

**Report to  
Office of Management and Budget**

**Implementation of  
Strategic Sourcing Initiatives**

**FY07 Update**



**May 2008**

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**PART A**

**DEPARTMENT OF DEFENSE**

**EXECUTIVE SUMMARY**

**OF**

**STRATEGIC SOURCING**

**1. OVERVIEW**

The Department of Defense (DoD) spent \$315.8 billion in FY 2007<sup>1</sup> on the acquisition of goods and services making it the largest and most complex purchasing organization in the world. As the DoD acquisition community continues to support the mission of its warfighters, it is essential to improve our business processes on an enterprise-wide basis. Strategic sourcing, a tenet of supply-chain management, is a proven best practice and represents DoD's preferred approach to acquiring goods and services. It involves increasing focus on pre-award collaboration, acquisition planning, and the fostering of enhanced business arrangements to better balance cost, schedule, performance, and sustainment. Incorporating these concepts within the established Defense acquisition process will further the progression of sourcing strategically.

**2. ORGANIZATIONAL STRUCTURE**

**DoD Realignment**

In Fiscal Year (FY) 2007, the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)) realigned functional responsibility of the Strategic Sourcing Directorate from the Deputy Under Secretary of Defense for Business Transformation (DUSD (BT)) to DUSD (A&T). Organizationally, the Directorate was transferred from the Assistant Deputy Under Secretary of Defense Strategic Sourcing and Acquisition Processes (ADUSD (SS&AP)) to the Director of Defense Procurement, and Acquisition Policy, and Strategic Sourcing (DPAP). This realignment consolidates the development of acquisition and procurement policy with the oversight of strategic sourcing.

**Strategic Sourcing Directors Board**

The Strategic Sourcing Directors Board (SSDB) serves as the primary strategic sourcing communication link across the DoD community for policy and guidance related to strategic sourcing. Fundamental to the SSDB is sharing strategic sourcing best practices and lessons learned. The Board is chaired by the Deputy Director, DPAP/SS. Board membership consists of strategic sourcing leads from the Military Departments (MILDEPs) and select Other Defense

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<sup>1</sup> Federal Procurement Data System-Next Generation (FPDS-NG), 10 March 2008

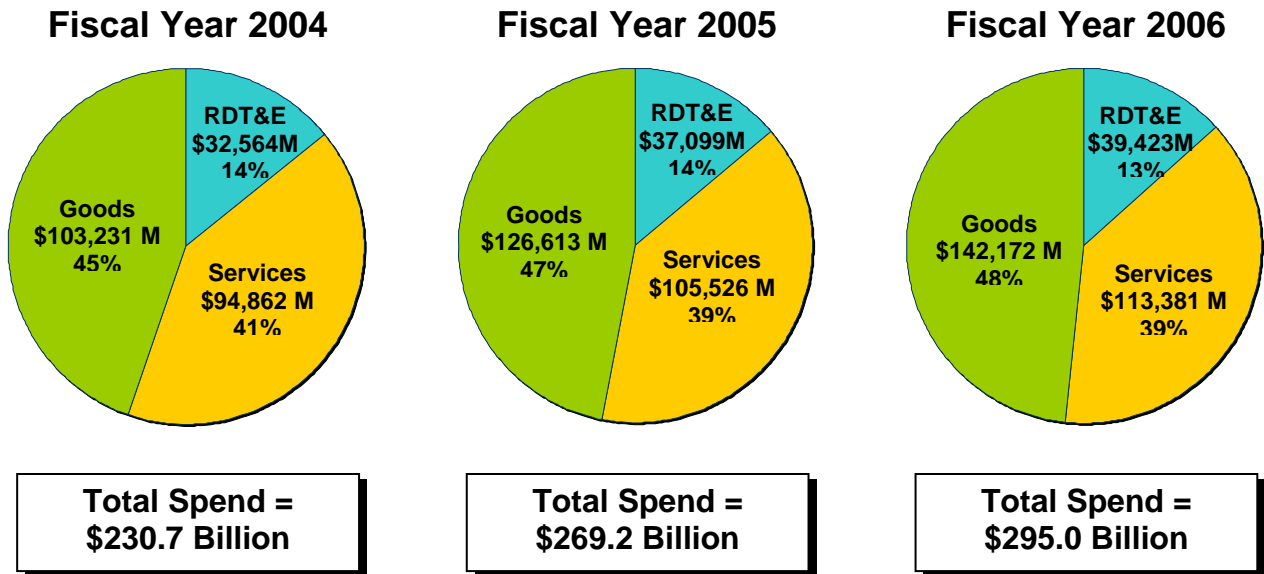
Agencies (ODAs). Advisors to the Board, including DoD’s Office of Small Business Programs (OSBP) and the Defense Acquisition University (DAU), provide subject matter expertise integral to successfully implementing strategic sourcing within the Defense enterprise. The SSDB meets every 6-8 weeks.

As the lead for strategic sourcing, DPAP oversees the distribution of limited funding to SSDB members. The funding supports MILDEPs and ODAs in the implementation of strategic sourcing initiatives that provide benefit to the Department. The Air Force, the Army, and the Navy were provided limited funding during FY 2007. Funding was used to assist in establishing strategic governance structures, commodity council pilots, and web-based Performance Work Statement (PWS) templates.

**3. ENTERPRISE-WIDE SPEND ANALYSIS ON SERVICE ACQUISITIONS**

Over 50 percent of the Department’s budget is spent on the acquisition of services. And the acquisition process for services is complex and challenging. In response to these circumstances, DPAP initiated the first enterprise-wide spend analysis for services acquired during FY 2006<sup>2</sup>. This analysis serves as a baseline for services spend within DoD.

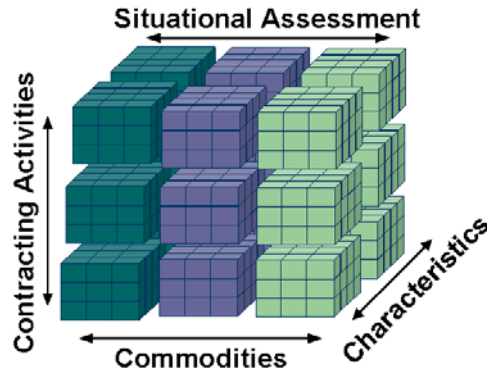
The analysis commenced with a preliminary overview of DoD total spend, to include services and supplies and equipment (goods).<sup>3</sup>



<sup>2</sup> Data used for the analysis was downloaded from the Defense Contract Action Data System (DCADS). Data from FYs 2004 and 2005 were collected as trend data. A complete spend analysis was performed on FY 2006 spend data.

<sup>3</sup> RDT&E is coded as a service (Product Service Code “A”).

The taxonomy for the analysis was established using 4 criteria: characteristics, commodities, contracting activities, and situational assessment.



**Spend Characteristics**

Spend characteristics were evaluated across six attributes that align with the processes, procedures, and regulations that are applied when acquiring services for the DoD. Ongoing analysis provides insight into improvement opportunities across these characteristics. The characteristics are highlighted below:

<b>Interagency Contracting</b>	▶ Collaboration between contracting activities allows DoD to leverage spend and reduce duplication of effort
<b>Supplier Fragmentation</b>	▶ Consolidated supplier spend allows corporate buying and enhanced supplier relationships
<b>Type of Contract</b>	▶ Selecting a contract type that best meets our needs reduces our exposure to risk
<b>Performance-Based Contracting</b>	▶ PBSA emphasizes output and outcomes leading to increased quality, cost savings, and customer satisfaction
<b>Socio-Economic Performance</b>	▶ Small businesses provide essential support to the warfighter and help drive competition
<b>Use of Competition</b>	▶ Use of competition drives innovation, quality and cost

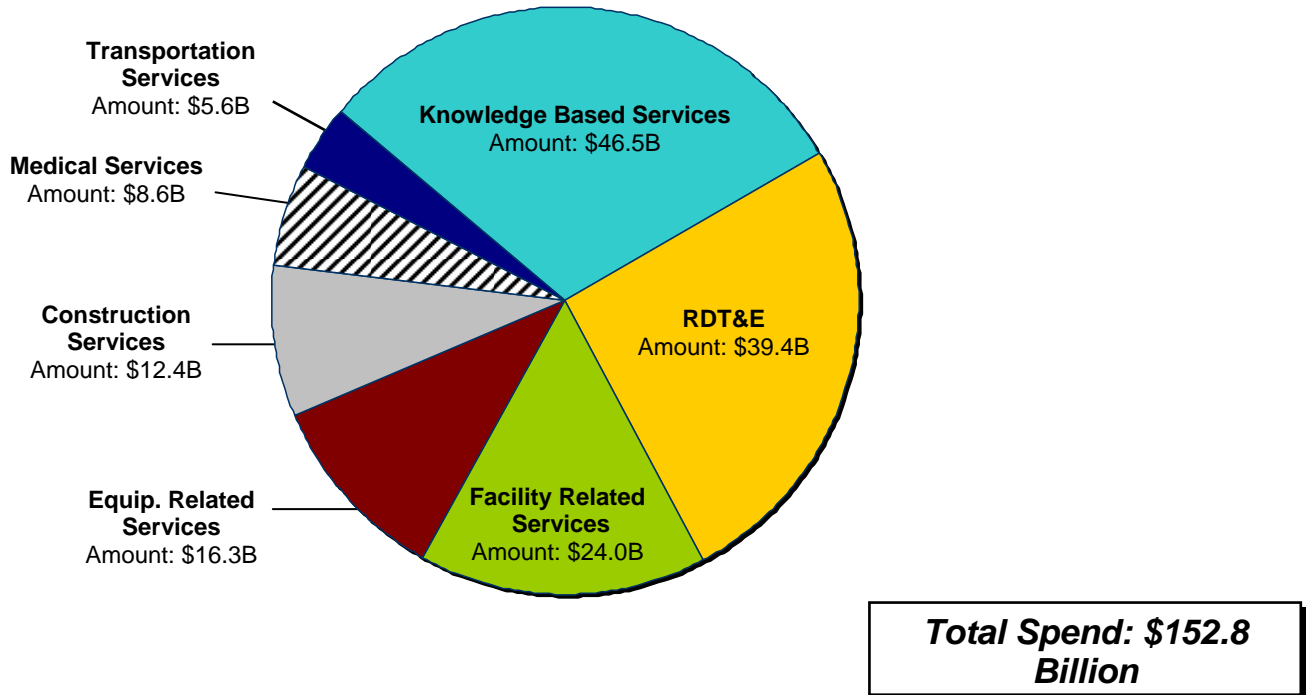
**Commodities**

The spend for services, as defined by 24 Product Service Codes (PSCs), was analyzed. For purposes of this spend analysis, similar PSCs were grouped into 15 PSC Categories. For efficiency purposes, these PSC Categories were then grouped into 7 Portfolios, as established by DPAP/SS and the SSDB members and advisors. Defining the Portfolios was essential to the spend analysis planning and methodology process.

The PSC/Portfolio groupings are illustrated below.

Portfolio	PSC Categories	PSC
<b>Knowledge Based Services</b>	<b>Management Support Services</b>	<ul style="list-style-type: none"> <li>▪ R = Professional, Admin.and Management Support</li> <li>▪ B = Special Studies and Analysis</li> </ul>
	<b>Automation and Telecommunication Services</b>	<ul style="list-style-type: none"> <li>▪ D = ADP and Telecom</li> </ul>
	<b>Other</b>	<ul style="list-style-type: none"> <li>▪ U = Education and Training</li> <li>▪ T = Photo, Mapping and Print</li> </ul>
<b>Facility Related Services</b>	<b>Facilities Maintenance</b>	<ul style="list-style-type: none"> <li>▪ S = Utilities and Housekeeping</li> <li>▪ M = Operation and Facilities</li> <li>▪ Z = Maintenance, Repair or Alternation of Real Property</li> </ul>
	<b>Purchase and Lease of Facilities</b>	<ul style="list-style-type: none"> <li>▪ X = Lease or Rental of Buildings</li> <li>▪ E = Purchase of Facilities</li> </ul>
	<b>Architect / Engineering</b>	<ul style="list-style-type: none"> <li>▪ C = Architect / Engineering</li> </ul>
	<b>Natural Resource Management</b>	<ul style="list-style-type: none"> <li>▪ F = Natural Resource Management</li> </ul>
	<b>Other</b>	<ul style="list-style-type: none"> <li>▪ G = Social Services</li> </ul>
<b>RDT&amp;E</b>	<b>Research, Development, Test and Evaluation</b>	<ul style="list-style-type: none"> <li>▪ A = Research, Development, Test and Evaluation</li> </ul>
<b>Equipment Related Services</b>	<b>Maintenance, Repair and Overhaul</b>	<ul style="list-style-type: none"> <li>▪ J = Maintenance, Repair and Rebuild</li> <li>▪ K = Modification of Equipment</li> <li>▪ P = Salvage Services</li> <li>▪ L = Technical Representative Services</li> </ul>
	<b>Equipment Installation and Lease</b>	<ul style="list-style-type: none"> <li>▪ N = Installation of Equipment</li> <li>▪ W = Lease / Rental of Equipment</li> </ul>
	<b>Quality Control</b>	<ul style="list-style-type: none"> <li>▪ H = Quality Control, Test, Inspection</li> </ul>
<b>Construction Services</b>	<b>Construction of Structures and Facilities</b>	<ul style="list-style-type: none"> <li>▪ Y = Construction of Structures and Facilities</li> </ul>
<b>Transportation Services</b>	<b>Transportation, Travel, and Relocation Services</b>	<ul style="list-style-type: none"> <li>▪ V = Transportation, Travel, and Relocation Services</li> </ul>
<b>Medical Services</b>	<b>Medical Services</b>	<ul style="list-style-type: none"> <li>▪ Q = Medical Services</li> </ul>

The analysis included an assessment of the spend within each of the Portfolios. The spend data, rolled-up to the DoD level is shown below.



**Contracting Activities**

Spend was analyzed at the Contracting Activity level, in accordance with the Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 202.101, Definitions. The break-out of these contracting activities is shown as follows:

Contracting Activities	
MILDEP or Agency	Number of Contracting Activities
Department of the Air Force	11
Department of the Army	17
Department of the Navy	12
Defense Agencies	21

*Note: The number of Contracting Activities listed in DFARS as of 30 September 2007 was 65. The 61 used for this analysis is reflective of the Contracting Activities listed in the DFARS during FY 2006.*

### Situational Assessment

A situational assessment of the “as is” environment was conducted to ascertain what issues, culture, policies, and regulations influence and impact the services acquisition process. Seven primary situational themes were included in the situational assessment.



Data

- ▶ Inaccurate or incomplete spend data
- ▶ Varying workforce calculation models



Culture

- ▶ Emphasis on contract award
- ▶ Individual strategies
- ▶ Proliferation of duplicative business arrangements



Workforce

- ▶ Reduction in staffing levels and need for new skills
- ▶ Lack of resources drives use of external agencies

### MILDEP and ODA Coordination

Once a draft of the spend analysis for services was complete, DPAP/SS scheduled events and meetings to share the results and receive feed back from the Defense acquisition community. These forums were used to improve and tailor the spend analysis to reflect DoD specific acquisition processes.

On 14-15 November 2008, DPAP/SS hosted a Working Group Offsite for members of the SSDB and key stakeholders within the services acquisition community. The representatives were deemed as strategic sourcing champions within their respective Components. The draft spend analysis results were provided to the attendees for a final analysis. As a result of the Working Group Offsite, fundamental changes were made to the analysis, such as modifying the Portfolio structure to better reflect requirements and supply-chain for certain commodity. The working group also agreed that in order to increase the use strategic sourcing, it should be outcome oriented, as opposed to process oriented.

Following the Working Group Offsite, the spend analysis was provided to DoD Senior Procurement Executives (SPEs) at the Senior Leadership Conference, 10-13 Dec 2007. The taxonomies and trends of the analysis were discussed and breakout sessions were held for further review and dialogue. Electronic copies of the source data and hardcopy scorecards were distributed to the attendees for use upon return to their respective organizations.

MILDEPs and ODAs provided overwhelming positive feedback on the services spend analysis. The analysis has proven useful in evaluating trends, such as spend for socio-economic awards, competitive awards, interagency contracting, and deliberate planning by the SPEs for sourcing commodities in the future. The formatting and usability of the data facilitates efficient and effective “data dives” that before were never accomplished due to the degree of difficulty associated with using available data systems.



As this was the first enterprise-wide spend analysis performed by DPAP/SS, the feedback, inputs, and lessons learned are invaluable for future analyses. Based upon the feedback, analyses will be revised and updated annually to ensure that the results are meaningful and current for the MILDEPs and ODAs.

#### **4. FEDERAL STRATEGIC SOURCING PARTICIPATION**

DPAP/SS represents DoD as the primary member of several Government-wide strategic sourcing groups. This involvement fosters communication and collaboration within the Department and facilitates MILDEP and ODA participation in Federal strategic sourcing initiatives.

Federal Strategic Sourcing Initiative (FSSI) - FSSI is chartered under the purview of the Chief Acquisition Officer's Council (CAOC) and the Strategic Sourcing Working Group (SSWG). It is monitored by the Office of Federal Procurement Policy (OFPP). The FSSI is co-chaired by General Services Administration (GSA) and the Department of Treasury. FSSI goals include utilizing business intelligence to better support overall decision-making and performance management, as well as establishing mechanisms to increase savings, value, and socio-economic participation. The FSSI team reviewed several commodities to ascertain potential opportunities for Government-wide strategic sourcing. An initial analysis of spend data for select commodities is complete. A situational assessment of the commodities will follow.

Strategic Sourcing Working Group (SSWG) - The SSWG is chartered under the CAOC and is chaired by the Department of Treasury. It serves to facilitate collaboration on strategic sourcing initiatives across the Government to create savings, process improvements, and achieve increased socio-economic participation. It seeks to build a future vision and recommends activities necessary to develop the skills, processes, and enabling technology to fully realize the potential of strategic sourcing.

#### **5. EDUCATION AND TRAINING**

The Department is committed to the education of personnel in order to support effective and efficient strategic sourcing implementation, management, and sustainment. DPAP/SS works actively with the DoD training community to refine and update strategic sourcing curriculum.

DPAP/SS collaborated with DAU to address strategic sourcing in their contracting capstone course, Advanced Business Solutions for Mission Support (CON 353). In addition, DAU's Continuous Learning Center (CLC) offers two modules that focus on strategic sourcing: Strategic Sourcing Overview (CLC 108) and Spend Analysis Strategies (CLC 110). CLC 108 provides an overview of Strategic Sourcing concepts and techniques to help organizations make the shift from tactical to strategic sourcing. CLC 110 describes spend analysis techniques and details how the analysis contributes to the "commodity fact base" that forms the foundation for identifying valuable strategic sourcing improvement opportunities.

The Naval Postgraduate School (NPS) offers three strategic sourcing courses: Strategic Purchasing (MN3306/GE3306), Entrepreneurship in Strategic Purchasing (MN3307), and

Seminar in Acquisition Management: Strategic Purchasing (MN4374). The primary goal of MN3306/GE3306 is to develop, structure, and execute purchasing, not as a functional activity, but rather as a strategic component of total supply-chain management. Course MN3307 explores and develops strategic and critical thinking in entrepreneurial concepts and management along with specific methods for utilizing these concepts and tools within world-class purchasing organizations. MN4374 provides the student with an opportunity to review and analyze the concepts and disciplines of strategic purchasing, to demonstrate critical analysis and thinking skills in applying strategic purchasing management and execution. The course educates our DoD senior leaders of tomorrow so that they may promote the use of strategic sourcing.

The table below provides the FY07 attendance figures for DAU and NPS. The FY06 figures are included for comparison.

<b>Defense Acquisition University</b>			
<b>Course Title</b>	<b>Course ID</b>	<b>FY06 Attendees</b>	<b>FY07 Attendees</b>
Advanced Business Solutions for Mission Support	CON 353	923	1,375
Strategic Sourcing Overview	CLC 108	146	355
Spend Analysis Strategies	CLC 110	95	168
<b>Naval Postgraduate School</b>			
<b>Course Title</b>	<b>Course ID</b>	<b>FY06 Attendees</b>	<b>FY07 Attendees</b>
Strategic Purchasing	GE 3306	92	44
Strategic Purchasing	MN 3306	11	22
Entrepreneur in Purchasing	MN 3307	6	17
Seminar in Acquisition/Strategic Purchasing	MN 4374	3	3

## 6. MILDEP AND ODA REPORT HIGHLIGHTS

The MILDEPs and ODAs are actively involved in strategic sourcing initiatives. Highlights of ongoing and new strategic sourcing initiatives are stated below. Detailed explanations of these and additional initiatives are contained in Part B of this report.

- Air Force - The Air Mobility Command Furnishings Portfolio Commodity Council (AMC FPCC). Activities include analysis of AMC furniture spend, strategic sourcing training for council members, and market research. The AMC FPCC developed several commodity strategy recommendations which are pending final approval.
- Army – Installation Management Command (IMCOM), Automated Data Processing Equipment (ADPE). The ADPE scope is for information technology (IT) hardware, including desktop computers, laptop computers, and peripheral equipment. The team is analyzing ADPE spend. The desired outcome is to develop an installation-wide cross functional acquisition strategy for ADPE in order to lower total cost of ownership for IT hardware while serving the needs of customers/stakeholders; leverage commercial best practices, and strategically meeting socio-economic goals. The recommendations and acquisition strategy are slated for completion by the end of FY08.

- DoD Chief Information Officer (CIO) – Enterprise Software Initiative (ESI). ESI is a longstanding, evolving initiative within DoD. DoD CIO initiated ESI in 1998. With software and IT developments, ESI continually adapts to changes in DoD architecture, growth in demand for new IT services, and emphasized outreach and communications.
- Defense Logistics Agency (DLA) – Supplier Relationship Management (SRM) Program. DLA established 28 Strategic Sourcing Supplier Alliances (SSAs), exceeding its goal of 24. SSAs are strategic relationships formed between DLA and its largest Original Equipment Manufacturers (OEMs). SSAs require a high level of direct communication and day-to-day relationship management and maintenance for sole source items. In addition, DLA established 21 Supply Chain Alliances (SCAs). SCAs are long-term partnering agreements with suppliers that might not be OEMs, nor as large as OEMs. SCAs facilitate competitive procurements. The overarching goals of SSAs and SCAs are to improve communication and to establish long-term contracting arrangements for items provided by these suppliers in order to improve support for customer requirements.
- US Transportation Command (USTRANSCOM) – Defense Transportation Coordination Initiative (DTCI). Currently, DoD sites requiring transportation, do not act as an enterprise, nor do they optimize transportation requirements. DTCI is a transportation re-engineering initiative. Under DTCI, Continental US (CONUS) freight movements will be leveraged and centrally managed by one world-class transportation coordinator. This will maximize consolidation, optimization, rate reductions, enhanced visibility, and better transit times.

Based upon the MILDEP and ODA reports in Part B, a roll-up is provided below. The FY06 numbers are included for comparison.

<b>DoD-Wide Strategic Sourcing Reporting Numbers</b>		
<b>Title</b>	<b>FY06</b>	<b>FY07</b>
Total number of strategic sourcing activities, initiatives and/or commodity councils	42	109
Total spend covered by initiatives	\$4.3B	\$10.5B
Total cost avoidance	\$538M	\$589M*
Percent of strategic sourcing initiatives competed	73%	49%**
Percent of strategic sourcing initiatives awarded to small businesses	41%	33%**

\*Cost avoidance for strategic sourcing initiatives is calculated and projected at time of award. Strategic sourcing benefits achieved after contract award include: reduced procurement lead time (PLT), efficiency in manpower and resources, streamlined requirements, etc.

\*\*Based on the Reports in Part B, DPAP/SS believes this decline is a coding error and is working with the SSDB Members to correct.

## **7. NEXT STEPS – CONTINUED IMPROVEMENT**

Our success in strategic sourcing rests in our capability to attain and sustain excellence in strategic acquisition planning, execution, and sustainment. Moving forward, DoD strategic sourcing efforts will shift away from expressly focusing on process and move toward the

achievement of significant outcomes. This will increase DoD's focus on acquisition planning. Execution of these plans will enable acquisition professionals to procure goods and services in a strategic and de-centralized, yet coordinated, manner.

### **Strategically Sourcing Services**

As a result of the FY 2006 services spend analysis, DPAP/SS drafted a Strategic Plan for the Strategic Sourcing of Services and intends on distributing it in FY 2008. DPAP/SS will work with SSDB members and advisors to establish goals and objectives for the Strategic Plan that will facilitate an increase in strategically sourced services. These goals and objectives will support the AT&L goals and, in turn, will drive the MILDEPs and ODAs toward results.

Preliminary findings of the spend analysis on acquired services revealed a significant preference among contracting activities to procure services on their own behalf instead of leveraging their requirements with other contracting activities. In order to achieve maximum benefit from strategic sourcing, collaboration and coordination are essential.

Portfolio management is a best practice that drives collaboration. It involves grouping like-services in order to improve management and oversight capabilities. At the same time, a portfolio approach will help acquisition personnel build deeper functional skills by allowing them to specialize in specific service commodities, resulting in enhanced abilities to maximize procurement dollars, stream-line acquisitions, and increase innovation. The use of portfolios can potentially achieve multiple benefits. Aligning acquisition personnel strategically to a portfolio creates a highly focused and efficient acquisition team, able to define clear requirements. Acquisition personnel can leverage portfolio-specific knowledge and skills within the portfolio supply chain. The result is an enhanced understanding of industry trends and capabilities as well as a more coordinated approach to requirements generation across MILDEPs and ODAs. DPAP/SS will work with the SSDB to explore the use of portfolio teams accountable for ensuring that the procurement of like-services are sourced strategically across the Department. A portfolio management approach to the acquisition of services will help our increasingly strained resources operate efficiently and effectively.

#### **Portfolio Approach to Strategic Sourcing**

- 1. Improved performance towards DoD targets for competition, socio-economic, high-risk contracts and PBSA**
- 2. Enhanced market research and industry collaboration capabilities resulting in well defined requirements**
- 3. Increased transparency for existing business arrangements and reduction of duplicative work**

The Strategic Plan for the Strategic Sourcing of Services will facilitate organizations in strategic sourcing methodologies that are not limited to a single model or a six step process. Strategic sourcing can result in a variety of different approaches including: organizational realignment, the use of interagency agreements, and establishing centers of excellence. Each provides benefit to the warfighter and the taxpayer.

Realignments of contracting organizations are currently under review, with different degrees of implementation, by the Departments of the Army, Air Force, and Navy. These organizational realignments will transform services acquisitions. Benefits include leveraging buying power within the supply chain, establishing and maintaining focused supply chain management,

creating services contracting core competence, and implementation a portfolio-based services acquisition structure. Each department is refining their businesses cases for realignment based upon spend analyses and defining a “to be” state for increased strategic sourcing.

The Strategic Plan for Strategic Sourcing of Services will reinforce the key principals of strategic sourcing while producing executable results. Goals will drive the behaviors necessary to achieve strategic sourcing success. Goals will require the department to increase coordination, collaboration, and socio-economic spend. The goals will result in positive benefits to the Department and the industrial base that supports the Department.

### **Strategically Sourcing Supplies and Equipment**

During FY 2008, DPAP/SS will perform the first enterprise-wide spend analysis for supplies and equipment, based upon FY 2007 spend data. This analysis will serve as the foundation for drafting a Strategic Plan for the Strategic Sourcing of Supplies and Equipment. When combined with the Strategic Plan for the Strategic Sourcing of Services, DoD will have its first comprehensive roadmap for strategically sourcing goods and services

### **Education and Training**

DPAP/SS, DAU, and NPS will continue to work together on training and education. The intent is to balance the incorporation of strategic sourcing within existing training and education along with the creation of specific training for those who require specialized education in strategic sourcing. The SSDB established an Education and Training Working Group with a goal to increase Department-wide awareness of strategic sourcing.

Direct any questions regarding this report to the Office of Strategic Sourcing at (703) 602-0710.

**PART B**

**DEFENSE ENTERPRISE REPORTS  
ON  
STRATEGIC SOURCING INITIATIVES**

**SECTION 1:  
DEFENSE LOGISTICS AGENCY  
ANNUAL REPORT ON STRATEGIC SOURCING INITIATIVES  
FISCAL YEAR (FY) 2007**

**EXECUTIVE SUMMARY**

This report outlines the outcomes of the Defense Logistics Agency's strategic sourcing initiatives for FY07, and discusses the established programs and goals for FY08. Strategic Sourcing is executed via DLA's Supplier Relationship Management (SRM) Program, which is an overarching strategy to build relationships with key suppliers and leverage industry capabilities. The SRM Program provides a structured approach for managing DLA's strategic initiatives with key suppliers under integrated collaborative partnerships that include both DLA managed and Military Service managed items. The goal of the program is to move DLA from a manager of supplies to a manager of suppliers. This goal is measured by key metrics gauging DLA and its suppliers' performance in reducing lead-times, reducing costs, improving delivery times to customers, and reducing inventory levels while providing a more agile supply chain management approach to meeting customer requirements.

This report focuses on the primary strategies under the SRM program. Strategic Supplier Alliances (SSA) and Supply Chain Alliances (SCA) are strategic partnerships between DLA and its key suppliers. These alliances provide a partnering structure or "umbrella" under which strategic sourcing initiatives are executed with these industry partners. Performance Based Logistics (PBL) initiatives are strategic initiatives that provide enhanced and tailored support to weapon systems, subsystems, or components.

The primary strategy of the SRM program that determines which items are placed on strategic sourcing initiatives, and thus the primary focus of this report, is the Strategic Material Sourcing (SMS) program. SMS is DLA's strategy to improve the long-term health of items most critical to DLA's customer support, and that are strategically important to DLA's business. These items are chosen annually based on specific hierarchical criteria supporting customer readiness, sales and demands.

The SMS program focuses on achieving goals in three primary areas:

- Increase the number of items supported by long-term contracting arrangements
- Increase the percent of DLA's obligation dollars on long-term contracting awards
- Achieve an inventory savings goal of \$340 million by FY11 as a result of the SMS items being placed on long-term contracts

This report ends with an outline of best practices and future steps of DLA's strategic sourcing initiatives, and recommendations for DLA's future initiatives that are useful for other Executive Branch agencies engaging in strategic sourcing initiatives.

**REPORT STRUCTURE:**

**OVERVIEW OF DLA'S SUPPLIER RELATIONSHIP PROGRAM**

**The Strategic Material Sourcing Program**

**Strategic Supplier Alliances and Supply Chain Alliances**

**Performance Based Logistics**

**STATUS OF FY07 STRATEGIC SOURCING INITIATIVES**

**Strategic Material Sourcing Program Outcomes**

**Strategic Supplier Alliance and Supply Chain Alliance Outcomes**

**Performance Based Logistics Outcomes**

**FY08 STRATEGIC SOURCING INITIATIVES**

**Strategic Material Sourcing Program Goals**

**Strategic Supplier Alliance and Supply Chain Alliance Goals**

**Performance Based Logistics Goals**

**BEST PRACTICES AND FUTURE STEPS**

**RECOMMENDATIONS FOR FUTURE INITIATIVES BASED ON LESSONS  
LEARNED AND BEST PRACTICES**

**APPENDIXES**



## OVERVIEW OF DLA'S SUPPLIER RELATIONSHIP PROGRAM

DLA's SRM program focuses on moving DLA from a manager of supplies to a manager of suppliers. This is accomplished by developing strategic relationships with key suppliers, focusing on the items of strategic importance to the Agency and its customers, and developing enhanced tailored logistics support arrangements for key customers and weapon systems. DLA's Transformation Roadmap and its Strategic Plan outline the Agency's goals through FY13. The SRM program supports Transformation Goal 1: "Provide responsive, integrated best value supplies and services consistently to our customers", Goal 2: "Develop and institutionalize the internal processes required to deliver value-added logistics solutions to the warfighter," and Goal 4: "Manage DLA resources for best customer value." It supports the Strategic Plan Goal 2: "Internal Process: Continuously improve DLA performance through the development of better processes and business arrangements that reduce cost, increase logistics capabilities, and link customer demands with our Supply Chains."

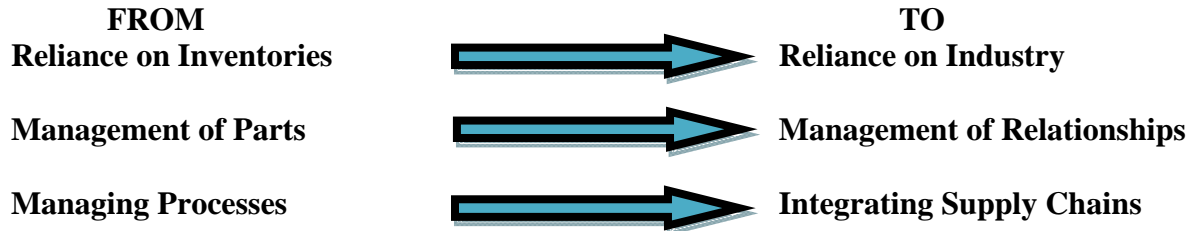
DLA uses three major types of Supply Chain Management strategies to accomplish the goals of the SRM program: SSAs, SCAs, and Performance Based Logistics (PBL) initiatives. The SRM program determines the prioritization of items to be placed on strategic sourcing initiatives that result from SSA and SCA partnerships, and on PBL long-term contracts.

SSAs are strategic relationships formed between DLA and its largest Original Equipment Manufacturers (OEMs), requiring a high level of direct communication and day-to-day relationship management and maintenance for sole source items. DLA's SSA partners are considered "first-tier" suppliers. SCAs are long-term partnering agreements with "second-tier" suppliers. They are similar to SSAs except these suppliers might not be OEMs or as large as typical SSA partners. Some are providers of competitive items. The overarching goals of SSAs and SCAs are to improve communication and to establish long-term contracting arrangements for the items provided by these suppliers in order to improve support for customer requirements. PBL initiatives are acquisitions of material and/or logistics support (such as inventory management, storage, materiel handling, and transportation) from commercial and/or organic sources to improve readiness and affordability of a system, subsystem or component. Supplier performance is evaluated based on measurable outcomes to ensure improved material availability, improved material reliability, reduced system mean down time, and reduced ownership costs. DLA supports this approach by awarding PBL contracts, adding DLA managed items to Service awarded PBL contracts, and being a supplier of parts and/or services to Product Support Integrators who have been awarded weapon system contracts by the Services.

Figure 1 depicts how DLA's sourcing strategies today are different from what was done in the past. In the past DLA's relationship with suppliers was based on transactional support to customers. As customer requirements were received, DLA issued orders to its suppliers. DLA's focus was ensuring there was a large stockpile of inventory maintained to meet customer needs. The Agency focused on managing parts and transactional processes. Today, DLA focuses on utilizing best commercial practices and a supply chain management approach to strategically

posture for customer needs today and tomorrow. This is accomplished through an integration of Supply Chains that develop strategic partnerships with their respective customers and suppliers.

**Figure 1: Key Elements of DLA’s Shift to Best Business Practices**



DLA manages items by distinct Supply Chains. These Supply Chains are arranged by items and commodities assigned to distinct categories of support. Each Supply Chain is assigned to a DLA Inventory Control Point (ICP) for oversight. The following lists each DLA ICP and their assigned Supply Chain. Those highlighted are the Hardware Supply Chains, i.e. manage Class IX Hardware items (repair parts less medical-peculiar repair parts). Each Supply Chain has the lead for developing SSAs, SCAs, and PBL contracts with the vendors who provide predominant parts to their respective Supply Chain customers and supported weapon systems.

<u>Supply Chain Owner</u>	<u>Supply Chain</u>
<b><i>Defense Supply Center Richmond (DSCR):</i></b>	<b><i>Aviation</i></b>
<b><i>Defense Supply Center Columbus (DSCC):</i></b>	<b><i>Land</i></b>
<b><i>Defense Supply Center Columbus (DSCC):</i></b>	<b><i>Maritime</i></b>
<b><i>Defense Supply Center Philadelphia (DSCP):</i></b>	<b><i>Construction and Equipment</i></b>
Defense Supply Center Philadelphia (DSCP):	Clothing and Textile
Defense Supply Center Philadelphia (DSCP):	Medical
Defense Supply Center Philadelphia (DSCP):	Subsistence
Defense Energy Support Center (DESC):	Energy (fuels)

The SRM program is executed by the Strategic Sourcing Material Groups (SMSGs) within each Supply Chain. SMSGs are multi-functional organizational units that focus on establishing and executing strategic sourcing initiatives. They include Sourcing Strategy Specialists who complete requirements analysis and recommend sourcing strategies, and Acquisition Specialists who execute those strategies. Strategies are coordinated to include items managed by the other Supply Chains and the Military Services, and executed to meet metrics to optimize customer support. The SMSGs also include SRMs who are the managers of SSAs and SCAs. The SMSGs have the primary responsibility of developing strategies and executing strategic initiatives in each Supply Chain to meet that Supply Chain’s annual SMS goals.

## The Strategic Material Sourcing (SMS) Program

SMS is DLA's approach and methodology of developing material sourcing strategies and priorities for target item groups to assist the Agency in completing the transition of moving from a manager of supplies to a manager of suppliers. The SMS program supports DLA's Class IX Hardware items or National Stock Numbers (NSN). It prioritizes the choice of NSNs that are considered for long-term arrangements under SSAs, SCAs, PBLs, tailored support arrangements, and traditional long-term arrangements.

The SMS program supports DLA's Transformation Goal 1: "Provide responsive, integrated best value supplies and services consistently to our customers." It also supports DLA's Strategic Plan Goal 2: "Internal Process: Continuously improve DLA performance through the development of better processes and business arrangements that reduce cost, increase logistics capabilities, and link customer demands with our Supply Chains."

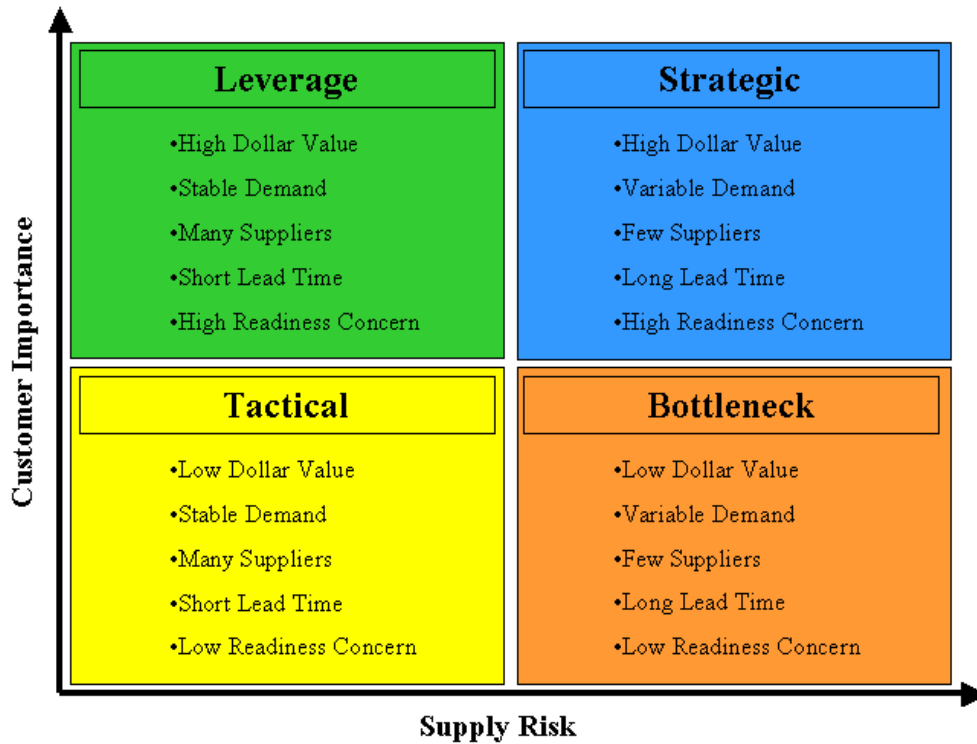
The overall objective of the SMS process is to correctly match supplier capabilities with customer requirements, and support those requirements via strategic sourcing arrangements (i.e. Long-term contracts (LTC)) with suppliers. The intangible benefits derived from LTCs include the utilization of best commercial practices in supporting complex and routine customer requirements, a streamlined communication network with vendors, and an agile supply chain management process. The tangible benefits include reduced administrative lead-times (ALT) and production lead-times (PLT), inventory savings, increased availability, a reduced logistics footprint, and quicker customer response times. All of these are achieved as a result of leveraging industry's processes, systems, procedures, experience and knowledge via long-term contracting agreements and strategic partnerships.

There are four steps leading to sourcing strategy development and implementation for the SMS program:

1. Strategic Leveraging Analysis (SLA): Just as in a commercial setting, this step entails a Spend Analysis to determine what goods and services are being purchased by customers. The significant sales and spending streams are then used to define products and procurement leveraging opportunities in the second step. A "significant demand stream" is defined by Pareto analysis on those NSNs whereby 75 to 85 percent of the sales volume for the past two to three years predicts the NSNs most critical to the Supply Chains' business bases.
2. Segmentation Analysis: Step two involves evaluating how difficult it is to procure an item and its business value to the organization. At one extreme, Acquisition Specialists have only a single source of supply for an item and cannot put it out for a competitive bid. At the other end of the spectrum, the desired item is readily available through commercial channels and a multitude of suppliers. Naturally, many of DLA's items are found somewhere between these two extremes since DLA supports all Military Services, many Executive Branch Agencies, and Foreign Military Sales (FMS) countries. By combining spend and sales analyses with this procurement difficulty evaluation, items

may be grouped into the four quadrants of the Materiel Sourcing Matrix based on their relative importance to the customer and degree of supply risk, allowing the procurement professional to better understand the pertinent sourcing issues and available options. The objective of this process is to group like items together, allowing appropriate sourcing strategies to be readily developed and applied to provide higher levels of support without excessive drains on the procurement function. See Figure 2 below to view the Materiel Sourcing Matrix, the four quadrants, and the characteristics of items for each quadrant.

**Figure 2 - Materiel Sourcing Matrix**



- Infrastructure Assessment:** In the third step, the purchasing effectiveness of DLA’s procurement organization is determined and benchmarked. For example, an organization should know how many dollars of materiel it purchases for every dollar it spends in the purchasing effort. This purchasing effectiveness is directly impacted by the organization’s structure, employees’ skill sets, information infrastructure, and the utilization of purchasing best practices. One of DLA’s primary goals is to leverage its buying power to support warfighter needs at the lowest possible cost. Strategic sourcing helps DLA make the most efficient use of its existing infrastructure. This allows more procurement professionals to be freed from routine purchasing and allows them to focus on new requirements and new items to proactively resolve problem items that could result in support delays. These improvements occur for procurement actions made by each DLA Supply Chain. While multiple buying organizations have diluted potential leveraged buys by executing multiple contracts with many Department of Defense (DoD) suppliers, SMS is designed to capture leveraged buying opportunities and produce overall better support at a lower total ownership cost.

4. **Sourcing Strategy:** The most appropriate sourcing strategy will depend on the information and discoveries made in steps 1-3. By using the Materiel Sourcing Matrix, DLA recognizes which quadrants contain more or less of the Enterprise’s negotiating strength. The theoretical objective of this process is to lower total cost of ownership and to minimize sourcing risk to the organization. The key is to realize that the sourcing strategies differ for items in each of the four quadrants. DLA focuses on leveraging its buying strengths and building long-term relationships with suppliers through formal alliances. Through carefully developed and implemented sourcing strategies, DLA has realized a significant improvement in its purchasing effectiveness.

Together, the four steps in DLA’s SMS process offer a powerful method designed to allow the procurement workforce to improve parts availability. With fewer labor hours consumed on repetitive buys for high demand weapon system parts, more labor hours are available for addressing support problems to entire systems or low demand/new demand items that often impede warfighter capabilities. While these problem items will certainly remain a harsh reality in the current “aging platform” environment, the warfighter, as well as the taxpayer, will welcome higher support levels that are achieved without a corresponding increase in procurement cost. At the same time, improved contract leveraging diminishes or offsets higher materiel costs needed to put more parts in warfighter hands, wherever and whenever needed.

Appendix A lists and defines the categories (i.e. primary drivers) that are used to develop the SMS population of items. Data for items in these categories is refreshed each fiscal year. Because the annual analysis focuses on customer requirements and contract awards over a two to three year period, there is significant overlap in the items chosen from one fiscal year to the next. Table 1 shows the number of NSNs in the FY07 and FY08 SMS populations by the mutually exclusive primary drivers under which the items were added.

<b>Primary Driver</b>	<b>FY07 NSN Count</b>	<b>FY08 NSN Count</b>
Sales	62,756	44,824
Demand	122,608	88,678
Non Mission Capable Supply (NMCS)	7,628	8,671
Warstopper	3,221	36,702
Readiness	4,427	22,798
Critical	534	4,353
Supply Chain Focus	4,472	45,843
Add-Backs	98,290	83,846
<b>Total</b>	<b>303,936</b>	<b>335,715</b>

**Strategic Supplier Alliances (SSA) and Supply Chain Alliances (SCA)**

DLA's SSAs and SCAs were established by analyzing DLA spend data and selecting the suppliers receiving the greatest amounts of obligation dollars over a three year period. Once each alliance was officially established via a signed Charter, the next steps were to add the Military Services as partners and then bring CAGEs (i.e. divisions) of each supplier under the alliance. The later step was prioritized by analyzing the CAGEs for each supplier that received the greatest amount of obligations and also provided the largest number of items. The Services used a similar methodology to determine which DLA alliances they would partner on. On some alliances, the Defense Contract Management Agency (DCMA) is also a partner.

A signed Charter outlines the overall terms of the relationship and is ratified by senior level officials of all parties in the relationship (i.e. DLA, the supplier, DCMA, and the Military Services). Some of these terms are expressed as strategic qualitative goals: for example, cost management, sharing of resources, streamlining acquisition processes, improving communication among stakeholders, and improving business processes. The long-term contracts awarded under the alliances contain clauses, terms, and conditions that outline the specific performance metrics to be achieved in support of the qualitative goals (for example, achieving 99percent on-time delivery for all orders, shipping all high priority (Issue Priority Group One) requisitions with 24 hours, and reducing production lead-times by 25 percent).

DLA uses the following metrics to track DLA and vendor performance on LTCs under SSAs and SCAs (as graphically depicted in Appendix C). Quantitative performance is determined by comparing current performance to an established baseline point. Based upon the increase or decrease in performance from the baseline, each metric is color coded using a "stop light" methodology: Red if performance is unacceptable, Yellow if performance is causing concern, Green if acceptable, and World-Class if performance is meeting Government and industry standards of excellence:

**Annual Obligations:** Measures the percent of LTC obligation dollars over total obligations to a supplier.

- Measurement (includes both competitive and sole source items)
  - Red: < 5 percent increase
  - Yellow: ≥ 5 percent but < 10 percent increase
  - Green: ≥ 10 percent points increase
  - World-Class: 90 percent of annual awards on LTC regardless of change from base period

**Administrative Lead-Time (ALT):** Measures the total time between the generation date of a purchase request to the award date of a contract. ALT is the one metric that most fully identifies the procurement organization's impact on business performance. Changes in ALT impact customer wait time, attainment to plan, and availability.

- Measurement
  - Red: <3 percent reduction from FY05 baseline ALT
  - Yellow: <5 percent but ≥ 3 percent reduction from FY05 baseline ALT

- Green:  $\geq 5$  percent reduction from FY05 baseline ALT
- World-Class: 10 days

**Production Lead-Time (PLT):** Measures the total time between the contract award date to the receipt of product. Changes in PLT impact customer wait time, attainment to plan, and availability.

- Measurement
  - Red:  $<3$  percent reduction from FY05 baseline PLT
  - Yellow:  $<5$  percent but  $\geq 3$  percent reduction from FY05 baseline PLT
  - Green:  $\geq 5$  percent reduction from FY05 baseline PLT
  - World-Class: Aviation and Maritime Supply Chains = 75 days, Land = 60 days

**Quality:** Represents a defect rate that is derived based on the number of quality complaints that are recorded against a supplier's items compared with the volume of customer orders for those items shipped during the reporting period. The higher the customer orders (and resulting item shipments) are, the more likely a customer quality complaint or Product Quality Deficiency Report (PQDR) is to be generated.

- Measurement
  - Red:  $\geq .5$  percent PQDRs Defect Rate
  - Yellow:  $>.2$  but  $<.5$  percent PQDRs Defect Rate
  - Green:  $\leq .2$  percent PQDRs Defect Rate
  - World-Class: 0 percent Defect Rate

**Unfilled Orders:** Measures the number of unfilled requisition lines against all of a supplier's sole source NSNs or other NSNs on long-term contracts with that supplier.

- Measurement
  - Red:  $<10$  percent reduction from FY05 baseline
  - Yellow:  $<20$  but  $\geq 10$  percent reduction from FY05 baseline
  - Green:  $\geq 20$  percent reduction from FY05 baseline
  - World-Class:  $<5$  percent of total customer order lines are established as a backorder (past allowed normal processing times) occurring in the report period.

**Price Control:** Measured based on the percentage change of last SSA contract unit price paid compared to the benchmark contract unit price

- Measurement
  - Red:  $> 8$  percent escalation from FY05 baseline
  - Yellow: 5-8 percent escalation from FY05 baseline
  - Green:  $<5$  percent escalation from FY05 baseline
  - World-Class: Reduced price

**On Time Delivery:** The percent of contract lines fully shipped within a specified time frame.

- Measurement
  - Red:  $< 80$  percent on time
  - Yellow: 80-89 percent on time

- Green:  $\geq 90$  percent on time
- World-Class: 98 percent on time

Currently, DLA is working on a Joint Supplier Scorecard (JSSC) with the Military Services in order to develop common metrics and methodologies across DoD. The Army, Navy, Air Force, DCMA, and DLA jointly determined the metrics to be utilized in the JSSC. The JSSC provides a common set of metrics, definitions, and calculations that addresses Industry's concern of disparities in evaluations.

### **Performance Based Logistics (PBL)**

DLA engages in PBL initiatives in one of the following ways:

1. Fully partners with the awarding Military activity and incorporates DLA managed items on a Service awarded PBL contract along with the items managed by that Service. The contract contains specific performance criteria for all items on the contract.
2. DLA partners with the Product Support Integrator who has been awarded a PBL contract by the Services. The contractor uses DLA as a primary or secondary source of supply for all DLA managed items.
3. DLA awards PBL contract.

DLA's PBL and PBL-like contracts are chosen based on those critical weapon systems requiring enhanced support. The F404 is the first system DLA is supporting via a DLA awarded PBL contract. Others are planned for FY08 and FY09 (as outlined in the FY08 goals section).

## **STATUS OF FY07 STRATEGIC SOURCING INITIATIVES**

### **Strategic Material Sourcing Program Outcomes**

For FY07, the SMS population consisted of 304,010 items. The distribution of the SMS population by Supply Chain (and thus by types of customers supported) was as follows:

Aviation	53.5 %
Maritime	25.9 %
Land	10.5 %
C&E	10.1 %

These items represented approximately 8 percent of DLA's Hardware items, but 88 percent of Hardware procurement actions and 87 percent of Hardware sales. They supported over 10 million customer requisitions in FY07 valued at \$4.9 billion (calculated based on material cost).

Table 2 shows the top weapon systems supported by the FY07 SMS population:



**Table 2: Top Weapon Systems Supported by DLA’s FY07 SMS Population**

F-15	H-60	S-3
F/A-18	ARLEIGH BURKE CLASS CG	EA-6B
C-130	FORRESTAL CLASS CV	WHIDBEY ISLAND CLASS LSD
F-16	C-5	SUPPLY CLASS AOE
NIMITZ CLASS CVN	SH-60B	P-3
KC-135	TARAWA CLASS CV	AV-8B
WASP CLASS LHD	CH-53	E-3A
TICONDEROGA CLASS CG	OLIVER PERRY CLASS FFG	E-2C

Table 3 shows the top customers (i.e. top Military Service stakeholders) for items in the FY07 SMS population by volume of requisitions submitted in FY07:

**Table 3: Top Customers Supported by the FY07 SMS Population**

<b>DODAAC</b>	<b>NAME</b>
FB2039	HILL AFB, UTAH
FB2029	TINKER AFB, OK
W91EB8	OPERATION ENDURING FREEDOM
R55660	MARINE AVIATION LOGISTIC SQ DET FWD
SD0511	LOCKHEED MARTIN DISTRIBUTION CENTER, CLEARFIELD UT
FB2065	ROBINS AFB GA
W81R9H	SR W0DA AFSBN QATAR
W91X8J	SR 0240 CS CO FORWARD
SD0550	LOCKHEED MARTIN DISTRIBUTION CENTER, Oklahoma City, OK
N68836	FISC JACKSONVILLE
SD0512	LOCKHEED MARTIN DISTRIBUTION CENTER, Warner Robins GA
W91W42	OPERATION IRAQI FREEDOM

The following were the SMS goals set for the fiscal year and DLA’s performance outcomes:

**FY07 Goal:** Long-Term Obligation Contract Rate – 56 percent

**Definition:** LTC obligations as a percent of total obligations

**Outcome:** DLA surpassed the goal with an end-of-year total of 57.5 percent. LTC obligations amounted to \$4.075 billion.

**FY07 Goal:** Total NSNs on Long-Term Contracts - 139,333

**Definition:** The total number of items on long-term contracts as of September 30, 2007

**Outcome:** DLA ended the year at 131,444. The decrease resulted from expiring LTCs. DLA's new Enterprise Business System will provide an automated award program that will increase LTC coverage.

**FY07 Goal:** Contribution toward cumulative Inventory Savings – \$340 million at the end of FY11

**Definition:** Cumulative inventory savings from 1999 through the end of FY11 based on SMS items being placed on long-term contracts.

**Outcome:** \$218.9 million as of FY07 Quarter 3 (64.4 percent of end goal)

The benefits of DLA's FY07 performance can be clearly seen when comparing additional metrics for the FY07 SMS item population to those of all DLA managed Hardware Items.

- The average ALT for SMS items on LTCs is 1.8 days compared to 24.3 days for all items.
- The average PLT for SMS items on LTCs is 31.9 days compared to 40.7 days for all items.
- The percent of backorders for SMS items on LTC that are over 180 days old is 12.3 percent compared to 20.6 percent for all items.
- The material availability for SMS items on LTC is 87.5 percent compared to 81.9 percent for all items.

### **Strategic Supplier Alliance and Supply Chain Alliance Outcomes**

By the end of FY07, DLA had established 28 SSAs and exceeded its goal of establishing 24 by FY06. Chart 1 shows the list of SSAs established. As shown, 12 of these SSAs include one or more of the Military Services as partners. The Supply Chains spent FY07 enhancing their supplier partnerships through such methods are having supplier conferences and Industry Days. For example, DLA held its inaugural DLA Strategic Partner's Conference in FY07. It was co-hosted by the DLA Director and the DLA Director of Acquisition Management. The conference allowed the alliance partners to hear DLA's vision for strategic partnering from the DLA's Senior Leaders. The Deputy Under Secretary of Defense for Logistics and Material Readiness, Mr. Jack Bell, was the guest speaker. He provided a DoD vision of transformation, and DoD logistics and how it will affect DoD relationships with private sector partners.

### **Chart 1: DLA Strategic Supplier Alliances**

FY 99	FY 02	FY 03	FY 04	FY 05
Honeywell*	Boeing	Avibank	Eaton	York
	Pratt & Whitney*	Canadian Commercial Corporation	BAE Systems (UDLP)*	Alcoa Fastening System
	General Electric*	Hamilton Sundstrand*	AM General*	GDLS*
	Parker Hannifin*	Textron	Goodrich	Smiths Aerospace
	Northrop Grumman	Sikorsky*	Rolls Royce	
	Dresser Rand*		Aircraft Braking Systems	
	BAE Systems		Moog Inc.	
	Lockheed Martin*		Osh Kosh*	
			Raytheon	
			Warren Pump	

\*Military Partnership with 12 SSAs

Aviation Alliance
C & E Alliance
Land Alliance
Maritime Alliance

DLA established a goal of having 12 SCAs in place by the end of FY07. As shown in Chart 2, this goal was surpassed with 21 SCAs being completed. The SCAs for L-3 Communications and 3M are still under development and planned for completion in FY08.

**Chart 2: DLA Supply Chain Alliances**

FY 05	FY06	FY07
Derco	Cummins	Jamaica Bearings
CLARCOR	Armor Holdings	SKF Bearings
BTMC	Crane	Wheeler Brothers
	Woodward Governor	Penn Detroit Diesel
	Waterc	JGB Enterprises
	SAIC	Badger Truck
	Kampi	Caterpillar
	NISH	L-3 Communications*
	Timken	3M*
	FN Manufacturing	
	Stewart & Stevenson	

\*Denotes planned SCA

Of the SMS items on LTCs, almost 60 percent were on contracts associated with SSAs and SCAs accounting for over 95 percent of all SSA and SCA obligation dollars. These items contributed to the following vendor performance metrics for these alliances:

- The average ALT for all items on these alliances decreased by 18 percent from 2005.
- The average price of items on these contracts only increased by 5 percent since 2005.

Minimum quality issues. For example, only 3 percent of orders shipped in September 2007 had a possible quality issue (i.e. defect, quantity issue, packaging, etc).

**Performance Based Logistics (PBL) Outcomes**

DLA planned for 8 PBLs to be implemented in FY07. As shown in Appendix D, 3 were put in place. The other 5 have been added to the FY08 goal. DLA has begun awarding PBL contracts. The first effort awarded by DLA was in support of the F404 engine in 2005. The Integrated Logistics Partnership in support of the HMMWV was DLA’s second PBL award, and was completed in FY06. Several additional efforts are now in process.

**FY08 STRATEGIC SOURCING INITIATIVES**

**Strategic Material Sourcing Program Goals**

The FY08 SMS population consists of 335,715 NSNs. The items are distributed as follows:

Aviation	49.1 %
Maritime	32.1 %
Land	12.8%
C&E	6.0%

These items represented approximately 8 percent of DLA’s Hardware items, but 88 percent of Hardware procurement actions and 87 percent of Hardware sales. These items supported 10.5 million customer requisitions in FY07 valued at \$5.35 billion (calculated based on material cost).

Table 4 shows the top weapon systems supported by the FY08 SMS population (same top systems as the FY07 SMS population):

F-15	H-60	S-3
F/A-18	ARLEIGH BURKE CLASS CG	EA-6B
C-130	FORRESTAL CLASS CV	WHIDBEY ISLAND CLASS LSD
F-16	C-5	SUPPLY CLASS AOE
NIMITZ CLASS CVN	SH-60B	P-3
KC-135	TARAWA CLASS CV	AV-8B
WASP CLASS LHD	CH-53	E-3A
TICONDEROGA CLASS CG	OLIVER PERRY CLASS FFG	E-2C

Table 5 shows the top customers (i.e., top Military Service stakeholders) for items in the FY08 SMS population by volume of requisitions submitted in FY07:

**Table 5: Top Customers Supported by the FY08 SMS Population**

DODAAC	NAME
FB2039	HILL AFB, UTAH
FB2029	TINKER AFB, OK
W91EB8	OPERATION ENDURING FREEDOM
R55660	MARINE AVIATION LOGISTIC SQ DET FWD
SD0511	LOCKHEED MARTIN DISTRIBUTION CENTER, CLEARFIELD UT
FB2065	ROBINS AFB GA
W91X8J	SR 0240 CS CO FORWARD
W81R9H	SR W0DA AFSBN QATAR
SD0512	LOCKHEED MARTIN DISTRIBUTION CENTER, Warner Robins GA
W91WBY	OPERATION IRAQI FREEDOM

Milestones for the FY08 program were established in July 2007 and are shown in the chart in Appendix B. These included the steps taken to establish the population and the fiscal year goals, and the reports that will be used to track monthly performance. For FY09, the milestones will be established in January 2008.

The FY08 LTC Obligation Goal is 63.6 percent. This goal is the most aggressive ever set by the Agency. DLA ended FY07 at 57.5 percent, FY06 at 54.1 percent and FY05 at 45.5 percent. This goal will be achieved by an intensive emphasis on items with the greatest affect on DLA’s annual obligations and costs to customers. The Agency will also focus on ensuring expiring LTCs are re-awarded in a timely manner, contract options are expeditiously exercised, and new long-term projects are prioritized for timely awards. Additionally, special focus will be placed on projects of critical importance to our customers. These include items supporting the Joint Regional Material Management initiative, nuclear submarines, combat vehicles, and the Army’s Armored Support Vehicle. The distribution of the LTC Obligation goal by Supply Chain is as follows:

Aviation	64.4%
Maritime	46.8%
Land	67.7%
C&E	78.3%

The SMS on LTC goal for FY08 is an increase of 4,705 items from the October 1, 2007, position of 130,150 NSNs on LTC. The net goal by Supply Chain is as follows:

Aviation	1,697
Maritime	1,094
Land	1,549
C&E	365

In addition to the goal of achieving a net increase, DLA has set a LTC renewal goal of 5,853 NSNs. This ensures items on expiring LTCs are renewed in a timely manner (i.e. before contract expires) so there is no interruption in customer support. To ensure this goal is met, a quarterly LTC Lapse Tracking Report will be published to measure Supply Chain performance to the goal. This goal is also broken down by Supply Chain:

Aviation	650
Maritime,	1,707
Land	2,875
C&E	621

The FY08 SMS program will differ from those in previous years in various ways. Most importantly, the program has increased Senior Leadership attention. The FY08 goals were endorsed by the Vice Director, DLA via message to the Commanders of each Supply Chain. Under the Base Realignment and Closure (BRAC) 2005 directives, DLA will also begin awarding contracts for Service managed Depot Level Repairables (DLRs) in FY08, and expanding existing long-term contracts to include a greater number of DLRs. The benefits gained via SMS will thus also be realized by the Services. DLA has also expanded its collaborative efforts with the Services beyond BRAC. As shown in Appendix E, for example, DLA has partnered with the Air Force on a variety of long-term initiatives under the Air Force's Commodity Council initiative. The SMS program prioritizes the selection of items to be placed on these initiatives, and performance is measured using metrics under the SRM program.

In FY08, SMS Goals will be tracked weekly, monthly and quarterly. The Supply Chains are required to explain performance deficiencies monthly. Each Supply Chain Commander is personally responsible for briefing the Director, DLA and/or Vice Director, DLA.

While there are no specific small business goals set for the SMS program, the dollar amount of obligations to small business is measured and reported. Table 6 shows the dollar value of LTC obligations and total obligations for select small business types in FY07. Awards to small businesses will be improved in FY08 by implementation of DLA's new Automated Indefinite Delivery Purchase Order (IDPO) program. This program provide an automate tool for small businesses to bid on strategic contracts with an annual value of less than \$100,000. These contracts cover a base period of 1 year, with an option to renew for an additional year.

**Table 6: Small Business Obligations for items in the FY07 SMS Population**

CCR Small Business Code	Business Type	FY 2007 SMS LTC Obligations	FY 2007 Total SMS Obligations
21	Small Business	\$817,860,058.15	\$1,376,302,696.24
27	Self-Certified Small Disadvantaged Business	\$12,992,722.67	\$29,979,658.38
A2	Women-Owned Business	\$109,101,761.35	\$214,542,556.33
A4	SBA Certified Small Disadvantaged Business	\$15,687,374.47	\$41,012,015.11
A6	SBA Certified 8(a) Program Participant	\$9,582,986.23	\$27,590,308.78
B2	Emerging Small Business	\$8,972,366.34	\$21,057,620.20
XX	SBA Certified Hub Zone Firm	\$47,910,226.69	\$76,156,001.68
<b>Total</b>			
		\$1,022,107,495.90	\$1,786,640,856.72

**Strategic Supplier Alliance and Supply Chain Alliance Goals**

No new SSAs are planned to be established in FY08. The goal of the program is to add additional DLA managed items to existing SSA long-term contracts, add Service managed DLRs to existing SSA LTCs, and award new LTCs to CAGEs currently covered by SSAs. Additionally, continual emphasis will be on bringing additional CAGEs for each SSA partner under each Alliance. The SMS program will prioritize the items being placed on LTCs.

Two Hardware Supply Chain SCAs are planned for FY08. These are L-3 Communications in the Aviation Supply Chain and 3M in the C&E Supply Chain. Discussions are already underway with each supplier and items to be added to strategic initiatives have been identified. An additional goal for FY08 is expand alliances with non- Hardware Supply Chain suppliers. The first SCA with a non-Hardware Supplier was signed with NISH in FY06 by the C&T Supply Chain. A SCA with Meridian by the Medical Supply Chain is planned to be signed in FY08, with others to follow.

DLA and vendor performance metrics for SSAs and SCAs will be reported and analyzed monthly. These metrics are shared with suppliers to ensure all parties in the alliances are aware of performance deficiencies, and it allows for performance achievements to be benchmarked.

**Performance Based Logistics Goals**

DLA’s goal is to have between five and fifteen PBL/Performance Based Agreements (PBAs) in place by FY11. Appendix D shows the projects already in place and those scheduled for FY08 and FY09. Twenty-three projects are in process. Six of these are planned DLA PBL contracts. These include PBLs for the F-15, F-16, KC-135, Gas Turbine Generator, 363 Ton Air Conditioning Plant, and the Air Force’s F-Series Engines. Each will provide enhanced support for the systems identified. In addition to these systems, enhanced support will be obtained from any customer using the items on these arrangements since the majority of DLA managed items

are common to more than one system. All of these customers will be stakeholders and benefit from DLA's support. This is a unique requirement that differs from the Services, who award PBLs that only benefit select customers using the specific system, subsystem or component on the PBL contract. DLA's participation is expected to increase support to warfighters through increased material availability, improved reliability, reduced costs, and enhanced obsolescence management.

These strategic arrangements will include performance metrics for one or more Integrated Logistics Support (ILS) elements required of PBL contracts:

- Manpower and Personnel
- Supply Support
- Support and Test Equipment
- Training and Training Support
- Packaging, Handling, Storage and Transportation
- Facilities
- Computer Resources Support
- Technical Data
- Maintenance Planning
- Design Interface

An additional metric DLA levies on PBL vendors is their small business participation rate. Since most PBLs are awarded as sole source contracts, this metric ensures small businesses still remain viable.



## **BEST PRACTICES AND FUTURE STEPS**

The following are Best Practices and Future Steps for DLA's initiative based on lessons learned:

- DLA has developed Strategic Material Sourcing Group Business Rules that outline the steps for developing requirements for strategic sourcing initiatives. These Business Rules were modified in FY07 to include steps for integrating Service managed DLRs as part of BRAC. A pilot is being developed in FY08 to test the coordination of developing requirements with the Services.
- Integrate BRAC mandated DLR suppliers and procurement spend within existing DLA SRM and SMS programs, to include adding DLRs to DLA's strategic sourcing arrangements and adding DLA items to the Services' arrangements.
- Continue to identify candidate items for new strategic arrangements and addition to existing arrangements under SSAs and SCAs, and PBL contracts.
- Conduct updated spend analysis in FY08 1<sup>st</sup> Quarter based on most recent procurement data to identify potential new SSA and SCA partners.
- The Supply Chains will hold annual Senior Executive Partnership Round Tables in 2008 that include Senior Leaders from DLA, the Services and the suppliers. These forums provide an opportunity for senior level government and industry personnel to establish goals, discuss support issues, and review performance metrics.
- DLA HQ will host a Supplier Relationship Management Summit in November 2008. This Summit will enhance communication of SRM efforts for SSAs and SCAs across the Supply Chains and provide a forum for discussion of common and unique issues.
- DLA's second annual Strategic Partner's Conference will be held in March 2008.
- Track milestones for the planned PBL initiatives shown in Appendix D for FY08 and FY09.
- Continue to provide monthly briefings to Senior Leadership, up to the DLA Director, to ensure top level visibility and support for the various strategic sourcing programs.
- Hold annual PBL meetings with each of the Military Service acquisition and program management leading activities.
- Work with the Services to continue the development of a joint vendor scorecard.
- Continue refining metrics for all strategic sourcing initiatives.

## **RECOMMENDATIONS FOR FUTURE INITIATIVES BASED ON LESSONS LEARNED AND BEST PRACTICES**

- Institutionalize goals and processes for major projects from the working level up to the Senior Leadership level.
- Develop milestones for projects that outline planning as well as execution steps, to include milestone dates that are not allowed to change without Senior Management approval.
- Obtain a Senior Leadership champion for major programs/projects, and have that champion officially endorse the program/project via official communication to those responsible for oversight and execution.
- Engage with all the Military Services to ensure a DoD leveraged approach to obtaining supplier support.
- Use lessons learned from across DoD. For example, coordinate with activities that have had successes in developing and awarding PBL contracts before beginning planning steps.
- Establish signed Performance Based Agreements with customers to ensure their requirements are well understood and documented.

## **APPENDIXES**

### **Appendix A: Strategic Material Sourcing Categories**

**Sales Drivers:** An analysis of the DLA Sales Drivers was conducted to determine which NSNs were strategically important to the business base of the Supply Chains based on the dollar value of sales. The reasoning underlying this Sales Analyses was the hypothesis that the Pareto Principle would apply to DLA items relative to sales. The Pareto Principle holds that in many populations, approximately 80 percent of occurrences are caused by approximately 20 percent of the items. It is generally held that by focusing on these “significant few”, greater results can be obtained. For DLA, this 80/20 rule implied that 80 percent of sales revenue should be generated by 20 percent of the items.

**Demand Drivers:** To address concerns that the previous Sales Driver list had been too heavily weighted toward higher cost items, Pareto analysis was run on the NSNs’ Annual Demand Frequency (ADF) and a new category of items was identified. The Pareto analysis added a significant number of items that wouldn’t have been captured using a sales-only look, particularly items that have high demands but low costs.

**Non-Mission Capable Supply (NMCS) Analysis:** Weapon systems that are coded NMCS are determined to be not mission capable until a requisitioned spare part is made available and the required maintenance action completed. The Service-specific coding within the Military Standard Requisitioning and Issues Procedures (MILSTRIP) requisition format was used to define NMCS NSNs for this analysis.

**The Warstopper List:** This list represents items identified in the population of DLA managed War Reserve and Surge and Sustainment NSNs. Items were included in the SMS population if they had experienced at least one demand in the past two years, but lacked surge contractual coverage. The Warstopper list is a filtered, hierarchical NSN list based on War Reserve, ICIS Model, and JCS data.

**Readiness/Critical Items:** Readiness Items are Service identified as essential to a weapon system’s operation; essential to personnel safety; or needed for legal, climatic, or other peculiar operational requirements. (Weapon System Indicator Codes F, L, T, G, M, W, H, P or X).

**Supply Chain Focus:** Each of the Supply Chains identified items they felt were important to initiatives and directives they were responsible for managing. The Supply Chains included items for such programs and initiatives as Air conditioning parts, Batteries, combat vehicles, portable bridges, tires, and the nuclear submarine program.

**Add-backs:** In order to ensure recognition of the work the Supply Chains have done in putting SMS items on LTC, any item that was in the previous SMS list and is currently on LTC or a LTC project in the process of being awarded but did not meet the criteria to meet the current FY SMS criteria continues to be counted as an SMS item through the life of the LTC.

**Appendix B: FY08 Strategic Material Sourcing Milestone Chart**

<b>MILESTONE CHART FOR THE STRATEGIC MATERIAL SOURCING PROGRAM - FY08</b>		
SMS Program Manager: Dr. Glenn L. Starks, 703-767-3785		
<b>Action</b>	<b>Due Date</b>	<b>Status</b>
<b>Complete FY08 SMS Population</b>	July 20, 2007	<b>Complete</b>
<b>Complete data analysis</b>	July 30, 2007	<b>Complete</b>
ANA items, LTC and candidates		
Expiring LTCs in FY08		
LTC solicitations that have closed		
<b>Pass file to Supply Chains</b>	July 31, 2007	<b>Complete</b>
<b>Supply Chains identify any Supply Chain Focus Items</b>	August 16, 2007	<b>Complete</b>
<b>Supply Chains LTC Award Goals (NSNs on LTC) due to J-74</b>	August 30, 2007	<b>Complete</b>
Submission should include numerical goal and document rationale for goal development		
<b>LTC Obligation Rate Goals due</b>	August 30, 2007	<b>Complete</b>
Submission should include numerical goal and document rationale for goal development		
<b>Obtain J-7 approval</b>	September 14, 2007	<b>Complete</b>
<b>Send SMS File to EBS so items are flagged as SMS in system</b>	September 25, 2007	<b>Complete</b>
<b>Append SMS population with Add-Back NSNs on LTC</b>	October 1, 2007	<b>Complete</b>
<b>Ensure items are coded to the correct Supply Chain in SMS File</b>		<b>Complete</b>
<b>Create baseline file of NSNs on LTC, sol, in process and good candidates</b>	October 1, 2007	<b>Complete</b>
<b>Create baseline for ADV and ADF and forward to the Supply Chains</b>	October 1 - 5, 2007	<b>Complete</b>
<b>Send out first monthly status request on NSNs on closed LTC solicitations</b>	October 1, 2007	<b>Complete</b>
<b>Supply Chains submit FY08 ADV/ADF goals</b>	October 25, 2007	<b>Complete</b>
<b>Weekly Report: SMS Performance by Supply Chain</b>		
<b>Monthly Reports - Performance Tracking</b>		
SMS NSNs on LTC		
SMS/SSA Inventory Savings (updated quarterly)		
ALT (SMS and non-SMS)		
PLT (SMS and non-SMS)		
LTC obligations (overall Hardware and by each Supply Chain)		
Lapse Report		
Status on SMS items on closed LTC solicitations		
<b>Monthly Reports: Measures of "SMS Goodness"</b>		
SMS Backorders v. Overall DLA		
SMS Backorders > 180 days v. Overall DLA		
SMS Material Availability v. Overall DLA		
SMS PRs > RAD v. Overall DLA		
RATS (may not need if all items added to SMS)		
ADV/ADF		
<b>Associated Monthly Reports:</b>		
Canceled PRs		
Delinquencies		

**Appendix C: Strategic Supplier Alliance (and Supply Chain Alliance) Metrics Matrix**

**SSA Metrics Matrix**





	Baseline Source	VPS Metric	World Class	Green	Yellow	Red
<b>Annual Obs</b>	Previous Year	% of Annual Awards on LTC	90% on LTC	Increase $\geq 10\%$ points	Increase $\geq 5\%$ & $< 10\%$ points	Increase $< 5\%$ points
<b>ALT</b>	Previous Year	ALT	$\leq 10$ Days	Reduction $\geq 5\%$	$< 5\%$ & $\geq 3\%$	Reduction $< 3\%$
<b>PLT</b>	Previous Year	No VS Metric – Use current calculation	Aviation: 75 days Maritime: 75 days Land: 90 days IPG for DVD: 2, 5, 12 days	Reduction $\geq 5\%$	$< 5\%$ & $\geq 3\%$	Reduction $< 3\%$
<b>Quality</b>	NA	VPS - #PQDR/Total lines shipped during the month	0 defects	$\leq 2\%$ PQDRs	$> 2\%$ & $< 5\%$	$\geq 5\%$
<b>Unfilled Orders</b>	Previous Year	Unfilled Order: Raw Numbers (No Ratios)	$< 5\%$ Total period acquisition backorders	Reduction $\geq 20\%$	$< 20\%$ & $\geq 10\%$	$< 10\%$
<b>Price Control</b>	Previous Year	Cost Reduction / Price Controls	Reduced Price	$< 5\%$ price escalation	$\geq 5\%$ & $\leq 8\%$	$> 8\%$ price escalation
<b>On Time Delivery</b>	NA	Vendor Line Fill Rate	98% on time	$\geq 90\%$ on time delivery	$< 90\%$ & $\geq 80\%$	$< 80\%$ on time delivery

**Appendix D: Performance Based Logistics Initiatives DLA is Partnering in by Fiscal Year**

Prior to FY05	FY05	FY06	FY07	FY08	FY09
21N (Nuclear Propulsion Program)	Common Ground Station	B-1	H-53 Phase 1	Secondary Power Logistics System	H-1 Upgrade
Close In Weapons System	EA-6B	C-130, KC-135, E-3 Landing Gear	AH-64/CH-47	T56-A-427 Engine	F-Series Air Force Engines*
Dry Deck Shelter	F/A-18 FIRST	Environmental Control Units	T700 Engine	AV-8B HISS	F-16*
J52 Engine	F/A-18 Direct Sales	Floodlights		B-1B Flight Control	Consolidated Automated Support System
Joint STARS (Total System Support Responsibility)	F 404 Engine Synchronized Supply Chain *	H-46 Comp Phase 1		Bridge Erection Boat	363 Ton Air Conditioning Plant*
Kelly Aviation Center	Insulation Material	Integrated Logistics Partnership for the HMMWV*		F-15*	Gas Turbine Generator*
S-3	KC-135	KC-135 Unplanned Depot Maintenance		F-16 Falcon Star	MK-48 Torpedo
Seal Delivery Vehicle (SDV)	T55 Engine	Sentinel		Future Combat System	
SLQ 32 (Variable Depth Minehunting Sonar)		Tactical Satellite		V-22	
		Tactical Water Purification System		Firefinder	
		UH-60 Overhaul		J52 Engine	
				Littoral Combat Ship	
				Theater High Altitude Area Defense Missile System	
			Hydroseeder		
			Howitzer Medium Towed		
			Mine Resistant Ambush Protected Vehicles		
			KC-135 ILP*		

(\* DLA awarded or planned PBL)

## Appendix E: DLA Partnering Efforts on Air Force Commodity Councils

 <h1 style="color: red;">DLA Commodity Council Integration</h1>  <p style="color: blue;">DLA's Aviation Supply &amp; Demand Chain Manager</p>	
<p style="text-align: center;"><b><u>Commodity Councils</u></b></p> <p style="text-align: center;"><i>Accessories &amp; Instruments (Tinker AFB)</i>  <i>Propulsion (Tinker AFB)</i>  <i>Landing Gear (Hill AFB)</i>  <i>Secondary Power Systems (Hill AFB)</i>  <i>Support Equipment (Robins AFB)</i>  <i>Aircraft Structural (Robins AFB)</i>  <i>Communications &amp; Electronics (Robins AFB)</i></p>	<p style="text-align: center;"><b><u>Hill AFB</u></b></p> <p><i>Landing Gear</i></p> <ul style="list-style-type: none"> <li>• <u>Small Business</u> – AF prime vendor contract, 3,000 AF &amp; 384 DLA consumables</li> <li>• <u>Lockheed Martin</u> – DLA contract, adding 2 AF consumables</li> <li>• <u>Aircraft Braking Systems</u> – DLA contract, 335 DLA &amp; 34 AF consumables</li> <li>• <u>Goodrich</u> – DLA umbrella, adding 66 AF reparable</li> <li>• <u>Honeywell</u> – DLA contract, added 31 AF reparable</li> <li>• <u>Sikorsky</u> – DLA contract, adding 1 AF consumables</li> </ul> <p><i>Secondary Power Systems (Spirals)</i></p> <ul style="list-style-type: none"> <li>• <u>Honeywell</u> - AF PBL, DLA drawdown effort 34 consumables</li> <li>• <u>Goodrich</u> - DLA contract , adding 6 AF consumables</li> <li>• <u>Hamilton Sundstrand</u> - AF PBL, DLA drawdown effort, 490 consumable candidates</li> </ul>
<p style="text-align: center;"><b><u>Tinker AFB</u></b></p> <p><i>Accessories &amp; Instruments</i></p> <ul style="list-style-type: none"> <li>• <u>Honeywell</u> – DLA contract, 3 AF reparable added</li> <li>• <u>B-1 Flight Controls</u> – AF PBL, DLA drawdown effort, 1,400 consumable candidates</li> <li>• <u>Competitive Spiral</u> – AF IDIQ, 16 AF reparable, DLA NSN review</li> </ul> <p><i>Propulsion</i></p> <ul style="list-style-type: none"> <li>• <u>Pratt &amp; Whitney</u> – TF33 AF PBL, 200 AF consumables only</li> <li>• <u>Woodward &amp; Governor</u> – DLA contract, adding 8 AF &amp; 12 DLA consumables</li> <li>• <u>Parts Manufacturer Approval</u> – Source approval, 99 DLA consumables under ESA analysis</li> <li>• <u>F-Series Engines</u> – DLA PBL, 200 AF reparable, 3,328 DLA consumables</li> <li>• <u>Bearings (Timken &amp; Jamaica)</u> - DLA contract, AF reparable under review</li> <li>• <u>J85</u> – AF PBL, DLA drawdown effort, 1,353 consumable candidates</li> </ul>	<p style="text-align: center;"><b><u>Warner-Robins AFB</u></b></p> <p><i>Support Equipment</i></p> <ul style="list-style-type: none"> <li>• <u>Competitive Spiral</u> – AF prime vendor, 8,000 consumables, DLA to participate later</li> </ul> <p><i>Aircraft Structural</i></p> <ul style="list-style-type: none"> <li>• <u>Boeing</u> – DLA contract, adding 418 AF reparable</li> <li>• <u>Northrup Grumman</u> – AF contract, 235 DLA consumables</li> <li>• <u>Competitive Strategy</u> – AF market basket, NSN analysis underway</li> </ul> <p><i>Communications &amp; Electronics</i></p> <ul style="list-style-type: none"> <li>• <u>Lockheed Martin</u> – DLA contract, adding 3 AF reparable</li> <li>• <u>Chelton</u> – AF contract, DLA evaluating</li> <li>• <u>Teledyne</u> – AF contract, NSN analysis underway</li> <li>• <u>L3</u> – DLA contract, 70 DLA consumables</li> </ul>

## SECTION 2:

### DoD CIO ANNUAL REPORT ON STRATEGIC SOURCING FISCAL YEAR 2007

#### EXECUTIVE SUMMARY

**Overview:** This report contains information about the Department of Defense Enterprise Software Initiative (DoD ESI), which operates under the purview of the DoD ESI Steering Group, led by the DoD Deputy Chief Information Officer and the Department of the Navy Chief Information Officer. The DoD ESI is a joint initiative designed to implement an enterprise software management process within DoD. By pooling commercial software requirements and presenting a single negotiating position to leading software vendors, DoD ESI creates Enterprise Software Agreements (ESAs) that provide pricing and licensing terms and conditions not otherwise available to individual DoD Services and Agencies. DoD ESI can also use the Defense Working Capital Fund to provide “up-front money” for initial wholesale software buys. This funding process assures maximum leverage of DoD’s combined buying power, resulting in large software discounts. This initiative has been active since 1998 and continuously evolves and improves. Thus, it contributes to the body of knowledge regarding enterprise software licensing and information technology (IT) asset management within DoD.

#### STATUS OF FISCAL YEAR 2006 STRATEGIC SOURCING INITIATIVES

##### *Performance against the FY06 DoD ESI Implementation Plan:*

**DoD Software Asset Management Framework:** DoD ESI expanded the scope of its Software Asset Management program to include selected hardware assets, and re-characterized the program as IT Asset Management (ITAM) to reflect the broader purpose. The ITAM program Manager initiated architecture and design work to define the process, data and system models for the ITAM framework. In addition, DoD ESI implemented five enterprise agreements with IT asset management vendors, including two agreements that are co-branded with the General Service Administration (GSA) SmartBUY program and are available to all federal agencies. These agreements will enable organizations to purchase IT inventory and infrastructure management tools with DoD preferred terms at discounted prices.

**Data-At-Rest Encryption:** DoD ESI implemented eleven Data-At-Rest (DAR) encryption ESAs, co-branded with the GSA SmartBUY Program. These agreements represent an historical accomplishment as the first federal purchasing agreements in which state and local government agencies are eligible to participate, thus enabling smaller U.S. government organizations to receive federal-level discounts while securing critical infrastructure and enhancing interoperability between government agencies at all levels. Working with the Office of Management and Budget (OMB), GSA, Department of Homeland Security and the Multi-State Information Sharing and Analysis Center, DoD



ESI was instrumental in expanding the scope of the agreements to include state and local governments.

**“Change Management” and “Software Escrow Services” Categories:** DoD ESI initiated planning steps for the Change Management and Software Escrow Services categories, and will continue efforts to fully establish the categories in FY08.

**Convert Three Additional SmartBUY Vehicles into “Co-branded” SmartBUY/ESI Agreements:** The eleven DAR encryption ESAs were awarded as co-branded SmartBUY/ESI agreements. Two of the five IT Asset Management ESAs were awarded as co-branded agreements, as was one ESA for supply chain management software.

**DoD Core Strategic Sourcing Objectives:** The DoD ESI has continued to fulfill the five core strategic sourcing objectives of the Department:

**1) Establishing Department Wide, Cross-Functional Acquisition Strategies:** DoD ESI prepared, reviewed, approved and executed multiple acquisition strategies for enterprise agreements that incorporated requirements from all DoD Components and Other Defense Agencies that participate in the ESI Working Group. In addition, DoD ESI established an annual DoD Hardware Forum and DoD Operating System Migration Forum for all Components to exchange topical requirements, plans and best practices.

**2) Reducing Total Cost of Ownership for Goods and Services:** The mission of the DoD ESI is to lead in the establishment and management of enterprise IT agreements, assets, and policies for the purpose of lowering total cost of ownership across the DoD, U.S. Coast Guard (USCG) and U.S. Intelligence Communities (IC). Since its establishment in 1998, DoD ESI has negotiated volume discounts for licenses and annual maintenance prices for commercial off the shelf (COTS) software that is widely used across DoD, and negotiated terms in agreements to maximize value for DoD buyers throughout the acquisition and implementation lifecycles. For purchases made through ESAs since 1998, DoD ESI has produced cost avoidances exceeding \$2.7 billion.

**3) Improving Fulfillment of Socio-Economic Goals:** During FY07, 14 DoD ESI agreements (for IT Asset Management, DAR encryption, and enterprise application integration software) were awarded to companies designated as Service-Disabled Veteran Owned Small Business, 8(a), Woman-Owned or Small Business.

**4) Standardizing Acquisition Business Processes:** In FY07, DoD ESI revised its blanket purchase agreement (BPA) template to further standardize the terms of DoD ESI agreements, implement more consistent DoD ESI ordering processes across agencies, and standardize vendor sales reports. In addition, ordering instructions were standardized for DoD ESI agreements on DoD ESI affiliated web pages.

**5) Improving Skills of the DoD Acquisition Community:** DoD ESI continued to host monthly DoD ESI Team meetings that bring together contracting officers, DoD ESI software product managers and DoD ESI working group members in a collaborative forum designed to exchange best practices, resolve barriers to efficient acquisitions, and

expand the market, functional and technical knowledge of DoD contracting officers and DoD ESI Team members. These meetings frequently include participants from GSA Federal Acquisition Service, the GSA SmartBUY Program, and the IC.

## **FISCAL YEAR 2007 STRATEGIC SOURCING INITIATIVES**

**DoD ESI:** The DoD Chief Information Officer (DoD CIO) manages the DoD ESI as its sole initiative under the DoD Strategic Sourcing Board of Directors. During the reporting year, the DoD ESI has adapted to changes in DoD architecture, addressed the growth in demand for new IT services, and emphasized outreach and communications.

**Goals:** Target benefits of the DoD ESI include:

- Optimal value for IT products and services widely deployed across DoD
- A streamlined acquisition process
- Standard terms and conditions
- Fixed-price commercial software implementation services tied to proven methodology
- Reduced risk

Attainment of these benefits is dependent upon maximized use of the DoD ESI acquisition process, and implementation of the associated ITAM capability throughout the Department.

**Training Initiative:** Ten new individuals were trained in DoD ESI methodologies during FY07. A DoD ESI introductory briefing has been prepared, and is presented at appropriate major Defense IT and procurement fora. The DoD ESI Team is comprised of approximately 45 individuals, distributed throughout the major DoD Components, GSA, and the IC.

### **Highlights of Key Initiatives**

**Commodity Category:** The DoD ESI was established to identify strategic sourcing opportunities, negotiate enterprise agreements for COTS software products, and establish a DoD-wide software license management capability. In 2004, “selected IT services” was added to the DoD ESI portfolio, which has since grown to include IT hardware products.

**Strategy:** Since its inception in 1998, DoD ESI has continuously grown and evolved to meet the changing needs of its market. The initiative began operations with a “product category” frame-of-reference, but by 2002 was forced to confront the realities of the market-place and shift to a “strategic vendor management” approach. Prior to 1998, DoD commercial software buyers often operated in a vacuum of information about how similar-sized procurements worked, even for very large program-specific buys. Under the DoD ESI, IT buyers and Program Managers act more often with an enterprise-wide viewpoint, and look to the DoD ESI for information on best practices in commercial IT acquisition. As per the DoD Net-Centric Data and Services Strategies, DoD ESI will look for ways to structure its agreements to more effectively enable joint operations and enterprise information sharing across agency boundaries.

**Stakeholders:** Agreements established by DoD ESI are open to the entire Department of Defense, the IC, USCG, North Atlantic Treaty Organization and authorized defense contractors. Through the regular exchange of actionable information about commercial software licensing practices and IT systems integration, the DoD ESI Team is able to negotiate with major vendors “on a level playing field” for enterprise-wide agreements. Vendors recognize that the DoD ESI represents a single, unified customer - with considerable buying power – and offer more advantageous pricing, terms and conditions. “Co-branded” SmartBUY/ESI agreements (negotiated and administered by DoD Software Product Managers) are open to all Federal agencies, and in the case of the DAR product category, are also open to participation by state and local governments.

DoD ESI is primarily driven by the DoD CIO community, with major interest and involvement from acquisition and procurement professionals in Office of the Secretary of Defense staff and the major DoD Components (Army, Department of the Navy, Air Force, Defense Intelligence Agency, Defense Logistics Agency, etc.). Applicable Defense Federal Acquisition Regulations Supplement (DFARS) changes and interpretations are worked with the office of the Director, Defense Procurement and Acquisition Policy, and major Federal Acquisition Regulation issues are discussed directly with senior GSA and OMB officials. The DoD ESI Team regularly interacts with the Enterprise Systems Group (under the DoD Business Transformation Agency) on matters pertaining to use of Systems Integrators for large-scale commercial software implementations and licensing of Enterprise Resource Planning software applications. For matters related to Information Assurance, the DoD ESI Team works closely with the DoD Enterprise-Wide IA & Computer Network Defense Solutions Steering Group (ESSG), as well as the Defense-Wide Information Assurance Program. When use of Defense Working Capital Funds is deemed appropriate, DoD ESI business case(s) are presented to a DoD Component manager, complete with a repayment plan. DoD ESI maintains close working relations with the GSA SmartBUY Program Office.

**Nature of the Market:** The “market” for DoD ESI’s products and services is highly competitive. Government buyers have many other potential sources of supply, including the GSA Federal Supply Schedule (FSS), Government Wide Acquisition Contracts (GWACs), and competitive or sole-sourced contracts. On the supplier side of the equation, the trend towards mergers and acquisitions continues, with the larger IT companies buying smaller ones whose products and/or services can fill perceived gaps in the larger company’s portfolio.

**Unique Requirements:** Requirements are driven by the current state of commercial software and systems integration services, and the market’s preference (as expressed by past purchases) for particular technologies, brands and vendors. The DoD imperative to embrace Net-Centricity is driving DoD programs’ needs for products and services that can help deliver integrated solutions within the applicable Service Oriented Architecture. Data security and integrity are important issues in DoD, so IT products and services that cleanse and protect digital data, and enhance network operations security are highly desired. DoD IT acquisitions will also be impacted by recently introduced government-wide requirements to support the IPV6 standard and to purchase products that have been certified against the Federal Desktop Core Configuration (FDCC). From a business perspective, DoD increasingly demands joint capabilities that are dependent upon flexible deployment of personnel, seamless integration of systems, and efficient and reliable access to information across the enterprise.

**Metrics**

**Program Performance:** Key strategic sourcing performance metrics are detailed in Table 1.

**Table 1: DoD ESI Program Metrics**

<b>Metric</b>	<b>Description</b>	<b>DoD ESI</b>
<b>Total number of current strategic sourcing activities, initiatives and/or commodity councils:</b>	<i>Number of active strategic sourcing efforts that are in the implementation phase or have completed implementation</i>	The DoD CIO manages the DoD ESI as its sole initiative under the DoD Strategic Sourcing Board of Directors
<b>Total number of individuals trained in strategic sourcing within the year:</b>	<i>DoD staff who have been trained on at least some aspect of strategic sourcing within the fiscal year</i>	<b>10</b> new individuals were indoctrinated and trained in DoD ESI operational methodology
<b>Total FY07 spend covered within initiative:</b>	<i>Total spend volume covered – based on business case</i>	DoD ESI sales (DoD customers only) totaled <b>\$587,266,135*</b>
<b>Total cost avoidance:</b>	<i>Total reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance as applicable to activity</i>	DoD ESI achieved <b>\$226,723,504</b> in cost avoidance*
<b>Percent of Strategic Sourcing spend that was competed:</b>	<i>In comparison to the spend volume, total spend that was competed and not sole-sourced</i>	Competitive sourcing vehicles were used in <b>83%</b> of DoD ESI sales*
<b>Small business spend as a percentage of total strategic sourcing spend:</b>	<i>Strategic Sourcing contribution to socio-economic acquisition goals</i>	<b>50%</b> of DoD ESI sales were placed with small businesses*

\* Time frame for sales data is July 2006 – June 2007, due to lag time in receiving vendor sales reports. Complete data for 4<sup>th</sup> quarter FY07 are not yet available.

**Report of Sales:** DoD ESI requires that each of its vendors provide DoD a “Report of Sales” to monitor the volume of sales and discounts achieved through DoD ESI, and to identify “leakage,” or orders completed outside of the ESAs. DoD ESI targets eliminating leakage to ensure that DoD buyers receive the “best value” (including terms and conditions), negotiated through DoD ESI agreements.

**Acquisition Strategies and Plans:** The DoD ESI Working Group reviews, approves and monitors all DoD ESI related acquisition strategies and plans. DoD ESI manages its work through a prioritized action plan and schedule, and conducts key milestone reviews for DoD ESI negotiations.

**Implementation Plan**

**Current Status:** The DoD ESI is currently operational, and has Enterprise Software Agreements in place with 51 software publishers and/or service providers. Over 30 different resellers are engaged to ensure that optimal sales channels are used to reach DoD ESI customers.

**Next Steps and Actions:** Major near-term objectives include: establishment of an enterprise hardware agreement; establishment of agreements in the “Enterprise Management” and “Software Escrow Services” categories; definition of a DoD ITAM system architecture; initiation of the DoD ITAM pilot; development of terms for optimal software licensing in the service-oriented architecture (SOA) environment; approval of DFARS Program Guidance and Information language to streamline the acquisition process for certain types of DoD ESI acquisitions; and establishment of the “Information Security Systems/Security and Information Management” area as a co-branded DoD ESI and GSA SmartBUY category.

**Proposed Dates for Final Product:** Individual DoD ESI agreements are proposed, worked, and finalized on a concurrent “rolling” schedule. DoD ESI is a continually expanding capability that provides DoD ongoing strategic sourcing benefits through best value pricing with vendors having strategic relationships with the Department. The details covering any individual agreement-in-progress are “Acquisition Sensitive.” As such, final product dates are not relevant for ESI.

## **LESSONS LEARNED/BEST PRACTICES/RECOMENDATIONS**

**Lessons Learned:** An IT strategic sourcing program such as the DoD ESI may take up two years to establish (depending on Agency size), and must be maintained as an ongoing concern if it is to have significant impact. Heavy CIO commitment and active involvement is a must, as the CIO has a unique cross-Component charter to initiate change. Implementation of an enterprise ITAM capability is a long-term process in any sizeable organization, and active cooperation is required from the contracting, requirements, and network management organizations to have any chance at success.

DoD’s shift towards increasing “jointness” may reshape the way in which certain types of products and services are licensed and provided to the Department. Effective strategic vendor relationship management is imperative for licensing software for joint capabilities and within the SOA environment. Maintaining awareness of DoD strategies and emerging industry trends is critical to maximize the benefits of an IT strategic sourcing initiative.

**Best Practices:** Develop and/or maintain a listing of “best practices”, and follow them! Here are some of the DoD ESI’s best practices:

- Manage and track software as an asset.
- Identify high payback targets and focus your energy on those opportunities.
- Assign responsibility to negotiate enterprise software agreements only to offices that have demonstrated specialized knowledge and expertise, and that have priorities that are consistent with the enterprise objectives.
- Engage procurement and contracting officials to foster understanding of the differences between contract management and vendor relationship management.
- Keep up with evolving standards, products, and delivery methods.
- Convince industry that the deal is real and that you control the buyers and the number of contracts.
- Establish a partner relationship with the supplier.
- Determine if up-front funding is necessary or will significantly improve discounts.
- Develop both top-down and bottom-up incentives to control and ensure use of the enterprise agreements.
- Identify and remove impediments to use of enterprise software agreements.
- Implement and sustain a proactive communication strategy to continually expand awareness of the program and its benefits.
- Benchmark, benchmark, benchmark.

***Recommendation for future initiatives:*** Start with something urgent, but small enough to be “doable”, and expand from that initial success onto more complex and difficult objectives. Allow for, and even plan on, early setbacks; be satisfied with an “80% solution”. Minimize formality with regard to charter, process flows, and metrics - focus on producing an initial accomplishment quickly, not on documentation. Plan early for an active and ongoing communication and outreach program. Keep up with applicable regulations and policies, and proactively reach out to ensure early awareness of changes that can have major (and sometimes unintended) consequences.

## **SECTION 3:**

### **US AIR FORCE ANNUAL REPORT ON STRATEGIC SOURCING FISCAL YEAR 2007**

#### **EXECUTIVE SUMMARY**

The importance of Strategic Sourcing is recognized within the Air Force (AF) and continues to be a focus area. The benefits which can be achieved through strategic sourcing: reduction in total cost of ownership, management of consumption, improved operating efficiency and an improved focus on socio-economic goals are the driving factors which continue to motivate the Air Force. Throughout Fiscal Year 2007 (FY07) the Air Force has concentrated on maintaining and expanding existing commodity councils, transforming installation contracting to a structure which enables strategic sourcing and training and awareness within the workforce.

#### **STATUS OF FISCAL YEAR 2006 STRATEGIC SOURCING INITIATIVES**

Many of the Air Force strategic sourcing initiatives span multiple years. This is due to having a limited number of resources available to focus on strategic sourcing while ensuring mission focus is not compromised. Each team that has been formed and staffed focuses on continuously increasing their scope and utilizing their expertise in related commodity areas.

Strategic sourcing in the Air Force occurs within two primary functions: Sustainment and Installation contracting. Each function has stood up several commodity councils to focus on strategic sourcing. The section below details the FY07 activities and accomplishments of the commodity councils reported on in the prior year's annual report.

#### Sustainment Domain Commodity Councils

The sustainment domain currently consists of seven commodity councils which continued to expand their efforts and scope. The FY07 spend that is being analyzed within these commodity councils is over \$2.1 billion. As a result of the efforts of these commodity councils, the Air Force realized a cost avoidance of over \$18.6 million.

#### *Aircraft Structures Commodity Council (ASCC)*

The aircraft structures technologies are an extremely diverse group. This group consists of many items that are flight critical and essential to safe operation. The commodity of aircraft structures covers 4 Federal Supply Classes (FSCs):

- Airframe Structural Components
- Aircraft Propellers and Components
- Helicopter Rotor Blades, Drive Mechanisms and Components
- Hardware, Weapon System

Examples of aircraft structural items are: radomes, canopies, windows, windshields, ducts, helo blades and bearboxes, structural fittings, engine cowlings, fuel tanks, panels/fairings

(composite/metal bond/Kevlar), flight control components (spoilers, flaps, aileron, elevators, rudder), aircraft, access, and cargo/personnel doors. Within this population of FSCs, there are a total of 115,000 National Stock Numbers (NSNs). However, after excluding most of these NSNs for various reasons, the ASCC ended up with an active population of 2,370.

The FY07 sourcing strategies for this commodity were:

- Sole Source - Strategies 1 – 6 (Boeing, Hamilton-Sundstrand, Northrop Grumman, Textron, Lockheed, Goodrich)
- Multiple Award Indefinite Delivery/Indefinite Quantity (IDIQ) – Strategy 7 (Bonded Structures and Machined Parts)

In FY08 the sourcing strategies planned for ASCC are:

- Single Award IDIQ - Strategy 7 (Flight Controls)
- Partnership between ASCC and organic depot – Strategy 9 (Organic Repair)

These strategies were chosen based on market/benchmark research spend analysis, feasibility, stakeholder analysis, and Purchasing and Supply Chain Management (PSCM) goals.

An example of the results achieved by this commodity council can be seen in Strategy 1, the Boeing sole source agreement, had an executed spend of \$54 million in FY07. In FY08 the projected spend in this strategy is expected to increase \$69 million. This strategy achieved a cost avoidance of \$7.7 million in FY07, based on a reduction in admin processes. The administrative lead time (ALT) was reduced by 70 days, specifically as a result of a reduction in synopsis and Justification and Approval (J and A) approval times. The awareness and outreach focus for this strategy is conducting weekly update and feedback teleconferences with their customers.

#### *Communications and Electronics Commodity Council (CECC)*

The Communications and Electronics Commodity Council (CECC) consists of a diverse spectrum of electronics and communication technologies. This commodity has enterprise-wide impact (affects all Air Logistics Centers (ALCs) / Most Major Commands (MAJCOMS)) since it is procured in many independent locations. Within this commodity there are 77 FSCs with 10 Federal Supply Groups (FSGs). The key focus areas of this commodity council have been:

- Repair (85% of forecast spend, 57% historically organic), Spare, Engineering Services, and Modifications
- Software Maintenance - Major Support issue for this Commodity (Operational Flight Program - embedded system software (Similar to Microsoft operating system) and Test Program Set - test equipment software (Similar to application software))

The focus for the CECC has evolved from one of consolidation of unrelated items under corporate contracts to the pursuit of Performance Based Logistics (PBL) contracts at the sub-system level and involving organic partnerships. The CECC is concentrating on sub-system level PBLs and enhancing organic depot participation to obey a federal law which requires that federal employees at Defense depots perform at least half of all maintenance work on weapons systems. Several prime PBL candidates have been identified. The previous strategies for this commodity focused on items from various sub-systems that were sole source to a particular contractor. Between the Teledyne and Chelton/Nurad strategic sourcing arrangements, the total FY07 spend was \$21.2 million with a projected FY08 spend of \$43.7 million. The anticipated FY07 cost



avoidance for these two initiatives was over \$40 thousand. The actual cost avoidance for FY07 was over \$140 thousand. This cost avoidance is calculated based on the reduction of contracting personnel effort. In addition, the ALT for both the Teledyne and Chelton/Nurad initiatives has decreased: from 72 to 10 days and 81 to 20 days, respectively. The total number of contracts also decreased from 37 to 14. As part of the communication efforts the CECC has presented awareness briefings and transitioned the contract to the Group. In FY08 the Group will maintain communication with the customers in regard to their requirements.

#### *Support Equipment Commodity Council (SECC)*

The Support Equipment Commodity Council (SECC) consists of 97 FSCs which represent a very diverse mix of items, such as weapon system testers, stand alone equipment, vehicles, life support items, hand tools, etc. Typically these are low demand items with sporadic buys, and are mostly competitive in nature. Many small businesses are available to manufacture and manage these items. Based on strategies already put in place by the SECC, 72% of the buy NSNs have been covered by contractual vehicles. Future strategies will address repairs, PBLs, items with unit prices greater than \$10 thousand, and the other buy items in the commodity.

In FY07 the SECC awarded four 3<sup>rd</sup> party logistics (3PL) contracts to two HubZone and two 8(a) contractors, covering over 8,000 buy items with unit prices of \$10 thousand or less. This strategy was selected based on the fact that these items are typically purchased tactically via thousands of contracts, yet represented only 2-4% of the total dollar value of the commodity. The SECC also mentored and supported the integrated process team (IPT) awarding the first Warner Robins – Air Logistics Center (WR-ALC) PBL contract for Radio Frequency Transmission Line Test Set (RFTLTS).

In FY08 the SECC projected strategies will cover competitively coded items with unit prices over \$10 thousand, as well as PBL opportunities for two testers. Per market research, it is feasible to combine forecasted competitive items over \$10 thousand by manufacturing capabilities thereby reducing the number of contracts. Typically these commodities would have been purchased on a tactical basis.

The SECC has achieved substantial results in FY07. As an example, the 3PL initiative awarded approximately 46 orders supporting over 2,500 requisitions totaling over \$22 million. Based on previous history reflecting 1.25 NSNs per contract, this would have been over 1,900 tactical contracts if the 3PL contracts were not in place. The estimated administrative cost avoidance in the 3PL effort is over \$4.9 million. In addition, the 3PL initiative decreased the ALT from 127 to 5 days. The SECC 3PL initiative in FY07 was awarded to 100% small business.

The SECC also assisted with the RFTLTS contract, which was the first PBL to be awarded at WR-ALC. The initial savings over previous costs is \$503,912 with future obsolescence costs avoidance projected at over \$200 thousand. Savings in manpower at WR-ALC and DCMA is over 8,000 hours over the contract period of 7.5 years.

The Honeywell basic ordering agreement (BOA) contract continued increasing their results in FY07 by further reducing the contract actions from 13 to 8 (originally 209) which generated a cost avoidance of \$17,840 in administrative costs. This is a 3-year BOA with two 3-year options. The SECC expects significant cost savings for this contract in the 2nd two option

periods. During the initial 3-year period (ending 30 Sep 07), data was collected and baselined for comparison to the option periods. The first option will be exercised in FY08. Another benefit from this initiative is an additional 25% improvement on mission capable (MICAP) hours, following a previous 25% improvement in FY06.

The last ongoing initiative in the SECC is Oscilloscopes. In FY07, the Air Force purchased 121 oscilloscopes utilizing the SECC requirements contract. The Air Force realized a savings of over \$387 thousand due to a reduced cost per unit resulting from the strategic contract.

#### *Secondary Power Commodity Council (SPCC)*

The Secondary Power commodity is comprised of Auxiliary Power Units, Jet Fuel Starter, Gearboxes and Accessories, Power Take Off Shaft, and Diesel Engines and Components. The SPCC has four viable initiatives/spirals:

- Spiral 1: Level III PBL with original equipment manufacturer (OEM) Honeywell
- Spiral 2: PTO Shafts – To Be Determined (TBD)
- Spiral 3: Similar to Spiral 1 with OEM Hamilton Sundstrand Corporation (HSC)
- Spiral 7: Diesel Engines – TBD

The sourcing strategy for Spiral 1 and 3 is to sole source Level III PBL utilizing the “Power by the Flight Hour concept.” The SPCC selected the Level III PBL after completing a thorough market research of the commercial industry and the Government customers. Previously this had been sourced by purchasing tactical one time buys. Spiral 1 was awarded on 30 Aug 07 and Spiral 3 is targeted to be awarded in Dec. 08. Other spirals were analyzed but found to be more applicable to remain as tactically sourced commodities.

The total baseline spend for the commodity, including all spirals is \$182.5 million. Spiral 1 is anticipated to save 8.4% over status quo operating costs, which would generate a \$2.7 million cost reduction. Additional results from the efforts within this commodity council will be seen in FY08.

#### *Landing Gear Commodity Council (LGCC)*

The landing gear commodity group includes 2206 NSNs in the following federal stock classes:

- Landing Gear Components
- Wheels and Brakes

In this commodity 90% of the spend is awarded to 13 suppliers supporting 17 weapon systems with the vast majority of the contracts being tactical. The total FY08-10 spend forecasted the commodity is \$386 million. Strategic contracts targeted for FY08-10 should cover \$196 million of that spend. Currently there are three spirals/initiatives within this commodity council. Spiral 1 is focusing on adding sole source items to existing strategic contracts. Spiral 2 is establishing long term sole source contracts. Spiral 3 is developing a long term competitive contract for a Landing Gear Prime Vendor Contract (LGPVC), and is anticipated to be a competitive small business set aside.

The LGCC has been steadily achieving results year after year. The FY07 baseline spend for the LGCC was \$26.5 million with a cost reduction of \$0.5 million. The ALT decreased from 23 to 15 days in FY07, after a reduction from 129 days to 23 in the prior year. The number of contracts continued to be reduced from 19 to 7 in FY07, with an original number of 30 contracts the prior year

#### *Accessories Commodity Council (ACC)*

The mission of the Accessories Commodity Council (ACC) is to develop and implement enterprise wide acquisition and sustainment strategies for 28 Federal Stock Classes on aircraft accessory and instrument items. The accessories commodity market consists of sole source and competitive contractors to include small businesses and organic repair source. The sourcing strategy for FY07 included a sole source PBL which included a partnership with organic depot maintenance and a competitive small business integrator for spares and repair.

The B-1 PBL expected contract award date was delayed from the fourth quarter of FY07 to the second quarter of FY08. The reason for the extension was a contractor proposal delay of 5 months. The strategy contract award is delayed, but the government and contractor are working together to implement this exceptional effort. The competitive spiral within this effort is also planned to be awarded in FY08. Results for these efforts are anticipated to be over \$2 million in cost reduction, a reduction in the number of contracts and 100% small business set aside for the competitive spiral.

#### *Propulsion Commodity Council (PCC)*

The mission of the Propulsion Commodity Council (PCC) is to develop and implement enterprise wide acquisition and sustainment strategies for 18 Type/Model/Series of engine in 26 Federal Stock Classes.

The sourcing strategy for FY07 included PBL, sole source, and developing alternate sources for spares. The PBL was based on market research, the sole source was based on lack of data and alternate sourcing was based on market research. The PBL and alternate sourcing are more innovative approaches to support than relying on the OEM. The previous sourcing methods have been to rely on the OEMs, new strategies will partner with the OEMs when feasible and develop new sources when possible.

The FY07 baseline spend for the entire PCC was \$1.8 billion. The parts manufacturing approval (PMA) initiative was a new vehicle to introduce competition and drive down aircraft/engine spare parts costs for sustainment. There were 129 PMA part approvals in FY07, which generated a cost savings of \$4.95 million. Additional results from the PCC efforts are anticipated to be seen in FY08.

## Installation Domain Commodity Councils

The installation domain has three AF-wide commodity councils. These consist of the Force Protection Commodity Council, Medical Services Commodity Council and Information Technology Commodity Council. Each of these councils was active in FY06 and they continued to develop and expand through FY07. These commodity councils analyzed over \$428.4 million in FY07 spend and generated cost avoidances which in total reached an excess of \$80.2 million.

### *Force Protection Commodity Council (FPCC)*

In FY06 AF Security Forces recognized the need to strategically source their requirements in the commodity areas of security guard services and force protection end-item requirements. The Force Protection Commodity Council (FPCC) was stood up to evaluate and address these areas. The FY06 efforts have expanded and the FPCC is currently pursuing three initiatives. These consist of:

- Acquisition of contract guard services
- Acquisition of a standardized load carrying system (LCS) for security forces (SF) Air Force-wide
- Spend and opportunity assessment of three additional commodities (all-terrain vehicles (ATV), load out bag, gloves) to determine feasibility for strategic sourcing

The contract guard services will be sourced through AF-wide firm-fixed price contracts (multiple award) using source selection procedures and is focused on supporting socio-economic programs. The Director of Security Forces (AF/A7S) approved a standardized LCS for security forces AF-wide. This will be purchased using IDIQ or requirement type contracts based on market research and potential cost savings. Currently these items are purchased at MAJCOM and unit level which leads to duplicate buys and no leveraged buying power. In addition, the FPCC is focusing on conducting market research on fire repellent products and provide results to Equipment and Weapons Configuration Board.

### *Information Technology Commodity Council (ITCC)*

The Information Technology Commodity Council (ITCC) has continued and expanded its FY06 focus. Currently the ITCC commodity category includes, but is not limited to:

- Desktop, laptop, tablet, and rugged computers/software and high performance workstations (DLS)
- Networked printers and multifunction printers (DPI)
- Cellular and wireless handheld service and devices (CSD)

The sourcing strategy for each commodity initiative is multiple BPA awards, which allow centralized program management and competition for unit level procurement. Market research and spend analysis provided the rationale for choosing the strategy. Previously, each base and/or unit procured these commodities independently resulting in:

- Limited competition and higher prices
- Absence of strategic planning

- Lack of stable configurations

The ITCC also focused on evaluating how to achieve socio-economic goals in all of the initiatives. The DLS initiative awarded 8% of the FY07 spend to small businesses. The ITCC determined that a mix of large and small businesses could meet the computer and print device requirements. However, small business participants are almost completely in the reseller category, which limits their competitiveness. It is anticipated that the DPI small businesses will have 25% of the opportunity to compete. Within the CSD initiative the AF partnered with the Army on cellular procurement. Army research conducted over two years found no small business airtime providers.

The FY07 spend that was sourced through all of the ITCC strategic sourcing agreements was over \$220 million. The ITCC experienced a significant increase in DLS spend caused by an increased use of the quarterly enterprise buy, additional configurations, and preparation for standard desktop configuration (SDC) 2.0. The DPI initiative is anticipated to include an additional \$20 million in FY08. Overall, the ITCC strategy is achieving significant cost avoidance for the AF (>\$150 million since FY03 for DLS) while ensuring stable, network compatible systems. CSD and DPI results can be expected to follow the DLS model. The Air Force realized a \$70 million cost avoidance from the DLS agreements and a \$1.2 million cost avoidance from the CSD initiative. Currently 64% of the identified AF cellular services have been migrated to the BPAs with AT&T, Sprint, T-Mobile and Verizon. The FY08 goal is to reach 90% migration.

The ITCC has generated additional benefits in the areas of resource and performance impact. The centralized procurement has reduced contracting workload. In addition, the standardization in the DLS effort is now on over 317 thousand computers. This has reduced the computer systems administrator workload, as well as assured compliance with the network and increased enterprise security. The ITCC is also working on the acceleration of Green IT.

#### *Medical Services Commodity Council (MSCC)*

The Medical Services Commodity Council (MSCC) has also continued to see successes in its original initiatives, or spirals, as well as advancing and developing additional spirals. The current MSCC efforts consist of:

- Clinical Support Services (CSS) - All Clinical, Patient Care Services (i.e. Physicians, Nurses, Psychologists, Medical Techs, etc)
- Temporary Medical Staffing (TMS) - Quadrennial Defense Review initiative to contract professional services. This is a Tri-Service endeavor (Navy – Physicians; Army – Nursing; Air Force – Ancillary Support) to contract direct patient care services for Locum Tenens, Traveling Nurses, and Allied Healthcare positions (quick turnaround and short duration)
- Medical Administrative Support Services (MASS) - Medical Administrative (non-direct care) positions
- Service Type I - Labor Category Positions: Appointment Clerks, Record Techs, Administrative Assistants, etc

- Service Type II - Complete Services: Appointing Service, Medical Records, Medical Coding, Medical Transcriptionist, and Referral Management
- Japan Case Management Program - Nurse Case Managers and Utilization Nurse Service contracts
- Medical IT Services - Acquisition of a “Global Helpdesk” with centralized end user customer support services to AF medical treatment facilities at CONUS/OCONUS locations

The MSCC has been very active and has achieved significant results in the last year. The CSS program FY07 activities include supporting year end buys at several bases to assist the local base contracting offices in meeting their increased workload. The accomplishments for this spiral include: Awarding 141 task orders (TOs), for 348 full time employees (FTEs) at 39 bases and a fourth quarter obligated amount of \$33.7 million. The MASS spiral was awarded in April 2007 and resulted in base level ordering increases as the end of the fiscal year approached. In FY07 MASS had 62 TOs awarded for 124 FTEs at 28 bases. The fourth quarter obligated amount was \$7.6 million. The TMS spiral has held a joint service subject matter expert meeting, refined the request for proposal (RFP) and worked on developing a DoD policy for pre-credentialing to shorten placement lead time. The award for this spiral is expected in summer 2008. Medical IT Services has partially started with the AFMS Help Desk and they are working closely with CIO to determine requirements. The Japan Case Management Program was awarded 30 September to small business. The MSCC is using the program as an alpha test for future OCONUS program and the company already has 4 potential candidates.

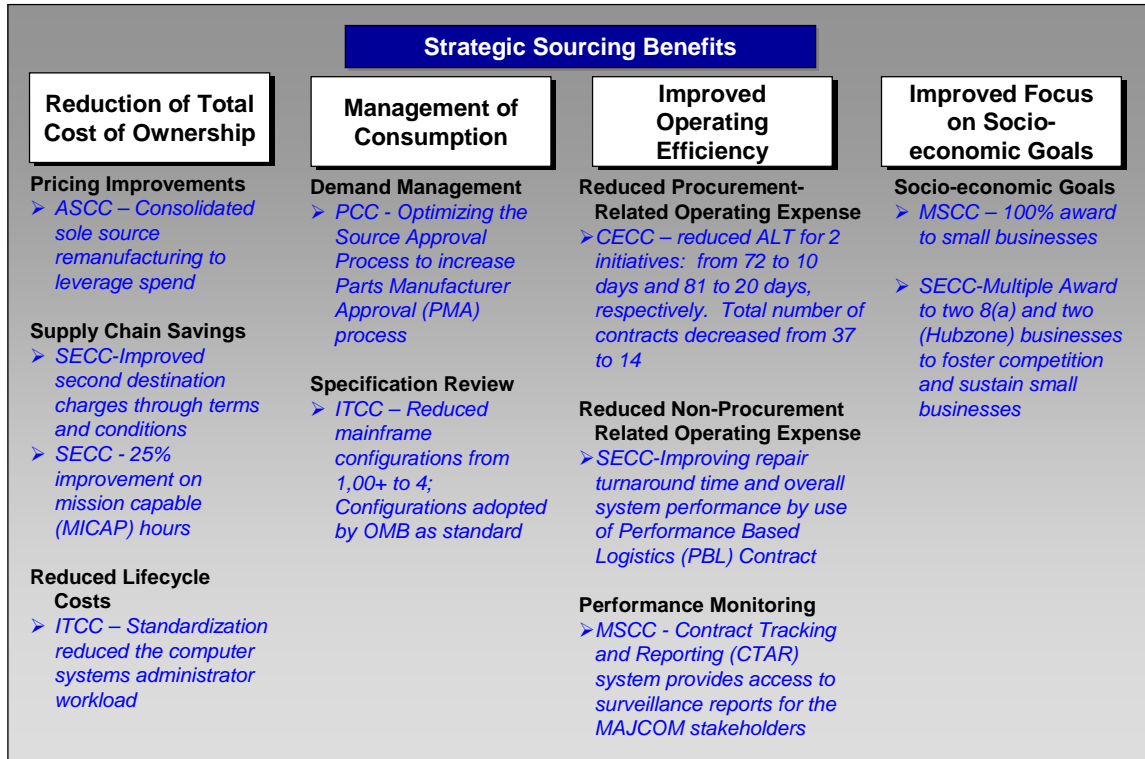
The focus areas for the MSCC going into FY08 are:

- Add additional features to the Contract Tracking and Reporting (CTAR) system, which provides access to surveillance reports for the MAJCOM stakeholders
- Start Spiral 3: Advisory and Assistant Services with Sources Sought Announcement and survey
- Post Sources Sought for OCONUS (Spiral 2 Equivalent) as beta test program

Overall, the MSCC has implemented strategic sourcing efforts on an FY07 baseline spend of \$207.6 million. Through the CSS efforts they have realized a cost avoidance of \$9 million. The MASS cost avoidance results are not yet available. In FY07, both the CSS and MASS initiatives focused on fulfilling positions on time. CSS filled 86% and MASS filled 100% of the positions on time. CSS has an FY08 goal of filling over 90% of the positions on time. The MSCC has also concentrated on socio-economic goals with a result of both CSS and MASS being 100% small business set asides. The MSCC maintains communication with base PK, MAJCOMS and Medical Treatment Facilities (MTF) to increase awareness and outreach. In addition the council members speak at multiple conferences.

Overall, in FY07 the commodity councils demonstrated benefits in multiple areas; selected examples can be seen in the chart below.

## FY07 Commodity Council Benefits



Source: Censeo Consulting and SAF/AQCA

## FISCAL YEAR 2007 STRATEGIC SOURCING INITIATIVES

Two additional commodity councils began pursuing strategic sourcing in FY07. These were the Air Mobility Command Furnishings Portfolio Commodity Council (AMC FPCC) and Air Force Space Command Ranges Commodity Council.

In addition to focusing on the ongoing initiatives within the commodity councils reported above, the Air Force has been moving forward with one of the key recommendations from FY2006: Installation Acquisition Transformation (IAT). The new system will maintain acquisition support at installations, introduce five regional centers, and consolidate acquisition management and oversight under Air Force Materiel Command (AFMC). The Installation Acquisition Transformation structure will enable the Air Force to better support the warfighter by capitalizing on industry's best practices, driving improvements in the delivery of acquisition support to customers and by introducing commonality and standardization where appropriate.

The Air Force also recognizes the unique opportunity this transformation provides to ensure that the entire contracting workforce, its customers and leadership all have the same foundational understanding of strategic sourcing and what it means within the Air Force. To that extent, the Air Force will be continuing to focus on strategic sourcing training and communication.

### Highlights of Key Initiatives

#### *FY07 Commodity Councils*

The Air Mobility Command Furnishings Portfolio Commodity Council (AMC FPCC) focused on understanding the furnishings portfolio commodity and requirements during FY07. The commodity council received in depth training on the strategic sourcing process which was critical in understanding the rationale and specific steps. In addition to understanding the forecast for AMC the commodity council also determined the potential spend and impacts for the new region and the Air Force as a whole. The AMC FPCC evaluated the historic and future spend estimates and conducted extensive market research to understand the suppliers and capabilities. A separate market assessment focused on better understanding the small business suppliers. The commodity council developed several commodity strategy recommendations, including standardization of specifications, and has submitted them for approval.

Air Force Space Command is in the early stages of setting up a commodity council focused on ranges. The team is partnering with a contractor who will be providing strategic sourcing training and expertise in managing the process. This training will be important as the regional centers begin to stand up. The commodity councils will become Centers of Excellence (COEs) within the region and will be able to provide assistance and guidance as people are brought into the regional centers.

#### *Installation Acquisition Transformation (IAT)*

In April 2006, SAF/AQC concluded a Business Case Analysis that recommended transformation of the continental United States (CONUS) Installation Acquisition function to better realize the benefits of strategic sourcing and leverage enterprise resources. On 20 Aug 2007, the Secretary of the Air Force approved the proposed transformed Installation Acquisition organization. This transformation provides the following benefits:

- Minimizes supply chain costs through integration and collaboration
- Increases visibility and accountability in the acquisition process
- Simplifies purchasing at the installation level
- Presents professional development opportunities for acquisition professionals
- Results in considerable annual procurement savings to the Air Force

To facilitate the implementation of this valuable initiative the Air Force chartered a Governance Board - responsible for providing strategic vision and guidance to the implementation effort - and a Program Management Office (PMO) - responsible for executing day-to-day implementation activities. The PMO was established to work closely with the Governance Board, AFMC, and SAF/AQC to review and possibly adapt current processes, roles and responsibilities, identify and create training to help the workforce perform new tasks, assess each location's facilities and technology, and initiate the plan to transform the installation acquisition organization.

This is the most critical transformation initiative the Air Force has ever implemented in installation acquisition. The successful transformation of the CONUS installation acquisition organization will enable the Air Force to purchase the best products and services for its installation customers, maximize the limited resources, and ultimately position the acquisition community for success.



The IAT initiative will continue to move forward through FY2008 with the initial stand-up of the pathfinder Southwest region in San Antonio, TX.

*Training*

In FY07, AF Contracting developed a strategic sourcing process model which demonstrates the fluidity of strategic sourcing rather than the linear process typically displayed. The AF model also highlights the correlation to the FAR which demonstrates that the strategic sourcing component activities are similar to what AF Contracting does today. This model has been used in strategic sourcing training with Small Business, commodity councils and at the World Wide Contracting Training Conference.

**Air Force Strategic Sourcing Model**



During FY08, AF Contracting will move forward with IAT to include stand-up of the Southwest Regional Center and Regional Transition Teams across the five regional centers. As a part of IAT, training will be required at all levels to ensure smooth transitions, acquisition workforce and stakeholder buy-in, and effective execution of strategic sourcing. Training will be focused on four specific objectives corresponding to four primary audiences. These objectives and audiences are:

Title: Senior Leadership and Stakeholder Orientation  
 Audience: Air Force Senior Leadership and Stakeholders  
 Objectives:

- Gain buy-in from senior leadership and stakeholders
- Ensure strategic sourcing is understood as a thoughtful approach to sourcing without predefined outcomes or assumptions beneficial to all parties involved

- Ensure sourcing teams have the required support and flexibility to execute sourcing strategies effectively and independently

Title: Acquisition Workforce Strategic Sourcing Awareness

Audience: Air Force Acquisition Workforce Personnel

Objectives:

- Gain buy-in from the AF acquisition workforce
- Provide a baseline understanding of strategic sourcing and how it is beneficial to the Air Force in the long-term

Title: Acquisition Workforce Pre-Transition Strategic Sourcing Training

Audience: Acquisition personnel during pre-regionalization timeframe

Objectives:

- Provide a deeper understanding of strategic sourcing
- Introduce new process constructs related to regionalization
- Develop an understanding of how individual roles will fit into new sourcing construct
- Identify opportunities for synergy in the new construct and how individuals can contribute

Title: Strategic Sourcing Team Training

Audience: Core Strategic Sourcing Team Personnel

Objectives:

- Provide expert-level, hands-on training in a whole-team construct
- Train and reinforce skills and tools that will be used in strategic sourcing efforts

Following the FY07 training initiatives of providing awareness to customers and stakeholders about the drivers for strategic sourcing, FY08 will focus on the concepts and tools required to execute strategically focused sourcing.

A variety of resources will be leveraged to provide best practices for each instance. These resources may include internal experts demonstrating successful Air Force strategic sourcing experiences from within the existing acquisition workforce and experts from industry providing best practices from a variety of recognized strategic sourcing implementations.

In addition to the short-term training needs for IAT implementation, long-term training strategies will be developed with DoD internal education entities. This will ensure the acquisition workforce is trained with long-term core strategic competencies at the appropriate levels throughout their careers and new entrants into the Air Force acquisition workforce are educated about strategic sourcing from the beginning.

## **LESSONS LEARNED/BEST PRACTICES**

### Lessons Learned

Each Commodity Council has had different lessons learned. The Air Force is working with all commodity councils to ensure these lessons learned are shared between all of the commodity councils and strategic sourcing professionals.

#### *ITCC*

- Employ multiple communications paths to get message to detached MAJCOM units, direct reporting units (DRUs) and field operating agencies (FOAs)
- Ensure requirements are not too stringent for purchasing commercial items

#### *SECC*

- Communicate and educate the Supply Chain Managers early on to get their buy-in and commitment of resources to the strategy and post-award sustainment.
- Work with, and educate, large businesses to get them to quote to 3PL providers (small businesses). Supplier relationship manager (SRM) assistance can be needed
- Develop a standard plan for post-award transition of commodity council (CC) contracts. CCs are motivated to make these contracts successful in the future, but do not have the manpower to sustain all of the contracts put in place. The owning requirements IPTs within their Groups are reluctant to take ownership of council contracts, primarily due to manpower issues, and are not as motivated for successful execution

#### *LGCC*

- Coordinate between Defense Logistics Agency (DLA) and Air Force early to establish strategic contract requirements
  - DLA almost awarded major contract without AF input which required reworking the J&A to include AF requirements. AF requirements tripled the strategic contract to \$30M
- Ensure appropriate guidance is provided to the Source Selection team for Past Performance Relevancy criteria. If it is inadequate it can create significant rework. This issue is being addressed for future Source Selections
- Use experienced advisors from previous large Source Selections for new SS teams

#### *ACC*

- Focus on up-front involvement in process changes. This involvement can be critical to the success of the sourcing effort

#### *PCC*

- Ensure the early involvement of the customer in planning in order to obtain buy-in and knowledge

### Best Practices

Several best practices have been developed and recorded throughout the commodity council process. These tend to focus on communication among the team and stakeholders as well as the analysis process.

#### *FPCC*

- Attend industry day, trade show, etc. – It is invaluable in gaining knowledge about an industry and its products

#### *ITCC*

- Include legal counsel as integral member of commodity strategy team throughout strategy development and implementation
- Conduct weekly, and even daily, status meetings with vendor partners to maintain communications during strategy implementation
- Combine 3rd and 4th quarter PC buying cycles to provide longer buying period at end of year and free central procurement team to work other end of year requirements

#### *MSCC*

- Establish an AFMS-wide electronic surveillance process that allows the base contracting office, program management office, and MAJCOMs (stakeholders) to track vacancies, turnovers, and surveillance issues
- Move stakeholder teleconferences from monthly to quarterly for maximum participation

#### *AMC FPCC*

- Test the existing strategic sourcing agreements which are in place. The team placed orders against the Medical Services agreements to get a better understanding from a user perspective. This helped them focus in on things they wanted to make sure they included and allowed them to identify things that would not work well for their specific commodity and strategy.

#### *CECC*

- Do not overanalyze data. There is a point of diminishing returns in getting to 100% accurate data
- Develop a preliminary strategy for presentation to the Program Office for verification that it is worth pursuit

*SECC*

- Use 3rd Party Logistics (3PL) contract for contract management of small dollar items. It drastically reduces time spent doing tactical contracts, and allows orders to be placed in a matter of days

*PCC*

- Ensure there is collaborative forecasting with OEMs in order to accurately understand the requirements of the commodity

**CONCLUSION**

The Air Force has demonstrated a continuing focus on strategic sourcing throughout FY07 in both the commodity council arena, as well as Installation Acquisition Transformation. As the transformation progresses the Air Force anticipates a significant increase in strategic sourcing efforts due to the availability of resources, knowledge and focused effort IAT will bring. Should you have any questions regarding AF strategic sourcing efforts, please contact the Office of the Assistant Secretary (Acquisition), Deputy Assistant (Contracting) at 703-588-7070.

## SECTION 4:

### ARMY

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#### EXECUTIVE SUMMARY

##### Introduction and Overview of Report

The report for FY07 will provide insight into the status of Strategic Sourcing initiatives identified in the FY06 report and also FY07 initiatives, to include the development of an Army Strategic Sourcing Governance Structure. The functions of the Governance Structure, the need for coordination within and between Army agencies and commands, training and tools, and communication of Strategic Sourcing initiatives and final output of these initiatives will be addressed.

##### *Overview of the Strategic Sourcing Process*

The advantages accrued through Strategic Sourcing can be measured throughout the entire process. Recognizing that it is indeed a process, determining what needs to be measured for better control of the entire procurement (and mission) process enhances the overall implementation of Strategic Sourcing. In developing the areas of focus of an initial opportunities analysis, determining what is an organization's core mission function and the manner in which that mission is supported provides several measurable outputs. First, the analysis identifies what an organization is procuring and at what level. Goods and/or services viewed as peripheral to the overall mission function are sometimes procured at much more prolific levels, and through a myriad of differing methods, than what might normally be suspected. The way in which those goods and/or services directly supporting the mission are procured are sometimes purchased in an ad hoc, reactive manner, with little advanced planning and coordination with and between similar mission providers. Also, understanding why an organization is procuring goods/services is just as important as to what is being procured. The Strategic Sourcing process provides for just this type of analysis, and focuses attention on the development and evaluation of requirements generation.

##### *Development of Strategic Sourcing Governance Structure*

Organizations across the Army are engaged in Strategic Sourcing initiatives. Most initiatives, however, are focused primarily, if not exclusively, on organization centric efforts with little outside input or coordination from other agencies or commands. The Army is developing a Strategic Sourcing Governance Structure that will enhance the continuation of the Strategic Sourcing efforts currently underway throughout the Army, and those initiatives in the initial review stage and those implemented in the future. Primacy to this structure will be as an effective communication and planning mechanism identifying opportunities, best practices, and lessons learned, crossing not only intra-service organizations and commands, but a means to communicate with other services the ongoing initiatives and opportunities multi-agency efforts. An Executive Level Steering Group, represented by Senior Command individuals from the customer community, will act as champions for Strategic Sourcing throughout the Army. This group will recommend and adjudicate selection of lead sourcing agencies/commands, establish sourcing policy and guidance, and approve command centric or Army-wide initiatives. It is imperative this group is empowered to not only make decisions regarding new and ongoing

initiatives, but provide the means of enforcement in utilizing the end products of Strategic Sourcing initiatives, those being, potentially, enterprise-wide contract solutions available to the entire Army, and where efficiencies exist, to other military agencies.

#### *Coordination between Army agencies/commands*

As outlined above, there is currently very little coordination between agencies and/or commands in their Strategic Sourcing initiatives. There may be, however, multiple opportunities existing across the Army to cross-level commodity requirements. When functional groups are identified (e.g. Information Technology), it becomes apparent multiple agencies/commands procure similar goods and/or services through a variety of methods. Certain commodities may be unique to individual agencies/commands, and some commodities may not lend themselves to Strategic Sourcing. However, it is incumbent on every Army activity to have the capability to identify their major spend categories, and recognize those spend categories may not be unique just to that activity.

#### *Training the Workforce*

The Defense Acquisition University currently offers two on-line courses in Strategic Sourcing. Additionally, these concepts are being introduced to the Acquisition Workforce as they enter the career field, incorporating the training into entry level, intermediate, and senior contracting courses. It is important to note that Strategic Sourcing, as an iterative process, presents opportunities throughout its entire cycle, thereby enhancing opportunities for the workforce to build on skills learned in a classroom setting for application in the acquisition process throughout their career.

#### *Tools*

Key to the Strategic Sourcing process is generating and reviewing spend data for the initial opportunity analysis. This information is available through the Army Contracting Business Intelligence System (ACBIS), with standardized template reports available for agency specific information requests. Permission is required for use of the ACBIS, however the ability to generate accurate data greatly speeds and enhances the ability of an organization to initiate a Strategic Sourcing initiative. From the perspective of the procuring activity at any level, tools should be available that assist in identifying existing enterprise level contract solutions for use in procuring commodities previously sourced. A wide variety of procurement tools have been developed by numerous agencies, however, too often they are developed by and for their own organization, with no applicability to other agencies. Even with wide application, sometimes there is very little visibility of those tools to the acquisition community. A concerted effort will be needed to identify those tools and communicating their availability and implementing their use.

#### *Summary*

Individual agencies/commands continue to make great strides in implementing Strategic Sourcing. Now is the time to expand our efforts and identify those commodities common to all activities that lend themselves to Strategic Sourcing initiatives. Procuring organizations with functional expertise should be given the opportunity to develop those enterprise level contract vehicles that match that organization's expertise. We must also reach out to other DoD organizations and incorporate their best practices and ideas in how they implement their strategies. Barriers that may be in place negating the use of other services' contract vehicles

must be removed. Without recognition that we are competing for many of the same service providers, we will continue to procure requirements in a superfluous and redundant manner.

## Initiatives

### **Name Of Acquisition: Army Contracting Agency (ACA), Information Technology, E-Commerce and Commercial Contracting Center (ITEC4) Army Desktop and Mobile Computing (ADMC) Consolidated Buy**

#### **Purpose / Strategy**

*What is the scope of the project and the desired outcome/benefits?*

**Scope:** Army Small Computer Program (ASCP) and the Information Technology, E-Commerce and Commercial Contracting Center (ITEC-4) developed negotiated bulk purchase pricing for commercial desktops and notebooks. Army Desktop and Mobile Computing (ADMC-1) blanket purchase agreements were used to consolidate Army requirements and result in efficiencies and cost saving while satisfying networkiness goals through standardized capabilities. By using the ADMC-1 agreements, the process established allowed flexibility in selecting original equipments manufactures and vendor providers, in accordance with applicable laws and regulations.

**Desired outcomes/benefits:** The desired outcome is to consolidate most of the Army requirements for desktops and notebooks into semiannual buys to maximize cost savings through volume discounts. The Army consolidated buy has taken place two times per year, starting in August/September 2005. ADMC-2 IDIQ contracts will be utilized starting in FY07 for the Consolidated Buy (CB). Data for all Consolidated Buys provided below. Cost Avoidance data for CB5 is currently unavailable.

*Who, if anyone, are you working with on driving the initiative?*

Army Small Computer Program (ASCP), U.S Army Network Enterprise Technology Command (NETCOM), Army Chief Information Officer (CIO/G-6), Information Technology, E-Commerce and Commercial Contracting Center (ITEC-4), and Army customers.

*Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).*

Highly Competitive.

*Describe what drives the requirement around this category.*

The Office of the Secretary of the Army (Chief Information Officer/G-6) has directed that all Army requirements for Desktop and Notebook computers be consolidated into semiannual buys. Mission critical requirements and those requirements not satisfied by the CB specifications may be satisfied at any time utilizing the Exception Process. The Exception Process allows customers to receive an exception from the CB to buy their desktops and notebooks elsewhere, which is approved by an O6 or GS/15 (or equivalent) at the customer activity.

*How is the sourcing strategy today different from what you have done in the past?*



Previously, individual customers determined their required configuration and negotiated additional discounts off of the contract price. By standardizing two configurations for desktops and two for notebooks under the CB, and negotiating pricing based on estimated volume, the Army has incentivized the contractors to lower pricing without changing the quality of the product or delivery and warranty terms. The CB process allows customers to select the best value product from all of the contractors.

**Implementation**

**What is the schedule for implementation? What and when are the goals and objectives to be achieved?** Initiative is ongoing and spend data is provided in tables below.

**What is the current status?**

The Consolidated Buy is held twice a year in the months of February thru March and again in August thru September.

**When are your next steps and actions to be completed?**

The next CB will be held in February and March 2008. To prepare for it, lessons learned will be assessed to see if any adjustments in the process need to be made.

**What are the proposed dates for the final product (for example, a finalized plan and/or contract award date?)**

Continuing the CB, while assessing changes in the market and customer’s requirements to make any changes necessary to make it even more successful.

**Metrics**

*Total spend covered within initiative (\$):*

CB Total Qty Sold	CB1	CB2	CB3	CB4	CB5	Total
Desktop Purchases	26,629	14,466	53,824	19,258	53,155	167,332
Notebook Purchases	11,439	5,481	34,767	28,403	64,288	144,378
	<i>38,068</i>	<i>19,947</i>	<i>88,591</i>	<i>47,661</i>	<i>117,443</i>	<i>311,710</i>

CB Total \$						CB Total \$
Category	CB1	CB2	CB3	CB4	CB5	Total
Desktop Purchases	\$16,943,449	\$10,920,728	\$37,606,199	\$14,315,361	\$33,257,152	\$113,042,889
Notebook Purchases	\$11,941,590	\$ 5,892,778	\$40,332,604	\$30,761,482	\$65,794,603	\$154,723,057
	<i>\$28,885,039</i>	<i>\$16,813,506</i>	<i>\$77,938,803</i>	<i>\$45,076,843</i>	<i>\$99,051,755</i>	<i>\$267,765,946</i>

*Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.*

Cost Avoidance data for CB5 unavailable at this time.

CB Total \$ Avoidance						CB Total \$ Avoidance
Category	CB1	CB2	CB3	CB4	CB5	Total
Desktop Purchases	\$ 8,055,494	\$ 6,166,104	\$21,292,181	\$8,861,820		\$ 44,513,605
Notebook Purchases	\$ 3,669,807	\$ 2,701,303	\$ 9,817,271	\$7,816,876		\$ 24,167,273
	<b>\$11,725,300</b>	<b>\$ 8,867,407</b>	<b>\$31,109,452</b>	<b>\$16,678,696</b>		<b>\$ 68,680,878</b>

**Small business spend before and after initiative (% change and direction)**

Unknown

**What were the SBA goals?**

N/A

**Lessons Learned, including Limitations and Best Practices / Success Stories**

**What do you recommend future initiatives do to be successful?**

The Army Consolidated Buy process was developed after assessing lessons learned from a similar effort by the Air Force. The Army team met with the Air Force and vendors to obtain lessons learned from their process. The differences between the Army and Air Force structure for funding and administering IT acquisition were taken into account.

The success of the Army Consolidated Buy is built on a combination of factors. First, you need to have high level support and policy to communicate the initiative and to make it mandatory so customers utilize it. Next, you need to ensure that customers still have a level of choice so they are happy with the end product. Another factor that contributed to success was the incentive to industry. By allowing customers to choose between all of the contractors proposals, and not establishing one “winner” of the CB orders, contractors are able to offer better pricing, still meet required deliveries, and not be pushed to offer unsustainable prices. **An initiative that creates a win-win situation for all parties is the best approach for sustainable strategic sourcing.**

**Name Of Acquisition: Army Contracting Agency, Southern Region (ACASR), CONUS Support Base Services (CSBS) Indefinite Delivery Indefinite Quantity Multiple Task Order Contract Enterprise Solution**

**Purpose / Strategy**

***What is the scope of the project and the desired outcome/benefits?***

**Scope:** The CSBS contract is the primary vehicle for the Installation Management Command (IMCOM) garrisons to obtain quality bulk labor for non-government in nature (GIN) tasks that exceed organic capabilities. The Global War on Terrorism (GWOT) and Army Transformation have caused major surges related to Active Component (AC) deployment/redeployment and restationing, and Reserve Component (RC) mobilization/demobilization and medical holdover (MHO) support. The CSBS contract is designed to provide these garrison augmentation services through a flexible, Multiple Award Task Order Contract (MATOC) that obtains the needed support without creating excess capability. Services ordered through the CSBS master contract will relieve military units and personnel from providing those non-GIN functions addressed in the 12 task areas of the contract.

**Desired outcomes/benefits:** The approved acquisition strategy for the CSBS acquisition included the following objectives:

- obtain a long-term contract approach that will provide just-in-time services in support of the Power Projection Platforms and Power Support Platforms (PPP/PSP) mission;
- mitigate reliance on Reserve Component (RC) units and reduce the need to mobilize significant numbers of RC forces;
- provide IMCOM garrisons the flexibility to respond to surges and changing mobilization requirements as needed;
- allow garrisons to contract for specific skills, functions, and duration to match workload;
  - allow for better utilization of installation facilities;
  - implement and execute requirements at each garrison; and,
  - replace short term solutions currently in place

***Who, if anyone, are you working with on driving the initiative?***

CSBS is a partnership between IMCOM and the Army Contracting Agency Southern Region (ACASR).

***Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).***

The market is highly competitive and includes highly qualified small business concerns.

***Describe what drives the requirement around this category.***

The driving force behind the requirement is IMCOM’s need to support the Active Component (AC) deployment/redeployment, restationing, and Reserve Component mobilization/demobilization and Medical Holdover garrison augmentation mission.

***How is the sourcing strategy today different from what you have done in the past?***

Previously, the RC Garrison Support Units (GSU) and CONUS Support Base (CSB) Units provided the support for mobilization operations. However, the GSUs and CSBs could only stay on active duty for a period of two years and eventually were released from active duty in 2004, thereby creating a need for continued contractual support.

## Implementation

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

The requirement has been implemented and the goals and objectives of the strategy are currently being achieved. The CSBS Multiple Award ID/IQ contract was awarded on 12 November 2004 to seven contractors who are all small business concerns.

***What is the current status?***

Currently, the CSBS contract is being used, task orders are being issued, and the mobilization operations are well supported at the various 16 PPP/PSP installations across the country.

The CSBS multiple award contract base period of performance is 1 July 2005 through 30 June 2006, with four one-year option periods. The option periods are as follows:

First Option Year:	1 July 2006 through 30 June 2007
Second Option Year:	1 July 2007 through 30 June 2008
Third Option Year:	1 July 2008 through 30 June 2009
Fourth Option Year:	1 July 2009 through 30 June 2010

The CSBS contract is currently in the Second Option Year Period. Task orders may be issued during these periods by Ordering Offices as required.

***When are your next steps and actions to be completed?***

See above.

***What are the proposed dates for the final product (for example, a finalized plan and/or contract award date?)***

See above.

## Metrics

***If data is not available, please provide an explanation. (Be sure to include a baseline measurement for each metric.***

***Total spend covered within initiative (\$):***

The ceiling for the CSBS ID/IQ MATOC is \$1.3 billion and is calculated collectively across all task orders and carefully monitored at the Program Level.

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

As stated above, CSBS was created to satisfy requirements manifested by the GWOT. Effectively, contract services are provided to augment functions/services previously provided by the Government workforce, thereby permitting Government resources to be reallocated to support GWOT efforts. As such, the price for contract augmentation services is in addition to the costs paid for the existing Government workforce (inclusive of both military and civilian personnel). The CSBS requirements were initially competed to establish the Multiple Award Indefinite Delivery, Indefinite Quantity (MAIDIQ) arrangement. As specific requirements are identified, each of the awardees are afforded the opportunity to submit offers to satisfy the requirements, thereby continuing the competitive process. This arrangement allows the Government to satisfy these critical requirements expeditiously through the existing MAIDIQ, and effectively through an

arrangement that provides for continuous competition. Specific cost avoidance calculations have not been attempted as there was no baseline (preceding acquisition) to compare to. In many cases, installations used temporary Government employees to fulfill these requirements prior to executing task orders under the CSBS MAIDIQ. Data regarding the cost of these employees was not made available to ACA-SR. An attempt to calculate time savings through use of this existing contract arrangement as opposed to creation of new contract arrangements would be purely speculative and could not reasonably entertain the variations unique to each task order awarded.

The following provides a summary of actions awarded during FY 2006, and the statistics compared to the metrics established for this program:

**Results from the First Year's Performance:**

**FY07 Execution:** Identified obligations for this suite of contracts during FY07 was over \$9M. It is important to note these contracts are not mandatory use vehicles, and therefore there are other contract vehicles available for use by the customer community. One of the challenges to be met and overcome is to communicate to the community the availability of these vehicles. Additionally, the ability of the contracting activities to quickly execute a customer requirement against these vehicles also needs to be advertised

The following are the metrics that were established in the approved acquisition strategy:

**Task Order Level Metrics:**

The task orders for CSBS will require submission of contract performance and cost reports, status briefings, and/or final reports for the task order effort. In addition, a Quality Assurance Surveillance Plan (QASP) will be developed and used to assure that systematic quality assurance methods are used in the administration of task orders. A Contracting Officer's Representative (COR) will be appointed to assist with the administration of each task order.

Contractor performance will be assessed not less than once during the life of the task order. The task order metrics will be established based on the specific task order circumstances and will include quality of service, cost effectiveness, timeliness of performance, business relations and customer satisfaction. Task order performance will be assessed by the COR and monthly reports will be provided to the Contracting Officer.

**Contract Level Metrics:**

Metrics will be established at the CSBS contract level based on the quality of the task order performance, responsiveness, competitiveness and schedule. The Contracting Officer and COR reports will be captured for semi-annual submission to IMCOM to assist in determining the success of the CSBS Program.

**Quality of Service** – 95% of the task orders will be satisfactorily completed without customer complaint or rework. Actual performance rating will be based on COR reports, Past Performance Information Management System (PPIMS) and other available information in relation to task order requirements and customer satisfaction.

**Schedule** – 95% of the task orders will be satisfactorily completed on schedule without subsequent modification. Actual performance rating will be based on COR reports, PPIMS and other available information in relation to performance schedule.

**Cost** – 100% of all task orders will be completed within 3% of the negotiated cost for task order. Monitor competition to ensure contractors are getting a representative portion of the work.

**Program Level Metrics:**

An annual assessment will be performed at the program level. The second Annual CSBS Metrics Assessment Report was submitted to DASA (P&P) on 31 October 2006. This assessment included metrics as follows:

**Customer Satisfaction** – 95% of customer survey responses will reflect satisfaction with service provided. Actual performance rating will be based on responses received to customer surveys.

**Timeliness** – Contactor is able to meet “boots on ground” rate when relevant factors are within the contractor’s control on 95% of task orders.

**APPROVED METRICS PROGRESS:**

Most of the CSBS task orders were recently issued; however, ACASR has documented the performance rating of four contractors who have been performing from 4 to 12 months. This information is based on the Contracting Officer’s Representatives’ monthly reports and other available information in relation to task order requirements and customer satisfaction. The current metrics ratings are as follows:

<b>Quality of Service: 100 %</b>	
Contractor: Eagle Systems and Services	Location: Fort McCoy
Contractor: Eagle Support Services	Location: Fort Campbell
Contractor: Omega Training Group	Location: Fort Campbell
Contractor: The Logistics Company	Location: Fort Bragg

The above contractors’ performance is excellent and without customer complaint or rework. It has been reported that the quality of service provided by The Logistics Company at Fort Bragg is outstanding.

<b>Schedule: 100%</b>	
Contractor: Eagle Systems and Services	Location: Fort McCoy
Contractor: Eagle Support Services	Location: Fort Campbell
Contractor: Omega Training Group	Location: Fort Campbell
Contractor: The Logistics Company	Location: Fort Bragg

The above contractors are completing the task orders on schedule without modification.

<b>Cost: Task Orders are currently being completed within 3% of the negotiated cost.</b>	
Contractor: Eagle Systems and Services	Location: Fort McCoy
Contractor: Eagle Support Services	Location: Fort Campbell
Contractor: Omega Training Group	Location: Fort Campbell
Contractor: The Logistics Company	Location: Fort Bragg

There have been no cost overruns from the contractors and there are no significant cost or performance problems. All of the contractors are working within budget and have not billed for additional costs.

***Small business spend before and after initiative (% change and direction)***

***What were the SBA goals?***

Market research indicated that the CSBS requirement could be satisfied completely by small businesses. Therefore, this acquisition was a total small business set-aside. The SBA established a goal within the total small business set-aside in that at least one of the small businesses would be an 8(a) firm.

***Lessons Learned, including Limitations and Best Practices / What do you recommend future initiatives do to be successful?***

Ensure that proper guidance and training are provided to the field prior to the issuance of task orders to ensure that task orders are issued correctly and in accordance with FAR Part 16.505 Ordering and DFARS 216.505-70, Orders for services under multiple award contracts.

The extensive market research allowed the Government to solicit only to small businesses and ensured competition at the task order level at all locations. The market research also revealed that the acquisition would promote and encourage small businesses to team up and partner with large businesses to create a win-win situation for all parties. This teaming concept was realized as several of the prime CSBS contractors partnered with large businesses to perform work on existing task orders.

***What would you change?***

Originally IMCOM intended to set-aside funds specifically for the CSBS acquisition; however, due to funding restraints, IMCOM was unable to segregate funds and Ordering Offices were only able to incrementally fund task orders which caused some delays in task order awards.

A better contract arrangement would have been to have the CSBS contract as a five year contract with a five year ordering period instead of a base year with four one year option periods. This arrangement would minimize the administrative burden of exercising options on the master contract each year.

***Can it be implemented and corrected?***

This is possible for each subsequent competition and is certainly something that should be explored during that time.

***If so, what is the timetable? What is the appropriate time to execute the sourcing activity?***

The acquisition strategy for the subsequent competition if necessary should be initiated by FY 08.

**NAME OF ACQUISITION: Army Contracting Agency, Southern Region (ACASR), Field And Installation Readiness Support Team (FIRST) Indefinite Delivery Indefinite Quantity Enterprise Solution**

**Purpose / Strategy**

*What is the scope of the project and the desired outcome/benefits?*

**Scope:** The Army Contracting Agency, Southern Region (ACA-SR) provides acquisition support to the Army Material Command (AMC), Forces Command (FORSCOM), Installation Management Command (IMCOM), and the U.S. Army Reserve Command (USARC). ACA-SR, through its subordinate element Southern Region Contracting Center-East (SRCC-E) observed recurring logistical support requirements that were satisfied through numerous contracting arrangements and worked with these primary clients to establish an enterprise solution. The scope of the project satisfies logistical support requirements including logistics program management, repair and maintenance support, supply chain management, quality assurance support, logistics training support, and transportation support in both CONUS and OCONUS locations. The enterprise solution was solicited as a multiple award indefinite delivery indefinite quantity (MAIDIQ) arrangement. The duration of the MAIDIQ is five years. The estimated value of the project is \$9B. Specific requirements will be identified in separately awarded Task Orders.

**Desired outcomes/benefits:** The approved acquisition strategy for the FIRST Program included the following objectives:

- Provide a means to strategically consider the best methods to satisfy recurring logistics support requirements;
- Provide a methodology to promote competition throughout the life of the program;
- Leverage the buying power of the clients served to drive down maintenance costs;
- Provide a means to implement and enforce common standards for maintenance and support services;
- Support the reduction of the logistics footprint;
- Support performance-based service acquisition initiatives;
- Provide a method of expeditiously satisfying logistical support requirements;
- Maintain a qualified and competitive industry base throughout the life of the program;
- create and maintain a process to continuously educate clients and industry on the proper use and benefits of the program;
- Support the socio-economic goals of the Army; and,
- enhance customer satisfaction with the end products and services

*Who, if anyone, are you working with on driving the initiative?*

FIRST is a partnership between the ACA-SR, AMC, FORSCOM, IMCOM and USARC.

*Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).*

The logistics services market is highly competitive and includes highly capable large and small business firms.

*Describe what drives the requirement around this category.*



The requirements that will be satisfied under this MAIDIQ include those required to execute the missions of the FIRST partner organizations (and other Army and DoD organizations with similar missions).

***How is the sourcing strategy today different from what you have done in the past?***

In the past, services were acquired to satisfy immediate requirements of the organization supported. Acquisition strategies were included in Acquisition Plans, but failed to reasonably consider the requirements in more strategic terms and with clear objectives (other than satisfying the immediate need). Metrics were contemplated, but not structured in a manner to reasonably consider whether the objectives of the acquisition (aside from providing a contract arrangement to satisfy requirements) were met.

**Implementation**

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

These contracts were awarded 2<sup>nd</sup> Quarter FY07. Contractor performance is being monitored and reported to executing Contracting Office. Success of contractor effort will determine continued use of these vehicles during the overall contract period.

**Metrics**

***If data is not available, please provide an explanation. (Be sure to include a baseline measurement for each metric.)***

***FY07 Spend:*** Identified obligations during this reporting period are in excess of \$73M. This initiative has been a highly successful effort, with use of these vehicles utilized across the various commands.

***Total spend covered within initiative (\$):***

The ceiling for the MAIDIQ is \$9B and will be calculated collectively across all contracts and task orders awarded.

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

The following are the metrics that were established at the Program level. As stated, ACA-SR will assess the status of the FIRST Program on a quarterly basis.

**Program-level Metrics:**

Program-level metrics will be employed to assess the success of the program, and to guide the direction of the program over its 20-year life. The program level metrics include competition, achievement of socio-economic goals, mission capability and client satisfaction with the program.

**Competition:** FAR 16.505(b) requires fair opportunity be considered for each order exceeding \$2,500. Data

<p><b>METRIC:</b> Fair opportunity</p> <p><b>TARGET/GOAL:</b> 90 percent of task orders are competed – target attainment will be assessed annually.</p>
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will be collected in the Quarterly Program Report that provides visibility of the usage of FIRST.

Information will also be captured in the Quarterly Program Report to detect trends of consistent utilization of exceptions by any single contracting office or for any contractor.

Periodic review of task order documentation will be conducted to determine the supportability of exceptions to fair opportunity.

FY07 Metric: The Target/Goal of 90 competition is being met.

**Socio-Economic Goals:** Data will be collected on a quarterly basis that illustrates (1) whether small business primes are complying with FAR 52.219-14 (Limitation on Subcontracting), and (2) the degree to which small businesses (and subcategories thereunder) are utilized as subcontractors.

FY07 subcontractor utilization has not been reported at this time.

**METRIC:** Limitation on subcontracting

**TARGET/GOAL:** < 50 percent of the cost of contract performance incurred for personnel is expended for employees of other than the small business prime contractor – target attainment will be assessed annually.

**METRIC:** Small business subcontracting

**TARGET/GOAL:** > 10 percent of awarded dollars under the unrestricted suite – assessed annually.

**Mission Capable Status:** Logistics support is a key contributor to a unit's mission capable status. Data will be collected on a quarterly basis that will provide visibility under each maintenance task order as to the

**METRIC:** Readiness

**TARGET/GOAL:** The readiness standards set forth in individual task orders are achieved 95 percent of the time.

**METRIC:** Reliability

**TARGET/GOAL:** The reliability standards set forth in individual task orders are achieved 95 percent of the time.

attainment of readiness and reliability standards that will be applied at the individual task order level.

**Reduce Logistics Footprint:** The size or presence of logistics support required to sustain and deploy equipment, vehicles and systems (logistics footprint) has a direct relationship to the cost of maintenance and the mission capability of a unit. Measurable elements include inventory/equipment, personnel, facilities, transportation assets and real estate. A key enabler for reducing the logistics footprint is the reduction in maintenance down time, thereby increasing readiness and reliability. For purposes of this acquisition, the

**METRIC:** Reduce maintenance hours

**TARGET/GOAL:** Reduce the maintenance hours expended (as depicted on the MAC Charts) by 1 percent annually for FORSCOM maintenance task orders. (MAC – Maintenance Allocation Charts)

target/goal will focus on reducing the overall effort expended for maintenance for FORSCOM.

**Client Satisfaction:** The success of a program is directly tied to the perceptions of those that use the services of the program. Surveys will be created and administered on an annual basis seeking feedback from ordering offices and requirements organizations that obtain support under the FIRST program.

**METRIC:** Client satisfaction rating

**TARGET/GOAL:** 95 percent

Feedback will also be obtained via the ICE survey program, and from the Industry and Customer Councils. The success of any program has a direct reflection on the cost of executing services. Data will be collected on a quarterly basis that will provide visibility under each task order as to the ability to complete the required

**METRIC:** Cost control

**TARGET/GOAL:** 99 percent of task orders provide required services within funded/awarded amount

services within the obligated funding.

**Task Order Level Metrics:**

Performance-Based Acquisition methods will be used to the greatest extent possible. These methods are intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed or outcomes achieved meet contract standards. Metrics at the Task order should be presented in terms that are clear and unambiguous, and are linked to incentives and penalties to the greatest extents possible. Metrics should have reasonable measurement periods (i.e., the contractor must be provided sufficient opportunity to come up to speed before the standard is applied). Metrics should be tailored to the specific outcomes and objectives of the task. The Task ordering Guide will discuss metrics, and will include a repository of sample Performance Work Statements, Performance Requirements Summaries and other documentation that might be deemed useful. Typical metrics that may be seen at the Task order include, but are not limited to:

- Cost control
- Readiness
- Reliability
- Mean Time Between Failure (MTBF)
- Mean time Between Critical Failure
- Operational Availability
- Schedule

***Small business spend before and after initiative (% change and direction)***

***What were the SBA goals?***

Market research indicated that some, but not all, of the requirements included in the FIRST Scope of Work could be satisfied by Small Businesses. The requirements for FIRST were solicited through two separate Request for Proposals; one as a 100% set aside for small business, the other as a full and open competition. It is estimated that approximately 33% of the requirements will be satisfied by small business prime contractors. Subcontracting opportunities are present and should represent approximately 25% of the requirements satisfied by large business prime contractors.

***Lessons Learned, including Limitations and Best Practices / Success Stories***

***What do you recommend future initiatives do to be successful?***

**Industry Council:** One of the keys to the success of FIRST, to date, is the exchange of information between the acquisition organization, the requiring organizations and industry. To facilitate and structure the exchange, an Industry Council was established. This Council will remain active throughout the life of the FIRST Program. The primary objective of the Council was to create a forum to discuss major issues that impact the Government and Industry at large and to improve the value of the FIRST IDIQ to potential users. The Council represents the participants in the FIRST acquisition and consists of representatives from all industry segments; e.g., large business, small business, small disadvantaged business, etc. Business rules have been established to ensure fair representation, rules for participation and periodic rotation of Council membership. The Council also includes representatives from the local Small Business Administration office, as well as members of the ACA-SR and SRCC-E contracting and legal staffs. Participation has been limited to those individuals who bring knowledge and expertise that will benefit the program and are committed to resolving issues, improving processes and promoting best practices. Pre-award initiatives for the Industry Council included the identification of best practices, metrics and examples of performance-based task orders that were reviewed and included in the Task Order Guide and FIRST RFPs. Post award initiatives will include consideration of methods to promote education on proper use of the IDIQ, streamlining the task order process and exploring methods to improve communications.

**Market Research:** The focus of FIRST was as a Program, vice individual requirement. In-depth market research allowed the Government to present its requirements in an effective manner that permitted participation by both large and small business prime contracts. The structure of the acquisition was designed to promote competition throughout the life of the Program and to consider changes in requirements, client organizations, market trends and industry as subsequent competitions (four contemplated over the life of the FIRST program – each updating the acquisition strategy approved for the initial competition). The acquisition was designed to promote participation by small business, both as prime and subcontractors, thereby ensuring a competitive small business industry base throughout the life of the Program

***What would you change?***

A more effective solution would have been the establishment of a 20-year acquisition. The initial strategy contemplated an arrangement whereby industry was incentivized to meet Program objectives and entrance/exit criteria was employed to refresh the competitive industry base. Due to statutory limitations, this arrangement was not possible and an incremental approach (5 year contracts) was pursued.

***Can it be implemented and corrected?*** Although the strategy could not be implemented for the initial competition, it should be re-explored with each subsequent competition. The primary benefit of such an arrangement is to reasonably leverage the industry base to meet program objectives.

***If so, what is the timetable?*** The acquisition strategy for the subsequent competition should be initiated in the FY 2009 timeframe.

***What is the appropriate time to execute the sourcing activity?***

N/A

**NAME OF ACQUISITION: Army Material Command (AMC), Field and Sustainment Maintenance Commodity Council (FSMCC)**

**Purpose / Strategy**

***What is the scope of the project and the desired outcome/benefits?***

**Scope:** The FSMCC was established to plan and implement an Army-wide strategic sourcing program for contracts supporting sustainment and field maintenance. This includes support for activities which have recently come under AMC's management: Field Level Repair Centers, TRADOC's training fleet and Directorates of Logistics. The initial scope and spend areas to be addressed are CONUS-based, non-aviation sustainment and field maintenance requirements for AMC, FORSCOM, IMCOM and TRADOC.

**Desired outcomes/benefits:** The desired outcomes of the FSMCC

- Leverage Army dollars spent on contract maintenance and consolidate the maintenance contracting vehicles
- Standardize maintenance statement of work requirements and establish standard quality assurance and performance metrics for contractors.
- Reduce acquisition processing times
- Create and maintain strategic relationships with suppliers
- Address socio-economic goals

***Who, if anyone, are you working with on driving the initiative?***

The HQ AMC Office of Command Contracting is leading the initiative and has formed a Strategic Sourcing Director's Board consisting of contracting and logistics executives from AMC Life Cycle Management Command and the Army Sustainment Command, Forces Command (FORSCOM), Training and Doctrine Command (TRADOC) and the Army Contracting Agency – Northern and Southern Regions.

***Describe the nature of the "market" (undifferentiated, highly competitive, or sole source).***

Market is diverse and competitive.

***Describe what drives the requirement around this category.***

The May 2006 change 4 to the Army Campaign Plan, Draft ARFORGEN Implementation Plan, designates AMC as the lead to manage all contracts for field and sustainment maintenance. The Army currently is spending billions of dollars on maintenance with multiple organizations providing contracting support. AMC's Deputy Commanding General has directed that AMC move towards centralizing requirements and contracts for maintenance. The FSMCC is the forum to accomplish that.

***How is the sourcing strategy today different from what you have done in the past?***

Prior to this no planning effort existed for strategic sourcing of maintenance.

**Implementation**

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?*** Army Material Command initiated a process mapping initiative, identifying the current "as is" state and projecting the desired "to be" state of the overall acquisition process as it pertains to Strategic Sourcing and Field Sustainment. To date, however, resources have been unavailable to initiate any command specific or overall Strategic Sourcing efforts. It is the intent of the command to re-energize the Strategic Sourcing focus in FY08.

- AMC conducted a rudimentary spend analysis in the Summer 2006 and has selected a program (SINCGARS radio) as a pathfinder to test the strategic sourcing process in maintenance. Completion of the pilot will be accomplished when the Strategic Sourcing Directors Board meets and approves the strategy for sourcing maintenance for SINCGARS radios. ECD for completion of pilot: February 2007
- Since AMC has recently acquired new maintenance responsibilities, AMC is currently using the FSMCC to flow chart the contracting process as it supports field and sustainment maintenance. ECD for completion: January 2007
- In order to achieve the desired outcomes of the FSMCC stated in II.a.i, AMC will conduct a series of pilots to review maintenance contracts for different sectors of maintenance, e.g., field maintenance done by the Directorates of Logistics and Maintenance to support TRADOC Schools. FSMCC efforts to accomplish this will continue for at least one year.

## Metrics

***If data is not available, please provide an explanation. (Be sure to include a baseline measurement for each metric.)***

***Total spend covered within initiative (\$):***

Contracts for maintenance are not separately tracked in any Army data base, therefore, in March 2006, AMC requested 2005 information on maintenance contracts from all AMC and Army Contracting Office contracting offices. Since much of the information gathered relied on several FSC codes and/or was pulled manually, it is rudimentary. Results of this survey on Army maintenance contracting showed approximately 26 contracting offices awarded 145 contracts to 94 vendors for \$2.2B (less aviation).

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

The Strategic Sourcing Process is still in its first steps and therefore no metrics in this area have yet been developed.

***Small business spend before and after initiative (% change and direction)***

***What were the SBA goals?***

We are still in the process of conducting market research in this area to determine whether or not this category of business is able to be fulfilled by small business. Currently a very small percentage of the total work is being performed by small businesses.

***Lessons Learned, including Limitations and Best Practices / Success Stories***

***What do you recommend future initiatives do to be successful?***

None at this time.

***What would you change?***

N/A

***What is the appropriate time to execute the sourcing activity?***

The Commodity Council must first complete its study and make its recommendations to the Commanding General, Army Material Command.

## **NAME OF ACQUISITION: Army-led DoD Wireless Handheld Communications Services Commodity Council**

### **Purpose / Strategy**

#### **What is the scope of the project and the desired outcome/benefits?**

**Scope:** The scope of this project is commercial wireless voice and data capabilities and related equipment, data analysis, and support services. The objective of this agreement is to provide wireless handheld devices, services (both voice and data), and related accessories for Government agencies while achieving the best enterprise terms, conditions and pricing. In addition, the Government seeks to streamline invoicing, billing, payment, ordering, and delivery processes, and standardize reporting and analytical methods for audit and asset management. It is expected that the Contractor shall identify opportunities to accelerate the migration of all of their existing orders to the new BPA and optimize calling plans, minutes of usage, user requirements and total cost of ownership.

**Desired outcomes/benefits:** The objective of this agreement is to provide wireless handheld devices, services (both voice and data), and related accessories for Government agencies while achieving the best enterprise terms, conditions and pricing. In addition, the Government seeks to streamline invoicing, billing, payment, ordering, and delivery processes, and standardize reporting and analytical methods for audit and asset management. It is expected that the Contractor shall identify opportunities to accelerate the migration of all of their existing orders to the new BPA and optimize calling plans, minutes of usage, user requirements and total cost of ownership.

#### **Who, if anyone, are you working with on driving the initiative?**

Army Contracting Agency, United States Air Force, Defense Telephone Systems – Washington, and U.S. Army Network Enterprise Technology Command.

#### **Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).**

The market is highly competitive.

#### **Describe what drives the requirement around this category.**

Secure and Non-Secure voice and data is required to meet mission requirements by enhancing the ability to communicate instantly.

#### **How is the sourcing strategy today different from what you have done in the past?**

In the past, multiple contracts were awarded per supplier which diluted the Army’s collective buying power. The various agreements also had different terms, conditions and often different pricing for the same or similar level of service depending on location. In addition, there was no formalized tracking of spend and usage to ensure spend levels were reasonable and users were matched to a plan appropriate to their needs.

The new sourcing strategy addresses all these elements by establishing a single enterprise level contract with each major provider that leverages the collective buying power of the Army, Air Force and DTS-W. The BPAs provide consistent enterprise terms and conditions, eliminate activation, deactivation and other fees previously charged, and provide aggressive pricing on both cellular devices and service plans. Service plans also include a new a flat rate pricing option not previously available to Army users. The flat rate price plan helps minimize the costs of overage (using more than monthly allotted minutes) and underage (using fewer than the total minutes purchased each month) by charging the user a low flat rate per minute only for minutes used each month. Use of this pricing option takes a lot of the guesswork out of matching individual users to

the appropriate pricing plan and significantly lowers the total cost of cellular service for most users relative to existing plans.

## Implementation

### ***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

Implementation is ongoing. The BPAs are being utilized upon signature date. The BPAs are mandatory for use by the Army and Army Regulation 25-1 was changed to read that all of the Army must bring their requirements to NETCOM ESTA. NETCOM ESTA is tracking Army spend. All BPAs have been awarded.

### ***What is the current status?***

Six total BPAs were awarded in March-September 2006. The implementation is ongoing. Once existing contracts are identified for transition, requirements are sent to NETCOM ESTA.

## Metrics

While major improvements have been realized with the implementation of this effort, tracking and monitoring performance of the BPA's utilization has been problematic. Matrices have been put in place, but telecom carriers have been slow in providing data on migrated plans. Also, because of the myriad number of plans in place prior to implementation, there still exists wide non-BPA spend for this requirement. However, with increased awareness of the short and long term benefits of this initiative within the customer community and the end of existing contracts, adherence to this initiative will only grow. Additionally, as telecom carriers become more familiar with the Government reporting requirements, cost savings will be identified on a regular basis.

### ***Total spend covered within initiative (\$):***

The projected spend for DoD is estimated at \$198M (FY 04 dollars) per year.

Spend Area	Total Spend
Wireless	\$198M per year (FY04)

### ***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

Spend Area	Total Cost Avoidance (Projected)
Wireless	\$79.2M per year/\$396M for life of BPAs

### ***Small business spend before and after initiative (% change and direction)***

#### ***What were the SBA goals?***

Since all the major wireless providers are large businesses, there are no SB goals. However, Cell Hire, one of the BPA holders, is a small business.

### ***Lessons Learned, including Limitations and Best Practices / Success Stories***

#### ***What do you recommend future initiatives do to be successful?***

Lessons learned from the Army wireless team include:



**Conduct Detailed Market Research** – Market research was a key factor in identifying the Flat Rate plan as an option gaining popularity with large commercial businesses of similar size and scope to the Army. Flat Rate pricing was not (and still is not) a highly publicized rate structure for any of the major cellular providers because it tends to significantly reduce the revenues they achieve through the inherent inefficiencies within traditional price plans involving purchase of a fixed number of minutes per month (“bucket plans”). Unless a user utilizes exactly the number of minutes purchased each month, the effective rate per minute that they pay (total cost/minutes used) can vary widely month to month due to the cost of overage (using more than monthly allotted minutes) and underage (using fewer than the total minutes purchased each month). By charging the user a low flat rate per minute only for minutes used each month, the flat rate option provides a much lower cost for most users. Without the in-depth market research to identify this pricing option and aggressively negotiate flat rate pricing with each major provider, the savings would not have been nearly as great.

**Suppliers Can Be a Good Source of Information** – Determining total wireless spend for the Army was not an easy task using government data systems. In addition, the Army did not have consistent options available to track usage in order to match users to the appropriate plan for their needs and monitor changes over time. By going to suppliers with a request for information (RFI) the team was able to gain additional information on total spend levels as well as detailed usage data in order to facilitate transitioning of users to the best plan for their needs on the new BPAs.

**Demand Management is an Important Source of Savings** – Although the team negotiated very aggressive pricing on both devices and service plans and leveraged the collective volume of the Army, Air Force and DTS-W in doing so, a large portion of the total savings generated will result not from the improved pricing, but from better matching users with the right rate plan to avoid waste (buying more minutes than are used or using more minutes than purchased and incurring large overage charges). The Flat Rate option provides an automatic mechanism of sorts that helps minimize this waste by charging users a low flat rate per minute only for minutes used. But in other cases, the Army is also proactively looking at matching users in some cases to an appropriate bucket plan or pooling plan option when it makes sense based on their usage. This focus on managing demand to be more in line with actual requirements is a significant source of savings that has similar applications in many other commodity areas.

***What would you change?***

We have no additional lessons learned at this time.

***Can it be implemented and corrected?*** N/A

***If so, what is the timetable? What is the appropriate time to execute the sourcing activity?***

N/A

## **NAME OF ACQUISITION: Department of Defense-Wide Strategy Council (Strategy Council) for Acquiring Direct Care Medical Services**

### **Purpose / Strategy**

#### *What is the scope of the project and the desired outcome/benefits?*

**Scope:** In an audit of the Department of Defense (DoD) Contracting practices and procedures for direct care medical services, the DoD Inspector General recommended that the Assistant Secretary of Defense (Health Affairs), in conjunction with the Military Surgeons General “develop a coordinated strategy for acquiring direct care medical services that includes the implementation of the centers of excellence concept.” The scope of the Strategy Council was the acquisition and contracting activities related to direct care medical services or health care providers and support personnel. The primary objective was to develop a coordinated strategy for acquiring direct care medical services including addressing the centers of excellence concept. Within the context of this objective, the Strategy Council addressed recruiting and attracting quality providers in a timely and efficient manner and leveraging commercial best practices in order to streamline and standardize business processes for acquiring direct care medical services.

**Desired outcomes/benefits:** The desired outcome was the development of a coordinated strategy for acquiring direct care medical services that includes the implementation of the centers of excellence concept.

#### *Who, if anyone, are you working with on driving the initiative?*

The Assistant Secretary of Defense (Health Affairs) chartered the Army Surgeon General to lead a DoD-Wide Strategy Council (“Strategy Council”) which included representatives from the Army, Air Force, Navy, Veterans Affairs, and the TRICARE Management Activity (TMA). Within the Army, there was representation from US Army Medical Command Headquarters, Health Care Acquisition Activity, and the Office of the Surgeon General. The multidisciplinary Council was composed of procurement, logistics, resource management, medical, and nursing professionals.

#### *Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).*

Total U.S. health care expenditures have been spiraling upward and will continue to do so for the foreseeable future. Health care spending totaled \$1.8 trillion in 2004 and it is expected to be \$3.4 trillion in 2013, with an annual increase averaging 7%. The overall demand for health care services will continue to rise due to: “baby boomers” beginning to reach retirement age, the average age of the general population growing and advances in health care leading to a demand for more sub-specialties. The increasing demand for health care services coupled with shortages in some medical career fields and escalating salaries makes the medical services market highly competitive.

#### *Describe what drives the requirement around this category.*

The mission of the military healthcare system (MHS) is to ensure the nation has available at all times a healthy military force supported by a combat ready healthcare system. Active duty and civil service medical personnel can not provide all the services necessary to meet the health care needs of the military treatment facilities (MTF) especially with the high deployment and operations tempo of the Global War on Terrorism. Therefore, direct health care services are contracted in order to supplement MTF staffing and provide care for the eligible beneficiaries.

*How is the sourcing strategy today different from what you have done in the past?* N/A

### **Implementation**

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

N/A

***What is the current status?***

The Strategy Council mission was completed when the recommendations that had been developed were briefed through the services Surgeon General's Offices, TRICARE Management Activity and finally to the Assistant Secretary of Defense (Health Affairs). Some of the recommendations have been incorporated in the Quadrennial Defense Review – Roadmap for Medical Transformation released 3 April 2006. The objective of Initiative 15, contracting for Health Care Services is to assess the potential for DoD to contract for health care and health care management overhead on a military installation. Implementing pilot programs will allow DoD to determine whether it is more cost effective to have a government-owned, contractor-operated organization perform ancillary services either within government facilities or in free standing facilities on military installations, using all of their own business systems. The objective for contracting for professional services (initiative 16) is to more effectively and efficiently employ contract medical personnel throughout the military healthcare system (MHS) and provide a process that is consistent throughout the system and makes health care more accessible to beneficiaries. The MHS Office of Transformation will oversee the development of a coordinated tri-Service process for acquiring contract medical services personnel.

The specific recommendations developed by the Strategy Council were:

- Establish a DoD organization with Tri-Service support responsibilities and flexible contracting authority including an “Acquisition Technical Support Center” as a Center of Excellence. This would take advantage of the similarities of direct care medical services and leverage best practices across the three Services in an efficient manner. The center would be responsible for the coordination and development of technical aspects of medical services acquisitions. Additionally, Cross-Service Contracting Centers, with warrant authority, to support contract execution for the three Services should be established. Finally, given the complex nature of medical services and the challenging supply situation for many healthcare workers, the Strategy Council recommended that medical services acquisition policy be amended to provide increased flexibility and contracting authority, including the ability of the services to establish Personal Services Schedules.
- Establish Strategic Sourcing Councils to develop strategies for sourcing key labor categories. Due to the spend analysis the top priorities should be Nursing, Radiologists, and Dentists.
- Standardize acquisition processes and related capabilities across the DoD by developing standardized data structure to collect and aggregate procurement spend data across services; standardized acquisition processes across contracting centers; standardized set of tools and templates to support acquisition of direct care medical services; and centralized credentialing process.

***When are your next steps and actions to be completed?***

Discussions amongst the services to date have not lent themselves to coordinated, strategically sourced, multi-service efforts. Services view themselves as having unique missions and cultures, and there is a reticence to relinquish control over service-centric requirements. There are, however, MOA's and MOU's currently in place allowing non-DoD agencies to procure services when service specific contracting vehicles are not available. Within these agreements lies the possibility of developing Strategically Sourced vehicles. Until such time as the military services recognize they are competing for the same commercial assets, and work together to coordinate their contracting efforts, then the full capability of Strategic Sourcing for Medical Services cannot be attained.

***What are the proposed dates for the final product (for example, a finalized plan and/or contract award date?)***

N/A

**Metrics**

***Total spend covered within initiative (\$):***

FY 2004 spend	Total spend	Air Force	Army	Navy
	\$781M	\$118M	\$491M	\$171.5

A detailed analysis of the FY04 dollars spent showed that the Air Force, Army, and Navy together accounted for \$781M in direct care medical services. The Air Force accounted for \$118M, the Navy \$171.5M, and the Army \$491M. Over 180 medical service labor categories were identified and the top 10 labor categories accounted for nearly 56% of the total spend, with Registered Nurses, Radiologists, and Dentists in the top three. Out of the top 10 labor segments, 9 are acquired by all three Services: Registered Nurses \$120.2M, Radiologists \$50.3M, Dentists \$49.3M, Dental Support \$46.3M, Family Practice Physicians \$38M, Advanced Practice Nurses \$29M, Emergency Medicine Physicians \$28.7M, Physician Assistants \$27.6M, and Licensed Practical Nurses \$19.3M. Nursing and radiology ranked as the top 2 or 3 for each of the Services. Labor segmentation also shows that 81% of total direct care medical services spend is concentrated in the top labor segments. Six markets accounted for \$403M of the spend: National Capital Area \$138M, San Antonio, TX \$123.9M, Tidewater, VA \$41M, Killeen, TX \$35.7M, San Diego, CA \$32.8M, and Fayetteville, NC \$30.6M. A look at the dollars spent according to the TRICARE Regions showed: West \$94.8M, South \$322.26M and North \$180M for a total of \$597.1M. In addition, all three services acquire medical services from many of the same suppliers. A review of the top 25 medical service contractors revealed that 11 of the top 25 contractors have contracts with more than one service. In addition, the top 25 contractors received \$455M of the \$781M spend.

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

The Strategy Council did not determine cost avoidance when developing the recommendations.

***Small business spend before and after initiative (% change and direction)***

***What were the SBA goals?***

N/A

**Lessons Learned, including Limitations and Best Practices / Success Stories**

***What do you recommend future initiatives do to be successful?***

A key element in strategic sourcing initiatives is metrics, baseline costs, projected costs, and cost avoidance/savings. Reviewing spend data for the three Services revealed that there was a lack of standardized spend data elements, therefore it is difficult to capture and use the spend data for planning and coordination. Development of standardized labor categories and data elements would benefit in the analysis of the spend data.

***What would you change?***

The timeline for the coordination of the recommendations through the Services Surgeons General and TMA took longer than expected. However, some of the issues occurred due to the changes in key personnel and organizational structures leading to delays in briefing schedules and having to repeat briefings due to personnel changes.

*Can it be implemented and corrected?*

N/A

*If so, what is the timetable? What is the appropriate time to execute the sourcing activity?*

**NAME OF ACQUISITION: Installation Management Command (IMCOM), Automated Data Processing Equipment (ADPE)**

**Purpose / Strategy**

***What is the scope of the project and the desired outcome/benefits?***

**Scope:** The scope of the ADPE (IT Hardware) commodity includes desktop/laptop, Thin Client, and Peripheral equipment.

**Desktop/Laptop** – The desktop/laptop demand is driven by IMCOM and installation requirements for personal computing power for its employees. Currently, desktop/laptop purchases are made through the Army Small Computer Program’s Consolidated Buy (CB) initiative. Although this program has realized savings for the Army in the past, participation in the program can be improved to further increase savings

**Thin Client** – Currently, the Army does not have an enterprise-wide acquisition strategy for purchasing Thin Client equipment.

**Peripherals** – The Army currently does not have an enterprise-wide policy, process, or acquisition strategy for purchasing Computer Peripherals. Many are purchased from local stores and/or using a government credit card.

Based on the Strategic Sourcing process and extensive analysis, the team developed three specific recommendations for generating IMCOM savings on purchases of ADPE. These include:

- Improve overall Consolidated Buy participation through an improvement in the CB program and processes – the recommendation focuses on generating savings through improvements to the structure of the current Consolidated Buy program and increasing participation from customers.
- Develop a Thin Client acquisition strategy for the Army – the recommendation focuses on developing an enterprise-wide acquisition strategy for purchases of Thin Client equipment.
- Develop a Components, Peripherals, and Accessories acquisition strategy for the Army – the recommendation focuses on developing an enterprise-wide acquisition strategy for Peripherals.

Each of the three recommendations includes specific steps and a detailed business plan for implementation.

***Desired outcomes/benefits:*** Develop an installation-wide cross functional acquisition strategy for ADPE in order to lower the Total Cost of Ownership for acquired goods while serving the needs of customers/stakeholders; leverage commercial best practices in order to streamline and standardize acquisition business processes; and address improvements in meeting socio-economic goals through the use of strategic sourcing, as applicable

***Who, if anyone, are you working with on driving the initiative?***

The ADPE team was launched in May of 2006. The team was led by IMCOM East, Northeast Office (formerly IMA Northeast Region). The team consisted of representatives from the Regional CIO office, PEO EIS, Army Contracting Agency, IMCOM Plans, Regional DOIMs, and Army Small Business.

Implementation of the recommendations will be driven by ACSIM/IMCOM headquarters with support from CIO/G6 and Army Small Computer Program (ASCP).

***Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).***

The ADPE market place is highly competitive.

***Describe what drives the requirement around this category.***

A combination of incremental funding issues and concerns dictating when ADPE purchases are made Army-wide, as well as the current Army ADPE Hardware “refresh schedule” of every 3 to 5 years.

***How is the sourcing strategy today different from what you have done in the past?***

In the past, ADPE requirements were not aggregated at a level higher than the installation, and often one or two levels below that.

**Implementation**

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

***What is the current status?***

On November 14, 2006, the commodity strategy was presented to BG MacDonald and the IMCOM Regional Directors (RDs) for approval. Based on the recommendations, BG MacDonald gave his approval for the three strategy recommendations. The team is currently in the process of communicating with key IT stakeholders and developing detailed steps and a timeline for implementation.

***When are your next steps and actions to be completed?***

Next steps for the ADPE initiative are to continue communication with key IT stakeholders to generate buy-in, finalize implementation steps/timeline, and finalize roles and responsibilities.

***What are the proposed dates for the final product (for example, a finalized plan and/or contract award date?)***

Implementation of the recommended improvements to the Consolidated Buy program and an acquisition strategy for Peripherals is slated to be finished by the end of FY08. Development of a Thin Client acquisition strategy will be based on the Army’s migration towards Thin Client technologies and is currently being slated to be completed at a future date yet to be determined.

**Metrics**

***Total spend covered within initiative (\$):***

Initiative	Total Spend (FY07-FY11)
ADPE	\$703 - \$885 M <sup>(1)</sup>

(1) Based on IMCOM and installation tenant spend in CONUS and AK/HI.

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance:***

Initiative	Total Cost Avoidance (FY07-FY11)
ADPE	\$67 - \$167 M <sup>(1)</sup>

Based on IMCOM and installation tenant spend in CONUS and AK/HI.

***Small business spend before and after initiative (% change and direction)***

Initiative	Small Business Spend Pre-Initiative	Small Business Spend Post-Initiative	% Change
ADPE	TBD	TBD	TBD

***What were the SBA goals?***

No specific SBA goals have been established for ADPE; however, they will be addressed as part of implementation.

***Lessons Learned, including Limitations and Best Practices / Success Stories***

***What do you recommend future initiatives do to be successful?***

We recommend that all future strategic sourcing initiatives:

- Involve key stakeholders early on in the strategic sourcing process. For commodities such as ADP Equipment within the Army, enterprise programs/contracts are in place for purchasing. It is important to get buy-in from stakeholders from the organizations managing these programs/contracts upfront and throughout the process. This includes communication with these organizations prior to kickoff and also includes regular team participation by stakeholders from these organizations. Communication and buy-in upfront can lead to an easier transition to implementation and alleviate ownership issues.
- Understand that data limitations and gaps exist. Although gaps existed in identifying total IT expenditures across IMCOM and the Army, the ADPE strategic sourcing team primarily gathered contracting data available from the ACA Business Intelligence System (BIS) to best estimate spend and cost avoidance figures for ADPE spend by IMCOM and installation tenants.
- Define and lock down the scope of the team early in the process. Although there was interest in analyzing and sourcing ADP software and services, the team kept its focus on ADPE because of the unique supply market for IT hardware. ADP software and services can be addressed by future commodity teams.
- Look at the supply market from the market’s perspective and learn to see the market as it sees itself.

***What would you change?***

While we continue to capture and implement lessons learned, we would make no significant changes at this time.

***Can it be implemented and corrected?***

***If so, what is the timetable? What is the appropriate time to execute the sourcing activity?***



## **NAME OF ACQUISITION: Installation Management Command (IMCOM), Food Service**

### **Purpose / Strategy**

What is the scope of the project and the desired outcome/benefits?

**Scope:** The scope of Contracted Food Services includes contracted food preparation and serving, contracted KP (kitchen patrol), and supplies (included in some contracts)

***Desired outcomes/benefits:***

- Identify potential opportunities for strategically sourcing Food Services and to lower Total Cost of Ownership (TCO)
- Identify opportunities to leverage existing programs/initiatives and contracts for Food Services
- Identify IMCOM-wide standards for recommended service levels for Contracted Food Services
- Improve Dining Facility (DFAC) utilization rates
- Continue to meet socio-economic goals

***Who, if anyone, are you working with on driving the initiative?***

The team is led by IMCOM West, Southwest Office (formerly IMA Southwest Region). The team consists of representatives from IMCOM Headquarters, IMCOM Region Logistics, IMCOM Region Plans, Army Contracting Agency, and Food Program Managers at the region and installation level across the Army.

***Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).***

The market for Contracted Food Services is highly fragmented, with three key players (Compass, Sodexo, and ARAMARK) maintaining an oligopoly at the top end. The federal government’s ability to take advantage of this competitive market is constrained by the need to meet socio-economic goals under the Randolph-Sheppard Act and the Javits-Wagner-O’Day Act.

***Describe what drives the requirement around this category.***

AR 30-22 and DA PAM 30-22 describe the Army Food Program and its operating procedures. Requirements for Contracted Food Services range from Full Food Service contracts to Dining Facility Attendant contracts. The level of service contracted depends on the availability of military and civilian personnel to perform the required functions.

***How is the sourcing strategy today different from what you have done in the past?***

In the past, spending on Contracted Food Services was not analyzed on an enterprise-wide basis and comparisons of costs and utilization rates across installations and regions were not consistently performed.

### **Implementation**

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

***What is the current status?***

The Food Services team’s Commodity Strategy and recommendations have been briefed to the Regional Director – IMCOM West (September 18, 2007) and to Mr. Sakowitz (October 29, 2007) and were approved in these meetings.

***When are your next steps and actions to be completed?***

The immediate next step is for the recommendations to be briefed at the next EQC meeting and for HQDA G4 to be updated. When these briefings are completed, the Commodity strategy will then move into implementation phase.

***What are the proposed dates for the final product (for example, a finalized plan and/or contract award date?)***

These dates are still pending. They depend on the approval of the Commodity Strategy and the implementation phase.

**Metrics**

***Total spend covered within initiative (\$):***

Initiative	Total Spend (Annual)
Food Services	\$247 M

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

Initiative	Total Annual Cost Avoidance (Projected)
Food Services	\$6.5 – 12.7 M

***Small business spend before and after initiative (% change and direction)***

Initiative	Small Business Spend Pre-Initiative	Small Business Spend Post-Initiative	% Change
Food Services	TBD	TBD	TBD

***What were the SBA goals?***

Contracting for Food Services is governed by the Randolph-Sheppard Act and the Javits-Wagner-O’Day Act. This situation will not change as a result of this Strategic Sourcing initiative. In FY05 13 of the top 20 contracts for Food Services were with RSA or JWOD/AbilityOne contractors.

***Lessons Learned, including Limitations and Best Practices / Success Stories***

***What do you recommend future initiatives do to be successful?***

At this point in the project, there have been two main lessons learned:

As with any commodity to be sourced, it is critical to develop an accurate spending baseline. For the Food Services category, the three main data sources typically used (ACA-BIS, ISR, and IMCOM-Online) showed vastly different spending levels for FY05, the most recent complete fiscal year when the analysis began. The team decided to use baseline data from the ACA-BIS system since it can be tied back to contracts. This baseline data was also validated via interviews with the Food Program Managers at the 15 installations that were analyzed in-depth.

It is crucial to schedule key briefings very early in the planning process. The Food Services project suffered from delays between the time the Commodity Strategy was completed (April 2007) and when the briefings were ultimately completed (September/October 2007).

***What would you change?***

While we continue to capture and implement lessons learned, we would make no significant changes at this time.

***Can it be implemented and corrected?***

We anticipate that once the Commodity Strategy and recommendations have received all required approvals the implementation will proceed.

***If so, what is the timetable? What is the appropriate time to execute the sourcing activity?***

The implementation plan will be finalized once all required approvals have been received. We estimate that implementation of the team's recommendations will take approximately 12 months, with some elements ongoing as contracts expire.

**NAME OF ACQUISITION: Installation Management Command (IMCOM), Management and Professional Services (MPS) – Environmental Services**

**Purpose / Strategy**

*What is the scope of the project and the desired outcome/benefits?*

**Scope:** Based on initial analysis, the team has identified Environmental Services as the initial target opportunity within Management and Professional Services. Environmental Services can typically be segmented into four main categories: Environmental Compliance, Environmental Conservation, Pollution Prevention, and Restoration (out of scope).

**Desired outcomes/benefits:** Desired outcomes include:

- Identify potential opportunities for strategically sourcing Environmental Services and to lower Total Cost of Ownership (TCO)
- Identify opportunities to leverage existing programs/initiatives and contracts for Environmental Services
- Identify opportunities to leverage IMCOM volume and increase competition
- Develop standardized definitions and Performance Work Statements (PWSs) for use IMCOM-wide
- Identify opportunities to optimize USACE fees

*Who, if anyone, are you working with on driving the initiative?*

The MPS Commodity Strategy development team was launched in October of 2006. The team was led by IMCOM West, Pacific Region Office (formerly IMA Pacific Region). The team consisted of representatives from IMCOM HQ, IMCOM Region Plans, IMCOM Region Public Works, IMCOM Region Logistics, IMCOM HQ Environmental, Army Contracting Agency, Army Small Business and garrison and installation representatives from across the Army. Army Environmental Command has agreed to lead the implementation phase.

*Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).*

The U.S. environmental services market is highly fragmented, with many small firms providing services locally.

*Describe what drives the requirement around this category.*

Requirements in this category are driven by pollution prevention, conservation and compliance standards.

Pollution prevention requirements are based upon:

- Clean Act Amendments of 1990
- Emergency Planning & Right to Know
- Executive Orders 13148 and 13101
- Other local, state and federal pollution prevention requirements

Conservation requirements are based upon:

- National Historic Preservation Act
- Archeological Resources Protection Act
- Native American Graves Protection & Repatriation Act

- Sikes Act
- Endangered Species Act
- Clean Water Act
- Federal Insecticide, Fungicide, Rodenticide Act
- AR 200-3 and AR 2004-4
- Other applicable Executive Orders, local, state and federal governing standards

Compliance requirements are based upon:

- Applicable new local, state and federal governing standards for environmental quality and management

***How is the sourcing strategy today different from what you have done in the past?***

In the past, spending on Environmental Services was not analyzed on an enterprise-wide basis and comparisons of costs across installations and regions were not consistently performed.

## Implementation

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

***What is the current status?***

DCG has approved the team's Commodity Strategy, and the Strategy has been briefed to IMCOM EQC. Army Environmental Command kicked off the implementation phase in October 2007.

***When are your next steps and actions to be completed?***

The implementation phase includes the selection of pilot projects and the development and negotiation of an ID/IQ contract for Environmental Services. Immediate next steps include finalizing the list of pilot projects and making a Sources Sought Announcement (projected by mid-December 2007) and conducting an Industry Day (projected for the end of January 2008).

***What are the proposed dates for the final product (for example, a finalized plan and/or contract award date?)***

The team currently projects that contracts for the ID/IQ will be awarded in late October 2008.

***Metrics – If data is not available, please provide an explanation. (Be sure to include a baseline measurement for each metric.)***

***Total spend covered within initiative (\$):***

Initiative	Total Spend (Annual)
Environmental Services	Approx. \$137 M (includes \$13M of AEC spend on work done at IMCOM installations)

**Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.**

Initiative	Total Annual Cost Avoidance (Projected)
Environmental Services	\$5-6 M

**Small business spend before and after initiative (% change and direction)**

Initiative	Small Business Spend Pre-Initiative	Small Business Spend Post-Initiative	% Change
MPS	TBD	TBD	TBD

**What were the SBA goals?**

Across all regions, approximately two thirds of Environmental Services suppliers were classified as small businesses in FY05. The implementation team is currently developing SBA goals for this initiative and expects small businesses to continue to make up a significant portion of the supply base.

**Lessons Learned, including Limitations and Best Practices / Success Stories**

The team built a cross-walk between IMCOM-Online data which has spend data (obligations) detailed to the AMS8 code level and the ACA/BIS system which has contract and supplier identification data.

**What do you recommend future initiatives do to be successful?**

The team is capturing lessons learned as the project progress.

**What would you change?**

While we continue to capture and implement lessons learned, we would make no significant changes at this time.

**Can it be implemented and corrected?**

N/A

**If so, what is the timetable? What is the appropriate time to execute the sourcing activity?**

We estimate that implementation of the team’s recommendations will take approximately 12 months, with contracts for the ID/IQ projected to be awarded in late October 2008.

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**NAME OF ACQUISITION: Installation Management Command (IMCOM), Municipal Services (MS)**

**Purpose / Strategy**

*What is the scope of the project and the desired outcome/benefits?*

**Scope:** The team has identified two primary areas of opportunities for Strategic Sourcing within the Municipal Services commodity. They include: Custodial and Refuse/Recycle services.

**Desired outcomes/benefits:** Desired outcomes include:

- IMCOM-wide standards for recommended service output levels for selected Municipal Services
- Developing IMCOM-wide cross-functional acquisition strategy for Municipal Services in order to reduce total cost of ownership for acquired services while serving the needs of IMCOM customers/stakeholders
- Leveraging commercial best practices in order to streamline and standardize acquisition business processes;
- Addressing improvements in meeting socio-economic goals through the use of strategic sourcing, as applicable
- Acquiring enhanced skills in sourcing strategically through the utilization of commercial practices and processes

*Who, if anyone, are you working with on driving the initiative?*

The team is led by IMCOM West, Northwest Office (formerly IMA Northwest Region). The team consists of representatives from IMCOM HQ, IMCOM Region Plans, IMCOM Region Public Works, Army Contracting Agency, Army Small Business, and other Regions and Garrisons.

*Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).*

The market is highly fragmented for both custodial services and refuse/recycle services. Both markets utilize a large amount of unskilled labor, which is the primary cost driver for both markets.

*Describe what drives the requirement around this category.*

Requirements for custodial services (i.e. cleaning frequencies and tasks) are driven by a combination of health policies for Child Development Centers, guidelines from Building Owners and Managers Association (BOMA) standards and Common Levels of Support (CLS), customer experience/requests, and budgetary constraints.

Requirements for refuse/recycle services (i.e. pickup frequencies and disposal costs) are driven by troop mobilizations/installation population, recycling targets, overall trash volume, and past experience of the contracting office.

*How is the sourcing strategy today different from what you have done in the past?*

The sourcing strategy for custodial services is to implement a common, acceptable standard for cleaning frequencies across IMCOM. Currently there are wide disparities in levels of service and costs per square foot among installations.

The sourcing strategy for refuse/recycle services is to implement a common, performance based collection program based on better container management and reduced collection frequencies. Currently there are no standards for container sizes and there are few performance based contracts.

## Implementation

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

The Commodity Strategy was approved by the IMCOM DCG on August 23, 2007. An implementation schedule has been developed. However, implementation is awaiting a hiring action to bring on a Municipal Engineer to lead the implementation effort.

***What is the current status?***

The Commodity Strategy was approved by the IMCOM DCG on August 23, 2007. Implementation will proceed when a Municipal Engineer is hired to lead the implementation effort

***When are your next steps and actions to be completed?***

Next steps are to move forward with recommendations in the Commodity Strategy.

***What are the proposed dates for the final product (for example a finalized plan and/or contract award date?)***

Implementation will be a 6 – 9 month process to establish new agreements.

## Metrics

***Total spend covered within initiative (\$):***

Initiative	Total Spend
Custodial Services	\$69.7 M
Trash/Recycle Services	\$63.0 M

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

The total cost avoidance estimate is currently in process and will be included in the Commodity Strategy reference above.

Initiative	Total Cost Avoidance (Projected)
Custodial Services	\$4.4 - \$12.3 million
Trash/Recycle Services	\$2.8 - \$5.4 million



**Small business spend before and after initiative (% change and direction)**

Initiative	Small Business Spend Pre-Initiative	Small Business Spend Post-Initiative	% Change
Custodial Services	50 – 80%	50 – 80%	0%
Trash/Recycle Services	50 – 80%	50 – 80%	0%

Small business and NISH spend is estimated to be over half of the overall spend for both custodial and refuse/recycle services. It was not possible to calculate an accurate percentage of small business spend overall.

**What were the SBA goals?**

The southern regions have had a target of 48% for small business.

Custodial services currently has a large number of NISH and small business contractors. 19 of the top 20 contractors are either NISH or small business contractors. There is expected to be little, if any, negative impact on NISH or small business for custodial services from this initiative.

Refuse/Recycle services currently has a large number of small business contractors. There is expected to be a marginal impact on small business, the estimated amount of impact will be determined upon the completion of the Commodity Strategy document.

**Lessons Learned, including Limitations and Best Practices / Success stories**

**What do you recommend future initiatives do to be successful?**

The team is capturing lessons learned as the project progress. Achieving buy-in from the regional leads and naming points of contact early in the program is critical to the program’s success.

**What would you change?**

As stated in section above, the sourcing strategy for custodial services is to implement a common, acceptable standard for cleaning frequencies across IMCOM. Currently there are wide disparities in levels of service and costs per square foot among installations.

The sourcing strategy for refuse/recycle services is to implement a common, performance based collection program based on better container management and reduced collection frequencies. Currently there are no standards for container sizes and there are few performance based contracts.

**Can it be implemented and corrected?**

Assuming the approval of the commodity strategy and support from both the installations and the regions, the team believes that the stated strategy can be implemented.

**If so, what is the timetable? What is the appropriate time to execute the sourcing activity?**

The timeline is currently in development. The timeline will be included in the Commodity Strategy document referenced previously.

## **NAME OF ACQUISITION: Installation Management Command (IMCOM), Maintenance and Repair of Buildings (M&R)**

### **Purpose / Strategy**

*What is the scope of the project and the desired outcome/benefits?*

**Scope:** Based on the Strategic Sourcing process and extensive analysis, the team identified two specific spend areas within Maintenance and Repair of Buildings for further analysis: HVAC and Roofing.

**Desired outcomes/benefits:** Develop an IMCOM-wide cross-functional commodity strategy for key M&R areas to lower Total Cost of Ownership (TCO) while serving the needs of customers/stakeholders; and leverage both commercial and internal best practices in the acquisition and management of key building maintenance areas.

#### ***Who, if anyone, are you working with on driving the initiative?***

The team was led by IMCOM East, Southeast Office (formerly IMA Southeast Region). The team consisted of representatives from IMCOM Headquarters, IMCOM Regional Public Works, IMCOM Regional Plans Division, Army Contracting Agency, and Army Small Business.

#### ***Describe the nature of the “market” (undifferentiated, highly competitive, or sole source).***

The market is highly competitive.

#### ***Describe what drives the requirement around this category.***

The requirement is primarily driven by incremental funding issues and the cyclical nature of the required services. Additional drivers include:

- **HVAC** – Demand for HVAC equipment and services is driven by the needs of the individual installations. HVAC services are required to install, maintain and service new and existing HVAC equipment. Currently, installations vary in terms of the amount of preventive maintenance conducted based on budget and priorities. For HVAC equipment, new purchases are driven by failure of old equipment, major building renovations, and new construction (purchase of equipment for most new construction is outside of the project scope, but maintenance of the resulting equipment is in scope). Currently, the Army does not have an enterprise-wide agreement for purchasing new HVAC equipment. Because HVAC equipment purchases are project-driven and often awarded to different contractors over time, there is a diverse mix of provider equipment throughout the Army as well as within individual installations.
- **Roofing** – Demand for roofing services is driven by the need to repair and/or replace existing roofing on buildings on Army installations. Currently, installations vary in terms of the amount of resources they are able to dedicate to roofing issues based on budget and priorities. However, it is clear that using cheaper materials and/or cheaper (less skilled) labor as a means to save money in the short-term (common practice in today’s funding constrained environment), quite often leads to premature roof failures and a host of related problems that end up costing the government significantly more over the long-term.

#### ***How is the sourcing strategy today different from what you have done in the past?***

- **HVAC** – For HVAC there are two strategies: (1) institute consistent preventive maintenance programs and (2) pursue equipment standardization through enterprise agreements. For HVAC preventive maintenance, installations historically have varied in terms of the amount of preventive maintenance conducted based on budget and other priorities. The goal of the pilot test of a standardized preventive maintenance program is to demonstrate the long-term financial value of pursuing a consistent, standardized program of preventive maintenance. For HVAC equipment purchases, historically each installation has generally installed a wide range of HVAC equipment brands over time. The HVAC system installed has typically been driven by the supplier chosen to do a particular repair, renovation, or construction project. This leads to a proliferation of equipment brands and types which drives up costs of training and spare parts and also negates any volume leveraging since equipment is purchased in one-off buys by project and by installation. The new strategy will seek to both standardize supply options on a discreet number of preferred providers and also establish volume-based pricing that better leverages IMCOM's spend on HVAC equipment.
- **Roofing** – Historically, there has been no standardized process for repairing and replacing roofs in terms of roofing specifications, no standardized requirements for contractor qualifications, no standardized quality assurance (QA) process and no standardized warranty. As a result average roof lives across the Army can vary widely based largely on how well the roof was initially constructed. Under the proposed new roofing strategy, guide specifications will be established, contractor qualifications will be documented to ensure supplier quality, standardized QA oversight procedures will be implemented and new roofs will be purchased with a standard 20-year no-dollar limit (NDL) warranty. These steps will help ensure improved initial roof quality and warranty coverage. Because poor initial roof quality has been shown to be the leading cause of premature roof failures, improving these aspects of roofing is expected to greatly extend roof longevity, decreasing total cost of ownership.

## Implementation

***What is the schedule for implementation? What and when are the goals and objectives to be achieved?***

***What is the current status?***

On November 14, 2006, the commodity strategy was presented to BG MacDonald and the IMCOM Regional Directors (RDs) for approval. Based on the recommendations, BG MacDonald gave his approval for the strategy recommendations presented in each of the two areas.

The team has developed a detailed implementation plan and timeline for the roofing strategy implementation. A pilot test has been initiated involving three roofs at Ft. Campbell. The three pilot roofs have been inspected and the design specifications for the replacement roofs are in the process of being finalized. Additionally, two enterprise-wide MATOC agreements are in the process of being developed by the Louisville District, COE that will be used for future inspections and roof replacements.

The team is currently developing detailed steps and a timeline for the HVAC strategy implementation.

***When are your next steps and actions to be completed?***

For the roofing strategy, roof replacement work for the pilot test is expected to be completed by February 2008. The two MATOC agreements are expected to be completed by March 2008. Also, the implementation of the roofing strategy by the Southeast Office will begin through the inspection of 50 buildings expected to be completed by January 2008. Roof replacement or repair on those 50 buildings will commence throughout

the spring and summer of 2008. Additional building inspections are expected to take place throughout the summer of 2008, which will be used to create a roof repair/replacement plan for FY 2009.

***What are the proposed dates for the final product (for example, a finalized plan and/or contract award date?)***

Based on the results of the pilot test, the 50 building inspections, and the development of the two MATOCs, a revised plan for the roofing strategy implementation is expected to be briefed to IMCOM leadership for approval in April 2008.

**Metrics**

***Total spend covered within initiative (\$):***

Spend Area	Total Spend
HVAC PM	NA <sup>(1)</sup>
HVAC Equipment	\$275 M <sup>(2)</sup>
Roofing	\$93 M <sup>(3)</sup>

- (1) Spend is not readily available at this level of detail in any centralized location. Spend in DD-350 is tracked by type of building not by type of work performed (e.g., “Maintenance and Repair of Office Buildings” rather than “HVAC preventive maintenance”). In a survey conducted at 15 sample installations, little to no money was being spent on HVAC PM currently. A pilot test is recommended using a sampling of installations to gauge the overall cost of implementing a consistent PM program as well as to validate the financial benefits resulting from the program.
- (2) Represents the estimated 5-year total spend on HVAC equipment and replacement parts.
- (3) Estimated FY05 roofing spend based on a sampling of 15 IMCOM installations extrapolated to the full IMCOM population.

***Total cost avoidance (\$, schedule, resources and/or performance), e.g., reductions in the prices of goods and services, reductions in the cost of doing business, or improvements in performance.***

Spend Area	Total Cost Avoidance (Projected)
HVAC PM	\$292M - \$364M <sup>(1)</sup>
HVAC Equipment	\$13M - 40M <sup>(2)</sup>
Roofing	TBD <sup>(3)</sup>

- (1) 30-Year Savings; Low end assumes pursuit of two highest priority equipment categories, high-end assumes pursuit of two high priority and two medium priority equipment categories. Actual cost avoidance will vary based on the extent of the PM program and the consistency with which it is applied.
- (2) Cumulative 5-year savings net of investment and including a 6-month savings ramp-up period in year 1 (Range assumes 5-15% savings)
- (3) The team is recommending a pilot test be conducted as a proof of concept and as a means to gather additional data to be used in quantifying the benefits of the proposed roofing program.

**Small business spend before and after initiative (% change and direction)**

Spend Area	Small Business Spend Pre-Initiative	Small Business Spend Post-Initiative	% Change
HVAC PM	TBD	TBD	TBD
HVAC Equipment	TBD	TBD	TBD
Roofing	TBD	TBD	TBD

**What were the SBA goals?**

As noted earlier, the contracting database captures data by type of building not by type of work performed (e.g., “Maintenance and Repair of Office Buildings” rather than “HVAC preventive maintenance”). Because of this limitation, current small business usage at this level of detail (e.g., roofing, HVAC PM, etc.) is not readily available. Therefore it is not clear exactly what the current small business usage is in each of these areas and IMCOM currently does not set small business goals at this low level of spend detail.

The team is working closely with members of ACA, COE and the Small Business Office on the implementation plans and the two proposed pilot tests (roofing and HVAC PM) and will work to establish reasonable small business objectives for each initiative. An 8(a) contractor is being used with the roofing pilot. Additionally, COE is looking to incorporate small business objectives with the development of the two enterprise-wide MATOCs.

**Lessons Learned, including Limitations and Best Practices / Success Stories**

**What do you recommend future initiatives do to be successful?**

Lessons learned from the M&R strategic sourcing team include:

- **Data Collection** – The data required to conduct a thorough spend analysis is not always readily available at the required level of detail in a centralized source. In the case of M&R services, the team found that commonly used data sources such as FPDS/DD-350 did not contain sufficient detail to conduct a proper spend analysis. The spend classification system in these databases captures spend by the type of building for which the work was performed (e.g., M&R of office buildings, M&R of troop housing, etc.) rather than by the type of work performed (e.g., roofing, HVAC, painting, etc.). The team determined that developing a data call to be sent to a sampling of garrison Department of Public Works (DPW) offices would be the most effective means of gathering the spend detail required. By gathering the data in this way, the team was able to not only isolate the type of spend (e.g., roofing, HVAC, etc.) but often other important details such as repair vs. replacement vs. preventive maintenance and other important information regarding items such as contracting methods, base-level acquisition strategies and small business usage.
- **Technical Expertise** – Many of the recommendations from the M&R team relate more to demand management and internal practices than drastically different acquisition strategies. Partnering with DPW engineering stakeholders with the required technical expertise in areas such as roofing, HVAC, etc was critical to identifying improvement opportunities beyond simple price competition tactics.
- **Leverage Internal Best Practices** – In the case of roofing, working closely with other organizations outside of IMCOM but still within the Army such as the Corps of Engineers Research Lab (CERL) and the Army Reserve identified a number of best practices that could be leveraged on the active duty side for IMCOM installations.

- Ensure Cross Functional Participation – Ensuring participation upfront from all key stakeholder groups including IMCOM DPW, IMCOM Plans, installation-level engineering representatives, ACA, and small business was integral to developing the recommended improvement opportunities.

***What would you change?***

At this point we are still examining lessons learned.

## **SECTION 5:**

# **DEPARTMENT OF NAVY ANNUAL REPORT ON STRATEGIC SOURCING FISCAL YEAR 2007**

## **MARINE CORPS**

### **EXECUTIVE SUMMARY**

The FY 04 Strategic Purchasing Initiative (SPI) formally launched a Marine Corps approach to strategic sourcing of goods and services. SPI built on existing Marine Corps best practices and incorporated Lean Six Sigma concepts as alluded to in a Strategic Sourcing article in the Sep/Oct 2007 issue of Defense Acquisition University's *AT&L Magazine*.

This annual report updates the progress of the Marine Corps Information Technology Commodity Team (IT CT) that was chartered in September 2005. The IT CT implemented its initial recommendations via updated Blanket Purchase Agreements that were advertised in 2007 and refocused on peripherals in Spring 2007. An IT CT sub-team focused on Multifunction Devices and implemented a strategy in April 2007 via Memorandum of Agreement with the Defense Logistics Agency.

Strategic Sourcing principles underpin a major Supply Study which reached a crescendo in Summer 2007. Implementation of the Supply Study is expected to be a main topic of next year's report on FY 2008 as initial operating capability is achieved. Full operating capability is anticipated by the end of FY 2010.

### **STATUS OF FISCAL YEAR 2006 STRATEGIC SOURCING INITIATIVES**

The main goals and objectives reported in FY 06 were retained in FY 07. Support to the Operating Forces of the Marine Corps is an unstated but overarching goal of our Strategic Sourcing efforts. The stated goals of Strategic Sourcing were:

- Establish enterprise-wide cross-functional acquisition strategies
- Reduce Total Cost of Ownership for acquired goods and services
- Improve USMC's ability to meet socio-economic goals
- Standardize acquisition business processes
- Improve the skills of Marine Corps' acquisition community

The main Strategic Sourcing effort of FY 06 was to exploit the improvements and opportunities identified by the Marine Corps IT CT. The IT CT efforts were limited to IT procurements that fall outside the purview of the Navy-Marine Corps Intranet (NMCI).

The IT CT assisted the well established enterprise wide IT procurement program of the Marine Corps Systems Command (MCSC) which is known as the Marine Corps Common Hardware Suite (MCHS). This team continued to be a cross functional team led by Mr. Dave Berry, Lead Contracting Officer, Information Systems & Infrastructure (PG 10), MCSC. Updating Blanket Purchase Agreements were addressed by MCSC in 2007. The IT CT also addressed IT peripherals in 2007.

In FY 06 the IT CT identified a need to focus on Multi-Function Devices (MFD's) that provide the printing, copying, and/or scanning function and that are permitted to be connected to NMCI. In order to protect the integrity of NMCI, rigid testing procedures are required prior to connecting a Marine Corps procured MFD to NMCI. MFD's were addressed in FY 07.

Key players in Marine Corps Strategic Sourcing have come to view Strategic Sourcing as a specialized form of transactional Lean Six Sigma (LSS). Strategic Sourcing often causes improvement simply by providing greater transparency about the relationship between the demand drivers behind the "requirement" and the cost drivers in the "market". As a Commodity Team (CT) documents existing processes, cumbersome processes may be revealed that cry out for improvement via traditional LSS. (LSS improvements are reported via normal Marine Corps Continuous Process Improvement (CPI) reporting). For example, at the outset in FY 05, the IT CT documented the IT acquisition process and flagged it as a potential process streamlining. The IT acquisition process was addressed in FY 07 as part of the Marine Corps Lean Six Sigma (e.g., CPI) effort but is not addressed in this report.

A Clothing CT was mentioned in the FY 06 report. The Clothing CT outputs were seen as a useful approach to the larger issue of enterprise-wide supply chain management. The efforts of the small Clothing CT were put on hold and the efforts were subsumed into a much larger Supply Study.

## **FISCAL YEAR 2007 STRATEGIC SOURCING INITIATIVES**

### **Highlights of Key Initiatives**

While maintaining or improving support to Marine Corps Operating Forces *from the viewpoint of the Operating Forces*, the Strategic Sourcing goals for FY 07 remained:

- Establish enterprise-wide cross-functional acquisition strategies
- Reduce Total Cost of Ownership for acquired goods and services
- Improve USMC's ability to meet socio-economic goals
- Standardize acquisition business processes
- Improve the skills of Marine Corps' acquisition community

### **IT CT - Peripherals**



The IT peripherals scope included essentially office supply related items (CD's, USB Flash drive, mice, toner cartridges, and cables) and more computer related items (CD players, USB hubs, monitors, keyboards, power supplies, and RAM memory chips). These items were high spend/high demand items that are closely related and are easily sourced. Some of the items are available through the NMCI contract. Some of the items (mice, keyboards, and monitors) come as part of larger package such as a "seat" (i.e., an individual workstation).

Government-wide Commercial Purchase Cards account for about \$10.2 million of peripheral spend. An analysis of the spend revealed the ink/toner, data storage media, and paper products made up 62% of the purchase card spend and that 13% of the vendors made up 80% of the purchase card spend. Small business accounted for 6.2% of the purchase card spend. About 22% of the purchase card spend was routed through DoD EMall.

Market research found that prices per gigabyte (GB) of memory on Hard Drives and in USB Flash Drives has been decreasing at a very fast annual rate while at the same time GB capacity increases regularly. Ink and toner cartridges are very critical to Original Equipment Manufacturer's (OEM's) revenues. Non-OEM ink and toner cartridges are up to 35% less expensive than the OEM equivalent item however some non-OEM items have reliability problems.

The existing situation was evaluated using a commodity positioning matrix that integrates business/mission criticality with the buyer's ability to influence the supply market. Peripherals are not normally mission critical to the Marine Corps and the Marine Corps is not an influential player in the peripherals market place. This implies that the Marine Corps should seek strategies that simply improve peripheral purchasing efficiency and reduce transactional costs. Opportunities to increase small business volume would also be desirable.

Five potential strategies were reviewed. Potential Strategy 1 (PS 1) would develop new Marine Corps wide agreements managed by "MARCORSYSCOM". PS1 had the advantage of tight control of peripheral items furnished and of leveraging Marine Corps spending but the disadvantages of lead time and raising fixed transaction costs. PS 1 had high savings potential but low ease of implementation. PS 2 would mandate use of DoD EMall with *any* of its existing contracts. PS 2 had the advantage of short lead time and online reporting but had the disadvantages of variable pricing and no control of what specific peripherals were available. PS 2 had a medium-high ease of implementation but only a medium savings potential. PS 3 was similar to PS 2 and mandated use of *specific contracts* on DoD EMall. PS 3 would be a little more difficult as it would require more intense communication and work with DoD EMall administrators to direct Marines to the specific contracts allowed. PS 4 envisioned creating dedicated Marine Corps peripherals contracts. PS 4 shared the advantages of PS 1 but unfortunately also shared the disadvantages of both PS 1 and PS 3. PS 5 envisioned shutting down the independent IT CT peripherals effort and rolling it into the much larger Supply Study that is addressed later in this report.

In Summer 2007, the IT CT selected PS 2 and pushed for rapid implementation. PS 2 was obviously an interim solution that would probably be obsolete once the larger Supply Study reached full implementation in a few years. Simple draft implementing guidance (i.e., a "MARADMIN") was developed and routed for comment. The need for a few clarifications was identified in order to emphasize that important technical guidance was still in effect. By the end of Summer, the MARADMIN was ready of release but in the interim the Supply Study had

reached fruition. The initial capability expected from the Supply Study was expected to overlap with PS 2 and generate an opportunity for unnecessary confusion.

A hybrid of PS 2 and PS 5 is expected to be rolled out in early FY 08 via a minor editing of the existing draft MARADMIN. On an informal basis, PS 2 has been implemented. The hybrid should provide improved use of small business as well as reduced transactional costs.

### **IT CT sub team on MFD**

Multifunctional Devices (MFD's) are devices that perform more than one function that was traditionally performed by digital copiers, scanners, and/or printers. Devices that are intended for connection to the NMCI system must be rigorously tested for NMCI compatibility and for security. The choice of MFD's that NMCI will provide is limited. The NMCI contract can provide MFD's but NMCI is really optimized to provide a cost effective enterprise-wide network with associated workstations.

A crude spend analysis revealed an aggregate MFD and copier requirement of approximately \$20 million. This requirement included equipment installation, consumable supplies other than paper, and repair/maintenance services. The testing and certification requirements pose a significant barrier to connecting scanners, printers or MFD's to the NMCI network. Currently the spend is highly fragmented with an excessive reliance on single function machines.

Market research was conducted via GSA Advantage and found there was no reasonable expectation of finding two or more small businesses capable of supporting the Marine Corps units nationwide. Market research revealed a market where technically sophisticated acquisition teams could be cost effective. Additionally, technically sophisticated acquisitions teams could navigate NMCI certification more effectively. Technical skills are helpful in avoiding needless re-testing of models that are merely cosmetically different and in early recognition of technically significant revisions to previously NMCI tested models.

The existing situation was an excessively fragmented 'requirement' that really could not be served by small business and a market where it was advantageous to have technically sophisticated acquisition teams. An obvious strategy would be to consolidate spend and/or increase the sophistication of the acquisition team. However, it would take time to build a sophisticated team and even the \$20 million annual requirement was a little too thin to support the overhead of a sophisticated team. The lack of sufficient internal volume needed to support the obvious strategy caused the Marine Corps to look for a partner.

The Document Automation and Production Service (DAPS) is part of the Defense Logistic Agency. DAPS has more sophisticated requirements to meet its own basic internal needs. DAPS has a large volume of business which allows it to support a technically sophisticated staff with the specialized skills needed for cost effective MFD procurement. DAPS also has recent experience with NMCI certification for a Navy client. DAPS has the sophistication to recognize devices that are cosmetically different but that are internally identical and thus would not need retesting by NMCI. Finally, DAPS has good testimonials from its customers including a Marine Corps unit in Japan. Thus, seemed an ideal partner with whom the Marine Corps in order to implement the MFD strategy.

In April 2007, the strategic sourcing decision was made to partner with DAPS and to rely on DAPS technically sophisticated acquisition team rather than build such a team within the Marine Corps. Strategy implementation begins in FY 2008 (i.e. Oct 2007).

## **Supply Study**

The scope of the "Supply Study" was the entire Marine Corps Garrison Retail Supply System (GRSS). Rather than studying a relatively small family of items, the study looked at how to more effectively manage the enterprise-wide supply chain that encompasses GRSS. While GRSS was extremely broad it did fall within our working definition of "commodity group", i.e., what Strategic Sourcing could reasonably address.

In FY 04, the Marine Corps worked with RAND Corporation and the Air Force while exploring Strategic Sourcing as a best practice. With RAND Corporation, we developed a working definition of "commodity group" which in theory is what a Commodity Team should be chartered to address. Our working definition of commodity group was: "A commodity group is an aggregation of requirements within and across business units, locations, and over time that, aggregated together, have similar characteristics (e.g., technologies, markets, suppliers, value, vulnerability, management, economies of scale, scope in acquisition and management) affecting cost, performance, and other properties." In hindsight GRSS, clearly met our Marine Corps working definition of a "commodity group".

An analysis of spend revealed a \$100 million annual requirement with about \$70 million provided by bricks and mortar GRSS stores that was scattered over 11 bases and stations. The remainder of the requirement is acquired on the local market via purchase card (\$20 million) or via DoD Email (i.e., an internet purchase). GRSS is currently highly fragmented. The supply chain is not integrated. Each base and station has a different GRSS solution to provide routine supplies needed to support Marine Corps operations. Currently, 1970's information technology is still used for local GRSS business operations. There is no modern enterprise-wide GRSS information technology in use and there is no plan to upgrade, integrate or replace the existing GRSS information technology.

Market research was as part of an independent study of the best method of managing the existing Marine Corps stores on an enterprise wide basis. The study revealed that a public/private venture was possible. Partnering with or duplicating another agencies model was also reviewed. While supporting our Marines is always paramount, our next level of concern in the study included (1) cost of operations per dollar of sales, (2) ability to leverage our enterprise wide purchasing power, and (3) a strong desire to continue supporting the socio-economic goals (small business, AbilityOne, etc) of the Department of Defense.

The existing situation requires the Marine Corps to dedicate \$70 million of scarce Navy Working Capital Funds (NWCF) to fund inventories needed to support GRSS operations that are selling commercially available products. NWCF requires separate accounting and does not lend itself to surges in demand. Due to normal NWCF replenishment cycles, an unexpected sudden surge in demand can leave store shelves bare while the GRSS store expedites NWCF replenishment and then resupply. Bare shelves force Marine Corps units to use their purchase cards in order to meet urgent needs and thus to pay premium prices in town. War fighting rather

than GRSS is the core Marine Corps competency hence GRSS might reasonably be divested to the extent it does not impinge upon the core Marine Corps competency.

Four potential strategies were reviewed. Strategy 1 was to continue unchanged with the Marine Corps managing the stores even though GRSS operation is not a Marine Corps core competency. Strategy 2 was to shift to something like the DoD EMall and eliminate the existing bricks and mortar stores. Strategy 3 was to explore a public/private venture. Strategy 4 was to partner with the General Services Administration (GSA) whose mission is to "help federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services and management policies".

Strategy 4 was deemed the best strategy. It offered: (1) a reduction in commercially available consumable product pricing by utilizing enterprise-wide purchasing power, (2) a reduction in miscellaneous fees and administrative costs associated with use of government purchase cards, (3) avoidance of the costs associated with maintaining antiquated legacy supply systems, (4) an opportunity for divestiture of a non-core function with a concurrent reduction in Marine Corps GRSS use of scarce NWCF, and (5) support of the DoD's socio-economic goals regarding small business, etc.

In furtherance of Strategy 4, in October 2007 HQMC DC, I&L anticipates signing a Memorandum of Agreement (MOA) with GSA Federal Acquisition Service. The MOA outlines the general guidelines for the establishment of a Strategic Partnership in order to pursue an enterprise-level Garrison Retail Supply Chain (GRSC) management solution. This partnership is marked by the launch of a virtual Direct Stock Support Center (DSSC, ServMart) website test, representing the first step in the consolidation of the GRSC management. It is anticipated that application of GSA's expertise and ability to leverage enterprise-level purchasing on behalf of the Marine Corps will meet the goals of Strategy 4 by:

- Leveraging enterprise purchasing to negotiate larger discounts with commercial vendors
- Initiating a dedicated [www.USMCServMart.GSA.Gov](http://www.USMCServMart.GSA.Gov) website that interfaces with Marine Corps accounting systems to reduce the use and costs of Government Purchase Cards
- Transitioning to 95% vendor managed inventory, significantly reducing need for Navy Working Capital Funds
- Implementing a flexible IT solutions to replace aging legacy systems
- Capitalizing on GSA's pre-existent business relationships with AbilityOne organizations to support DoD socio-economic goals

## **LESSONS LEARNED/BEST PRACTICES/RECOMMENDATIONS**

### **Lessons Learned**

In hindsight we were surprised by the range in size and scope of "commodity groups" and thus of Commodity Teams that lend themselves to improvement via the disciplined approach used in Strategic Sourcing. One of our first CT's consisted of two people (the Headquarters, Marine Corps subject matter expert and a Censeo (contractor) expert in strategic sourcing techniques). This small CT identified opportunities for the external Executive Agency to provide the Marine Corps with more cost effective support of our internal needs. This small CT was fortunate to be faced with very limited array of items with a very predictable demand for each of the items. Obviously the Supply Study above which addressed GRSS was on the extreme other

end of the scale. The GRSS team was faced with a massive array of items, each of which had relatively unpredictable demand and had readily available commercial substitutes that were locally available.

Coordination between LSS process improvement team efforts and Strategic Sourcing team efforts can be beneficial to both. We chartered CT's primarily based on spend analysis insights and the CT's documented the relevant processes related to that spend. Process documentation often reveals LSS process improvement opportunities. LSS (teams working on a process improvement) may benefit from Strategic Sourcing efforts to understand market cost drivers and requirement mismatches. LSS teams are interested in eliminating waste and variation. Market-requirement mismatches may drive waste (over-processing, excessive transportation, needless motion, excessive inventory, needless wait time, etc) into the process that a LSS team is striving to improve. Conversely, a CT may be handed an opportunity by a LSS team that has found waste caused by market-requirement mismatch.

### **Best Practices**

Involve key stakeholders early on in the strategic sourcing process. Seek validation from them through every step of the analysis and include them in the development of the commodity strategy. Stakeholders will be more likely to accept and implement the commodity strategy recommendations if they have a sense of ownership because they were involved in the process and validated the analysis.

Commodities teams need to look at the supply market from the markets perspective and learn to see the market as it sees itself.

### **Recommendation for Future Initiatives**

At future DoD Strategic Sourcing Directs Board (SSDB) meetings explore reducing real or perceived restrictions or barriers to Strategic Sourcing teaming among the agencies and Services within DoD.

At future SSDB meeting, explore opportunities to leverage Strategic Sourcing on LSS efforts and vice a versa.

## **NAVY**

### **Navy Office Supplies**

#### **Purpose / Strategy**

This strategic sourcing solution was adopted by policy dated 12 April 2006 and focused on the purchase of Office Supplies following the description for the General Services Administration Federal Supply Schedule 75, Special Item Number 200, as commercially available off-the-shelf office items. Examples include, but are not limited to: binders, clips and fasteners, staplers,

pencils, pens, paper, printer and toner cartridges, calendars, pads, notebooks, desk accessories, filing supplies, Post-It notes, scissors, tape, waste containers, and data storage media (compact discs (CD), diskettes, digital tape).

The expected outcome of the project is to more effectively and efficiently deliver office supplies through the use of the Department of Defense (DOD) EMALL as an Internet ordering portal. The DOD EMALL produces costs savings by taking advantage of pre-existing vendor contracts and vendors in the DOD EMALL. Additionally, there are non-direct savings by having the items delivered to the desktop versus an administrative employee driving to Office Supplies stores to pick up items.

The Office Supplies Commodity Team is led by Mr. Jamey Halke, at Naval Supply Systems Command (NAVSUP) with team members representing NAVAIR, Commander, Fleet Forces Command (CFFC), Commander, Navy Installations (CNI), FISC San Diego, Navy Education and Training Command, Pensacola (NETC), and USMC Headquarters.

The team determined that the office supplies market is a very competitive retail environment with very few domestic small business manufacturers. Most manufacturers are large businesses and foreign businesses. Beyond the manufacturer level there are two main national wholesalers: SP Richards Co. (owned by Genuine Parts) and United Stationers.

Consumable office supplies are needed on a recurring basis requiring a supply chain management methodology to ensure availability at optimal prices and delivery terms. Customers are more concerned with ease of purchase and immediate availability. When ordering online, prompt delivery was a significant concern. Customer activities were not interested in limiting choices and controlling demand and generally valued immediate availability more than savings. Prior to implementation of the Navy Office Supply policy, the Navy was obtaining office supplies through ServMarts, online (through the GSA Advantage and the DOD EMALL), or open market. The commodity team found that office supplies were being purchased primarily by purchase card with little centralized buying. This resulted in a very limited amount of spend data being available for analysis. The majority of data that could be obtained was tied to a small amount of purchase card purchases and provided by the vendors.

The Navy's Office Supply Acquisition strategy utilizes the DOD EMALL to standardize the ordering process and provide cost-effective, customer-focused delivery of office products; takes advantage of the economies of scale; compiles purchase data through the DOD EMALL; ensures compliance with statutory requirements to purchase products furnished by people who are blind or severely disabled under the AbilityOne (formerly Javits-Wagner-O'Day Act (JWOD)) program; and maximizes small business opportunities.

The strategy consists of a near term and long term acquisition plan to improve sourcing of office supplies.

- The near term acquisition plan directed Navy Office Supply spending to the DOD EMALL with limited approved exceptions (such as FISC San Diego Virtual ServMart contract, etc).

## **Policy**

- Navy issued policy to make use of the DOD EMALL mandatory to acquire office supplies.
- The Commands updated their internal websites to direct users to DOD EMALL.
- The long term acquisition plan is to continually improve the sources of supply on DOD EMALL through a vendor management strategy developed, implemented, and managed by the Navy Office Supplies Commodity Manager.

## **Implementation**

The Navy policy for mandated use of DOD EMALL (with limited exceptions) was signed on 12 Apr 2006 and was implemented effective 01 May 2006.

While support of socio-economic programs is important, the over-riding success of the Office Supplies Commodity Council is dollar savings and gained efficiencies. The goals are met on an on-going basis as users become more comfortable searching and comparing products and competitive pricing on the DOD EMALL.

An electronic campaign to support the mandatory DOD EMALL registration by all purchase card holders is increasing the usage of DOD EMALL for office supply purchases. Training on DOD EMALL is not mandatory; however, the following training opportunities are available:

- DoD Electronic Mall Users Manual accessed from the logon page
- DOD EMALL Tutorial CD
- Classroom Training –conducted by DOD Trainers at various locations throughout the United States

Communication and policy efforts have influenced the growth of Navy users. Navy enrollment on the DOD EMALL is now over 10,000 individuals. In September 2007 there were over 41,800 office supply purchases made through the DOD EMALL.

The long term acquisition plan is to continually improve the sources of supply on DOD EMALL through a vendor management strategy. There are currently over 300 vendors on the DOD EMALL providing office supplies. Working with GSA and the Federal Strategic Sourcing Initiative Team, the team is planning the establishment of a reduced suite of office supply BPAs which will be available through the DOD EMALL. This will allow the Navy to leverage spend through the smaller source base. The new GSA BPAs were awarded in August 2007.

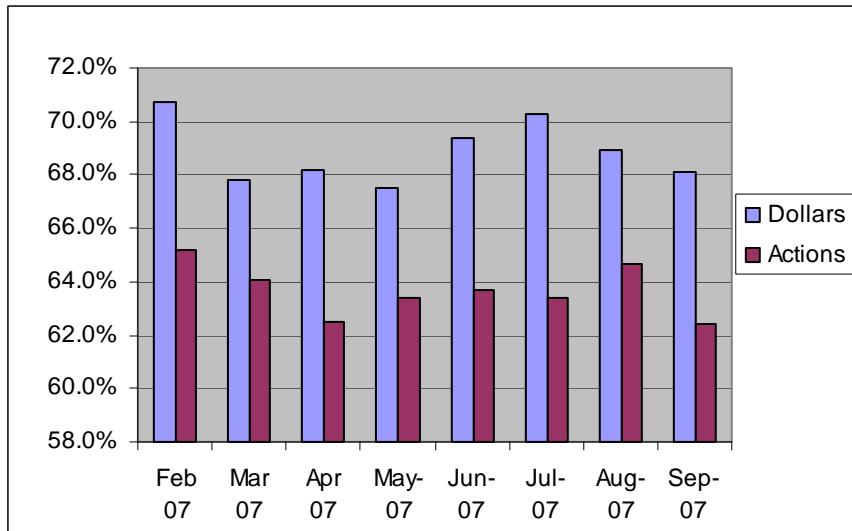
## **Metrics**

The total spend covered within the initiative was approximately \$97M. Based on an assumption of 65% of office supplies being addressable, and using a conservative industry standard of 10% reduction, annual savings was estimated at \$6.3M.

Based on initial market basket comparisons of the DOD EMALL pricing and GSA Advantage pricing, DOD EMALL tended to offer more favorable pricing. However, coinciding with GSA issuing a competitive solicitation for office supply BPAs, the delta between the DOD EMALL

pricing and the GSA pricing became noticeably closer. The effect of competition does drive pricing and while the metric may be flawed, the market basket analysis did not see pricing trend upwards – rather the margins between the vendor pricing was becoming smaller. While competition hold price rises down, true savings are only achieved when demand is curbed.

The Navy does recognize that this strategic sourcing effort has had a positive impact on efforts to support sales to small business. The overall Navy small business goal is 20%; however the Office Supply Goal is outperforming that goal. For example, for the month of September 2007, the small businesses obtained 68% of the nearly \$10M in DOD EMALL Office Supplies sales, or 62% of the transactions. This pattern of spend has been consistent.



**Lessons Learned, including Limitations and Best Practices / Success Stories**

During the strategic sourcing process, two issues emerged that have the potential to affect future initiatives.

There are too many sources on the DOD EMALL to effectively leverage the market. Working with GSA and the FSSI Office Supply Team may result in a smaller number of vehicle awards and establish a Federal Corridor for DOD use. The GSA has awarded a suite of 13 BPAs, however these have been involved in several protest actions to the GAO and have not been made available for Navy use. Once the GSA vehicles are available, the existing Navy policy can be tailored to work with the GSA solution in tandem with the limited number of DON contracts already awarded and hosted through the DOD EMALL.

In accordance with the Navy's Office Supply Acquisition strategy, the FISC San Diego Virtual ServMart Contract is an approved vehicle for the purchase of office supplies. The Virtual ServMart allows customers to go directly to the vendor's site to purchase office supplies.

\* Purchases made via the Virtual ServMart are included in reported metrics in accordance with policy.

\* The newly awarded Federal Strategic Sourcing Initiative (FSSI) BPAs have narrowed the source base of vendors for office supplies.



- \* The new FSSI Corridor on the DoD Email will redirect customers from an "open market" of approximately 300 vendors, to a limited selection of approximately 13 vendors for office supplies.
- \* The pricing on the FSSI BPAs are competitive and are a good alternative to the FISC San Diego Virtual ServMart Contract--which (to date) provides the "overall best pricing" on office supplies. We will use the competitive pricing on these vehicles to consistently obtain "best" price on office supplies.
- \* The Trade Agreement Act (TAA) has been an issue, especially for printer/toner supplies and will be a challenge for any sourcing solution due to the large number of items now being produced outside the United States.

### **Navy-led DOD-wide Clerical Services**

As called for by the Commodity Strategy developed in FY2005, a number of Multiple Award (MA) Indefinite Delivery and Indefinite Quantity (IDIQ) contracts (9) were awarded to 8(a), HUBZONE and Service Disabled Veteran Owned Small Businesses. In addition, an automated Ordering Portal was stood up for use by DOD Ordering Officers. The Portal allows distributed ordering of clerical services from the underlying MA contracts.

In early FY07 the Commodity Strategy for Clerical Services moved away from mandatory use throughout the Department to a voluntary solution to be utilized as seen fit by the various Acquisition Commands. As a result, the Communication Strategy developed by the Commodity Council could not be carried out as crafted. A revised Communication Strategy will be required as well as a training plan to assure 'on demand' seamless use by the widely dispersed base of Ordering Officers.

Goals and objectives: The Clerical Services commodity initiative was to provide immediate benefits to the services users in the form of a reduction in the total cost of ownership, improvements in attaining socio-economic goals, improved visibility into Department-wide clerical services spend, a streamlined and standardized acquisition business process, and a baseline on which to expand and further enhance the clerical services acquisition strategy.

Effect of Goals and Objectives on Cost: During the first ten months of operations, usage of the DCSC contracts and portal amounted to \$3,628,661 in spend. With proposed requirements currently in process, it is expected that total throughput for the first year of operation will exceed the originally estimated \$17.5 Million spend. The cost savings resulting from the current spend is \$983,992 or an average of 27%. This trend is expected to continue with the 'on hand' requirements. Thus the savings will be well beyond the aggressive scenario savings of 17% estimated by the Commodity Council back in 2005 and included on page 76 of the 2006 report to OMB.

Effect of Goals and Objectives on Schedule: The task orders placed through the Portal were completed in 31.71 days. This is below the normal time frame of what would be expected for a Multiple Award Contract, 30 to 60 days. Furthermore, the contracts that these orders replaced

typically take 90 to 150 days to put in place. Thus the reduced time frame for administrative lead time translates into a significant reduction in wait time for the users of the Clerical services.

Effect of Goals and Objectives on Resources and/or Performance: The awards were all made to one of the three small business set aside categories of 8(a) (27% of dollars), Service Disabled Veteran Owned (48%) and HubZone (25%). Thus the awards led to an improvement in attaining socio-economic goals for the Department.

The reduction in the administrative lead time to obtain Clerical services is also directly correlated to the administrative cost of acquiring the services, thus a 25 to 50% reduction in the cost of the 1102 resources necessary to acquire these services is highly likely.

As use of the Portal increases, it will provide an improved visibility into Department-wide clerical services spend. Data reporting is built into the system and is easily available. It also provides a streamlined and standardized acquisition business process which will be extremely beneficial in areas such as the yearly wage determination adjustments required by the Service Contract Act.

Lastly, with the results achieved through the first year of operation, the Commodity Strategy has been proven as a baseline on which to expand and further enhance the clerical services acquisition strategy in the Department.

### **Fleet and Industrial Supply Center- led Logistics Services Initiative**

#### **FY2007 PROGRESS REPORT**

**Background:** Following guidance from the Office of Management and Budget (OMB) and the Naval Supply Systems Command (NAVSUP), the Commander, Fleet and Industrial Supply Centers (COMFISCS) Enterprise has been heavily involved in Strategic Sourcing. For example, the COMFISCS Enterprise has three strategically sourced National IDIQ Contracts. During FY07, COMFISCS continued its practice of strategic sourcing methodologies and FISC San Diego partnered with Censeo Consulting to identify its next strategic sourcing opportunity. After several months of analysis, FISC San Diego identified Logistics Services as an Enterprise-wide strategic sourcing opportunity. Logistics Services or “contractor support services”, is the first service (in its category) selected for Strategic Sourcing under the Strategic Sourcing Initiative. To support this effort, the Logistics Services Commodity Team was established.

**Goals and Objectives:** The overall goal is to continue improvements in procurement efficiency for products and services through strategic sourcing. The objective of the Logistics Services Commodity Team is to make recommendations that will establish “best-in-class” management of this service area. More specific team objectives include:

- Developing enhanced enterprise-wide cross-functional acquisition strategies for Logistics Services--to improve cost and service efficiency for acquired services
- Addressing improvements in meeting socio-economic goals

- Leveraging commercial leading practices in order to streamline and standardize Logistics Services acquisition/business processes
- Acquiring enhanced skills in strategic sourcing through the utilization of commercial practices and processes as applicable to the Navy environment

**Logistics Services and Commodity Team Scope:** The team’s focus included all Logistics Services purchased through/for FISC San Diego. The Logistics Services Commodity Team was led by senior staff and included Policy and Performance Organizations, Purchasing Managers, Customers/End Users, Contracting Officers, and other agencies or supported/stakeholder organizations.

Logistics Services included activities involved in carrying out the containment and maintenance of the operating forces and include those aspects of Navy operations that plan for and deal with the storage, movement, distribution, maintenance, evacuation and disposition of material. Logistics services are best defined by the sub-categories they cover:

- **Transportation:** physical movement of cargo from point A to B, including the planning, coordination and management of said activities
- **Logistics Analysis and Support:** end-to-end supply function/logistics analysis for service/quality optimization purposes or to create new strategies. Also includes FTEs provided to fill general supply function roles or to support completion/processing of transactions
- **Storage and Handling:** management and execution of the physical activities and systems to store and handle an item. For example, receiving and taking custody of an item, warehousing, loading and unloading ships/containers/vehicles, etc.

#### KEY HIGHLIGHTS:

- **Commodity Strategic Sourcing Process:** The FISC San Diego Logistics Services team is executing the Navy’s Strategic Sourcing Process. The steps of the process include:
  - **Opportunity Analysis:** review of spend and other internal criteria to determine suitable strategic sourcing opportunities. At this stage, the team determined that there was significant opportunity to strategically source Logistics Services.
  - **Step 1 - Spend Analysis:** As previously noted, FISC San Diego led the effort in analyzing all FISC San Diego specific Fiscal Year 2006 procurement data. This process or “spend analysis” revealed that Federal Supply Code (FSC) R706 was the number one area of spend for the organization.
    - Spend Analysis results for FISC San Diego revealed the total FY06 spend of \$46.9M in Logistics Services
      - Storage and Handling: \$30.9M
      - Analysis and Support: \$13.4M
      - Transportation: \$2.6M
  - **Step 2 - Market Analysis:** The market for Logistics Services is mature and very competitive with numerous vendors able to meet FISC San Diego’s needs. Small Business vendors in this category are very capable and competitive. Within FISC San Diego, small business accounts for 74% of the \$46.9M in spend.

- **Step 3 - Commodity Strategy:** The development of the Logistics Strategy is in process and will be completed by early December 2007.
  - The Commodity Team has not yet reached the step of the strategic sourcing process where savings estimates are determined. A savings estimate will be determined as part of the strategy development process
- **Step 4 - Issue RFX and Negotiate:** the Commodity Team has not yet reached this step of the strategic sourcing process
- **Step 5 - Implement and Manage Performance:** the Commodity Team has not yet reached this step of the strategic sourcing process
- **Stakeholders Benefits:** the team is evaluating the use of Multiple Award Contracts as an enterprise-wide vehicle for Logistics Services
  - Currently there isn't a single enterprise-wide vehicle for procuring Logistics Services. FISC-SD Logistics Services are currently dominated by one vendor and a significant portion of awards (via task orders) are not competed. Numerous contract vehicles and sources exist for fulfilling requirements. Pricing variability is also high across Logistics Services Labor Categories. Therefore, the opportunity exists for customers to obtain better pricing (on task orders) through competition among vendors if Multiple Award Contracts are in place for Logistics Services.
- **Metrics:** The team has not yet established metrics for this initiative as it has not yet reached the step (Step 5) of the strategic sourcing process where metrics are established; however, the team has observed that performance standards and metrics for Logistics Services have been inconsistently applied to date. The team is evaluating the use of Performance Based Logistics standards.
- **Small Business Goals:** FISC San Diego has exceeded its small business goals for Logistics Services. Small Business goals of 7.5% have been exceeded. Small Business participation for Logistics Services stands at 74% of total spend.
- **Implementation Plan:** The team has not yet reached the step of the process where an implementation plan is developed. An implementation plan will be developed as a part of Step 5 (Implement and Manage Performance) of the strategic sourcing process.
- **COMFISC Expansion of Analysis:** The team started its analysis of Logistics Service with a scope that covered only FISC San Diego. After the completion of the Commodity Profile and Market Analysis, a determination was made by NAVSUP that the scope of the effort should be expanded to cover all of COMFISCS. The team has taken a step back to update the Commodity Profile to cover a COMFISCS scope. The Market Analysis is still relevant and does not need to be updated. Consequently, the team will develop a sourcing strategy for the COMFISCS.

**LESSONS LEARNED/BEST PRACTICES/RECOMMENDATIONS:**

As this initiative is still in progress, lessons learned, best practices and recommendations have not been fully finalized/documentated. Current lessons learned and best practices are as follows:

- Lessons Learned: the team has learned several lessons as a result of this initiative:
  - Where 3<sup>rd</sup> parties facilitate the customer through the development of a Statement of Work (SOW) and other procurement package documents, the procurement package is more accurate and complete
    - Some customers reach out to 3<sup>rd</sup> parties for help facilitating the contracting process. Most of these customers are willing to pay a fee for the services they receive
  - Small Business suppliers have significant Logistics Services capabilities. FISC SD's use of Logistics Services is dominated by Small Business suppliers. The supply Market Analysis also shows a large number of very capable Small Business Providers
  - Best Practices: liaisons to facilitate the customer through the contracting process is a best practice that will improve the quality of SOWs and other procurement package documents
- Recommendations: The team has not yet completed the step (Step 3) of the strategic sourcing process where recommended requirements are developed.

## OFFICE FURNITURE

### PURPOSE/STRATEGY

The scope of the Office Furniture Commodity Team (team) was to develop a Department of the Navy (DON)-wide cross-functional acquisition strategy for Navy Office Furniture in order to improve total cost of ownership for office furniture, while serving the needs of various DON customers. The team was led by Mr. Jamey Halke, at Naval Supply Systems Command (NAVSUP). Team members included representatives from Naval Air Systems Command (NAVAIR), Naval Facilities Engineering Command (NAVFAC), Commander, Fleet Forces Command (CFFC), Commander, Navy Installations (CM), Fleet Industrial Support Centers (FISC) members, Navy Education and Training Command, Pensacola (NETC), and USMC headquarters. FISC Norfolk was tasked to contractually process this Office Furniture sourcing initiative.

The definition of Office Furniture follows the description for the General Services Administration Federal Supply Schedules (FSS); however, the suite of Office Furniture groupings does not include shipboard furniture.

Examples of FSS 71 I, Office Furniture includes, but are not limited to: Systems Furniture and Workstation Clusters; Executive Furniture Single Item Accent & Specialty Pieces; Tables and Accessories; System Type Tables and Accessories; Acoustical Wall Treatments; Filing and Storage Cabinets, Shelves, Mobile Carts, Dollies, and Racks & Accessories. FSS 71 II Household and Quarter Furniture examples include, but are not limited to Dormitory, Quarters and Residential Case Goods and Beds; Chairs – Dining Room, Desk, Side, Period Style and Bar Stools; and Upholstered Seating. FSS 71 IH Packaged Furniture includes Packaged Offices.

The outcome of the project is to effectively and efficiently deliver furniture to offices through the use of (1) the Department of Defense (DOD) EMALL, an internet ordering portal, will facilitate the acquisition of office furniture and (2) the General Service Administration (GSA) e-Buy website. The DOD EMALL and GSA e-buy will produce costs savings by taking advantage of competitive online environments. Additionally, non-direct savings will not be obtained by having the items delivered to the office versus an administrative employee driving to office furniture stores to pick up furniture.

Through market research, the team learned that there are few small business manufacturers. During its market research process, NAVFAC, the primary customer for Navy Office Furniture identified a suite of Office Furniture manufacturers, some of which were Small Business who could fulfill a significant portion of the Navy's furniture requirements. Additionally, the team noted that most large Office Furniture manufacturers generally utilized small business subcontracting arrangements through teaming efforts with dealers for turnkey support services such as space layout and design services; installation, and other ancillary services of their products. However, limited opportunity exists in Office Furniture commodity to rely on Small Businesses for the sourcing strategy.

In the Office Furniture commodity group small businesses and the Federal Prison Industries d/b/a/ UNICOR have significant stakes. While the Navy seeks to support small business and the Federal Prison Industries d/b/a UNICOR Program, the Navy's Office Furniture acquisition strategy maximizes the use of small businesses. The trade-off for Office Furniture offers to strike a balance to achieve socio-economic goals among the various small business considerations, encourage UNICOR's participation, and simultaneously institute cost saving efforts.

Office Furniture is essential to support employees in their activities to carry out their offices' mission. Office Furniture is needed on a recurring basis requiring a supply chain management methodology to ensure availability at optimal prices and delivery terms. The team found that Navy customers were more concerned with personal choices and immediate availability when ordering online. Customers were not interested in limiting choices and controlling demand and generally valued immediate availability more than savings.

The team found that historically, most DoD activities have acquired Office Furniture to replace all or part of its furnishings without a strategic sourcing plan. These acquisitions were solicited from sources such as local stores at retail prices, UNICOR's electronic ordering website, GSA's electronic ordering website at FSS prices, the DoD EMALL, and through competitive open market contracts. It was clear that much of the Navy's Office Furniture was purchased primarily using the purchase card with little centralized buying. The result had limited insight into furniture spend. The available information lacked the granularity for making decisions regarding demand management and price leveraging. Furthermore, there was very little detail on the type of Office Furniture being purchased off contractual vehicles reported from the Procurement Management Reporting System (PMRS) and the Citibank Purchase Card spend.

On 2 August 2007, FISC Norfolk Contracting Department awarded 74 Blanket Purchase Agreements (BPAs) to several GSA FSS contractors and UNICOR. The issuance of the BPAs launched Spiral 1 of the Navy's Office Furniture acquisition strategy and includes BPAs for

Standard Office Furniture, Packaged Furniture, and Household and Quarters Furniture. The strategy will utilize the DOD EMALL and the BPAs to standardize the ordering process and provide cost-effective and customer-focused delivery of Office Furniture; take advantage of the economies of scale; compile purchase data collected through the DOD EMALL and from the GSA National Furniture Center, Washington D.C. from the BPA suppliers; and maximize small business opportunities.

The strategy consists of a near term and long term acquisition plan to improve sourcing of Office Furniture.

The near term acquisition plan is to direct Navy Office Furniture spending to the DOD EMALL and the GSA e-buy web site.

### **Policy**

- The team will recommend Navy issue policy to make use of the DOD EMALL and the BPAs mandatory to acquire office furniture.
- The Navy commands will be required to update their internal websites to direct users to DOD EMALL.
- The long term acquisition plan is to continually improve the sources of supply on DOD EMALL through a vendor management strategy developed, implemented, and managed by the Navy Office Furniture Commodity Manager.
- Users will be DON and Marine Corps cardholders, Contracting Officers in accordance with their delegated purchase authority or maximum order threshold (whichever is lower) and General Contractors authorized by NAVFAC.

### **IMPLEMENTATION**

The near term acquisition plan is to direct Navy Office Furniture spending to the DOD EMALL with a two-stage solution:

In stage 1, DON personnel will be directed to use existing contracts for Office Furniture via the DOD EMALL for purchases less than or equal to \$3,000 or \$2500 (UNICOR). This will allow the use of existing BPA suppliers and technology, ease the implementation of the program, and permit continued support of small and minority vendors, while ensuring the availability of spend data analysis that will provide a better understanding of buying behavior, ultimately ensuring continued price gains and process improvements in subsequent stages.

In Stage 2, purchases greater than \$3000 or \$2500 (UNICOR), which make up a very small percentage of transactions (8%) but the majority of dollar volume (63%), will be placed the against established BPAs that were awarded on 2 August 2007.

The long term acquisition plan is to continually improve the sources of furniture that could be acquired on DOD EMALL and the BPAs through a vendor management strategy that will be developed, implemented, and managed by the Navy Office Furniture Commodity Manager. Granular Navy spend data collected from Office Furniture requirements will provide the

information for standardizing Office Furniture acquisition and streamlining the acquisition process in the future, resulting in further savings to the Government.

An electronic campaign will be implemented through Government purchase card announcements and other knowledge management tools to inform the card holders and the contracting community of the Navy's shift from de-centralized buying to the strategic sourcing of Office Furniture using the BPA suppliers.

While support of socio-economic programs is important, the over-riding success of the team is dollar savings and gained efficiencies. The goals will be achieved as users become more comfortable searching and comparing products and competitive pricing on the DOD EMALL and issuing competitive orders against the GSA e-Buy website.

The electronic campaign to support the DOD EMALL registration by all card holders will increase the usage of DOD EMALL for Office Supply purchases. Training on DOD EMALL is not mandatory; however, the following training opportunities are available:

- DoD Electronic Mall Users Manual accessed from the logon page
- DOD EMALL Tutorial CD
- Classroom Training -conducted by DOD Trainers at various locations throughout the United States

## **METRICS**

Total spend covered within the initiative is approximately \$104 million, not including Design-Build military construction (MILCON). Based on an assumption that 65% of Office Furniture spend is addressable, and using an industry standard of 10% reduction, annual savings is estimated at \$6.7M.

The goal for competed spend is 100%, including actions below \$3000 or \$2500 UNICOR. This will be facilitated by a comparison of pricing on the DOD EMALL and the GSA e-buy. A large portion of the furniture procurement is embedded in the NAVFAC construction contracts or acquisitions through the Government purchase card and competition statistics that are not identifiable.

The overall Navy small business goal is 20%, however, it's anticipated that the Office Furniture solution will outperform this goal with an estimated 40% of spend going to small businesses.

## **Lessons Learned, including Limitations and Best Practices / Success Stories to be successful, we recommend that future initiatives:**

To be successful, we commend that future initiatives:

- Obtain senior management's perspectives and goals - such as savings or a specific goal for economic programs. Commodity Council members frequently have competing agendas or individual goals.



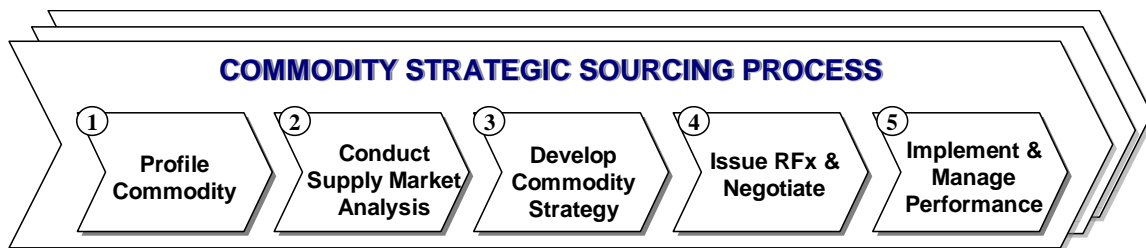
- Keep the groups small to facilitate reaching a consensus

In addition, the team feels that the long term acquisition plan should be to reduce the number of suppliers to better leverage pricing. Enhancements could be made to the DOD EMALL to improve reporting functionality of the Business Objects Tool, such as sorting through UPC codes, as well as develop an FPDS-NG interface to capture reporting information for actions over \$2500 for UNICOR and \$3,000 for all other actions.

## MARITIME COATINGS

This program is targeting the sourcing of Navy Maritime Coatings purchases. While the Coatings Commodity includes maritime paints, sealants, adhesives and applicators purchased and consumed by the four major Naval Shipyards (NNSY, PSNSY, PNSY, and PHNSY), the program will ultimately focus on maritime paints due to the large spend base and supplier profile, which includes minimal small business.

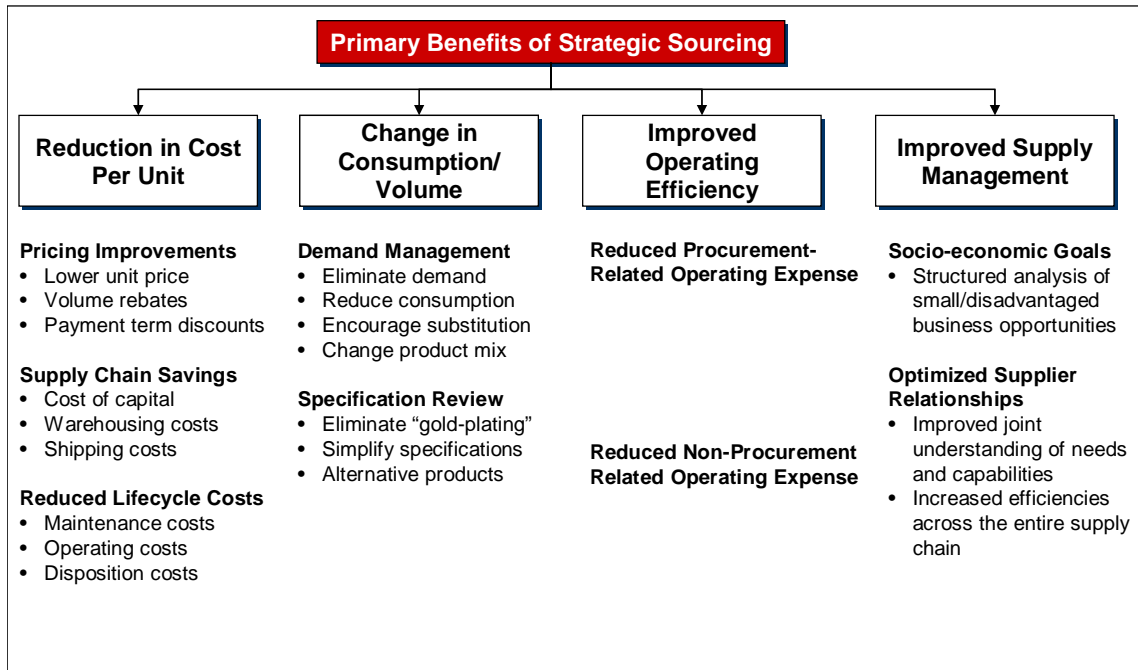
Describe the strategy used for this Initiative. Include how this Initiative differs from previous methods of procuring this category: The strategy being implemented in this initiative is driven by a disciplined five step Strategic Sourcing Process:



The Navy has initiated the five step process and has been actively engaged in the first two procedural steps. The Coatings Commodity has been profiled through extensive spend analysis, process analysis, and Total Cost of Ownership (TCO) analysis. The Supply Market Analysis garnered a supplier facing analysis which included market segmentation, market trends, cost structure, and potential sourcing implications.

The final three steps will revolve around leveraging best practices in strategic procurement, negotiation tactics, and continuous performance monitoring and governance into the Shipyard's future procurement of the Coatings commodity. The strategy driving these practices will be directly influenced by the findings derived in the Commodity Profile and Market Analysis.

There are several differences in this program's sourcing strategy. The Coating's sourcing process is structured into a distinct cadence which seeks to take full advantage of a very methodical and analytical approach. Most of the procurement strategies currently in this commodity are individualized by shipyard. This has led to differing sourcing practices and an excessive amount of purchasing volume (in both transaction and cost). The major difference in this initiative is found in the total value aspect of this approach. While most sourcing initiatives focus on cost per unit reduction, our approach focuses on several value levers:



This total value approach allows our program to seek a multi-faceted value target while creating a “win-win” arrangement between the Navy and their customers. This strategy requires an approach that steps beyond mere acquisition price evaluation and extends into process evaluation, Total Cost of Ownership, operational efficiency of stakeholders and supplier facing performance governance.

Describe the stakeholders that will benefit from this Initiative and what role these stakeholders will have during the planning and implementation and execution of the initiative: The major internal stakeholders in this initiative include NAVSEA, NAVSUP, and the four major Naval Shipyards (NNSY, PSNSY, PNSY, and PHNSY). Each of these stakeholders stand to benefit in overall cost saving, consumption optimization, improved operating efficiency, and more effective supply management within the coating commodity. The six aforementioned stakeholders have been actively engaged throughout the strategic sourcing process. Specifically, a Coatings Commodity Team has been established with total internal stakeholder representation. This commodity team is actively engaged in all aspects of planning, implementation, and execution of this new sourcing strategy.

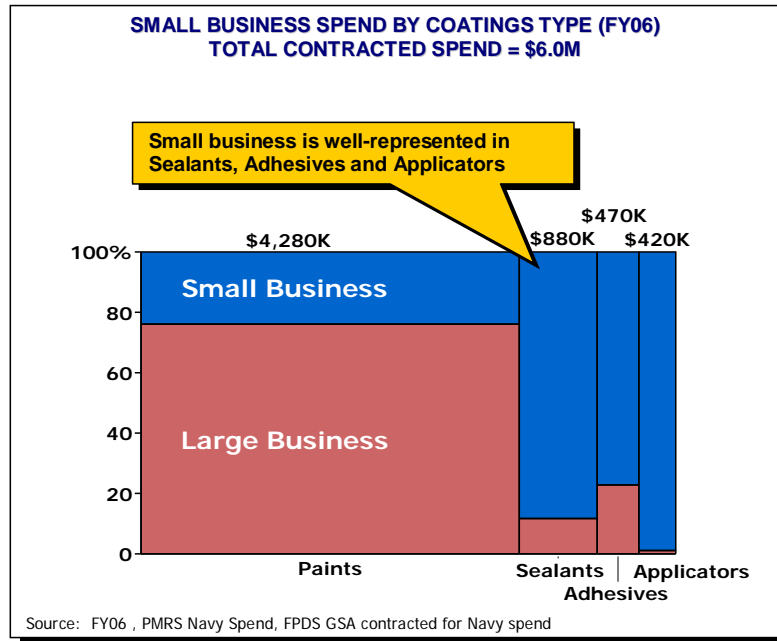
External stakeholders (current and future Coatings suppliers) will also receive benefit from this sourcing process. Long term revenue guarantees, customer demand consistency, and optimized supplier relationships will increase supplier operating efficiency and maintain steady revenue amongst the supplier base. Additionally, several smaller and disadvantaged suppliers will be protected and cultivated in distinct portions of this commodity market (i.e. - applicators and adhesives). These external stakeholders will become actively engaged as commodity strategies are established, contracts are negotiated, and sourcing agreements are monitored for performance.

*Describe the nature of the market for this commodity. Include whether there is a competitive market for this commodity. Include the availability of socio-economic vendors for this*

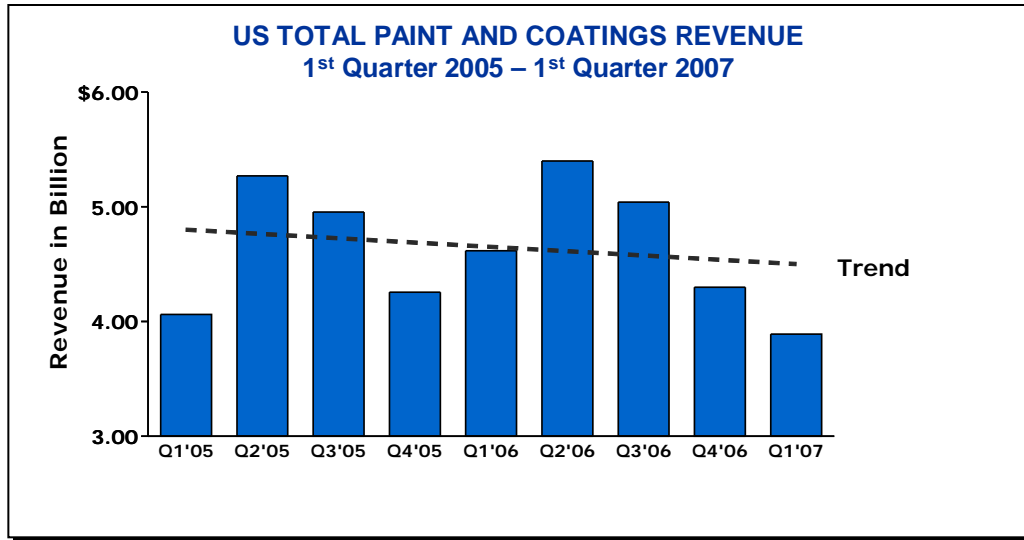
*commodity:* The Navy Coatings spend is split between four major product categories: paint, sealants, adhesives, and applicators. Paint is the major product category (+75% of spend within commodity area). The Coatings market is a competitive market split between large business and small business.

Small business predominately exists in the sealants, adhesives and applicators. Thus, to preserve their market in these categories, the focus of the project has shifted to the Paints category.

Large business accounts for 57% of the market share, predominantly garnering revenue in the paint product category. There are ten big business market players and the majority of their market share is held by three major suppliers (Sherman Williams, Ameron (PPG) and International Paint). Small business accounts for the remaining 43% market share and dominates the supplier population in the sealant, adhesives, and applicator product categories. There is a large supplier population (100+ companies) within small business and most of these businesses conduct local business with individual shipyards.



The overall market (U.S. Paint and Coatings) for this commodity is experiencing declining revenue. This is caused by several factors which include increasing raw material costs (mainly driven by copper price increase), a decline in the U.S. residential housing market and a reduction of U.S manufacturing.



Source: U.S. Department of Commerce

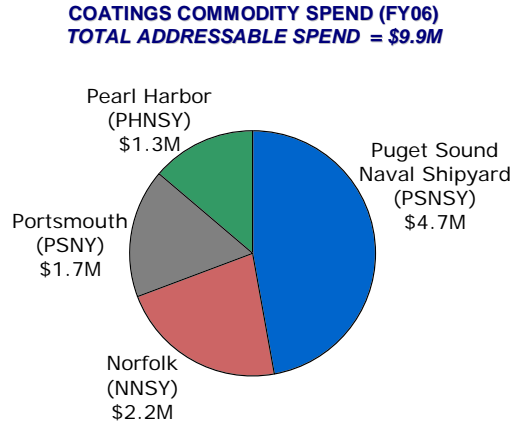
The maritime Coatings market, however, is the one subsection of this overall market segment that has experienced growth (~34% in the last year), making it an attractive business market for the major paint companies. This situation, coupled with increased prices on the horizon (as raw material cost will continue to increase), makes a long term sourcing agreement attractive to both suppliers (looking to lock in market share) and Navy buyers (seeking to lock into long term fixed pricing agreements).

*Describe the MILDEP or ODA unique requirements that affect the purchase of this commodity:* Certain Coatings are environmentally hazardous and therefore may have specific shipping, storage, and inspection requirements dependent upon commodity category. Paints fall under VOC compliance and certain regulations must be met in the procurement of material.

*Include the total spend data for this commodity (\$ figure), to include all FYs of spend data analyzed:* Extensive Coatings spend analysis was conducted within the last complete fiscal year (FY06). \$9.9M of total executed funds was split between the following purchase vehicles:

Purchase Vehicle	Data Source	Spend	Notes
Navy Contract	Procurement Management Reporting System (PMRS)	\$4.5M	<ul style="list-style-type: none"> <li>Defined scope contracts with Shipyards as the customer and Navy as the purchasing office</li> <li>Purchases under \$2500 are not required to be in PMRS</li> </ul>
GSA National Stock	Federal Supply Service (FSS19) database	\$3.4M	<ul style="list-style-type: none"> <li>Purchases made by Shipyards from GSA stock or special order programs</li> </ul>
GSA Assisted Contract	Federal Procurement Data System (FPDS)	\$1.5M	<ul style="list-style-type: none"> <li>Purchases made by the Shipyards where GSA does the actual contracting</li> <li>Purchases under \$2500 are not required to be in FPDS</li> </ul>
Purchase Card (P-Card)	Purchase card database	\$0.6M	<ul style="list-style-type: none"> <li>Purchases made using Purchase Cards</li> <li>Line item details are unavailable or unclear for many transactions; items purchased cannot be identified</li> </ul>

The commodity spends amongst stakeholders (four Naval Shipyards) was as follows:



Source: FY06 , PMRS Navy Spend, GSA-assisted Navy Spend, Purchase Card Navy Spend  
Note: PSNSY spend is high due to availability of USS Lincoln in FY06

In addition to commodity spend; we will also be analyzing TCO within the Coatings commodity amongst the following cost categories:

TCO COMPONENT	DESCRIPTION
<b>Mission Deployment</b>	• Delayed Paints can cause the delay of an entire project
<b>Paint Equipment</b>	• Costly painting systems are used to apply Paints
<b>Environmental</b>	• Paints require Hazmat control, and disposal of excessive or expired Paints is very costly
<b>Labor</b>	• Application of Paints is a labor-intensive process
<b>Administrative</b>	• The cost of facilitating the planning, ordering, and application of Paints is extensive
<b>Direct Paints</b>	• The cost of Paints used for the project form the direct cost

Total cost avoidance will be determined during the Commodity Strategy step of the Strategic Sourcing process which is currently underway. Cost avoidance will be achieved partially through direct spend reduction (price per unit and demand reduction), and also in indirect commodity cost achieved through overall operational efficiency (TCO)

*Describe metrics that will be monitored for this Initiative (i.e. cost, schedule, resources, and/or performance):* Major categories of metrics are broken into three major categories: cost, operational efficiency, and execution efficiency.

Cost efficiency metrics may include: Total Operating Cost, Total Commodity Cost, Total Units, Cost Per Unit, and Inventory Carrying Costs.

Operational efficiency metrics may include: demand forecast accuracy, sourcing lead time, order fulfillment time, inventory days of supply.

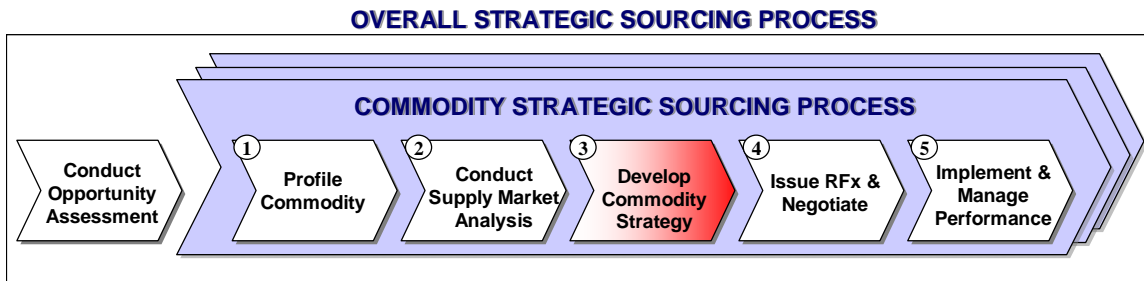
Execution efficiency metrics may include: number of procurement transactions, number of suppliers, sourcing lead time, scrap/waste.

The specific metrics to be tracked will be identified by the Commodity Team during the implementation phase.

*Describe any Small Business goals for this Initiative:* Small business remains a significant portion of the Coatings commodity spends (43%). Most of this spend is involved in the Coatings specialty categories (sealants, adhesives, and applicators). While revised sourcing strategies will certainly leverage buying power from the larger commodity suppliers, retaining and developing a conglomerate of small business providers (many of whom hold exclusive market share for certain niche products within the commodity category) is a focus of this initiative. In the manner, small business presence within the Paints category will also be improved through subcontracting of these niche products by the primary vendors.

*Describe any other metrics that will demonstrate performance for this initiative:* Once contractual and procurement agreements are established, performance monitoring metrics for suppliers will also be key indicators for success. In addition to the cost, operational efficiency, and execution efficiency, suppliers may be subject to key performance incentives such as service level agreements which would reward and/or punish execution behavior (all of these metrics would be subject to the negotiated contracts between NAVSEA/NAVSUP/NSY and individual suppliers)

*Describe the implementation plan for the initiative, including updates, plans, and/or status.}:* The following diagram details the high level project plan and the program’s progress against it:



<b>1.0 STEP 1 - PROFILE COMMODITY</b>	
1.1 Conduct Commodity Spend Analysis	Complete
1.2 Identify Requirements	Complete
1.3 Review End-To-End Procurement Process	Complete
1.4 Develop Sourcing Opportunity Hypotheses	Complete
<b>2.0 STEP 2 - CONDUCT SUPPLY MARKET ANALYSIS</b>	
2.1 Define Small Business Capabilities (as required)	Complete
2.2 Define Supply Market Segments (& conduct preliminary research)	Complete
2.3 Develop View of Basic Market Data	Complete
2.4 Develop Understanding of Value Chain & Cost Drivers	Complete
2.5 Identify Supply Market Competitive Dynamics	Complete
<b>3.0 STEPS 3 - DEVELOP COMMODITY STRATEGY</b>	
3.1 Identify Sourcing Objectives	Complete
3.2 Develop Sourcing Strategies & Tactics	In process
3.3 Develop Business Case and Acquisition Strategy	In process

## LESSONS LEARNED/BEST PRACTICES/RECOMENDATIONS

### Lessons Learned

Change Management and communications are vital to the success of commodities with many stakeholders: The Paints commodity affects many stakeholders, including Contracting, Receiving, Quality Assurance, Engineering, End Users, Environmental, Technical Warrant Holders, and National Policy Makers across four Shipyards and NAVSEA Headquarters. As is the case with any commodity having multiple stakeholders, each individual has personal interests and concerns. It is important to include these stakeholders throughout the initiative in order to ensure their priorities are recognized by the Commodity Team and taken into account in the development of the final strategy. This inclusion increases the effectiveness of the solution and the likelihood that the solution will be accepted by all stakeholders across the enterprise.

Just-In-Time could be a proper acquisition solution for many commodities: The Just-In-Time (JIT) Paint acquisition process, used across commercial shipyards and put in place at NNSY and PSNSY, has effectively reduced inventory, lead time, expired material, contracting costs, and non-value-add labor. It has also increased consistency of material quality. The JIT process of Paints acquisition is a best practice and forms the basis of the enterprise-wide system that will be put in place. This acquisition process would also be effective for other commodities such as hardware and other build and maintenance materials.

### Recommendation for Future Initiatives

Painting Equipment Systems: Large Painting Equipment Systems are used to prepare surfaces, apply paints and service workers during ship availabilities. At some Shipyards, this equipment is purchased and owned. At other Shipyards, this equipment is exclusively rented. Each of these scenarios has effects on funding schedules, equipment utilization, extended equipment lease, and equipment maintenance. A Strategic Sourcing initiative on these Painting Equipment Systems, as well as other large pieces of equipment such as forklifts, manlifts, etc., would identify the optimal sourcing method to ensure availability of the most-appropriate equipment at the lowest cost to the Navy.

## SECTION 6:

### UNITED STATES TRANSPORTATION COMMAND (USTRANSCOM) ANNUAL REPORT ON STRATEGIC SOURCING FISCAL YEAR 2007

#### EXECUTIVE SUMMARY

The United States Transportation Command (USTRANSCOM) is DoD's single manager for transportation and the Distribution Process Owner (DPO) for DoD as designated by the Office of the Secretary of Defense. USTRANSCOM previously engaged in strategic sourcing efforts for DoD's transportation, distribution and services supporting transportation needs through its three transportation component commands (TCCs) – Air Mobility Command (AMC), Military Sealift Command (MSC), and Surface Deployment and Distribution Command (SDDC) – providing global air, sea, and land transportation services in support of national security objectives. As a result of the Base Realignment and Closure (BRAC), with the exception of MSC charters, common carrier acquisitions and contract functions from AMC and SDDC transitioned to USTRANSCOM beginning in January 2007. Two strategic sourcing initiatives reported last year and currently underway are the Defense Transportation Coordination Initiative (DTCI) and the International Heavyweight Express (IHX) Pilot. The International Heavyweight Express (IHX) Pilot was so successful, the concept was combined with the previously separate International Small Package (letter-150 lbs) resulting in a multiple award IDIQ program Worldwide Express (WWX) with a single package maximum weight limit increased from 150 to 300 pounds. DTCI and WWX had a performance start of 2 November and 1 October 2007, respectively. Measurable transportation data/metrics will be available for the FY 2008 report. USTRANSCOM will continue to seek strategic sourcing opportunities as we continue to leverage DoD's transportation and distribution requirements.

#### STATUS OF FISCAL YEAR 2006 STRATEGIC SOURCING INITIATIVES

USTRANSCOM goals were to: 1) ensure key strategic sourcing acquisition personnel have completed a Defense Acquisition University strategic sourcing course 2) explore strategic sourcing opportunities within USTRANSCOM and 3) improve performance by monitoring and complying with strategic sourcing initiative metrics.

In this FY the primary and alternate strategic sourcing points of contact enrolled in Defense Acquisition University continuous learning course 108 Strategic Sourcing Overview. As a result of the BRAC consolidation, each program transitioning to USTRANSCOM was evaluated for strategic sourcing applicability. The two initiatives identified in this period were recently awarded so metrics monitoring and compliance is ongoing and will be reported in the next reporting period.

#### FISCAL YEAR 2007 STRATEGIC SOURCING INITIATIVES

In the coming fiscal year we have identified 7 key personnel for additional strategic sourcing training opportunities and a highly-qualified training source in the local area. We will continue



to improve performance by monitoring and complying with each strategic sourcing initiative metrics.

### **Highlights of Key Initiative I**

The Defense Transportation Coordination Initiative (DTCI) project is a Distribution Process Owner (DPO) initiative contributing to the Under Secretary of Defense for Acquisition, Technology and Logistics' goal to integrate DoD Logistics to become more responsive to warfighter readiness while achieving greater efficiency. USTRANSCOM is working in partnership with the Defense Logistics Agency (DLA), the Military Services, and industry to develop and implement this initiative.

DTCI changes the basic business model for moving DoD continental U.S. (CONUS) freight. DTCI will use a commercial business model, commonly referred to as a third-party logistics provider (3PL), to manage the movement of DoD freight.

The primary stakeholders for DTCI are the DLA and Military Services who are responsible for moving DoD freight to the ultimate customer - our nation's warfighter.

Major corporations such as Dell, Ford, General Motors, Target, and Wal-Mart use third-party logistic providers to manage their supply and distribution chains. Currently, DoD freight transportation requirements are locally managed with no central oversight. Under DTCI, CONUS freight movements will be leveraged and centrally managed by one world-class transportation coordinator maximizing opportunities for consolidation, optimization, rate reductions, enhanced visibility and better transit times. This evolutionary approach will focus on specific areas for implementation while making process improvements and building on prior experience as it moves forward. The DTCI contract contains very aggressive small business subcontracting goals to ensure significant small business carrier participation in the program.

Currently, there are over 600 DoD sites that work independently to arrange for second-destination transportation services. These sites do not act as an enterprise, nor do they optimize their transportation efforts. There is no consistent predictability, and there is only minimal visibility and enterprise situational awareness. DTCI is a transportation re-engineering initiative. This is the first contract for this type of transportation management services. In the current DoD CONUS shipping practice, shipments involve little or no centralized planning or load coordination, and shippers and their servicing transportation offices (TOs) make transportation decisions independently without awareness of what other nearby commercial or government shippers may be shipping to similar destinations. DoD shipment history data suggest that a significant number of shipments are given to carriers with higher freight rates than the average available DoD rates for a given traffic lane. Freight is currently moved by a combination of FAR and non-FAR commercial tender agreements using commercial bills of lading. The government currently awards business to carriers on the basis of a single freight movement request to move an item between specified origin and destination points without regard for lowering costs by consolidating shipments, offering compatible back-haul moves, cross-docking or other shipment and load planning efficiencies commonly used in the commercial sector.

## Spend Data

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	TOTAL
Freight (Includes Fuel and Accessorials)	\$29.5	\$192.1	\$257.4	\$253.5	\$258.9	\$264.6	\$270.4	\$1,526.4
Management Svcs	\$4.5	\$9.5	\$12.8	\$12.6	\$15.8	\$13.1	\$13.4	\$81.7
Award Fee	\$0.5	\$1.0	\$1.3	\$1.6	\$1.6	\$1.6	\$1.7	\$9.3
Total	\$34.5	\$202.6	\$271.5	\$267.7	\$276.3	\$279.3	\$285.5	\$1,617.4

Source: Data from the July 06 IGCE for the Acquisition Plan. \$=M

## Potential Savings Breakout by Agency/Service

	FY07	FY08	FY09	FY10	FY11	FY12	FY13
<b>DLA</b>	\$231,981	\$12,071,128	\$41,594,916	\$45,255,609	\$46,205,976	\$47,222,508	\$48,261,403
<b>Army</b>	\$0	\$1,293,286	\$8,437,840	\$12,588,427	\$12,852,784	\$13,135,546	\$13,424,528
<b>Navy</b>	\$0	\$806,045	\$6,318,864	\$8,090,201	\$8,260,095	\$8,441,817	\$8,627,537
<b>AF</b>	\$0	\$107,957	\$4,404,178	\$8,632,738	\$8,814,025	\$9,007,934	\$9,206,109
<b>USMC</b>	\$0	\$57,885	\$108,401	\$110,677	\$113,001	\$115,488	\$118,028
<b>Total</b>	\$231,981	\$14,336,300	\$60,864,200	\$74,677,652	\$76,245,883	\$77,923,292	\$79,637,605

Data Source: IGCE July 2006

## METRICS

Metric	Baseline	Explanation
i.Total Spend covered within this initiative	According to the RFP, the estimated transportation spend after all sites are implemented (beginning in Year 3 of the DTCI contract) is approximately \$250 - \$260 Million per year. (see prior chart)	The transportation spend figures are projections derived from an analysis of 3 years of historical shipment data from PowerTrack.
ii.Cost savings	The DTCI contract contains direct freight cost savings goals of 19.1% by the end of year 3 and 23.2% by the end of remaining years 4-7 (See prior chart on Potential Savings Breakout by Agency & Service) 4-7.	The baseline for cost savings goals is derived from historical shipment cost data from PowerTrack.

<p>iii. On-Time Pickup</p>	<p>96% for Years 1 and 2 and 97% for Years 3 through 7 for on-time pickup</p>	<p>The percentage of shipments (individual TCN) picked up on time (defined as within 8 operational hours of the request unless a specific time is requested by the shipper) or as promised in the case of a special request or unique move. For scheduled trucks, pickup times shall be specifically agreed to during site implementation and will vary by site.</p>
<p>iv. On-Time Delivery</p>	<p>96% for Years 1 and 2 and 97% for Years 3 through 7 for on-time delivery</p>	<p>The percentage of shipments (individual TCNs) delivered by the Mandatory Delivery Date (MDD) required by the shipper's request unless otherwise specified (for example, scheduled truck service with specified delivery window or expedited service outside of normal delivery cycle).</p>
<p>v. Loss and Damage Free Shipments</p>	<p>98% of shipments shall be damage free</p>	<p>Based upon formal loss &amp; damage claims filed via the Transportation Discrepancy Reporting system.</p>
<p>vi. Process Loss and Damage Claims in a timely manner</p>	<p>99% of all claims closed within 120 days. Remaining 1% shall be closed within 180 days.</p>	<p>Based upon tracking data reported via the Transportation Discrepancy Reporting system.</p>
<p>vii. IT Systems Available for use</p>	<p>99% system availability (minus approved scheduled downtime)</p>	<p>Monitored via data from the Global Exchange Service (GEX)</p>
<p>viii. Meet or exceed Small Business subcontracting goals</p>	<p>20% of all subcontract dollars awarded went to small business in Year 1 of the Base Period; 23% in Year 2 of the Base Period; 25% in each year of Year 3 of the Base Period through Year 7 of contract performance. 1.10% of all subcontract dollars awarded went to HUBZone businesses in Year 1 of the Base Period; 1.20% in Year 2 of the Base Period; 1.30% in Year 3 of the Base Period; 1.40% in Year 4; 1.50% in Option Year 5 through 7. 1.50% of all subcontract dollars awarded to Service-disabled-veteran-owned businesses in Year 1; 2.00% in Year 2; 2.50% in Year 3; 3.00% in Year 4 through 7. 5.40% of</p>	<p>Goals monitored through submission of SF 294, Subcontracting Report for Individual Contracts and SF 295, Summary Subcontract Plan</p>

	<p>all subcontract dollars awarded went to small-disadvantaged business in Year 1; 5.90% in Year 2; 6.40% in Year 3; 7.00% in Year 4; 7.60% in Year 5 through 7. 1.60% of all subcontract dollars awarded went to Woman-owned small business in Year 1; 1.80% in Year 2; 1.90% in Year 3; 2.10% in Year 4; 2.30% in Year 5 through 7.</p>	
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The target subcontracting goals are stated in the DTCI RFP as follows: All subcontract dollars awarded go to small business in Year 1 20%; 23% in Year 2 of the Base Period; 25% in each year of Year 3 of the Base Period through Year 7 of contract performance. 1.10% of all subcontract dollars awarded go to HUBZone business in Year 1 of the Base Period; 1.20% in Year 2 of the Base Period; 1.30% in Year 3 of the Base Period; 1.40% in Year 4; 1.50% in Option Year 5 through 7. 1.50% of all subcontract dollars awarded to Service-disabled-veteran-owned businesses in Year 1; 2.00% in Year 2; 2.50% in Year 3; 3.00% in Year 4 through 7. 5.40% of all subcontract dollars awarded go to small-disadvantaged business in Year 1; 5.90% in Year 2; 6.40% in Year 3; 7.00% in Year 4; 7.60% in Year 5 through 7. 1.60% of all subcontract dollars awarded go to Woman-owned small business in Year 1; 1.80% in Year 2; 1.90% in Year 3; 2.10% in Year 4; 2.30% in Year 5 through 7.

The contractor shall make a good faith effort to utilize all categories of small business subcontractors in an effort to meet or exceed the goals identified above.

DTCI will be implemented through a spiral phased approach. Spiral I, the only spiral to be implemented under this contract, will include three phases. Phase I includes 18 Defense Distribution Centers (DDCs). Phase II includes 33 selected DoD shippers within close proximity of the DDCs and selected aerial ports. Phase III includes 16 additional selected Service shipper locations.

The DTCI Program Office has also built in two Program Management Reviews (PMRs), one after the first three sites, and the second after the second three sites. These PMRs will be conducted to evaluate current progress of the DTCI implementation to determine necessary changes or adjustments to schedules, identify areas for improvement, evaluate enhanced readiness and critical infrastructure protection, and develop lessons learned to ease/speed implementation at future locations. Following the first two PMRs, monthly PMRs will be held in conjunction with the DTCI Process Improvement Team meetings to ensure the implementation remains on track and that DoD shippers, our customers, remain satisfied with the program.

The DTCI Transition Team is conducting regionalized training in those areas that afford ample access to DoD shippers and receivers in order to spread the word and alleviate any undue concerns with DTCI. These training events will include a comprehensive review of the DTCI Performance Work Statement and guidance on the roles and responsibilities of the DTCI Coordinator and DoD ordering officers and performance monitors.

In addition to the regional training which is conducted well in advance of the DTIC implementation, focused and in-depth training will be conducted at each site within one week of the start date of that locations “go-live.” This training will include DoD shipper system unique training, performance monitoring, claims, exception code reporting, and day-to-day operations just to name a few.

The DTCI Transition Team in partnership with the Defense Distribution Command's transition teams will have representatives at each location during training and the implementation period to ensure customer concerns are addressed quickly. Likewise, and maybe more importantly, the DTCI Coordinator will provide permanent on-site staffing at 5 of the largest/busiest DDCs and will temporarily staff the other 13 DDC locations for approximately 60 days or until all location unique requirements and implementation testing and site start up checklists have been completed and approved by the Government.

## **LESSONS LEARNED/BEST PRACTICES/RECOMMENDATIONS**

### **Lessons Learned**

The DTCI contract was recently awarded on 17 Aug 2007. A Lessons Learned document will be prepared in the near future and submitted with the next Annual Report on Strategic Sourcing Initiatives.

### **Best Practices**

The DTCI contract was recently awarded on 17 Aug 2007. A Best Practices document will be prepared in the near future and submitted with the next Annual Report on Strategic Sourcing Initiatives.

### **Recommendation for Future Initiatives**

The DTCI contract was recently awarded on 17 Aug 2007. A Recommendation for Future Initiatives document will be prepared in the near future and submitted with the next Annual Report on Strategic Sourcing Initiatives.

### **Highlights of Key Initiative II Worldwide Express (WWX)**

The purpose of this multiple award IDIQ program is to provide international time-definite, door-to-door pick-up and delivery, transportation, Intransit Visibility (ITV), PowerTrack participation, and expedited customs processing for packages weighing up to 300 lbs. USTRANSCOM is working closely with the Services to provide quality data metrics, ITV, time-definitive delivery, and increased readiness. Based on the highly-touted success of the International Heavyweight Express (IHX) pilot program, the WWX single package weight maximum limit increased from 150 lbs to 300 lbs.

This acquisition was conducted using FAR 15 competitive source selection procedures. Nine contracts were awarded to DOD approved CRAF carriers based on technical capability, past performance, and fair and reasonable pricing.

DOD transportation offices have the flexibility to compare nine contracts and select the Transportation Service Provider (TSP) that provides the best-value transportation solution based on their unique mission needs.

The WWX market nature is a competitive, commercial, time-definite, door-to-door express delivery service. Each of the WWX carriers provide commercial, door-to-door express delivery service to private and government corporations located throughout the world. This market includes large and small business. Five of the nine contracts were awarded to small business.

\$431M is the 4-yr IGE developed during the requirements development phase.

The estimated prices for each weight increment was developed by averaging the actual pricing of the current carriers under WWX-3. The PPI was calculated at 10% using the prior three years, June 2003 through May 2006, and using Jun 02 through May 03 as the base. To remain in line with the evaluation criteria proposed for evaluating the option years in the proposals the base year was multiplied by 4 for a contract total price.

The Government anticipates achieving a 33% cost savings from the previous separate International Small Package (Letter – 150 lbs) and International Heavyweight Express (151-300 lbs) contracts.

The WWX solicitation identified, for information purposes, the United States Transportation Command (USTRANSCOM) Fiscal Year 2008 Small Business Program targets as follows.

Prime Contracts	FY08 Targets
Small Business	15.2%
HUBZone SB	1.3%
SDB	2.1%
WOSB	2.0%
Svc Disabled VOSB	1.3%
HBCU/MI	1.3%
Subcontracts	FY08 Targets
Small Business	26%
HUBZone SB	1.5%
SDB	2.0%
WOSB	2.0%
Svc-Disabled VOSB	1.3%
HBCU/MI	1.3%

The following Service Delivery Summary (SDS) objectives apply:

- Deliver within required transit time 95% for all High Volume Routes
- Deliver within required transit time 92% for all other routes/locations
- Provide timely, accurate, error-free reporting 100% of errors corrected within 10 days of notification by the Government

Lessons Learned: None

Best Practices: None

Recommendation for Future Initiatives: None