

# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

The logo of the Defense Logistics Agency (DLA) is centered in the background. It features a globe with a banner across the top that says "LOGISTICS" and another banner on the right that says "DEFENSE AGENCY". In the center of the globe is an eagle with its wings spread, perched on a shield with vertical red and white stripes and a blue top section. The shield is partially obscured by the text below.

## DLA Logistics Support In An Austere Environment

**May 6, 2014**

**Mr. James McClaugherty, SES**  
*Deputy Commander, DLA Land and Maritime*



# Agenda

- **DLA Today**
- **Looking Ahead**
- **Cost Reductions**
- **Strategic Initiatives**
- **Time to Award Initiative**
- **Customer Orders Trend**
- **DLA Land Projected Spend**
- **Warstopper: Industrial Base Preparedness**
- **What We Want**
- **The Bottom Line**





# DLA Today

## ■ Combatant Commanders Support

- Food and fuel posture ●
- Subsistence Prime Vendor ●
- Retrograde ●
- Inventory rightsizing/positioning ●



## ■ Inventory sales

- FY 11 - \$46B
- FY 12 - \$44B
- FY 13 - \$39B
- FY 14 - \$3XB (?)



## ■ Expanding Missions/Emerging Roles

- Retail support
- Reparables management
- Counterfeit risk management
- Acquisition Time Reduction
- Commercial fuel transition
- Humanitarian support





# *Looking Ahead*

- **Global Shift in Defense Strategy...smaller, leaner forces**
- **Recurring Budget Reductions**
- **Pursuing Audit Readiness**





# *Cost Reductions*

**Dramatically reducing cost (to date): \$3B**

- **Significantly improving performance**
  - **Material Availability: 90%**
  - **Backorders: ↓30%**
  - **Aged Backorders: ↓40%**
  - **Aged Purchase Requests: ↓50%**
  - **Cost Recovery Rate steady at 13.2%**

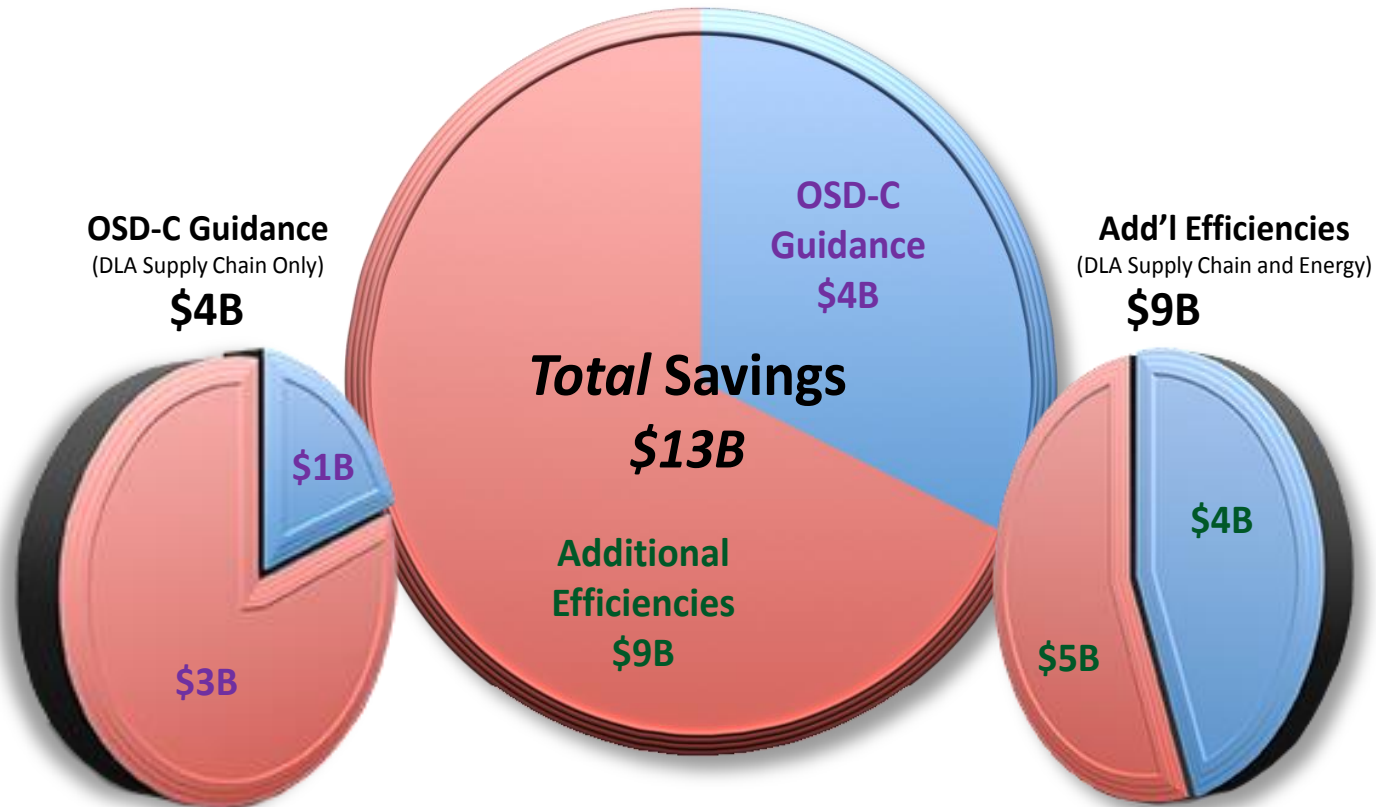
**“Gentlemen, we have run out of money. Now we have to think.”**  
*~ Winston Churchill ~*



# Cost Reductions

## President's Budget Review FY15

... Savings = "13 in 6"



Significantly improved performance to the warfighter while dramatically reducing cost



# Cost Reductions

## Strategy To Achieve “13-in-6”

- **Culture of judiciousness**
- **Strategic Network Optimization**
  - Less, harder-working inventory + less infrastructure
  - Phase I:
    - Economic SKU Build for CONUS SKUs
    - Dedicated Truck Routes
    - Economic Movement Quantity for OCONUS SKUs
  - Phase II Focus Areas:
    - Enhanced In-Storage Visibility
    - Multi-Echelon requirements computation
    - Optimizing DoD Inventory
- **Continually improved acquisition processes**
  - Increased Long Term Contracting Coverage
  - Improved dialog with Strategic Industry Partners
  - Reduced Time to Award
- **Strategic review of fuel**
- **Excellence in inventory management**

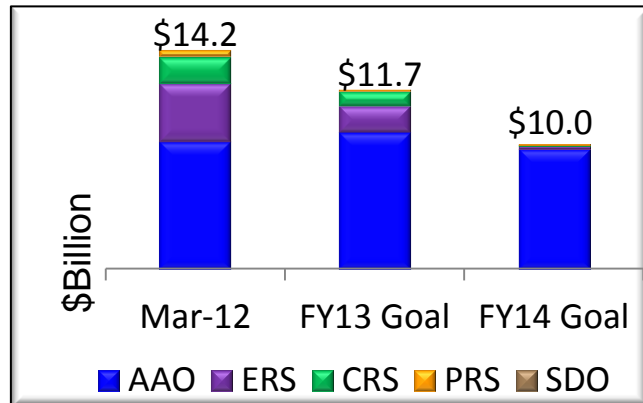




# Cost Reductions

## Inventory Management Actions

### Inventory Reduction



- Disposed of \$2.6B in 18 mos
- Another \$1.4B by end of FY
- Maintain 90% Material Avail

### CONUS Stock Positioning

- Reduced items in multiple locations from 20% to 2%
- Reduced inventory requirement by \$173M
- Increasing distribution annual savings:
  - Scheduled Truck (\$9M)
  - Container utilization (\$11M)
  - STOs (\$23M)

### OCONUS Stock Positioning

- Economic Movement Quantity (EMQ) pushes large, bulky, faster moving items forward
- Cheaper to fly smaller items
- \$20M DOD transportation cost avoidance
- 10K increase in line items forward

***Customer focused support at reduced cost!***





# ***Strategic Initiatives***

---

- **First Destination Transportation and Packaging Initiative**
- **Commodity Initiatives**
- **Performance Based Logistics (PBL)**



# Strategic Initiatives

## Transportation & Packaging Initiatives

### First-Destination Packaging (FDP)

- Convert DLA managed shipments to commercial Package (unless required by the material)
- Reduces packaging costs
- Target Class IX, IV and VII Stock
- Implemented March 2013

### First-Destination Transportation (FDT)

- Convert DLA managed shipments to FOB Origin
- No transportation costs
- No carrier performance monitoring
- Increase supplier competition
- Implemented October 2013

***FDTPI Targets DLA's Aviation, Land, Maritime, Industrial Hardware and C&E Supply Chains***



# Strategic Initiatives

## Transportation & Packaging Initiatives

### Transportation

Ship Type	Shipping Rate (per unit)		Rate Discount
	Commercial	Government	
Parcel	\$23.79	\$5.27	78%
LTL	\$5.29	\$3.48	34%
TL	\$1.63	\$0.76	53%

- Shipping Brake Shoes from Huntington, IN to New Cumberland, PA
- **LTL Savings: \$28,960 annual savings**
  - 16,000 Brake Shoes X (\$5.29-\$3.48)
- **TL Savings: \$13,920 annual savings**
  - 16,000 Brake Shoes X (\$1.63-\$0.76)

### Packaging

Commercial

Military



- Commercial packaging costs \$1.500 per Brake Shoe
- Military packaging costs \$4.534 per Brake Shoe
- **Using commercial packaging could potentially save \$48,540**

Each year, DLA buys over **16,000** Brake Shoes – FDTPI could generate packaging and transportation savings of **\$77,500**



# Strategic Initiatives

## Commodity Initiatives

- **Tire Support Initiative**
- **Battery Initiative**
  - *Lead Acid*
  - *Lithium Ion*
  - *Other Chemistries*
- **Chemical / Petroleum**





# *Strategic Initiatives*

## **Performance Based Logistics (PBLs)**

- **Industrial Product Support Vendor (IPV)**
- **Integrated Logistics Platform (ILP)**
- **Integrated Platform Support (IPS)**
- **Honeywell Auxiliary Power Unit**
- **GE F Series Engines**
- **Boeing**





# Time to Award Initiative

## Mission

- Reduce **Time to Award** for DLA

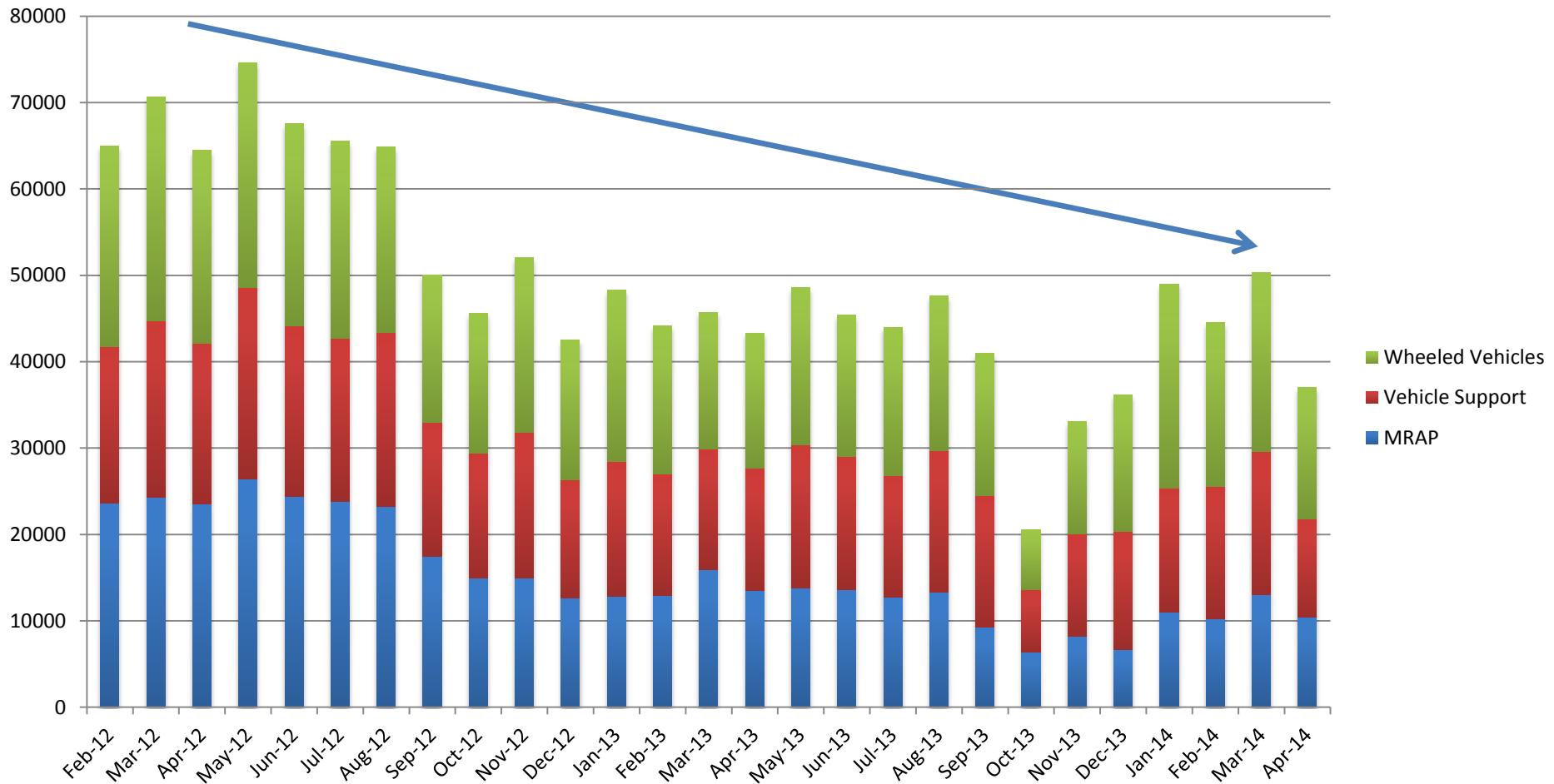
<u>Today</u>		<u>To Be</u>
45% of SAT actions fully automated (31 days avg.)	→	85% 10 days
Manual SAT = 100 days (avg.)	→	35 days
Large Contracts = 270 days (avg.)	→	110 days
Long Term Contracts = 400 days (avg.)	→	140 days

- Industry Contributions
  - Timely quoting (10-day automated)
  - Communicate “no quote” situations
    - Minimum buy incentives
    - Providing data when no longer interested in sourcing
  - Provide quantity price break ranges



# Customer Orders Trend

## Land Demand Chain Class IX Order Volume: Tactical Wheeled Vehicles



**29% Percent Decrease March 2012 to March 2014**



# DLA Land Spend

FSC(s)	Major Commodity	FY13	FY 14	
		Spend	Spend	Projections
2610 & 2620	Tires	\$ 141.0M	\$ 56.6M	\$ 70.0M ↓
6135 & 6140	Batteries	\$ 79.3M	\$ 52.1M	\$ 48.3M ↑
2530	Brake, Steering, Axle, Wheel, etc.	\$ 203.6M	\$ 59.8M	\$ 82.3M ↓
2520 & 3040	Power Transmission Parts & Equip	\$ 51.9M	\$ 50.2M	\$ 59.4M ↑
2510	Structural Component	\$ 78.1M	\$ 27.7M	\$ 29.1M ↓
2815	Diesel Engine & Component	\$ 38.7M	\$ 18.3M	\$ 10.7M ↓
4320	Pumps	\$ 19.3M	\$ 2.1M	\$ 43.2M ↑
2910	Engine Fuel System Component	\$ 34.7M	\$ 13.9M	\$ 7.4M ↓
Various	Misc. Vehicle Parts	\$ 48.1M	\$ 78.4M	\$ 71.0M ↑

**Targeted Long Term Projects = 45 with Total Annual Value \$136M**





# Warstopper

## Industrial Base Preparedness

### Benefits Industry

- Partner with manufacturers, distributors and Prime Vendors to gain access to commercial inventory
- Stage vendor managed raw material or long lead time components
- Provide industrial equipment (not common)
- Provide lean six-sigma analysis to maximize vendor capacity
- Award industrial base maintenance contract to vital domestic industry (not common)

### Past Investment Items:



Class IX - Batteries



Medical Readiness



Class II Nomex Fiber



Operational Rations



Nerve Agent Antidote Auto Injector



Class IV Bastions



Class IX: Specialty Steel

### Investment Dollars:

Range FY10 - FY14 = \$38M - \$53M





# *What We Want*

- **Supplier/Warfighter Performance Excellence**
- **Maintain Collaboration**
- **Cost Control/Reduction**
  - *Maximize Long Term Contract Coverage*
  - *Maximize Utilization of Commercial Infrastructure*
  - *Pursue Joint LTC Opportunities for DLRs and Consumables*
- **Preserve the Industrial Base**
- **Best Value**
  - *Leveraging Best Commercial Practices*
  - *First Destination Transportation and Packaging Initiative (FDTPI)*

***Control Costs and Support the Warfighter***



# *The Bottom Line*

- **Getting out in front of fiscal challenges**
- **Focusing on “the basics” and driving change**
- **Living in historic times... responsive to doing things we’ve never done before**
- **Driving warfighters’ success and optimizing use of *all* resources**
- ***Need your help to make missions successful!***





# Disclaimer

- DLA notes that any discussion of requirements and possible future procurements does not constitute a commitment by DLA and should not be relied upon in planning future courses of action. DLA will provide public notice of procurements using means such as FedBizOpps.gov in accordance with applicable law and regulation.
- Any discussion of current contracts does not constitute a change to the terms or conditions of those contracts, including performance requirements. If anyone in attendance at this meeting believes that the discussion indicates a change in a current contract's terms and conditions or a need for such change, please contact the contracting officer for that contract.

**- DLA General Counsel**

# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

