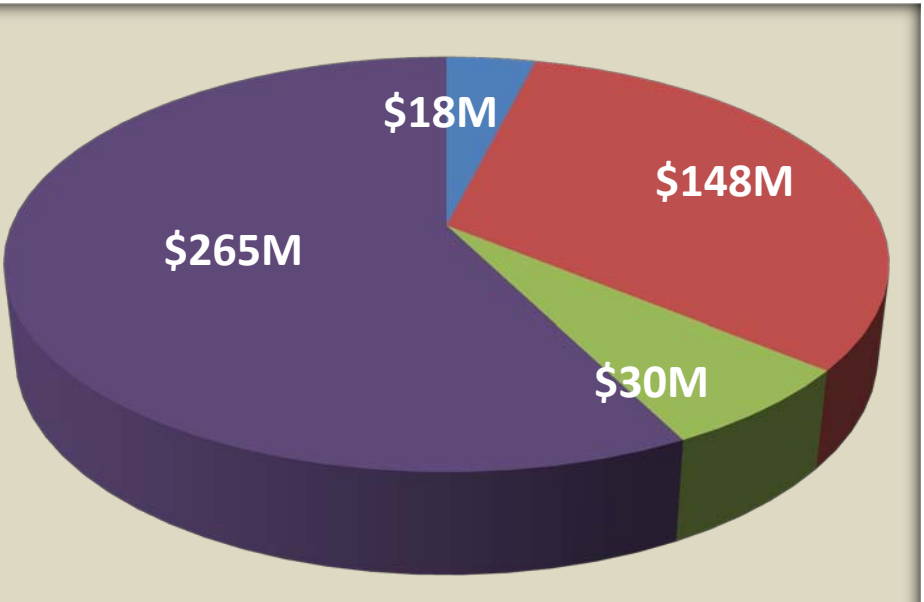
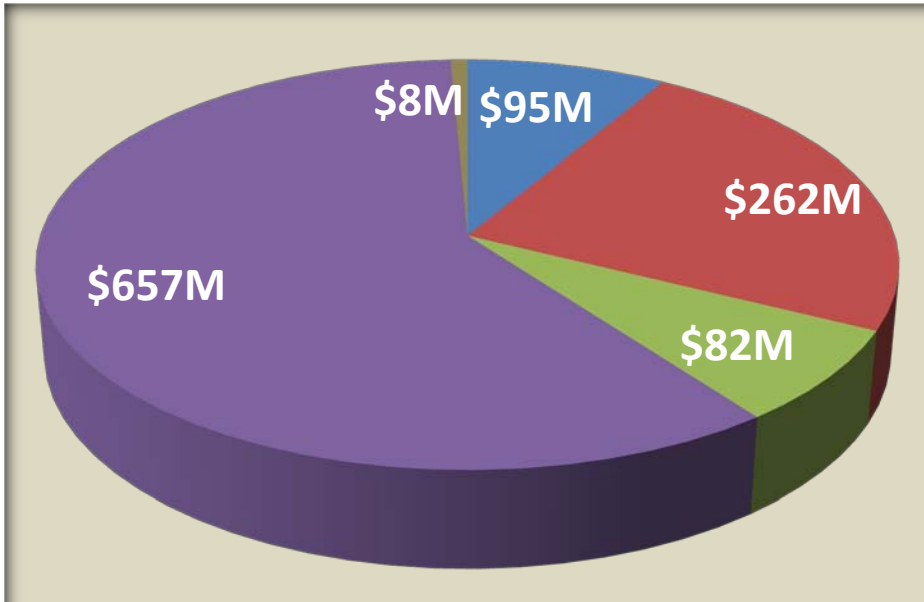


Tactical Vehicle Sustainment Sales



FY11
Total Sales: \$1.1B

FY12 (to date)
Total Sales: \$416M



■ OND
 ■ OEF
 ■ Kuwait
 ■ Kuwait Industrial
 ■ All Others

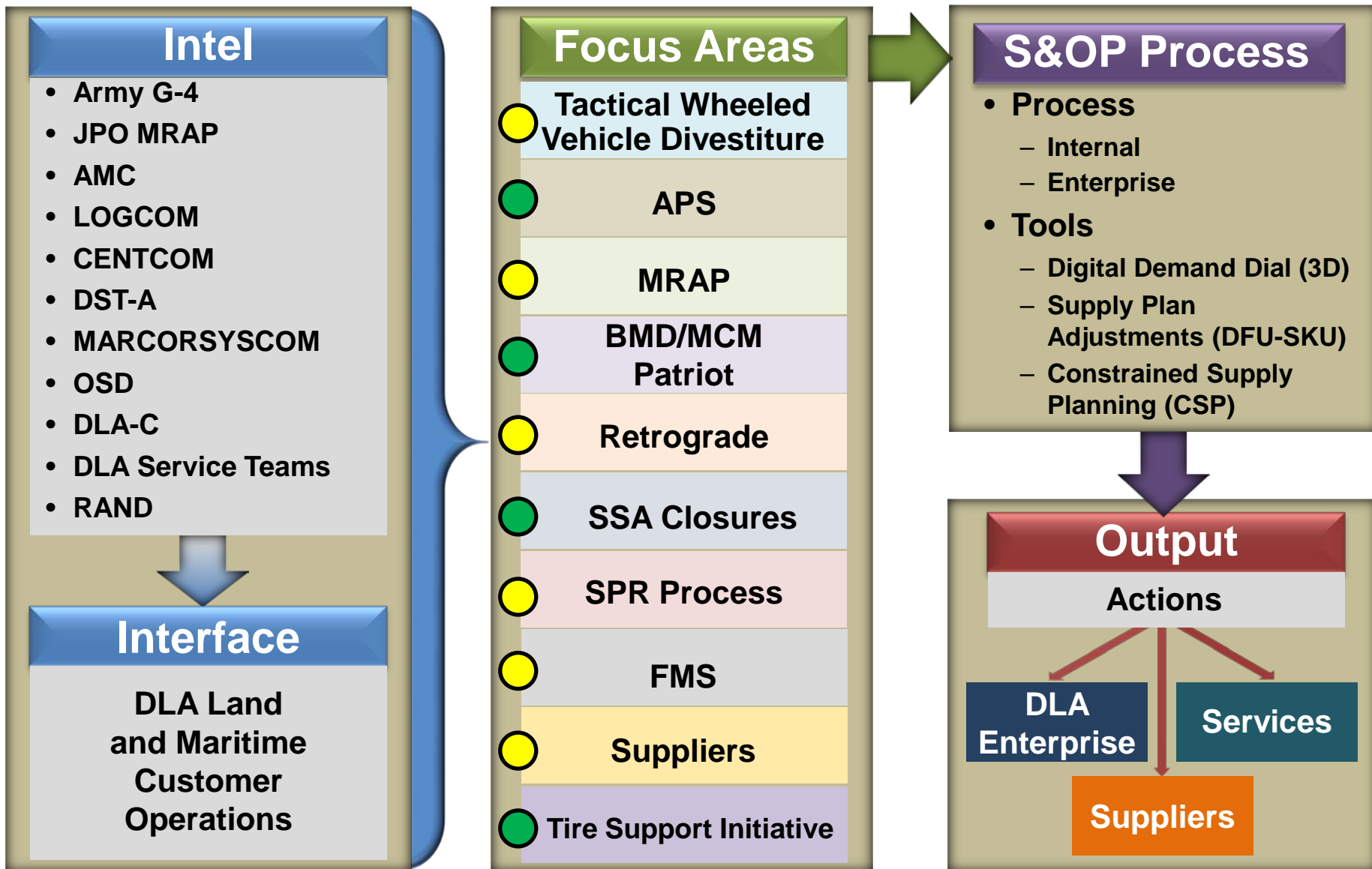
• 22% of Demand
 • 41% of Dollars

**Enduring
Combat
Operations**

• 21% of Demand
 • 43% of Dollars

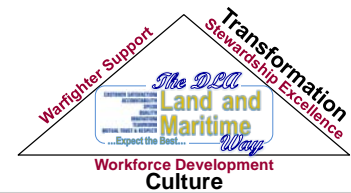


Shared Intelligence and Forecasting Focus Areas





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



Impacts

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



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

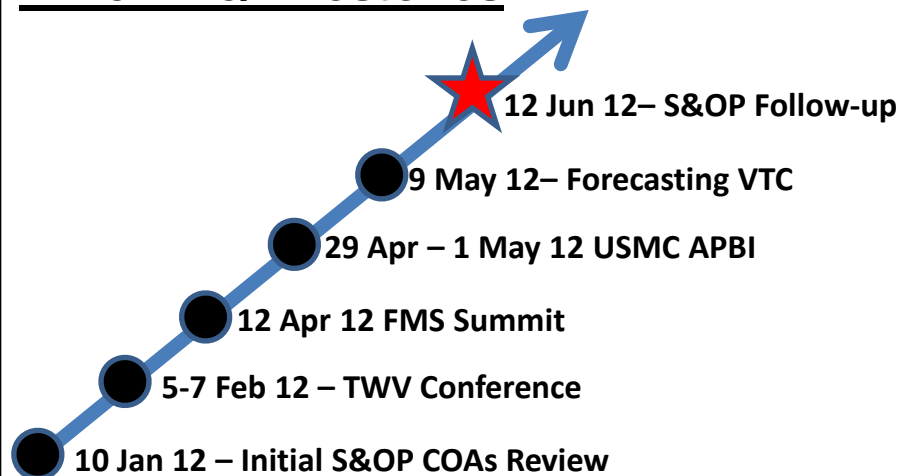
Intel Needed

- 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



Impacts: FY12-FY17

- Cost avoidance (two-year, rolling forecast).
- Reduced stock levels - Unique NSNs

Update:

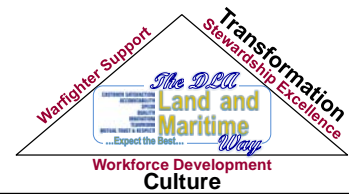
- **Army 5 HMMWV variants, 12 MTV Veh, & 7 HTV Veh identified**
- **LVS – 35% forecast reduction in Feb for \$2.3M; total reduction of \$6.7M when complete.**

Goals

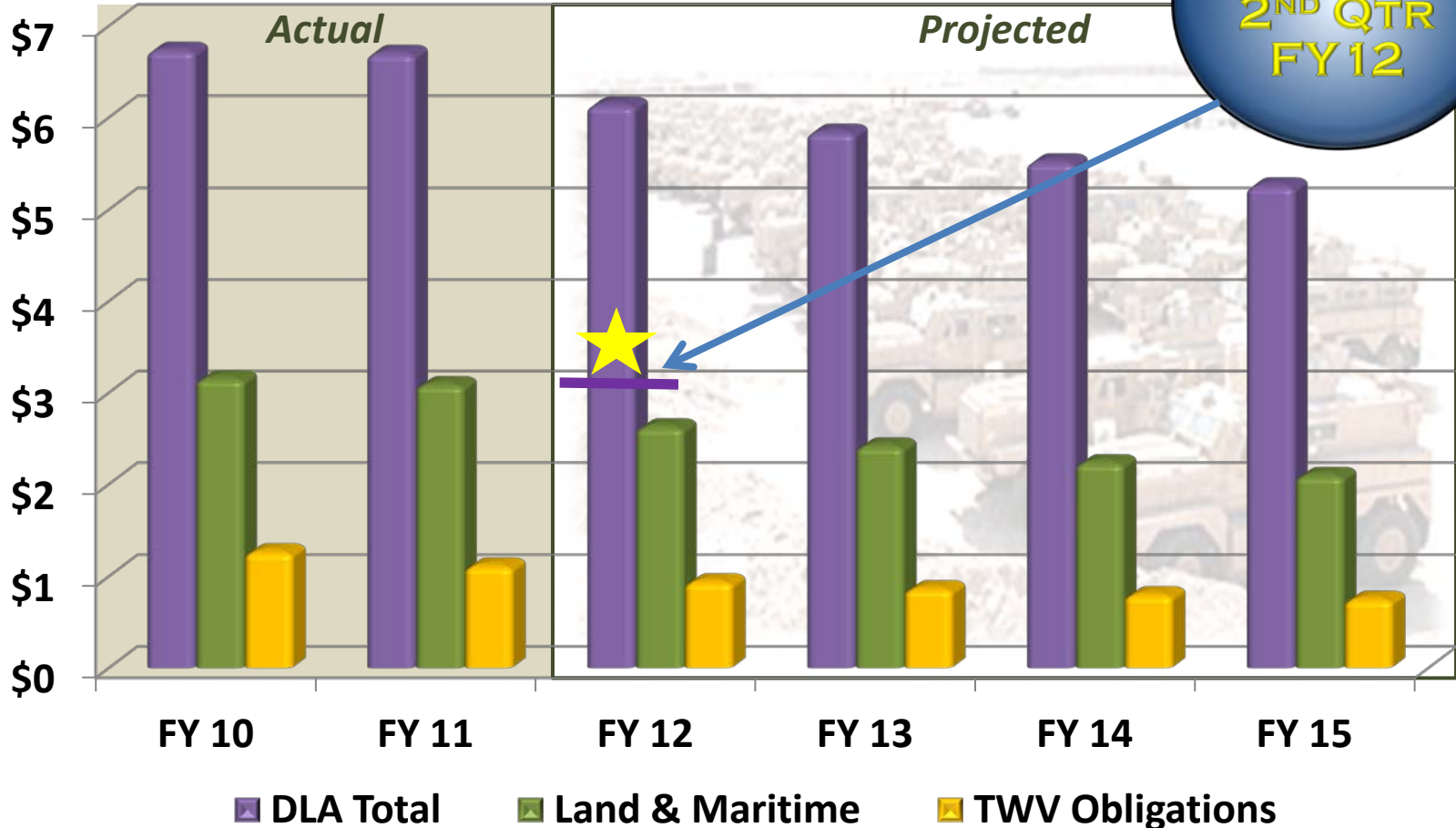
- Reduce SOH of obsolete equipment.
- Allocate resources to buy and forecast the right items



Obligations for Tactical Vehicle Sustainment



\$ Billions

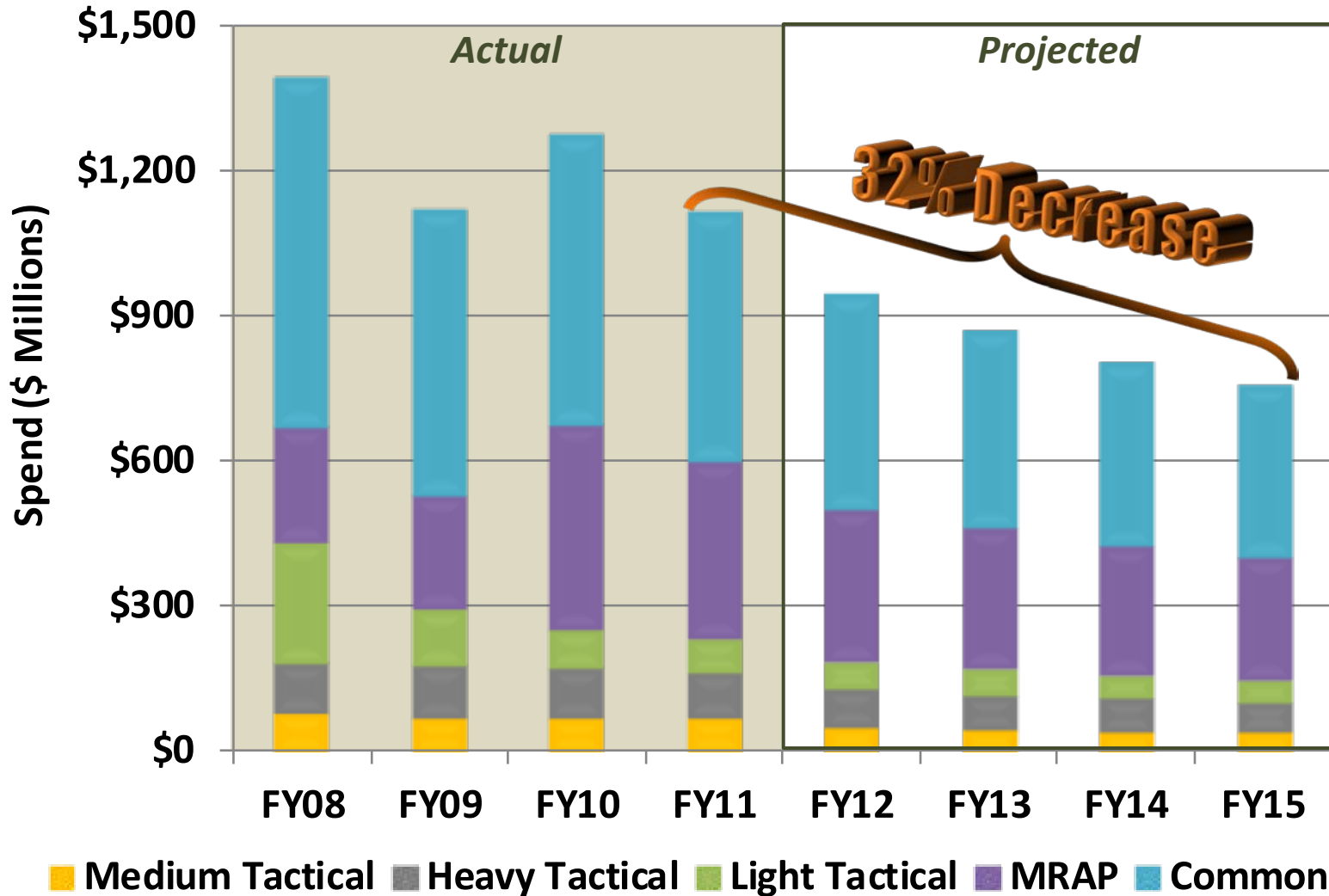
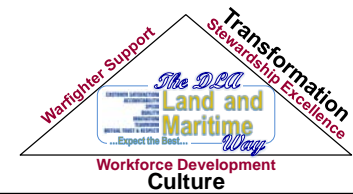


AS OF END
2ND QTR
FY 12

DLA Budget will continue to decrease over the out years!



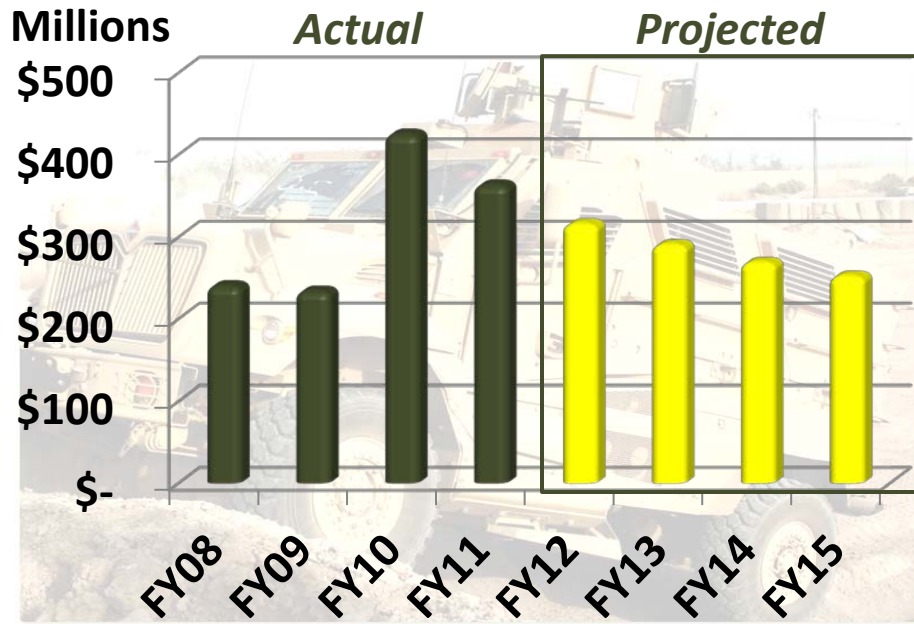
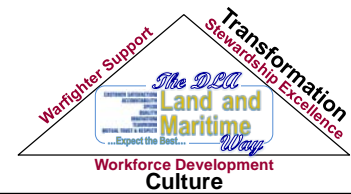
Total Spend By Tactical Vehicle Type



DLA Land and Maritime expects decreases across all tactical wheeled platforms!



MRAP Tactical Vehicles



Intel Received

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



Proposed Action Plan

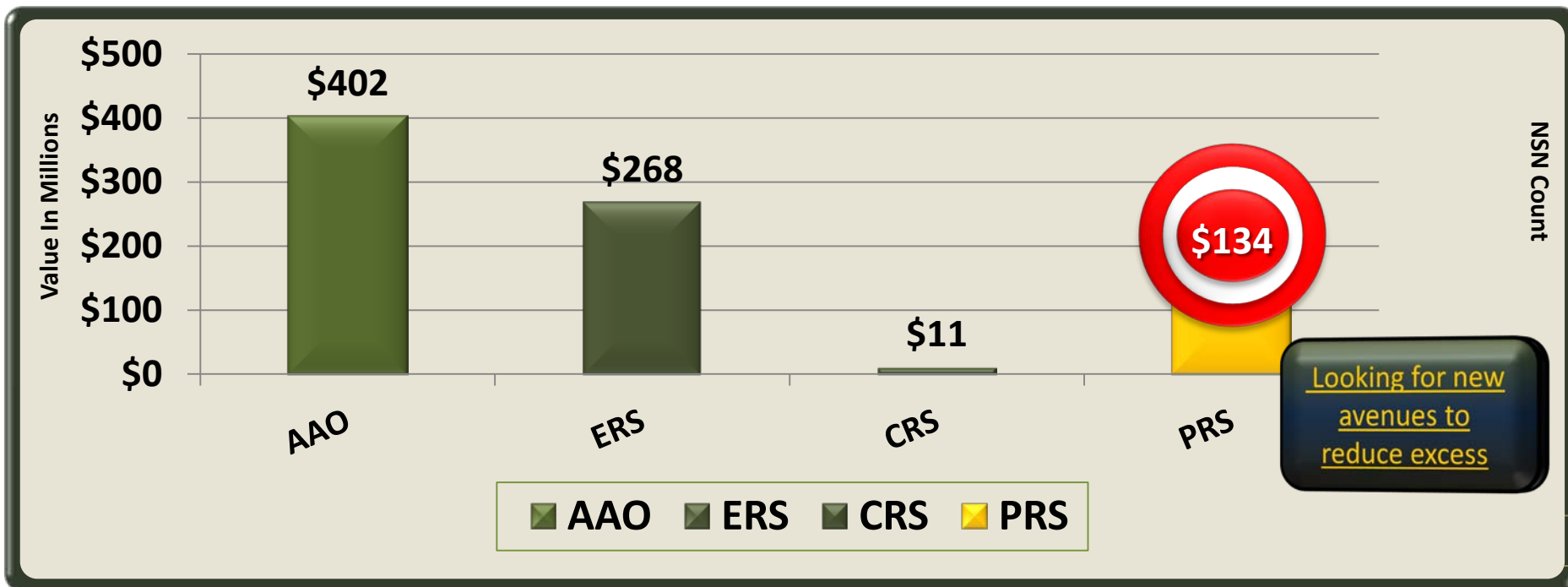
- **Data Cleansing** (Divestiture/Phase Out parts)
- Over Procurement Prevention & Reduction
- Right Size inventory across DLA
- Scrutinize customer material returns closely
- Continue SSA Zero Balance Reviews
- Further **Develop Other Customer Avenues**
 - Exchange or Sale/Return for Credit

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



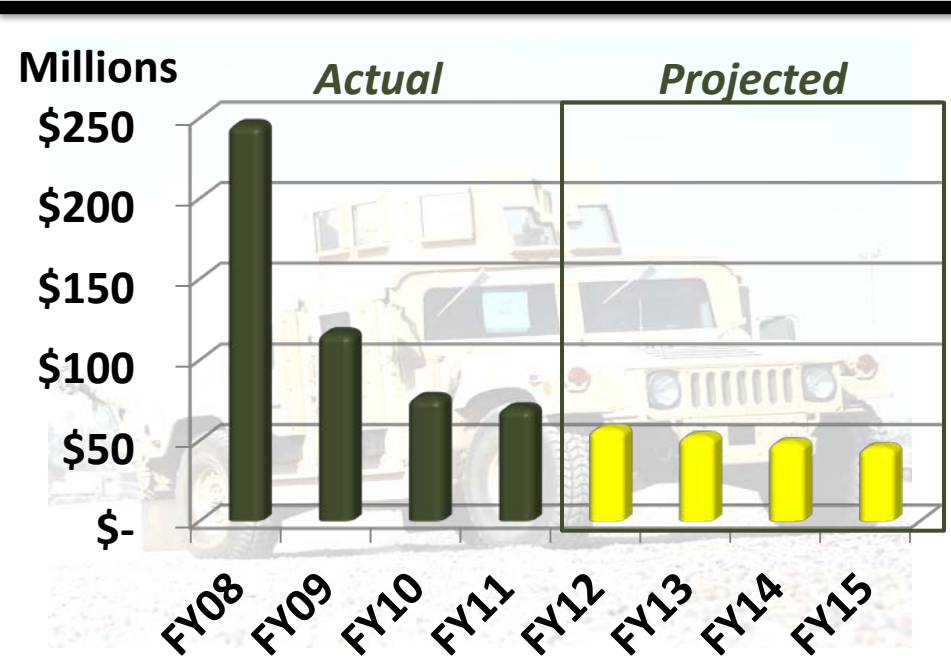
MRAP Inventory Stratification (22 May 12)



- **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



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

Proposed Action Plan

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

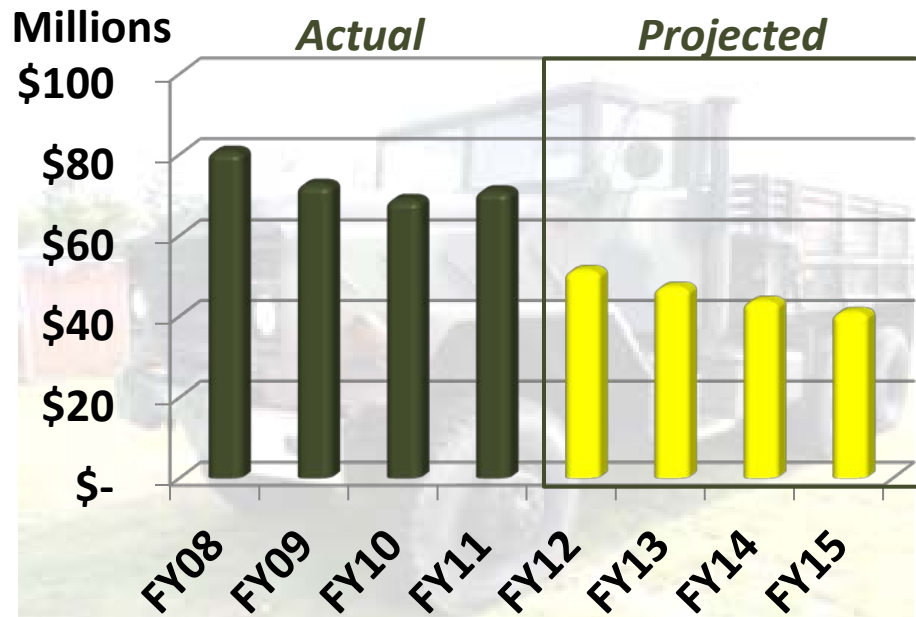
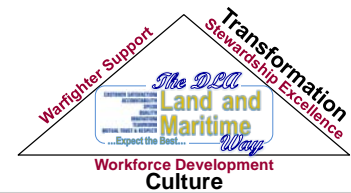
Objectives

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





Medium Tactical Vehicles



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

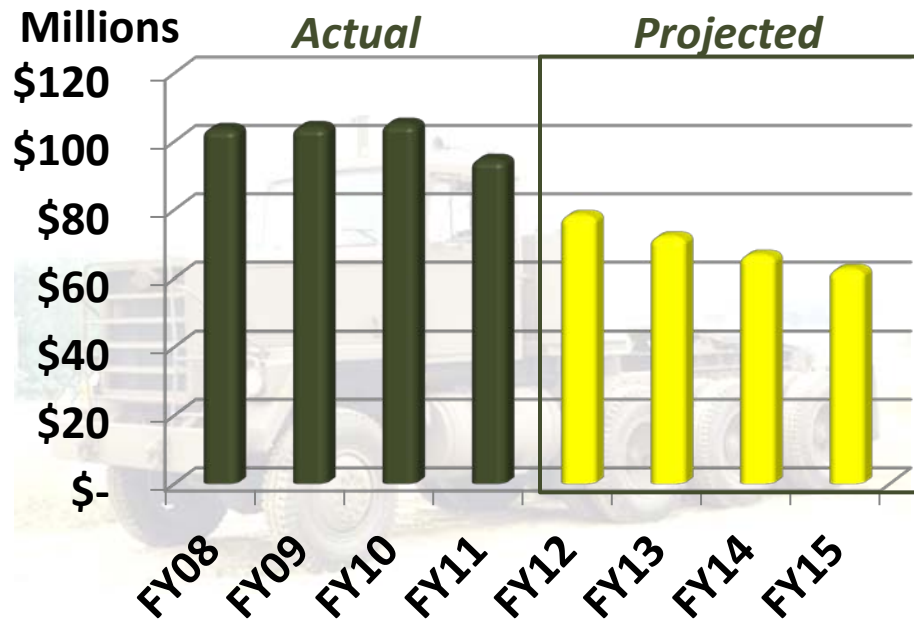
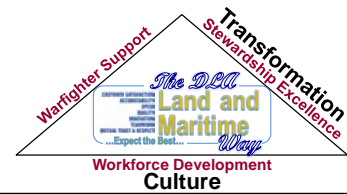
Objectives

- 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

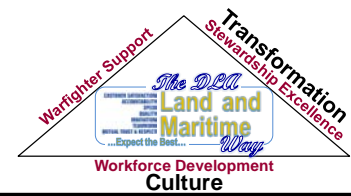
Objectives

- 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 x4695
CHIEF OF LAND READINESS

Email: first.last@dla.mil
Comml 614-692-xxxx
DSN 850



KAREN.DEVER.BLEVINS –
HOWITZERS & CHEM / BIO x7663

DANIEL.NETTLER – CE / PAWS / ROBOTICS
x3207



DAVID.DURR – ARMY MHE / NATICK x9520
David.Mix temp until Aug 12 x6043

SUSAN.PEDERSON – COMM / ELEC,
/CECOM x8727



DUANE.GROSS –ASV / MTV x7610

LOUIS.PIERI – ABRAMS / WOLVERINE x4068



SARAH.CARRICO– MRAP / MATV x2376

JOHN.PITCOCK- RCV / MRAP READINESS
x3465



CARL.LANGWELL – MISSILES /AMCOM
x5764

JOHN.E.ROUSE – HTV / TWV x2043



GINALEE.LEWIS - USMC Engineer and Power
Systems x7331

SHELLY JENKINS – HMMWV / LTV



JAMES.LOSEY – BRADLEY / M88 / FCS,
BRIDGING, MARINES COMM/ELEC x7625

ANNE.TARRANT – LAV / AAV / STRYKER /
SMALL ARMS / MORTARS x1746



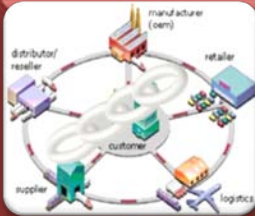
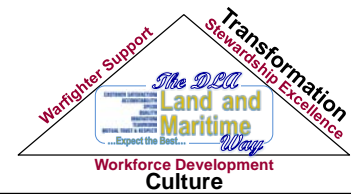
ANGELA.TURLEY– MRAP
x1231

BRENT.WATSON – RCV / MRAP READINESS
x9119





Supplier Help



Identification of Supply Chain Constraints



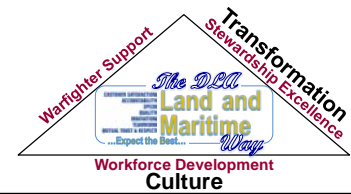
Data Cleaning / Stock Re-Engineering



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

DEFENSE LOGISTICS AGENCY

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WARFIGHTER SUPPORT

STEWARDSHIP EXCELLENCE

WORKFORCE DEVELOPMENT