



# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



## Defense Supply Center Columbus *“Inventory Management Excellence and Acquisition Agility”*

### 2012 Land & Maritime Supply Chain Business Conference

James M. McClaugherty, SES  
Deputy Commander  
June 11-13, 2012

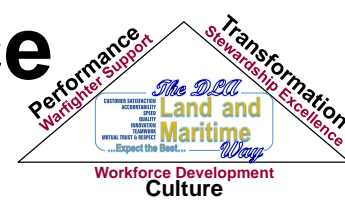
WARFIGHTER SUPPORT

STEWARDSHIP EXCELLENCE

WORKFORCE DEVELOPMENT



# Inventory Management Excellence and Acquisition Agility



## Land and Maritime Mission Review

- Land Demand Chain
- Maritime Demand Chain

## Demand Planning

- Demand Intelligence
- Tools

## Supply Planning

- Inventory Levels
- Clean Out the Attic

## Technical/Quality

- Counterfeit Avoidance

## Execution

- Operation Full Press
- “Big Ideas

## Summary

- Culture = Performance

# DEFENSE LOGISTICS AGENCY

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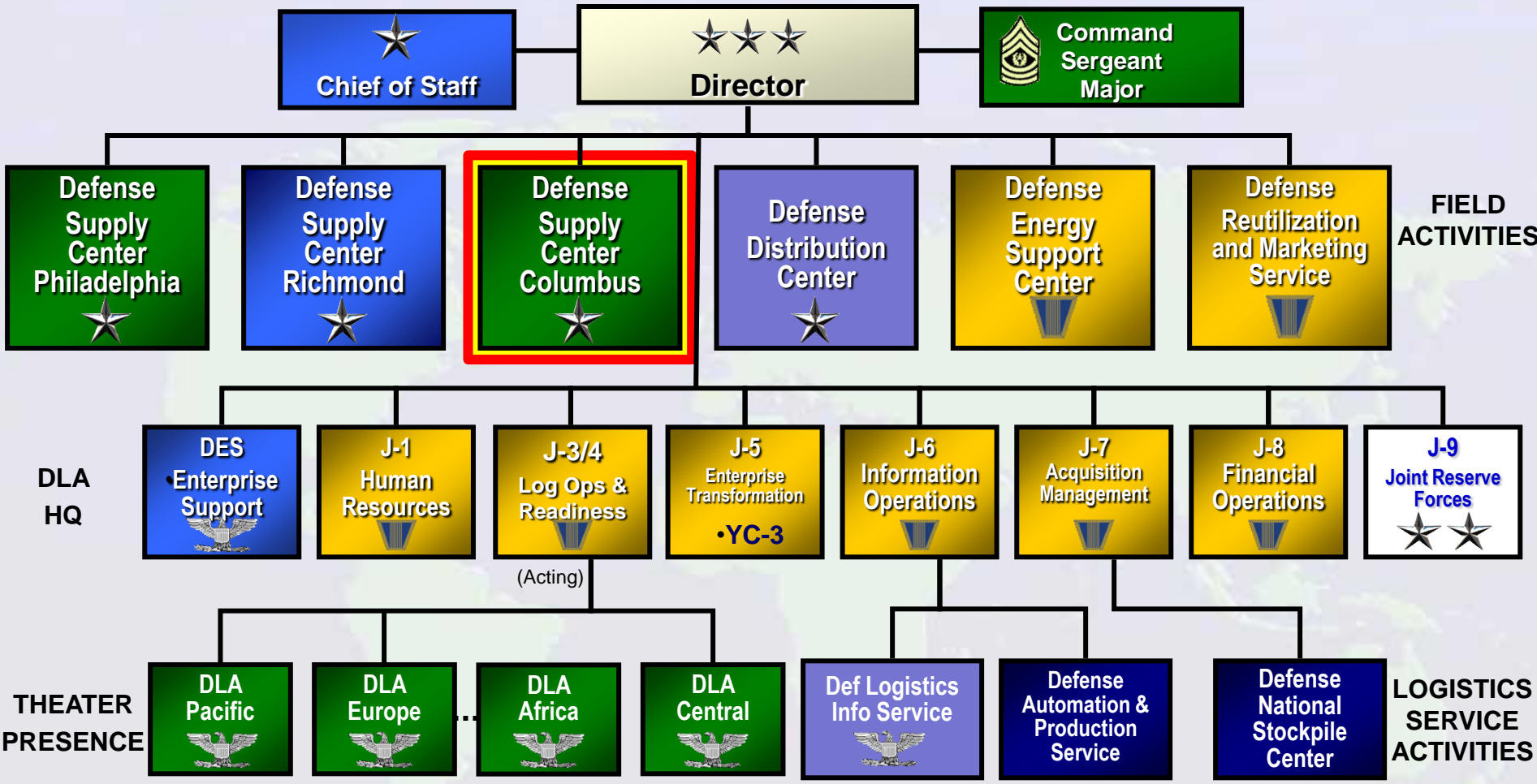
## DLA LAND AND MARITIME

# Land and Maritime Mission





# DLA Organization





# DLA Land & Maritime

## “At a Glance”



- 3,019 Civilians
- 83 Active Duty
- 37 Reserve
- 5 Unions – 12 Locals

### People



- 3 DLR Dets
- 4 Retail Dets
- 37 Forward Execution Sites

### Reach



- 800K Contract Actions/yr
- 1.8M Items (NSNs)
- 4.1M Requisitions/yr
- 162K Customers
- 1600 Weapon Systems
- 5600 Suppliers

### Portfolio



- 520 Acres
- 26 Tenants
- 8000 Employees
- Payroll \$500M
- State/Local Tax \$35M
- Infrastructure Value \$1B
- Installation Opened May 1918
- 14 Name Changes

### Installation



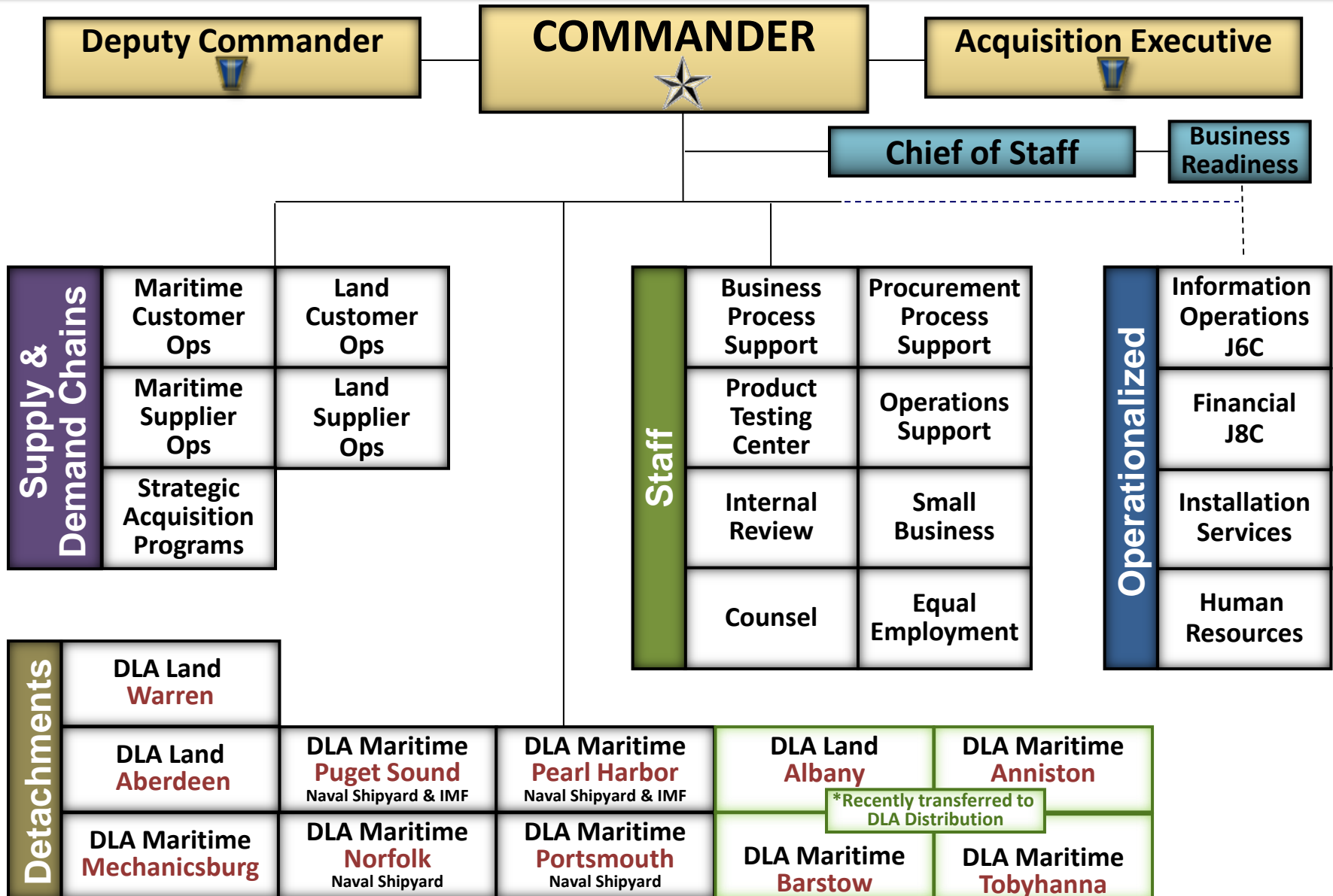
- |                             |          |
|-----------------------------|----------|
| • Land Consumable Sales     | \$2.428B |
| • Maritime Consumable Sales | \$2.010B |
| • Navy DLR Obligations      | \$.237B  |
| • Army/USMC DLR Obligations | \$.618B  |
| • Retail Sales              | \$.297B  |
| • Total                     | \$5.590B |

### FY11 Business Impact



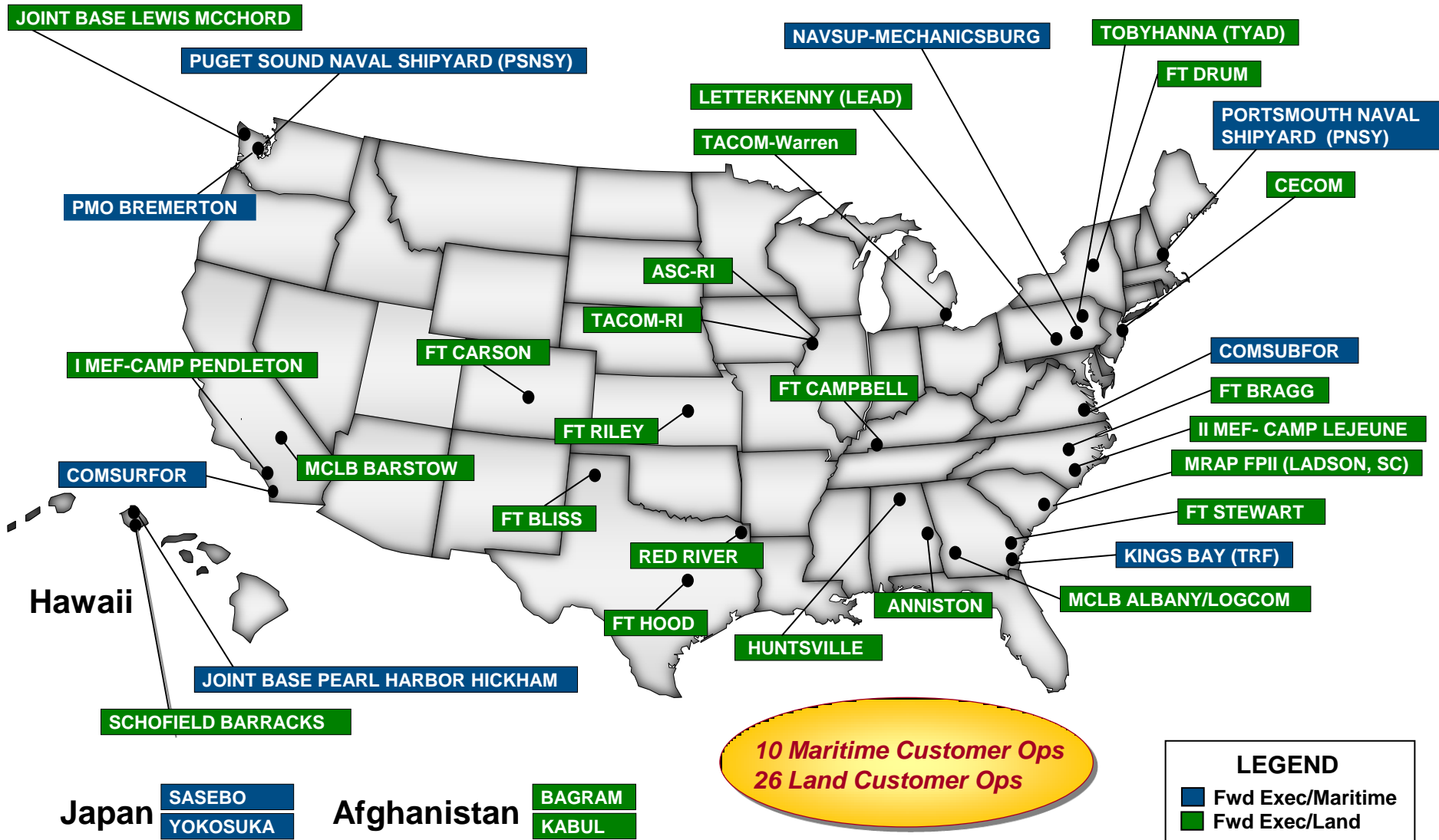


# DLA Land and Maritime Organization Chart





# Forward Execution



**10 Maritime Customer Ops  
26 Land Customer Ops**

LEGEND	
<span style="background-color: #0056b3; color: white; padding: 2px;"> </span>	Fwd Exec/Maritime
<span style="background-color: #008000; color: white; padding: 2px;"> </span>	Fwd Exec/Land

**36 Total Locations with 60 People**



# Business Units & Roles Demand Chains



## Customer Operations

### Land

- 140K Customer DoDAACs
- 11.4M Requisitions Annually
- Worth \$5.3B
- **Material Availability: 95%**



AMC



TACOM



CECOM



AMCOM



LOGCOM



USMC SYSCOM

### Maritime

- 23K Customer DoDAACs
- 2.7M Requisitions Annually
- Worth \$7.5B
- Army & Navy FMS
- **Material Availability: 91%**



NAVAL SUPPLY SYSTEMS COMMAND



Coast Guard



Fleet Forces Cmd



USASAC



NAVAL SEA SYSTEMS COMMAND



SUBFOR



SURFOR Atlantic



SURFOR Pacific

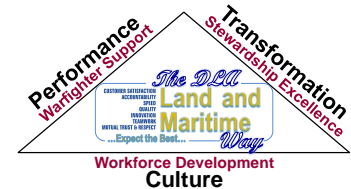
- *Single Customer Touch Point*
- *Demand Planning/Forecasting*
- *Retail Detachment Synchronization*

*Single Face to Warfighters*





# Key Customers Land Demand Chain



## *Industrial and Operating Forces Support...*



**Anniston Army Depot**

- 6 Major Depots
- TACOM/CECOM/AMCOM/ASC/LOGCOM



*A call from the operating forces is not a disruption of our daily routine.*



**MCLB Barstow**

## *...and a Weapons Systems Focus...*

- Tracking 47 Level A Army & USMC Land Systems



# MRAP Sustainment... By the Numbers



**MRAP/RCV Readiness**

**90%+**  
Over 4 Years Running

**Stocked Parts**

**27,750**  
MRAP Parts

**Parts Shipped**

**\$2.52B**  
Since Jan 07  
(Common/ Unique)

**\$ Shipped Weekly**

**\$11M - \$15M**  
Over 3 Years Running

**OEMs / OEM Contracts**

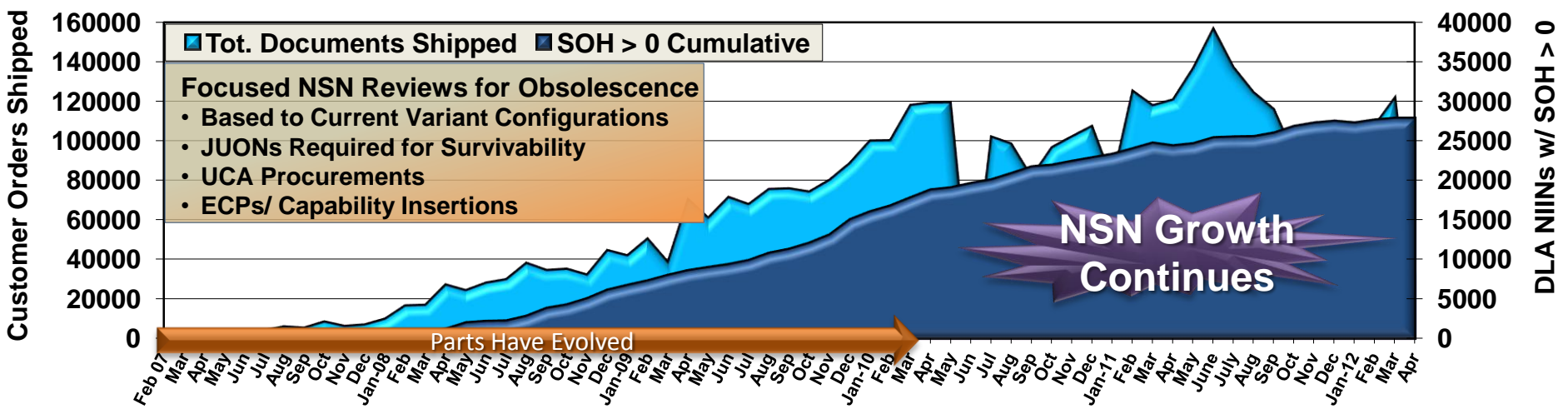
**Six**  
OEMs & Long Term Contracts

**Long Term Contracts**

**17**  
OEM & Secondary Suppliers

**Sustainment Team**

**5-Person Team**  
6<sup>th</sup> Rotation





# Land Weapon System Readiness



## Patriot

- High OPTEMPO leading to readiness concerns
- RESET
- PAC III RECAP
- Cable Readiness



## Organic Manufacturing

- Fill urgent IPG1 BOs
- Combat Turrets @ RIA = \$16M – FY11
- Housing Shock Absorbers @ RIA = \$4.9M - FY12



## 5K FKL

- Army KTR let to KALMAR RT
- System to replace Army and USMC 4K
- Army Test System identified minor QA
- USMC takes delivery of 6 systems in July



## WSSP Data Issues

- 145 USMC and Army WSDCs with  $\leq$  10 NSNs
- Improvements made with USMC due to emphasis on Program

## Common Initiatives

Customer Engagement

Forecasting

IPG 1 BO Reduction

WSDC Issues

Provisioning



# Land Industrial Support Initiatives



## Emphasis on Reset

- Forecasting Summit
- Demand Planning Roadshow
- CSR participation in depot production meetings



## Customer Engagement

- LOGCOM VTC 15 Jun 12
- TACOM VTC Aug 12
- AMCOM VTC Aug 12
- CECOM VTC Aug 12



## Automation Compatibility

- LMP-EBS
- SPRs
- Forecasting



## USMC Maintenance Consolidation

- Single Commander
- Workload prioritization

## Additional Initiatives

Customer Engagement/  
Collaboration

Forecasting

CCIR  
Management

Line of Balance  
Reviews

Industrial  
Forecasting  
Groups

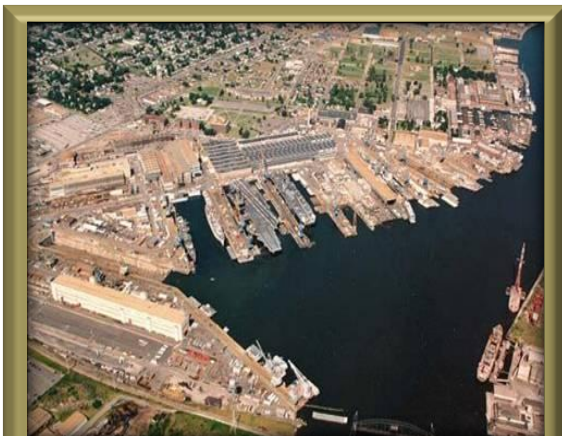
*Meeting Production Needs Through Increased Collaboration*



# Key Customers Maritime Demand Chain

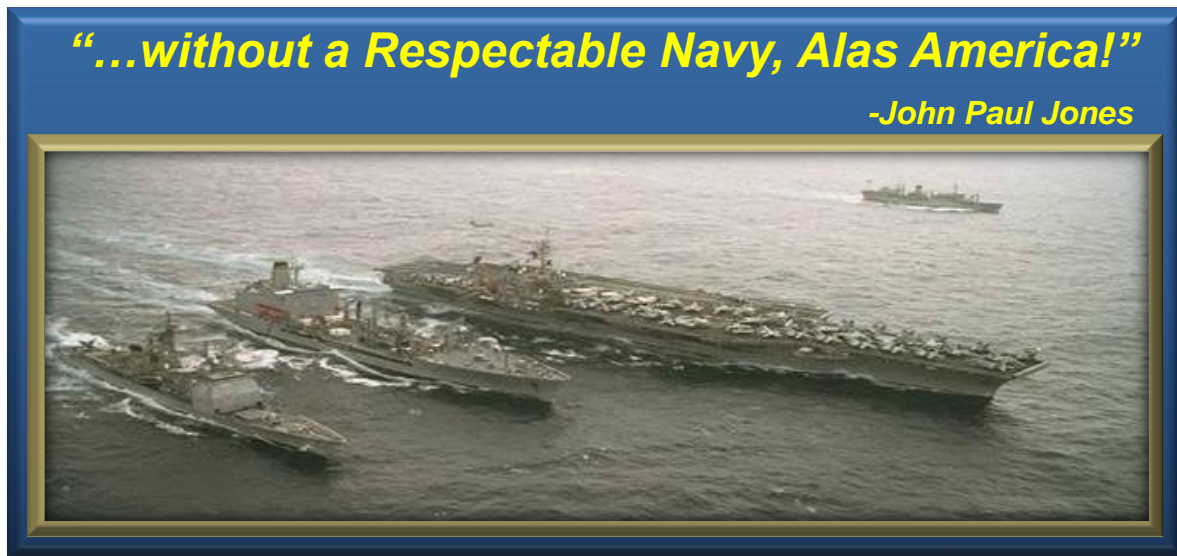


## *Industrial and Operating Forces Support...*



**Norfolk Naval Shipyard**

- 4 Major Shipyards (NNSY, PSNSY, PHNSY, PNSY)
- 11 Intermediate Maintenance Facilities
- NAVSUP WSS/NAVSEA



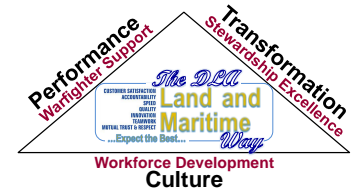
**Trident Refit Facility  
Kings Bay**

## *...and a Weapons Systems Focus...*

- Tracking 16 Level A Navy Maritime Systems



# Maritime Weapon System Readiness



## Nuclear Reactors Program

- Dedicated integrated support teams
- Consistently meeting all ship alts/outfittings
- 54 mths >95% MA



## Ballistic Missile Defense

- Focused PUK support
- Critical items to Bahrain and Sigonella
- MA 95.1%



## Mine Countermeasure

- Critical items to Bahrain and Sasebo
- Leveraging Demand Planning
- MA 91.6%



## Littoral Combat Ship

- Partnering with PEO LCS
- Material Sustainment Plan
- MA 90.9%

## Common Initiatives

Customer Engagement

Forecasting

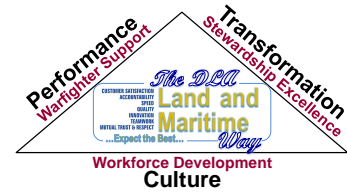

CASREP Reduction

Deployer & INSURV Focus

Provisioning



# Global Support of Industrial Activities Shipyard Support Summit

### LA Class Support Enhancements

- Increased stock levels on > 7k critical items
- Developing plan to support all mandatory maintenance items
- Targeted support to readiness drivers



### VA Class Support Enhancements

- Discussed lessons learned from VA EDSRA as we plan for TX at PHNSY
- Continue bi-weekly drumbeat calls



### Forecasting Improvements

- Led to NAVSEA VSA Event on Forecasting
- NAVSEA increasing amount of material forecasted before A-0
- DLA to process forecast data directly

## Broad Spectrum of Support

Dedicated Emergency Buy Support	Focused CCIR Tracking/ Drumbeat	Shop Stores Improvement Initiative	Buy-Around/ DHA Analysis	Shipyard Availability Tracker
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*Bringing Integrated Approach to Industrial Support*



# Business Units & Roles

## Retail SS&D



### Supply, Storage & Distribution (SS&D)

#### Norfolk NSY

- 8500 lines - \$17M
- 181K Annual Issues
- CVN, LA Class
- TRIDENT Overhauls
- Fwd MCM, PC Support
- 276 FTE



#### Puget Sound NSY

- 5400 lines - \$14M
- 372K Annual Issues
- LA, CVN, SEAWOLF
- TRIDENT Overhauls
- IMF Support
- 259 FTE



#### Pearl Harbor NSY

- 4900 lines - \$11M
- 80K Annual Issues
- LA, VA Class
- L-Decks
- Multi class CMAV Avails
- 111 FTE



#### Portsmouth NSY

- 5000 lines - \$8.5M
- 136K Annual issues
- LA, VA Class
- Level 1 Subsafe COE
- 124 FTE



**BRAC/Wynne Mission...Consolidate All Inventories**



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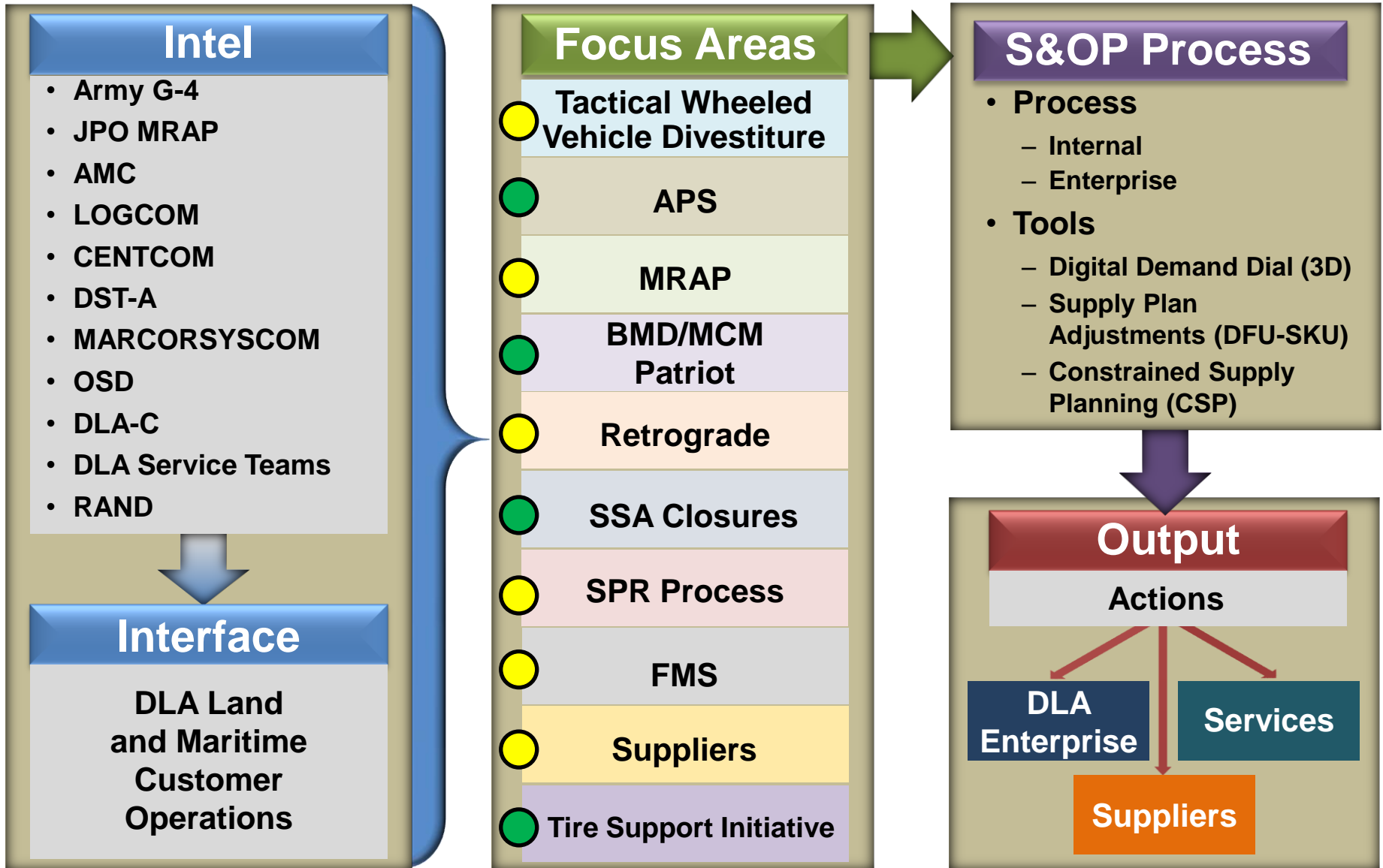
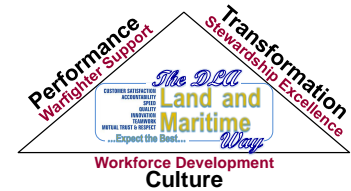
AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

## DLA LAND AND MARITIME





# Shared Intelligence and Forecasting Focus Areas

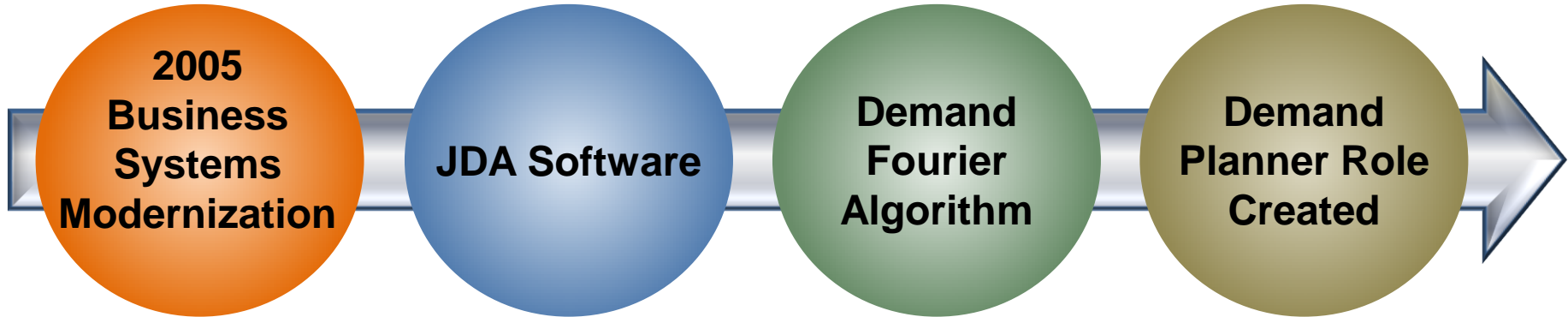




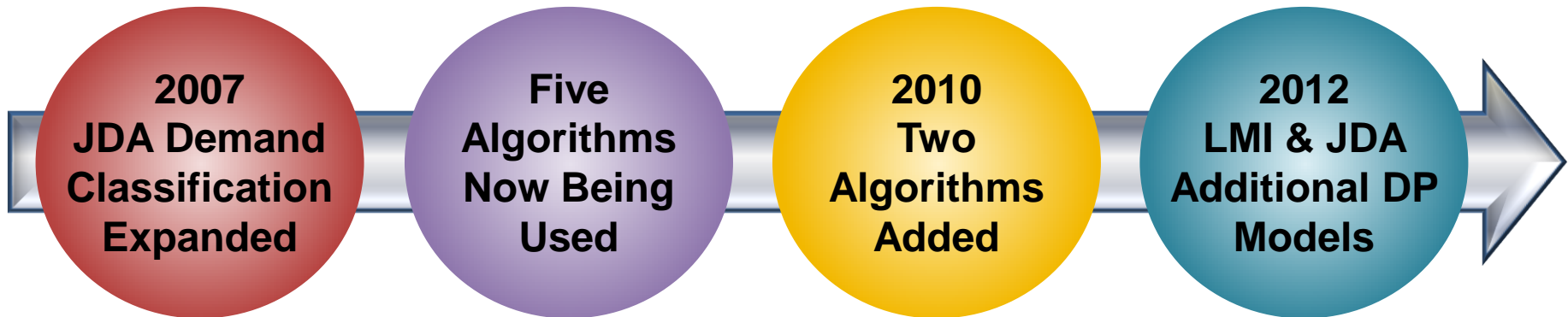
# Demand Planning Tools



## System, Software and Personnel



## Software and Demand Planning



*Land Demand Plan Accuracy Improves from 32% (Nov 06) to 56% (Apr 12)*  
*Maritime Demand Plan Accuracy improves from 33% (Nov 06) to 57% (Apr 12)*

# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

## DLA LAND AND MARITIME





# Business Units & Roles Supply Chains



## Supplier Operations

### Land

- 261K NSNs
- FY11 Sales: \$2.427B
- FY12 Sales Plan: \$1.962B
- Key Commodities: Tires, Small Arms, Wheeled & Tracked Vehicle Spares, Armored Components, batteries
- **Material Availability: 82.7%**



**Total Suppliers: 3080**

### Maritime

- 1.565M NSNs
- FY11 Sales: \$2.009B
- FY12 Sales Plan: \$1.562B
- Key Commodities: Valves, Hardware, Pumps, Motors, Wire/Cable, Electronics
- **Material Availability: 88.3%**



**Total Suppliers: 4591**

**Aligned With Industry**

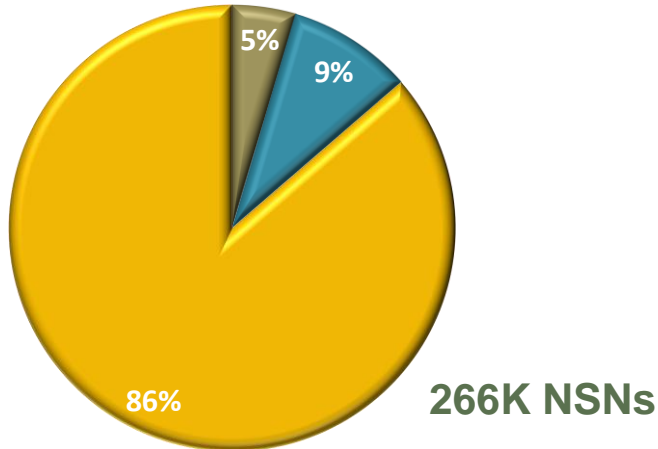


# FY11 Item Portfolio Context

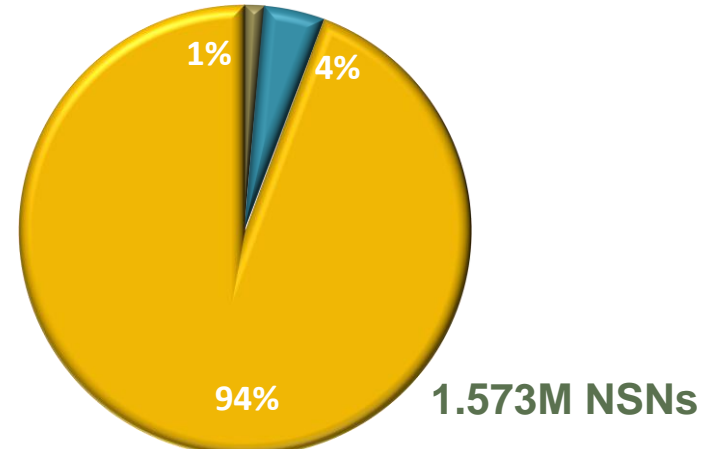


## Land Supply Chain

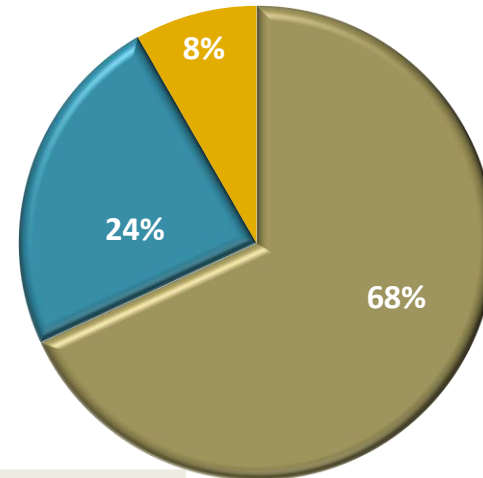
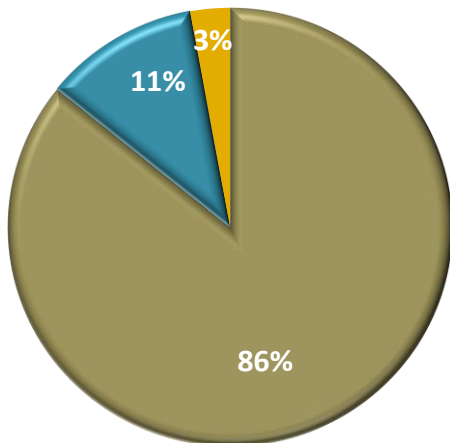
NIIN Distribution



## Maritime Supply Chain



Order Distribution



>= 20 ADF
  4-20 ADF
  0-3 ADF

***Small Number of Items Drive the Business***



# Inventory Definitions and April 2012 Supply Chain Values



## Apr 12 Land and Maritime SC Values

<b>Inactive Inventory</b>	<b>.12B</b>	<b>Potential Reutilization Stock (PRS)</b> Excess inventory available for disposal										
	<b>.59B</b>	<b>Contingency Retention Stock (CRS)</b> Readiness-Based Retention										
	<b>1.3B</b>	<b>Economic Retention Stock (ERS)</b> Business-Based Retention										
<b>Active Inventory</b>	<b>2.14B</b>	<b>Approved Acquisition Objective (AAO)</b> Safety Level Admin Lead Time Production Lead Time Coverage Duration Backorders 2 yrs Forecast Demand <table border="1" style="float: right; margin-top: 10px;"> <thead> <tr> <th colspan="2">Reduction Goals</th> </tr> </thead> <tbody> <tr> <td>AAO</td> <td>26%</td> </tr> <tr> <td>ERS</td> <td>27%</td> </tr> <tr> <td>CRS</td> <td>58%</td> </tr> <tr> <td>PRS</td> <td>~\$0</td> </tr> </tbody> </table>	Reduction Goals		AAO	26%	ERS	27%	CRS	58%	PRS	~\$0
Reduction Goals												
AAO	26%											
ERS	27%											
CRS	58%											
PRS	~\$0											
<b>4.15B Total Inventory</b>												

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## DLA LAND AND MARITIME

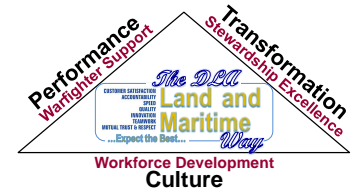


**Technical/Quality**





# Protecting the Supply Chain Tools to Assure Conformity



## Pre Award

- Technical Data Validation
- Heightened QA Management (e.g., Critical Application Item)
- Supplier Qualification
- Pre-Award Survey

## At Award

- Traceability
- DLA Contractor Review List
- Quality Letter of Instruction
- Pre-acceptance Tests (e.g., First Article Testing)

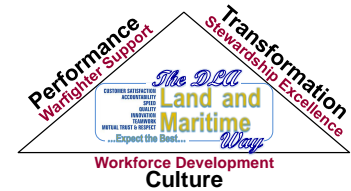
## Post Award

- Customer Complaints (PQDRs)
- Product Verification testing
- Counterfeit Material/ Unauthorized Product Substitution
- Fraud Program
- Source Inspection by DCMA

**Continual Vendor ESA Engagement**



# Protecting the Supply Chain Initiatives and Programs



## Operational Evaluation Team

- HQ-driven
- Mitigate the risks of counterfeits
- Pursuing multiple initiatives
  - QSLD
  - Testing
  - Procurement practices

## Qualified Suppliers List, Distributors

- Narrow range of suppliers of high risk items
- Mitigate risk of “Kitchen Table Brokers”
- Ensure traceability
- Currently microcircuits
- Expand to other commodities

## Product Test Center

- Range of inspection and test capabilities
  - Mechanical
  - Troop Support
  - Electronic
  - 3 Sites
- Inspects pre and post award
- Identifies nonconforming parts for action

***Congressional Interest Area***



# Protecting the Supply Chain Product Test Center



## Operational Status of Four Test Sites

- Support Land and Maritime, Aviation, and Troop Support
- Average Approx. **3,000 Projects per Quarter**
- Test Cycle Times at **98.5% of Goal**
- FY12 Net Operating Results on Target
- **Suspect Counterfeit Mechanical and Electronic Items Reported to DLA Each Month**

## Current Challenge

- DLA J7 Assigned Goal to Save \$1.23M by FY17
- CPI Event Recommendation to Consolidate Mechanical Labs. Close West Lab and Strengthen Columbus Lab
- Recommendation Submitted to DLA in December 2011
- Recommendation on Hold
- Will Follow-up With DLA in 4<sup>th</sup> Qtr. FY12.

**ISO 9001 Registration Maintained at All Test Sites**

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## DLA LAND AND MARITIME





# VADM Harnitchek's Guidance



*“...target areas I'd like you to start working now.”*

 **90% Material Availability (MA)**

 **Reduce Backorders (BOs) 25%**

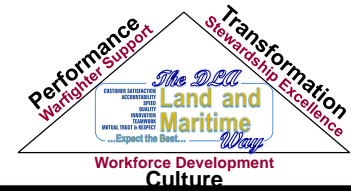
 **85% of BOs <180 Days Old**

 **Zero Purchase Requests > Admin Lead Time**

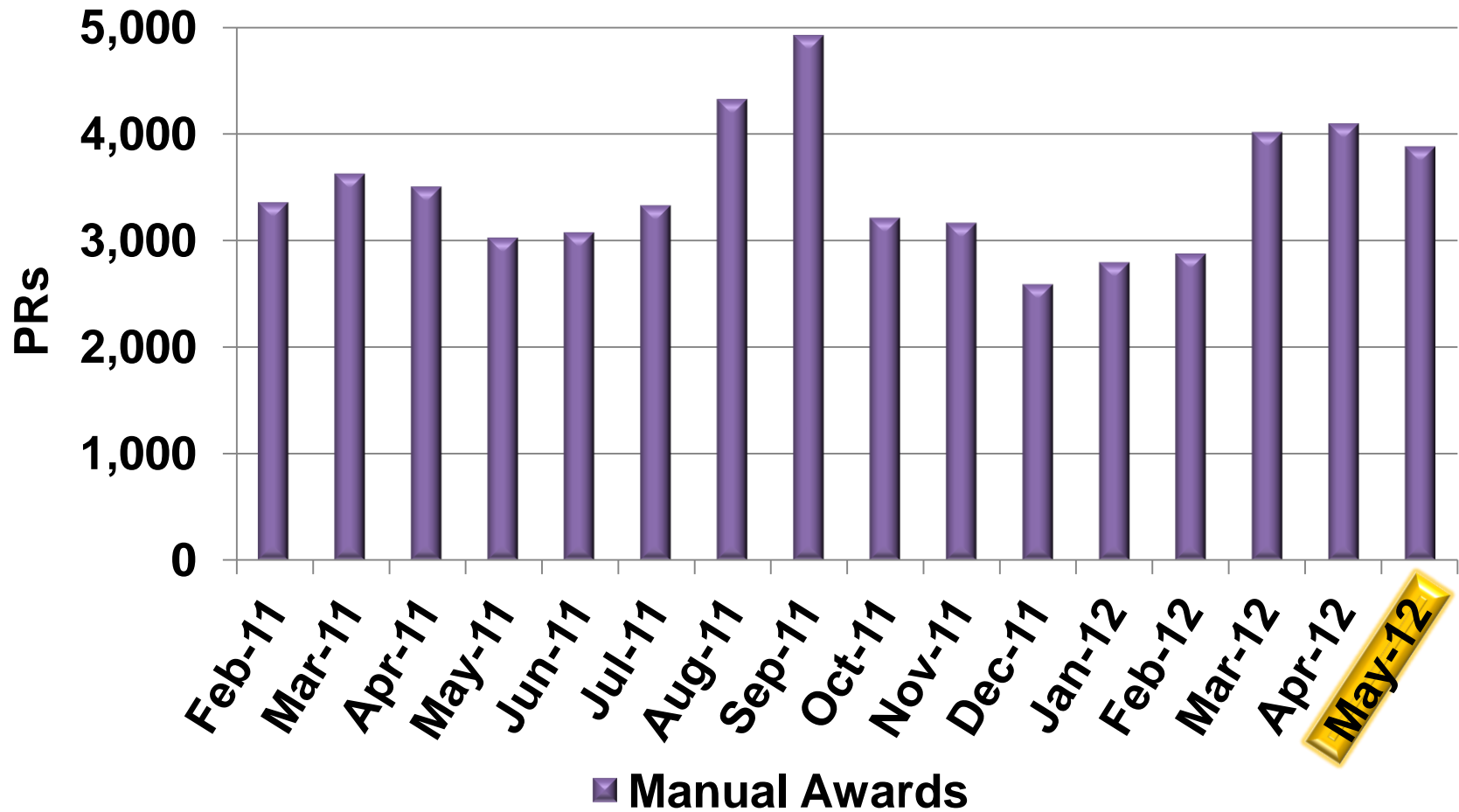
 **100% On Time Delivery of Depot Level Repairables**



# Productivity



## Land

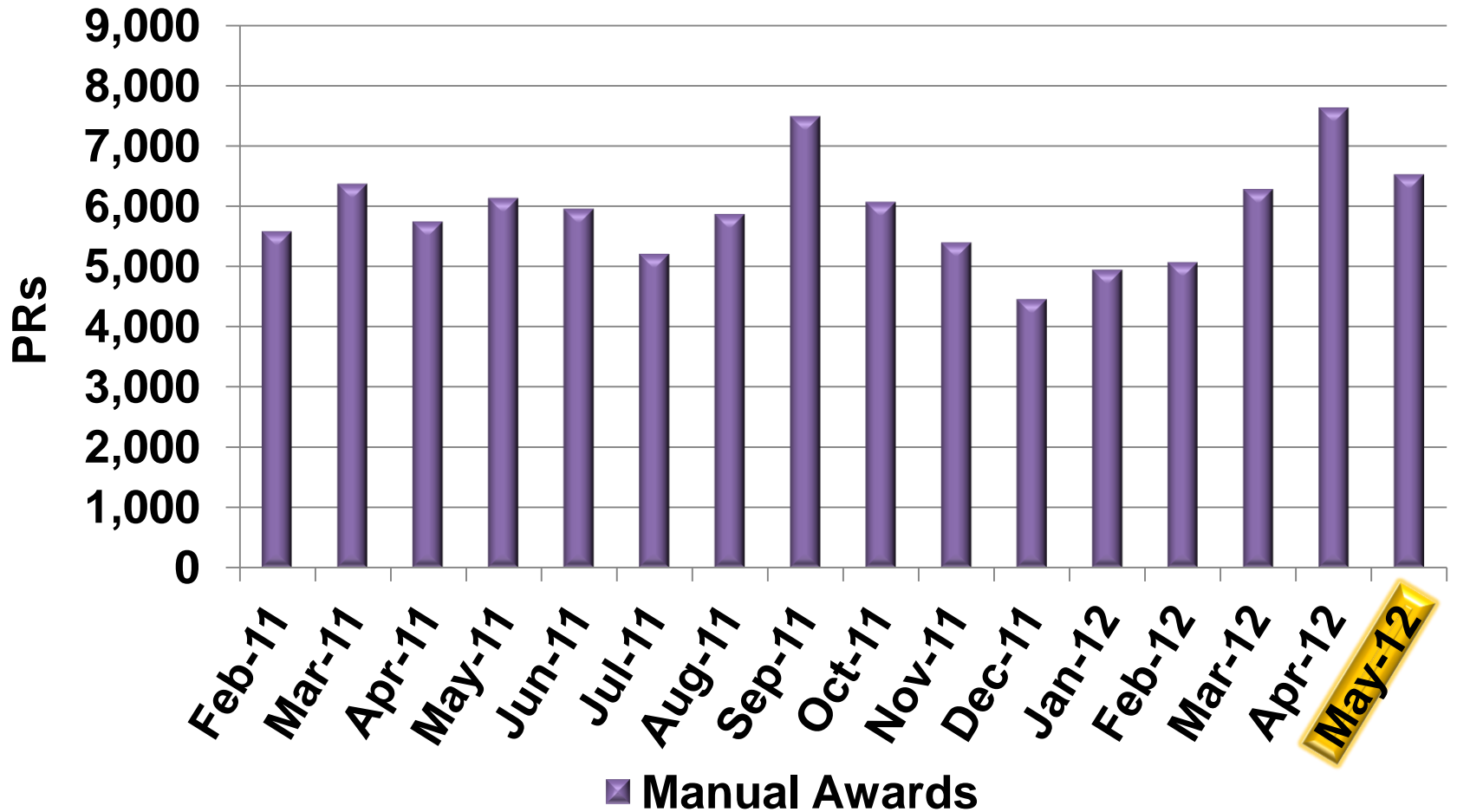




# Productivity



## Maritime





# 5 “Big Ideas”



Strategic Focus Area		Description	Expected Benefit
1.	Improve Customer Service	<b>“Delight Our Customers”</b>	95% Customer Service Level (MA%)
		Improve total service delivery by 10% points and measure ourselves by customer standards	
2.	Decrease Direct Material Costs	<b>“Be Smart Buyers of the Right Stuff”</b>	\$1.14B/yr (average)
		Reduce the direct cost of fuel by 1-3% across all fuel products. Reduce total direct material costs by 5% through the use of agile acquisition techniques leveraging commercial supply chains, without creating redundancy	
3.	Decrease Operating Costs (CRR)	<b>“Improve Process and Productivity”</b>	\$0.28B/yr (average)
		Reduce distribution and transportation costs by 25% and achieve 3% efficiency gains from personnel, ADP, facility maintenance and IT	
4.	Reduce Inventory	<b>“Clean Out the Attic”</b>	\$7.6B (total by FY17)
		Attack both War Reserves and Operational Inventory through better leverage of commercial infrastructure and agreements; review and adjust strategic requirements	
5.	Achieve Audit Readiness	<b>“Prove It”</b>	Reduced Risks
		Demonstrate our commitment to transparency and accountability. Use audit readiness as a lever to identify and drive future improvement opportunities	





# DLA Land and Maritime Big Ideas



## 1. Improve Customer Service: “Delight Our Customers”

### Lever

Owner: DCOs

- **Decrease customer AAC D backorders** by increasing Material Availability

### Current Status

- Operation Full Press
  - **PR prioritization (focus on AAC D)**
  - Continued focus on top backordered NIINs

### Strategy / Future Actions

- **Increased Focus on AAC D**
- Increase # buyers
- Evaluate coverage duration
- Review DPC (quotes for WIQ PRs)
- Use OASIS to identify anomalies

### Expected Outcome:

	13	14	15	16	17	18	Total
Matl	.5%	1%	1.5%	2.0%	2.5%	3.5%	3.5%

- 50% of backorders established against AAC D NSNs
- 50% improvement in support of AAC D NSNs results in 3.5% increase in MA



# DLA Land and Maritime Big Ideas



- 1. Improve Customer Service: “Delight Our Customers”
- 2. Decrease Material Costs: “Be Smart Buyers of the Right Stuff”

Lever                      Owner: BA, DCOs

- **Improve Demand Planning**

## Current Status

- Over / Under Forecasting Improvement
- Forecasting Summit Actions
  - Fcst Reductions in SSAs & SMU Closures,
- Continuous Monitoring Program (CMP)

## Strategy / Future Actions

- **Implement Forecastability Analysis**
  - LMI / JDA coordination
- Continued aggressive collaboration on SPR validation
- **Expansion of Formal and Informal Collaboration projects**
  - Carrier One, Navy Material Forecasting , CMP
- **JDA new technology: new algorithms**

## Expected Outcome

	13	14	15	16	17	18	Total
Matl		7	15	24	30	34	110
MA	.5	.5	.8	1.0	1.0	1.3	1.3% pts

- Expected improvements in MA tied to achieving 95% MA
- Improved DPA / APFE



# DLA Land and Maritime Big Ideas



## 4. Reduce Inventory: “Clean out the Attic”

### Lever

Owner: BA

- Review Material Retention Levels
- Execute **Disposal** Reviews

### Current Status

- **Processing Automated Disposal Actions**
- Drafting Manual Review Job Aid
- **Reviewing MRAP Disposal Candidates**
- Reviewing HMMWVV Candidates

### Strategy / Future Actions

- **Decreased ERS, CRS Retention Levels**
- **Reduction in PRS Inventory**
- **DMS disposals**
- **Focused Inactive Inventory Reviews**
- NRFI Reviews
- Review stockability criteria

### Expected Outcome

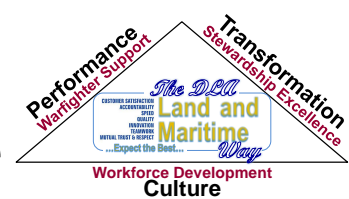
	13	14	15	16	17	18	Total
Inv	-160	-410	-665	-860	-1.0B	-1.1B	-1.1B

- Reduce/Dispose of **35% of ERS**
- Dispose of **50% of CRS** Every 2 Years
- Dispose of more Eligible PRS



# Denison Survey

## Culture Begets Performance



*The DLA*

**CUSTOMER SATISFACTION**  
**ACCOUNTABILITY**  
**SPEED**  
**QUALITY**  
**INNOVATION**  
**TEAMWORK**  
**MUTUAL TRUST & RESPECT**

**Land and Maritime**

**...Expect the Best...**

*Way*

***“The DLA Land and Maritime Way: The Relentless Pursuit Of Customer Satisfaction Built Upon Individual Accountability, Teamwork, Speed, Quality, And Innovation Performed In A Climate Of Mutual Trust And Respect.”***

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WARFIGHTER SUPPORT

STEWARDSHIP EXCELLENCE

WORKFORCE DEVELOPMENT