DCN 1459

YEARS A SUFFICIENT PAYBACK ON AN INVESTMENT OF $169 MILLION? WE HARDLY THINK SO. OUR ANALYSIS AND COST CONCERNS HAVE BEEN BRIEFED TO YOUR STAFF.

IN SUMMARY, IF DLA SHOULD UTILIZE REALISTIC COSTS BOTH FOR DPSC AND NEW CUMBERLAND WE ARE CERTAIN THAT ANY AND ALL SAVINGS WOULD DISAPPEAR IN TOTALITY.

LAST SUNDAY, ON MOTHER'S DAY, THE PENNSYLVANIA ECONOMY LEAGUE PRESENTED TO THE FULL BRAC COMMISSION JUST THIS REALISTIC COBRA MODEL ANALYSIS WITH THE CORRECTIONS ADVOCATED BY GAO AND WITH THE RESUBMITTED DPSC COST FIGURES.

ACCURATE ASSESSMENT

OVERALL RETURN ON INVESTMENT

PENNSYLVANIA ECONOMY LEAGUE

	SAVINGS (20 YEAR NPV)
PHILA COLLOCATION at ASO COMPOUND	$98 MILLION
PHILA COLLOCATION at DPSC COMPOUND *	$70 MILLION
NEW CUMBERLAND/MECHANICSBURG AREA	$57 MILLION

* NOT IN PEL CALCULATION/PRESENTATION

ENVIRONMENT

DLA BRAC 93 detailed analysis misleading and incorrect:

FACTS:

- DPSC - in full compliance with Resource Conservation and Recovery Act and Federal Facilities Compliance Agreement
- Penna. Dept. of Environmental Resources says we CAN build at DPSC

Chart 17 Accurate Assessment

CAN REALISTIC SAVINGS BE ACHIEVED? YES! AS YOU MAY REMEMBER, THE PENNSYLVANIA ECONOMY LEAGUE PROVED THE GREATEST RETURN IS GENERATED BY SIMPLY COLLOCATING THE THREE ACTIVITIES ON A SINGLE PHILADELPHIA COMPOUND. AND OF COURSE THERE WILL BE NO NEED TO SPEND OVER $200 MILLION IN PERSONNEL RELOCATION OR SEPARATION COSTS TO DISRUPT THE LIVES OF OVER 8000 DELAWARE VALLEY FAMILIES.

AT THE END OF THE 9 MAY COMMISSION HEARINGS, THE CHAIRMAN NOTED THAT THE PHILADELPHIA COLLOCATION OPTION MADE SENSE AND WILL BE CONSIDERED BY THE COMMISSION. WE SINCERELY BELIEVE THIS IS THE RIGHT OPTION.

Collocating at ASO has an NPV of $98 Million
Collocating at DPSC has a potential NPV of $70 Million*
Collocating at New Cumberland has an NPV of $57 Million.

*the BOS and RPM operations costs per employee are assumed to be inherent with the mission and are assumed to transfer with the mission no matter where the ICP is located.

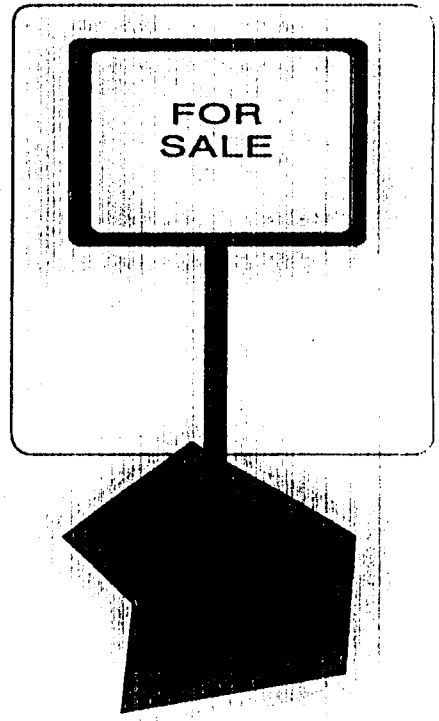
not presented by PEL as not the optimal return on investment alternative.

Chart 18 Environment

We showed you that we have room to build at DPSC, that it makes financial sense to do so, now lets deal with the environmental issue-- is it safe? Absolutely!! The facts are that DPSC is in full compliance with environmental agencies despite the DLA BRAC report and we CAN safely build on this compound. We have included in your packet an April 20th letter from the Pennsylvania Department of Environmental Resources which makes just that point.

ECONOMIC IMPACT

"It's naive to think you can pound a FOR SALE sign into the ground in front of an old military facility and easily replace lost jobs."



William Hankowsky
President,
Philadelphia Industrial Development Corp.
Philadelphia Inquirer, April 19, 1993

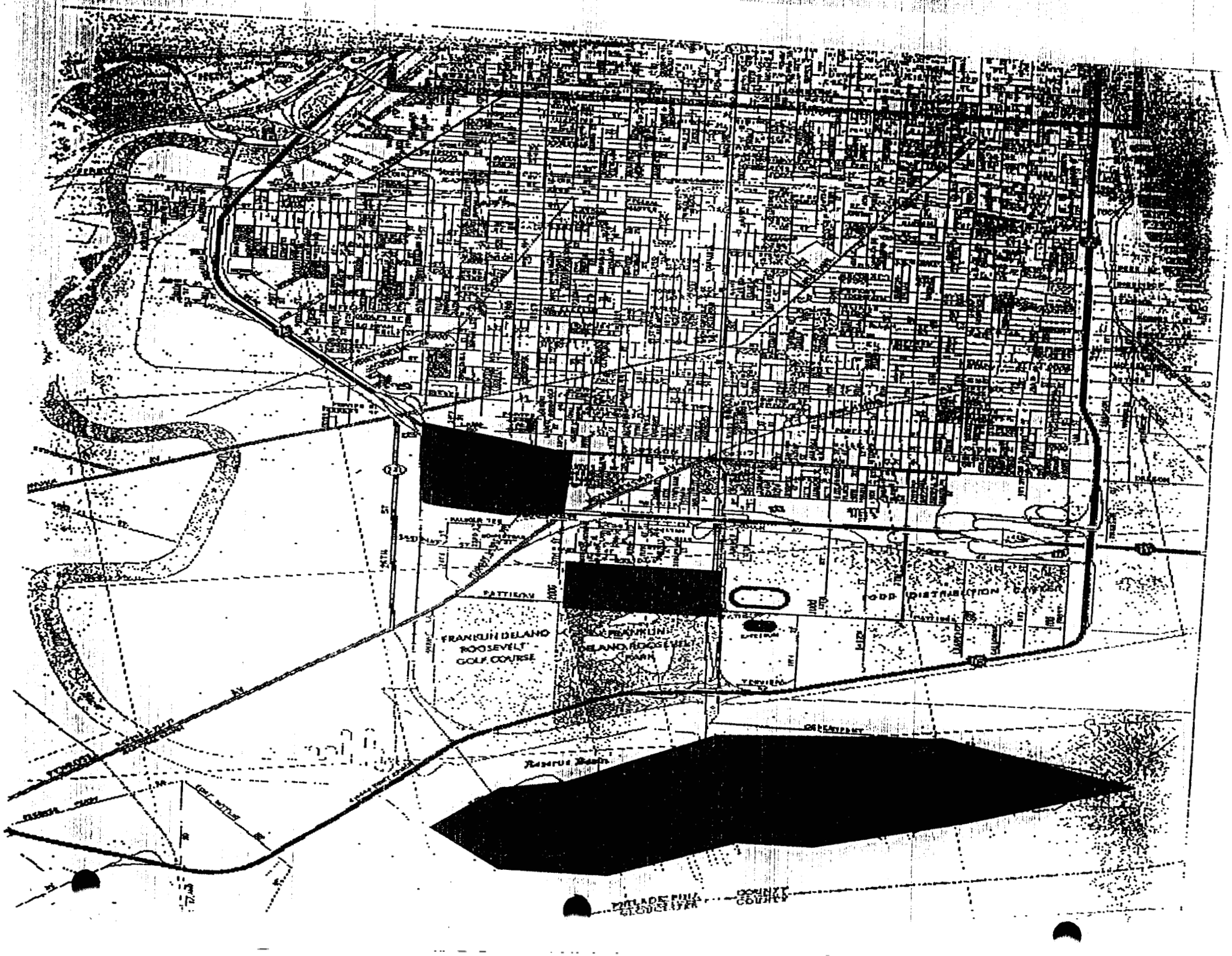

FRANKLIN DELANO
ROOSEVELT
GOLF COURSE
FRANKLIN
DELANO ROOSEVELT
PARK
PATTISON
PALMER TER
ODD DISTRIBUTION CENTER
DRESSER
TERWILLIGER
GREENFIELD
Ramus Beach
PHILADELPHIA
GLOUCESTER
COUNTY
COUNTY

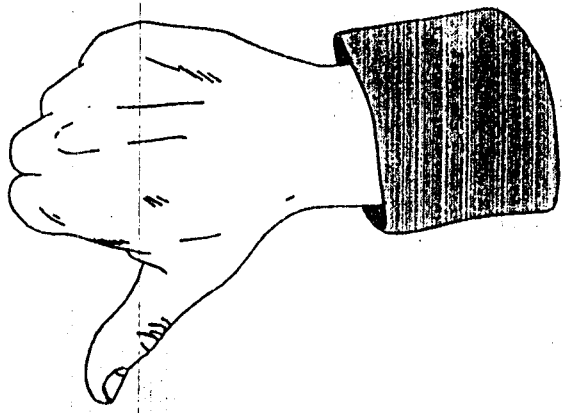
Chart 19 Economic Impact

We agree with Mayor Rendell's testimony that the relocation to the New Cumberland area will be devastating for Philadelphia. We think Mr. Hankowsky, the President of the Philadelphia Industrial Development Corporation would agree based on this statement "It's naive to think you can pound a for sale sign into the ground in front of an old military facility and easily replace lost jobs. We have included that article in your briefing book.

ECONOMIC IMPACT

FRANKFORD ARSENAL EXAMPLE

- Easy access to Interstates/Transportation
- 84 Acres of abandoned Federal property
- 10,000 jobs PRIOR to closing
- 600 jobs NOW - 15 years later



Is this the MODEL for DPSC/DISC Close ???

Chart 20 Map of South Phila

Lets concentrate on South Philadelphia for a moment. This is a view of Philadelphia south of Market Street. As you can see Commissioner. Bowman, the federal defense establishment holds major acreage here. Unfortunately, most of it is scheduled for closure. The roughly 1750 acres inhabited by the Navy Base, Navy Yard and the Naval Hospital and the 84 acres we are inhabiting today at DPSC, all of which are highlighted for you.

ECONOMIC IMPACT

DLA required to evaluate economic impact

of past and current BRAC decisions on Philadelphia area

Prior Area Bracs
- Naval Shipyard
- Naval Hospital
- Fort Dix
- Naval Station
- Naval Weap. Ctr.
- NAEC
- NAPC

BRAC '93
- ASO
- NATSF
- DISC
- DPSC
- DPSC Clothing Factory
- DCMD
- IPC
- McGuire AFB
- NAS Willow Grove
- NAWC, Trenton

THIS WAS NEVER DONE !!!

Chart 21 Frankford Arsenal Example

On Sunday, one of the commissioners asked the Mayor how will the excessed acres be absorbed by the city. Not very well --in fact, those of us who are students of history know that if we don't study the lessons of the past, we are bound to repeat the mistakes. Well-- lets look at the Frankford Arsenal. Just like DPSC, it had easy access to interstates/bridges/ and transportation channels. It too had 84 acres of prime land. It had at one point 10,000 jobs located on its compound. Now -- 15 years later, that commercialized facility supports <u>only</u> 600 jobs.

Chart 22 Cumulative Closures

Mayor Rendell stated on Sunday that if we consider all the BRAC decisions that have affected Phila past and current, 23% of all civilian jobs belong to the city of Philadelphia alone. Our metropolitan area has taken more than its share of the burden.

COMMUNITY INVOLVEMENT IMPACT

Our Ties to Our Neighbors

- DPSC Combined Federal Campaign Contributions – $216,000

- Adopt–a–School – South Philadelphia High School
  Vare Middle School

- Project GIVE – Government & Industry Volunteers for Education

- DPSC Community Service Council –

  Children's Christmas Party
  Senior Citizen's Thanksgiving luncheon
  Children's July Picnic
  Hospitalized Veteran's Visitation program

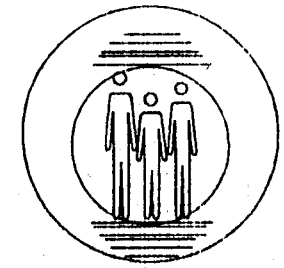


Chart 23 Community Involvement

DPSC cares about its neighbors. If we go, Philadelphia loses a lot more than tax dollars-- it loses concerned citizens who work to make this community a better place. We contribute thousands of dollars annually to local charities, we tutor local South Philadelphia children in reading and math, we share our time with the senior citizens and the patients at the veteran's hospital. The impact cannot be measured in just dollars and cents.

RECOMMENDATION

BRAC Should:

- Consolidate Activities in Philadelphia at Either ASO or DPSC
- Save Approximately $300M in Upfront One-Time Expenses
- Not Jeopardize the Military Essential Mission
- Spare 8,036 Families the Trauma of Moving

Chart 24 Recommendation

What do we ask you and your fellow commissioners to do, Mr. Bowman?
We recommend you carefully review each of the Philadelphia activities slated for closure or realignment. We strongly suggest you adopt a win-win strategy and realign Philadelphia activities in Philadelphia. We believe the DLA BRAC analysis was rushed and faulty. Consequently, DPSC ended up on a list for closure based on nonexistent savings. In fact, it is our position that the move to New Cumberland will cost the taxpayers money. Will a critical mission be jeopardized-- we think so. Are you willing to chance it for no added value, no real savings? Please consider that between DISC/ASO and DPSC, there are 8,036 families scheduled to move due to what can only be called bad judgement and poor research. We are on a list we wouldn't have made if DLA had calculated the savings correctly the first time around. We ask you to take us off that list.

Thank you for permitting us to testify. We would like to enter this testimony into the record. Do you have any questions? Ms Sally McNamara will now speak with you about the concerns the Management Club has regarding the closure of the Defense Contract Management Command-- Mid Atlantic District.

AGENDA

		JOBS
• PART A -	Defense Personnel Support Center Issues	3,150
• PART B -	Defense Contract Management District Issues	234
• PART C -	Defense Clothing Factory Issues	1,252
	TOTAL JOBS	4,636

2

Chart 1 (DPSC Management Club)

Good ~~Morning~~ Afternoon Commissioner Bowman. Thank you for personally visiting with us at DPSC today. My name is Maggie Rees and Allan Rosen and I are here representing the DPSC Management Club and we will discuss the DPSC issues.

DPSC MANAGEMENT CLUB

REPORT

of

BASE REALIGNMENT ISSUES

1

DPSC MANAGEMENT CLUB REPORT of BASE REALIGNMENT ISSUES

THINK • INNOVATE • IMPROVE • ACCOMPLISH

1

Thank you for permitting me to testify. I would like to enter my testimony into the record and that of my colleagues from the Defense Contract Management Command Mid Atlantic Region who are tenants on our compound.

CONSOLIDATION IN PHILADELPHIA

- Keep Cost-cutting Business Team INTACT
- Errors - Nonexistant Payback to Move
- DPSC site - Safely Expandable
- Save $347 million upfront Costs

CHART 6 Consolidation in Philadelphia

So how can we avoid mission failure and still achieve the necessary savings required of the BRAC process? The solution is obvious and simple-- consolidate the Defense activities within Philadelphia. The Pennsylvania Economy League will speak to you about the problems we all have with the COBRA model and the purported savings as shown by DLA. If the DLA analysis had not been rushed and conducted in such secrecy, our base in all likelihood would never have been targeted for closure. Last month's GAO report revealed that fully 36% of the errors made in the entire Department of Defense BRAC submission were made by DLA on just the DPSC/DISC move to the New Cumberland depot. That 335 million dollar error reduced the DLA savings to only 140 million dollars over twenty years. Because of that GAO finding and subsequent data corrections which lower DPSC Base Operating and Maintenance Costs, DLA is reworking the savings through the COBRA model. We are confident the results will show the payback is nonexistent. Even marginal savings will prove inconsequential when measured against the potential loss of the DPSC business team which holds such promise for DOD logistics.

CONT

We can have the best of both worlds by collocating activities in Philadelphia. I would like to assure you that it is possible to do so in South Philadelphia on the site DPSC now occupies. We can accommodate ASO, DISC and all the current tenants of DPSC despite the DLA BRAC analysis which suggests we cannot expand. This 22 March 1993, US Army Corps of Engineers Study details that both renovation and hi-rise building can take place at the center. Additionally, this 20 April letter from the Pennsylvania Department of Environmental Resources says we can build safely at DPSC. Therefore, the BRAC Commission has several options, all of which can economically keep these federal defense jobs in the City of Philadelphia. We recommend you consolidate in Philadelphia to save taxpayers the 347 million dollars in up front costs to move DPSC, DISC and ASO to the Harrisburg area.

It is obvious from the facts presented to you today and those we will present to the BRAC team during their site visit to Philadelphia on the 12th, that the analysis and decision to relocate activities from Philadelphia to New Cumberland was not objective, was done in haste and secrecy and the results are flawed. You, the members of the BRAC Commission, have an opportunity and the responsibility to reverse this decision.

CONT

CONSOLIDATION IN PHILADELPHIA

- Keep Cost-cutting Business Team INTACT
- Errors - Nonexistant Payback to Move
- DPSC site - Safely Expandable
- Save $347 million upfront Costs

their families in the Delaware Valley all their lives. They have enjoyed the access to public transportation and unique cultural life the City offers. The BRAC analysis projects, as a worst case, that 85% of the people currently employed at DPSC will not move with their jobs. Such a loss will certainly result in a substantial reduction in the Center's ability to respond to military emergencies, to say nothing of the loss of our momentum for change. Even if the worst case is not realized, there will still be an appreciable loss of personnel, and more than likely it will be the most experienced. We estimate it could take up to a decade to reconstitute a logistics team as creative and proficient as the one we now have in Philadelphia. Can we risk the very real possibility that the next conflict will see shortages of life or death medicines, food and clothing for our troops because we have lost our highly trained and skilled work force?

CONSOLIDATION IN PHILADELPHIA

- Keep Cost-cutting Business Team INTACT
- Errors - Nonexistant Payback to Move
- DPSC site - Safely Expandable
- Save $347 million upfront Costs

DPSC INNOVATIVE LOGISTICS

- Defense Conversion Contracts

  Warm Mobilization Basing

- Electronic Commerce

  Just-in-Time

  Efficient DoD Money Management

  Bench Marking

cutting commercial practices. Those business practices are radically different from the depot oriented business that has been traditionally conducted in the Department of Defense. With electronic commerce, we operate in a completely paperless environment from order to invoice. We dramatically reduce inventory with just-in-time deliveries of stock and we have better money management with electronic funds transfers.

DPSC has developed some of the premier experts in electronic acquisition, as witnessed by the frequency with which our programs are cited as industry leading models. DOD has designated DPSC as a demonstration site for electronic commerce to encourage industry cooperation. We are the only Government activity invited to participate in the prestigious Price Waterhouse benchmarking group with such select national leaders in electronic commerce as JC Penney, AT&T, Motorola, UPS and GE. Savings from our initiatives in the coming years could reach several billion dollars. Last year DOD recognized us with the 1992 Defense Superior Management Award, and we also won the 1992 Federal Leadership Award. Obviously it takes a highly skilled, experienced, knowledgeable, and cohesive team of people to earn that reputation and we have such a team!

Unfortunately, with a major relocation of people, much of this talent will be unable to, or will choose not to transfer. Most employees at DPSC have lived with

Cont

CHART 5 DPSC Innovative Logisitics

We do not rest on our laurels, ever. Anticipating the peace dividend, the professionals working at DPSC beg veloping creative, less-costly business methods to make our logistics support to t Department of Defense all the more efficient, while maintaining a robust go-to-war capability with our innovative conversion contracts with industry. For instance, the next mobilization of troops will see the company who makes uniforms for Mcdonald's restaurants stop production and immediately begin making battle dress uniforms. Several pharmaceutical companies are rotating our short shelf-life medicines in their commercial inventory. We are paying our manufacturer of nerve gas antidotes to perform peacetime duties so we will have a warm base should we need them to rapidly ramp up production of antidotes. We are committed to a business philosophy to buy response rather than inventory.

During FY 1992, DPSC recorded Defense Management Review savings of 847 million dollars. We are energized to reduce DOD costs each and every day we come to work. My co-workers have become "the" source of innovative wholesale acquisition practices for DLA and DOD. It has been DPSC employees who have forged the automated electronic commerce programs that are imaginative, customer oriented, and consistent with cost

Cont

DPSC INNOVATIVE LOGISTICS

- Defense Conversion Contracts

  Warm Mobilization Basing

- Electronic Commerce

  Just-in-Time

  Efficient DoD Money Management

  Bench Marking

CHART 4 DPSC-Outfitters to Desert Storm

Each infantryman carried more than fourteen hundred dollars worth of DPSC procured materiel on their person, each day of the operation. We aren't soldiers, sailors, or airmen defending our country, we are the support folks who provide the food, medicines, and clothing. We built the combat field hospitals, we bought the rations, and we got the desert camouflage uniforms there to meet the mobilization surge, just as we did for Operation RESTORE HOPE, and during the Hurricane Andrew disaster. It was our food and medicine that were airlifted into Bosnia in March and are used to sustain any US supported peacekeeping operation, anywhere in the world. We'll be needed to supply whatever downsized military force remains to defend us all! I'd like to point out that DPSC earned the DOD Joint Meritorious Unit Award for our outstanding performance in Desert Storm because the men and women of the Defense Personnel Support Center used ALL their training, professionalism, and their 30 thousand years of accumulated experience to provide the logistics support that was essential to the success of that operation.

DPSC INNOVATIVE LOGISTICS

- Defense Conversion Contracts

  Warm Mobilization Basing

- Electronic Commerce

  Just-in-Time

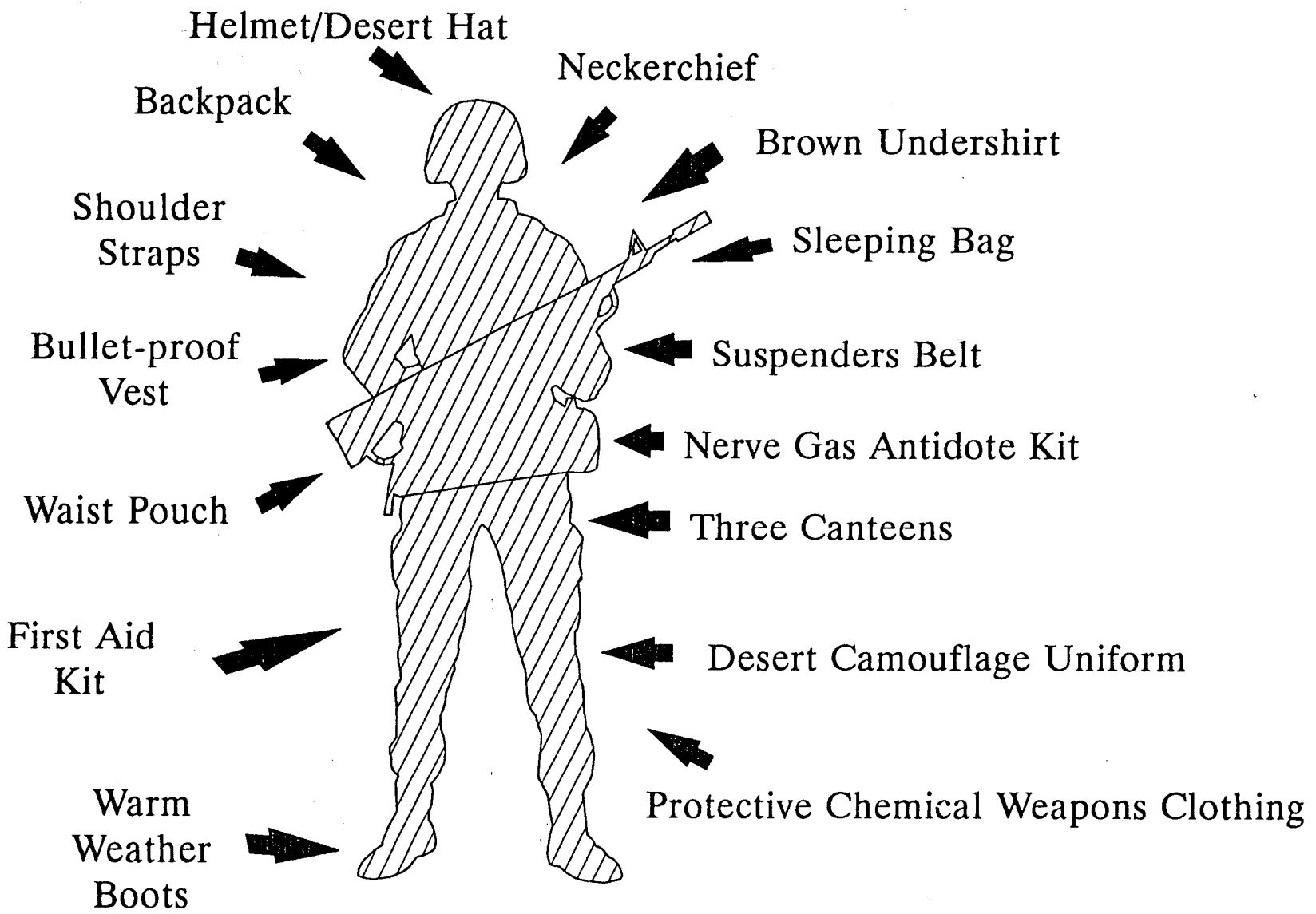
  Efficient DoD Money Management

  Bench Marking

CHART 3 Military Value

DPSC IS ESSENTIAL TO THE MILITARY. For example, during Operation Desert Storm, our center handled FIVE HUNDRED THOUSAND (500,000) requests for food, clothing and medical supplies totaling over 2.5 billion dollars.

DPSC - OUTFITTERS to DESERT STORM



Also: Body Armor, Suntan Lotion, Lip Balm, Underwear, Water Purification Tablets, Foot Powder, Goggles, etc...Meals Ready to Eat, Rations, and Innoculations

CHART 2 DoD Criteria for Selecting Bases

The DLA based their assessment of DPSC on five major criteria. We feel that their analysis was faulty in four of the five areas. I will discuss today the criteria of expandability, savings, and the environment. Other panel members will expand on the devastating economic impact on Philadelphia. We can agree on only a single issue:

MILITARY VALUE

DLA agrees, DPSC IS ESSENTIAL !!!

example: OPERATION DESERT STORM (6 months)

Activity	Requests	Dollar Value
Food	23,450	$1.062 billion
Clothing	210,269	$ 557 million
Medical	257,391	$ 962 million
DPSC TOTAL	491,110	$2.58 billion

TESTIMONY BY
WALTER R. RANIERI
BEFORE THE BRAC COMMISSION
CONCERNING
THE PROPOSED RECOMMENDATION BY THE DEFENSE LOGISTICS AGENCY
TO RELOCATE DEFENSE PERSONNEL SUPPORT CENTER, PHILADELPHIA,
PENNSYLVANIA TO NEW CUMBERLAND, PENNSYLVANIA
GIVEN IN NEWARK, NEW JERSEY
9 MAY 1993

Good afternoon, Mr. Courter and members of the Base Realignment and Closure Commission. My name is Walter Ranieri. I am appearing here as a representative of the Defense Personnel Support Center Management Club. I have 40 years experience in wholesale logistics management and I am a retired Captain in the US Navy Supply Corps Reserve. I am here to discuss why DPSC is strategically vital and why it is important we stay in Philadelphia rather than moving to New Cumberland.

DoD Criteria for Selecting Bases for Closure/Realignment

Military Value: DPSC is ESSENTIAL

Expandability: DLA analysis FAULTY - DPSC CAN expand

Savings: DLA analysis FAULTY - GAO finds $335M error

Environment: DLA analysis FAULTY - DPSC IN compliance,

NO hold on construction

Economic Impact: DLA FAILED to perform cumulative economic impact of all BRAC decisions

DPSC MANAGEMENT CLUB REPORT of BASE REALIGNMENT ISSUES

1

DPSC MANAGEMENT CLUB REPORT of BASE REALIGNMENT ISSUES

23 Jan

CLOSING 1 ICP

Each of These Options PARTIALLY Supports Supply and FULLY Supports Distribution Concepts of Operations

ACTIVITY SUMMARY | RISK ASSESSMENT | COBRA RESULTS | SALES RESULTS

Option 3a

ICP Close: DISC
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDST
Realign: DDCO, DDLP

	NSNs	PRS	SALES
DCSC	1.67M+	33%	27%
DGSC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity w/Warehouses: -10M ACF
Capacity w/o Warehouses: -20M ACF
ICP Risk: Moderate

			w/o Warehouses	
	SS	NPV	SS	NPV
ICP	24M	-300M	24M	-300M
Depot	98M	-968M	99M	-1054M
Total	122M	-1268M	123M	-1354M
% diff. from highest NPV		11.7%		10.6%

DDOU/DDMT
NPV: $ -237 M
SS: $ 22 M

Option 4a

ICP Close: DGSC, ~~DISC~~
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDST
Depot Realign: DDCO, DDLP

	NSNs	PRS	SALES
DCSC	1.67M+	33%	27%
DISC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity w/Warehouses: -12M ACF
Capacity w/o Warehouses: -22M ACF
ICP Risk: Moderate

			w/o Warehouses	
	SS	NPV	SS	NPV
ICP	39M	-417M	39M	-417M
Depot	95M	-945M	97M	-1031M
Total	135M	-1362M	136M	-1448M
% diff. from highest NPV		5.2%		4.4%

DDOU/DDRV
NPV: $ -189 M
SS: $ 18 M

Option 4b

ICP Close: DGSC
Stand-Alone Close: DDMT, DDRV
Collocated Close: DDRT, DDST
Realign: DDCO, DDLP

	NSNs	PRS	SALES
DCSC	1.67M+	33%	27%
DISC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity w/Warehouses: -9M ACF
Capacity w/o Warehouses: -19M ACF
ICP Risk: Moderate

			w/o Warehouses	
	SS	NPV	SS	NPV
ICP	39M	-417M	39M	-417M
Depot	98M	-1019M	99M	-1098M
Total	137M	-1436M	138M	-1515M
% diff. from highest NPV		0.0%		0.0%

DDMT/DDRV
NPV: $ -120 M
SS: $ 11 M

3 Feb

CLOSING 2 ICPs

Each of These Options FULLY Supports Supply and Distribution Concepts of Operations

Option 1

ACTIVITY SUMMARY

ICP Close: DISC, DPSC
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DGSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **High**

COBRA RESULTS

	SS	NPV
ICP	46M	-487M
Depot	88M	-859M
Total	134M	-1346M
% diff. from highest NPV	*12.3%*	

SAILS RESULTS

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Option 2a

ACTIVITY SUMMARY

ICP Close: DGSC, DISC
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate+**

COBRA RESULTS

	SS	NPV
ICP	58M	-630M
Depot	85M	-840M
Total	144M	-1471M
% diff. from highest NPV	*4.1%*	

SAILS RESULTS

DDOU/DDRV
NPV: $ -188 M
SS: $ 17 M

Option 2b

ACTIVITY SUMMARY

ICP Close: DGSC, DISC
Stand-Alone Close: DDMT, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate+**

COBRA RESULTS

	SS	NPV
ICP	58M	-630M
Depot	88M	-904M
Total	146M	-1534M
% diff. from highest NPV	*0%*	

SAILS RESULTS

DDMT/DDRV
NPV: $ -123 M
SS: $ 11 M

3 Fb

CLOSING 1 ICP

Each of These Options PARTIALLY Supports Supply and FULLY Supports Distribution Concepts of Operations

Option 3a

ACTIVITY SUMMARY

ICP Close: DISC (IPE moves)
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DGSC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate**

COBRA RESULTS

	SS	NPV
ICP	29M	-359M
Depot	88M	-874M
Total	117M	-1234M
% diff. from highest NPV	*7.1%*	

SAILS RESULTS

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Option 3d

ACTIVITY SUMMARY

ICP Close: DISC (IPE stays)
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DGSC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate**

COBRA RESULTS

	SS	NPV
ICP	28M	-344M
Depot	88M	-874M
Total	116M	-1218M
% diff. from highest NPV	*8.4%*	

SAILS RESULTS

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Option 4a

ACTIVITY SUMMARY

ICP Close: DGSC
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DISC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate**

COBRA RESULTS

	SS	NPV
ICP	37M	-410M
Depot	85M	-855M
Total	123M	-1265M
% diff. from highest NPV	*4.8%*	

SAILS RESULTS

DDOU/DDRV
NPV: $ -188 M
SS: $ 17 M

CLOSING 1 ICP

Each of These Options PARTIALLY Supports Supply and FULLY Supports Distribution Concepts of Operations

Option 4b

ACTIVITY SUMMARY

ICP Close: DGSC
Stand-Alone Close: DDMT, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DISC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate**

COBRA RESULTS

	SS	NPV
ICP	37M	-410M
Depot	88M	-919M
Total	125M	-1329M
% diff. from highest NPV	*0%*	

SAILS RESULTS

DDMT/DDRV
NPV: $ -123 M
SS: $ 11 M

Option 4d

ACTIVITY SUMMARY

ICP Close: DGSC (ICP only)
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DGSC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate**

COBRA RESULTS

	SS	NPV
ICP	21M	-229M
Depot	88M	-874M
Total	109M	-1103M
% diff. from highest NPV	*17.0%*	

SAILS RESULTS

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

CLOSING 2 ICPs

Each of These Options FULLY Supports Supply and Distribution Concepts of Operations

Option 1

ACTIVITY SUMMARY

ICP Close: DISC, DPSC
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DGSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **High**

COBRA RESULTS

	SS	NPV
ICP	46M	-487M
Depot	88M	-874M
Total	134M	-1361M
% diff. from highest NPV		*11.9%*

SAILS RESULTS

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Option 2a

ACTIVITY SUMMARY

ICP Close: DGSC, DISC
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate+**

COBRA RESULTS

	SS	NPV
ICP	58M	-625M
Depot	85M	-855M
Total	143M	-1481M
% diff. from highest NPV		*4.1%*

SAILS RESULTS

DDOU/DDRV
NPV: $ -188 M
SS: $ 17 M

Option 2b

ACTIVITY SUMMARY

ICP Close: DGSC, DISC
Stand-Alone Close: DDMT, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate+**

COBRA RESULTS

	SS	NPV
ICP	58M	-625M
Depot	88M	-919M
Total	146M	-1544M
% diff. from highest NPV		*0%*

SAILS RESULTS

DDMT/DDRV
NPV: $ -123 M
SS: $ 11 M

7 Fd

CLOSING 1 ICP

Each of These Options PARTIALLY Supports Supply and FULLY Supports Distribution Concepts of Operations

Option 3a

ACTIVITY SUMMARY

ICP Close: DISC (IPE moves)
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DGSC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: Moderate

COBRA RESULTS

	SS	NPV
ICP	29M	-364M
Depot	88M	-859M
Total	117M	-1223M
% diff. from highest NPV	*6.4%*	

SAILS RESULTS

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Option 3d

ICP Close: DISC (IPE stays)
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DGSC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: Moderate

	SS	NPV
ICP	28M	-348M
Depot	88M	-859M
Total	116M	-1207M
% diff. from highest NPV	*7.7%*	

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Option 4a

ICP Close: DGSC
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DISC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: Moderate

	SS	NPV
ICP	38M	-403M
Depot	85M	-840M
Total	123M	-1244M
% diff. from highest NPV	*4.8%*	

DDOU/DDRV
NPV: $ -188 M
SS: $ 17 M

7 Feb

CLOSING 1 ICP

Each of These Options PARTIALLY Supports Supply and FULLY Supports Distribution Concepts of Operations

Option 4b

ACTIVITY SUMMARY

ICP Close: DGSC
Stand-Alone Close: DDMT, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DISC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate**

COBRA RESULTS

	SS	NPV
ICP	37M	-410M
Depot	88M	-919M
Total	125M	-1329M
% diff. from highest NPV	*0%*	

SAILS RESULTS

DDMT/DDRV
NPV: $ -123 M
SS: $ 11 M

Option 4d

ACTIVITY SUMMARY

ICP Close: DGSC (ICP only)
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

RISK ASSESSMENT

	NSNs	PRs	SALES
DCSC	1.67M+	33%	27%
DGSC	1.48M+	32%	28%
DPSC	.38M	35%	45%

Capacity Shortfall: 0 ACF
ICP Risk: **Moderate**

COBRA RESULTS

	SS	NPV
ICP	21M	-229M
Depot	88M	-874M
Total	109M	-1103M
% diff. from highest NPV	*17.0%*	

SAILS RESULTS

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Defense Logistics Agency

BRAC 95

Meeting Minutes and Briefing Charts

Executive Group Meetings

13 January 1995 through 22 February 1995

Attach 4

warehouse construction. BRAC Working Group Members indicated that using Rough and Ready Island could be costly due to high Backlog of Maintenance and Repair (BMAR) costs if we retain the space indefinitely. Also, the Navy may close Rough and Ready Island.

H. The revision of the analysis reviewed at the 9 January 1995 BRACEG meeting, using the BMAR and real property maintenance costs was displayed. This analysis applies to DoD final selection criteria 2 and 4. (The availability and condition of land, facilities, and associated air space at both the existing and potential receiving locations, and the costs and manpower implications.) This revised analysis resulted in very little change from the earlier version. The realignment of the additional stand-alone depot options, discussed in paragraph 11F above, were also included in this updated analysis.

I. A detailed discussion of recommendations to be made to the Director, DLA, by the BRACEG took place.

1. When analyzing the stand-alone depots, installation Military Value data indicates the most proper closures would be DDOU and DDMT. Although the COBRA results are not as favorable for these two depots, the SAILS analysis consistently suggests the closure of DDOU and DDMT result in lowest operating costs. Also, there is a significant amount of synergy between the Defense Distribution Depot Norfolk (DDNV) and DDRV, that would be lost if DDRV was closed. The increasing importance of the Norfolk location to the Navy and the significant assistance DDRV can and does provide needs to be continued, particularly in light of the fact that DLA is losing storage space at the wharf and in the South Annex at DDNV. Closure of either DDRV or DDCO will not result in a base closure since both are tenants on DLA ICP installations.

2. For the one ICP option , the consensus was to close the Defense Industrial Supply Center (DISC) (Option 3A). This recommendation was based on the collective military judgment of the BRAC Executive Group after reviewing the results of the Capacity, Military Value, and COBRA results. Differences in the results of these analyses were not great enough by themselves to indicate which option was best. Therefore, military judgment, which took into account all of the available data relating to ICP analyses, as well as depot recommendations was the final determinant. The weapon systems items will be realigned to the Defense General Supply Center (DGSC) and the Defense Construction Supply Center (DCSC). The DISC, DCSC, and DGSC troop and general support items will be realigned to the Defense Personnel Support Center (DPSC). This alternative would result in a difference of less than 400 jobs in Philadelphia. COBRA projects less savings for the one ICP option than the two ICP options.

3. Within the two ICP options, Option 1, which closes DISC and DPSC, was the proposed recommendation. As with the one ICP option, this recommendation was based on Military judgment. DPSC was reviewed as a stand-alone and DISC was third of the three ICPs with only 24 points between it and DGSC. This realignment would result in all weapons systems items being managed at DCSC and all troop and general support items being managed at DGSC. Although the total NPV for this option is lower than the other two ICP options, the relative difference is small. Savings is not the driver in our decision process. This option was reflected as high risk because it closes two ICPs, one of which is DPSC. DPSC manages items (clothing and textiles, subsistence, and medical) which are unique to DPSC. None of the Hardware ICPs manage items which are comparable.

4. After much discussion, the BRAEG decided to downgrade the risk level of "close two ICP" options 2-2b to moderate plus; These options close DGSC and DISC. However, the risk level associated with the "close two ICP" options 1 remained "high" because no other ICP had experience in managing commodies similar to those at DPSC.

III. DECISIONS REACHED: Make the following recommendations to the Director:

A. For the one ICP options, Option 3a is proposed.

B. For the two ICP options, Option 1 is proposed.

NOTE: Depot recommendations are the same for both options.

IV. FOLLOW-UP ACTIONS:

A. In support of our testimony to the BRAC Commission, build a briefing and viewgraphs to include a chart that describes how we made Military Value decisions to include our military judgment rationale--CAAJ(BRAC).

B. BRAC Team representatives will attend BRAC Commission regional hearings--CAAJ(BRAC).

C. Discuss the potential availability of space for moving the people in DCMD West (and the Defense Contract Management Office there) to Los Angeles Air Force Station with the Special Assistant for BRAC, Headquarters U.S. Air Force, Maj Gen Blume--DD.

D. Add both the SAILS NPV and steady state savings to the option chart and delete the "Best Cost 2 - Depot Option" annotation--CAAJ(BRAC).

13 Jan '95

CLOSING 2 ICPs

Each of These Options FULLY Supports Supply and Distribution Concepts of Operations

Option 1

ACTIVITY SUMMARY

ICP Close: DISC, DPSC
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDST
Realign: DDCO, DDLP, DDJF

RISK ASSESSMENT

	NSNs	PRS	SALES
DCSC	3.15M+	65%	55%
DGSC	.38M	35%	45%

Depot Capacity: -23M ACF
ICP Risk: High

COBRA RESULTS

	SS	NPV
ICP	46M	-490M
Depot	102M	-1016M
Total	148M	-1506M

SALES RESULTS

DDOU/DDMT
$ -237 M

(Best Cost 2-Depot Option)

Option 1-1

ICP Close: DISC, DPSC
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDST
Realign: DDCO, DDLP, DDJF, DDRV

	NSNs	PRS	SALES
DCSC	3.15M+	65%	55%
DGSC	.38M	35%	45%

Depot Capacity: -23M ACF
ICP Risk: High

	SS	NPV
ICP	46M	-490M
Depot	114M	-1110M
Total	160M	-1600M

DDOU/DDMT
$ -12 M

Option 2a

ICP Close: DGSC, DISC
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDST
Realign: DDCO, DDLP, DDJF

	NSNs	PRS	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Depot Capacity: -27M ACF
ICP Risk: High

	SS	NPV
ICP	51M	-558M
Depot	100M	-993M
Total	150M	-1551M

DDOU/DDRV
$ -189 M

CLOSING 2 ICPs

Each of These Options FULLY Supports Supply and Distribution Concepts of Operations

Option 1

ICP Close: DISC, DPSC
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DGSC	.38M	35%	45%

Capacity w/o Warehouses: -20M ACF
ICP Risk: **High**

	SS	NPV
ICP	46M	-487M
Depot	88M	-859M
Total	134M	-1346M
% diff. from highest NPV	*12.3%*	

DDOU/DDMT
NPV: $ -241 M
SS: $ 22 M

Option 2a

ICP Close: DGSC, DISC
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity w/o Warehouses: -22M ACF
ICP Risk: **Moderate+**

	SS	NPV
ICP	58M	-630M
Depot	85M	-840M
Total	144M	-1471M
% diff. from highest NPV	*4.1%*	

DDOU/DDRV
NPV: $ -188 M
SS: $ 17 M

Option 2b

ICP Close: DGSC, DISC
Stand-Alone Close: DDMT, DDRV
Collocated Close: DDRT, DDLP
Depot Realign: DDCO

	NSNs	PRs	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity w/o Warehouses: -19M ACF
ICP Risk: **Moderate+**

	SS	NPV
ICP	58M	-630M
Depot	88M	-904M
Total	146M	-1534M
% diff. from highest NPV	*0%*	

DDMT/DDRV
NPV: $ -123 M
SS: $ 11 M

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8

4. Remain at the Defense Distribution Depot San Joaquin (DDJC) and DDSP:

a. DDJC is our primary distribution site on the west coast for the Pacific Theater and is close to air and water ports of embarkation. It has the largest depot storage and throughput capacities in the west. DDJC scored the highest of all stand-alone depots in Military Value. Finally, although the Strategic Analysis of Integrated Systems (SAILS) model favors storing more at the East Coast depots, operations costs with DDJC are less than operations costs with the Defense Distribution Depot Ogden (DDOU).

b. DDSP is our primary distribution site on the east coast. It has a high Military Value and because it is close in proximity to both vendors and customers, is an attractive location for the SAILS model.

B. Nine BRAC options associated with ICPs and distribution depots were reviewed along with information relative to concepts of operations, risks, the SAILS model, and Military Value of installations, ICPs, and depots.

1. Option 1--eliminates the most facilities and is the best two depot savings option. It satisfies both Concepts of Operations. However, this is a high-risk scenario, especially for the ICPs because the disestablishment of two supply centers and the associated movement of item management responsibilities (troop and support item management to the Defense General Supply Center (DGSC); weapon systems item management to DCSC). Enclosure 3 identifies item management options. The personnel turmoil associated with a BRAC decision and the significant movement of item management responsibilities while attempting to implement many new item management initiatives/ processes will be a challenge. A storage capacity shortfall of 28 million Attainable Cubic Feet (ACF) is projected. About 21 million ACF of the shortfall could possibly be accommodated by storing additional assets at Rough and Ready Island (if it is not on the Navy closure list), by converting warehouse operations space (and racking out) at DDCO and racking-out a hanger at Norfolk (potential transfer from the Navy to DLA).

2. Option 2a closes our installation with very good facilities and infrastructure (DGSC) and the Defense Distribution Depot Richmond (DDRV) that the SAILS model indicates is in a preferable location.

3. In option 2b we get a much higher payoff in closing Defense Distribution Depot Memphis (DDMT) than closing DDOU. The much larger staff at DDMT and resultant savings if both staffs were equally reduced, percentage wise, is the primary factor in this savings difference. Additionally, the large number of tenants at DDOU (1,400) drives one time costs considerably higher than those at Memphis who has fewer tenants.

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100

CLOSE HOLD

IN REPLY REFER TO CAAJ(BRAC)

3 FEB 1995

MEMORANDUM OF MEETING

SUBJECT: Summary of Base Realignment and Closure (BRAC) Executive Group (BRACEG) Meeting - 22 December 1994

I. PURPOSE: To provide the BRACEG scenarios applicable to Inventory Control Points (ICPs) (enclosure 2). A list of attendees is at enclosure 1.

II. BRIEF SUMMARY OF DISCUSSION:

A. In at least one case a Primary Level Field Activity (PLFA) did not remove all Base Operating Support (BOS) reimbursable data from their cost total. It was the BRACEG's consensus that ICP activity costs should not include BOS reimbursables. Activity cost data should be reviewed by the activities to insure cost data is representative of activities being analyzed and should not include BOS reimbursable costs.

B. ICP scenarios.

1. There was some discussion about the Defense Industrial Supply Center (DISC) expandability figure noted in the military value chart. Most of the expandability noted relates to the area vacated when the Navy publications mission transfers to New Cumberland. Obviously, if Navy elects to move the Aviation Supply Office (ASO) to New Cumberland, a much larger expansion capability will exist.

2. Scenario 1, disestablishing the Defense General Supply Center (DGSC) and transferring weapon systems item management to the Defense Construction Supply C (DCSC) and troop and other general support missions including industrial plant equi ment, Overseas Dependent Schools (DoDDS), and Hazardous Technology Informa Services (HTIS)/Hazardous Material Information System (HMIS) to the Defense Personnel Support Center (DPSC). DCSC troop and general support item manag would also transfer to DPSC. Both DPSC and DGSC Program Objective Memor (POM) changes were taken from DGSC consistent with BRACEG guidance. Aft POM changes, we project movement of 427 people--all to DPSC. An additional people are saved. This scenario does not move the Defense Distribution Depo Richmond, Virginia, and other tenants at DGSC.

3. Scenario 2, disestablish DISC and DPSC and move DISC and DPSC weapons systems item management to DCSC, and DPSC and DISC troop and general support item management to DGSC. The POM change in this scenario is different (larger) because two ICPs are being disestablished in lieu of the one in scenario 1.

4. Scenario 3, disestablish DGSC and DISC and transfer weapons systems item management to DCSC, and troop and general support and missions including industrial plant equipment, DoDDS, and HTIS/HMIS item management to DPSC. DPSC would be located at the ASO compound based on the BRAC 93 recommendations.

5. Both scenarios 4 (move DISC and DPSC from ASO compound to the DPSC compound) and 5 (ASO disestablished by the Navy (1998 timeframe) and DISC assumes responsibility for the ASO compound) will result in costs to the Agency. In scenario 4, people to manage the DPSC installation were added back into DPSC manpower figures. This scenario would also require the renovation of the clothing factory for DISC. For scenario 5, ASO costs provided by the Navy Base Structure Analysis Team were used in our calculations.

6. In summary, the status quo would be difficult to justify and the preliminary BRACEG consensus was that scenario 2 was best. Besides saving the most money the synergy of an ICP/distribution depot environment is a good one, the facilities at DGSC are very good, and DGSC has been targeted as the DLA's east coast regional location for human resource management in support of DoD initiatives to regionalize. DLA planning has begun for this effort and DLA resources to support this east coast regional location should begin assembling in FY 97. There was some concern that DPSC personnel might be unwilling to move and the skills might not be easily transferable. Also the depot analysis, as it relates to DDRV, needs to be done before any ICP scenario is finalized.

III. FOLLOW-UP ACTIONS:

A. Review all cost figures and the Cost of Base Realignment Action (COBRA) model runs and insure all activities can be evaluated on an even footing--CAAJ(BRAC).

Defense Logistics Agency

BRAC 95

Meeting Minutes and Briefing Charts

Meetings with the Director

23 January 1995
3 February 1995
7 February 1995

CLOSING 2 ICPs

Each of These Options FULLY Supports Supply and Distribution Concepts of Operations

ACTIVITY SUMMARY

RISK ASSESSMENT

SALES / COBRA RESULTS

Option 1

ICP Close: DISC, DPSC
Stand-Alone Close: DDOU, DDMT
Collocated Close: DDRT, DDST
Depot Realign: DDCO, DDLP

	NSNs	PRS	SALES
DCSC	3.15M+	65%	55%
DGSC	.38M	35%	45%

Capacity w/Warehouses: -10M ACF
Capacity w/o Warehouses: -20M ACF
ICP Risk: **High**

	SS	NPV	w/o Warehouses SS	w/o Warehouses NPV
ICP	46M	-490M	46M	-490M
Depot	98M	-968M	99M	-1054M
Total	144M	-1457M	145M	-1544M
% diff. from highest NPV		7.60%		6.80%

DDOU/DDMT
NPV: $ -237 M
SS: $ 22 M

Option 2a

ICP Close: DGSC, DISC
Stand-Alone Close: DDOU, DDRV
Collocated Close: DDRT, DDST
Depot Realign: DDCO, DDLP

	NSNs	PRS	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity w/Warehouses: -12M ACF
Capacity w/o Warehouses: -22M ACF
ICP Risk: **Moderate+**

	SS	NPV	w/o Warehouses SS	w/o Warehouses NPV
ICP	51M	-558M	51M	-558M
Depot	95M	-945M	97M	-1031M
Total	146M	-1503M	148M	-1589M
% diff. from highest NPV		4.70%		4.00%

DDOU/DDRV
NPV: $ -189 M
SS: $ 18 M

Option 2b

ICP Close: DGSC, DISC
Stand-Alone Close: DDMT, DDRV
Collocated Close: DDRT, DDST
Depot Realign: DDCO, DDLP

	NSNs	PRS	SALES
DCSC	3.15M+	65%	55%
DPSC	.38M	35%	45%

Capacity w/Warehouses: -9M ACF
Capacity w/o Warehouses: -19M ACF
ICP Risk: **Moderate+**

	SS	NPV	w/o Warehouses SS	w/o Warehouses NPV
ICP	51M	-558M	51M	-558M
Depot	98M	-1019M	99M	-1098M
Total	149M	-1577M	150M	-1656M
% diff. from highest NPV		0.0%		0.0%

DDMT/DDRV
NPV: $ -120 M
SS: $ 11 M

Defense Logistics Agency

BRAC 95

Inventory Control Points (ICPs)

Military Value

PointDistribution Methodology

RATIONALE FOR ASSIGNED POINTS FOR ICP MILITARY VALUE

The five DLA Inventory Control Points (ICPs) provide combat support by ensuring that the proper quality materiel is provided to meet the customer's mission needs at the correct time and place, for a reduced cost and best value in peacetime, national emergency, and war. The ICPs manage approximately 80 percent of DoD's consumable items, i.e., items of supply (except explosive ordinance) normally expended or used up beyond recovery when used as designed or intended. An additional 200,000 to 400,000 items are scheduled to transfer to DLA management starting in 1995. ICP business processes include resource management, market research and marketing, requirements determination, technical and quality support, and materiel and logistics services procurement.

Although the same military value elements were considered for all ICPs, DPSC and DFSC were evaluated separately because the nature of the commodities managed by those ICPs skewed comparison of workload diversity. Points were assigned to the hardware centers based on the certified data. In most cases, the "best" answer received the total points available, and the others received a proportion of the points based on the relationship of their answer to the "best" answer. Age of buildings (under Mission Suitability) was determined based on an average age of all buildings, normalized by the number of square feet in each. Building condition (also under Mission Suitability) was determined by comparing the Long Range Maintenance Planning data developed by the Norfolk Public Works Center to the expected cyclic maintenance requirements of a new building, again, normalized by square footage.

Mission Scope is considered the most important measure of merit in Military Value analysis for the Inventory Control Points (ICPs). It is assigned a total of 400 points. The categories of Mission Suitability, Operational Efficiencies, and Expandability are assigned 200 points each, as they are considered equally important, for a total of 600 points.

I. **MISSION SCOPE (400 points):**
Within the measurement of the ICP Mission Scope, the importance of Current/Future Mission is equally important as the Mission Diversity. Thus, they are each assigned 200 points.

A. **RELATIONSHIP OF CURRENT/FUTURE MISSION** to DoD & operational readiness of the total Force **(200 points):** Criteria I.A.1. and I.A.2. are deemed the most important criteria to the review and analysis of the ICPs for the 1995 Base Realignment and Closure process. To emphasize this, criteria I.A.1. and I.A.2. are assigned 100 points each, which is appropriately higher than the individual 8 sub-criteria in criteria I.B (i.e., I.B.1 thru 8).

1. *Is the mission essential to DoD?* (100 points)

A response of "yes" is based on the DLAR 5805.3 (Defense Supply Center and Defense Depot Mission Statement), which describes the command relationships, mission

Defense Logistics Agency

BRAC 95

Meeting Minutes and Briefing Charts

Executive Group Meetings

Meetings with the Director

5 December 1994 through 9 January 1995

Attch 3

DEFENSE LOGISTICS AGENCY
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CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100

CLOSE HOLD

IN REPLY REFER TO CAAJ(BRAC)

3 FEB 1995

MEMORANDUM OF MEETING

SUBJECT: Summary of Base Realignment and Closure (BRAC) Executive Group (BRACEG) Meeting - 29 December 1994 (Afternoon Session)

I. PURPOSE: To provide the BRACEG with four closure/realignment options and several alternatives within the options (enclosure 2). A list of attendees is at enclosure 1.

II. BRIEF SUMMARY OF DISCUSSION:

A. Some closure/realignment options applicable to both Inventory Control Points (ICPs) and distribution depots have been developed. These include:

1. Realign both the Defense Distribution Depot Columbus (DDCO) and the Defense Distribution Depot Letterkenny (DDLP) if the Army does not close the base. Both storage operations will be retained, but on a limited scope. DDCO will provide storage capacity for primarily slow-moving stock. DDLP's primary mission will be support to the maintenance mission and storage of maintenance repairables and storage of slow-moving stock. Both locations will be reduced to site locations of the Defense Distribution Depot Susquehanna (DDSP). Command structure will be eliminated. This recommendation is consistent with the distribution concept of operations and will result in surcharge reductions for DLA customers.

2. Remain at the Defense Construction Supply Center (DCSC). The DCSC installation has a number of significant defense missions besides the ICP. These include the distribution depot mission, the DLA Data System Design Center, the Defense Accounting and Finance Service, and the Defense Information Systems Agency. DCSC has the highest hardware ICP Military Value and is also ranked highest in the DLA installation Military Value analysis.

3. If the Navy Maintenance Depot at Jacksonville closes, realign the Defense Distribution Depot Jacksonville (DDJF) as a site under the Defense Distribution Depot Warner Robins (DDWG) and eliminate the command structure. This realignment would be necessary to allow the Agency to continue to provide timely support to the ships at Mayport.

Opening Testimony for DLA BRAC 95

Good afternoon. My name is Major General Lawrence P. Farrell and I am the Principal Deputy Director for the Defense Logistics Agency at Cameron Station in Alexandria, Virginia. I also served as the Chairman for the DLA BRAC Executive Group for the complete duration of this round of the base closure and realignment process.

I would like to first refresh you on DLA's mission, then walk you through DLA's BRAC 95 approach, outline our recommendations, and finally present you with an overall summary of DLA's actions.

DLA is a combat support agency providing worldwide logistics support and related services throughout the Department of Defense in the areas of contract management, distribution management, and inventory management. The Agency's goal is to be the provider of choice, around the clock, around the world, providing logistics readiness at reduced cost thus enabling weapon systems acquisition at reduced cost. To that end, we have implemented many innovative business practices, such as direct vendor delivery, business process engineering, electronic commerce/electronic data interchange which will reduce lead-time and the cost of our services to our customers.

The DLA approach to BRAC 95 was consistent with the Public Law, the Force Structure Plan, the DoD Selection Criteria and OSD policy guidance. Our step-by-step process outlined on this chart lead us to make recommendations which are fully consistent with our DLA Strategic Plan, our Concepts of Operations for our major business areas, and the Force Structure Plan. Military judgment was exercised at each step in the process.

Attch 1

DLA estimates that $58 million in MILCON will be required to implement these recommendations. Approximately $35 million of this cost is for the construction of hardstand for vehicle storage at our Distribution Depot in Anniston, Alabama. Additionally, there are costs included for the renovation of office space and hazardous materiel storage space associated with the closure of our Distribution Depots in Ogden, Memphis and the realignment of Columbus.

The five DLA Inventory Control Points (ICPs) manage over 80 percent of DoD's consumable items. Consumable items, other than fuel, fall into two broad groups: Troop and General Support items and Weapon System items. Because of the unique nature of the Fuels commodity, the Defense Fuel Supply Center (DFSC) was removed from consideration. Since the Defense Personnel Support Center (DPSC) is the primary troop support item manager, it was considered only as a receiver.

Because of the nature of the commodities within the Troop and General Support and the Weapon System group, each requires a different level and intensity of management. Our Concept of Operations focuses our efforts accordingly.

Force Structure reductions have a direct effect on supply management workload. Fewer Service members and less Service investment in major weapons systems reduce demand for consumable items. The Agency is also aggressively pursuing better and smarter ways of doing business, leveraging technology, reducing inventory, and relying more on commercial acquisition practices, particularly for Troop and General Support items.

We project a 14 percent reduction in sales between 1992 and the year 2001. Inventory value projections reflect a 43 percent reduction. This does not include the projected receipt of $6.5 billion in consumble item transfer

between 1992 and 2001. A 32 percent reduction in personnel is projected during this same time period.

DLA analyzed a number of options to achieve more concentrated management of Troop and General Support and Weapon System items. As we proceeded with the analysis, several things became obvious. We would not close Columbus, which primarily manages weapon system items. The Defense Personnel Support Center in Philadelphia has unique experience in managing troop support items, and already manages only Troop and General Support items.

Our analysis of capacity and of the risk inherent in singling-up management of the vast number of Weapon System items led us to conclude that two Weapon System ICPs were necessary and appropriate. Richmond is our best installation, and the Distribution Depot there will remain open. Therefore, we concluded that disestablishing the Defense Industrial Supply Center in Philadelphia was in the best interest of DLA.

Disestablishing DISC and realigning Federal Supply Classes to achieve two Weapon System ICPs and one Troop and General Support ICP support the Supply Management Concept of Operations, at an acceptable level of mission risk, and an immediate return on investment.

This recommendation will result in a net present value savings of $236.5 million over twenty years and a steady state savings of $18.4 million starting in the year 2001. As a direct reult of this recommendation, 335 positions will be realigned and 408 positions will be eliminated.

Disestablishing DISC and delaying the relocation of DPSC to the Aviation Supply Office installation allows us to realize a cost avoidance by not renovating more warehouse space than necessary.

Defense Logistics Agency

BASE REALIGNMENT AND CLOSURE DETAILED ANALYSIS

FEBRUARY 1995

Attch 2

DLA BRAC 95 Detailed Analysis

INTRODUCTION/BACKGROUND

The Defense Base Closure and Realignment Act of 1990 (Public Law 101-510, Title XXIX, as amended) and Section 2687 of Title 10, United States Code, established requirements and procedures for base realignments and closures within the Department of Defense (DoD). The Act and related policy guidance from the Office of the Secretary of Defense (OSD) and Joint Cross Service Groups established the foundation for the Base Realignment and Closure (BRAC) analysis process which has been followed by the Defense Logistics Agency (DLA).

DLA is a combat support agency providing world-wide logistics support and related services throughout the DoD. The primary focus of the Agency is to support the warfighter in times of war and peace. DLA also supports humanitarian relief efforts. DLA's vision is to be the provider of choice, providing logistics readiness and enabling weapon systems acquisition at reduced cost. We accomplish this by leveraging our corporate resources against global logistics targets and finding savings through teaming, improved business practices, and technological breakthroughs.

The Agency's commitment to its customers is to provide high quality, responsive, affordable logistics support and services. The BRAC process provides DLA the opportunity to examine its infrastructure and identify opportunities to effectively use excess space to consolidate or merge activities, to close unneeded bases, achieve significant operating efficiencies, reduce costs, and leverage the synergy that exists among the Agency's logistics support functions.

Effectively supporting our customers was a primary concern throughout this analysis. Our charter includes the requirement to surge in full support of two simultaneous major regional conflicts. While meeting this surge requirement has geographic and infrastructure implications for the distribution business area, our ability to support our customers primarily relies on the knowledge and expertise of our people, the capability of our systems, and our commitment to the warfighter. With these concepts in mind, we conducted our analysis by following the guidance prescribed for the 1995 BRAC process. Effective, informed military judgment was paramount to evaluating our options and developing recommendations that were made in the best interest of the Agency, the Department of Defense, and our ultimate customers: the warfighters themselves.

DLA applied the various Business Area Concepts of Operations to reflect the impacts of the DoD Force Structure Plan on the Agency and identify current and future mission requirements. These projected requirements were a primary input to the 1995 BRAC process in assessing potential opportunities for base realignment and/or closure. Individual recommendations, reflecting the intent of these planning documents, maximize the opportunity to provide our customers with high quality, responsive, and affordable logistics

DLA's Collocated Distribution Depots, would significantly impact the value of that distribution depot relative to the remainder of the Defense Distribution System.

Reasonable alternatives were then presented to the DLA BRAC Executive Group for initial review. The Executive Group applied a series of decision rules to evaluate an alternative and determine if that alternative should be abandoned, refined, or kept for further analysis. The decision rules used to develop and initially evaluate proposed alternatives are shown below.

Figure 13
Decision Rules for Scenario Evaluation

- Consistent with the law, base decisions on the DoD Force Structure Plan and the DoD Selection Criteria
- Achieve an infrastructure consistent with the DLA Strategic Plan and Business Areas Concepts of Operations
- Consistent with above, seek the most cost-effective infrastructure by (not in rank order):
  - -- Minimize infrastructure costs;
  - -- Close as a top priority;
  - -- Eliminate duplications;
  - -- Maximize use of shared overhead;
  - -- Optimize use of remaining DLA space;
  - -- Maximize cross-Service utilization of bases and support;
  - -- Get out of leased space and on to DoD-owned installations
- Military judgment will be the overarching criteria for all decisions -- Optimally satisfy the 4 military value criteria by balancing outputs of all analyses to achieve maximum military benefit.

Only those alternatives meeting the decision rules were retained for further analysis. The following patterns emerged among alternatives for each category:

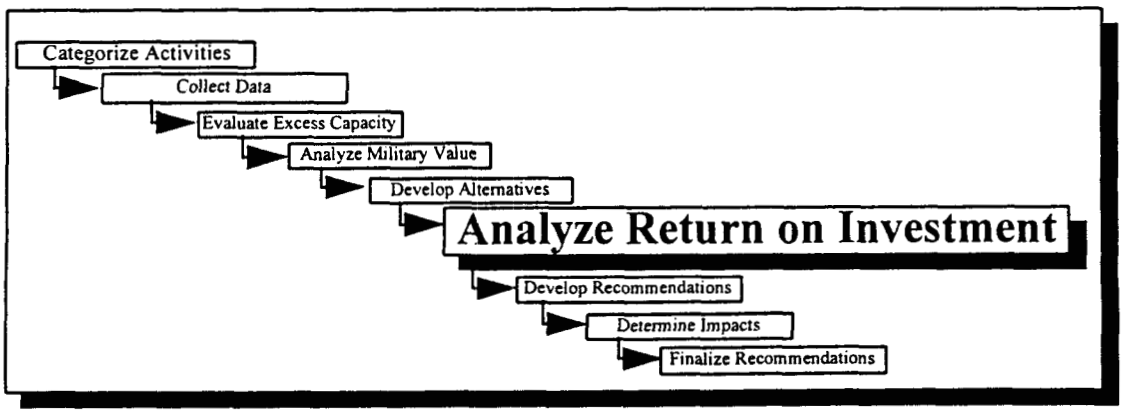
- Command and Control: Military judgment determined the need for the oversight capability, the level of oversight required by an organization and the amount of risk the Agency was willing to accept
- Service/Support Activities: Activities were considered for right-sizing

- Distribution Depots: Alternatives regarding the Collocated Depot subcategory were driven by Military Service decisions regarding the collocated primary customer. Stand-Alone Depot alternatives were evaluated based on Military Value analysis, military judgment, and capacity requirements

- Inventory Control Points: Military Value analysis generally identified those activities where realignment or closure might be detrimental to mission performance and customer satisfaction. Remaining activities were subject to further analysis

As individual alternatives were developed and selected for further analysis, the DLA BRAC Working Group subjected those scenarios to the next step: analyzing return on investment (ROI) through the use of the COBRA model. The figure below identifies the ROI analysis step within the context of the DLA BRAC analysis process.

Figure 14
Step 6 - Analyze Return on Investment



Analyze return on investment

The DLA BRAC Working Group evaluated potential realignment and closure scenarios using the Cost of Base Realignment Actions (COBRA) model as directed by DoD BRAC policy. Data for the model consists of DoD standard factors, DLA standard factors, static base data, and scenario-specific data which describes the actions and costs involved in a realignment or closure scenario. DoD standard factors used in the model were developed by a DoD Joint Process Action Team chartered to examine and improve the BRAC 93 COBRA model and its execution. Agency-wide standard factors were developed from field-certified data and data

Figure 7.4
Hardware ICP Military Value Analysis

ICP	Mission Scope	Mission Suitability	Operational Efficiencies	Expandability	Total
DCSC	267	159	183	131	**740**
DGSC	174	160	163	70	**567**
DISC	172	150	162	57	**541**

The Executive Group did not consider the difference among the Military Value of the three Hardware ICPs significant enough, in itself, to point toward any obvious closure candidates. Further analysis of the entire Supply Management business area was necessary.

Although the same Military Value elements were considered for all ICPs, DPSC and DFSC were evaluated separately because the nature of the commodities managed by those ICPs skewed comparison of workload diversity. Military Value for DPSC and DFSC are shown separately in the figures below.

goal of reducing overhead, the Executive Group further determined that 50 percent of the general and administrative overhead associated with the management of FSCs would be saved by consolidation. General and administrative overhead associated with base operations would be eliminated only if an installation were disestablished. Those percentages, applied to the equivalents supporting moving workload, determined labor requirements at any given site for each scenario considered.

Four of the five DLA ICPs manage differing mixes of Weapon System, Troop Support, and General Support items. The number of Troop and General Support items is relatively small, although such items have a high demand pattern. DLA manages nearly five times as many Weapon System items as Troop and General Support items combined. Given the smaller number of items (approximately 0.63 million) and the commercial nature of many of the items, the Executive Group determined that a single Troop and General Support ICP was feasible. A single Weapon System ICP entailed a much higher level of risk, although some consolidation was clearly possible and desirable. Therefore, scenarios involving both one and two Weapon System ICPs were considered.

Return on investment analysis

Scenarios which created one Weapon System ICP and one Troop and General Support ICP clearly produced a higher return on investment and steady state savings. However, the risks inherent in such a scenario were considerably greater. The large number of items in Weapon System related FSCs (approximately 3.13 million), in itself, presented a considerable management challenge. The risk inherent in having a single point of failure for items as critical to the National Defense as Weapon System items had to be weighed as well. While any reapportionment of workload results in personnel turmoil and the loss of expertise and experience, the impact of a more ambitious consolidation is larger. Therefore, considerable military judgment was necessary to evaluate the trade-offs in each scenario considered.

DPSC is almost entirely a Troop Support ICP. No other ICP manages Troop Support items. The percentage of General Support items at other ICPs is relatively small. Consolidating Troop and General Support items under DPSC management is the most logical course of action. It retains the experienced workforce accustomed to dealing with these unique commodities and significantly reduces the potential movement of management responsibility between ICPs.

DISC has the lowest Military Value of the three hardware ICPs. DCSC and DGSC are host activities of installations which house a number of DLA and non-DLA activities, conforming to the DLA decision rules concerning maximizing the use of shared overhead and making optimum use of retained DLA-operated facilities. Both Richmond and Columbus have high installation Military Value, and take advantage of the synergy of a Collocated Depot. Both

DEFENSE INDUSTRIAL SUPPLY CENTER (DISC)
PHILADELPHIA, PENNSYLVANIA

Recommendation: The Defense Industrial Supply Center (DISC) is disestablished. Distribute the management of Federal Supply Classes (FSC) within the remaining DLA Inventory Control Points (ICP). Create one ICP for the management of troop and general support items at the Defense Personnel Support Center (DPSC) in Philadelphia, PA. Create two ICPs for the management of weapon system related FSCs at the Defense Construction Supply Center (DCSC), Columbus, OH and the Defense General Supply Center (DGSC), Richmond, VA.

Justification: Four of the five DLA ICPs manage differing mixes of weapon system, troop support, and general support items. Troop and general support items largely have different industry and customer bases than weapons system items. They are also more conducive to commercial support, and are thus managed differently than weapon system items. Consolidating management of items by the method of management required will improve oversight, streamline the supply management process, increase internal efficiency, and reduce overhead.

DLA manages nearly five times as many weapon system items as troop and general support items. A single troop and general support ICP is adequate. Two weapon system ICPs are necessary. DPSC is almost entirely a troop support ICP. No other ICP currently manages troop support items. The percentage of general support items at other ICPs is relatively small. Singling-up troop and general support items under DPSC management is the most logical course of action.

DISC had the lowest Military Value of the three hardware ICPs. DCSC and DGSC are host activities of compounds which house a number of DLA and non-DLA activities, conforming to the DLA decision rules concerning maximizing the use of shared overhead and making optimum use of retained DLA-operated facilities. Both the Richmond and Columbus sites have high installation Military Value, and take advantage of the synergy of a Collocated Depot. Both also have considerable expansion capability. The facilities at DGSC are the best maintained of any in DLA, and DCSC has several new buildings completed or in progress. DISC is a tenant on a Navy compound. Disestablishing DISC allows the Agency to achieve a substantial cost avoidance by back-filling the space already occupied by DISC and substantially reducing the amount of conversion required to existing warehouse space. Based on the above, military judgment concluded that disestablishing DISC is in the best interest of DLA and DoD.

Return on Investment: The total estimated one-time costs to implement the recommendation is $16.9 million. The net of all costs and savings during the implementation

DPSC is at the forefront in the development and demonstration of Electronic Commerce business applications. Our pioneering efforts in the public sector application of EDI are recognized by the Price Waterhouse Corporation in its landmark benchmarking study of EDI business systems applications in which DPSC is the only government invitee in a select group of 24 nationally recognized leaders in EDI such as JC Penney, IBM, Motorola and Texaco. Now in its second year of benchmarking, DPSC continues to place about in the middle of this prestigious group.

The Deputy Director of our Electronic Commerce Office is the DoD representative to the Uniform Code Council's (UCC) Uniform Communication Standard (UCS) Maintenance Committee. In this capacity, this individual oversees the development and maintenance of all food industry conventions, as well as the move to EDIFACT and the merger of UCS under ANSI. In 1992, the Medical Electronic Commerce Office was recognized for their leadership. The Secretary of Defense awarded them the Superior Management Award, and they also received the Federal Leadership Award.

The application of EDI technologies to the large purchase arena, which constitute the bulk of DPSC purchases, is where true EC operates. The concept of electronic trading moves beyond the simple movement of information to include merchandise and money and deals with a variety of business concepts that affect a number of business functions including transportation, inventory management, finance, and purchasing. These relationships are complex in nature requiring suppliers to not only possess the capability to conduct EDI, but to also establish innovative, robust business systems that use EDI as a tool. Examples are our Prime Vendor and Quick Response Programs, where due to the rapid flow of information, suppliers can guarantee specific delivery requirements (some routinely in less than 24 hours) and adjust production based on actual usage. Here EDI, the tool, has permitted changes in inventory management, distribution and financial processes to move merchandise and money as well as data.

ELECTRONIC CATALOGS - CUSTOMER CHOICE

The first electronic catalog developed at DPSC was EDICT, or Electronic Data Interchange Catalog Transaction, which is an on line price and product automated tool. It manages catalog and pricing information, which is transmitted by vendors using standard EDI transaction sets. The information passes several validations and if it meets the validation criteria, it is accepted into the automated catalog. The system is completely integrated and the data is then used for automated creation of purchase orders for various grocery items.

While developing EDICT, DPSC embraced the opportunity to be the first industry player to use the cataloging transaction sets developed for the grocery industry and piloted by the UCS. Upon completion of the test, these transaction sets were adopted wholesale by the ANSI community, attesting not only to the thoroughness of our testing procedures, but also the degree of trust the ANSI community has placed in DPSC as an industry leader.

MECA, or the Medical Electronic Customer Assistance System, is an on line repository of up-to-date product and pricing comparison data for a broad range of medical items. This tool incorporates a price and product comparison tool, which allows users to shop the database. The ability for customers to compare products is a state-of-the-art feature not found in traditional electronic catalogs.

BUSINESS PRACTICES

Gone are the days of 700 page specifications for chocolate chip cookies and overloaded warehouses of 1950's vintage hospital gowns purchased based on erroneous forecasts. Today the DPSC purchases commercial products manufactured in response to actual demand, delivered direct to the customer's door in a matter of days instead of the months previously required for delivery alone. Our objective is to either buy commercially available items or manufacture to actual demand as it is recorded at the point of sale or issue.

Three specific examples of reengineered business practices are "Quick Response", "Shared Production" and "Prime Vendor".

QUICK RESPONSE

Quick Response is the effective use of electronic data interchange (EDI) coupled with modern inventory management and manufacturing techniques to speed the flow of information and supplies among the business partners. Point of sale data is collected from our customer and sent via EDI to the manufacturer's integrated automated information system. The data is used for production planning. Computer aided design and manufacturing technology is used to transmit technical documents and patterns. Flexible or modular manufacturing systems are employed to permit manufacturers to adjust production schedules as needed to ensure adequate stock replenishment. Delivery takes place in 72 hours after order. Supplies are shipped directly to the customer instead of to a government warehouse. Since implementing Quick Response customers have saved over $1 million in reduced government inventory and handling costs.

The flexibility provided by the Quick Response system permits manufacturers to quickly surge production in response to emergencies. The system was tested in October of 1994 when Iraq once again posed a threat to Kuwait. Three Quick Response vendors began manufacturing and shipping tens of thousands of fatigue uniforms within ten days after order. Within four weeks, 100,000 sets of fatigues were prepared and ready for any troops that might be deployed. The greatest endorsement of the Quick Response system came from a satisfied customer who, after receiving a desperately needed item in five hours after order, exclaimed that it was a feat "nothing short of a miracle".

SHARED PRODUCTION

What do the McDonald's Corporation, Nike, Nestle, Hard Rock Cafe and the Department of Defense have in common? Long-term partnerships to ensure defense readiness in a changing world order. Lauded by Connie Chung of CBS News as "an example of defense conversion at its best", the Shared Production Agreement concept represents a major conceptual change in the defense planning process. The Shared Production Agreement concept, pioneered by the DPSC, partners manufacturers with the DoD and other customers to ensure production capacity for military requirements during national emergencies.

Under the Shared Production Agreement concept, commercial capacity and inventories are shared by the DoD and major non-defense customers such as McDonald's Corp., Nike, etc., who agree to share the production facility during peacetime or times of normalized requirements and facilitate dedicated production during surges in demand by either sharing partner. In the event of a national emergency, the commercial customer agrees to relinquish production lines and capability, as necessary, and return to its normal business relationship with the vendor as military requirements decrease. By sharing the production facility, the manufacturer's dependence on government contracts is reduced and defense surge capability is maintained and/or expanded at a reduced cost. This approach also ensures that contracts/orders in support of the national defense will be accepted and given priority, and makes industrial base planning with the DoD more attractive to commercial companies.

Rapid conversion requires the items produced for both the military and commercial customer be produced using similar, generally accepted commercial manufacturing practices, by a workforce cross-trained and tested in both military as well as other customer production. Agile or modular manufacturing and EDI are the enabling technologies. These methodologies allow manufacturers to produce both large and small production runs of complex and critically needed items and deliver them directly to designated customers in an Electronic Commerce system.

The Shared Production program is supported by seven agreements to date and is growing. Replication of the Shared Production concept is being encouraged throughout DoD.

PRIME VENDOR

The Prime Vendor Program is a commercial distribution system that allows our customers to exercise their discretionary buying power to order only what they need, when they need it. Customers choose the medical or food item of their choice from an electronic catalog, and transmit the order electronically direct to the "Prime Vendor". Confirmation of the order is received in minutes and delivery occurs within 24 hours. Payment in accomplished through electronic invoicing and Electronic Funds Transfer (EFT) making Prime Vendor a total end-to-end Electronic Commerce business system.

The DPSC negotiates the contracts that underpin the program, performs contract administration and pays the bill for the customer all for a minimal 1% service fee. Leveraged buying allows the customer to take advantage of lower prices without investing capital in massive inventories. The program shifts the onus for holding and managing inventory to the manufacturer/distributor. The only inventory that will be held in government warehouses are those quantities necessary to support emergencies until surge agreements/options are activated.

The use of commercial items and distribution/inventory systems provides a higher level of flexibility and customer response. A medical Prime Vendor delivered critical medical supplies to the scene of a tragic airplane crash at Pope Air Force Base within thirty minutes of the incident; an impossible feat under previous distribution methods.

The Prime Vendor concept was initially piloted in the medical pharmaceutical arena. The program has since been rolled out to include medical surgical, food service clothing items. Prime Vendor currently accounts for 60% of medical and 20% of food service sales and is growing. The high level of customer choice and service provided by the Prime Vendor Program has enabled the DPSC to retain sales threatened by the highly competitive environment in addition to capturing new sales.

BUSINESS RELATIONSHIPS

It was necessary to reengineer business relationships along with business practices. Industry was invited to participate in the development of business solutions appropriate to their business areas. This involvement not only helped to ensure the success of reengineered practices, but fostered a closer, more trusting working relationship with our partners as well. Our new programs are based on the establishment of long-term business relationships that provide mutual benefits in terms of stability and opportunity for growth. Long-term business relationships in an electronic driven environment enable the vendor to make more efficient use of resource inputs to lower its costs, build a broader business base and plan with stability over longer time horizons.

This new environment places small and minority business partners, in particular, in a much stronger position. These benefits have been acknowledged by the business community. In 1993, The DPSC Deputy Commander was awarded the Georgia Association of Minority Entrepreneurs Chairman's Award. Programs such as the innovative DPSC Mentoring Program further these new relationships. This program partners established, successful businesses with small and small minority business to provide assistance in identifying and developing opportunities for these companies to participate in government contracts either at the prime or subcontract level. R&D Laboratories, a small woman-owned business, was a party to the first mentoring agreement with McKesson Drug, Co., a large pharmaceutical distributor. Rhoda Makoff, President, R&D Laboratories had this to say: "We believe this will provide extraordinary benefits to a growing company like R&D as well as help to open doors to which we've not previously had access".

In addition to partnering with industry, we have forged new relationships with other government agencies. We have partnered with the United States Department of Agriculture (USDA) in pilot program to provide fresh fruits and vegetables to school children. The partnership enables the USDA to take advantage of our leveraged buying power and gives them access to our commercial distribution networks. The school districts receive the quality product they want, when they it.

We have established a Commander's Recognition Awards Program to recognize the importance of these new business relationships. Fourteen of our vendors received awards at our 1994 Business Opportunities Conference in various categories including Vendor of the Year, Most Valuable Vendor (large, small and small disadvantaged business), Innovative Business Performer, and Outstanding Electronic Commerce Partner.

CUSTOMER RELATIONSHIPS

Our relationships with customers have been reengineered to ensure that we are meeting their needs both in peacetime and as their combat logistician. We have facilitated their ability to take advantage of our systems by providing technology, equipment and training. This new relationship has also provided them more control over their discretionary buying power.

In order to provide the best service possible to our customers, we have established Customer Liaison offices in each commodity to provide information and assistance to customers worldwide.

Three of our customers were presented the Commander's Customer of the Year Award at our 1994 Business Opportunities Conference. The award recognizes the essential importance of the customer partnership in our reengineered business practices.

ORGANIZATION

Reengineered business practices and relationships are supported by a reengineered organization. We have re-defined roles and re-structured jobs. Previously, commodity directorates were organized around functional duties; i.e., supply, technical, quality, procurement. In the new business environment, these functions are seamless. The worker must possess knowledge of each of these functional areas to perform the job. We severed functional stovepipes in the organization and created multi-functional teams, which are simply a transition to multi-functional individuals. Positions are being re-designed to reflect the new approach. The new organizational structure consists of commodity business units, each functioning as a separate business unit. Within this structure, employees have been empowered to make decisions and take initiative.

All employees at all levels of the organizations are responsible for supporting the new business practices. This has required a lot of hard work and dedication to adjust to new roles and responsibilities while learning new methodologies. Much of what was accomplished was without formal training. Employees learned on-the-job and through benchmarking practices with similar organizations.

Employee efforts have been recognized through a variety of internal and external programs. The following is a short list of examples of the many honors and awards that have been received by our employees:

- Gold Medal, Federal Executive Board 1993 Excellence in Government Awards Program, Group Award to the Medical Prime Vendor Team.

- Silver Medal, Federal Executive Board 1993 Excellence in Government Awards Program, Individual, Prime Vendor Program Manager.

- 1994 Commander's Prize for Creativity and Innovation, Group Award to Quick Response Team.

- Walter Reed Army Medical Hospital Commander's Award for Civilian Service, several individual awards to various members of the Medical Prime Vendor Team.

- DPSC was awarded the DoD Standardization Award 3 out of the last 5 years for converting military and federal specifications to commercial item descriptions.

In addition to those listed above, numerous individuals have received both the DLA Meritorious and Exceptional Civilian Service Awards for their initiative and creativity in making these programs successful. Numerous individuals and groups are recognized each year through the annual DPSC Achievers of the Year Program and the DLA Outstanding Employees of the Year Program.

RESULTS

The following list is presented as an addition to the metrics already presented above:

- 75% of fiscal year 1994 obligations were awarded using Best Value Buying practices as opposed to 24% in fiscal year 1992. Through Best Value Buying practices, where award is based on performance and quality criteria in addition to price, we have been able to increase the quality and responsiveness of our service to our customers by awarding to quality vendors. In fiscal year 1994 only $13 million of contract dollars were terminated for default as opposed to $133 million in fiscal year 1990. In fiscal year 1994 $100,000 were lost in unliquidated progress payments as opposed to $30.8 million in fiscal year 1990.

- Long-term contractual actions has increased from 63% of total obligations in fiscal year 1992 to over 78% in fiscal year 1994.

- Sales conducted through EDI have increased from $308 million in fiscal year 1992 to $576 million in fiscal year 1994 with an increase in EDI trading partners from 265 to 558. EDI dollars as a percentage of total obligations has increased from 24% to 49% during the same time period.

- We have experienced dramatic increases in the use of Electronic Invoicing and Electronic Funds Transfer (EFT). In fiscal year 1994 $182 million in invoices were electronically exchanged with 127 companies. $228.9 million was transferred using EFT with 42 of our trading partners.

- Electronic Commerce initiatives have resulted in significant decreases in inventory levels at both the wholesale and retail level. At the end of fiscal year 1994, a comparison was made against end of year inventory figures for 1992. Over that period, DPSC decreased inventories by 35% in Clothing & Textiles, 38% in Medical and 31% in Subsistence (peacetime inventories).

- The DPSC Full Business Cycle EDI Initiative has been designated a National Performance Review Reinvention Laboratory.

FUTURE

The DPSC program continues to evolve. As a leader in both Government and the private sector in the use and development of Electronic Commerce, we plan to continue to make improvements to existing practices as well as pilot new programs.

In the near term we plan to enhance and expand existing practices like Prime Vendor. We plan to pilot collection of data at the cart (nurse's station) level which will be electronically transmitted to the vendor for use in production planning. We also plan to pilot Evaluated Receipt Settlement, a commercial system where payment is made based on actual receipt, eliminating the invoice entirely from the process.

We have instituted a long-term Logistics Research and Development Program to develop and implement quantum improvements in combat readiness and customer response, called $(CR)^2$. The program will encompass all existing systems and processes resulting in a seamless entry/exit into DPSC information and technology. The primary focus on the program is to streamline and automate the interface between the private sector and the item's end user.

DLA BRAC 95 MEMORANDA AND COMMISSION TESTIMONY CITES DPSC UNIQUENESS AND THE HIGH RISK OF TROOP SUPPORT FAILURE IF DPSC WERE TO MOVE

Major General Farrell's opening testimony before the BRAC Commissioners, 7 March 1995 (attachment 1)

DPSC in Philadelphia has unique experience in managing troop support items. Because of its uniqueness, DPSC was considered [by DLA] only as a receiver [of ICP workload].

as based upon:

DLA Base Realignment and Closure Detailed Analysis, February 1995 Report (attachment 2)

DLA's primary consideration for developing recommendations was effective informed "military judgment." DLA identified those activities where realignment or closure might be detrimental to mission performance. DPSC's uniqueness requires the DLA BRAC Executive Group to evaluate DPSC separately from other ICPs. No other DLA ICP manages troop support items. Any consideration for consolidating troop support and general support logically must have DPSC as the receiver.

as based upon:

DLA BRAC Executive Group meetings with the [DLA] Director, 5 Dec. 1994 through 7 February 1995 (attachment 3)

Of all ICP closure options under consideration, only the option proposing the closure of DPSC is rated "high risk." There is early on concern that DPSC personnel would be unwilling to move from Philadelphia. The "high risk" assessment associated with any DPSC closure option carries forward in all meetings with the Director.

as based on:

DLA BRAC Executive Group [internal] meetings (attachment 4)

The Executive Group frequently reiterates that ICP capacity, COBRA analyses, and Military Value assessments were not the driving factors in proposing ICP recommendations. Based on their military judgment, options to close DPSC are rated as high risk as the DPSC is the only ICP to manage subsistence, medical items, and clothing and textile items. None of the Hardware ICPs manage items which are comparable.

<u>CONCLUSION</u>: DUE TO THE UNIQUENESS OF THE COMMODITY ITEMS MANAGED BY DPSC, THE DOD ACKNOWLEDGES THAT THE TROOP SUPPORT ICP SHOULD REMAIN IN PHILADELPHIA

Public Service Excellence Awards

The Public Service Excellence Awards (PSEA) program provides a uniform, nationwide means of recognizing quality service at all levels of government.

This program:

- Encourages innovation and excellence in government.
- Reinforces pride in public service.
- Helps call public attention to the broad range of services provided by public employees. Provides government organizations at all levels opportunities to showcase their outstanding programs.

A Unique Program

Public Service Excellence Awards recognize working units of two or more employees which have demonstrated:

- **A substantial improvement in productivity or services.**
- **Increased quality of life for Americans.**
- **More cost effective government programs or services.**

Programs may be nominated either for a one-time achievement or achievement on a sustained basis. By recognizing groups rather than individuals, the Awards demonstrate the importance of teamwork in public service. Group achievements are less likely to be dismissed by the public as "exceptions."

PSEA winners represent *public service* at its best.

Multiplier Effect

The PSEA program affords multiple opportunities to recognize high achieving groups. Within each category of awards, sponsoring organizations and governmental entities are afforded the opportunity to evaluate nominations and forward the most outstanding for consideration at the national level.

The national award winners in each category are recognized in Washington DC at the "Breakfast of Champions"® that kicks off Public Service Recognition Week activities. PSRW can focus attention on all nominees through city, county and state celebrations. Publicizing award celebrations and mall events through press releases and advertising supplements will multiply the effect of the award nominations many times over and will focus additional attention on the services provided to the American taxpayer.

Nominating award winners for other awards is another way of encouraging the multiplier effect. For example, the Anoka County, Minnesota, a 1993 PSEA award winner, was nominated for and won a 1994 Harvard University/Ford Foundation innovation award. The Roundtable nominated the 1994 winners at the federal and intergovernmental level to Vice President Gore's National Performance Review for their consideration as "Heroes of Reinvention." For 1995, all nominees in the federal category are requested to submit six copies of their nomination package. One copy will automatically be forwarded to the NPR for their consideration as a "Hero of Reinvention" award winner. Nominating organizations are encouraged to submit their nominees for other awards and recongition. We all benefit from the multiplier effect!!!

Co-sponsors

It is this potential for expanded opportunities to recognize public employees for their contributions and for better informing the public about the role and value of the public service that has drawn these organizations together to cosponsor the awards:

- Public Employees Roundtable
- U.S. Office of Personnel Management
- Federal Executive Boards/Federal Executive
- International City/County Management Association
- National Governor's Association
- National Association of Counties
- National League of Cities
- U.S. Conference of Mayors

Procedures

In the autumn, the co-sponsors distribute information about the awards program and issue a call for nominations.

All nominations are submitted to Public Employees Roundtable in Washington, D.C.

The nomination deadline is February 15, 1995.

All winners will be recognized during Public Service Recognition Week -- May 1-7, 1995.

National winners will be recognized at the Breakfast of Champions® (May 1) in Washington, D.C.

State, county, and city winners will be recognized at ceremonies organized by recognition committees in each jurisdiction.

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SALUTE

Public Service Awards Cite Reinvention Ideas

The Defense Personnel Support Center in Philadelphia and the International Trade Administration each earned a 1995 Public Service Excellence Award from Public Employees Roundtable.

The awards pay tribute to employees whose programs exhibit the highest standard of dedication, excellence and accomplishment.

Awards are given at the federal, state, city and county levels to groups who have made outstanding contributions to public service either on a sustained basis or through a single exceptional deed.

A fifth award honors an intergovernmental partnership.

Selection criteria include:

- Measurable productivity or service delivery improvement;
- Accomplishments that improve the quality of life of Americans;
- Programs or projects that have increased cost effectiveness of government services.

Winners were honored at the Roundtable's Breakfast of Champions on Capitol Hill, May 2.

Federal

The **Defense Personnel Support Center, Philadelphia** is this year's recipient in the federal category.

The center equips service members on military operations at a moment's notice with food, clothing, and medical supplies. It responds to military emergencies and missions such as disaster relief, humanitarian aid and drug enforcement programs.

In 1994, its total sales exceeded $3.4 billion, an amount far greater than many Fortune 500 companies.

And now, under a radical redesign of its business practices, the center has evolved into a leaner, more efficient, more responsive agency, adopting corporate standards of operation and tapping into technology to recreate nearly every facet of its operation.

Electronic data interchange has revolutionized the way the center does business. It means huge cost savings, more satisfied customers, fewer clerical errors, and speedier delivery.

Employees are no longer just pushing paper, but conducting business through electronically. Buying, selling, comparing prices and paying bills are all done on computer rather than by generating paper.

The Defense Personnel Support Center in Philadelphia recreated nearly every facet of its operation.

Now the military can quickly and accurately project what products they will need in the future so that manufacturers can slow down or speed up production based on what's actually used.

The center first tried the process about six years ago when the medical directorate ordered X-ray film from several companies electronically.

The rapid flow of information through computers allows suppliers to guarantee quick delivery and to adjust their production based on demand.

Products are delivered direct from the manufacturer to the user in just days.

In one case under the new system, rescue supplies were delivered directly to an accident site in 30 minutes.

Another change came through the center's prime vendor program. It allows shopping via electronic catalogs, and lets customers take advantage of the lowest prices without holding on to massive inventories.

The center also pairs small and minority-owned businesses with larger, established businesses to participate in government contracts.

And under innovative shared production agreements, companies like McDonald's, Nike, and Nestle are now partners with the Defense Department.

In an emergency, these commercial partners give priority to defense needs, increasing production or relinquishing production lines as needs arise. As a result, government warehouses have reduced the need for large on-hand inventories.

The center primarily supports the military but also includes among its customers federal prisons, the Coast Guard, Job Corps and Veterans Affairs hospitals. Other potential markets are U.S. embassies and consulates, state and local prisons, schools, and the Immigration and Naturalization Service.

USA Today
Tuesday May 2, 1995

Welcome To Public Service Today

Public Employees Roundtable *in partnership with* **GEICO** *and its other corporate sponsors and USA TODAY are initiating a new section that will appear periodically throughout the year. The goal is to build bridges of knowledge, understanding and respect between government and the American citizens it serves.*

Who are we? Public Employees Roundtable (PER) is a nonprofit, educational coalition of 39 management, professional and retiree associations. The PER Associate Council is comprised of 41 government agencies and the Corporate Forum includes 29 major companies. Utilizing a proactive agenda PER has developed programs to fulfill its mission of: informing Americans about the contributions public employees make to the quality of our lives, encouraging excellence and esprit de corps in government, and promoting public service careers.

This issue features your government in action. Innovative programs that put your tax dollars to work combating the problems you look to government to solve. It's easy to blame "government" when things go wrong. How about recognizing what's going right?

Since 1985, this first week in May has been proclaimed Public Service Recognition Week, a time for Americans to learn about government success stories. There are lots of them, right in your own city and state.

This week, teachers, police officers, forest rangers, social workers, safety inspectors, and thousands of other public employees will be reaching out to you in the communities in which they live and work, to tell about how they work for you. Look for them. They're also the firefighters, librarians, bus drivers, mailmen, street repair crews and trash collectors who make the quality of your life a little better each day. Events from open houses to tours, from job fairs to swearing-in ceremonies for new citizens, are planned in more than 1,000 cities from Virginia to the Virgin Islands.

Take a minute this week to say thank you to the public employees in your town. A little appreciation goes a long way for all of us.

Public Employees Roundtable and GEICO, the corporate sponsor of this page, salute the men and women who have devoted their time and energy and their careers to serving America as public employees. GEICO invites other corporations to join them in this very worthwhile community outreach program.

For more information on Public Service Recognition Week, the Corporate Forum or to find out how to learn more about government in your home town, ***call Public Employees Roundtable at 202-927-5000.***

The White House
Washington

Public Service Recognition Week, 1995

Greetings to everyone celebrating Public Service Recognition Week, 1995.

Our nation's government has tremendous potential for good when it works in partnership with citizens to expand opportunity. With the assistance of dedicated public employees, our government has helped to advance civil rights, defend freedom, protect our environment, and uplift the lives of countless Americans. All those who serve the people of the United States can be proud of their contributions to this important legacy.

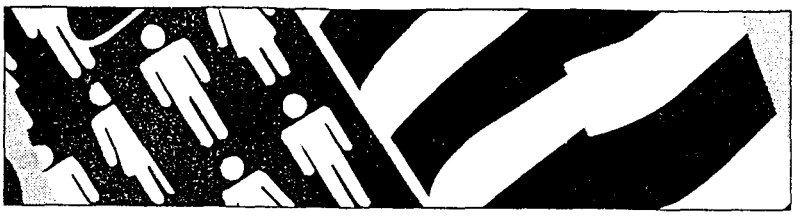
As our Administration continues its efforts to make government work better and cost less, this week offers Americans a special opportunity to learn more about the importance of public service. Every citizen has a solemn responsibility to understand and become involved in ensuring our country's success. I encourage all of you to discover the many ways in which our government is changing to keep pace with the times. Your participation can help to ensure a brighter future for you and your family and for communities throughout the land.

Best wishes for a most successful week.

Bill Clinton

President Bill Clinton

own roadside AM radio stations with traffic



USA Today
Tuesday May 2, 1995
Pg 5D

READY, WAITING AND ABLE

As the White House searches for solutions to crises in Haiti, Rwanda, Cuba or Somalia, the Defense Personnel Support Center finds itself in a familiar position — providing food, clothing and medical support for boat people, refugees and military members sent to those areas of the world.

That's big business. Sales of $3.4 billion dollars in 1994 rank the Philadelphia-based DPSC well ahead of many Fortune 500 companies. And now, under a fundamental rethinking and radical redesign of its business practices, the DPSC has evolved into a leaner, more efficient, more responsive agency, adopting commercial business practices and tapping into technology to recreate nearly every facet of its operation.

Electronic Commerce

Cost savings. More satisfied customers. Fewer clerical errors. Speedier delivery. These are all the reasons the DPSC is using Electronic Data Interchange (EDI) to do business.

EDI is just a fancy term for buying, selling, comparing prices and paying bills by computer rather than by generating paper. What once took much time, money and inventory space to get the product from the manufacturer into the hands of the customer has evolved into a finely tuned process with the use of EDI. Now the military can quickly and accurately project what products they will need in the future so that manufacturers can slow down or speed up production based on what's actually used.

"We're in the forefront, and people will be looking to us to see how it's done," said Kathy Moore, manager of the clothing directorate's electronic commerce office. Uniforms are a good example. The recruit center at Parris Island relies on one company to provide them with battle dress coats. By attaching electronic bar-codes to the coats a scanner can be run over each ticket. The bar code identifies the item, its color, size and style and stores the information in a database which in turn transmits it to DPSC. DPSC forwards the data to the manufacturer for use in production planning. Gone are the guesswork and bloated inventories that were once part of serving as a defense contractor.

Prime Vendor

In the bustling military mess hall at the Marine Corps Recruit Depot in Parris Island, South Carolina, Marine Corporal Trevor L. Snyder makes his way through the line with a tray full of bread, scrambled eggs, sausage and orange juice. Snyder, like millions of America's military personnel around the world, knows he'll have a good selection of healthy food.

In the past, food products and beverages were supplied by hundreds of vendors under separate contract. Through the Prime Vendor program now used by DPSC, a private sector distributor directly supplies all of the food and beverage needs for Parris Island and six other military customers in the region.

The Prime Vendor program guarantees that our customers can go to one vendor and get brand name items in a matter of hours, said DPSC contracting officer John Kennedy, providing the ultimate service — one-stop shopping for our military."

Shared Partnership Agreements

What do several private sector companies and the Department of Defense have in common? Under the shared production program, they are partners in ensuring that Defense is ready to respond to emergencies.

For example, a small woman-owned business in Phoenix makes military combat caps for DPSC and baseball caps for a large private sector supplier of merchandise for a restaurant chain.

Under the Shared Partnership Agreement, the business in Phoenix will adjust its production lines according to the needs of its two clients. In case of national emergency or troop mobilization, workers who normally produce caps for the restaurant chain will switch to making combat caps and vice versa. The sharing partner returns to its normal business relationship with the company when the emergency is over. This agreement also works in reverse.

By sharing the company's production facilities, costs for both partners are reduced. Access to rapid production capability further reduces the need for massive inventories. Many other firms are also sharing production with DPSC to meet defense needs. DPSC's deputy commander, Robert Molino, says these partnerships are the way of the future.

DEFENSE AND INDUSTRY: PARTNERS IN A NEW WORLD ORDER

INTRODUCTION

The Defense Personnel Support Center (DPSC) is responsible for ensuring the readiness of America's military services by providing logistics support for critical troop support items such as subsistence, medical, and clothing products. This mission extends to peacetime military operations which includes ensuring capability to support other non-war related defense activities such as disaster relief, humanitarian aid and drug enforcement programs.

BACKGROUND

For many years, the national defense logistics system depended on massive inventories of unique items produced to stringent military specifications. We supported our customers' peacetime and readiness requirements by using DoD's leveraged buying power to receive substantial discounts on stock that we then held in government warehouses until customers requisitioned it. By taking advantage of economies of scale, we were able to provide our customers with product at prices substantially below those they could acquire for themselves. In fiscal Year 1994, our total sales were over $3.4 billion, an amount that placed us well ahead of many of the Fortune 500 companies.

Historically, we conducted much of our business on paper. Our business strategy was based on the assumption that holding inventory in our warehouses provided our customers with acceptable service and the lowest delivered product/service costs. We also assumed that awarding relatively short-term contracts to vendors on the basis of lowest price would achieve the lowest delivered cost. In reality, that process was slow, prone to error, and expensive. Customers routinely received product 60 days after ordering with a considerable surcharge (up to 28%) added to the price of the item.

DPSC ENVIRONMENT

The greatest challenge facing the DPSC and in fact, the entire DoD, is how to maintain a readiness posture in an era of reduced budgets, reduced peacetime requirements and increased competition. In order to support wartime requirements, the DPSC must sustain, through contracts for peacetime requirements, a robust logistics support system to include raw material suppliers, manufacturers and distributors capable of responding to rapid changes in demand. The DPSC is facing an increasing threat to its reduced peacetime sales base due to increased competition from other Federal agencies and the private sector. The erosion of our sales base results in the erosion of our ability to support an industrial base sufficient to meet our national defense and emergency readiness requirements.

The current business environment demands quicker response to marketplace changes, greater efficiencies and lower costs of doing business. Adjusting to that reality has led us to fundamentally change the way we conduct our business. Today, we realize that our processes and the assumptions on which we operated were not always valid. Like industry, we are now focusing on long-term relationships with our business partners to give customers what they want, when they want it, and at a price they are willing to pay.

The DPSC has achieved a higher level of customer service through the use of Electronic Commerce initiatives coupled with reengineered business practices. These strategies offer an opportunity for the DPSC to not only become the supplier of choice to the military, but to also expand our sales base to include other non-traditional customers, thus enabling us to sustain ourselves during peacetime to be ready for our national defense and emergency responsibility.

BUSINESS ENVIRONMENT

REENGINEERING

We define reengineering as a fundamental rethinking and radical redesign of business practices resulting in dramatic improvements in customer satisfaction. In our reengineering efforts, we attempt to link all re-design efforts to corporate objectives, take a win-win approach with all our trading partners, reengineer processes before systems, and always remain customer driven. The ultimate goal is to do business in our industries in the way they do business. To achieve this goal, we emulate the best commercial practices without imposing government unique requirements.

ELECTRONIC COMMERCE

Of all the changes we are making to attain excellence in customer support, integrating the use of Electronic Data Interchange (EDI) and other enabling technologies into our business systems to achieve total electronic end-to-end business transactions or Electronic Commerce, are the most significant. It has allowed us to replace our old, slow, expensive, manual paper processes with electronic ones, as well as enabled us to fundamentally change the way we do business in all of our functional areas.

Electronic Commerce (EC) is an advanced total business system that provides a solution to implementing our corporate business strategies. These strategies move beyond conventional practice and experience. The system takes full advantage of the opportunities available through commercial acquisition methods utilizing EDI technologies. We have taken and tailored the best ideas from several industries to develop our strategy.

The DPSC Electronic Commerce Program was designed to emulate the very successful commercial industry electronic commerce models. Electronic Commerce, sometimes referred to as electronic trading, is a total business system which maximizes the use of information to hasten the movement of money and merchandise among long-term trading partners. One of the tenants of EC is the use of EDI, which is an enabling technology that permits the flow of information in a paperless environment through the use of standard formats evolved through industry consensus. These model systems use long-term trading partnerships integrating suppliers, vendors, manufacturers, distributors and end use customers in an EDI network.

Electronic trading requires a business system that permits the public sector to do business in the way each of its industries does business, i.e., using standard industry practices and EDI formats and deemphazing the uniqueness of government requirements and specifications. It is for this reason that we utilize the *industry* convention rather than a special government convention. At DPSC, we have the capability to communicate with trading partners in a variety of ways, e.g., using Value Added Networks (VANs), direct connections and government hubs. Our success is based in flexibility and adopting commercial, industry developed systems and standards.

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VICE PRESIDENTIAL HAMMER AWARD
(AWARDED TO DPSC ON 2 MAY 1995)

SYNOPSIS

The Hammer Award is presented to government activities who have cut red tape, put customers first, empowered employees to get results, and cut back to basics. The award described business/logistics processes at Defense Personnel Support Center (DPSC) being reinvented to operate more like a commercial enterprise. Electronic Commerce (EC) using Electronic Data Interchange (EDI) as an enabling tool was integrated into DPSC's business systems to replace outdated methods with electronic ones. As a result, DPSC has achieved greater efficiencies, lowered costs of doing business, quicker response to customer requirements, and a higher level of customer service and satisfaction.

The reengineered business practices and expanded use of EC/EDI technologies were supported by a reengineered organization at DPSC. Quick Response, Prime Vendor, and Shared Production are examples of reengineered business practices utilizing EC/EDI technologies. An exemplary group of personnel has been recognized for their innovative thinking and approaches to building a government that costs less and works better. Roles were re-defined, jobs restructured, and positions redesigned. Within this structure, employees were empowered to make decisions and take initiative.

Implementation of these programs and practices enabled DPSC to retain its reduced peacetime sales base. It also provided an industrial base sufficient to meet national defense and emergency readiness requirements.

"HAMMER AWARD"

The Vice Presidential "Hammer Award" for success in reinventing Government is given to National Performance Review (or Defense Performance Review DPR) participants. The winners are given little golden hammer pins, and are recognized by either the Vice President or Secretary of Defense.

On Monday 1 May 1994 at 1400 DPSC will receive a Hammer Award for our Electronic Commerce initiatives. The ceremony will be in the Pentagon Auditorium and the following people will attend:

BG Freeman
Mr. Molino
Mae DeVincentis
Paul Zebrowski
Sally Bird
Dreux Daumer
Patti Sand

The nomination package we submitted is attached for all to read. Once again, DPSC has gained national recognition as a leader in innovation and "Doing more with less".

Mae DeVincentis
DPSC-B
28 April 1995

Room 5A 1070
Pentagon

HEROES OF REINVENTION NOMINATION

FULL BUSINESS CYCLE ELECTRONIC DATA INTERCHANGE REINVENTION LABORATORY

NAME OF OFFICE/GROUP/TEAM:

DPSC Corporate Electronic Commerce Office
Defense Personnel Support Center
2800 South 20th Street
Philadelphia, Pennsylvania 19145-5099

DEFENSE AGENCY:

Defense Logistics Agency
Cameron Station
Alexandria, VA 22304-6100

TEAM LEADER OR MANAGER'S NAME:

Mae DeVincentis
Phone: (215) 737-8482 Fax: (215) 737-8459

WHAT PROCESS, FUNCTION, OR SERVICE HAS BEEN REINVENTED?

The business/contracting process at DPSC has been reinvented to operate more like a commercial enterprise. Electronic Commerce (EC) using Electronic Data Interchange (EDI) as an enabling tool was integrated into the Defense Personnel Support Center's (DPSC) business systems to replace old, slow, expensive, manual paper processes with electronic ones. As a result of these technological innovations, DPSC has enhanced defense readiness, has achieved greater efficiencies, has lowered costs of doing business, has responded quicker to customer requirements, and has reached a higher level of customer service and satisfaction. Military customers can transmit orders directly to manufacturers or distributors, receive confirmation within minutes, and receive delivery of goods within 24-72 hours.

The reinvention process as noted below specifically describes three programs which illustrate the DPSC goal of reengineering business practices, and utilizing EDI in a total EC approach to doing business with our industries in the way that they do business.

HOW HAS THIS GROUP CUT RED TAPE OR EMPOWERED EMPLOYEES TO IMPROVE SERVICE TO CUSTOMERS? ARE THERE TANGIBLE BENEFITS TO CUSTOMERS AND/OR THE GOVERNMENT?

This group of employees was innovative in its approach to reengineering business and contracting processes that were highly bureaucratic and outmoded. They benchmarked their processes

against the best of industry, which led to reengineering of business processes and the introduction of EC and EDI technologies as enabling tools to support reengineering. DPSC's pioneering efforts in the public sector application of EDI are recognized by Price Waterhouse Corporation in its benchmarking study of EDI business systems applications, which includes recognized leaders such as IBM and Motorola, and in which DPSC was the only Government participant.

Quick Response, Prime Vendor and Shared Production are examples of reengineered business practices utilizing EDI EC technologies. **Quick Response** uses EDI coupled with modern inventory management and manufacturing techniques to speed the flow of information and supplies among business partners. Point of sale data is transmitted from a customer via EDI to the manufacturer's integrated automated system where it is used for production planning. Computer aided design and manufacturing technology transmits technical documents and (clothing) patterns. Through the use of flexible or modular manufacturing systems, manufacturers can adjust production schedules as needed to ensure adequate stock replenishment. Delivery is made to the customer 72 hours after order. Customers have saved over $1 million in reduced government inventory and handling costs since the implementation of Quick Response.

Prime Vendor is a commercial distribution system that allows customers to exercise discretionary buying power to order only what they need. Customers can choose medical or food items from an electronic catalog, and transmit the order directly to the "Prime Vendor". Confirmation of the order is received within minutes and delivery is accomplished within 24 hours. Payment is made through electronic invoicing and electronic funds transfer, making Prime Vendor a total end-to-end EC business system. Customers who have Prime Vendor contracts have experienced significant inventory savings, along with a concurrent reduction in order receipt timeframes.

This program was initially piloted in the medical pharmaceutical area and now includes medical surgical, food service, and clothing items. Prime Vendor currently accounts for 60 percent of medical and 20 percent of food service sales and continues to grow, because of the high level of customer choice and service. As a demonstrated benefit of the program, Ft. Lee, Virginia has reduced their food inventory from over $500,000 to under $40,000. Another customer achieved a multi-million dollar cost avoidance by not having to build a cold storage warehouse.

Impressive improvements have been made to logistics response time through the use of Quick Response and Prime Vendor. Utilizing traditional logistics processes, customers customarily received product in 60 days on average. In Quick Response, customers receive product within 72 hours after ordering. In Medical Prime Vendor, customers receive order confirmation within two hours, delivery in 24 hours.

Under the **Shared Production** Agreement concept commercial capacity and inventories are shared by the DoD and major non-defense customers. Commercial customers agree to relinquish production lines and capability, as necessary in the event of national emergencies, and return to normal business realtionships with the vendor as military requirements decrease. This concept was pioneered by DPSC and has been lauded by CBS News as "an example of defense conversion at its best." The sharing of a production facility reduces the manufacturer's dependence on government contracts and the DoD's surge capability is maintained and/or expanded at reduced

cost. Agile or modular manufacturing and EDI are the enabling technologies for items to be produced using similar, generally accepted commercial manufacturing processes, by a workforce cross-trained and tested in both military and other customer production. Manufacturers can accommodate both large and small production runs of complex and critically needed items and deliver them directly to designated customers in an EC system. Seven agreements have been negotiated to date and the number is growing. Replication of this concept is being encouraged throughout DoD.

Relationships with customers have been reengineered to ensure that their needs are met under peacetime and surge conditions. Customers have been provided with technology, equipment, and training to take advantage of the DPSC systems. Through this new relationship, customers are able to exercise more control over their discretionary buying power.

The summary benefits of these three programs are that industry was a full participant in these initiatives, the long-term business relationships provide stability and growth for both parties, and small and minority business partnerships were enhanced.

The reengineered business practices and expanded use of EC/EDI technologies were supported by a reengineered organization at DPSC. Roles were redefined, jobs restructured and positions were redesigned. Within this structure employees were empowered to make decisions and take initiative.

WHAT HAS THIS GROUP DONE THAT MAKES THEM TRULY OUTSTANDING? WHAT HAS THE GROUP DONE TO HELP BUILD A GOVERNMENT THAT COSTS LESS AND WORKS BETTER?

This exemplary group of employees has been recognized for their innovative thinking and approaches to building a government that costs less and works better, such as theWalter Reed Army Medical Hospital Commander's Award for Civilian Service (Medical Prime Vendor Team), and the 1995 Public Service Excellence award in the federal category.

Their reengineering efforts resulted in:

-- Sales conducted through EDI have increased from $308 million in FY92 to $576 million in FY94, with an increase in EDI trading partners from 265 to 558. EDI dollars as a percentage of total obligations has increased from 24 percent to 49 percent during the same period.

-- Dramatic increases in the use of electronic invoicing and electronic funds transfer. In FY94 $182 million in invoices were electronically exchanged with 127 companies. $228.9 million was transferred using electronic funds transfer with 42 trading partners.

-- EC initiatives which led to significant decreases in inventory levels at both the wholesale and retail level. At the end of FY94, a comparison was made against end of year inventory figures for 1992. Over that period DPSC decreased inventories by 35 percent in Clothing & Textiles, 38 percent in Medical, and 31 percent in Subsistence (peacetime inventories).

This group acknowledges all employees at all levels of the DPSC organization who are responsible for supporting the new business practices. Many of the accomplishments were achieved without formal training. Employees learned on the job and through benchmarking practices with similar organizations. This required a lot of hard work and dedication to adjust to new roles and responsibilities while learning new methodologies.

The impetus for reinvention/reengineering was the realization that the current business environment demanded quicker response to marketplace changes, greater efficiencies, and lower costs of doing business. Implementation of these programs/practices described above enabled DPSC to retain its reduced peacetime sales base, and maintain an industrial base sufficient to meet national defense and emergency readiness requirements.

NAME OF PERSON SUBMITTING THIS NOMINATION:

Joanne Barreca

SIGNATURE: _____

TITLE: DLA NPR Team Leader
Corporate Strategic Planning
Corporate Administration

TELEPHONE NO./FAX NO.: (703) 274-5043/(703) 617-7809

NAME OF DEFENSE AGENCY MAKING THE SUBMISSION OF THIS NOMINATION:

Defense Logistics Agency

DATE:

ACTION TAKEN BY DPR: _____

NPR: _____

INNOVATIONS IN AMERICAN GOVERNMENT AWARDS PROGRAM (FORD FOUNDATION & HARVARD)

SYNOPSIS

Under reengineered business practices, we have evolved into a leaner, more efficient, more responsive organization. We have adopted commercial practices, buying commercial items whenever possible and applying enabling technologies, such as EDI, to new business systems. Now through programs like Quick Response and Prime Vendor, DPSC's customers can transmit their orders directly to the manufacturer or distributor, receive confirmation within minutes, then receive delivery of goods within 24-72 hours. Under Shared Production Agreements, companies can partner with DPSC to ensure production capacity for military requirements during national emergencies. These innovative programs have resulted in dramatic increases in customer satisfaction in terms of affordability, quality, and responsiveness.

The DPSC programs evolved in response to a series of changes in the external environment. The newer business environment demanded quicker response to marketplace changes, greater efficiencies, and lower costs of doing business. The implementation of these programs required a paradigm shift on the part of our customers and vendors. We consider our inventory reductions, improvements to logistics response time, and advances in EDI as the most meaningful measures of DPSC's success. The most important achievement has been attaining dramatic improvements in customer satisfaction while enhancing support of the customer's combat mission. Also, DPSC's programs have received several awards and honors, in addition to media coverage.

INNOVATIONS IN AMERICAN GOVERNMENT

An Awards Program of The Ford Foundation and Harvard University

April 26, 1995

Ms. Mae DeVincentis
Director, Corporate Electronic Commerce Office
Defense Personnel Support Center
2800 S. 20th St. / Attn: DPSC-B, 6-1-D
Philadelphia, PA 19145-5099

Alan Altshuler
Director

William B. Parent
Executive Director

Meryl Libbey
Associate Director, Awards Program and Administration

Marc Zegans
Associate Director, Research

A. Alfred Taubman Center
for State and Local Government
John F. Kennedy
School of Government
Harvard University
79 John F. Kennedy Street
Cambridge, MA 02138
Telephone 617-495-0557
FAX 617-496-4602

Re: National Defense on the Offense
Application #527

Dear Ms. DeVincentis:

Congratulations! I am pleased to inform you that your program is a finalist in the 1995 Innovations in American Government Awards Program.

Your program is one of 30 finalists selected from among 100 semifinalists and from among over 1450 initial applicants. The Innovations National Selection Committee will select the 15 Innovations Award winners from among the finalist programs in July. The Committee's final selection decisions will be based on your applications, on a report prepared by an Innovations site visitor, and on a presentation by your program representatives.

You will be contacted within the next two weeks by an Innovations site visitor. You and the site visitor will select dates in May and discuss an itinerary for a one- to two-day site visit. Site visit activities should encompass interviews with program staff, clients, and others, opportunities to observe program operations, and access to appropriate program documents and records. In order to facilitate this visit, we ask that you or your designee coordinate all activities and details of the evaluator's visit.

The Innovations Program will invite two representatives from each finalist program to attend a seminar on Thursday, July 13, and to make a brief presentation before the Innovations National Selection Committee on either Thursday, July 13, or Friday, July 14, at the John F. Kennedy School of

Government at Harvard University. We will send you additional information about these presentations in mid-May. Travel and accommodations for the two finalist program representatives will be paid for by the Innovations Program.

The 15 award winners selected by the National Committee will receive one-time grants of $100,000 each to further the work of the award-winning programs and to encourage their replication by other jurisdictions. The 15 remaining finalists may receive one-time grants of $20,000 each to help strengthen and advance the goals and objectives of their innovations. The process for determining the appropriate use of grant funds is entirely separate from the process for the selection of award recipients. While the Innovations National Selection Committee chooses the award winners, Ford Foundation staff members work directly with the 15 award recipients and 15 finalists to develop appropriate projects for funding.

Any announcement of the 1995 Innovations Awards finalist programs is on hold until mid-July. As in the earlier semifinalist selection round, announcements to national, regional, and local press and media will be coordinated by our public relations firm. You will receive a draft press release from M. Booth & Associates in mid-June along with additional information to assist you in your public relations efforts. If you have questions regarding press relations in the meantime, please feel free to contact Jane Cabot of M. Booth & Associates, our public relations firm, at 212-481-7000.

If you have any questions on matters other than public relations, please do not hesitate to contact Caroline Marple or me at 617-495-0557.

Congratulations once again, and our very best wishes for your continued success.

Sincerely,

William B. Parent
Executive Director

Application Number 527

INNOVATIONS IN AMERICAN GOVERNMENT
1995 AWARDS PROGRAM
SEMIFINALIST APPLICATION

AGENCY DIRECTOR SIGNATURE PAGE

APPLICATION DEADLINE: April 3, 1995

Program Name: National Defense on the Offense

Contact Person: Ms. Mae DeVincentis

Title: Director, Corporate Electronic Commerce Office

Department/Division: Defense Personnel Support Center

Address (no P.O. Boxes, please): 2800 S. 20th Street

Attn: DPSC-B, 6-1-D

City: Philadelphia State: PA Zip: 19145-5099

Telephone: (215) 737-8482 FAX No: (215) 737-8759

THIS APPLICATION MUST BE SIGNED BY BOTH:

- the director (or equivalent) of the responsible agency, and
- the chief elected officer or presiding official of the jurisdiction being nominated for the award.

I certify that, as represented to me, the information contained in this application is accurate.

Agency Director: CARL H. FREEMAN, Brigadier General, USA

Title: Commander

Department/Division: Defense Personnel Support Center

Carl H. Freeman
Signature of Agency Director

3-31-95
Date

1. Describe the purposes, scope, and nature of your program or policy initiative, including the specific problem it addresses. (This statement will serve as a summary of your program that will be made available to the public, press, and other jurisdictions.)

The Defense Personnel Support Center's (DPSC) mission is to provide food, medical and clothing items to our military customers, and support both military and humanitarian operations at a moment's notice.

Under a radical redesign of our business practices, DPSC has evolved into a leaner, more efficient, more responsive agency, adopting corporate standards of operation and tapping into technology to recreate nearly every facet of our operation. No more paper-pushing -- now most business is conducted through electronic commerce.

Gone are the days of 700 page military specifications for chocolate chip cookies, and overloaded warehouses of 1950's vintage hospital gowns. Today, DPSC purchases commercial products manufactured in response to actual demand, that are delivered direct to the customer's door, all occurring in a matter of days.

Military customers were used to ordering massive amounts of supplies through a bureaucratic, unresponsive system and then waiting months, not knowing when, if, and how they would receive their shipments. Now customers can transmit their order directly to the manufacturer or distributor, receive confirmation within minutes, then receive delivery of goods within 24-72 hours. In one incident, rescue supplies were delivered directly to an accident site in 30 minutes.

In "Quick Response" the rapid flow of information through computers also allows suppliers to adjust their production based on demand. The Prime Vendor Program, a commercial distribution system, enables customers to choose the medical or food item of their choice from an electronic catalog. Leveraged buying allows customers to take advantage of the lowest prices without holding onto massive inventories.

Under innovative "Shared Production Agreements" companies like McDonalds, Nike, Nestle and the Hard Rock Cafe partner with DPSC to ensure production capacity for military requirements during national emergencies.

These innovative programs have resulted in dramatic increases in customer satisfaction in terms of affordability, quality and responsiveness.

2. Please list, in order of priority, the most important goals or objectives of your program or policy.

Our primary goal is supporting the combat mission of our customers. To achieve this goal, we must be both a worldwide provider of federal logistical services and a leader in business innovation. This goal is supported by the following objectives:

a. Sustaining an adequate peacetime infrastructure to support national defense and emergency needs;

b. Maintaining a viable industrial base sufficient to meet our national defense and emergency readiness requirements;

c. Developing and sustaining a robust logistics support system to include raw material suppliers, manufacturers and distributors capable of responding to rapid changes in demand;

d. Achieving a higher level of customer service through the use of Electronic Commerce initiatives coupled with reengineered business and logistics practices;

e. Reducing the delivered cost to the customer, and;

f. Expanding our predominantly military-oriented sales base to include other non-traditional customers.

5. Briefly describe the composition, role and reporting relationships of any government departments, boards or committees involved in the policy-setting or administration of your program or policy initiative. Include any sub-contractual relationships with outside organizations or individuals. (Please attach an organization chart after your answer to question 17 to show the current number, responsibilities, and reporting relationships of key program employees or staff.)

With regard to external relationships, as part of a Federal Executive agency accomplishing an acquisition mission with appropriated funds, we are governed by the Federal Acquisition Regulation (FAR). The FAR is issued within applicable laws under the joint authorities of the Administrator of General Services, the Secretary of Defense, and the Administrator for the National Aeronautics and Space Administration under the broad policy guidelines of the Administrator, Office of Federal Procurement Policy, Office of Management and Budget. The roles and reporting relationships are established in the FAR which govern the acquisition mission and our programs. The Defense Department implementation and supplementation of the FAR is issued in the Defense Federal Acquisition Supplement (DFARS) under authorization and subject to the authority, direction, and control of the Secretary of Defense. As new laws are enacted by Congress, the FAR and DAR Councils, following a public comment period, revise and issue acquisition regulations governing the DPSC.

Within DoD, the Director, DLA, is the agency head responsible for all delegated authorities to DPSC. Our relationship with DLA is similar to any corporate headquarters with a major subsidiary firm. Thus, DPSC receives guidance and assistance from DLA and its executive team. Internally, DPSC is organized along product lines, into Commodity Business Units. These self-sustaining business units are solely responsible for sales and customer satisfaction for a given product line. They operate under the DBOF concept, paying for their overhead through surcharges on sales. (The DBOF concept is explained further in question 6.) Functional championship is provided by integrated process units, which provide the functional expertise to the commodity business unit. Currently at DPSC there are ten CBU's and four corporate IPU's. (See enclosed Organization Chart.)

6. When and how was the program or policy initiative originally conceived in your jurisdiction? Please describe any specific incidents or circumstances that led to the initiative. What individuals or groups are considered the primary initiators. Please substantiate the claim that one or more state, local, or tribal government institutions played a formative role in the program's development. (If your innovation is an adaptation or replication of another innovation, please identify the program or policy initiative and jurisdiction originating the innovation. In what ways has your program or policy initiative adapted or improved on the original innovation?)

The DPSC program evolved in response to a series of changes in the external business environment. This evolution occurred over a period of several years starting in 1987 when we first began to experiment with best value buying practices, long-term contracting and electronic data interchange (EDI). Several events occurred during this period that forced us to examine the way we conducted business. Among them: downsizing in DoD and industry; changing global markets; fewer resources; increased competition; government re-invention; acquisition reform; and new technology.

In addition, Operations Desert Shield Storm in 1990 91 highlighted the deficiencies in our logistics and readiness planning systems. This experience led to the development of the Shared Production Agreement concept. This concept complimented and enhanced the new business foundation we started to build in 1987.

Starting on 1 Oct 1991, the DoD implemented the Defense Business Operating Fund (DBOF). Under DBOF, Defense Agencies and the military services were charged with the responsibility to operate like a business, i.e., operating costs must be recovered through sales. With the enactment of this dramatic change in fiscal policy, DoD regulation 7420.13-R was amended to give the military services discretion over their buying power. They were no longer required to purchase supplies through the DPSC. Competition for these heretofore captive customers became fierce. Fueling the competition was a high degree of customer dissatisfaction with the service we provided.

8. Please describe the most significant obstacle(s) encountered thus far in your program. How have they been dealt with? Which ones remain?

On a general level, our program required a major "paradigm shift" on the part of our own employees, our customers and the vendors that provide the commodities we manage. Overcoming the established customer paradigm of insisting on unique requirements and regulations initially presented numerous obstacles, particularly since at first some of our own employees were concerned that our initiatives would jeopardize customer support and diminish their personal effectiveness. Extensive training and liaison efforts were employed to deal with these concerns. Another challenge was overcoming our vendors concerns that we were creating conditions that would deprive them of a level of business with which they were comfortable, which is discussed further below. We dealt with this by inviting both our customers and our vendors to participate as partners in the development of the new practices. This involvement not only helped to ensure the success of the reengineered practices, it fostered a closer, more trusting working relationship as well.

We encountered several statutory and regulatory impediments to implementing commercial practices such as Prime Vendor and Quick Response. These impediments were primarily in the areas of accounting, audit and pricing, foreign acquisition restrictions and socio-economic program requirements. Some of these barriers were overcome by seeking and obtaining individual exemptions for these programs. Where waivers and exemptions were not authorized, we applied innovative contracting techniques such as the development of a Distribution and Pricing Agreement (DAPA) Program to support Prime Vendor, use of a socio-economic evaluation factor to encourage greater subcontracting opportunities, and the development of a mentoring program to provide additional opportunities to the small and small disadvantaged business community. One of the biggest regulatory barriers still remaining is the ability to expand our customer base beyond the traditional DoD customer to include state and local government agencies as well as international relief agencies such as the American Red Cross and the United Nations.

Much of the industrial base that historically supported DPSC's critical war items such as battle fatigues and operational rations were small businesses dependent on government requirements for their survival. These firms had little or no commercial business. This presented a challenge to implementation of the Shared Production Agreement (SPA) concept. Our program is based on the establishment of long-term business relationships that provide mutual benefits in terms of stability and opportunity for growth. Long-term business relationships in an electronic driven environment enable the vendor to make more efficient use of resource inputs to lower their costs, build a broader business base and plan with stability over longer time horizons. We have provided additional assistance to some of these firms through our dual-use and commercial/military integration programs for plant modernization, making them more attractive to commercial customers. Commercialization of military unique vendors still remains an obstacle to wide-spread implementation of the SPA program.

We also encountered a general lack of technical sophistication both internally and externally among our customer and vendor bases. This left a large gap in systems support for the new business practices. We have taken a proactive approach to solving some of these problems by providing hardware, software and training when possible. This issue still remains an obstacle as discussed in the response to question #12. Our long-term approach to overcoming this issue is discussed in the response to question #14.

9. What other significant individuals or organizations have been most significant in a) program development, and b) on-going implementation and operation? What roles have they played? What individuals or organizations are the strongest supporters of the program or policy initiative and why? What individuals or organizations are the strongest critics of the program or policy initiative and why? What is the nature of their criticism?

In addition, our overriding means of evaluating program success lies in our assessment of our ability to satisfy our customers, obtained through extensive customer liaison, both at the most senior levels within DoD and in direct contact with our military clientele who use our products. In that sense, the "word of mouth" has been extremely positive.

11. What would you describe as the program's or policy initiatives' single most important achievement to date?

The most important achievement has been attaining dramatic improvements in customer satisfaction while enhancing support of the customer's combat mission. As combat logisticians our primary objective has always been enhancing military readiness while reducing the peacetime investment in industrial preparedness. The core strategy has been to buy commercial products to the maximum extent possible, adopt proven best commercial business practices, and apply the technology of Electronic Data Interchange (EDI) to all our business practices. Recognized as a pioneer and national leader in Electronic Commerce, DPSC has worked to link its customers and vendors in a fully integrated EDI driven trading partnership. Using its national and regional leveraged buying power, DPSC's goal has been to vastly improve responsiveness by enabling actual customer choice--choice to only buy what the customer wanted, when and where they wanted it - with total assurance that combat readiness was embedded into every new business practice.

One of the best examples of these new business practices is Prime Vendor. This program takes advantage of commercial food distribution practices and electronic commerce to greatly reduce the pipeline for food distribution. Additionally, inventory and handling costs can be reduced, fresher product can be obtained, more choices are available and overall system costs are reduced.

In Quick Response, customers receive delivery within 72 hours of the demand being recorded. Again, EDI is the technology that drives the entire process, including completing the business transaction with electronic invoicing, receipt and payment. These contracts also have surge production capabilities which, when coupled with breakthrough dual-use technologies and shared production agreements, ensure combat readiness while minimizing the peacetime operational investment. They ensure a quality product delivered to our customers faster and at a better price than ever before while simultaneously providing increased flexibility, reduced pipelines and lower inventory levels. It also helps us build a stronger, leaner, and more responsive industrial base upon which to rely in the event of mobilization or national emergency.

12. What would you characterize as the program's most significant remaining shortcoming?

While we have made great strides in implementing Electronic Data Interchange (EDI) with customers and suppliers, DPSC's internal business processes are currently supported by outdated information management systems that operate in a mainframe environment utilizing flat files processed in batch mode. Information and processes are partitioned by function, and are not relational or integrated. Securing systems changes to support the new business practices is a lengthy, time-consuming process that is often hampered by a lack of funding. Additionally, there is a general lack of technical sophistication among our DoD customer base and in some of our industry segments to support these practices. See question 14 for our solution to this technology dilemma.

13. If your program or policy initiative has been formally evaluated or audited by an independent organization or group, please provide the name, address and telephone number of a contact person from who the materials are available. Please summarize the principal findings of the independent evaluator(s) and/or auditor(s).

The Subsistence Prime Vendor GAO test contract is currently being evaluated by the Defense Operations Research Office (DORO). They are doing a study of the old food distribution as compared to the new (prime vendor) in terms of benefits. The report is due to Congress 1 Jan 1996. The DPSC Subsistence POC is Anthony DiCioccio, DPSC, 2800 S. 20th St., Phila., PA 19145 (215) 737-2100.

15. To what extent do you believe your program or policy is potentially replicable within other jurisdictions and why? To your knowledge, have any other jurisdictions or organizations established programs or implemented policies modeled specifically on your own?

Our Prime Vendor and Quick Response Programs replicate successful commercial industry models. These practices have transformed the retail apparel, medical pharmaceutical and food industries. We have modified the models to comply with the vast array of statutory and regulatory policies governing federal and Department of Defense (DoD) acquisition. The DoD policies were developed for major weapon systems acquisitions and are generally more restrictive than policies covering civilian federal agencies. Civilian agencies would experience far less difficulty in replicating standard commercial practices. The Department of Veteran's Affairs has successfully implemented a Prime Vendor Program for medical items.

The Prime Vendor concept was initially piloted in the DPSC medical pharmaceutical arena. As a result of the early successes, we rolled out the program to include food service and clothing items. We have successfully replicated the concept within DPSC with three separate and distinct industry groups. Modifications were necessary in some instances. Other supply centers within the DLA are in the early stages of implementing similar programs.

The Shared Production Agreement concept was developed at DPSC. We have expanded the concept to include sharing national inventories as well as production capacity. Our parent agency, DLA, has an aggressive program underway...called "Buy Response Vice Inventory"...to implement variations of our approach whenever practicable, with particular emphasis on establishment of long-term and corporate-wide contracts awarded on a best total value basis. DLA is also stressing expansion of EDI techniques, aiming for 85% of its contract awards in this manner across DLA by the end of FY96. To further develop these techniques, DLA has proposed as part of its recent Base Realignment and Closure (BRAC) input that DPSC become the single DLA Supply Center for all troop and general support items, which if approved by the BRAC Commission will help spread our approach to additional product commodities managed by DLA.

The Department of Defense is also stressing use of concepts like Prime Vendor by the military services. In this case, most of the items they manage are Military unique, but there are some potential uses of our approach. The Defense Construction Supply Center (DLA) is in the process of implementing a Shared Production Agreement Program for automotive truck supplies.

While replication is possible, we would encourage other agencies to examine the duplicative costs of implementation versus the benefits of leveraging the logistics management expertise and systems already established by the DPSC for specific groups of items.

16. Has the program or policy initiative received any awards or other honors? YES_X_NO_____. If yes, please list and describe the awards or honors and the sponsoring organizations.

Federal Executive Board 1994 National Excellence in Government Awards Program.

Federal Leadership Award: DPSC recognized for saving the federal government over $24m by reducing inventory and cutting order-ship time.

Secretary of Defense Superior Management Award: DPSC recognized for leadership in EDI implementation.

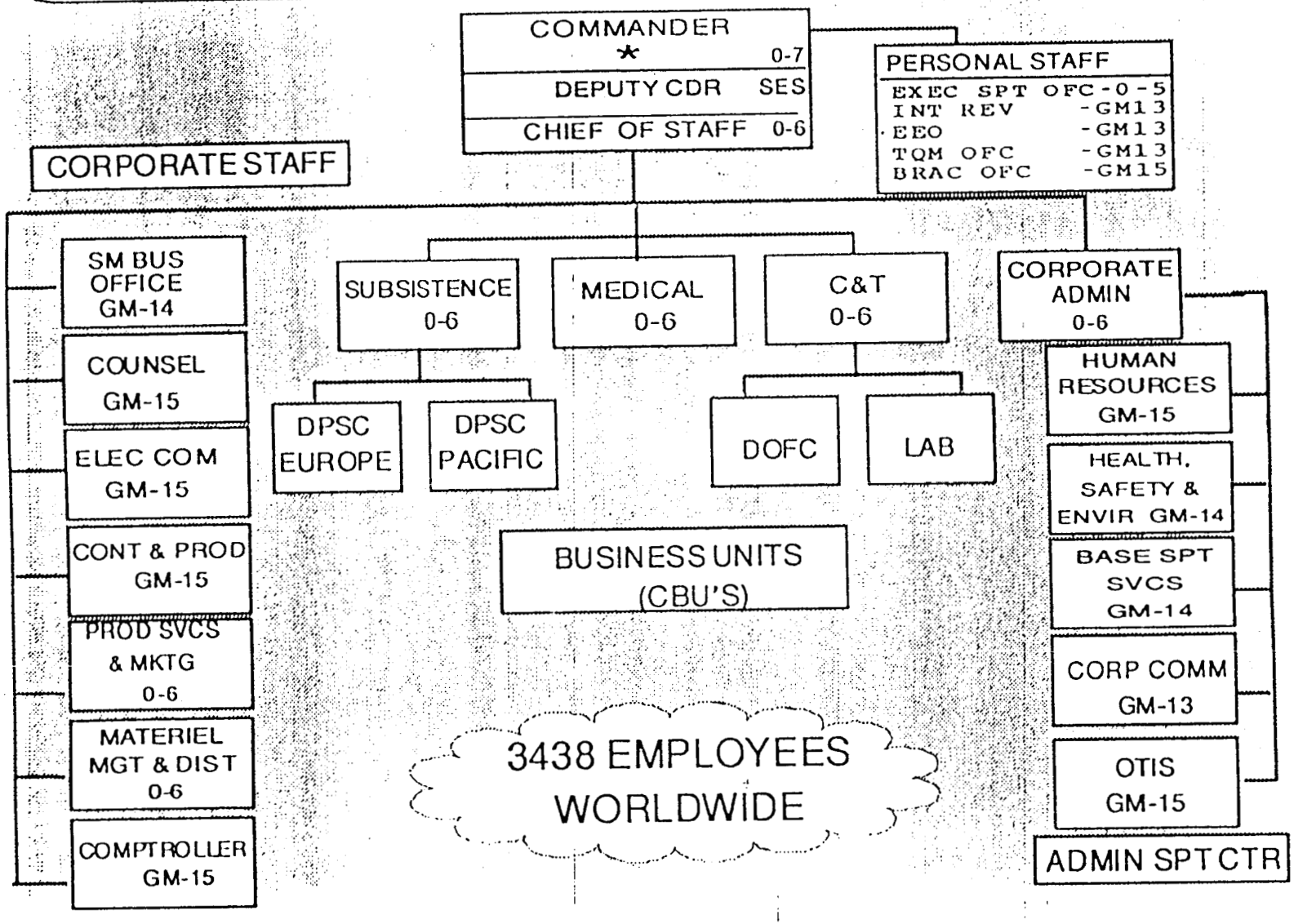
Georgia Association of Minority Entrepreneurs Award for Corporate Support: DPSC honored for its involvement with the Terry Manufacturing Co., of Roanoke, AL.

Gold Medal, Silver Medal from Federal Executive Board 1993 for Excellence in Government Awards Program for Medical Prime Vendor.

1994 Commander's Award for Creativity and Innovation, Group Award to Quick Response Team.

Walter Reed Army Medical Center Commander's Award for Civilian Service to various members of DPSC for Medical Prime Vendor.

PHASE II ORGANIZATION STRUCTURE



ATTACHMENT TO QUESTION 5

T
A
B

6

PUBLIC SERVICE EXCELLENCE AWARD
PUBLIC EMPLOYEES ROUNDTABLE

SYNOPSIS

In DPSC's reengineering efforts, we attempt to link all re-design efforts to corporate objectives, take a win-win approach with our trading partners, reengineer processes before systems, and always remain customer driven. The ultimate goal is to do business in our industries in the way they do business. To achieve this goal, we emulate the best commercial practices without imposing government unique requirements.

Of all the changes we are making to attain excellence in customer support, integrating the use of Electronic Data Interchange (EDI) and other enabling technologies into our business systems to achieve total electronic end-to-end business transactions or Electronic Commerce (EC), are most significant. We have taken and tailored the best ideas from several industries to develop our strategy. DPSC is at the forefront in the development and demonstration of EC business applications. These applications include Electronic Data Interchange Catalog Transactions (EDICT), Medical Electronic Customer Assistance System (MECA), Quick Response, Shared Production, and Prime Vendor.

In addition to partnering with industry, we have forged new relationships with other government agencies. Reengineered business practices and relationships are supported by a reengineered organization. We severed functional stovepipes and created multi-functional individuals. Within this structure, employees have been empowered to make decisions and take initiative. The DPSC program continues to evolve. As a leader in both government and the private sector in the use and development of Electronic Commerce, we plan to continue to make improvements to existing practices as well as pilot new programs.

American Assoc. of Airport Executives
American Consortium for Int'l. Public Administration
American Foreign Service Assoc.
American Society for Public Admin.
American Society of Civil Engineers/Govt. Engineers Div.
Assoc. of Government Accountants
Assoc. of Technical & Supervisory Professionals
Blacks in Government
The Bureaucrat: The Public Manager
Classification & Compensation Society
Council of Former Federal Executives
Executive Women in Government
Federal Bar Assoc.
Federal Employee Education and Assistance Fund
Federal Executive Institute Alumni Assoc.
Federal Investigators Assoc.
Federal Librarians Round Table, American Library Assoc.
Federal Managers Assoc.
Federal Physicians Assoc.
Federally Employed Women
Federation of Government Information Processing Councils
League of Federal Recreation Assoc., Inc.
National Academy of Public Administration
National Assoc. of Federal Veterinarians
National Assoc. of Government Communicators
National Assoc. of Hispanic Federal Executives
National Assoc. of Retired Federal Employees
National Assoc. of State Personnel Executives
National Council of Social Security Management Assoc., Inc.
National Society of Professional Engineers/Prof. Engineers in Govt.
Organization of Professional Employees of the U.S.D.A.
Patent Office Professional Assoc.
Professional Managers Assoc.
Senior Executives Assoc.
Society of Federal Labor Relations Professionals
Worldwide Assurance for Employees of Public Agencies, Inc.

Public Employees Roundtable

Post Office Box 14270
Washington, DC 20044-4270
(202) 927-5000
(202) 927-5001 - FAX

March 24, 1995

Mr. Robert Molino
Defense Personnel Support Center
2800 South 20th Street
Philadelphia, PA 19145-5099

Dear Mr. Molino:

We are pleased to inform you that the Defense Personnel Support Center has been selected to receive the 1995 Public Service Excellence award in the federal category.

This year we received more than 100 nominations from across the nation. There were many outstanding organizations, but your's stood out among the rest. You should take great pride in your accomplishments.

Five representatives of the winning organization are invited to attend the "Breakfast of Champions" on Capitol Hill in the Cannon House Caucus Room on May 2 at 8:30 a.m. The senators and representatives from your state will also be invited. Printed invitations will be sent to you soon. The "Breakfast of Champions" is a part of the celebration of Public Service Recognition Week.

For your convenience, we will fax you a listing of hotels in the area. Once your reservations are made, please let us know when you will arrive and where you will stay. On Monday, May 1, we plan to schedule a White House tour for the award winners. Enclosed is a list of items we need from your organization. Please provide us with this information as soon as possible.

On behalf of the Public Employees Roundtable, we are happy to extend our heartfelt congratulations to you and your employees. Please call Ellen Warren at the PER office at (202) 927-5000 if you need any assistance in making arrangements to receive your award.

Sincerely,

John Stone
Co-Chairman
Awards Committee

Salvatore Cangiarosi
Co-Chairman
Awards Committee

A Proud Tradition

Public Service Excellence Awards have been granted at the national level since 1985 to pay tribute to programs which embody the highest standards in government. Awards are given to programs at the federal, state, city and county government level and one to an intergovernmental program. In 1991, the program was expanded to include regional awards in several locations. PSEA winners represent public service at its best.

The annual Breakfast of Champions® on Capitol Hill is one of the many activies taking place throughout the country during Public Service Recognition Week (PSRW) the first week in May each year.

PSRW is sponsored jointly by PER and the President's Council on Management Improvement. Activities during the week inform the public about the range and scope of government services and the high quality of public employees at all levels of government.

Participation in PSRW has grown rapidly. In 1985, the first year, celebrations took place in only four cities; in 1994, more than 1,000 cities observed the week with awards ceremonies, open houses, fairs, school outreach activities, proclamations and hundreds of other activities.

★ ★ ☆

Public Service Excellence Awards help strengthen public service and improve services to the taxpayer. They help governments at all levels attract and retain highly qualified and motivated personnel.

For a nomination form, or to find out more about this high-impact program, please contact:

Public Employees Roundtable
P.O. Box 14270
Washington, D.C. 20044-4270
(202) 927-5000
(202) 927-5001 FAX

OPM *Design for this pamphlet was provided by the U.S. Office of Personnel Management*

Announcing...
The 1995

Public Service Excellence Awards Program

Sponsored jointly at the federal, state, and local levels

Defense Personnel Support Center

1994 Annual Report • "A Tradition of Support in a Time of Transition"

AROUND THE CLOCK, AROUND THE WORLD

Defense Logistics Agency

DPSC Mission:

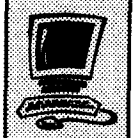
To provide food, clothing and individual equipment, medicine and medical equipment to U.S. soldiers, sailors, airmen, marines and coast guardsmen — around the clock and around the world. Our primary focus is to support the warfighter in times of war, in peace or during relief efforts in times of national emergency.

DPSC Vision:

Worldwide provider of federal logistical services,

champion of military readiness,

leader in business innovation.



The Defense Personnel Support Center

1 Overview

3 From DPSC's Commander

5 Commodity Review

12 DPSC at a Glance

14 Social Responsibility

16 Case Study: Creative Apparel

18 Readiness

19 1994 DPSC EDI & Business Opportunities Conference

20 Commander's Recognition Awards

21 Financial & Performance Review

25 Business Initiative Review

The Defense Personnel Support Center, founded nearly 200 years ago, is one of the largest and most dynamic business activities within the Defense Logistics Agency. This diverse organization, headquartered in Philadelphia, provides over $3.4 billion of food, clothing and textiles, medicines and medical supplies to America's military members worldwide and other federal customers. Our dedicated workforce continually anticipates and responds to the needs of our customers in an ever-changing global market. Our tradition of success is based on our uncompromising commitment to readiness, customer satisfaction, quality and innovation.

Let's face it. Not many of us can keep up with every technological advance—even if it will revolutionize the way business is done in America. To help educate vendors and customers about the latest business technologies and practices, the Defense Personnel Support Center held a two-day Electronic Data Interchange & Business Opportunities Conference in Philadelphia. The conference was organized in response to both demands from DPSC's customers for lower costs and better service and President Clinton's National Performance Review to make government more effective and efficient.

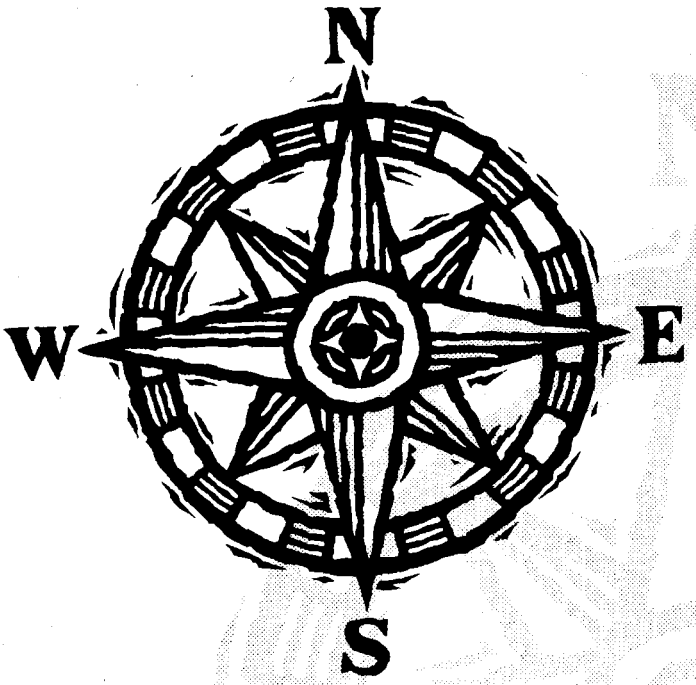
"EDI is like electricity," said Robert Lyttle, an internationally recognized authority on EDI and president of R.M. Lyttle Associates. "You don't buy electricity because it saves you money. You buy it because it helps you do your job."

Over 550 customers and vendors attended various workshops and lectures on new DPSC/Defense Department business initiatives and practices. Topics ranged from computer-assisted manufacturing to how to set up and use EDI. The conference emphasized how critical it is for DPSC to re-engineer its business practices to provide best value products and keep customers satisfied.

DPSC went to great lengths to attract experts in logistics, federal policy and electronic commerce to speak about new ways of doing business. Speakers included: Navy Rear Adm. Edward R. Chamberlin, the Defense Logistics Agency's executive director for supply management; James R. Klugh, deputy undersecretary of defense logistics; Steven Kelman, Ph.D., administrator for Federal Procurement Policy; Jerry Mechling, Ph.D., director of Strategic Computing and Telecommunications in the Public Sector, John F. Kennedy School of Government, Harvard University, and Thomas S. Rittenhouse, vice president and comptroller of the Strawbridge & Clothier department store chain. Other seminar speakers included world class instructors and authors such as Brent B. Coussens, project manager of commercial EDI at American Airlines, and John Stelzer, senior EDI consultant, Sterling Software.

One highlight of the conference was the presentation of the first DPSC Commander's Recognition Awards, given to 17 of DPSC's best vendors and customers for their dependability in delivering products and services and their contributions to re-engineering of the acquisition process (see page 20).

DPSC and Industry— Partners Headed in a New Direction



The Defense Personnel Support Center owes much of its success to the quality vendors that provide food, clothing and medical products to its customers. Recognizing their essential importance, we established the Commander's Recognition Awards to honor our most valued suppliers and customers, and to encourage others to rise to the challenge of excellence. The following are 1994's winners:

TERRY MANUFACTURING COMPANY, INC., Roanoke, Ala., Vendor of the Year • **MC DONALD'S CORPORATION, Oak Brook, Ill.,** Shared Production Trading Partner • **SAM KANE BEEF PROCESSORS, INC., Corpus Christi, Texas,** Most Valuable Vendor (Small Business) • **KERR MANUFACTURING COMPANY, Romulus, Mich.,** Most Valuable Vendor (Large Business) • **CREATIVE APPAREL ASSOCIATES, Belfast, Maine,** Most Valuable Vendor (Small Disadvantaged Business) • **ATLAS HEADWEAR, INC., Phoenix, Ariz.,** Innovative Business Performer (Small Business) • **AMERICAN APPAREL, INC., Selma, Ala.,** Innovative Business Performer (Large Business) • **CONTINENTAL FOODS, INC., Baltimore, Md.,** Rookie of the Year • **SURVIVAL TECHNOLOGY, INC., Rockville, Md.,** Special Recognition for Readiness Support • **ROYAL MAID ASSOCIATION FOR THE BLIND, INC., Hazlehurst, Miss.,** Outstanding National Industries for the Blind Contractor • **ORC INDUSTRIES, INC., LaCrosse, Wis.,** Outstanding NISH Contractor • **AMERICAN APPAREL, INC., Selma, Ala.,** Outstanding Electronic Commerce Partner • **OWENS & MINOR, Richmond, Va.,** Outstanding Electronic Data Interchange Partner • **MCKESSON DRUG COMPANY, San Francisco, Calif.,** Outstanding Socio-Economic Program Champion • **U.S. ARMY TRAINING CENTER*, Fort Jackson, S.C.;** • **U.S. MARINE CORPS RECRUITING DEPOT EASTERN RECRUITING REGION, Parris Island, S.C.;** • **WALTER REED ARMY MEDICAL CENTER, Washington, D.C.,** Customers of the Year.

**A similar advertisement appeared in the USA Today and the Philadelphia Inquirer newspapers.*

While 1994 had its share of challenges, I'm pleased to report that the Defense Personnel Support Center had an excellent year in terms of progress and transition. Among our accomplishments:

- ✔ In addition to normal high-volume requests, we responded to urgent supply demands to provide about $130 million in support for humanitarian relief and peace-keeping efforts in Bosnia, Rwanda, Somalia, Cuba and Haiti.
- ✔ We continued to implement business practices that are used by successful businesses in the private sector, as well as the most innovative ideas from other government agencies.
- ✔ We placed a greater emphasis on readiness, underwriting contracts with surge options, forming shared production partnerships and implementing a warstopper program.
- ✔ We continued to decrease depot inventories by relying more on contractors to deliver items directly to our customers.
- ✔ We continued to invest heavily in research and development and began working on (CR)2, or Combat Readiness—Customer Response, the Defense Logistics Agency's first logistics research and development project.
- ✔ We improved customer response times and introduced new items to meet our customers' changing needs.
- ✔ We lowered our overall selling, general and administrative costs.
- ✔ We maintained our commitment to providing quality goods and services.
- ✔ We continued to reshape ourselves for the 21st Century by reorganizing to be more efficient and cost effective.

"DPSC's worldwide workforce is committed to delivering high-quality products and services to its customers by continuing to implement efficient and cost-effective business practices."

As one of DPSC's newest team members, it's very exciting to be part of a workforce that's dedicated to fundamentally changing the way it provides food, clothing and medical supplies to America's military personnel and its other customers.

From left: Navy Vice Admiral Edward M. Straw, director of the Defense Logistics Agency, and Army Brigadier General Carl H. Freeman, commander of the Defense Personnel Support Center, talk about improving customer support. At DPSC, customer satisfaction is paramount to our continued success.

DPSC, like the rest of the federal government, is experiencing significant change. We've seen challenges such as budget cutbacks, decreased sales and surge build ups, and throughout it all we've adapted and forged ahead. I want to share these achievements with you—show you how we're improving our operations and integrating commercial business practices to support our valued customers. These initiatives, plus dedication and teamwork, are vital to our goal of becoming the "federal provider of choice" for every item we manage.

During the past year we've undergone some major organizational changes. Sadly, we ended an era with the closing of our clothing factory after 194 years of service, but we also finished the second phase of a reorganization that will improve productivity and support. We began training our employees to do multiple functions and decentralized management to im-

prove our span of control and communications. We also rotated several of our senior staff to broaden careers and infuse fresh ideas throughout our organization.

Although we have built a great reputation at DPSC, now is not the time for us to become complacent. We're going to continue strengthening and refining our organization. We'll continue to adopt commercial business practices and be a leader in innovative business strategies like electronic commerce, prime vendor, quick response, shared production and small business mentoring programs. Although our commitment to military readiness is stronger than ever and remains our top priority, we'll keep expanding our federal customer base to keep costs down and protect our ability to produce needed critical items when the nation's military calls with emergency supply requests. And last but not least, as we rebuild and strengthen our business relationships, we'll continue taking a win-win-win approach with our customers and suppliers so that everyone benefits.

From left: some innovative members of DPSC's corporate team: Army Colonel Robert Ward, director, Clothing and Textile directorate; Air Force Colonel Dennis Gold, director, Medical directorate; Robert Molino, deputy commander, DPSC and Navy Captain Roy Werthmuller, director, Subsistence directorate.

"Our bottom line remains the same, to provide reliable and responsive support to customers anywhere in the world at any time, while also maintaining the capability to respond immediately to military requirements in war."

As you read this report, you'll see the energy and diversity that is the Defense Personnel Support Center. Join us as we use technical, administrative and business-oriented innovations to transition ourselves for the future and rise to the challenges that lie ahead. If you have any questions, or if there is anything you need, we'll be there to help as we have for nearly 200 years.

Brigadier General Carl H. Freeman
U.S. Army
Commander
Defense Personnel Support Center

December 1994

said partner George Rybarczyk. "The bigger apparel manufacturers have the equipment to make them a lot cheaper than we can. But items like aviator's jackets and protective suits are another story—we can do a better job at a lower cost than the big apparel manufacturers."

This distinctive manufacturing expertise earned Creative Apparel DPSC's *Most Valuable Vendor - Small Disadvantaged Business* award for 1994 (see page 20 for complete list of winners). The partnership has successfully manufactured high-quality outerwear including coveralls, jackets and liners for the Defense Department since 1989 and also makes garments for commercial companies like L.L. Bean, Reebok, and Burton Snowboards.

Located in economically depressed areas, both towns, two-and-a-half hours apart, depend on Creative Apparel's manufacturing plants as a vital source of income. Annual sales total over $8.5 million, and the company's annual payroll pumps $1.2 million into the local economy. It is the fourth largest employer in the area and is in the top one percent of employers in the state. With two new DPSC contracts for aviator jackets and chemical and biological protective suits, awarded in 1994, Creative Apparel will be able to hire about 25 additional workers in the two communities.

In response to the area's financial hardships, Creative Apparel actively supports some of the region's non-profit agencies. With double-digit unemployment throughout the region, the partnership is one of the biggest sponsors of the area's only soup kitchen, as well as the YMCA, the March of Dimes and local animal shelters. It fully endorses and encourages frequent monetary collections made among employees and matches their charitable cash contributions. Whenever possible, the company also gives the extra clothing it makes to local churches.

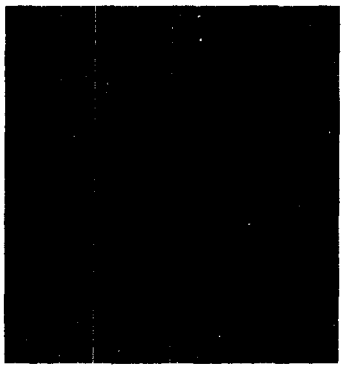
Being close to hardships has made Rybarczyk an especially big supporter of local charities.

"We prefer to support our local community," said Rybarczyk. "It's especially gratifying to see our assistance and support being put to good use right here."

Above: Harold Mushero has worked for Creative Apparel for six years. The company employs 90 workers at its two plants in Belfast and Princeton, Maine and is one of the top employers in the state. Right (from left): Linda Harvey and Virginia Phillips discuss plans to make jackets at the Princeton plant that was built by the Passamaquoddy Indian Tribe. The tribe owns 51 percent of the partnership.

The Defense Personnel Support Center stands ready to support America's military during any type of emergency or contingency operation. Being able to provide maximum readiness support is what distinguishes DPSC from the competition, and is the major thrust behind our buying practices and commercialization initiatives.

DPSC has been proactive in defense conversion. We're maintaining and improving readiness through initiatives that focus on integrating our military and commercial industrial bases and moving away from government-specific business practices and product specifications. We're using advanced business initiatives that emulate those of industry, such as electronic commerce/ quick response, prime vendor, shared production and shared inventory contracts. Combined with long-term contracting, surge option clauses and best value buying, we're ensuring DPSC's ability to respond immediately to calls for support, like we did for the Gulf War and the many humanitarian relief efforts in 1994.



Through prudent use of Defense Logistics Agency-furnished "warstopper" funding, we're improving the mobilization posture of critical items. Our workers continuously assess and validate industry's maximum production capacity and peacetime sustaining rates.

DPSC is also an advocate of developing dual-use technologies through manufacturing, science and technology (MANTECH) contracts with academic institutions such as Georgia Tech, the Fashion Institute of Technology, and Rutgers and Clemson Universities. DPSC provides "warstopper" funds for industry to buy MANTECH's dual-use production equipment and technology including horizontal form, fill and seal machines. We're providing industry with the opportunity to develop commercial products and cultivate a diversified customer base while improving its production capacity for critical DPSC items.

We entered into shared production agreements with industry, ensuring access to products or productive capacity in the event of contingencies, while minimizing the disruption to industry's commercial business relationships through the voluntary participation of their trading partners. For military-unique items with minimal peacetime demand, such as nerve agent antidotes, we awarded industrial base maintenance contracts which provide for the manufacturer to maintain essential and unique production capabilities, without buying unneeded quantities in peacetime just to sustain the industry. For commercial items, we executed stock rotation contracts (supply/resupply contracts) whereby suppliers maintain specified inventory levels from which they ship requisitions directly to military customers, eliminating the need for depot stock and the costs associated with depot storage and transportation.

At DPSC, our ability to provide the best support anywhere in the world at a moment's notice is paramount. It is the reason for our existence, and we'll never lose sight of it — *Guaranteed.*

Commodity Review

Subsistence

Background:

The Defense Personnel Support Center's Subsistence directorate is a major link between the U.S. armed forces and the food industry. In 1994, Subsistence bought about $1.6 billion of food products for troop issue and resale in 360 commissaries worldwide. Through other contracting arrangements, this directorate helped commissaries acquire groceries worth over $4.5 billion. It also buys fresh and frozen food for non-defense customers including the Veterans Administration, Public Health Service hospitals, federal prisons, Job Corps centers and various school lunch programs. Products range from brand name grocery items and fresh fruit and vegetables, to operational and commercial-type food rations.

Competitive Advantage:

One-stop shopping; a wide array of high-quality, brand name products; just-in-time delivery; competitive buying practices; national buying power; controlled atmosphere transportation of fresh produce for overseas customers.

Highlights:

Prime Vendor. Subsistence awarded five prime vendor contracts worth over $80 million to support military dining facilities in South Carolina, Alabama, Florida and Georgia. Prime vendor uses commercial distributors to directly deliver a full range of food items and beverages to customers in a specific geographic area. The contracts, with multiple renewable years, place an emphasis on quality, availability and minimum delivery lead time. With prime vendor, customers receive supplies within 48 hours of placing their orders while reducing warehouse inventories.

Other prime vendor contracts, totaling $27 million, were awarded to cover the Virginia/North Carolina region and various military hospitals, federal prisons and Air Force missile sites.

Prime vendor customer sales totaled $4 million and are expected to exceed $92 million in 1995. Plans call for Subsistence to have the entire continental United States covered by prime vendor by 1998.

Electronic Data Interchange. In 1994, 218 vendors used electronic data interchange to execute purchase orders, which shortened processing and shipment times. Processing time from order placement to receipt of acknowledgment dropped from an average of 18 days to 10 days.

By September, the dollar value of purchase orders processed monthly via EDI increased from $26 million in 1993 to $32 million in 1994.

Shared Production. Subsistence awarded new shared production contracts totaling $19.5 million to four retort pouch producers of the meal, ready-to-eat (MRE) operational rations. Shared production contracts establish long-term business relationships between DPSC, vendors and their major commercial customers. Under the program, vendors and their commercial customers agree to relinquish commercial production lines so vendors can increase production of needed military items during a war or national emergency. These agreements allow Subsistence to maintain surge capabilities without added overhead costs during peacetime, while vendors become less dependent on military business. New commercial partners include Gerber, the Nestlé Food Co. and NutriSystem.

Subsistence invoked the initial option year of its first-ever

The Community

DPSC's concern for the local community has been a long-standing tradition for over 30 years. Generous contributions through the Center's Community Service Council have allowed DPSC to sponsor programs to enhance the quality of life for disadvantaged children, senior citizens, hospitalized veterans and the homeless in the Philadelphia area.

America's Youth

For over 22 years DPSC employees have participated in Project GIVE (Government and Industry Volunteers for Education), a tutorial program for elementary school children. During the school year, volunteers spend one hour a week after work helping students from the Alcorn Elementary School in Philadelphia with math, reading and geography.

DPSC's work study program, in its sixth year, affords twelfth grade students from South Philadelphia High School the opportunity to gain hands-on experience in a professional work environment. About 13 students work two and a half days a week at the Center and receive a grade for their performance.

Another educational opportunity is a mentoring program with the Vare Middle School in South Philadelphia, which gives students computer and clerical skills and helps them interact in a work environment.

Combined Federal Campaign

DPSC continues to support the local community, the nation and the world with its generous contributions through the Combined Federal Campaign. In 1994, collections totaled $179,000.

Blood Donations

DPSC is among the leading blood givers within the Defense Logistics Agency and one of the largest donation sites in the Philadelphia area. Center employees donated almost 2,000 pints of blood in 1994.

The Environment

A key factor in the success of the Center's recycling program is the enthusiasm and commitment of employees to reduce waste, conserve natural resources and prevent further pollution. In 1994, over 363 tons of material was sold to recyclers, avoiding landfills and generating $50,000. DPSC's recycling program collects paper, cardboard, aluminum, newspaper, plastic, glass and laser printer toner cartridges. In addition, DPSC is working to remove or replace all ozone depleting chemicals from all specifications and documents.

Helping Workers Affected by BRAC

Last year, DPSC established the Employees Services Center to help workers whose jobs were affected by the 1993 Base Realignment and Closure Commission's decision to close the factory in 1994 and relocate DPSC to the Aviation Supply Office complex in Northeast Philadelphia by 1997. Services include one-on-one career counseling, job search, resume preparation and training. In 1994, ESC assisted more than 1,700 clients, posted more than 150 job tips and printed more than 90 weekly job listings.

Humanitarian Support

During 1994, DPSC provided over $67 million in humanitarian support to Haitian and Cuban refugees. Items included tents, sheets, medicines and food. In addition, DPSC's Medical directorate provided medical supplies for victims of the western forest fires, the Georgia floods and residents of the Ukraine and Bosnia/Herzogovina. DPSC's Clothing and Textile directorate supplied $3 million in blankets to America's homeless through the Defense Department's Homeless Support Initiative.

Supporting Special Businesses

More than $1 billion of DPSC's 1994 contract dollars were placed with special businesses. DPSC's Small Business Office ensures that small, disadvantaged and woman- and minority-owned businesses get a fair share of DPSC's federal procurement dollars as mandated by Congress (see pages 16-17 for special business case study). Other special businesses include federal prisons through the UNICOR program, the National Industries for the Blind and NISH. A partnership program was also established to ensure these special contractors are involved in DPSC's advanced business practices and win contracts as a prime contractor or subcontractor.

Creative Apparel: A Small Business Success Story

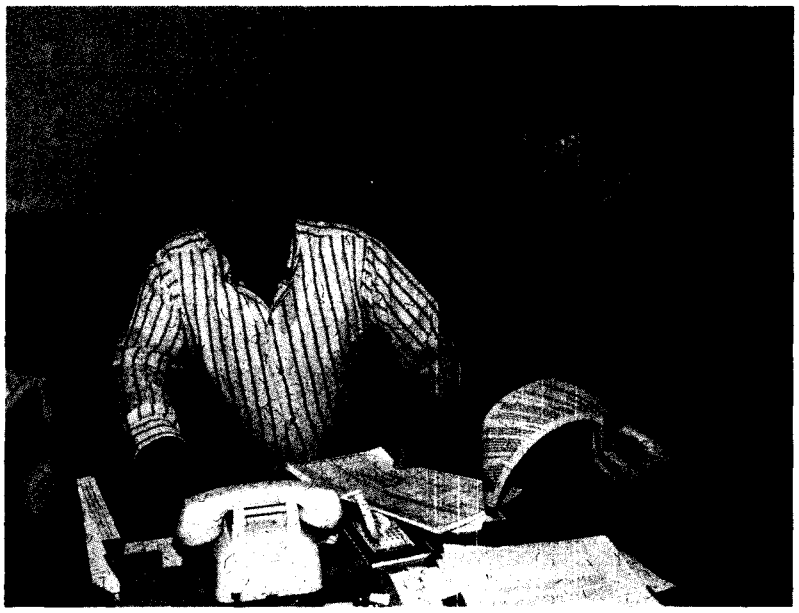
As a multi-billion dollar organization, the Defense Personnel Support Center recognizes the significant financial impact it has on contractors and society, especially when supporting small businesses. Almost half of our annual purchases are bought from the special business community. This philosophy is not only socially responsible, it's good business. It encourages healthy competition, which helps keep long-term costs down and quality high, and allows small businesses to contribute to a healthy national economy by employing thousands of workers throughout the United States.

A business that stands out as a model for community service and quality workmanship is Creative Apparel Associates, a small, minority-owned disadvantaged business headquartered in Belfast, Maine. Creative Apparel makes various military items under contract with DPSC's Clothing and Textile directorate.

Creative Apparel was formed in 1989 from a unique partnership between the Passamaquoddy Indian Tribe in Princeton, Maine and an apparel manufacturer named George Rybarczyk and his wife, Sharon. In 1986, the Rybarczyks bought an apparel manufacturing company that had recently gone out of business. They rehired the displaced workers and named the company J&P Apparel, after their two children, Jill and Paul. In 1988, the Passamaquoddy Tribe, with no manufacturing experience, heard about J&P Apparel's success and approached the Rybarczyks with a partnership idea in an effort to increase employment and stimulate the local economy. After a year of planning and paperwork, the partnership was born.

Today, the company has two plants in Belfast and Princeton and employs about 90 people, consisting of over 13 percent Passamaquoddy Indians who own 51 percent of the partnership. With most apparel manufacturers moving South or overseas, Creative Apparel is one of the few remaining garment makers in New England. The company thrives because of its workers' exceptional work ethic and commitment to making high-quality, manpower-intensive garments.

"We don't even bid on simple garments,"



Above: Shirley Bishop, a sewing machine operator at Creative Apparel Associates, sews a military aviation fire-fighting outfit for the U.S. military. The small, disadvantaged company's annual sales total $8.5 million. Left (from left): Roger Ritter, CEO of Creative Apparel's Princeton plant, and George Rybarczyk review production plans. Creative Apparel was formed from a unique partnership between Rybarczyk, an experienced apparel manufacturer, and the Passamaquoddy Indian Tribe in an effort to increase employment and stimulate the local economy.

shared production/EDI contract with the Nestlé Brand Foodservice Co., for freeze-dried packets of Taster's Choice coffee. Surge test results showed a 400 percent increase in coffee production within just seven days.

Dual-Use Technologies. Under Subsistence's dual-use technologies initiative using warstopper funding, new packaging machines are being provided to six meal, ready-to-eat retort pouch producers. The dual-use technologies contracts, worth $2.25 million, foster the integration of civilian and military industrial bases since the machines can be used for both military and commercial production. The dual-use concept was also incorporated into the fiscal year 1994 Defense Planning Guidance because it allows vendors to increase commercial capabilities while decreasing dependency on defense contracts.

Mobilization and Humanitarian Support. Subsistence supplied U.S. service members stationed in Haiti, Cuba, Somalia and Rwanda with over $36 million in food, including meal, ready-to-eat and tray-pack food rations, and $46.8 million in relief supplies to Haitian and Cuban refugees.

Improved Humanitarian Rations. DPSC developed and contracted for 2.5 million improved humanitarian daily rations (HDRs), which contain only vegetarian entrees, for use in life-saving missions. The rations provide basic nutritional requirements to prevent the starvation of a population when bulk food feeding is difficult or impossible. Less expensive than the meal, ready-to-eat rations, HDRs also are more sensitive to ethnic and cultural needs.

School Lunch Pilot Program. Subsistence negotiated with the U.S. Department of Agriculture to conduct a pilot program to support eight state and local school districts with fresh produce during the 1994-95 school year. Defense Subsistence Offices will take fresh fruit and vegetable orders from local schools through existing acquisition and logistics networks. About $2.5 million has been set aside to fund the program, with the initial order worth $65,000 to cover the first two weeks of fiscal year 1995. Participating states include Colorado, Florida, Maryland, New Hampshire, South Carolina, South Dakota, Texas and Wyoming.

Partnering With Industry. When DPSC lost the only domestic supplier of an essential plastic resin used in MRE food pouches, Subsistence worked with industry leaders, including the EXXON Chemical Co., the Reynolds Metals Co., and Allied-Signal, to find a substitute. In addition to outperforming the old material, the new polyfilm lining can be used in the commercial industry and doubles DPSC's existing capacity to make MRE pouches in the event of an emergency.

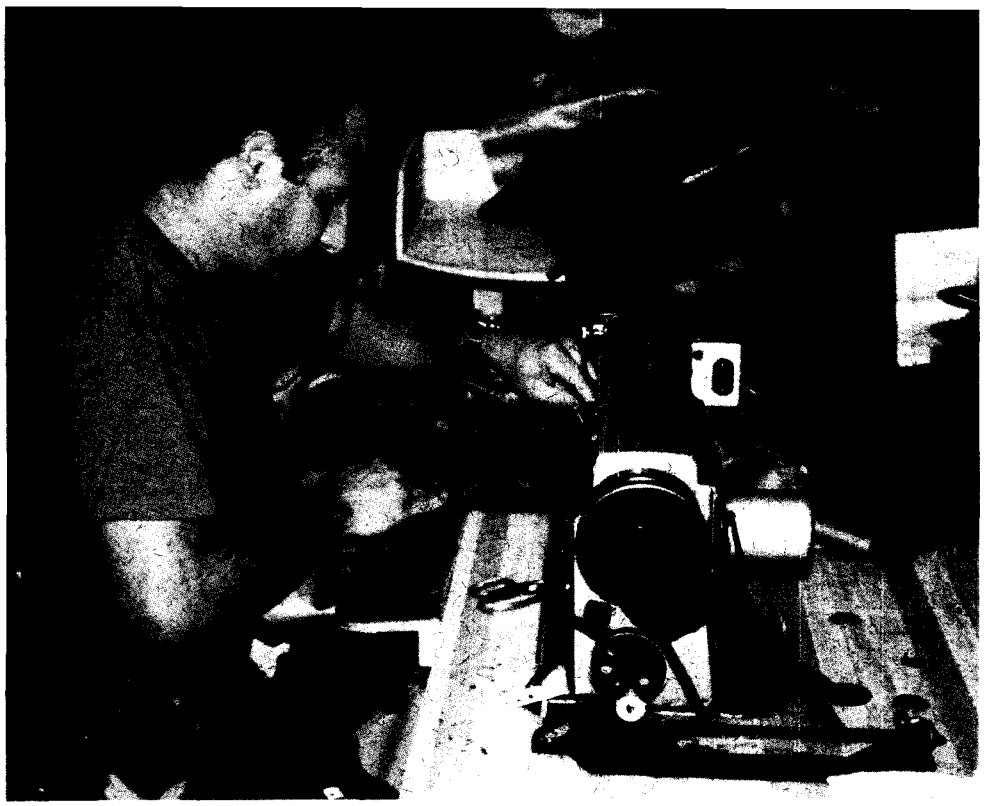
Improving Customer Support. Shipments of perishable and semi-perishable brand name items to overseas commissaries improved significantly. The improvement is a direct result of aggressive vendor education on documentation requirements and the formation of Subsistence's multi-functional brand name grocery business unit to handle transportation and distribution-related issues. Subsistence continued its tradition of guaranteeing the best products and services available for its commissary patrons and ensuring complete customer satisfaction. It successfully kept the availability of perishable brand name products in the upper 90th percentile for customers worldwide. Vendor price reductions have generated a savings in excess of $2.6 million for commissary patrons.

Reorganization. Subsistence reorganized into five commodity business units to tailor support to meet the needs of each customer. The CBUs are Brand Name, Food Service, Produce, Operational Rations, and Market Ready. This reorganization has proven to be the most effective way of serving our customers.

Looking Ahead:

Subsistence's 1995 customer-oriented goals include:

- ✔Improving automation for economic price adjustments and contractor performance monitoring.
- ✔Consolidating Defense Subsistence Office chill and freeze warehouses from 22 to nine locations.
- ✔Expanding prime vendor relationships with military hospitals, federal prisons, additional traditional and non-traditional troop customers, and other federal customers.
- ✔Implementing EDI for shipping data.
- ✔Reducing costs for fresh fruit and vegetables to save customers at least 40 percent of what they would pay at local supermarkets and chain stores.
- ✔Contracting for food services.



Clothing & Textiles

Background:

Each year, DPSC's Clothing and Textile directorate buys over 5,000 different clothing, textile and equipment items to outfit U.S. troops and civilian customers worldwide. Items range from uniforms, footwear and undergarments to individual equipment, flags and tents, with 1994 sales totaling $1.04 billion. Non-defense customers include Job Corps centers, federal prisons, the Federal Aviation Administration, the U.S. Department of Immigration and Naturalization, the U.S. Coast Guard and the Saudi Arabian military.

Competitive Advantage:

Large, high-quality vendor base; best value buying; competitive prices; commercial business practices; full product warranties; quick response; advanced surge capabilities.

Highlights:

Electronic Data Interchange. C&T modified 13 contracts to include electronic data interchange provisions. By the end of the year, DPSC was using EDI with 29 apparel companies and testing transactions with 33 other firms.

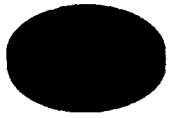
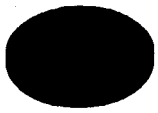
Quick Response. In 1994, eight vendors and 11 customers did business with C&T using quick response, with over $35 million in orders generated. Under quick response, DPSC, vendors and customers transfer sales and orders, and eventually receipt and payment information electronically. With quick response, delivery of the product dropped from an average of 28 days to as little as 72 hours from the actual order placement. By having contractors deliver products directly to the customer, handling, freight and storage costs were reduced and DPSC realized over $900,000 in savings for its participating customers. A total of 7.5 percent of C&T's 1994 sales used direct vendor delivery, up from 3.6 percent in 1993.

New quick response contracts were awarded to the Tennessee Apparel Co. for men's trousers; the Cove Shoe Co. for cold wet weather boots, and American Apparel Inc. for field coats. Propper International Inc. continued to make and ship battle dress caps and trousers using quick response, and the second year option was invoked in the American Apparel hot weather battle dress coat contract.

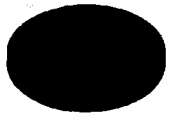
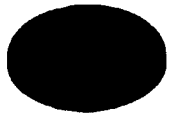
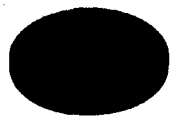
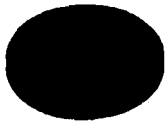
Electronic Invoicing. American Apparel Inc. became the first clothing contractor on-line for electronic invoicing, speeding up the payment process.

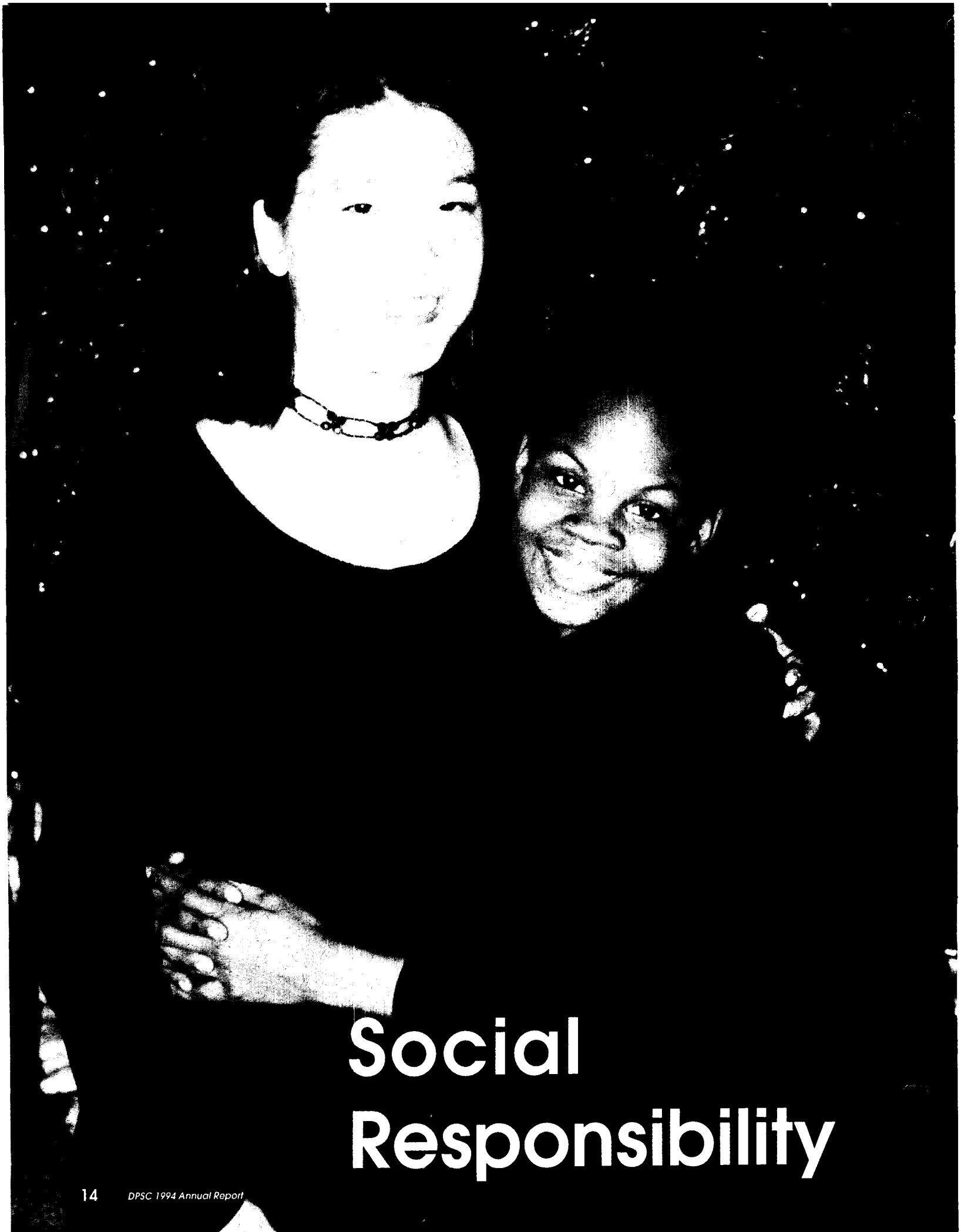
Shared Production. C&T invoked the final year of its shared production/quick response contract with the Terry Manufacturing Co. for battle dress uniform coats. Terry's commercial partner is the McDonald's Corp., the fast food giant. Shared production is an arrangement between DPSC, a vendor and its commercial customers that allows for surges in military production, reduced inventory and shared overhead costs.

Clothing and Textiles

COMMODITY BUSINESS UNIT	% OF C&T'S GROSS SALES ($1.04 BILLION)	MISSION
Recruit Clothing	51%  Sales: $530 million	Responsible for buying and managing dress uniforms, coats, trousers, shirts, ties, skirts, slacks, footwear, underwear and battle dress uniforms for military and non-defense customers.
Organizational Clothing & Individual Equipment	49%  Sales: $510 million	Responsible for buying and managing tentage, equipment, special-purpose clothing, insignias, heraldics, flags, cold weather clothing and chemical protective clothing for military and non-defense customers.

Medical

COMMODITY BUSINESS UNIT	% OF MEDICAL'S GROSS SALES ($745 MILLION)	MISSION
Pharmaceutical	61%  Sales: $455 million	Responsible for the supply management and acquisition of pharmaceutical items to support military and non-defense federal customers. Items include blood derivatives, contraceptives, vitamins, vaccines, intravenous solutions and antihistamines. Manages all pharmaceutical prime vendor contracts.
Devices	21%  Sales: $157 million	Responsible for the supply management and acquisition of medical/surgical items to support military and non-defense federal customers. Items include bandages, syringes, forceps, lenses/frames and gloves. Also responsible for managing all medical/surgical prime vendor contracts.
Equipment	12%  Sales: $86 million	Buys and manages equipment-type items to support military and non-defense federal customers including microscopes, ultrasonic scanners, beds, radiation therapy systems and anesthesia apparatus. Also responsible for the management of TURN-KEY and x-ray systems contracts.
Assemblies	6%  Sales: $47 million	Responsible for the supply management of assembly needs of military and non-defense federal customers. Items provided include trauma sets, combat life saver sets, general first aid kits and sterilized surgical trays.



Social Responsibility

C&T invoked the second year option of the Atlas Headwear Inc. shared production/quick response contract for battle dress caps. Atlas' commercial partner is VIP, a supplier to the Hard Rock Cafe restaurant chain. Surge test results showed 20 and 40 percent increases in production for Terry and Atlas, respectively.

C&T used the surge option in its Atlas contract to produce an emergency order of 25,000 embroidered baseball caps for the AmeriCorps, a national service organization. Atlas made its first delivery within 14 days.

Prime Vendor. C&T awarded its first low-volume prime vendor contract to the Apparel Manufacturing Co. to make up to 10 different styles of hard-to-source/critically needed military women's slacks and skirts. Apparel Manufacturing uses modular manufacturing, electronic data interchange, and quick response to make and ship items to Navy and Marine Corps recruit training centers.

C&T's initial prime vendor pilot program, scheduled to begin in 1995, will provide full clothing support to the Air Force recruit training center at Lackland Air Force Base.

Mobilization and Humanitarian Support. C&T supplied U.S. troops stationed in Haiti, Cuba, Somalia and Rwanda with over $10 million of clothing, tents and bedding. It also provided $16 million in supplies to Haitian and Cuban refugees and $3 million in blankets for America's homeless.

Computer-Aided Design and Manufacturing. DPSC transmitted patterns electronically by modem to three contractors, saving time, labor and money. Pattern data was also sent on diskette to five contractors. In addition, C&T went on-line with the Air Force and the Army to exchange patterns.

Commercial Item Descriptions. DPSC continued to eliminate stringent military specifications in favor of commercial item descriptions (CIDs), reducing costs and improving quality. More than 30 specifications were converted to CIDS; 20 others were canceled.

Foreign Military Visitors. C&T hosted visitors from Hungary, Albania and Belarus under the Defense Department's Military-to-Military Joint Contact program. They learned about design and manufacturing technologies, EDI, quality control, contracting and supply management.

Analytical Testing Laboratory. The analytical testing laboratory celebrated its 75th anniversary. The laboratory, the largest comprehensive testing facility within the Defense Logistics Agency, provides everything from chemical and physical analyses of metals and clothing to dimensional evaluations. Fourteen employees were named silver medalists by the Federal Executive Board for excellence in government hazardous waste testing. The lab also obtained a robotic vapor penetration apparatus that can test how well chemical protective clothing protects against various chemical agents.

Improving Customer Support. In addition to publishing "Clothesline," a monthly customer newsletter, C&T adopted the Defense Supply Expert System, a computerized system that supports emergency supply functions 24 hours a day. Accessed by telephone, customers can input requisitions, modify existing documents, or check supply status. To compliment this system, a toll-free number was established to submit reports of discrepancies for problem shipments.

Internally, C&T reorganized into two commodity business units for improved efficiency and support. They are the Recruit Clothing and Organizational Clothing and Individual Equipment CBUs.

New Customers. New sales exceeded $4 million from both new and current customers, including Job Corps centers, federal prisons and military academies.

Looking Ahead:

C&T's 1995 customer-oriented goals include:

- ✔ Expanding the advanced business practices demonstration program initiatives from only initial issue (bag) items to all items procured.
- ✔ Developing an electronic catalog and on-line ordering system to access clothing and textile items.
- ✔ Applying quick response to the military exchange system.
- ✔ Seeking embroidery firms and increasing the special measurement vendor base.
- ✔ Completing the input of clothing patterns into the CAD/CAM system to facilitate quick response capabilities.
- ✔ Increasing commercial item descriptions and updating market surveys and technical data, while maintaining specifications for items that are truly military-unique.

Medical

Background:

When it comes to ensuring caregivers have the supplies they need, nobody does it better than the Defense Personnel Support Center's Medical directorate. Medical is responsible for supplying everything from hospital and surgical equipment to pharmaceuticals and dental supplies. Customers include both active and retired military members and their families, as well as other non-Defense Department customers. In 1994, sales totaled $745 million.

Competitive Advantage:

Experienced, dedicated staff; leader in using commercial business practices; corporate electronic data interchange experience; responsive to customers' needs; proven readiness response.

Highlights:

Prime Vendor. In 1994, Medical awarded 17 pharmaceutical and five medical/surgical prime vendor contracts. The pharmaceutical contracts cover the entire continental United States. A prime vendor is a single distributor of medical supplies for a group of hospitals in a given geographic region. Decreased inventories, reduced costs and reduced customer response time through 24-hour delivery are some of the benefits of the program. Prime vendor sales totaled $180 million in 1994, contributing to 24 percent of Medical's business.

Medical Air Express. Medical customers in Europe and the Pacific experienced significantly improved support through DPSC's Medical Air Express program called MEDEX. Using commercial air transportation to distribute medical supplies to overseas customers reduced transportation times from 90 days to an average of 14 days.

Mail Order Pharmacy. DPSC awarded its first mail order pharmacy contract to provide mail service for prescription drugs to retirees, their families and active duty military members. Health Care Services Inc., a subsidiary of Diagnostek Inc., will provide mail order service to customers in Pennsylvania, New Jersey, Delaware, Florida, Georgia, and South Carolina.

Electronic Price and Product Comparison (PPC) Tool. Medical developed an electronic price and product comparison system that allows users to browse a database containing thousands of medical items sorted by category and within category by price. This tool has been fielded to over 200 military medical activities worldwide. This system is the first of its kind in the Defense Department.

Electronic Data Interchange. Medical processed over 198,000 electronic data interchange orders from over 250 trading partners. To ensure electronic orders are received by suppliers, the directorate developed a prototype order and invoice tracking system called EDITS (EDI Tracking System). In 1994, the number of electronic invoices Medical received increased by 62 percent, while the number of electronic funds transfers increased to $200 million from $65 million in 1993.

Direct Vendor Delivery. Direct vendor delivery support increased for the third straight year, comprising 51 percent of Medical's business. DVD reduces storage costs and improves customer satisfaction. It also helped Medical reduce its inventory by 58 percent (down $363.4 million in fiscal year 1993) and drop overall surcharges to 11.5 percent. In 1993, Medical's overall surcharge was 15.8 percent.

More Items Managed. The number of medical items available to our customers increased to 77,025, improving product availability. In 1993, Medical managed 74,380 items. Medical also has over 89,000 items covered by distribution and pricing agreements under the prime vendor program.

Mobilization and Humanitarian Support. Medical supplied U.S. armed forces in Haiti, Cuba, Somalia and Rwanda with over $17.3 million in medical items. The directorate provided over $4.6 million in aid to Haitian and Cuban refugees, including examination gloves, bandages and vaccines. In addition, it supplied about $50,000 in disaster support supplies to victims of the Georgia floods and western forest fires. Medical also provided humanitarian assistance to residents of the Ukraine and Bosnia/Herzogovina.

Supporting Small Businesses. In support of Medical's prime vendor program, DPSC entered into distribution and pricing agreements with 107 small businesses. These agreements allow small businesses to offer their products to customers through the prime vendor program. Two pharmaceutical prime vendor contracts were awarded to small businesses: the Kendall Drug Co. to support participating facilities in North and South Carolina, and the Tennessee Wholesale Drug Co. to support customers in Florida and Georgia.

Partnership Program. R&D Laboratories, a woman-owned small business, entered into DPSC's first small business partnership program agreement with the McKesson Drug Co., a medical prime vendor. The program was established to provide small businesses the opportunity to participate in DPSC's advanced business practices at the prime or subcontractor level. Both companies will provide mutual assistance in distributing R&D's prescription and over-the-counter pharmaceuticals to military customers.

Biomedical Systems. 1994 was a banner year for Medical's biomedical systems. Biomedical sales increased by 65 percent, and DPSC issued 249 contracts totalling $52 million for TURNKEY and x-ray systems. TURNKEY is a process of buying and installing complex medical equipment on one contract from one vendor, including site preparations.

Medical Reorganization. In 1994, Medical reorganized into three product groups: Pharmaceutical, Devices and Equipment, and a division to handle assemblies support.

Improving Customer Support. Medical offered a variety of support services, including a customer service program designed to provide the highest level of responsiveness and 24-hour-a-day access to voice mail for overseas customers. Medical also incorporated an electronic bulletin board system that allows customers access to DPSC's material management system through direct computer communication or through the Emergency Supply Expert System, a touch-tone telephone inquiry system.

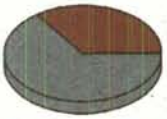
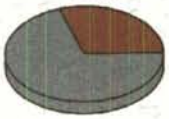
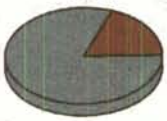
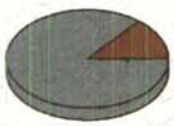
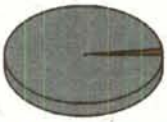
New Customers. Medical's marketing group worked to increase its market share of non-traditional customers. New customers include the National Institute of Health, the Army/Air Force Exchange Service (AAFES), Job Corps centers and federal prisons.

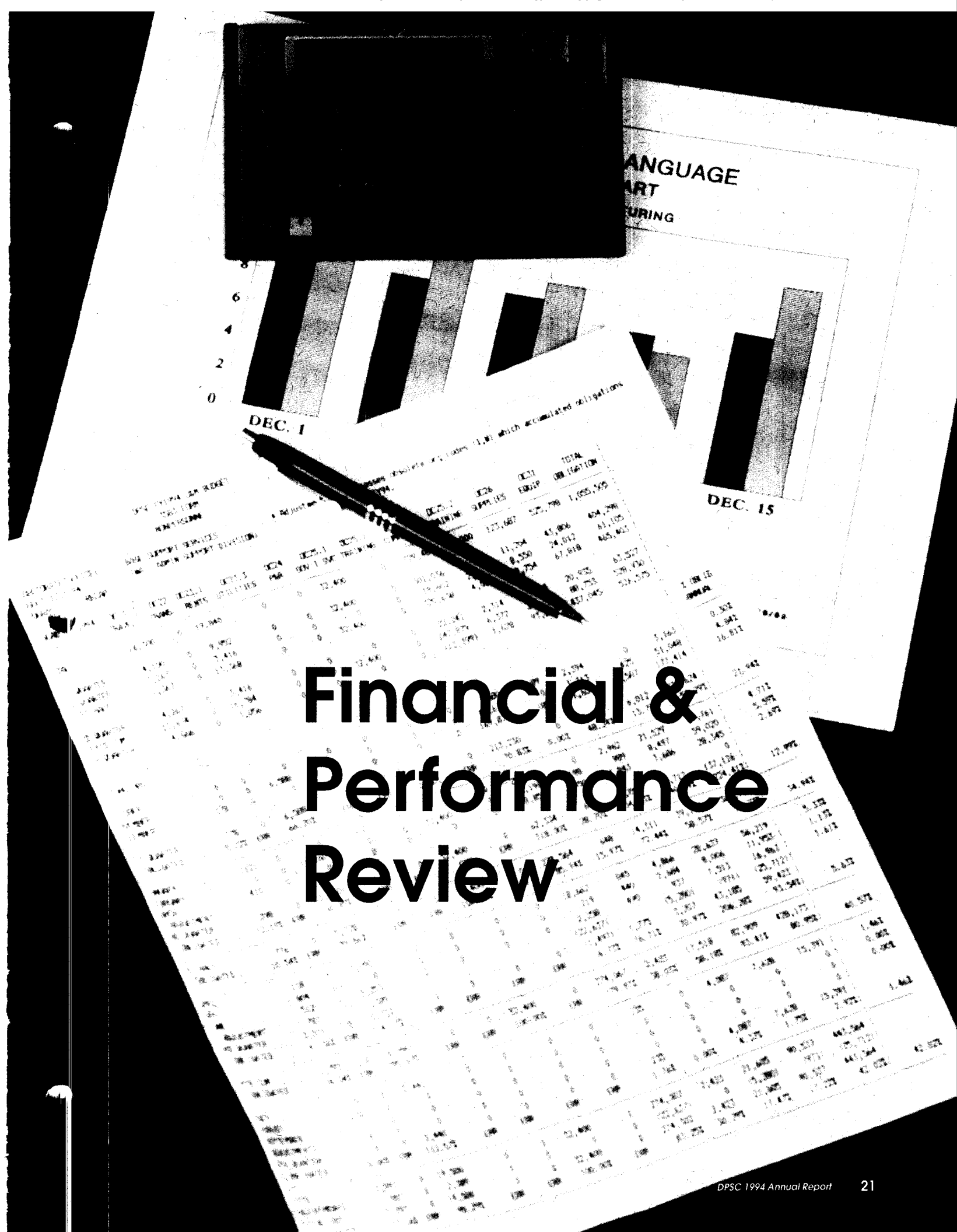
Looking Ahead:

Medical's 1995 customer-oriented goals include:

- ✔Awarding all continental United States medical/surgical prime vendor contracts.
- ✔Implementing prime vendor to support customers in Europe and the Pacific.
- ✔Expanding mail order pharmacy.
- ✔Entering into shared production agreements.
- ✔Expanding prime vendor to include other commodities such as dental and laboratory.
- ✔Planning to use commercial business practices to support service readiness commitments around the world.
- ✔Contracting for medical services.

Subsistence

COMMODITY BUSINESS UNIT	% OF SUBSISTENCE'S GROSS SALES ($1.6 BILLION)	MISSION
Brand Name	35%  Sales: $593 million	Manages and buys brand name food items in support of all authorized overseas commissaries and organizations worldwide.
Food Service	30%  Sales: $466 million	Responsible for stock control and inventory management of standardized items and supply support of authorized activities including prime vendor. Provides direction and control of contracting non-food supplies and services.
Produce	19%  Sales: $313 million	Provides perishable food support and services to the military services, the Defense Commissary Agency and other government agencies within the continental United States; also export support and services to overseas military installations. Responsible for 22 Defense Subsistence Offices within assigned geographic areas. Directs DPSC field buying activities for fresh fruit and vegetables as well as commercial cold storage warehouse contracts.
Operational Rations	14%  Sales: $235 million	Handles the acquisition, production management, supply management, technical management and quality assurance for all operational rations, wartime readiness items and emergency relief items to meet peacetime and contingency needs. Serves as the focal point for emergency and wartime planning, value engineering packaging program, pest management and sanitation, the Defense Department's hazardous food and non-prescription drug recall program and foreign military sales.
Market Ready	2%  Sales: $25 million	Buys and manages all highly perishable food products for customers worldwide. Accomplishes contract management, initiates procurements, assures quality products, and ensures customer services are obtained at the best value.



Financial & Performance Review

Financial and Performance Review

Sales

The Defense Personnel Support Center completed fiscal year 1994 (Oct. 1, 1993 - Sept. 30, 1994) with over $3.4 billion in annual sales. In relationship to the *Fortune 500* listing*, DPSC would rank 144th in sales volume, beating out companies like Rohm and Haas, Readers Digest Associates, Maytag and Pennzoil. All three of DPSC's commodities had enough sales to individually rank in the *Fortune 500* listing: Subsistence, with $1.63 billion, would have ranked 263th, Clothing and Textiles, with $1.04 billion, would have ranked 360th, and Medical, with about $745 million, would have ranked 427th. Fiscal year 1995 sales projections, though lower than prior years due to continued Defense Department downsizing and mission transfers, would still rank each commodity within the *Fortune 500* listing.

(Approximate, in millions)	1994	1993
Total Sales	$3,421.3	$3,822.9
Subsistence	1,631.5	1,804.3
Clothing and Textiles	1,045.1	1,209.3
Medical	744.7	809.3
Defense Department	3,357.6	3,725.5
Non-Defense Department	63.7	97.4

**1994's Fortune 500 listing ranks companies by their 1993 sales.*

Inventory

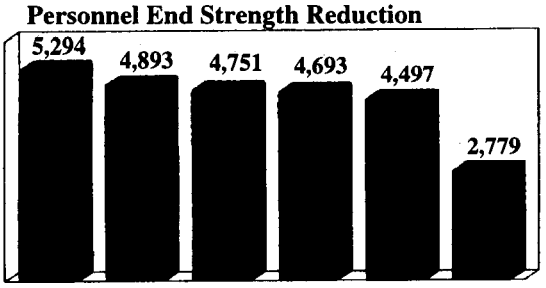
To remain competitive, DPSC reduced and tailored its inventory even faster than troop reductions lowered sales. An increased leverage in sales is reflected in our turnover rate (or sales-to-inventory ratio). With the exception of Subsistence, all ratios are up by at least eight percent, with Medical's turnover increasing by almost 22 percent. It should be noted that 79 percent of Subsistence's inventory is mandated war reserve/meal, ready-to-eat food rations; non-war reserve inventory decreased by 11 percent. DPSC's new business initiatives (beginning on page 25) have allowed us to reduce inventory without sacrificing customer service or our readiness posture.

(Approximate, in millions)	1994	1993	% Change
Total Inventory On-hand	$2,074.8	$2,511.8	-17.4
Subsistence	454	463.8	- 2
Clothing and Textiles	1,354.2	1,695	-20
Medical	266.6	353	-24
Turnover Rate (Sales-to-Inventory)	1.65	1.52	8.6
Subsistence	3.59	3.89	- 7.7
Clothing and Textiles	.77	.71	8.5
Medical	2.79	2.29	21.8

Downsizing

DPSC has consistently reduced its number of employees to keep pace with workload reductions as a result of fewer military customers. Comparing sales and personnel for the past two years (1993 versus 1994), the decrease in personnel end strength (about 40 percent) has well exceeded the reduction in sales (11.5 percent). A major contributing factor to this dramatic drop was the closure of the Defense Clothing Factory. A more significant downsizing of personnel is evident when we compare DPSC in 1989 (pre-Desert Storm) to 1994 activity. Although sales in 1994 were only 6.8 percent less than 1989 sales, overall DPSC personnel end strength for the same period was reduced by 48 percent.

Personnel End Strength Reduction



Reorganization

To remain competitive and maintain a high state of readiness in times of reduced budgets and Defense Department downsizing, DPSC reorganized into a more efficient and effective service organization. We customer-tailored our services and enhanced our organizational flexibility by changing the way we operate internally—by creating commodity business units (CBUs) and integrated process units (IPUs). Our CBUs integrate the traditional core functions of supply, contracting, technical and quality. This maximum combination of functions provides "one-stop shopping" for our customers and enables us to respond expeditiously and competently to their needs. Our IPUs provide staff support to the CBUs and enhance the Center's and government's image by marketing our advanced methods of doing business. This was done in response to an environment of increasing uncertainty, where competitive conditions require the use of advanced technologies to continue to provide superior customer service throughout the world. The reorganization will make DPSC more responsive to customer needs, ensure customer satisfaction and enable us to seek out new markets while maintaining our current customers. DPSC-Europe and Pacific also became tri-commodity operations with greater responsibilities for marketing, customer assistance and contingency support.

Financial Services Office (DFAS Liaison)

Effective Oct. 1, 1994, DPSC established a new financial services office within the office of comptroller to provide effective liaison with the Defense Finance and Accounting Service as the agency transfers the accounting and finance services support from an on-site service to the DFAS activity in Columbus, Ohio. The new office was staffed to utilize the skills of DFAS accounting and finance personnel.

Activity Based Costing (ABC)

DPSC began Activity Based Costing methods to capture costs and begin business process improvement initiatives. In the first step of ABC, costs were accumulated by eight processes and over 120 activities for every DPSC organization. ABC reveals links between performing particular activities and the demands those activities make on an organization's resources. It allows managers to see how products, customers, or supply channels consume work and resources and helps them identify high dollar value activities and concentrate on possible improvements.

Through ABC, we identified over 200 negative cost drivers or causes of additional work which will be analyzed for reduction or elimination. ABC will help eliminate activities that do not add value to our goals and objectives, and ultimately our customer. In the second phase of ABC, we began business process improvement initiatives by selecting and analyzing the top five high dollar activities for improvements. We already used the results of ABC to allocate overhead costs among our tri-commodity structure, providing a more accurate portrayal of costs.

DPSC developed a database program, using a download from the Defense Business Management System (DBMS), to put all operational costs into a spreadsheet format to capture costs by activity and process, reflecting costs at the lowest level in the organization. DPSC is the only Center using this type of program, and we intend to further supplement it with another program to track employee hours over a period in time. With our automation efforts, we anticipate ABC to provide more helpful management information.

Electronic Invoicing and Electronic Funds Transfer

During this past year, DPSC placed a greater emphasis on transitioning its financial business practices into an electronic data interchange mode. We made great strides to increase the number of contractors using ANSI X-12 formats for both electronic invoicing and disbursement of funds through electronic funds transfer. In 1994, DPSC processed 140,000 invoices electronically and disbursed $220 million using electronic funds transfer.

Europe Consolidation

DPSC-Europe. DPSC-Europe headquarters relocated to Mainz Kastel, Germany due to the mandated geographical consolidation of Defense Logistics Agency activities. In conjunction with the move, troop downsizing and mission changes, DPSC-Europe restructured its resources to position itself for the future. The Stuttgart, Germany terminal market and the Alicante, Spain buying office both closed in 1994, while the purchasing office and the separate terminal market at Hague were consolidated.

Depot Realignments. As a result of the consolidation of storage depots within DLA, on Jan.1, 1994, overseas storage activities in Germany at Germersheim and Nahbollenbach were transferred to the Defense Depot Region East, Mechanicsburg, Pa.

Base Realignment and Closure

Personnel. Base Realignment and Closure (BRAC) '93 decisions mandated the closure of the Defense Clothing Factory on Sept. 30, 1994 and the relocation of DPSC's mission and personnel to the Aviation Supply Office compound in Northeast Philadelphia, beginning in 1997. To minimize the number of involuntarily separated employees impacted by this decision, pay incentives were offered to both DPSC and factory personnel.

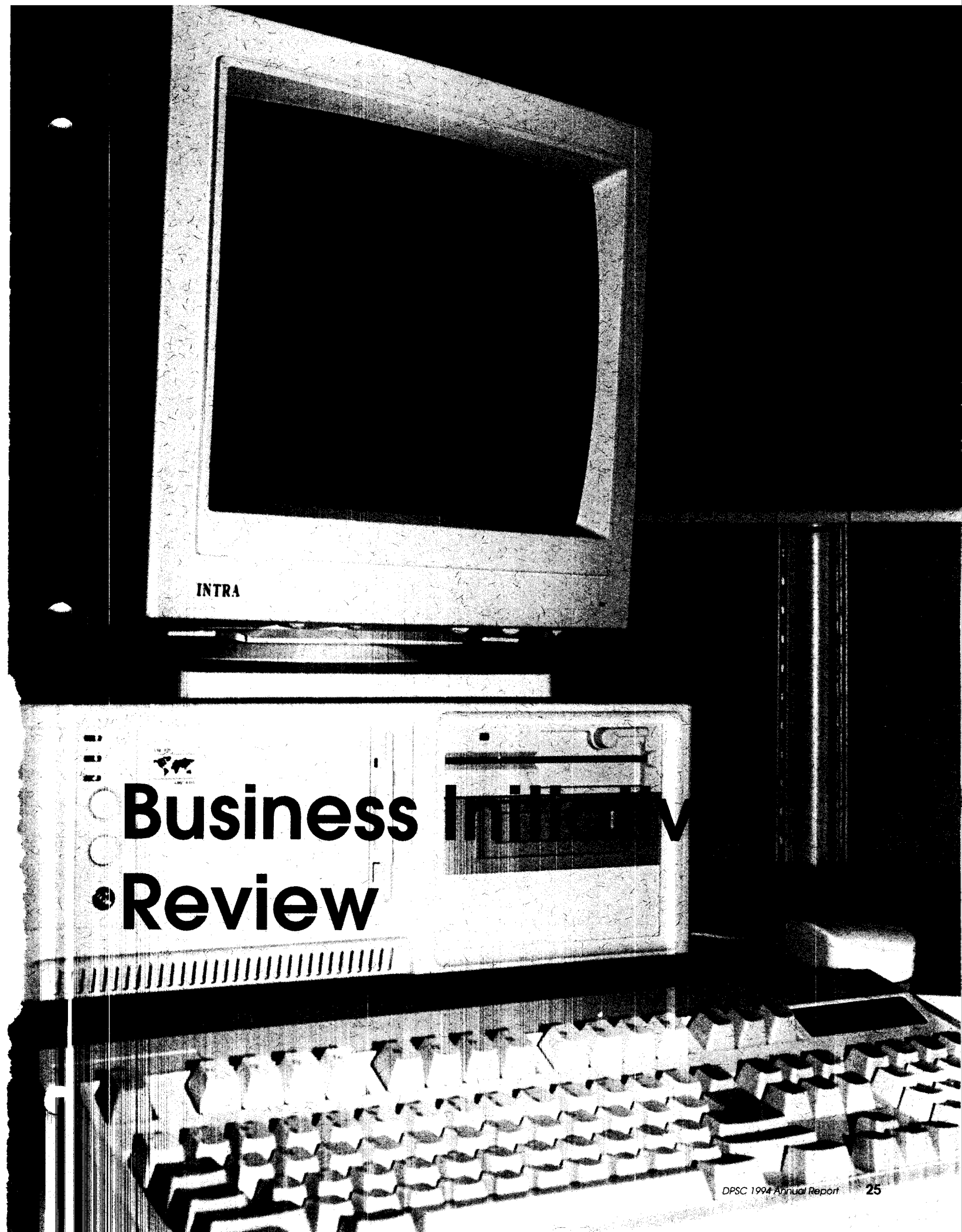
The factory payroll dropped by about 592 employees, 322 via pay incentives totaling $5.7 million and another 270 were placed in vacant government positions either at DPSC or other government agencies (e.g. the Postal Service and Veterans Administration) or found employment through the priority placement program. After reduction-in-force notices were issued, 34 employees voluntarily resigned or retired without incentives. A work force of 577 employees remained in the factory until its closure on Sept. 30 and were separated through a reduction-in-force. The remainder of DPSC reduced its payroll by an additional 330 employees, who resigned/retired or were granted separation pay incentives amounting to $7.3 million.

Military Construction. A military construction project estimated at $43 million is underway to convert and upgrade various warehouses at the ASO compound to house DPSC and its tenant activities. The project will provide administrative office space; laboratory, cafeteria and training facilities, and utility upgrades.

Environmental Restoration. In keeping with the operational relocation of DPSC, an environmental BRAC cleanup plan was developed to facilitate the disposal and reuse of property at the installation. The plan identifies a $5 million requirement through 1997 to achieve this goal. Presently $2.7 million has been funded for projects to remove underground storage tanks, clean up of pesticides and chemicals associated with the closure of the clothing factory, and to develop or perform environmental assessments at both DPSC and the ASO complex. Other projects include an environmental baseline study and a cultural restoration study.

Supporting the Local Economy

DPSC employees paid about $46 million in taxes during 1994. Of this, $9 million was for Philadelphia wage tax. We also placed a total of $4.3 million in service and construction contracts with contractors in the Philadelphia area. Another $11.5 million in supply contracts, blanket purchase agreements and general administration orders were awarded to local vendors.



Business Initiative Review

Business Initiative Review

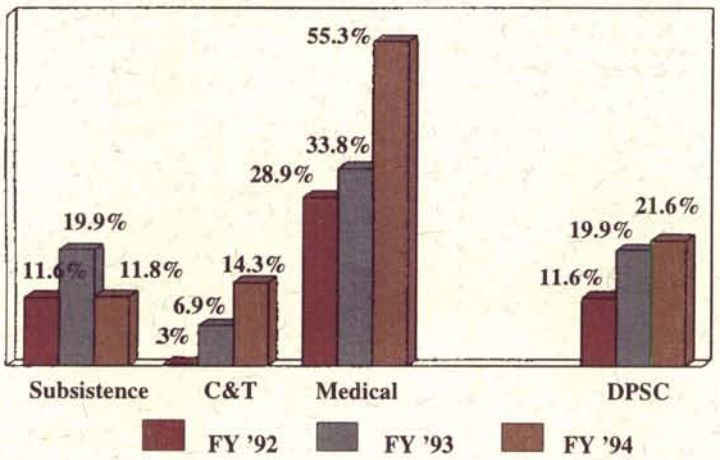
At the end of the 1980's, the Defense Personnel Support Center embarked on a radical course to change the way it does business. The effort was gradual at first, but has mushroomed in the past two years. The advanced business demonstration program initiatives listed below represent DPSC's re-engineering efforts to adopt commercial business practices and apply electronic data interchange technology to our business systems. Our main thrust is to get quality supplies to our customers faster and cheaper and ensure our ability to surge and sustain for contingencies and war. The success of each initiative saves the government time and money, improves customer support, and enhances readiness through innovation.

INITIATIVE	SUBSISTENCE	CLOTHING &TEXTILES	MEDICAL
Electronic Data Interchange (as a percentage of total obligations)	11.8%	14.3%	55.3%
Direct Vendor Delivery Sales (as a percentage of total sales)	55%	7.5%	51%
Direct Vendor Delivery Sales	$889 million	$78.7 million	$376.5 million
Prime Vendor Sales	$4 million	$.8 million	$180 million
Quick Response Sales	N/A	$13.5 million	N/A
Shared Production ($ value of contracts)	$19.5 million	$22.2 million	N/A
Long-term Contracting (as a percentage of obligations)	83%	68%	86%
Best Value Contracting (as a percentage of all large dollar value contracts)	64%	63%	25%

Electronic Data Interchange

Electronic data interchange is the cornerstone of all DPSC's business initiatives and, in turn, our EDI statistics continued to grow impressively. By using EDI, the entire business transaction from ordering and invoicing to shipment and payment is done electronically. In 1994, DPSC processed over 429,000 orders using EDI worth $576 million. We had over 450 purchase order trading partners (a 214 percent growth within the last four years) and exchanged electronic data with over 600 others. DPSC remains the electronic commerce demonstration site within the Defense Department and ranked 11th out of 23 participants in the second year of the Price Waterhouse benchmarking study which included companies such as General Electric, Motorola, IBM Canada, and Northern Telecom. DPSC was the only federal organization participating in the study. Note that Subsistence's dollar value of EDI purchase orders dropped from 1993 to 1994 (as seen in the EDI as a percentage of obligation figures below) as a result of Military Distributors of Virginia determining that the value added network they were using to connect to DPSC was cost prohibitive. In September, Subsistence established direct connection with MDV and raised monthly EDI orders from $26 million to $32 million.

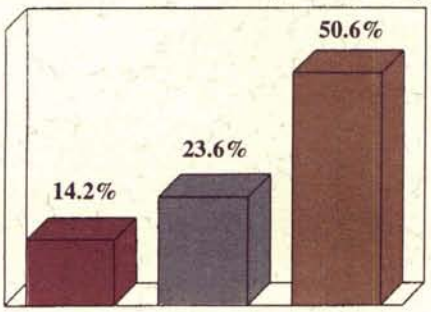
EDI as a % of Obligations



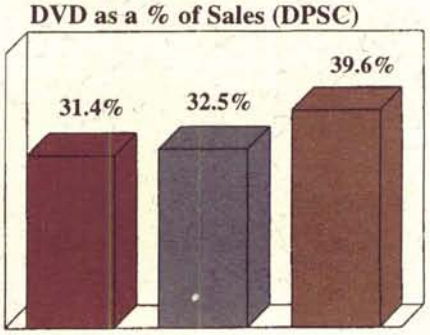
Direct Vendor Delivery

Direct vendor delivery accounts for almost 40 percent of DPSC's total sales and is incorporated into most of our business initiatives. By having vendors deliver orders directly, items get to customers faster and cheaper because we avoid holding costly inventory in our depot system. Subsistence DVD sales remain the highest in the non-fuel Defense Logistics Agency commodities. Medical's growth in DVD sales from 1993 to 1994 (96 percent) is the force behind the increase in overall DPSC DVD sales. It should be noted that C&T's DVD percentage is considerably lower because DVD is used for commercial market-ready products and most C&T items are military-unique—they cannot be bought off the shelf and require significant manufacturing lead times. C&T's DVD percentage increased from 3.6 percent in 1993 to 7.5 percent in 1994. This figure is expected to grow to 21 percent in 1995.

DVD as a % of Sales (Medical only)



DVD as a % of Sales (DPSC)



FY '92 FY '93 FY '94

Prime Vendor

DPSC's prime vendor initiative uses existing commercial distribution and storage capabilities to deliver goods directly to our customers at a guaranteed 24-hour fill rate of at least 95 percent. Medical's prime vendor sales exploded in 1994 to $180 million, accounting for 24 percent of its total sales. Subsistence and C&T began their prime vendor programs this year.

Quick Response

Quick response is the leading clothing and textile initiative. It uses electronic data interchange, point-of-sale data, direct vendor delivery and just-in-time inventories to accurately forecast demand generated at the point-of-sale, shorten delivery times and lower costs. Quick response sales increased from $2.5 million in 1993 to almost $14 million in 1994 (a 400 percent growth).

Shared Production

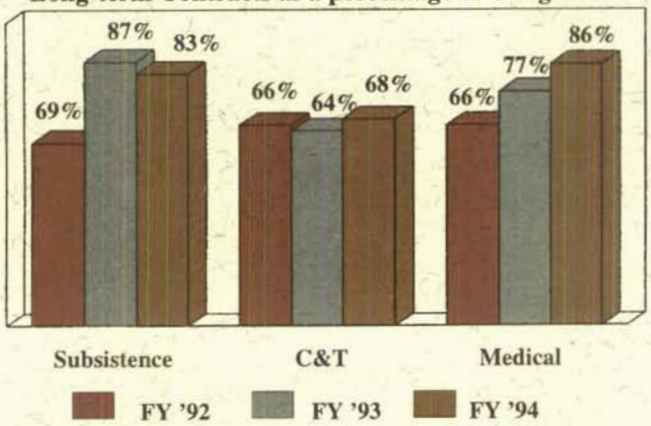
DPSC's shared production initiative focuses on the Center's readiness mission. The thrust behind shared production is to cultivate a base of vendors who are not totally reliant on defense contracts. Shared production uses partnerships between DPSC, its producers and their commercial customers to maintain a warm industrial base or share national inventories for critical items with minimum government expenditures. At time of mobilization, the commercial customers forego production of their products in favor of the national defense effort. Some of these contracts also contain "reverse" surge clauses that allow vendors to meet surge production for their commercial partners.

DPSC's Clothing and Textile and Subsistence directorates have awarded shared production contracts totaling $41.7 million, enhancing their surge capabilities (see the commodity review section beginning on page 5 for more information). Medical is planning to begin awarding shared production contracts in 1995.

Long-term Contracting

Long-term contracting involves the elimination of one or more procurement cycles. This saves manpower and shortens lead times by having a contract in place when an item is requisitioned. In 1994, the use of long-term contracts increased in all three commodities, accounting for 68 percent or more of their obligations. As long-term contracting options are excercised over a three year period, procurement administrative lead time will be dramatically reduced.

Long-term Contracts as a percentage of Obligations



Best Value Buying

Under this initiative, price is not the sole determining factor in awarding contracts. DPSC assesses contractors' technical capability, corporate experience, quality, past performance and surge capabilities in addition to price. This methodology is used because it makes good business sense and ensures reliable contractors with proven performance records will deliver quality products at the lowest possible cost.

DPSC Directory

Command

Commander X2300

Deputy Commander X2308

Assistant Deputy Commander/Chief of Staff . . . X7545

Command Operations Officer X2307

Aide-de-Camp X2306

Commodities

Subsistence X2900

Subsistence Electronic Commerce X8769

Subsistence Marketing X4500

DPSC-Europe (Subsistence) . . . . . DSN 334-2539

Commercial 011-49-6134-604539

DPSC-Pacific (Subsistence) . . . . . DSN 686-8111

Commercial 510/337-8111

Clothing and Textiles X3000

Clothing and Textiles Electronic Commerce . . . X8352

Clothing and Textiles Marketing X7732

DPSC-Europe (Clothing & Textiles). . . DSN 334-2481

Commercial 011-49-6134-604481

Medical X2100

Medical Electronic Commerce X3812

Medical Marketing X8403

DPSC-Europe (Medical). . . . . DSN 334-2582

Commercial 011-49-6134-604582

Corporate Directorates

Comptroller X2700

Contracting and Production X2600

Electronic Commerce X8482

Materiel Management and Distribution X3540

Product Services and Marketing X5800

Small Business/Business Counseling Center X2321

Toll-free 1-800-523-0705

Administrative Support Directorates/Offices

Base Support Services X2200

Business Opportunities Office X8511

BRAC Transition Office X9082

Command Control Center X4444

Corporate Communications X2311

Counsel X2630

Employee Services Center. X9040

Equal Employment Opportunity X2310

Health, Safety, and Environment X2355

Human Resources X2330

Internal Review X4560

Telecommunications and Information Systems X4300

Total Quality Management X5533

Operator X2411

DSN. . . . . 444 (plus extension)

Commercial . . . . . 215/737 (plus extension)

Defense Personnel Support Center
2800 South 20th Street
Philadelphia, Pennsylvania 19145-5099

AROUND THE CLOCK, AROUND THE WORLD

THE DEFENSE LOGISTICS AGENCY

DEFENSE PERSONNEL SUPPORT CENTER

DPSC

Supporting America's

Fighting Forces

COMMANDER-IN-CHIEF'S AWARD FOR INSTALLATION EXCELLENCE PROGRAM FOR FISCAL YEAR 1994

1 From DPSC's Commander

2 DPSC Overview

4 Systematic Approaches Towards Quality

13 Measurements

19 Employee Empowerment

21 Employee Development/ Rewards and Incentives

26 Customer Satisfaction

29 Quality Value System— Management Overview

The Defense Personnel Support Center, founded nearly 200 years ago, is one of the largest and most dynamic business activities within the Defense Logistics Agency. This diverse organization, headquartered in Philadelphia, annually provides over $3.4 billion of food, clothing and textiles, medicines and medical supplies to America's military worldwide and other federal customers. Our dedicated workforce continually anticipates and responds to the needs of our customers in an ever-changing global market. Our tradition of success is based on our uncompromising commitment to readiness, customer satisfaction, quality and innovation.

From DPSC's Commander

While 1994 had its share of challenges, I'm pleased to report that the Defense Personnel Support Center had an excellent year in terms of progress and transition. Among our accomplishments:

- ✔ In addition to normal high-volume requests, we responded to urgent supply demands to provide about $130 million in support for humanitarian relief and peace-keeping efforts in Bosnia, Rwanda, Somalia, Cuba and Haiti.
- ✔ We continued to implement business practices that are used by successful businesses in the private sector, as well as the most innovative ideas from other government agencies.
- ✔ We placed a greater emphasis on readiness, underwriting contracts with surge options, forming shared production partnerships and implementing a warstopper program.
- ✔ We lowered our overall selling, general and administrative costs.
- ✔ We continued to decrease depot inventories by relying more on contractors to deliver items directly to our customers.
- ✔ We strengthened our commitment to providing quality goods and services.
- ✔ We improved customer response times and introduced new items to meet our customers' changing needs.
- ✔ We continued to invest heavily in research and development and began working on (CR)2, or Combat Readiness—Customer Response, the Defense Logistics Agency's first logistics research and development project.
- ✔ We continued to minimize the impact of BRAC '93 on our employees, business and the local community.
- ✔ We continued to reshape ourselves for the 21st Century by reorganizing to be more efficient and cost effective.

It's exciting to be part of a workforce that's dedicated to fundamentally changing the way it provides food, clothing and medical supplies to America's military personnel and its other customers. DPSC, like the rest of the federal government, is experiencing significant change. We've seen challenges such as budget cutbacks, decreased sales and surge build ups, and throughout it all we've adapted and forged ahead. I want to share these achievements with you—show you how we're improving our operations and integrating commercial business practices to support our valued customers. These initiatives, plus dedication and teamwork, are vital to our goal of becoming the "federal provider of choice" for every item we manage.

During the past year we've undergone some major organizational changes. Sadly, we ended an era with the closing of our clothing factory after 194 years of service, but we also finished the second phase of a reorganization that will improve productivity and support. We began training our employees to do multiple functions and decentralized management to improve our span of control and communications. We also rotated several of our senior staff to broaden careers and infuse fresh ideas throughout the Center.

Although we have built a great reputation at DPSC, now is not the time for us to become complacent. We're going to continue strengthening and refining our organization. We'll continue to adopt commercial business practices and be a leader in innovative business strategies like electronic commerce, prime vendor, quick response, shared production and small business mentoring programs. Although our commitment to military readiness is stronger than ever and remains our top priority, we'll keep expanding our federal customer base to keep costs down and protect our ability to produce needed critical items when the nation's military calls with emergency supply requests. And last but not least, as we rebuild and strengthen our business relationships, we'll continue taking a win-win-win approach with our customers and suppliers so that everyone benefits.

As you read this report, you'll see the energy and diversity that is the Defense Personnel Support Center. Join us as we use technical, administrative and business-oriented innovations to transition ourselves for the future and rise to the challenges that lie ahead.

Brigadier General Carl H. Freeman
U.S. Army
Commander
Defense Personnel Support Center

DPSC Overview

The Defense Personnel Support Center, headquartered in Philadelphia, Pennsylvania, provided over $3.4 billion in food, clothing and medical supplies to the U.S. military and their families worldwide during fiscal year 1994. DPSC also supports government activities including the U.S. Coast Guard, NASA, the Nuclear Regulatory Commission, the U.S. Department of Immigration, Veteran Administration hospitals, federal prisons and federal and state school lunch programs.

In relationship to the *Fortune 500* listing*, DPSC would rank 144th in sales volume during 1994, beating out companies like Rohm and Haas, Readers Digest Associates, Maytag and Pennzoil. All three of DPSC's commodities had enough sales in 1994 to individually rank in the *Fortune 500* listing: Subsistence, with $1.63 billion, would have ranked 263th, Clothing and Textiles, with $1.04 billion, would have ranked 360th, and Medical, with about $745 million, would have ranked 427th.

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Non-Defense Department	63.7	97.4

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In addition to DPSC, 21 tenant activities were located at the Center at the end of fiscal year 1994, including the Clothing and Textile Branch (formerly the U.S. Army Support Activity-Philadelphia), and the Defense Contract Management Area Office-Philadelphia. As a result of the 1993 Base Realignment and Closure commission recommendation, DPSC and its tenant activities are scheduled to relocate to the Aviation Supply Office complex in Northeast Philadelphia beginning in 1997.

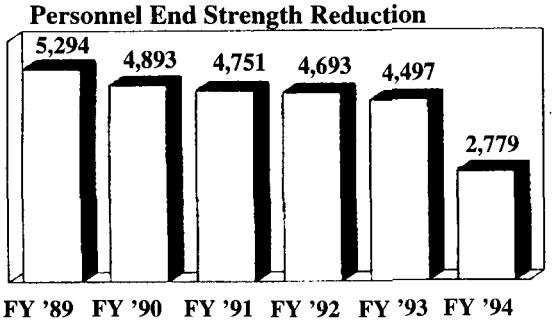
Locations:

- Defense Personnel Support Center-Atlantic, Philadelphia, Pa.
- Defense Personnel Support Center-Pacific, Alameda, Calif.
- Defense Personnel Support Center-Europe, Mainz Kastel, Germany
  Branch Offices:
  Felixstowe, England; Copenhagen, Denmark; The Hague, Netherlands; Rome, Italy; Bremerhaven, Germany; Frankfurt, Germany; Nuerburg, Germany; Naples, Italy, and London, England
- Defense Subsistence Offices:
  Alameda, Calif.; Bayonne, N.J.; Birmingham, Ala.; Boston, Mass.; Cheatham Annex, Va.; Chicago, Ill.; Columbia, S.C.; Denver, Colo.; El Paso, Texas; Fort Worth, Texas; Jacksonville, Fla.; Honolulu, Hawaii; Kansas City, Mo.; Landover, Md.; Los Angeles, Calif.; Nashville, Tenn.; New Orleans, La.; Philadelphia, Pa.; Sacramento, Calif.; Salt Lake City, Utah; San Antonio, Texas; San Diego, Calif.; Seattle, Wash., and Tampa, Fla.
- Purchasing Office:
  Orlando, Fla.

Downsizing

DPSC has consistently reduced its number of employees to keep pace with work load reductions as a result of fewer military customers. Comparing sales and personnel for the past two years (1993 versus 1994), the decrease in personnel end strength (40 percent) has well exceeded the reduction in sales (11.5 percent). A major contributing factor to this dramatic drop was the

closure of the Defense Clothing Factory. A more significant downsizing of personnel is evident when we compare DPSC in 1989 (pre-Desert Storm) to 1994 activity. Although sales in 1994 were only 6.8 percent less than 1989 sales, overall DPSC personnel end strength for the same period was reduced by 48 percent.



Base Realignment and Closure

Personnel. Base Realignment and Closure (BRAC) '93 decisions mandated the closure of the Defense Clothing Factory on Sept. 30, 1994 and the relocation of DPSC's mission and personnel to the Aviation Supply Office compound in Northeast Philadelphia, beginning in 1997. To minimize the number of involuntarily separated employees impacted by this decision, pay incentives were offered to both DPSC and factory personnel.

The factory payroll dropped by about 592 employees, 322 via pay incentives totaling $5.7 million and another 270 were placed in vacant government positions either at DPSC or other government agencies (e.g. the Postal Service and Veterans Administration) or found employment through the priority placement program. After reduction-in-force notices were issued, 34 employees voluntarily resigned or retired without incentives. A work force of 577 employees remained in the factory until its closure on Sept. 30 and were separated through a reduction-in-force. The remainder of DPSC reduced its payroll by an additional 330 employees, who resigned/retired or were granted separation pay incentives amounting to $7.3 million.

Military Construction. A military construction project estimated at $43 million is underway to convert and upgrade various warehouses at the ASO compound to house DPSC and its tenant activities. The project will provide administrative office space; laboratory, cafeteria and training facilities, and utility upgrades.

Environmental Restoration. In keeping with the operational relocation of DPSC, an environmental BRAC cleanup plan was developed to facilitate the disposal and reuse of property at the installation. The plan identifies a $5 million requirement through 1997 to achieve this goal. Presently $2.7 million has been funded for projects to remove underground storage tanks, clean up of pesticides and chemicals associated with the closure of the clothing factory, and to develop or perform environmental assessments at both DPSC and the ASO complex. Other projects include an environmental base line study and a cultural restoration study. DPSC is also organizing a Restoration Advisory Board to keep the local community and employees aware and involved of environmental projects.

DPSC's Vision:

To become the worldwide provider of federal logistic services, champion of readiness and leader in business innovation by:

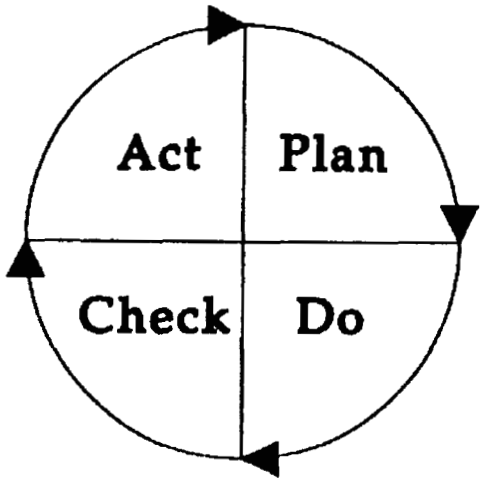
- Creating a work environment that fosters organizational values.
- Minimizing the impact of BRAC '93 on our people and business.
- Anticipating and satisfying customer needs in partnership with industry.
- Re-engineering business practices and applying evolving technologies to best meet the needs of our customers.
- Preparing DPSC and strengthening its existing business; broadening its mission for logistical support beyond traditional products and services.
- Becoming the business center of excellence for commercial products and practices.

Systematic Approaches Towards Quality

Total Quality Management

At DPSC, we embrace the philosophy of total quality management as a way of doing business that emphasizes employee involvement in improving DPSC products and services to meet and exceed customer expectations. We agreed to turn our challenges (Defense Department and industry downsizing, tougher competition, fewer resources, government reinvention, changing global markets) into opportunities for success by developing a shared vision, goals and objectives.

One of the processes DPSC encourages in accomplishing goals and objectives is the Shewhart Cycle, illustrated below:



- **Plan**
  In "planning," we recommend analyzing status quo, developing operational definitions, identifying measures of merit, base lining, identifying target improvement areas and determining key questions. We need to decide what we want to accomplish and how we are going to do it.

- **Do**
  In "doing," we recommend validating the process description, identifying potential causes, establishing process measures, developing a data collection plan and testing the hypothesis to further our goals and strategies.

- **Check**
  In "checking," we recommend studying the results—what did we learn? There should be a close fit between what we hoped to accomplish and what was actually achieved.

- **Act**
  In "acting" we recommend adopting change and experimenting with different conditions and/or people to extend the boundary of knowledge. Changes can help us more closely achieve the initial goal.

DPSC has used a total quality infrastructure to provide a conduit for increasing cross-functional teaming arrangements to study, think and make decisions about quality improvements in all aspects of DPSC's activities. This infrastructure is designed to be cross-functional to provide better access to top management to gain support for process improvement.

TQM Tools

An Executive Steering Committee comprised of senior managers has been used to identify and prioritize areas that need improvement. Quality Management Boards (QMBs) are usually organized around cross-functional issues and core membership is representative of all organizational functions. Process Action Teams (PATs) are chartered by the QMBs to study and select an improvement solution for a specific process.

PATs are currently being used to better define corporate/commodity division responsibilities. These teams are using the basic "seven management tools" (affinity diagram, inter-relationship diagram, tree diagram, prioritized matrices, matrix diagram, decision chart and activity network diagram) where appropriate to identify and analyze evolutionary organizational alternatives.

The Center's Total Quality Management Office works closely with each office and directorate to design and implement a refocused quality management effort, and develops training for the entire Center with the aim towards quality improvements.

Activity Based Costing (ABC)

DPSC began Activity Based Costing methods to determine and assess the true cost of doing business and begin business process improvement initiatives. In the first step of ABC, costs were accumulated by eight processes and over 120 activities for every DPSC organization. ABC reveals links between doing particular activities and the demands those activities make on an organization's resources. It allows managers to see how products, customers, or supply channels consume work and resources and helps them identify high dollar value activities and concentrate on possible improvements.

Through ABC, we identified over 200 negative cost drivers or causes of additional work which will be analyzed for reduction or elimination. ABC will help eliminate activities that do not add value to our goals and objectives, and ultimately our customer. In the second phase of ABC, we began business process improvement initiatives by selecting and analyzing the top five high dollar activities for improvements. We already used the results of ABC to allocate overhead costs among our tri-commodity structure, providing a more accurate portrayal of costs.

DPSC developed a database program, using a download from the Defense Business Management System (DBMS), to put all operational costs into a spreadsheet format to capture costs by activity and process, reflecting costs at the lowest level in the organization. DPSC is the only Center using this type of program, and we intend to further supplement it with another program to track employee hours over a period in time. With our automation efforts, we anticipate ABC to provide more helpful management information.

Value Engineering

DPSC's value engineering program for employees focuses on reducing acquisition costs through improved product design, enhanced material and component utilization and manufacturing process efficiencies. Under separate categories, contractors and employees can propose changes or modifications to raw materials, components and manufacturing/packaging processes which create monetary savings without compromising the form, fit or function of the end item. The proposals are evaluated and if adopted, result in savings on current and follow-on contracts for the item. Contractors can even receive a share of the savings as a reward. In 1994, DPSC's combined value engineering efforts saved over $10 million; $1.28 million from contractor proposals and $8.95 million from employee proposals.

DPSC Quality Plan

DPSC's Product Services and Marketing directorate is developing a management plan for continuously improving the quality of DPSC goods and services. The plan documents quality improvement initiatives that enhance customer satisfaction with product quality and continuous quality improvement actions.

Europe Consolidation

DPSC-Europe. DPSC-Europe headquarters relocated to Mainz Kastel, Germany due to the mandated geographical consolidation of Defense Logistics Agency activities. In conjunction with the move, troop downsizing and mission changes, DPSC-Europe restructured its resources to position itself for the future. The Stuttgart, Germany terminal market and the Alicante, Spain buying office both closed in 1994, while the purchasing office and the separate terminal market at The Hague were consolidated.

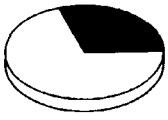
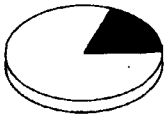
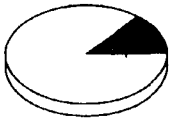
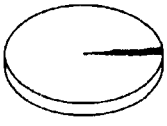
Depot Realignments. As a result of the consolidation of storage depots within DLA, on Jan. 1, 1994, overseas storage activities in Germany at Germersheim and Nahbollenbach were transferred to the Defense Depot Region East, Mechanicsburg, Pa.

Reorganization

To remain competitive and maintain a high state of readiness, DPSC reorganized into a more efficient and effective service organization. We customer-tailored our services and enhanced our organizational flexibility by changing the way we operate internally—by creating commodity business units (CBUs) and integrated process units (IPUs). Our CBUs integrate the traditional core functions of supply, contracting, technical and quality. This maximum combination of functions provides "one-stop shopping" for our customers and enables us to respond to their needs. Our IPUs provide staff support to the CBUs and enhance the Center's and government's image by marketing our advanced methods of doing business. This was done in response to an environment of increasing uncertainty, where competitive conditions require the use of advanced technologies to continue to provide superior customer service throughout the world. The reorganization will make DPSC more responsive to customer needs, ensure customer satisfaction and enable us to seek out new markets while maintaining our current customers. DPSC-Europe and Pacific also became tri-commodity operations with greater responsibilities for marketing, customer assistance and contingency support.

Under the reorganization, DPSC established its Materiel Management and Distribution directorate to work closely with each commodity to decrease the cost of operations, increase productivity, and improve response times and customer satisfaction. The directorate is also responsible for providing the proper military and commercial transportation (air, sea, rail or highway) to get products to our customers.

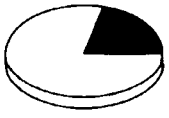
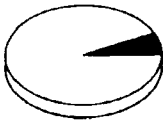
Subsistence Reorganization

COMMODITY BUSINESS UNIT	% OF GROSS SALES ($1.6 BILLION)	MISSION
Brand Name	35% Sales: $593 million	Manages and buys brand name food items in support of all authorized overseas commissaries and organizations worldwide.
Food Service	30%  Sales: $466 million	Responsible for stock control and inventory management of standardized items and supply support of authorized activities including prime vendor. Provides direction and control of contracting non-food supplies and services.
Produce	19%  Sales: $313 million	Provides perishable food support and services to the military services, the Defense Commissary Agency and other government agencies within the continental United States; also export support and services to overseas military installations. Responsible for 22 Defense Subsistence Offices within assigned geographic areas. Directs DPSC field buying activities for fresh fruit and vegetables as well as commercial cold storage warehouse contracts.
Operational Rations	14%  Sales: $235 million	Handles the acquisition, production management, supply management, technical management and quality assurance for all operational rations, wartime readiness items and emergency relief items to meet peacetime and contingency needs. Serves as the focal point for emergency and wartime planning, value engineering packaging program, pest management and sanitation, the Defense Department's hazardous food and non-prescription drug recall program and foreign military sales.
Market Ready	2%  Sales: $25 million	Buys and manages all highly perishable food products for customers worldwide. Accomplishes contract management, initiates procurements, assures quality products, and ensures customer services are obtained at the best value.

Clothing and Textiles Reorganization

COMMODITY BUSINESS UNIT	% OF GROSS SALES ($1.04 BILLION)	MISSION
Recruit Clothing	51% Sales: $530 million	Responsible for buying and managing dress uniforms, coats, trousers, shirts, ties, skirts, slacks, footwear, underwear and battle dress uniforms for military and non-defense customers.
Organizational Clothing & Individual Equipment	49% Sales: $510 million	Responsible for buying and managing tentage, equipment, special-purpose clothing, insignias, heraldics, flags, cold weather clothing and chemical protective clothing for military and non-defense customers.

Medical Reorganization

COMMODITY BUSINESS UNIT	% OF GROSS SALES ($745 MILLION)	MISSION
Pharmaceutical	61% Sales: $455 million	Responsible for the supply management and acquisition of pharmaceutical items to support military and non-defense federal customers. Items include blood derivatives, contraceptives, vitamins, vaccines, intravenous solutions and antihistamines. Manages all pharmaceutical prime vendor contracts.
Devices	21%  Sales: $157 million	Responsible for the supply management and acquisition of medical/surgical items to support military and non-defense federal customers. Items include bandages, syringes, forceps, lenses/frames and gloves. Also responsible for managing all medical/surgical prime vendor contracts.
Equipment	12% Sales: $86 million	Buys and manages equipment-type items to support military and non-defense federal customers including microscopes, ultrasonic scanners, beds, radiation therapy systems and anesthesia apparatus. Also responsible for the management of TURN-KEY and x-ray systems contracts.
Assemblies	6%  Sales: $47 million	Responsible for the supply management of assembly needs of military and non-defense federal customers. Items provided include trauma sets, combat life saver sets, general first aid kits and sterilized surgical trays.

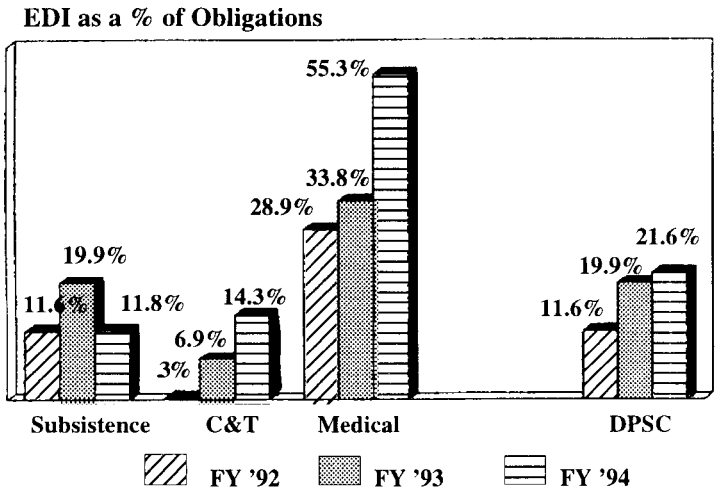
New Business Practices

At the end of the 1980's, the Defense Personnel Support Center embarked on a radical course to change the way it does business. The effort was gradual at first, but has mushroomed in the past two years. The advanced business demonstration program initiatives listed below represent DPSC's 1994 re-engineering efforts to adopt commercial business practices and apply electronic data interchange technology to our business systems. Our main thrust is to get quality supplies to our customers faster and cheaper and ensure our ability to surge and sustain for contingencies and war. The success of each initiative saves the government time and money, improves customer support, and enhances readiness through innovation.

INITIATIVE	SUBSISTENCE	CLOTHING &TEXTILES	MEDICAL
Electronic Data Interchange (as a percentage of total obligations)	11.8%	14.3%	55.3%
Direct Vendor Delivery Sales (as a percentage of total sales)	55%	7.5%	51%
Direct Vendor Delivery Sales	$889 million	$78.7 million	$376.5 million
Prime Vendor Sales	$4 million	$.8 million	$180 million
Quick Response Sales	N/A	$13.5 million	N/A
Shared Production ($ value of contracts)	$19.5 million	$22.2 million	N/A
Long-Term Contracting (as a percentage of obligations)	83%	68%	86%
Best Value Contracting (as a percentage of obligations)	64%	63%	25%

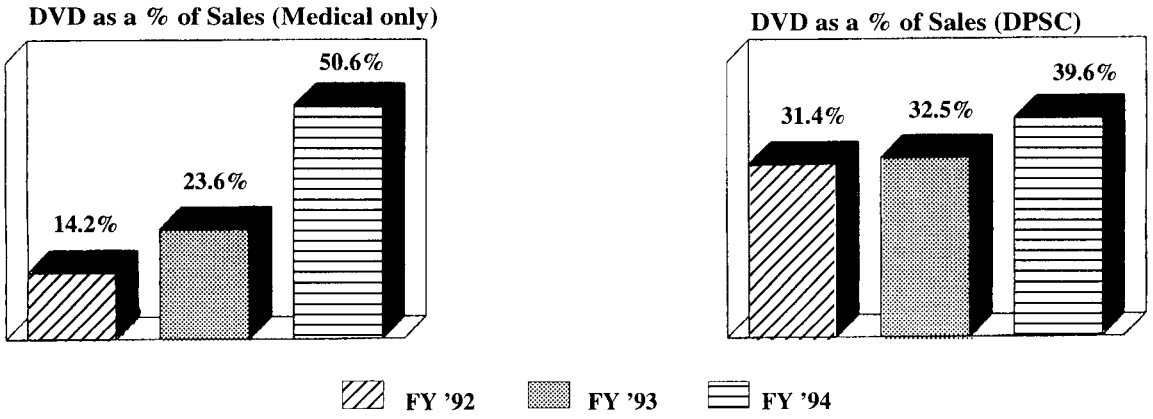
Electronic Data Interchange (EDI)

Electronic data interchange is the cornerstone of all DPSC's business initiatives and, in turn, our EDI statistics continued to grow impressively. By using EDI, the entire business transaction from ordering and invoicing to shipment and payment is done electronically. In 1994, DPSC processed over 429,000 orders using EDI worth $576 million. We had over 450 purchase order trading partners (a 214 percent growth within the last four years) and exchanged electronic data with over 600 others. DPSC remains the electronic commerce demonstration site within the Defense Department and ranked 11th out of 23 participants in the second year of the Price Waterhouse Benchmarking Study which included companies such as General Electric, Motorola, IBM Canada, and Northern Telecom. DPSC was the only federal organization participating in the study. Note that Subsistence's dollar value of EDI purchase orders dropped from 1993 to 1994 (as seen in the EDI as a percentage of obligation figures below) as a result of Military Distributors of Virginia determining that the value added network they were using to connect to DPSC was cost prohibitive. In September, Subsistence established direct connection with the Military Distributors of Virginia and raised monthly electronic data interchange orders from $26 million to $32 million.



Direct Vendor Delivery (DVD)

Direct vendor delivery accounts for almost 40 percent of DPSC's total sales and is incorporated into most of our business initiatives. By having vendors deliver orders directly, items get to customers faster and cheaper because we avoid holding costly inventory in our depot system. Subsistence DVD sales remain the highest in the non-fuel Defense Logistics Agency commodities. Medical's growth in DVD sales from 1993 to 1994 (96 percent) is the force behind the increase in overall DPSC DVD sales. It should be noted that the Clothing and Textile directorate's direct vendor delivery percentage is considerably lower because DVD is used for commercial market-ready products and because many clothing and textile items are military-unique. C&T's direct vendor delivery percentage increased from 3.6 percent in 1993 to 7.5 percent in 1994. This figure is expected to grow to 21 percent in 1995.



Prime Vendor

DPSC's prime vendor initiative uses existing commercial distribution and storage capabilities to deliver goods directly to our customers at a guaranteed 24-hour fill rate of at least 95 percent. Medical's prime vendor sales exploded in 1994 to $180 million, accounting for 24 percent of its total sales. Subsistence and C&T began their prime vendor programs this year.

Quick Response

Quick response is the leading clothing and textile initiative. It uses electronic data interchange, point-of-sale data, direct vendor delivery and just-in-time inventories to accurately forecast demand generated at the point-of-sale, shorten delivery times and lower costs. Quick response sales increased from $2.5 million in 1993 to almost $14 million in 1994 (a 440 percent growth). By having contractors deliver goods directly to our customers, handling, freight and storage costs were reduced and DPSC realized over $900,000 in savings for its participating customers during 1994.

Shared Production

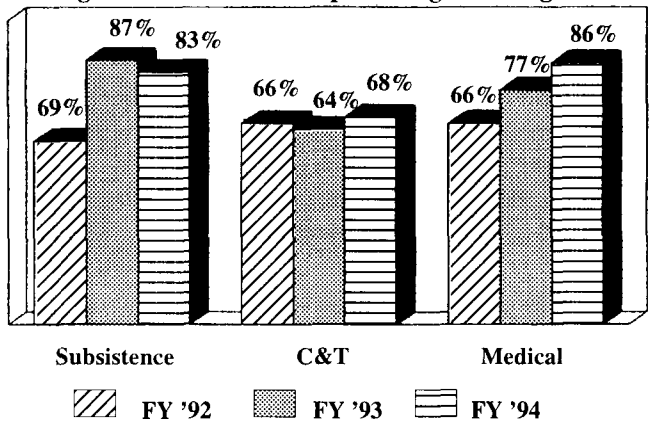
DPSC's shared production initiative focuses on the Center's readiness mission. The thrust behind shared production is to cultivate a base of vendors who are not totally reliant on defense contracts. Shared production uses partnerships between DPSC, its producers and their commercial customers to maintain a warm industrial base or share national inventories for critical items with minimum government expenditures. During mobilization or a national emergency, the commercial customers forego production of their products in favor of the national defense effort. Some of these contracts also contain "reverse" surge clauses that allow vendors to meet surge production for their commercial partners.

DPSC's Clothing and Textile and Subsistence directorates have awarded shared production contracts totaling $41.7 million, enhancing their surge capabilities. Medical will begin awarding shared production contracts in 1995.

Long-term Contracting

Long-term contracting involves the elimination of one or more procurement cycles. This saves manpower and shortens lead times by having a contract in place when an item is requisitioned. In 1994, the use of long-term contracts increased in all three commodities, accounting for at least 68 percent of their obligations. As long-term contracting options are exercised over a three year period, procurement administrative lead time will be dramatically reduced.

Long-term Contracts as a percentage of Obligations



Best Value Buying

Under this initiative, price is not the sole determining factor in awarding contracts. DPSC assesses contractors' technical capability, corporate experience, quality, past performance and surge capabilities in addition to price. This methodology is used because it makes good business sense and ensures reliable contractors with proven performance records will deliver quality products at competitive prices.

Inventory Reduction

To remain competitive, DPSC reduced and tailored its inventory even faster than troop reductions lowered sales. An increased leverage in sales is reflected in our turnover rate (or sales-to-inventory ratio). With the exception of Subsistence, all ratios are up by at least eight percent, with Medical's turnover increasing by almost 22 percent. It should be noted that 79 percent of Subsistence's inventory is mandated war reserve/meal, ready-to-eat food rations; non-war reserve inventory decreased by 11 percent. DPSC's new business initiatives have allowed us to reduce inventory without sacrificing customer service or our readiness posture.

(Approximate, in millions)	1994	1993	% Change
Total Inventory On-hand	$2,074.8	$2,511.8	-17.4
Subsistence	454	463.8	- 2
Clothing and Textiles	1,354.2	1,695	-20
Medical	266.6	353	-24
Turnover Rate (Sales-to-Inventory)	1.65	1.52	8.6
Subsistence	3.59	3.89	- 7.7
Clothing and Textiles	.77	.71	8.5
Medical	2.79	2.29	21.8

Electronic Invoicing and Electronic Funds Transfer

During this past year, DPSC placed a greater emphasis on transitioning its financial business practices into an electronic interchange mode. We made great strides to increase the number of contractors using ANSI X-12 formats for both electronic invoicing and funds disbursement through electronic funds transfer. In 1994, DPSC processed 140,000 invoices electronically and disbursed $220 million using electronic funds transfer.

Dual-Use Technologies

Under DPSC's dual-use technologies initiative using warstopper funding, new packaging machines are being provided to six meal, ready-to-eat retort pouch producers. The dual-use technologies contracts, worth $2.25 million, foster the integration of civilian and military industrial bases since the machines can be used for both military and commercial production. The dual-use concept was also incorporated into the fiscal year 1994 Defense Planning Guidance because it allows vendors to increase commercial capabilities while decreasing dependency on defense contracts.

Computer-Aided Design and Manufacturing

DPSC is streamlining its work methods and applying advanced technology to improve customer support. DPSC's Clothing and Textile directorate transmitted patterns electronically by modem to three contractors, saving time, labor and money. Pattern data was also sent on diskette to five contractors. In addition, DPSC went on-line with the Air Force and the Army to exchange patterns.

Analytical Testing Laboratory

New scientific analytical instruments were purchased for DPSC's analytical testing laboratory to speed up testing and increase accuracy. The lab, the largest comprehensive testing facility within the Defense Logistics Agency, provides quality testing for everything from chemical and physical analyses of metals and clothing to dimensional evaluations. Customers include DPSC commodities, the Defense General Supply Center, the General Services Administration and Defense Contract Management Offices nationwide. It also performs efficient and economical hazardous waste testing for the Center's environmental restoration efforts. Using the lab for environmental testing over an outside contractor saves the government about $1,200 a sample.

Electronic Price and Product Comparison (PPC) Tool

DPSC developed an electronic price and product comparison system that allows users to browse a database containing thousands of medical items sorted by category and within category by price. This tool has been fielded to over 200 military medical activities worldwide and is the first of its kind in the Defense Department.

Electronic Data Interchange Tracking System

DPSC's Medical directorate developed a prototype order and invoice tracking system called EDITS (EDI Tracking System) to ensure electronic orders are received by suppliers.

Medical Air Express

Medical customers in Europe and the Pacific experienced significantly improved support through DPSC's Medical Air Express program called MEDEX. Using commercial air transportation to distribute medical supplies to overseas customers reduced transportation times from 90 days to an average of 14 days.

Mail Order Pharmacy

DPSC awarded its first-ever mail order pharmacy contract to provide mail service for prescription drugs to retirees, their families and active duty military members. Health Care Services Inc., a subsidiary of Diagnostek Inc., will provide mail order service to customers in Pennsylvania, New Jersey, Delaware, Florida, Georgia, and South Carolina.

Partnership Program

R&D Laboratories, a woman-owned small business, entered into DPSC's first small business partnership program agreement with the McKesson Drug Co., a medical prime vendor. The program was established to provide small businesses the opportunity to participate in DPSC's advanced business practices at the prime or subcontractor level. Both companies will provide mutual assistance in distributing R&D's prescription and over-the-counter pharmaceuticals to military customers.

DLA Quality Audit Program

DPSC's Subsistence directorate is part of the DLA Quality Audit Program that was established to improve material quality and measure the total DLA acquisition operation. The audit includes the technical inspection of products after all normal contracting and inspection functions have been completed and the supplies have been placed in ready-to-issue status. A random sample is drawn after all normal depot receiving and storing functions are completed.

DPSC has 17 audit sites worldwide. The auditor at each site is tasked to audit up to seven items per week, including semi-perishable and perishable food such as meat, fresh fruit and vegetables. Audit information is used to track the performance of inspectors and clarify problems with interpretation of defects. This analysis data is kept by the quality audit monitor for vendors, products and defects.

Industry Partnering

Partnering gives industry the opportunity to identify ways the government can better align its business practices with the commercial sector. Through Broad Agency Announcements, contractors can suggest improvements and put their ideas to work. For example, when DPSC's Subsistence directorate lost the only domestic supplier of an essential plastic resin used in meal, ready-to-eat food ration pouches, it worked with the EXXON Co., the Reynolds Metals Co., Allied-Signal, and other industry leaders, to find a substitute. In addition to outperforming the old material, the new polyfilm lining can be used in the commercial industry and doubles DPSC's existing capacity to MRE pouches in an event of an emergency.

Apparel Research Network

The Apparel Research Network is a program designed to improve the U.S. apparel industry's ability to meet defense needs through research, development and technology transfer among industry, universities and DPSC. Each participant brings a specific technological expertise to improving equipment, manufacturing processes and transportation systems.

Commercial Items and Practices

DPSC takes advantage of the most modern commercial methods to reduce costs and improve quality. We have streamlined manufacturing processes by converting to commercial items descriptions (buying commercial items) and adopting modern business practices such as statistical process control, bar coding, and commercial-style warranties. Adopting industry practices and standards has made communications easier for everyone.

Measures

The Defense Personnel Support Center uses a variety of information to highlight its strengths and weaknesses in performance of its own goals and objectives and those of the Defense Logistics Agency. Although most of DPSC's measures are closely related to the strategic plan, other performance data is supplied to customers internal and external to the federal government.

The Strategic Plan

In January 1994, DPSC's senior management and selected representatives attended a strategic planning seminar to develop a corporate strategic plan for the following 12 to 18 months. After three days of brainstorming, open discussion and using the total management principles of group decision-making and empowerment, they hashed out the road map for DPSC's future. The plan establishes DPSC's vision, values, core competencies, specific goals and objectives. It also reflects DPSC's changing business market and places a greater emphasis on the needs of employees and how to best position DPSC to improve customer support and expand its customer base.

The Goals

To achieve the vision of becoming the worldwide provider of federal logistical services, champion of military readiness and leader in business innovation, DPSC will focus its attention and resources on the following goals:

- Create a work environment that fosters organizational values and prepare DPSC and its employees for changes in operations and business practices.
- Minimize the impact of BRAC '93 on our people and business.
- Anticipate and satisfy customer needs in partnership with industry.
- Obtain the necessary resources and effectively and efficiently manage our business.
- Re-engineer business practices and apply evolving technologies to meet the needs of our customers.
- Protect and strengthen DPSC's existing business base; broaden its mission for logistical support beyond traditional products, services and customer base.

The Objectives

In order to achieve its strategic goals, DPSC established objectives for individuals and groups of employees. These objectives, denoted by a "•" (see below), are directly related to a particular goal and are measurable and achievable. The organization identified after each goal has overall responsibility for accomplishing that goal and measuring/monitoring its success. The organization identified after each objective is responsible for that objective. The first listed is the lead office or directorate (see below).

The Metrics

Because measuring progress in achieving the strategic plan is essential, metrics, which are indicated by a "✔" (see below), have been developed. The metrics measure outcomes as opposed to input/outputs and provide essential data at minimal cost. The most significant metrics, known as key indicators, are followed by "*" (see below).

The method for developing these measurements was a multi-stage process involving working groups at the corporate level, offices of primary responsibility and a metrics review team. First, preliminary recommendations were solicited throughout the organization. Working groups comprised of members of the corporate staff then reviewed and refined the list of potential metrics. These groups developed recommendations which were passed to the office of primary responsibility for each goal of the plan. The offices reviewed the recommendations and created a streamlined list of measures. In the course of this review, several other suggestions to combine, revise and delete some of the goals and objectives were made. Next, a metrics review team was set up to pinpoint the measures that would best reflect progress in accomplishing the strategic plan. The team recommended the final set of metrics, and the list was approved by DPSC Command. The next stage of the strategic planning process includes reporting from responsible offices.

1. Create a work environment that fosters organizational values and prepares DPSC and its employees for changes in operations and business practices — *Office of primary responsibility: Administrative Support Center*

- **Improve/maintain employee working environment** — *Base Support Services; Health, Safety, & Environment*
  - ✓ Use sensing sessions/focus groups to query a limited sample of employees to give feedback; develop a corrective action plan*

Goal 1 (continued)

- **Recognize and encourage employee and industry creativity and innovation** — *Product Services & Marketing; Human Resources; Commodities; All*
  - ✓ Total number of awards

- **Improve and expand the exchange of information throughout DPSC** — *Corporate Communications; All*
  - ✓ Use sensing sessions/focus groups to query a limited sample of employees; develop a corrective action plan*

- **Provide a corporate wellness program that meets employee health needs** —*Health, Safety, & Environment*
  - ✓ Participation rate in the program should be charted: number of participants/number to whom program is available

- **Improve appearance, services and efficiency of morale, welfare, and recreation activities** — *Base Support Services*
  - ✓ Use sensing sessions/focus groups to query a limited sample of employees; develop a corrective action plan*

- **Participate in and support community activities** — *All*
  - ✓ Track number of outside activities supported by DPSC (e.g. Project GIVE, Adopt-a-School, Community Service Council, etc.)

- **Ensure a total quality management culture exists in all offices and directorates** — *Total Quality Management; All*
  - ✓ Use sensing sessions/focus groups to query a limited sample of employees; develop a corrective action plan*

- **Inform workforce of DPSC history/tradition** — *Corporate Communications; All*
  - ✓ Periodic briefings to command staff re: actions taken to achieve this objective

- **Provide equal opportunity diversity** — *Equal Employment Opportunity; All*
  - ✓ Percentage of minorities employed by grade level*

- **Expand labor/management partnership** — *Human Resources*
  - ✓ Periodic briefings to command staff re: actions taken to achieve this objective

- **Promote professional development programs that provide employees the necessary skills and education for a re-engineered business environment** —*Human Resources, All*
  - ✓ Use an educational workforce profile (e.g. B.A., Masters Degree, etc...)
  - ✓ Track percentage of workforce Defense Acquisition Workforce Improvement Act certified and qualified

- **Complete DPSC reorganization (including the reshaping and refocusing of DPSC Pacific and Europe)** — *All*
  - ✓ Track implementation milestones by actions completed as part of Command scheduled in-process reviews

- **Communicate the reshaping/refocusing changes and the impact on employees** — *Corporate Communications; Employee Services Center; All*
  - ✓ Use sensing sessions/focus groups to query a limited sample of employees; develop a corrective action plan*

2. Minimize the impact of BRAC '93 on our people and business — *Office of primary responsibility: Base Realignment and Closure Office*

- **Develop programs to help employees affected by BRAC '93 decisions make informed career decisions** — *BRAC Office*
  - ✓ Reduction of the number of employees to be displaced*
    - Number of employees taking voluntary separation incentive pay and voluntary early retirement authority
  - ✓ Achievement of placement objectives*
    - Number of employees placed within DPSC
    - Number of employees placed through the Priority Placement Program
    - Number of employees placed through special programs such as those of the U.S. Postal Service

- **Close the current installation and relocate DPSC to the Aviation Supply Office compound while minimizing the impact on both our customers and employees** — *BRAC Office*

Goal 2 (continued)

- **Interface with community leaders to get retraining funds for dislocated employees** — *BRAC Office*
  - ✓ Facilitation of training services to employees: Number of employees provided Private Industry Council training services

- **Implement the regional Administrative Support Center concept** —*Administrative Support Center*

3. Anticipate and satisfy customer needs in partnership with industry — *Office of primary responsibility: Materiel Management & Distribution*

- **Participate in customer/industry meetings, conferences, and other forums** — *Product Services & Marketing; Small Business; Contracting & Production; Commodities; Electronic Commerce*
  - ✓ Number of visitors to the business counseling center
  - ✓ Number of new/current trading partner agreements established (cumulative) by size of business and socio-economic programs
  - ✓ Periodic briefings by marketing offices, based on interaction with customers, that address customer perceived patterns of support*

- **Establish programs for customer analysis, feedback and tracking of sales** — *Product Services & Marketing; Commodities*
  - ✓ Commodity survey instruments/focus groups; brief results

- **Improve fill rate and on-time delivery** — *Materiel Management & Distribution; Commodities; Contracting & Production*
  - ✓ Order/ship time (date requisition is received to date the material release order is cut: DLA definition for supply centers for customer wait time)*
  - ✓ Customer wait time (initiation of requisition to delivery of item)*
  - ✓ Supply availability for depot stocked items

- **Assure product quality the first time, on time** — *Product Services & Marketing; Commodities*
  - ✓ Number and dollar value of non-conformances (customer complaints); includes product quality deficiency reports, report of discrepancies, Medical quality deficiency reports and transportation deficiency reports)
  - ✓ Commodity survey instrument (DLA survey will be used as the measuring stick)

- **Introduce new items into the supply system** — *Materiel Management & Distribution; Commodities; Product Services & Marketing*
  - ✓ Amount of time it takes to introduce a new item
  - ✓ Number of new items introduced

- **Capitalize on computer modeling (e.g. to develop stock positioning strategy and determine/maintain DPSC's stockage and surge requirements for war)** —*Materiel Management & Distribution; Commodities*
  - ✓ Completion of study (modeling) and briefing on study results

4. Obtain the necessary resources and effectively and efficiently manage our business — *Office of primary responsibility: Comptroller*

- **Institute activity based cost management** — *Comptroller; All*
  - ✓ Number and dollar value of process improvements*

- **Improve end users access to transaction data using a distributed environment** — *Office of Telecommunications & Information Systems*
  - ✓ Periodic milestone briefings for plans to achieve this objective

- **Improve the efficiency of base supply operations** — *Base Support Services*
  - ✓ Customer wait time: receipt of requisition to delivery of item

- **Continue inventory reduction initiatives** — *Materiel Management and Distribution; Commodities*
  - ✓ Dollar value of inventory*

- **Prepare business plans that define fiscal year goals and resource requirements** — *Comptroller; Commodities; All*
  - ✓ Sales/obligations versus plan*
  - ✓ Unit cost performance result*

5. Re-engineer business practices and apply evolving technologies to best meet the needs of our customers — *Office of primary responsibility: Materiel Management & Distribution*

- **Implement a strategic plan for electronic commerce systems/Combat Readiness—Customer Response or (CR)2 to meet current and future business needs of DPSC, its customers, and its vendors** — *Electronic Commerce*
  - ✓ Completion of milestones for the electronic commerce systems/(CR)2 strategic plan*
  - ✓ Number of DPSC transaction sets using ANSI X12

- **Increase the use of commercial buying practices, direct vendor delivery, and long-term contractual instruments, and develop buying practices that reduce resource requirements and result in best value awards** — *Materiel Management & Distribution; Contracting & Production; Commodities*

  Commercial buying practices:
  - ✓ Dollar value and percentage of obligations for best value buys

  Buy response vice inventory initiatives:
  - ✓ Prime vendor sales (all three commodities), as a percentage of total sales*
  - ✓ Quick response sales (clothing and textiles), as a percentage of total sales*
  - ✓ Other direct vendor delivery sales, as a percentage of total sales*

  Long-term contracting (including prime vendor and quick response):
  - ✓ Percentage of obligations*

  Commercial specifications/commercial item descriptions:
  - ✓ Number of specifications converted to CIDS*
  - ✓ Number and dollar value of contract terminations for default based on best value contract awards

- **Benchmark successful distribution and supply service organizations** — *Materiel Management & Distribution; Commodities*
  - ✓ Annual narrative on results of benchmarking efforts, including number of firms benchmarked against and position of these firms in industry

- **Develop information management systems to measure the effectiveness of our business systems** — *Office of Telecommunications & Information Systems; Materiel Management & Distribution; Commodities; Electronic Commerce*
  - ✓ Milestones met against (CR)2 plan

- **Incorporate DPSC's socio-economic goals into its new business strategies** — *Small Business; Contracting & Production; Commodities*
  - ✓ Number, dollar value and percentage awarded to small businesses under various initiatives (quick response, direct vendor delivery)*
  - ✓ Number, dollar value and percentage awarded to small, disadvantaged businesses under various initiatives
  - ✓ Number, dollar value and percentage awarded to 8(a) businesses under various initiatives
  - ✓ Subcontracting dollars stated in best value and other subcontracting plans for socio-economic categories noted above; and subcontracting dollars verified
  - ✓ Small business dollar value awards
  - ✓ Minority dollar value awards
  - ✓ Woman-owned dollar value awards
  - ✓ National Industries for the Blind/NISH dollar value awards
  - ✓ Partnership agreements awarded to small businesses (primary and subcontractors)
  - ✓ Number of best value solicitations incorporating socio-economic and partnership evaluation factors
  - ✓ Outreach efforts through the business counseling center, number of conferences/individual firms counseled
  - ✓ Number of new socio-economic initiatives

Goal 5 (continued)

- **Employ dual-use technology** — *Materiel Management & Distribution*
  - ✓ Percentage of businesses utilizing dual-use technology

6. Protect and strengthen DPSC's existing business base; broaden its mission for logistical support beyond traditional products, services, and customer base — *Office of primary responsibility: Product Services & Marketing*

- **Be a business agent for our competitors such as the Veterans Administration, the Defense Commissary Agency, and non-traditional customers** —*Product Services & Marketing; Commodities*
  - ✓ Sales and market share*
  - ✓ Current number of customers in 1995 compared to the number of customers in 1994
- **Expand the commodity base** — *Product Services & Marketing; Commodities; Materiel Management and Distribution; Contracting & Production*
  - ✓ Number and dollar value of new items added, including the number and dollar value of both new product lines and services

Discussion

DPSC uses a multi-stage process comprised of three working groups to attach measureable outcomes to the goals and objectives of the strategic plan. The broad goals of our strategic plan were translated into workable measurements by using a corporate team approach. This corporate team approach allows ownership by all members of the organization because they participated in its development. The final published list had 66 metrics, of which 15 were deemed to be the most important by a separate metrics review team. The intent of the metrics was not to count inputs but to measure performance. The actual gathering of the data is done through a variety of methods: computer generated reports and screens, focus groups, and surveys, process action teams, customer interviews (and customer complaints), and so forth.

Our strategic plan focuses on four core areas: People (Organization), Customers, Industry and the Public.

People

People are the most important resource of an organization. In light of constantly shifting technology, the downsizing of the federal government and the recent BRAC decisions, DPSC's corporate management realized that it needs a system in place that gauges the needs of its employees. A broad range of services and opportunities have been offered to our workers and measurement under this area involves surveying the employees to determine if our programs are succeeding. For example, we have metrics on everything from the number of employees that we need to relocate under BRAC '93 to the number of people who use our health club. All the measures have a common bond in that they are people related. Educational needs, physical needs, and emotional needs (especially the ability to cope with change) have all been accounted for with various metrics.

Customers

As with any well run business organization, DPSC is customer driven. Our strategic plan and associated metrics reflect this customer focus. Within the past five years DPSC has fundamentally changed the way it does business. The impetus of this change was in response to the needs of our customer. Through the use of formal focus groups, we found out what was important to our customers and translated their needs into a plan of action. DPSC has established marketing offices to constantly "listen" to the customer and to use the feedback to

improve the process. The traditional method for supplying our customer, the depot system, has been supplanted wherever possible by direct vendor delivery (including prime vendor and quick response). The change insures that the same product will reach our customer in a shorter time (as little as 24 hours) allowing both of us to hold smaller inventories. We have a metric which measures the percentage of total gross sales that are direct vendor delivery. Other initiatives such as best value contracting (another area that is measured) address the issue of a quality product by using factors other than price to determine which vendor will get the award. The spread of electronic commerce (see below under Industry) into DPSC also is measured.

While becoming more dependent on direct vendor delivery, DPSC has not ignored the readiness component of our mission and we have metrics that relate to this under our CR2 (Combat Readiness/Customer Response) program.

Industry

At the same time that DPSC was rethinking the way that it does business, we realized that our new approach would not work if industry was not involved. We forged partnerships with industry that allowed us to mutually profit from the best practices of both organizations. For example, we actively sought trading partners to insure that our electronic commerce initiative would succeed. Industry responded because electronic commerce made it easier and more efficient to do business with DPSC. Metrics are in place to measure the growth in the number of trading partners, the increase in EDI sales, and the number of companies using electronic invoicing and electronic funds transfer and the associated dollar value.

In the process of forging our partnership with industry, we have not ignored our traditional suppliers especially in the small business arena. Metrics within the Strategic Plan deal specifically with how well small business is doing under the new arrangement with the intent that we stay focused on these vital suppliers and keep them viable.

The Public

DPSC exists to perform an essential service. As a federal agency we realize that we must perform this mission as efficiently and effectively as we can so that our shareholders (i.e. the taxpayers) receive good value for their money. Metrics within our strategic plan constantly remind us so that we never lose sight of our unseen shareholders. For example, we use unit cost performance to identify our sales versus our costs. We measure savings as a result of process improvements such as Activity Based Costing (ABC). In addition to labor and non-labor cost management, we also track savings in inventory that resulted from our new business initiatives.

Common Measures

- Sales
- Inventory
- Order-Ship Time
- Obligations
- EDI Dollars
- Demands
- Requisition Acceptance Rate
- Inventory Turnover
- Supply Availability
- Fill Rate
- Not Ready for Issue Stocks
- Small Business Initiatives
- Unliquidated Obligations
- Backorders
- Delayed Awards
- Waivers Received
- Opinion Surveys
- Customer Complaints
- Employee Suggestions
- Focus Groups
- Direct Vendor Delivery Sales
- Sales Per Employee
- Long-Term Contracting
- EDI Business Partners
- Best Value Buys
- End Strength
- Market Share
- Conversion to Commercial Specifications
- Terminations for Default

Employee Empowerment

DPSC believes in empowering its employees to get results and assures an environment that recognizes and thrives on individual contributions to meet customers needs. Training is provided to employees and supervisors on the value of empowerment and how to lead, facilitate and participate as team members (more information beginning on page 21). Empowerment can mean the difference between a successful organization and one that fails.

Reorganization

DPSC's policy of quality is a long-term commitment to delegating authority and decentralizing the decision making process. Under DPSC's reorganization, the commodity business units are empowered to make decisions governing their own budgeting, personnel and structure of their organizations. This establishes direct accountability for systems, products and services generated by each commodity business unit.

The move to commodity business units creates multi-functional teams empowered to manage a group of items through all phases of the logistics process. These teams are virtually self-contained with employees knowledgeable in item management, cataloging, engineering and technical support, contracting and quality assurance.

Positive Leadership Award

DPSC has initiated the honorary Positive Leadership Award, where employees can provide positive feedback to their supervisor for traits they want to encourage in their managers. It rewards empowering leadership instead of autocratic supervision.

This award was developed as a result of an employee suggestion and has been presented to only 17 supervisors over the past two years. There is no money associated with the award and its significance comes from the hearts of employees who are supervised. For a supervisor to receive the award, a majority of employees directly supervised must support the nomination. Meeting the criteria is difficult since it required supervisors to move from the comfortable traditional role of management to a trusted leader.

Contract Quality Management Plan

DPSC developed a contract quality management plan which forms the hub of DPSC's oversight guidance and delegates review/approval for contract actions to the commodities and base contracting. The goal of the program is continuous improvement of contract quality at all phases of the acquisition process—from initial planning to award decision—and increased empowerment of contracting managers. It describes the management framework and processes to promote quality and place accountability/responsibility for contract actions at the appropriate level. Review and approval levels are tied to liability, risk, complexity and difficulty of contract actions. It identifies the DPSC Acquisition Planning System (DPAPS) as the tool for management oversight of procurements designated as "high risk," such as those which are complex, involve new acquisition strategies, volatile pricing, protests, claims litigation and other legal problems.

Organizational Culture Inventory

This instrument is helpful in assessing the behavioral norms and expectations associated with shared beliefs and values held within an organization. On a voluntary basis, workers within an organization can request that a trained specialist from DPSC's Total Quality Management office administer the Organizational Culture Inventory (OCI). Respondents are asked to review 120 statements that describe some of the thinking and behavioral "styles" that members of an organization might be expected to adopt in carrying out their work and interacting with others. These statements measure 12

different culture styles. Some of these styles are positive and supportive of constructive interpersonal relationships, effective problem-solving, and personal growth. Other styles are dysfunctional and can lead to unnecessary conflict, dissatisfaction and symptoms of stress on the part of organizational members. All of the styles are related to, and result from, organizational structural variables, reward systems, managerial style and philosophies and other factors that can be changed to some by those in leadership positions. This information is particularly helpful in organizational development and cultural change programs. It also provides an excellent opportunity for employees to provide constructive comments to management on their perception of expectations. Managers also can review the results and determine those areas that need immediate attention within their organization or within their own styles of leadership. All information is strictly confidential and without attribution.

Roundtables

Roundtable discussions are held throughout the Center by individual offices and directorates to identify and solve specific problems and continuously improve processes. In these meetings, participants express their views freely, helping others see problems and solutions that may have been overlooked. This sharing of knowledge and ideas allow DPSC to develop solutions in the spirit of cooperation, which lends itself to the correction process. Equally important, participants gain a sense of ownership of the project, so they willingly take on actions required to solve the problem.

Process Action Teams

Teams of employees are encouraged to study processes at the Center, suggest/make improvements and regularly report their progress. Communications and participation throughout all levels of the organization are critical to ensure its success. PAT teams efforts are recognized by awards like the DPSC Quality Award (more information on team and individual awards beginning on page 23).

Meetings

It is becoming more common to ask employees who have ownership of a particular process to present information at a meeting rather than the supervisor/manager. Empowerment will only work if we treat everyone with trust and respect. Group meetings are also held with employees possessing different backgrounds and expertise. All group members are expected to actively participate in the sessions.

Group Actions

DPSC's management established a value system and environment in which individual and group actions reflect continuous improvement attitude by encouraging employees to develop alternate, innovative approaches to solving problems. In DPSC's Clothing and Textile directorate, The Power Users, a group solely formed by and comprised of employees, is instrumental in resolving difficulties with computers in order to keep the directorate's operations up and running smoothly. This group exists outside any formal organizational structure and is truly a grass roots group generated by a quality culture.

Another example is the Base Supply Branch of DPSC's Office of Base Support. A review of operating rules by a group of employees who do the tasks resulted in 50 new ways of doing business in the base supply area.

Union Partnership

Union partnership is an important way to empower our workforce. In 1994, DPSC and the American Federation of Government Employees Local 62 formed DPSC's Partnership Council to help management, the union and employees identify problems and jointly craft solutions that will help all parties do their jobs more effectively and efficiently. Senior managers maintain a close working relationship with the union and pre-brief representatives on significant changes that affect the workforce. This enables the union to educate employees and prepare for change. Union executive board members serve on 85-90 percent of the committees at the Center.

Employee Development/ Rewards and Incentives

Training

DPSC is committed to affording each employee the opportunity to pursue education and training during both duty and non-duty hours. Continuing college education programs have been instrumental in enabling numerous employees to obtain their bachelor's and master's degrees. Additionally we encourage workers to continually update their skills or acquire new skills which would enable them to change job series or move to other organizations. DPSC also has a rather liberal tuition assistance program that enables many employees to continue their education at various locations.

DPSC currently has three undergraduate and three graduate programs for employees on-site after hours. Approximately 400 employees are enrolled in these classes. Certificates and degrees offered include:

- Certificate in Purchase/Acquisition designed to meet Defense Acquisition Workforce Improvement Act education requirements (advanced certificate also available)
- Certificate in a Business Logistics Program and a new certificate in Marketing
- Certificate in Business/Supervision
- Master of Science in Administration
- Graduate degree in Computer Information Systems
- Graduate certificate in Business

Other Training Available

- DANTES—testing program to acquire up to 27 credits in business
- Defense Acquisition University and other service school courses; mandatory training for career fields
- DoD Executive Leadership Development Program
- Education for Public Management
- Federal Executive Institute
- Harvard University
- Industrial College of the Armed Forces
- Management Development Centers
- Personnel Management for Executives
- Procurement Intern for Management Enhancement Program for DoD Acquisition Personnel (PRIME)
- Professional Enhancement Programs—Supply Management, Environmental, Procurement, Quality Assurance, International Logistics Management, Technical & Logistics Services, and Transportation Management

Additional Opportunities

- War Colleges
- Fellowship Programs
- Tuition Assistance
- Training in other Government Facilities (off-site)
- Federal Employee Education and Assistance Fund
- Simmons College Programs for Female Managers
- DLA Acquisition Mid-Level Intern Program

Cross Training

The move to develop the full potential of the workforce and form multi-functional teams has encouraged cross-training among major functional disciplines. Given the premise that the full potential of employees will be realized when effective teams are in place, 17 functional courses were taught in 1994. Team awareness training is nearing completion, to be followed by team skills training and technical training. Sessions offered to supervisors, team leaders and other employees on "Making Reorganization Work" are also strongly encouraged.

Self-Development
DPSC consistently offers a wide variety of self-development programs during duty hours. In 1994, 42 classes were offered in subjects such as time management, coping with downsizing and effective listening.

Ethics
Mandatory ethics and standard of conduct training was held to reinforce that DPSC's ethic responsibility lies not only with its attorneys, but with all Center employees.

Outplacement Assistance Program
DPSC's clothing factory, which employed 1,233 workers, was the Nation's only government-owned military clothing manufacturing facility. Because of the 1993 Base Realignment and Closure Commission's recommendation to close the factory, all employees had to be off the payroll as of Sept. 30, 1994. As a result, an aggressive, people-oriented outplacement assistance program was initiated to address the skills deficiencies of the employees in order to facilitate their transition into other government jobs or into the non-government work area. Throughout the entire closure, the workforce was kept informed of every development and training opportunity by an intensive schedule of town hall meetings and small group meetings. Training included:

English as a Second Language
This course addressed basic skill deficiencies and initiated a General Education Development (GED) program to assist employees acquire their high school equivalency diplomas. As a result, DPSC sponsored the largest employer-backed GED program in the Commonwealth of Pennsylvania.

Computer Literacy
A program was created to train workers with no previous computer experience through a basic keyboarding course and then a general introduction to computers. A self-paced computer lab was acquired using excess computers from other installations. A 45-hour training course was also developed with consultants from the BOK Vocational High School in Philadelphia to sharpen general office skills for those employees seeking to enter this career field.

Additional Training
- Instruction to ease stress and uncertainty from dislocation of workforce
- Learning to set goals
- Financial planning seminars on how to handle disbursements from and reinvestment into the Thrift Savings Plan and individualized financial planning
- Nutritional training for those faced with feeding families on reduced budgets

Employees Services Center
Last year, DPSC established the Employees Services Center to help workers whose jobs were affected by the 1993 Base Realignment and Closure Commission's decision to close the factory in 1994 and relocate DPSC to the Aviation Supply Office complex in Northeast Philadelphia by 1997. Services include one-on-one career counseling, job search, resume preparation and training. In 1994, the Employee Services Center helped over 1,700 clients, posted at least 150 job tips and printed more than 90 weekly job listings.

TQM Training
DPSC works in conjunction with the Philadelphia Area Council for Excellence to offer numerous professional development courses. Courses include creative thinking, leadership, strategic change and problem solving, just to name a few. Topics vary each year and networking sessions are available several times throughout the year where employees can share experiences with government and industry leaders in the Philadelphia area. Books and audio/video cassettes are also available to workers.

DPSC's Office of Human Resources took an unprecedented step to send union representatives to total quality management training. The seminar covered topics key to the design of the new performance evaluation system within DPSC's multifunctional team-oriented working environment. DPSC and the union now will be participating together under our Labor Partnership Council with the same frame of reference to design an improved performance assessment/recognition system.

Health and Wellness

DPSC's Health, Safety and Environment Office has an ongoing program that present courses in CPR, safety training for supervisors, and coping with violence in the workplace.

DPSC assures an environment where employees are recognized for their contribution to make improvements and meet customer needs. Recognizing personal achievements and contributions creates a positive environment for innovation and successful approaches to institutionalized quality concepts throughout the Center. 1994 awards were as follows:

Monetary Awards (Performance)

Special Act or Service Award	$25 to $35,000	351	$195,519
Sustained Superior Performance Award	% of pay or fixed scale	1,108	$919,611
Quality Step Increase	one step of grade	95	N/A
On-the-Spot	$50 to $250	1,387	$203,363
Time-Off Award	NA	67	N/A

Non-Monetary Awards (Performance)

Commendable Service Certificate	8
Certificate of Achievement	41
Meritorious Civilian Service Award	7
Career Service Award	56
Superior Service Award	18

On-the-Spot Awards

These awards are small monetary awards designed to recognize day-to-day accomplishments. This award is given in appreciation for projects that are well done, extra efforts to meet tight deadlines, or for other small services or acts that might otherwise be unrecognized since they are of a lesser degree than is needed for one of the larger more traditional incentive awards. These awards give supervisors the flexibility of quickly recognizing high achievers in the workforce.

Time-Off Awards

Time off from duty may be granted without loss of pay or charge to leave in recognition of superior accomplishment or other personal effort that contributes to the quality, efficiency or economy of government operations. This award is not intended to replace performance awards and does not convert to cash under any circumstance.

DPSC Employee of the Month/Year

Every month each directorate/office with 20 or more employees submit two nominations for this program, one person will be selected from Category 1 (grades GS-2 through GS-8) and one from Category 2 (grades GS-9 through GM-15). By using this method, lower-graded workers are given equal opportunity to be recognized. Any employee can nominate another worker at any time. This program, which recognizes the achievements and contributions of DPSC's civilian employees, is designed to recognize a wide variety of achievements and activities and provides an additional means to motivate the workforce.

The award consists of a $250 On-the-Spot Award; certificate of achievement; DPSC T-shirt; an article in the *Provider*, DPSC's employee news magazine, and a photograph of the recipient displayed outside the employee cafeteria and on the directorate/office wall.

In January, the DPSC Employee of the Year is selected from the past 12 months of Employees of the Month. This award consists of: a Special Act Award; DLA Superior Civilian Service Award; 40 hours compensatory time; a Liberty

Bell; a reserved parking space for one year; $25 worth of gift certificates for use in the cafeteria, and a picture posted in the cafeteria area for the entire year.

Employee of the Month (General)

Each office and directorate selects an employee to be honored for his/her performance of duties that: exceeds expectations for a particular assignment; is an act of innovative improvement to operations; is an act of humanitarian service; discloses fraud, waste and abuse; creates job-related economies that result in savings, and performs a service or act that reflects positively on DPSC. Recipients get a reserved parking space for a month, a certificate of appreciation and their photograph displayed outside the employee cafeteria. This program is run out of DPSC's Corporate Communications Office.

Employee Suggestion Program

In September 1992, DPSC's Model Installation and Beneficial Suggestion programs were merged to form the Employee Suggestion Program. Also known as ESP, this program is the voice of DPSC employees. As changes in our work environment continue, employees are encouraged to develop new ideas that will promote efficiency and productivity and enhance the work area. The program can even be used to elevate ideas to top management. All ideas are considered except value engineering proposals, which fall under a different category. During 1994, employees submitted 136 suggestions: 41 were approved; 38 were disapproved, and 45 others were duplicates or prior management initiatives. Total cost savings from employees under ESP: $46,398.

If suggestions are adopted, monetary awards are given based on the merit of the suggestion or intangible/tangible cost savings. For intangible savings, the size of the award is determined by the area affected by the suggestion. For tangible savings up to $10,000, employees can receive up to 10 percent of the savings from their ideas.

Office Awards

DPSC's Office of Telecommunications and Information Systems recognizes teams and individuals with its "You've Been Noticed" award. This two-pronged approach includes both peer and group recognition. Recipients receive a thank you card at the work site and a ticket to the "recognition store" (pens, mugs, caps), while groups receive a social event (pizza party, etc.) At the annual Recognition Day, all award winners receive accolades.

Total Quality Award

DPSC's Total Quality Management Office has awarded over $40,000 during the last two years through the DPSC Total Quality Award. This award recognizes groups and individuals for their contributions to the principles of total quality management. Recent improvements were identified in the area of best value acquisition, training report processing and meals, ready-to-eat packaging, to name a few. Each submission is reviewed by an independent panel against specific criteria. In addition to monetary awards for civilians, DPSC awards appropriate achievement medals for military personnel.

Hall of Fame

In 1994, DPSC honored its first inductees into the DPSC Hall of Fame. The awardees provided exceptional leadership, dedication and innovation in support of DPSC's mission. Although the winners are former DPSC employees, the award sets an example for current workers and gives them an additional goal to strive for during their career in the federal government.

Woman of the Year Award

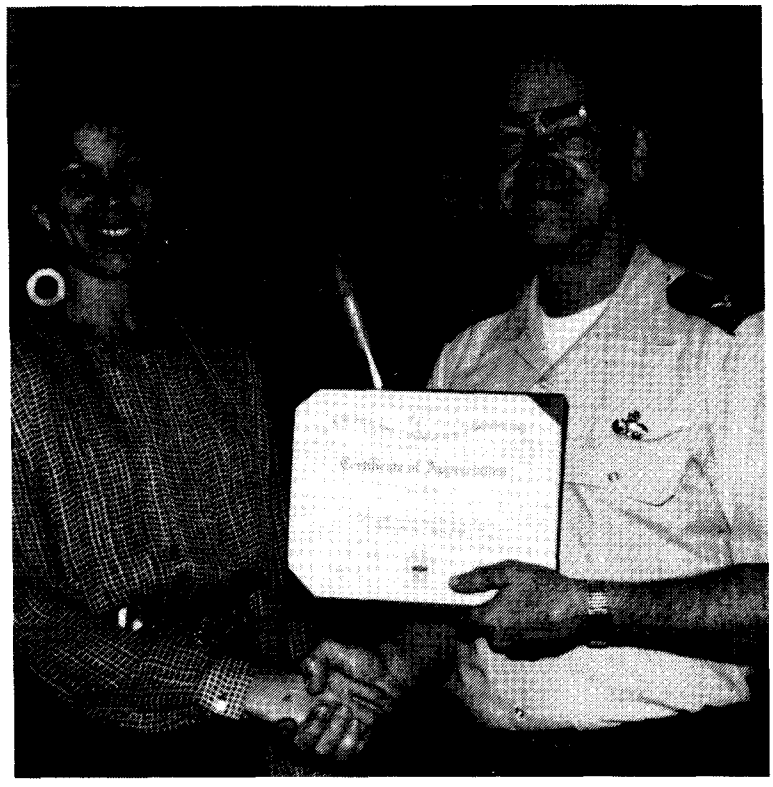
Each year the Federal Women's Program holds an awards luncheon to honor women working at DPSC. The program is sponsored by DPSC's Equal Employment Opportunity Office.

Hispanic Achievement Award

This award is presented during Hispanic Heritage Month celebrations to individuals for their contributions toward advancing the goal of equal opportunity for Hispanics at DPSC. This program is sponsored by DPSC's EEO Office.

1994 BIG Special Achievement Award

Blacks in Government (BIG) honored DPSC's Minority Male Alliance with its 1994 Special Achievement Award during its 16th annual training conference. The Minority Male Alliance, a self-help support group at DPSC, meets to address the problems that adversely affect minority males in the federal workforce. The alliance operates under the auspices of DPSC's Equal Employment Opportunity Office.



Other Awards

- Employee Services Center was nominated for 1994 Federal Executive Board Excellence in Government award program and was selected as a Bronze Medalist for Outstanding Public Service.
- An Employee Services Center manager received the prestigious "Human Resource Manager of the Year Award" for answering challenges with creative solutions.
- The Office of Telecommunications and Information Systems received recognition from the Philadelphia Federal Executive Board as well as DPSC Commander's Prize for Creativity and Innovation.
- Two DPSC employees received the Rothrock and Ingersoll Distinguished Service Award from the American Defense Preparation Association for efforts in support of defense preparedness. These were DPSC's first national winners.
- The Medical directorate's MEDEX team won the Federal Executive Board's Gold Medal for "Economy in Government Operations."
- A DPSC employee was selected as one of DLA's top ten achievers for 1994.
- The Subsistence directorate's Awards and Recognition PAT team received honorable mention in DLA's Total Quality Award.
- In addition, fourteen Analytical Testing Laboratory employees were named silver medalists by the Federal Executive Board for excellence in government hazardous waste testing.
- A Small Business Office Employee was honored by NISH for her contributions to projects that provide employment to over 1,700 Americans with disabilities.

Publicity

DPSC believes all achievements deserve publicity and acknowledgment of outstanding performance. Employees are recognized with ceremonies and photographic displays in heavily travelled areas. Award winners are also highlighted in the *Provider* and the *Bulletin*, DPSC's news magazine and news bulletin respectively. The Corporate Communications Office also sends articles to other Defense Department publications, trade magazines and hometown newspapers.

Customer Satisfaction

Customers are DPSC's top priority and we go to great lengths to install this commitment throughout the organization. The center offers informal and formal customer service training and published booklets on customer service tips and telephone protocol have been distributed to all employees. Common methods used to solicit feedback include suggestion boxes, telephone hotlines, surveys and electronic mail.

External Customers

DPSC put customers first by focusing on their special needs; benchmarking our processes to make sure operating practices are responsive to customer needs; establishing open communication channels, and becoming partners with customers. Employees gather information about its external customers' needs and expectations through telephone calls, customer visits, conferences, news bulletins, and attending various trade shows worldwide. We work with our customers to find out if they are satisfied with our services and work to ensure outstanding customer service. The information is then used to make improvements and tailor our services and products to the needs of our customers.

New Business Practices

DPSC has adopted numerous business initiatives geared towards increasing customer satisfaction. Not only do they reduce cost, increase quality and improve response times, but they focus on the warfighters' and other customers' special needs. (information on these initiatives begins on page 8).

Marketing and Customer Service Plans

The primary goal of DPSC's commodity business units' corporate marketing plans focus on achieving more sales while maintaining our current customer base by using prime vendor, electronic data interchange, and other commonly used but commercially successful proven business initiatives. The customer service plans address how we aim to satisfy Executive Order 12862 (Setting Customer Service Standards). The objectives of this order include identifying who our customers are; surveying customers; posting service standard;, measuring results of the standards; benchmarking; providing customers with choices, and providing a means to resolve customer complaints. In addition to the commodity business units' plans, DPSC also developed a corporate marketing plan that includes milestones which will determine if our objectives are being met.

Marketing Offices

DPSC has marketing offices in each of its commodities that visit customers, solicit feedback, recruit new customers and market DPSC's products and services to increase sales and enhance customer satisfaction.

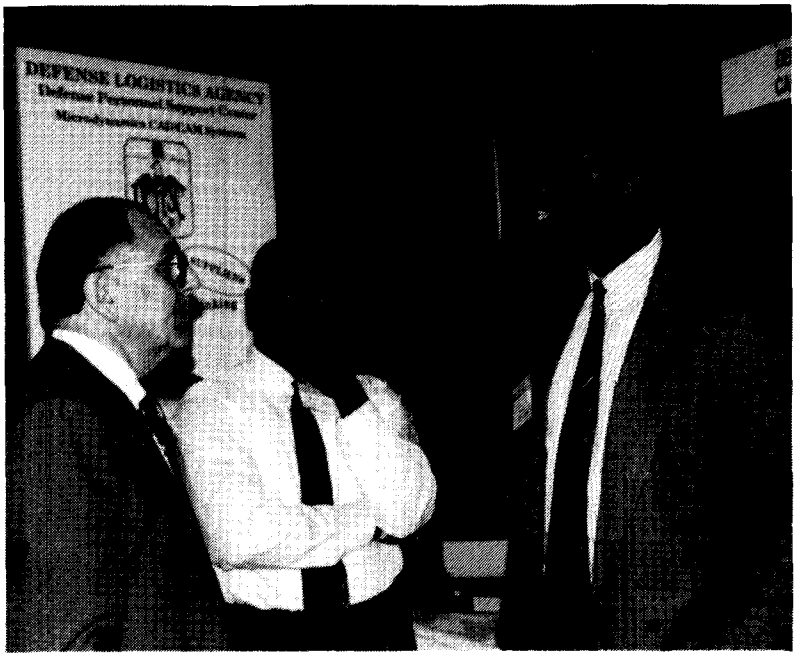
Product Services and Marketing Directorate

Formed in 1993, this directorate is tasked with making sure customers are satisfied with DPSC and its products and services. It is responsible for measuring customer satisfaction and helping to find new customers while ensuring military readiness.

Customer Account Representatives

A customer account representative program exists in DPSC's Medical directorate, providing customers a single point of contact at DPSC to answer questions and help solve their problems. There are about 100 Army, Navy and Air Force installations with assigned account representatives. In Medical, prior to becoming an account

representative, each volunteer must take a one-week class. Part of the training focuses on self control, personalities and dealing with non-receptive customers. Medical's account representative program is open to all employees at any grade level.



Meetings

Throughout the year, directorates and offices within DPSC schedule numerous meetings with current and potential customers to advise them of DPSC's new business practice initiatives, marketing strategies, electronic commerce efforts and so forth. By meeting face-to-face, DPSC can better resolve problems and identify needs in an effort to improve customer satisfaction.

Customer Conferences

DPSC uses numerous industry and customer conferences as a networking opportunity to interact with current and potential customers. For example, DPSC's commodities and corporate marketing office attended DLA's Customer Expo and presented information on new business initiatives and new customer contacts. DPSC also sponsors its own conferences. For instance, DPSC's Subsistence directorate holds a Worldwide Customer Conference for over 200 customers from 32 countries and states representing both military and civilian customers. Conferences are a great way to reach a large number of customers at one time.

News Bulletins

Various marketing teams throughout DPSC increased their efforts at effectively communicating with customers by developing news bulletins. In addition to including information about potential business opportunities and updates on items and price changes, the bulletins solicit customer comments on what DPSC could do to improve its performance with both customers and vendors. In some cases, these bulletins are generated information through electronic bulletin boards.

Fact Finding Visits

Visits to customer and vendor sites are routinely done for the purpose of staying in touch with the customers and resolving customer complaints. These visits are used by DPSC employees to keep the functional organizations aware of customer trends, complaints, concerns, and so forth. Customer reports of discrepancy are reviewed for problems, trends and opportunities for improvement.

Communicating Electronically

Electronic bulletin board capability gives customers access to requisition status and allows message forwarding. Voice-Mail permits constant access for customers living in any time zone worldwide. For example, DPSC's Medical directorate uses a Customer Demand Management Information System (CDMIS) that provides customers with an exact picture of every open order in its system each day. This system also allows Medical to measure stock availability to individual customers in the depot operation area; to develop customer sales profiles to formulate marketing strategies, and to highlight potential problem areas.

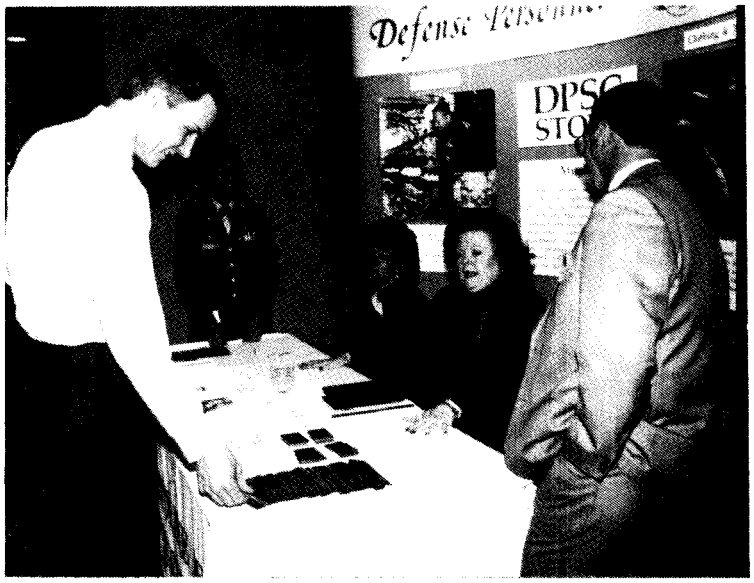
Videos

In an effort to more effectively communicate with customers, DPSC has developed a series of professionally produced videos highlighting DPSC's various business initiatives, including quick response and shared production. These videos are used to advertise opportunities and services to current and potential customers.

Communicating Feedback

DPSC's directorates and offices are using many methods to make sure their employees are aware of the importance of maintaining a high-level of customer satisfaction. A few are mentioned below:

- Mandatory customer service and training and total quality training reinforces service to external customers



- Computer reports to track external customer interaction
- After returning from site visits with custom ers, followup meetings with key DPSC personnel are held to make sure the information gathered is used in an effective way to increase or maintain customer satisfaction.
- Marketing trip reports are circulated to operational personnel via electronic mail and suspenses for resolving customer issues accompany each write-up containing customer concerns about our service.
- Publish customer service articles in defense and industry publications.

Internal Customers

Ensuring customer satisfaction doesn't mean just making sure your external customers are satisfied. DPSC makes an extra effort to ensure its workforce, or internal customers, are also satisfied. Some effective methods to gaining knowledge about internal customer satisfaction include:

- Town meetings which are held to provide information and to hear employees' concerns
- Open door policies allow employees to share views with management in a casual atmosphere
- Tours of work sites, like the analytical laboratory, are done to acquaint internal customers with capabilities and processes of other offices and areas
- A well-established suggestion box program, a telephone hotline and other methods of making sure employees can get an answer to their questions and concerns
- Published articles in internal publications

Quality Value System— Management Overview

Leadership at DPSC is supportive of attempts to empower employees and shows by example that all opinions and suggestions are encouraged, reviewed and valued. DPSC has developed a culture for risk taking and innovation which leads to involving all employees in reinventing the way we do business.

Values

Values make up the fundamental principles by which DPSC will operate as a team. These values will dictate the manner in which employees treat each other, their customers and their vendors. The following are DPSC's corporate values:

- **Caring** — a genuine commitment to the health, welfare and morale of DPSC employees
- **Professionalism** — a way of life dedicated to the highest principles of technical competency and ethical standards of conduct
- **Teamwork** — success of the group is necessary for the success of the individual. DPSC wins...You win!
- **Positive Work Environment** — encourages honesty and candid communications
- **Reliability** — consistently meeting customer needs

Guidelines

As DPSC re-engineers for the future, employees will be empowered more and more. As we change and improve every aspect of our operations, DPSC managers are using the following guidelines to set professional and personal examples for all employees:

Paradigms and Culture

- Think outside "the box" and total logistics system, and analyze from different viewpoints (e.g. customer, manufacturer, distributor, and defense logistician)
- Link to corporate vision, goals and objectives
- Weigh all logistics considerations/inter-relationships, and be driven by what's important to the customer — combat readiness/customer response (CR)2
- Make fundamental changes
- Become the provider of information, products and services

Logistics Processes and Business Practices

- Shorten life-cycle time and inter-relate processes and practices
- Emphasize logistics support multipliers and tailor initiatives to customers needs, business segments and product lines
- Maintain contractual, operations and communications flexibility
- Benchmark, adopt best practices and avoid government uniques
- Take advantage of core competencies
- Buy response and tailor inventory for exceptions (e.g. safety level, war time need, criticality, uniqueness, long leadtime, few sources)
- Keep inventory in motion (i.e. buy response vice inventory applications), accountable (all), and visible (all)
- Re-engineer processes/practices before systems
- Relate to readiness and sustainability

Systems

- Apply enabling technologies (e.g. artificial intelligence, client/server, interactive/on-line, electronic data interchange)
- Capture data only once; link processes and systems; share common data
- Use national/international standards and formats

Customer and Industry Relationships

Customers

- Anticipate, understand and satisfy customer needs, and put the customer first

- Pursue one-stop comparative shopping and customer choice
- Simplify policies, processes, practices and systems for the customer, and be user friendly

Industry

- Do business the way our industries do business
- Reach out to businesses, especially small and minority businesses and mandatory sources
- Establish long-term business partnerships
- Protect and strengthen the existing business/industrial base

Both

- Take a win-win approach
- Consult and solicit feedback

Organizations and Jobs

- Take a multi-functional team approach
- Redesign jobs and empower people
- Focus on value-added
- Emulate world-class organizations
- Inter-relate goals, objectives, re-engineering activities, marketing and sales to performance standards

Performance Measures

- Focus on outcome, vice input/output
- Prioritize and make visible and accessible
- Plan data requirements early
- Measure responsiveness at the customer level

Communication

DPSC's senior management communicates its quality vision to all functional units and employees through formal education (more information beginning on page 21). Other methods to communicate its quality vision to all levels, units and employees include:

- Electronic Bulletin Boards
- Displaying vision statements prominently around offices and directorates
- Regular directorate/division/section staff meetings
- Newsletters, publications
- Surveys

Town Meetings

These meetings are held periodically to inform employees of topics of special interest, stress important organizational values and to create an open atmosphere for resolving problems that benefit from a directorate/office/Center-wide attention.

Quarterly Management Reviews

These reviews are designed to give directors, deputy directors and first-line supervisors from each division the opportunity to discuss ideas for strenghtening the organization, long-term strategies and solutions to persistent problems.

Open Door Policy

Some offices offer an open door policy of meeting individual employees and groups of workers to discuss problems. Senior managers work closely with their workers to solve problems and an open door policy promotes communications across all lines.

Strategic Plan

The entire strategic plan was developed through total employee empowerment. Senior managers are empowered to work together to develop the vision statement, goals and objectives that guide all activities of the installation (more information beginning on page 13). Other employees are then asked to select measurements of significant activities.

Commander's Recognition Awards

DPSC presented its first Commander's Recognition Awards, given to 17 of DPSC's best vendors and customers for their dependability in delivering products and services and their contributions to re-engineering of the acquisition process. The awards represent DPSC's commitment to quality products and services.

DPSC's Contract Quality Management Program

This program, supplemented by the three commodity-specific and base contracting plans, was designed to provide and sustain a clear and visible quality value system. It provides the means of supporting management systems by which the quality value system is maintained.

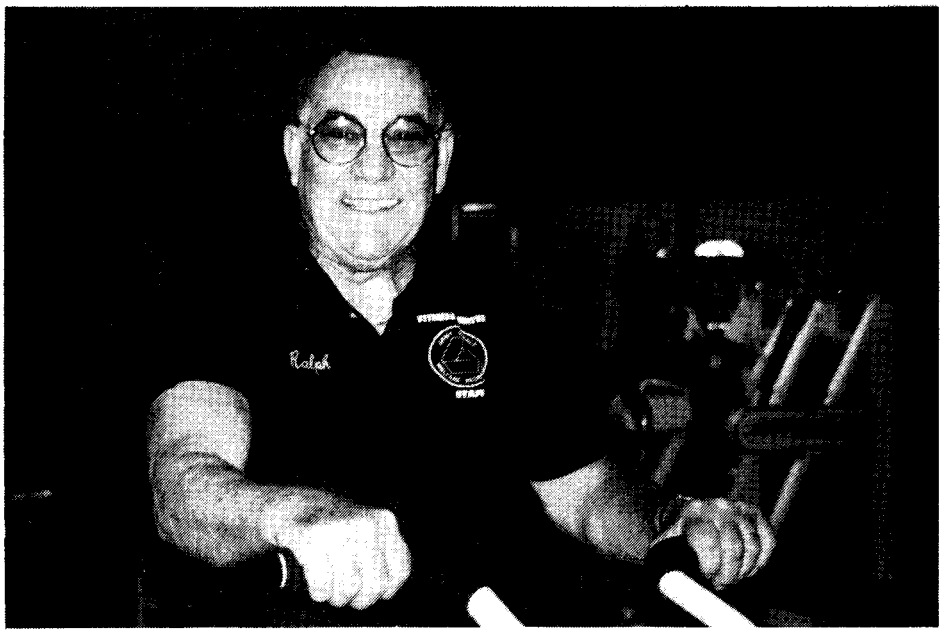
Re-engineering Conference

DPSC's Subsistence directorate initiated an off-site Subsistence "Re-engineering Conference" to promote cooperation across the division and reinforce DPSC's quality vision. The conference is a spin-off of the corporate strategic planning session.

Quality of Life Initiatives

DPSC knows that the quality of an employee's life affects the quality culture at the Center, so it places a great emphasis on Quality of Life programs. These programs, supported by senior management, integrate employee's personal needs with their work environment and include:

- Flexible work hours to accommodate personal needs. This is accomplished through more flexible bands of work hours, flexible lunch periods, core time deviations and voluntary alternate work schedules.
- Special accommodations for disadvantaged employees for their mobility and comfort on the job. Special elevators, ramps, and restroom facilities make areas more accessible and will enable DPSC to attract and retain skilled disadvantaged employees.
- A fitness center with modern cardiovascular and free weight equipment to improve the health of employees. It offers daily aerobic classes, racquetball, basketball and volleyball, as well as other recreational activities.
- Office renovation and computer system upgrades.



- Beautification of the Center—landscaping, adding picnic tables and park benches to common areas, painting, etc.
- Environmental improvements —removing underground storage tanks, replacing air and water filters, modernizing and improving air handling systems and resurfacing the parking lot.

Health Promotion
DPSC has been at the forefront of implementing health promotion programs for its employees, with full support from senior management. These dynamic programs prevent injury and illness both on and off the job:

- Employee Wellness Program—This program differs from most medical programs because it is health-oriented rather than illness-oriented, with an emphasis on prevention. It includes a comprehensive health risk assessment, fitness test, and an individualized fitness program. Almost 100 percent of DPSC's executive employees have been given comprehensive screenings, and is now offered to all DPSC employees. In addition, a large percentage of the general workforce have participated in other programs such as smoking cessation, nutrition, and weight and stress management.

- Employee Assistance Program—Also known as EASE, this program provides employees and their families 24-hour-a-day, 7-day-a-week service where they can seek professional assistance with personal challenges, including emotional stress, marital difficulties and legal and financial issues, just to name a few.

- Health Fair—Each year DPSC sponsors a health fair that attracts more than 2,000 Center employees and features health care exhibits. The event is both informational and fun. Workers can receive 21 free medical tests and talk with healthcare and fitness professionals.

Social Responsibility

To build a complete quality value system, DPSC encourages employees to be socially conscious and help one another and those less fortunate. Some of the socially responsible programs supported by senior management include:

The Community
DPSC's concern for the local community has been a long-standing tradition for over 30 years. Generous contributions through the Center's Community Service Council have allowed DPSC to sponsor programs to enhance the quality of life for disadvantaged children, senior citizens, hospitalized veterans and the homeless in the Philadelphia area.

America's Youth
For over 22 years DPSC employees have participated in Project GIVE (Government and Industry Volunteers for Education), a tutorial program for elementary school children. During the school year, volunteers spend one hour a week after work helping students from the Alcorn Elementary School in Philadelphia with math, reading and geography.

DPSC's work study program, in its sixth year, affords twelfth grade students from South Philadelphia High School the opportunity to gain hands-on experience in a professional work environment. About 13 students work two and a half days a week at the Center and receive a grade for their performance.

Another educational opportunity is a mentoring program with the Vare Middle School in South Philadelphia, which gives students computer and clerical skills and helps them interact in a work environment.

Combined Federal Campaign
DPSC continues to support the local community, the nation and the world with its generous contributions through the Combined Federal Campaign. In 1994, donations totaled $179,000.

The Environment
A key factor in the success of the Center's recycling program is the enthusiasm and commitment of employees to reduce waste, conserve natural resources and prevent further pollution. In 1994, over 363 tons of material was sold to recyclers, avoiding landfills and generating $50,000. DPSC's recycling program collects paper, cardboard, aluminum, newspaper, plastic, glass and laser printer toner cartridges. In addition, DPSC is working to reduce hazardous waste production and remove or replace all ozone depleting chemicals from all specifications and documents.

Blood Donations
DPSC is among the leading blood givers within the Defense Logistics Agency and one of the largest donation sites in the Philadelphia area. Center employees donated almost 2,000 pints of blood in 1994.

Humanitarian Support
During 1994, DPSC provided over $67 million in humanitarian support to Haitian and Cuban refugees. Items included tents, sheets, medicines and food. In addition, DPSC's Medical directorate provided medical supplies for victims of the western forest fires, the Georgia floods and residents of the Ukraine and Bosnia/ Herzogovina. DPSC's Clothing and Textile directorate supplied $3 million in blankets to America's homeless through the Defense Department's Homeless Support Initiative.

Supporting Special Businesses
More than $1 billion of DPSC's 1994 contract dollars were placed with special businesses. DPSC's Small Business Office ensures that small, disadvantaged and woman-and minority-owned businesses get a fair share of DPSC's federal procurement dollars as mandated by Congress. Other special businesses include federal prisons through the UNICOR program, the National Industries for the Blind and NISH. A partnership program was also established to ensure these special contractors are involved in DPSC's advanced business practices and win contracts as a prime contractor or subcontractor. DPSC's Small Business Office routinely trains, counsels and assists current and potential vendors in new business and contracting strategies. The Center's objective is to provide businesses with detailed information and training to re-engineer business processes for EDI trading and transition to electronic commerce. DPSC is marketing the Center's services throughout the country, and holds seminars and conferences in locations where access to the new facility by vendors may be difficult or where a large number of vendors can be trained simultaneously.

TEAM MEMBERS INVOLVED WITH THIS EFFORT

Carl H. Freeman
Brigadier General, U.S. Army
DPSC Commander

John M. Castleberry
Colonel, U.S. Army
DPSC Assistant Deputy Commander/Chief of Staff

DPSC's Corporate Communications Office

DPSC Employees

POC: Ronald C. Armstrong, Chief, Division of Public Works

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THE DEFENSE PERSONNEL SUPPORT CENTER

DPSC

Supporting America's Fighting Forces

AROUND THE CLOCK, AROUND THE WORLD

THE DEFENSE LOGISTICS AGENCY

DEFENSE PERSONNEL SUPPORT CENTER
2800 SOUTH 20th STREET
PHILADELPHIA, PA 19145

DPSC: RECOGNIZED FOR LEADERSHIP AND INNOVATION

AN OVERVIEW FOR THE BRAC 95 COMMISSIONERS AND STAFF

DPSC MANAGEMENT CLUB
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DEFENSE PERSONNEL SUPPORT CENTER
PHILADELPHIA, PA.

BACKGROUND INFORMATION
FOR BRAC 95 COMMISSIONERS AND STAFF

TABLE OF CONTENTS

DPSC: AN OVERVIEW

- o DISCUSSION PAPER — TAB 1
- o DPSC 1994 ANNUAL REPORT — TAB 2

AWARDS AND RECOGNITION: LEADERSHIP & INNOVATION

- o COMMANDER IN CHIEF'S AWARD FOR INSTALLATION EXCELLENCE — TAB 3
- o VICE PRESIDENTIAL "HAMMER AWARD" (received 2 May 1995) — TAB 4
- o FINALIST NOMINEE FOR "1995 INNOVATIONS IN AMERICAN GOVERNMENT AWARDS PROGRAM" — TAB 5
- o PUBLIC SERVICE EXCELLENCE AWARD PUBLIC EMPLOYEES ROUNDTABLE — TAB 6

DLA BRAC 95 ANALYSES AND BRIEFINGS:

- o DPSC UNIQUE AND HIGH RISK TO MOVE — TAB 7

DPSC PRESENTATIONS TO 1993 BRAC COMMISSIONERS

- o BRIEFING TO BRAC 93 COMMISSIONERS, MAY 93 — TAB 8
- o BRIEFING TO COMMISSIONER BOWMAN, MAY 93 — TAB 9

DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION 1993 REPORT TO THE PRESIDENT

- o Commission recommendation: Defense Personnel Support Center — TAB 10

DPSC: AN OVERVIEW

There are two components to the information provided:

1) **The 1995 DPSC Annual Report** that will provide the group a basic non-technical overview about DPSC and its goals.

2) Attached is a **discussion paper** on DPSC. The paper is intended to provide insight as to status of current and projected employment, the importance of DPSC to the DLA in terms of business, and the innovations DPSC is undertaking that have already begun to pay dividends in reduced costs to DoD, better customer service, and increased mobilization readiness. This information is provided to reinforce the importance of retaining the expertise and dedication of the people of this center. During the BRAC 93 briefings to the BRAC Commission, the City stressed that the lose of expertise and experience at the DPSC would jeopardize the great strides this activity achieved with respect to DMRDs (Defense Management Review Decisions). The following discussion paper points to DPSC people as innovators and creators, leaders within the Federal Government and DoD in doing business in new ways.

DISCUSSION PAPER

What is DPSC?:

The Defense Personnel Support Center is the buyer and distributor of food, medical supplies, and clothing to the U.S. military worldwide.

The Subsistence Directorate buys produce, operational rations for field feeding, market ready chill and freeze items, brand name items for Commissaries, semi- perishable food items, and contracts for food services. Produce is bought by our buyers at various commercial food distribution centers and growing fields around the country. Currently we have expanded our customer base to include purchasing fruits and vegetables for over 2000 schools throughout the United States. Market ready items include such items as milk, bread, dairy and meat items that are purchased by us both for troop feeding and for resale in the military commissaries. We develop agreements (price catalogs) with the major food manufacturers that are used by the military commissaries. (Our mission in support of military commissaries is expected to end by Oct 95 when the Defense Commissary Agency, DeCA, will take over this function. Upwards of several hundred positions may be lost at DPSC.) The food service function includes contracting with commercial distributors to take over full food support for the military troops.

The Medical directorate buys and distributes pharmaceuticals, medical and surgical devices, and capital equipment for military hospitals worldwide.

The Clothing and Textiles directorate buys and distributes recruit clothing, and organizational and field equipment to the military around the world.

Staffing (DPSC plus tenant organizations)

In March 1993, with the announcement of the BRAC 93, the federal workforce at the DPSC compound took a 2245 civilian employee cut.

326 people affected from the Defense Contract Management District

1203 people at the DPSC clothing factory

178 people at the Defense Finance and Accounting Support

41 people at the Defense Information Systems Agency
46 people at the Army Support Agency
451 people associated with administrative support at DPSC

In addition to the above, during the 12 month period, Sept 93 through Sept 94, DPSC itself reduced staffing by almost 500 people. Since 1993, the DPSC staff has decreased almost 40%. Over the last 6 years, the DPSC civilian staff worldwide has decreased approximately 50% due to attrition, performance improvements, BRAC decisions and general downsizing.

By mid 1997, based on the original BRAC 1993 scenaro, an overall total of 2627 civilian employees (DPSC and tenants) are expected to relocate to the ASO compound. This is almost half of the number of people employed on the DPSC South Philadelphia facility in 1992. We would not be surprised to expect further attrition and workload changes over the next few years to decrease the size of the workforce even further. Current projections indicate that as many as 200 more jobs may be lost at DPSC during fiscal year 95. This equates to another 8% reduction in the workforce over 1994.

DPSC is a major employer of minorities within the Philadelphia area. 34% of the DPSC workforce are Black, Hispanic, or Asian American. Overall we have a parity index of 150 which means that our workforce has 50% more minority employees than the typical workforce would be expected to have based on the demographics of the Phila. area. Similarly, we have a parity index of 114 for women in journeyman grades.

DPSC Business Innovations: Expertise and Initiative not easily replaced

In fiscal year 94, just ending Sept 30, DPSC had $3.4 billion in sales. From a straight business perspective, DPSC accounts for 58% of the Defense Logistics Agency sales (excluding fuels) to the Military Services. DPSC has the lowest operating costs with respect to the size of its mission than any other DLA center (excluding Defense Fuels Supply Center)

combined (Defense Construction Supply Center, Defense Industrial Supply Center, Defense General Supply Center, and Defense Electronics Supply Center). DPSC has achieved such performance through innovative business practices that have, for the most part, been the model for the DLA of the future. A short description of the various initiatives is attached.

DPSC has used these initiatives to define and focus the "core competencies" of the people in this Center. There is an overall strategic plan that links these initiatives and core competencies to the corporate objectives to be the worldwide provider of federal logistics services for food, clothing, and medical supplies and services; to be the champion of military readiness; and the leader in the development of electronic commerce between industry and our customers. DPSC is a leader in changing the way the Federal Government does business. We are using commercial buying practices where applicable; we are using just in time electronic commerce concepts to provide what customers need when they need it at the lowest possible cost. Through electronic commerce, increased direct vendor delivery programs, and the prime vendor program, DPSC projects a minimum 35% decrease in inventory for military unique items by 1997. Our goal is to be almost completely away from depot stocking any other items we buy. At the same time DPSC is strengthening and protecting the industrial base needed for mobilization surge and military unique items by helping these firms transfer their industrial expertise and production capabilities to commercial products. In essence DPSC is assuring the health of these firms in a declining military market by aiding them to find and take on commercial customers.

Military readiness and worldwide provider of choice falls within the DPSC Combat Readiness/Customer Response (CR squared) initiative, our research and development effort for the future. (As to military readiness, as of early Nov., DPSC has purchased approximately $113 million of food, clothing, and medical supplies in support of Haitian refugees, Cuban refugees, and the Haitian occupation by U.S. troops.)

DPSC is a recognized leader within the DoD for improved acquisition practices. We have been designated by DoD as a DoD demonstration center for

Electronic commerce. We are a pilot center within DoD to test for the effects of regulatory relief on acquisition price and competitiveness. DPSC recently held a Business Opportunity/Electronic Commerce Conference at the Philadelphia Convention Center. Guest speakers from DoD, the Office of Federal Procurement Policy, and the Kennedy School of Government, Harvard University all spoke to the "future is now" with respect to electronic commerce and that DPSC is at the forefront. Mayor Rendell had the opportunity to address the conference and add his respect for the work DPSC is doing.

DPSC is the receprient of several prestigious awards from both the federal government and the private sector. Currently we are a finalist for the "1995 Innovations in American Government Awards Program" sponsored by the Ford Foundation and Harvard University. We have recently won the Public Service Excellence Award, Federal Catagory, sponsored by the Public Employees Roundtable. We have won the Commander in Chief's Award for Installation Excellence Program for FY94. As a capstone to our achievements we have just recently won the Vice Presidential Hammer Award for Success in Reinventing Government through our Electronic Commerce Initiatives.

DPSC is also a major contractor with small business. Approximately 30% of the total DLA dollars awarded to small business comes from DPSC awards.

DPSC INITIATIVES:

Buy Response Vice Inventory: This is an umbrella term for all of our various initiatives. The main thrust is to get supplies to our customers faster (by using direct vendor delivery and commercial distribution systems) and cheaper (by avoiding holding costly inventory in our depot system). Direct Vendor Delivery accounts for almost 40% of DPSC's total sales. Some of the specific initiatives are as follows:

Prime Vendor: The Prime Vendor initiative at DPSC involves the use of existing commercial distribution and storage capability to deliver goods directly to our customers. We award the Prime Vendor contract and customers order from a list of items supplied by that Prime Vendor. Fill Rate is contracted to be at least 95% with 24 hour turnaround time.. Sales under Prime Vendor have exploded in our Medical commodity accounting for 24% of their total FY94 Sales and 49% of FY95 sales as of March 95. Subsistence is also moving rapidly into this area with expectations to implement prime vendor throughout the U.S. by 1997. (A further explanation of prime vendor is attached.)

Quick Response: Quick Response (QR) is a Clothing & Textiles initiative. QR uses electronic data interchange and just-in-time inventories to accurately forecast demand, shorten delivery times, and lower delivery costs. Point of sale data collection, ordering, and distribution are integral parts of this system.

Long Term Contracting: Long Term Contracting involves the elimination of one or more procurement cycles. Contracting in this manner saves manpower and shortens lead times - we have a contract in place when an item is requisitioned. Thus far in the fiscal year, long term contracts account for 70% of the total obligations in Subsistence, 82% in Medical and 50% for Clothing and Textiles.

Best Value Contracting:: Under this initiative our contracting officers assess offeror's technical proposals (with respect to specified discriminating factors) in addition to price - in essence price is not the sole determining factor in who receives the award. This methodology is used when its application makes good business sense and ensures we use reliable contractors with proven performance records to deliver quality products at the lowest possible overall costs.

Electronic Commerce (EC)/Electronic Data Interchange (EDI): All of the above initiatives were facilitated by our use of EC and EDI. All business transactions can be accomplished using EDI, be that in ordering, invoicing, and payment.. EC/EDI methods account for 77% of awards processed on Medical.

The above initiatives focused on saving our customers time and money. DPSC 's readiness mission is still foremost in our planning. For example, we have introduced a **Shared Production Initiative.** The thrust of this initiative is for DPSC to actively cultivate a base of vendors who are not totally reliant upon military contracts. Shared production uses partnerships between the Government, its producers and the commercial customers of those producers to maintain a warm industrial base for go-to-war items with minimum Government expenditures. At time of mobilization, the commercial customers forego production of their products in favor of the national defense effort.

Business Counseling Center: In our continuing quest to extend our vendor base (especially in the Small Business area) and spread the word about our commercial business practices, DPSC established an on-site Business Counseling Center. This center is the first of its kind within the Defense Department. Among other features, it provides suppliers and trading partners with detailed information and assistance needed to do business in a changing electronic environment. Other services include simulated business transactions, instructional video tapes, literature, software, and value added network (VAN) information. Over 1400 people have availed themselves of the business counseling services.

EFFECTS OF PRIME VENDOR as PERTAINS TO MEDICAL

The Medical Prime Vendor Program is DLA's first large scale effort to transfer $400 million of business from traditional depot stocked Government warehouses to the commercial sector. It utilizes existing industry systems and business practices, where the emphasis is on commercial distribution and customer satisfaction.

COST SAVINGS:

Savings at both the wholesale and retail level are occurring due to a number of factors. These include improved item pricing, inventory reductions, decreases in manpower, reallocation of full time equivalents, re-engineering of jobs, and reduced cost recovery factors.

ITEM PRICING: Cost savings are being realized from better pricing over that previously given to local purchase shops. These savings range from 5 to 30 percent overall since pricing under the Prime Vendor Program is set by DPSC based on our negotiated Distribution and Pricing Agreements with manufacturers. These documents set the ceiling price and distribution arrangement for member hospitals using the system. Because we have large volume purchasing power, we are able to get pricing significantly below average wholesale pricing.

INVENTORY REDUCTIONS: This is the most significant area of savings attributable to Prime Vendor. The responsibility for inventory management is shifted from the DLA to the Prime Vendor, and with it all the associated costs. It is estimated that inventory is held at up to seven discreet points in the DOD system; Prime Vendor eliminates these layers and provides service that allows customers to keep only several days stock on hand, usually right in the pharmacy.

DECREASES IN MANPOWER: Individual hospitals employ significant numbers of people as inventory mangers, buyers, contracting officers and clerks. Under Prime Vendor they are able to reduce the number of positions dedicated to inventory control, contracting, and bill paying, while improving the level of service they receive. Most impressive are the results of decreases

in manpower. Manpower savings in these areas are being used to fund additional positions for patient care where they are truly required. Several Medical Treatment Facilities have reported the re-engineering of jobs as a result of Prime Vendor. Figures are as high as 15% at some facilities.

REDUCTION IN LOSSES CAUSED BY EXPIRATIONS AND OVERSTOCKING: Expiration of material and overstocking occur primarily when an activity does not trust its supply system to meet its needs. The Prime Vendor system is dependable, and delivery occurs within 24 hours of order placements. When the users develop trust in the system, inventory levels will decline; in addition, Prime Vendor contracts allow for return of expired material and excess inventory.

REDUCED COST RECOVERY FACTOR: Since no inventory is held in DLA depots, the surcharge required to recoup costs associated with contracting, bill payment and customer support is significantly lower than that for depot stocked items. Savings for Base Commanders range from 5 to 15 percent; DPSC charges a very competitive 1% for our services. We have awarded contracts which discount distribution fees to us in option years, resulting in never before seen pricing arrangements for our customers.

IMPLICATIONS

Based on experience to date, significant reductions in inventory and manpower are expected to continue as additional medical treatment facilities are brought up, resulting in phenomenal savings and improved support at participating medical treatment facilities.

IMPROVED SERVICE: Prime Vendor provides excellent service with a minimum of work. Customers experience easier ordering and inventory control, less errors, lower prices, fewer out of stocks, emergency deliveries in six hours, real time confirmation of orders, customized reports, a 95% or better fill rate, 24 hour delivery service and bill payment by DPSC. This is a paperless system which utilizes existing commercial systems. Customers are enjoying the advantages of

electronic commerce, the most beneficial of which is attainment of just-in-time inventory.

CONTINUED SAVINGS: As more medical treatment facilities go to Prime Vendor, item prices will be driven downward and total savings will rise. Plans exist to enter into committed volume purchases on selected items once demand history is collected. This will result in even better pricing to member hospitals. Additionally, from a DoD perspective, as more hospitals join, savings increase on an incremental basis. Until all customers are on board, depot systems must remain in tact to service those customers. Existing supply systems can be significantly dismantled except for go to war capability when all MTFs are on the Program.