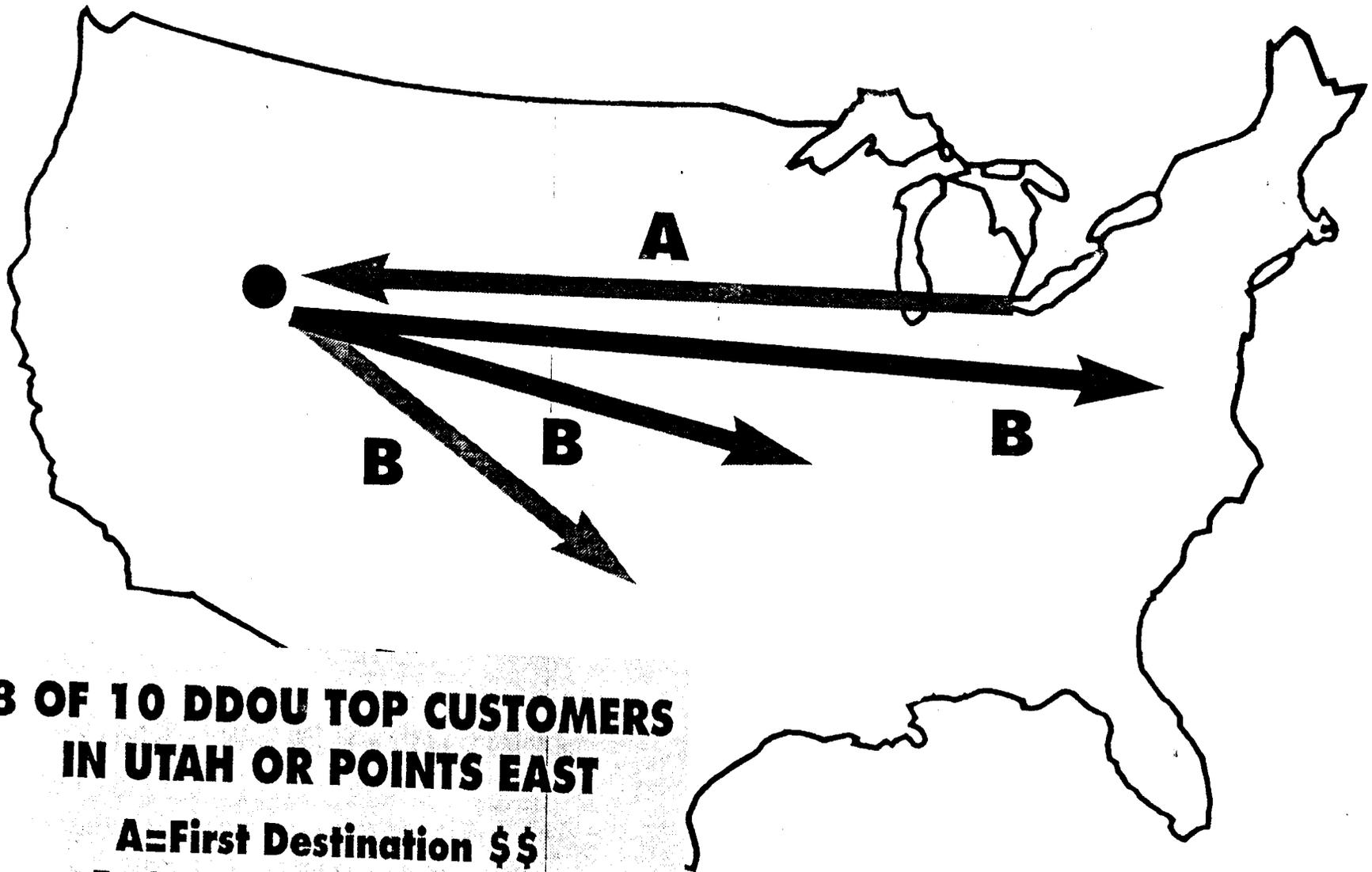


## DEPMEDS

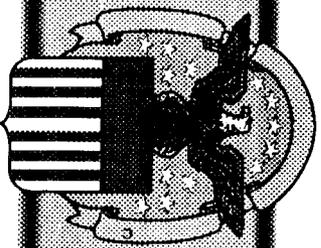
- \* **Major Army Medical Assembly Operation**
- \* **Plan To Relocate To Our Hill Depot Co-located With The Ogden Air Logistics Center**
  - \*\* *No Change In Personnel*
  - \*\* *Minimal Impact On Mission*
- \* **Army MEDCOM Concurs**

**Bottomline: Relocation Will Be Transparent To Customer**



**8 OF 10 DDOU TOP CUSTOMERS  
IN UTAH OR POINTS EAST**

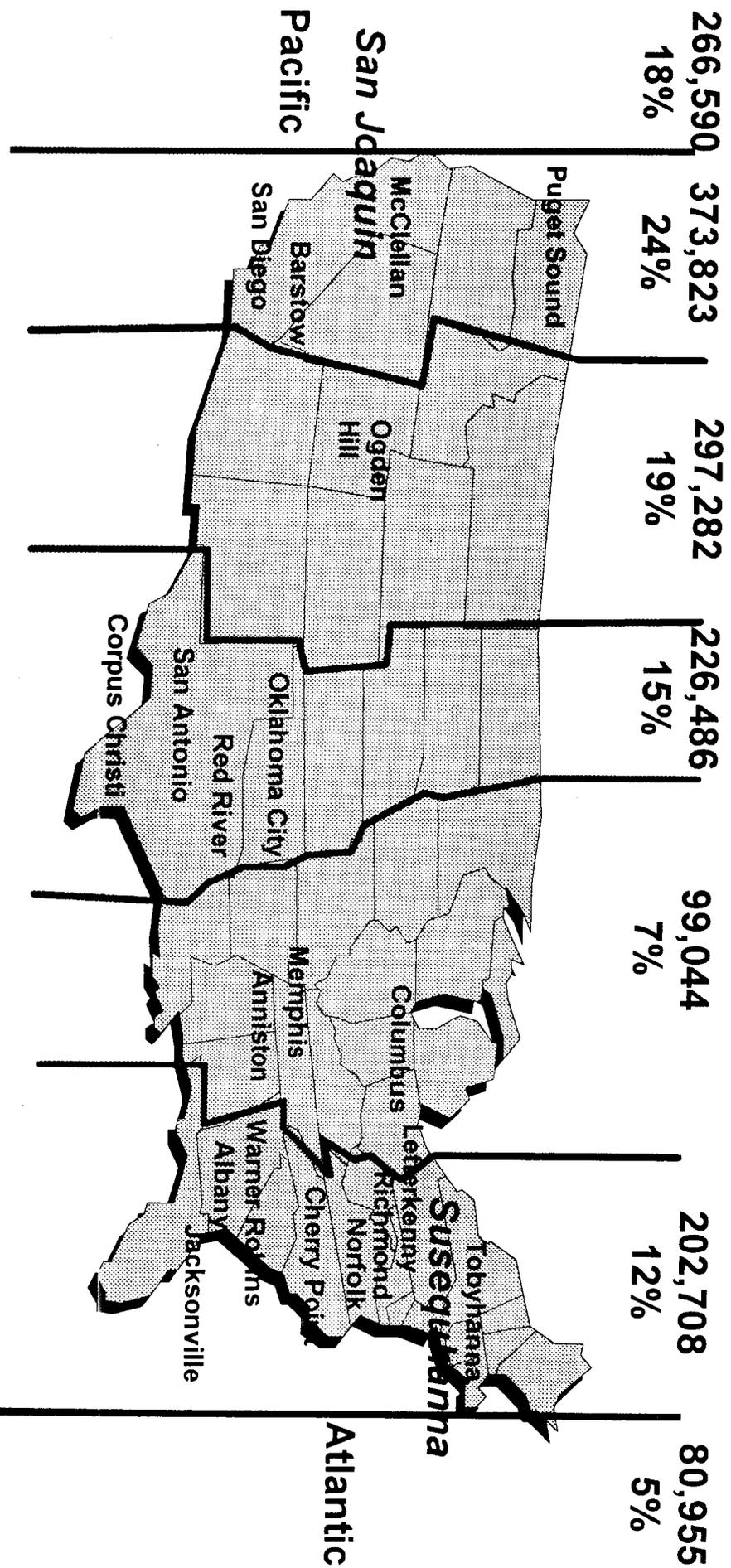
**A=First Destination \$\$**  
**B=Second Destination \$\$**

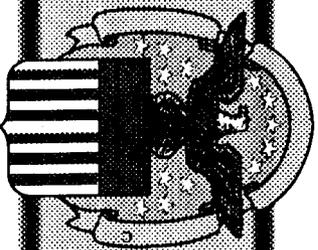


# Historical Customer Support

## Ogden

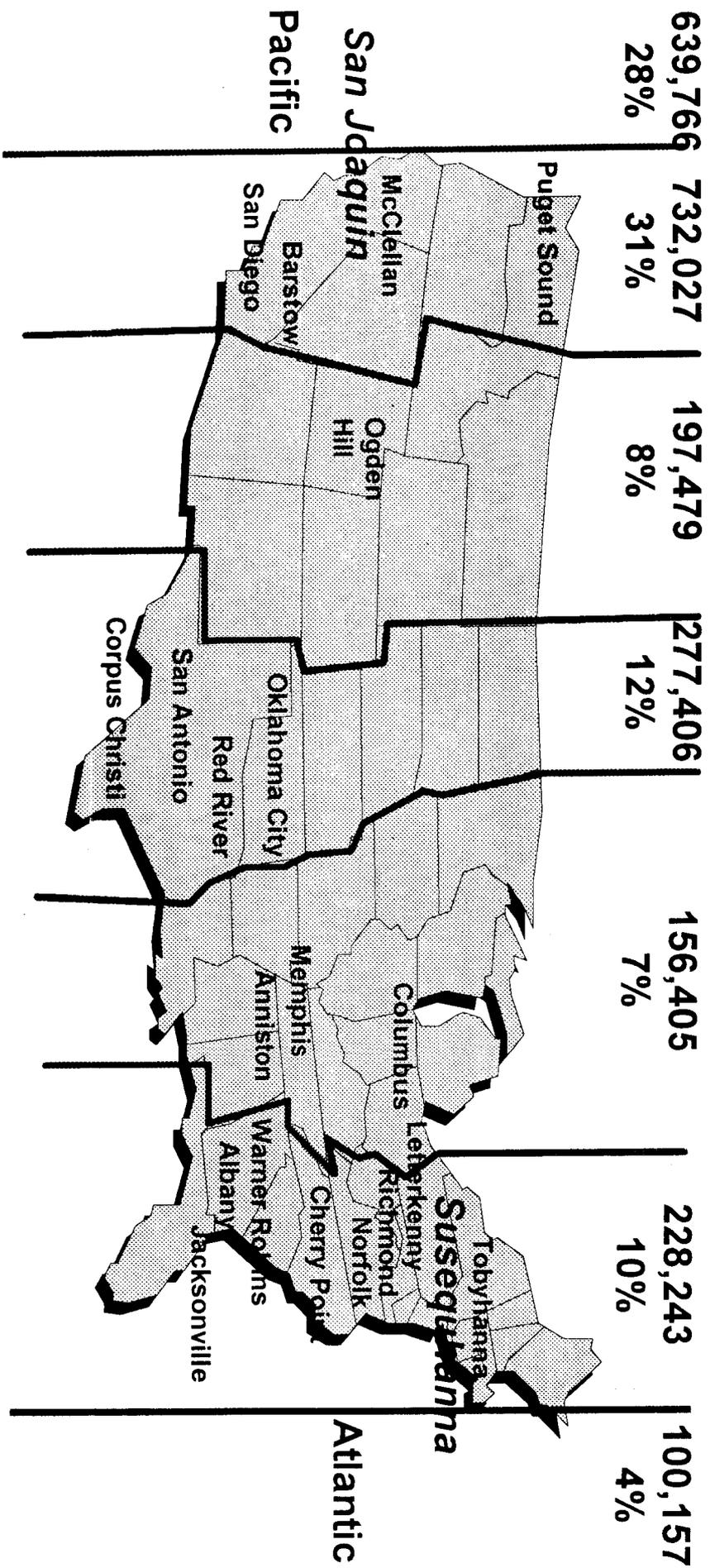
MRO's

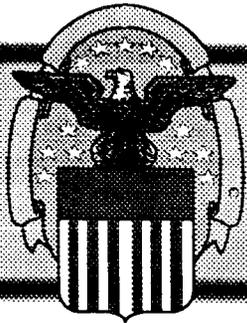




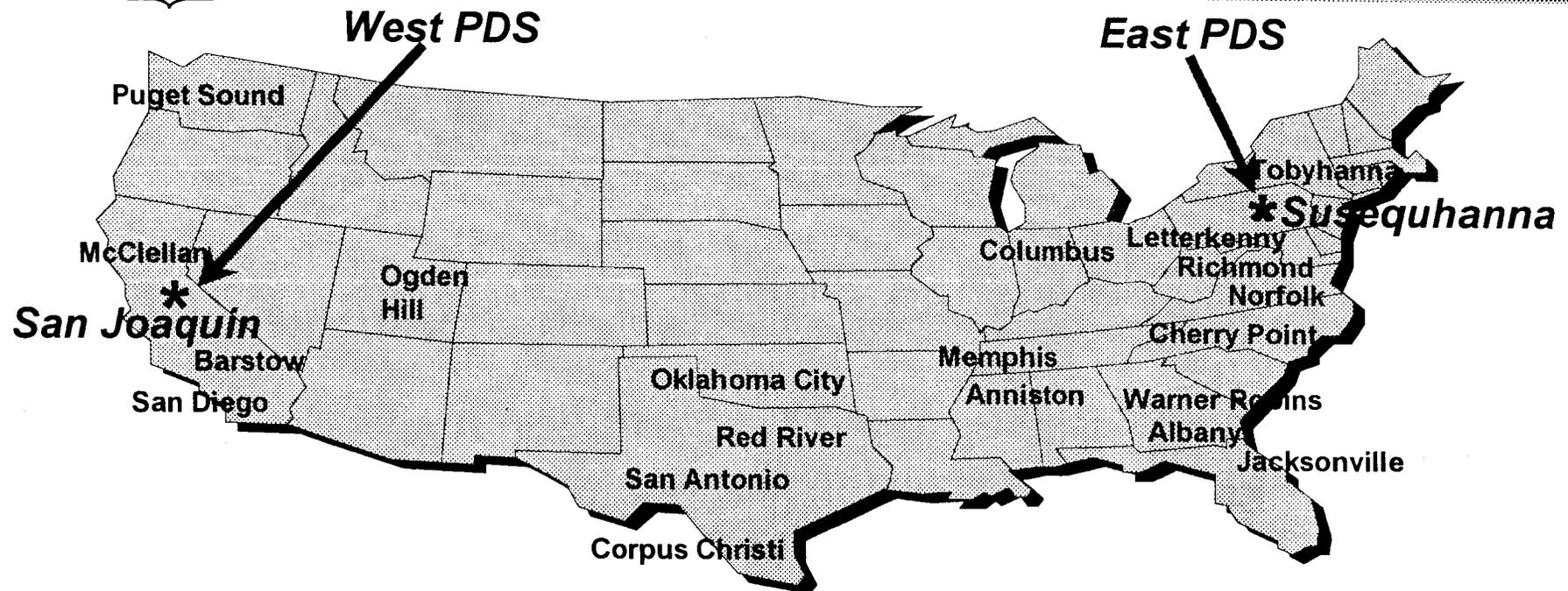
# Historical Customer Support San Joaquin

MRO's

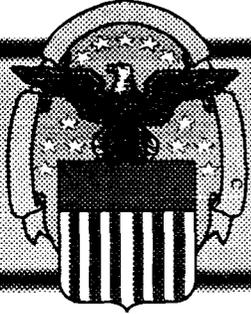




# DoD Distribution System Current Stockage Policy



***If Geographical Demand (100 Miles) Is Greater Than 5% Material Will Be Positioned At Co-located Depots. Material Requiring Special Handling (i.e. Inactive, Hazardous etc.), Will Be Stocked At Specialized Depots . All Other Support Provided Out Of PDS Based On Regional Demand***



# Summary

*Complied With Law*

*Used Correct Measurements*

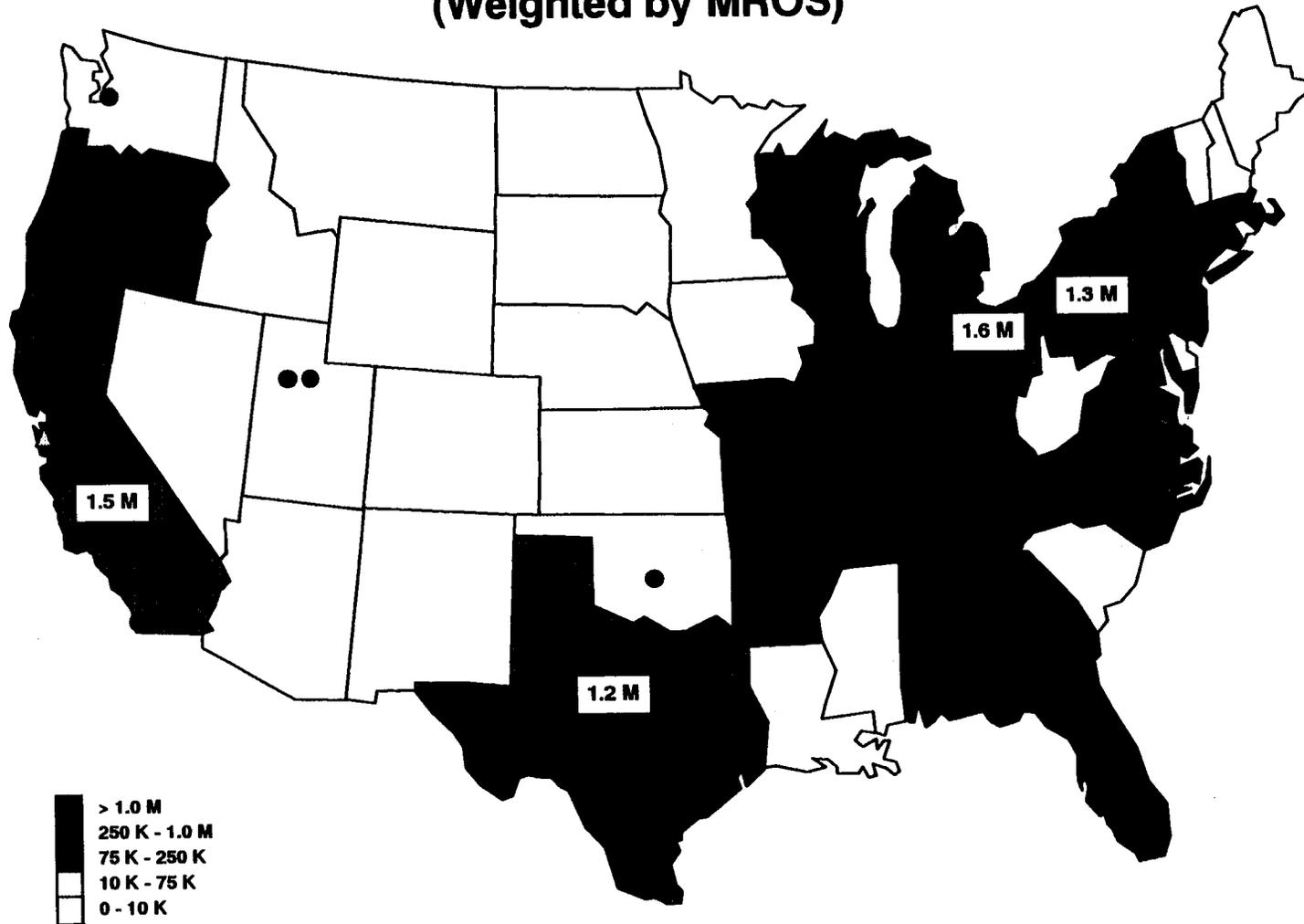
*Applied Correct Weights*

*Minimized Impact On DEPMEDS*

*Maximized Efficiencies With Proper Stock Positioning*

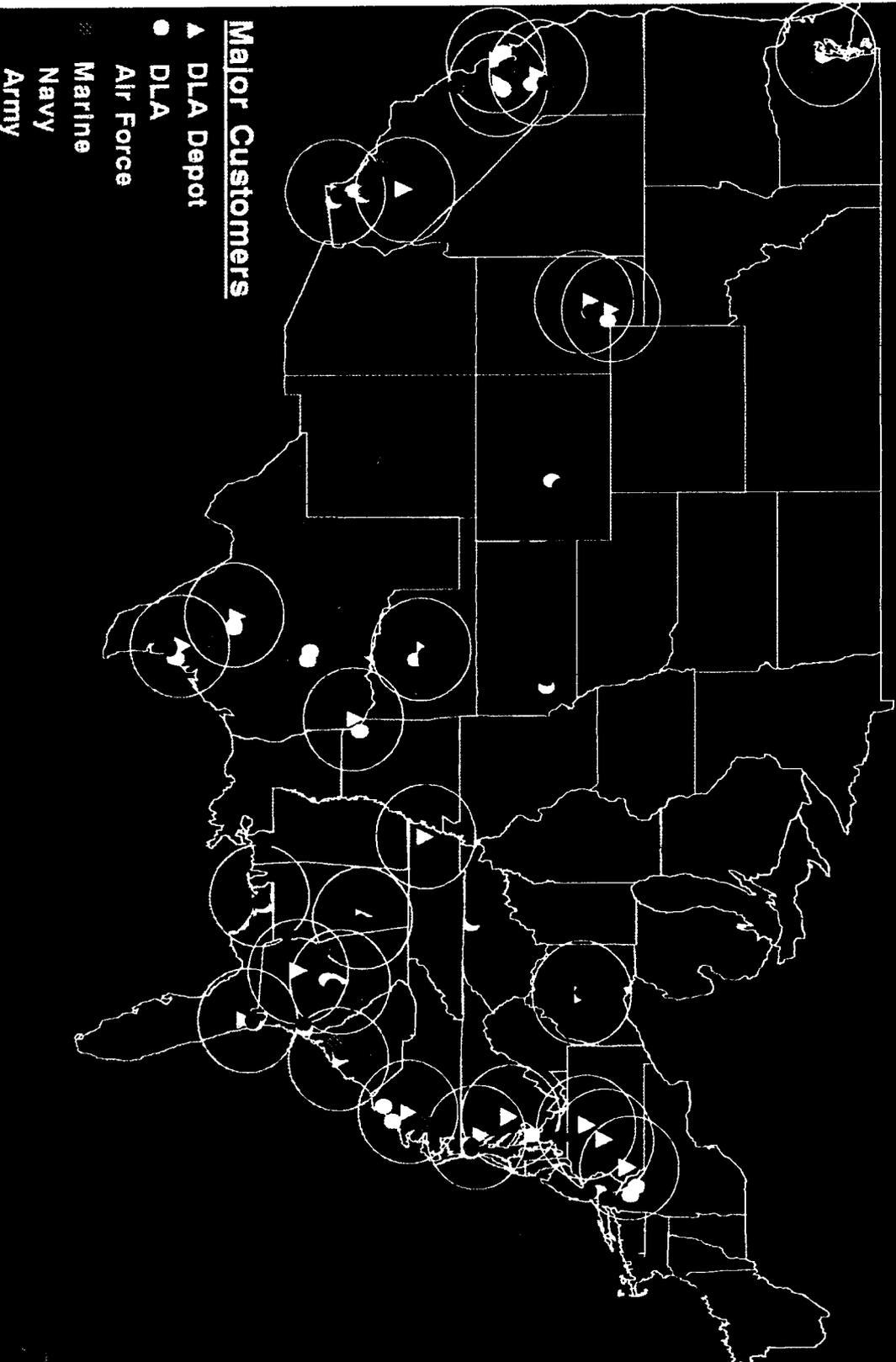
***Bottomline: Stand By Our Decisions***

## Vendor Locations for DLA Managed Items (Weighted by MROS)





# DLA DISTRIBUTION DEPOTS SUPPORT TO DOD MAJOR CUSTOMERS (100 MILE RADIUS)



**Department Of Defense**

**CONSOLIDATION  
OF  
SUPPLY DEPOTS**



**REPORT TO CONGRESS**

**JANUARY 1992**

**Office Of The Assistant Secretary Of Defense**

**(Production and Logistics)**

# Consolidation of Supply Depots Report to Congress

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# SUPPLY DEPOT CONSOLIDATION REPORT TO CONGRESS

## CHAPTER 1 - INTRODUCTION

### A. Background

In response to the President's request for management improvement, the Secretary of Defense initiated a Department-wide management review and documented the finding in the Defense Management Report (DMR). The DMR represents a sustained, long-term effort to streamline the Department's management and achieve the improvements the President is seeking. An initial set of these initiatives was incorporated into the Fiscal Year 1991 Defense Budget Review in the form of Defense Management Report Decisions (DMRDs). One of these initiatives was DMRD 902, the decision to study the consolidation of Defense supply depots under a single manager.

One of the most important events during 1990 was the decision, that resulted from the study, to consolidate all DoD distribution activities under the Defense Logistics Agency (DLA). There are 30 supply non-ammunition depots in the Continental United States, operated by three Military Departments and the Defense Logistics Agency, providing supplies to all components of the Department. These supply depots are comprised of 3,400 warehouses, with over 30 million gross square feet of storage space for general supplies. A number of these depots are within 50 miles of each other, and a small number are within 10 miles of another depot. The supply depot consolidation study found that the duplication of distribution management resulting in the fragmentation of responsibilities and control of resources provided significant opportunities for management and operational efficiencies through the consolidation of supply depots under a single manager.

Therefore, on April 12, 1990, the Deputy Secretary of Defense approved the consolidation of materiel distribution functions at defense supply depots, and directed the implementation of the Bay Area Prototype (BAP) and the immediate planning for the consolidation of the remaining supply depots. The Deputy Secretary also directed that the Assistant Secretary for Production and Logistics (ASD(P&L)) oversee this effort and issue the necessary implementing instructions.

The ASD(P&L), in his April 13, 1990, memorandum, directed DLA to initiate implementation of the BAP by July 1, 1990, and by October 1, 1990, submit a business-oriented concept plan to achieve the goals of

the Deputy Secretary's decision, and two additional site specific plans for the consolidation of distribution functions in the Ogden, Utah and New Cumberland, Pennsylvania areas.

The BAP (the consolidation of the supply depots in the San Francisco Bay/Sacramento area) under the management of the DLA was initiated in July 1990. The distribution functions at three of the five sites in the BAP (Defense Depot Tracy, Sharpe Army Depot, and the Naval Supply Center Oakland) transferred to DLA management in July 1990. The remaining two, Sacramento Air Logistics Center and Sacramento Army Depot, transferred to DLA in April 1991. Additionally, an Independent Evaluator (IA) was established to evaluate the performance and savings/costs of the BAP.

The consolidation of supply depots under one manager represents a major change in the historic business practices of the Department and, as such, met with strong resistance from the Military Services. The concept was the subject of intense debate within the Department during the summer and fall of 1990. After numerous meetings with the Military Services to discuss their concerns, on December 19, 1990, the ASD(P&L) approved the overall supply depot concept plan, and the Ogden and New Cumberland/Mechanicsburg site-specific plans for implementation during 1991. The approval of these plans set the process in motion for the DLA to assume the management and operation of 13 of the 30 depots by October 1991. The depot specific consolidation schedule for the remaining 17 depots, to occur during 1992 and the first half of 1993, was deferred pending further deliberations with the Military Services.

On March 4, 1991, the Deputy Secretary of Defense reaffirmed his initial decision, stating that he had reviewed the Military Service concerns and found nothing to cause him to change the fundamental direction of his April 12, 1990, supply depot consolidation decision. The final adjustments to the transfer schedule were negotiated among DLA and the Military Services, and on July 2, 1991, the ASD(P&L) signed out the final schedule for the transfer of depots during Calendar Years 1992 and 1993. The last of the 30 depots is scheduled for transfer in June 1993.

This significant initiative will save the Department an estimated \$1.2 billion over the period 1991 through 1997, and \$167 million every year thereafter. The savings will occur through more efficient operations while preserving fully the Department's materiel readiness objectives.

## **B. Congressional Requirement**

While no one has successfully challenged the merits of consolidation, the schedule of the consolidations continues to be debated both inside and outside the Department. Some have pointed to

the success of the early consolidations and suggested that the benefits of consolidation would accrue faster if the consolidation schedule were advanced. Others, including the Congress, have expressed the concern that the supply consolidation initiative is proceeding at too rapid a pace. This Congressional concern was expressed in the National Defense Authorization Act For Fiscal Year 1992 (Public Law 102-190). Specifically, Section 313 requires that the Department submit a report to Congress prior to executing any consolidations beyond those identified in the legislation. The required report is to provide an analysis of the supply depot consolidations that occurred through Calendar Year 1991 and document that automatic data processing support is in place to support the consolidation effort. Section 313 of Title III of the United States Code (U.S.C.) states:

SECTION 313. LIMITATION RELATING TO CONSOLIDATION OF SUPPLY DEPOTS

(a) **LIMITATION.** -- The Secretary of Defense may not proceed with the consolidation of supply depots under decision 902 of the Defense Management Review (or any successor of that decision) until the Secretary:

- (1) completes an analysis of the results of the supply depot consolidations referred to in subsection (c);
- (2) makes a determination that an automatic data processing system in the Department of Defense for the consolidation of supply depots is developed and operational and meets the requirements of the Military Departments; and
- (3) submits to Congress a report describing the basis and results of the analysis under paragraph (1) and a determination under paragraph (2).

**ELEMENTS OF ANALYSIS.** -- The analysis required by subsection (a)(1) shall include:

- (1) a determination of the cost savings associated with the supply depot consolidations referred to in subsection (c); and
- (2) an assessment of the effect of those consolidations on the ability of the Military Departments to provide mission support.

(c) **EXCEPTION.** -- Notwithstanding subsection (a), the Secretary of Defense may proceed with--

- (1) the consolidation of the Mechanicsburg, New Cumberland, Ogden, and Red River supply depots; and

(2) any consolidation of supply depots made as part of the Bay Area Regional prototype before the enactment of this Act.

### C. Report Organization

This document constitutes the report required to be submitted to the Congress prior to proceeding with the Department's approved consolidation schedule. Chapter 1 provides a brief chronology of the supply depot actions to date and the Congressional reporting requirement satisfied by the balance of this report. Chapter 2 discusses supply depot consolidation goals and objectives, the management structure and concept of operations, and the current status and schedule. Chapter 3 satisfies the analysis requirements called for in the Congressional reporting requirement by providing the analysis of the cost/savings and performance of the supply depots consolidated through November 1991. Chapter 4 satisfies the Congressional requirement regarding the availability of automatic data processing system support to the consolidation effort. Chapter 5 provides a brief executive level recap of the previous chapters.

# SUPPLY DEPOT CONSOLIDATION REPORT TO CONGRESS

## CHAPTER 2 - SUPPLY DEPOT CONSOLIDATION OVERVIEW

### A. Goals and Objectives

Prior to the consolidation initiative, the DoD supply depot system was not a single distribution system but several systems, interconnected by the Defense Logistics Standard Systems (DLSS). For the most part they operated independently. Each of the four Services and the Defense Logistics Agency (DLA) managed its own depots; each had its own management and overhead structure; each developed and maintained its own computer systems for operations and management; and each developed and prioritized its own facilities modernization and construction projects. Many of the depots, while owned and/or managed by different DoD Components, are located in close proximity to one another; however, cooperative integration has been minimal. While each Component has made substantial progress in optimizing its own operations to provide efficient and responsive customer service, the system as a whole is duplicative and sub-optimal. Figure 2-1 shows the 30 depots and the manager/operators prior to the supply depot consolidation initiative.

The primary goal of the supply depot consolidation initiative is to place all the supply depot resources performing distribution functions under a single manager, to facilitate optimal Department-wide management and operational distribution decisions. For purposes of the supply depot consolidation initiative, distribution is defined as all actions involving the receipt of new procurement, redistributions and field returns; storage of materiel; issue of materiel; consolidation and containerization of materiel; preservation, packaging, packing and marking; physical inventory; quality control; traffic management; other transportation services; unit materiel fielding and set assembly/disassembly; transshipment; and minor repair.

The specific objectives of the supply depot consolidation are to:

- Consolidate materiel distribution functions at defense supply depots under a single manager so that overall

performance is maintained or improved while reducing the overall costs of distribution operations.

- Identify and institutionalize standard policies and procedures that will minimize the number of receiving, packing, and shipping points.
- Maximize the utilization of DoD facilities and installations to accomplish the most efficient use of storage space and future facilities investments.
- Utilize of resources, such as manpower and equipment more efficiently throughout the Department.
- Consolidate materiel stocks at the minimum number of primary distribution sites, resulting in reduced packaging costs and greater shipment and transportation consolidation.
- Reduce overhead and indirect support of the distribution functions.
- Achieve more effective DoD-wide long term distribution planning and acquisition of warehouse facilities, equipment, consolidation/containerization points, and transportation hubs, considering the total DoD requirements and available assets.

It should be pointed out that these objectives cannot be fully met until all the depots in the consolidation initiative are under the single management of the DLA. When the functional transfers are complete, the single manager will have the ability to make and execute optimal DoD-wide distribution decisions.

In addition to the management and operations objectives described above for the supply depot consolidation initiative, the Department has another initiative underway, the Corporate Information Management (CIM) initiative. The computer system being developed under the CIM initiative to support activities performing distribution functions complements the management and operation supply depot consolidation initiative; however it is not a prerequisite. The savings obtained through the fulfillment of the supply depot consolidation objectives are not dependent on the development and deployment of a standard computer system. The CIM effort and its relationship to the supply depot consolidation initiative are discussed in Chapter 4 of this report.

## B. Management Structure & Concept of Operations

Department-wide policy guidance on distribution matters will continue to be issued by the Office of the Secretary of Defense. The Director, Defense Logistics Agency (DLA) and his headquarters staff will have the overall management, resourcing, and oversight responsibility for the thirty supply depots within the supply depot consolidation initiative. The DLA will operate the distribution system under a region concept with each region having three types of storage depots.

The concept calls for three regional headquarters, Defense Distribution Region East (DDRE), Defense Distribution Region Central (DDRC), and Defense Distribution Region West (DDRW). The three region configuration is based on meeting the administrative requirements to manage a large number of disbursed distribution sites, while minimizing the overhead costs and maintaining an even workload distribution among the regions. All administrative overhead including resourcing and operational support, as well as providing the distribution procedures for all the distribution sites in the region, is located at the regional headquarters. The regional headquarters is composed of the Regional Commander and his staff. The regional headquarters is responsible for implementing standard DoD-wide policy, regional stock positioning agreements, establishing a stock management plan, developing and executing the regional budget, maintaining and repairing facilities, and executing military and civilian personnel actions.

In order to evolve to the most effective distribution system, there will be three types of supply depots: Primary Distribution Sites, Specialized Distribution Sites, and Satellite Warehouse Sites.

Primary Distribution Sites (PDSs) are the major distribution sites within each region that has the primary wholesale consumable item shipping, receiving, and freight consolidation hub for the region. The regional headquarters is collocated with the Primary Distribution Site. The criteria for the location of primary distribution sites are; location of customers and vendors, transportation hub, current capability, throughput capacity, and potential expansion capacity. The concept envisions that items with a high velocity demand be positioned in the primary distribution sites so that labor saving equipment can capitalize on the economies of scale to reduce handling cost and be consolidated into efficient shipment and transportation units. The PDS for the DDRE is the Susquehanna Primary Distribution site, which is comprised of the merger of what was formerly the Defense Depot Mechanicsburg and the New Cumberland Army Area

Oriented Depot. The PDS for the DDRC is the Memphis Primary Distribution Site. The PDS for the DDRW is the San Joaquin Primary Distribution Site, which is comprised of the merger of what was formerly the Defense Depot Tracy and the Sharpe Army Area Oriented Depot.

Specialized Distribution Sites (SDSs) are locations within the region that satisfy specialized stockage requirements such as large bulk items, steel, subsistence, hazardous items, reparable and Service retail materiel, as well as providing support to major collocated depot level maintenance industrial operations. There are fifteen SDSs: five in the Eastern Region, six in the Central Region, and four in the Western Region.

Satellite Warehouse Sites (SWSs) are facilities that are extensions of another distribution site. They will be used primarily to store reparable and inactive wholesale materiel, and to support local depot level maintenance industrial operations.

Figure 2-2 shows the location of the regional boundaries, regional headquarters, and the Primary, Specialized, and Satellite Distribution Sites. *As indicated, missions, and relationships*

*center around the depot, mission, relationships*

The basic relationships among customers, Inventory Control Points (ICPs), and supply depots will be maintained. Customers having a requirement for an item of supply will continue to electronically transmit the requirement to the ICP, which will decide how to best satisfy the requirement. The Defense Automated Addressing System takes care of electronically routing the requirement to appropriate ICP, therefore, the customer need not know which ICP manages that item. The ICP may satisfy the customer's requirement by a direct vendor delivery, lateral retail redistribution, or issue from a distribution site. If the decision is to issue materiel from a distribution site the ICP will electronically transmit a Materiel Release Order to the appropriate distribution site. All receipt, issue, inventory, and shipment status logistics business information will continue to be transmitted between ICPs, customers, and distribution sites, using the institutionalized standard electronic data interchange formats, data definitions and procedures.

### C. Consolidation Status and Schedule

The foundation of the supply depot consolidation initiative is the business oriented plan and schedule which seeks to maximize management and operational efficiencies, maintain or improve performance, and minimize system and personnel turbulence. The plan

entails a logical sequence of actions: the establishment of the regional management structure in each region, establishment of the Primary distribution activities, orderly transfer of Service supply depot distribution missions to the Regional Command, merger of supply depot activities that are in close proximity, conduct of studies/analyses for improved operations, execution of operational changes, and deployment of a standard computer to support supply depot information management requirements. This evolutionary approach allows management and operational personnel to become accustomed to new business methods gradually without traumatizing the system or personnel.

The first supply depot distribution functions and personnel to transfer to DLA were those of the Naval Supply Center Oakland and the Sharpe Army Area Oriented Depot, which occurred in June 1990 along with the establishment of the Defense Distribution Region West (DDRW) Headquarters. These initial transfers along with the Defense Depot Tracy, all in the San Francisco Bay Area, formed the nucleus of the Bay Area Prototype (BAP). The BAP is composed of the five supply depots in the San Francisco Bay/Sacramento area: two Army, one Navy, one Air Force, and one DLA. Due to their close proximity and capacity to handle large volumes of throughput the Defense Depot Tracy and Sharpe Army Area Oriented Depot were merged operationally to form the San Joaquin Primary Distribution Site for the western region. The Army and Air Force supply depot distribution functions were transferred to DLA in April 1991. The BAP was selected as the prototype area for the consolidation initiative because it provided the unique opportunity to deal with supply depots previously managed by four of the five DoD Components that were all located in close proximity. This enabled the consolidation initiative to gain valuable experience while minimizing the effects on the total distribution system. The BAP is also the area selected for prototyping the Defense Standard System which is discussed in Chapter 4 of this report.

In April 1991, the Eastern Distribution Regional Headquarters was established and the New Cumberland Army Depot was transferred to DLA and merged with the Defense Depot Mechanicsburg to form the Susquehanna Primary Distribution Site for the eastern Region. In October 1991, the Central Distribution Regional Headquarters was established at the Defense Depot Memphis and the Red River Army Depot distribution mission was transferred to DLA. Additionally, the distribution mission at the Ogden Air Logistics Center was transferred to DLA and merged with the Defense Depot Ogden in October 1991. As of the end of calendar year 1991, all three Regional Headquarters have been established and 13 of the 30 general supply depots are under DLA management.

Planning for the remaining transfers is on track; nine Service general supply distribution functions are planned for transfer in calendar year 1992 and the remaining eight by the end of June 1993. The current approved schedule for the transfer of the distribution functions at the remaining Service supply depots is show below.

<u>Milestone Action</u>	<u>Transfer Date</u>
Merge Cherry Point Distribution into DDRE	Feb 92
Merge Pensacola Distribution into DDRC	Mar 92
Merge Jacksonville Distribution into DDRC	Apr 92
Merge Warner Robins Distribution into DDRC	Jun 92
Merge San Antonio Distribution into DDRC	Jul 92
Merge Puget Sound Distribution into DDRW	Aug 92
Merge Oklahoma City Distribution into DDRC	Aug 92
Merge San Diego Distribution into DDRW	Sep 92
Merge Charleston Distribution into DDRE	Nov 92
Merge Letterkenny Distribution into DDRE	Feb 93
Merge Corpus Christi Distribution into DDRC	Feb 93
Merge Tooele Distribution into DDRW	Feb 93
Merge Tobyhanna Distribution into DDRE	Mar 93
Merge Barstow Distribution into DDRW	Mar 93
Merge Albany Distribution into DDRC	May 93
Merge Anniston Distribution into DDRC	Jun 93
Merge Norfolk Distribution into DDRE	Jun 93

This chapter has provided a brief summary of the background of the depot consolidation initiative, its goal and objectives, what actions have occurred, and those that are planned. The next chapter provides an analysis of how well the objectives are being met.

# SUPPLY DEPOT CONSOLIDATION REPORT TO CONGRESS

## CHAPTER 3 - PERFORMANCE EVALUATION

The Deputy Secretary of Defense decision to consolidate the management and operations of supply depots performing general distribution missions was predicated on an analysis that indicated that significant efficiencies could be obtained and mission performance could be maintained or improved. This chapter looks at the results obtained to-date.

### A. The Baseline

The projected cumulative Fiscal Year 1991-1997 savings for the supply depot consolidation initiative for was \$1.2 billion, with reoccurring annual savings of \$167 million each year beyond 1997. The savings were projected using the Fiscal Year 1990 column of the Presidents Budget as of the end of September 1989. Approximately 70 percent result from efficiencies that will allow the entire supply depot system to maintain performance while reducing personnel end strength by approximately 5,500. The projected savings, by year, are shown in Table 3-1.

Table 3-1

PROJECTED SAVINGS AND END STRENGTH REDUCTIONS							
SAVINGS (IN MILLIONS OF FY90 DOLLARS)							
	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
Yearly	35.7	90.8	251.4	258.1	248.1	167.0	167.0
Cumulative	35.7	126.5	377.9	636.0	884.1	1,05,1	1,218.1
END STRENGTH							
	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>
Yearly	441	1,317	2,016	1,726	386	0.0	0.0
Cumulative	441	1,758	3,774	5,114	5,500	5,500	5,500

The preponderance of the savings during the period \$837.7 million result from improved efficiencies of operations such as, reducing redundant item stockage, efficient facilities utilization, reducing the number of receiving and consolidation and containerization points, and reducing the overall management overhead through the

management structure. The balance of the savings \$381.1 result from reduced Military Construction (MILCON) requirements brought about by effective DoD-wide facilities utilization. The MILCON projected savings are being scrubbed since some facilities are in obvious need of investment in order for them to contribute to the total system efficiency. Additional benefits will be derived from reduced transportation costs (due to increased shipment consolidation) and deployment of the CIM distribution system; however, these savings are attributed to other Defense Management Report Decisions (DMRD 915 and DMRD 925 respectively) and are therefore not part of this analysis.

The baseline for performance evaluation is also September 1989. The key performance measures, their definitions and significance are described below. The baseline, pre-consolidation and post-consolidation values are analyzed in each of the regional sections.

**DLA needs to prepare these paragraphs:**

- *We have a large number of choices that can be made, with regard to performance measures.*
- *I suggest that we pick no more than five key measures.*
- *We ought to identify the performance as of September 1989, performance at time of transfer and our experience since the transfer.*

The balance of this chapter is organized by Defense Distribution Region. Each region's section identifies the supply depots within the region, the net savings that occurred (both in terms of dollars and end strength), and an evaluation of the key performance measures.

**DLA will prepare a draft of the following Sections:**

- *Each section should provide a brief description of the region, followed by paragraphs on cost/savings, personnel reductions, any near term actions that will give the reader a warm fuzzy feeling about the future of the consolidation effort.*
- *The regional writeups should be within 6 pages in length total (Sum of Sections B., C., and D.) The DDR sections don't need to be balanced in length, i.e., DDRW can be longer than others since it is where we have the most experience.*
- *In the DDRW section we'll want to talk about Oakland and the fact that the significant systems turbulence experienced while attempting to bring up DDS caused performance to be degraded --- but we don't want to dwell on this or over do it.*

- *May want to say something like the following with regard to NSC Oakland/DDS.*
- *We can include Appendices, but I'd prefer to avoid it if we can. Let's not provide any more detail than we have to.*

The efforts to obtain initial operating capability of the DDS at NSC Oakland required that Oakland undergo more hardware, software and communications changes within a six month period than most activities experience in six years. The Defense Distribution System design team encountered disparities between data and transaction structures used by modules of the systems being integrated into the Defense Distribution System. The problem revealed by the DDS effort is not in the context of communication among systems but rather in the context of communication among subsystem modules of one system being integrated with subsystem modules of another system. The several modules which make up the DDS were essentially sections of larger systems which were not required to use DLSS transactions internally.

The difficulties in linking the several modules of the DDS stem from the differences in the inter-module communication processes used by the different Service and Agency systems from which the modules were taken. The most important lesson learned from the DDS development effort is that these interfaces can be developed and accomplished successfully, and that, while this issue presents a challenge, it certainly should not be seen as an insurmountable roadblock on the path to standard systems and integration of these systems. In fact the DDS experience has proven that these problems can be solved.

## **B. Defense Distribution Region West**

## **C. Defense Distribution Region East**

## **D. Defense Distribution Region Central**

## **E. Summary and Expectations**

*This Paragraph should be a summary of the cost/savings and performance experience to date, major actions that DLA will be pursuing to obtain the anticipated savings/efficiencies.*

# SUPPLY DEPOT CONSOLIDATION REPORT TO CONGRESS

## CHAPTER 4 - INFORMATION MANAGEMENT

### A. Introduction

This chapter deals with the Defense Management Report (DMR) Corporate Information Management (CIM) initiative. The CIM is a concurrent initiative which complements other DMR initiatives including the supply depot consolidation initiative discussed in Chapter 2. Like supply depot consolidation, the basic goal of the CIM is to bring about greater economies and efficiencies in the information systems area by eliminating duplication and consolidating the information systems resources that support of a given functional area. This chapter discusses CIM in relationship to the logistics functional areas and specifically the distribution function.

### B. Current Environment

The acquisition, management, movement, and maintenance of the DoD materiel inventory (\$336 billion in on-hand assets of 5 million different items of supply) is the business of DoD logistics. To perform this business requires a monumental amount of information. Approximately 2.25 billion electronic transactions move through the DoD logistics system each year. Over 150,000 organizations (both internal DoD and external civil agencies, contractors, and foreign governments) generate, receive, and process logistics transactions within the DoD system. Large volume automatic data processing (ADP) capabilities are employed in the management of the DoD logistics information interchange.

The movement away from manual control of the logistics process began in the 1950s driven by rapid technological evolution of military materiel. Numbers of items in the system increased as management of each item and relationships between items became more complex. The boundaries of logistics information automation were set by ADP capabilities of the 1950s and 1960s: limited capacity computers (by today's standards), fixed-size transactions (eighty-position Electronic Accounting Machine (EAM) formats), and constrained digital communications capabilities. These limitations restricted the logistics operational universes to the scale of the separate Military Services and Agencies and in many cases to subdivisions within the Services/Agencies.

Logistics automated information systems of the 1980s were the evolutionary products of the systems concepts of the 1960s. Although the basic functions performed by the systems are the same in all Services/Agencies, variations in Service/Agency environments and operational doctrines combined with varying technological choices to result in differing hardware and software solutions. Each of the Services/Agencies responsible for large scale logistics functions operates a variety of major ADP processing systems. The Defense Logistics Standard Systems are the bridge that makes cross-Service/Agency system transmission of logistics business information possible despite the differences in computer hardware and software. As stated previously, the processes employed to perform logistics functions are nearly identical regardless of the Service/Agency activity performing the function. This commonality of function and methods is driven by the Office of the Secretary of Defense policy and procedural issuances.

### C. Defense Logistics Standard Systems (DLSS)

The DLSS are not a computer system, they are the mandatory standard procedures which specify codes, definitions, forms, transaction formats, timeframes, and performance standards that provide the standard business language for logistics functions.

The importance of internal and cross-Service/Agency digital communications to the logistics process was recognized early in the period of initial automation. The largest and most enduring of the early standardization initiatives has been the Defense Logistics Standard Systems (DLSS) (originally called the Military Standard Systems (MILS)). Beginning in 1962 with the establishment of the Military Standard Requisitioning and Issue Procedures (MILSTRIP), which replaced 16 different requisitioning systems then in use, the DLSS have evolved to form the core of the functional processes in logistics and exchange of information between the computer systems of the activities performing those functions. A brief summary of the DLSS is provided below.

- MILSTRIP (Military Standard Requisitioning and Issue Procedures) - requisitioning, supply advice, supply status, materiel issue, and materiel returns and redistribution procedures.
- MILSTRAP (Military Standard Transaction Reporting and Accounting Procedures) - wholesale inventory balance segmentation, inventory balance information exchange, update of accountable and custodial records, interface of the supply system with the financial and procurement systems, logistics reassignments, DoD Small Arms Serial Number registration, Special Program Requirements, Logistics Asset Support Estimates, War Reserve Materiel Requirements, and the Physical Inventory Control Program.

- MILSTAMP (Military Standard Transportation and Movement Procedures) - procedures for the transportation and movement of materiel to, within, and beyond the Defense Transportation System (DTS), use of Transportation Account Codes (TACs) in charging for materiel movement through DTS.
- MILSBILLS (Military Standard Billing System) - procedures for interfund billing, adjustments, reimbursements, and accounting for sales of supply system materiel.
- MILSCAP (Military Standard Contract Administration Procedures) - procedures for automated contract data exchange, destination acceptance and contractor payment information, modifications, shipments, and contract closings.
- MILSPETS (Military Standard Petroleum System) - standard procedures governing the exchange of logistics information for bulk petroleum products.
- RODs (Reports of Discrepancy) - standard procedures for reporting and processing shipping and packaging discrepancies.
- MILSTEP (Military Supply and Transportation Evaluation Procedures) - standard procedures for reporting and measuring supply and transportation system performance through the total pipeline.
- DoDAAD (Department of Defense Activity Address Directory) - a standard address coding structure and information repository for all activities, government and commercial, involved in the DoD logistics process.
- MAPAD (Military Assistance Program Address Directory) - a standard address coding structure and information repository for all activities, government and commercial, involved in Foreign Military Sales (FMS) and Military Assistance Program (MAP) Grant Aid programs.
- LOGDESMAP (Logistics Data Element Standardization and Management Program) - procedures for the standardization and management of logistics data elements and related features including maintenance of an on-line standard data dictionary/directory - the Logistics Data Resource Management System (LOGDRMS).
- DAAS (Defense Automatic Addressing System) - the central electronic message routing and value added data processing center serving most of the functional logistics processes.
- ILCS (International Logistics Communications System) - provides on-line communications and data processing capabilities with

various foreign nations and contractors with 87 installations in 35 different countries.

Use of the DLSS is mandatory; therefore, the computer systems developed over the years by the DoD Services/Agencies transfer logistics business information back and forth irrespective of the manufacturer of the computer hardware, the application language used, or the design activity that developed the application software.

Logistics systems standardization must occur in four essential subdivisions: functional applications processing, communications, data/information structure rules, and the interface between human activities and information processing systems. The first subdivision is addressed by DoD level policy and procedural issuances, and the last three of these subdivisions are being addressed in varying degrees by three major ongoing initiatives: Electronic Data Interchange (EDI), Modernization of the Defense Logistics Standard Systems (MODELS), and Computer Aided Acquisition and Logistics Support (CALs).

EDI and CALs address the issue of data/information structure rules. Using the American National Standards Institute (ANSI) X.12 transaction standard, the DoD EDI initiative offers a flexible but standard business transaction formatting structure applicable to many of the functional subdivisions of logistics. The CALs project is developing a similar set of standard structure rules and procedures applicable to technical data, primarily engineering and graphics data. Several applications of the EDI structure are being pursued. The largest use of the ANSI X.12 transaction structure in DoD is the MODELS program. MODELS addresses three of the subdivisions requiring standardization: the X.12 syntax addresses data/information structure rules; the use of standard value-added communications gateways addresses the need for more standardization of communications processes; the consolidation and redefinition of the DLSS procedures seeks to improve the interface between human activities and information processing systems.

#### **D. The Standardization Imperative**

While constant effort has been made to induce standardization among the various Service/Agency systems, and significant progress achieved, such as the DLSS, the speed of functional and technological changes, continually decreasing costs of computing power, priorities of the Department, and the nature of the budget process have made a concerted logistics information processing standardization effort difficult. Changes in these same factors have now made such a standardization effort absolutely essential.

The flexibility and power of ADP and digital communications at continually decreasing costs shift the task of system design away from concerns about technical limitations and toward the need for more coordinated definitions of functional requirements. Also, the ongoing readjustments in international political relationships have elevated the issues of economy and efficiency in Defense operations to a much higher priority than has been true at any other time in the postwar era. Finally, the federal deficit has induced initiatives within the Department to manage the budget process in a manner more suited to seeking spending reductions than the previous, more rigid procedures would have allowed.

### E. Corporate Information Management

The Deputy Secretary of Defense established the DoD Corporate Information Management (CIM) initiative in October 1989. The Objectives of the program are: to identify and implement management efficiencies throughout the information systems life cycle, eliminate duplication of effort in the development and maintenance of multiple information systems designed to satisfy the same functional requirements, and ensure that information systems provide timely support to functional policy directions. More specifically, this initiative will ensure the standardization, quality, and consistency of data from the Department's multiple information management systems and will determine standard functional requirements for meeting DoD's management information needs.

As stated previously in this chapter, logistics functions are highly dependent on information systems support. Each of the Service/Agency systems that has been developed to support logistics functions do<sup>es</sup> a good job of satisfying the functional requirements of the logistics functions it supports. The basic problem is that there are at least five different systems supporting each major functional area within the logistics arena. This condition is inefficient and unresponsive to management policy and procedural changes. A single policy change requires that new documentation (functional statements, system specifications, computer coding, and user instructions) be accomplished and implemented at least five times. The timeframes needed to accomplish these changes often differ by Service/Agency, limiting the DoD-wide implementation of the new business practice to the last system implementation. Multiple implementations also raise the risks that the change will be interpreted differently and therefore lack uniformity of application. The logistics CIM goal is to deploy a single standard system throughout the Department for each of the major logistics functional areas. The satisfaction of this goal will significantly reduce information system development and maintenance costs, and make the systems more responsive to management policy and procedural improvements.

## F. Distribution Corporate Information Management (CIM)

Distribution, which is comprised of the functions performed by supply depots, is one of the major logistics functional areas for which a standard CIM system will be deployed.

The following sequence of events and decisions identifies the relationships that exist between the Defense Management Report Decision (DMRD) 902, the consolidation of supply depots; the Defense Distribution System (DDS); DMRD 925, the CIM initiative; and specifically the Distribution Standard System (DSS).

The DDS emerged from the January 1990 initial exploratory work that the Defense Logistics Agency (DLA) and the Navy teamed up on to modify DLA Warehousing and Shipping System (DWASP) and Navy Integrated Storage And Retrieval System (NISTARS) for workload planning, receiving, and shipping functions, while using NISTARS to perform core warehouse control functions.

The initial effort gained greater significance with the Deputy Secretary of Defense, April 12, 1990, DMRD 902 Supply Depot Consolidation decision. The Deputy Secretary of Defense stated that the first step in the process would be the consolidation of the supply distribution depots in the San Francisco Bay/Sacramento area, known as the Bay Area Prototype (BAP). To complement the BAP consolidation and maximize the potential savings, the appropriate pieces of existing proven systems have been packaged to form the operational information system prototype now referred to as DDS.

The Plan for the Prototype of the Consolidation of Distribution Operations attached to the Deputy Secretary of Defense Supply Depot Consolidation decision memorandum of April 12, 1990, stated that one of the main thrusts of the BAP is, *"the identification and testing of uniform distribution software which will efficiently perform distribution operations, interact with DoD ICPs/Service systems and provide necessary support to unique installation operations."* The initial operation capability (IOC) of DDS was reached at the Oakland BAP site in May 1991, and in September 1991 for the Sharpe BAP site.

In June 1990 the Senior Information Resources Management (IRM) Official issued guidelines on the selection of Interim Standard Systems (ISSs) in support of the CIM initiative. In response to a Senior IRM Official request, the DASD (Logistics) chartered a Component Working Group (CWG) to analyze and recommend interim standard systems and executive agents, prepare funding requirements to implement standard logistics systems throughout DoD, and provide initial operating guidance to the executive agents. The CWG report, "Materiel Management & Distribution: Interim Systems and Executive Agent Selection," was completed in November 1990. The Senior IRM

official acted on the CWG recommendations by designating Executive Agents in December 1990.

In his memorandum designating Executive Agents for Interim Systems, the Senior IRM Official tasked the Executive Agents to develop Concept and Technical plans. The tasking clearly recognized that the CWG recommended ISS selections should be reviewed and revalidated by the responsible Executive Agent. The guidance stated that the Executive Agent plans display succinctly how the recommendations were utilized and, if the recommendations were not accepted, document, sufficiently for audit purposes, the logic/reasons the recommendations were not used.

The Director, DLA was designated as the Executive Agent for the Distribution Standard System (DSS), and the CWG report recommended the Defense Distribution System (DDS) as the Interim Standard System. In accordance with the Senior IRM Official's guidance, DLA is conducting the required functional and technical evaluation of the CWG recommendation. The functional, technical, and business case analyses of the candidate systems are proceeding according to schedule, and the final decision on the DSS is planned for early 1992. The DDS prototype is one of the candidate systems being considered as the Distribution Standard System.

### **G. The Depot Consolidation & CIM Relationship**

The projected \$1.2 billion savings through Fiscal Year 1997, result from the management and operational efficiencies result from the supply depot consolidation initiative. These savings accrue from having all of the Department's distribution personnel and facilities resources under a single manager allowing system-wide analyses and decisions to be made in order to make optimum use of all the resources. This is an evolutionary process, and the full potential of the consolidation initiative will not be achieved until the consolidations are complete and all the distribution resources are under single management.

The implementation of the supply depot consolidation initiative is based on a business oriented sequence of events: establishing each regional headquarters; transferring personnel and management responsibility; instituting phased procedural, operational, and systems changes site by site within the respective regions. The Distribution CIM is a concurrent and complementary initiative to the supply depot consolidation initiative. It will reduce information systems costs by eliminating the duplicative development and maintenance costs of the current multiple systems and be more responsive to policy and procedural changes.

There are those that have had the misconception that the consolidation of distribution functions under a single manager is dependent upon, first, having the distribution CIM system in place. This is not the case, and has never been the Department's plan. Each of the Department's supply depots has an operationally proven information system supporting it. Each of these systems meets the requirements of the activity it supports, implements DoD policy and procedures, and communicates with all Inventory Control Point and customer information systems via the Defense Logistics Standard Systems.

The Department's implementation plan strategy is much the same as that followed in corporate mergers in the private sector: executing an orderly organizational merger, followed by the institution of a standard system for the entire organization. This approach allows personnel to first become delaminated to the new organizational structure and business methods without unduly traumatizing management and personnel with learning how to use a new information system. This approach has proven itself over and over again both in the private sector and within the Department. It allows the major benefits of consolidation or mergers to be obtained rather than holding those benefits hostage to a standard system deployment schedule. The supply depot consolidation has been proceeding according to schedule, transferring the Service distribution resources to the single manager while continuing to utilize the systems that are currently in place and operationally proven. This has allowed the single manager to maintain or improve distribution performance of the transferred supply depots, reduce the number of personnel, and begin the process of evolving to an optimal DoD-wide distribution system.

The Department transferred the distribution functions at the five BAP sites to the DLA, leaving the existing systems in place. The close proximity of the distribution sites in the San Francisco Bay Area provided the unique opportunity to test out the potential to operate these sites as though they were one. In order to test out this concept fully, a common system was required. The DDS was developed for this purpose and originally tested first operationally at the NSC Oakland site. During the first half of 1991, NSC Oakland absorbed more computer/communications hardware and software changes than most activities have to cope with in a six-year period. Consequently NSC Oakland is the only one of the seven Service Depots transferred to DLA, to date, that experienced a decline in performance. Due to the concerted efforts of DLA and the Navy the system is now working and performance is improving, however, it points out clearly that coupling major management and systems changes within the same time period significantly increases the risks of performance degradation.

# SUPPLY DEPOT CONSOLIDATION REPORT TO CONGRESS

## CHAPTER 5 - SUMMARY

In response to the President's request for management improvement, the Secretary of Defense initiated a Department-wide management review and documented the finding in the Defense Management Report (DMR). An initial set of these initiatives was incorporated into the Fiscal Year 1991 Defense Budget Review in the form of Defense Management Report Decisions (DMRDs). One of these initiatives was DMRD 902, the decision to study the consolidation of Defense supply depots under a single manager. The supply depot consolidation study found that the duplication of distribution management resulting in the fragmentation of responsibilities and control of resources provided significant opportunities for management and operational efficiencies through the consolidation of supply depots under a single manager. Therefore, on April 12, 1990, the Deputy Secretary of Defense approved the consolidation of materiel distribution functions at defense supply depots. This significant initiative will save the Department an estimated \$1.2 billion over the period 1991 through 1997, and \$167 million every year thereafter. The savings will occur through more efficient operations while preserving or improving performance levels.

This report satisfies the requirement contained in the National Defense Authorization Act For Fiscal Year 1992 (Public Law 102-190, Section 313) requiring an analysis of the supply depot consolidations that occurred through Calendar Year 1991 and documenting that the necessary automatic data processing support is in place to support the consolidation effort.

The primary goal of the supply depot consolidation initiative is to place all the supply depot resources performing distribution functions under a single manager, to facilitate optimal Department-wide management and operational distribution decisions. The full potential of this initiative will not be achievable until all 30 of the supply depots in the consolidation initiative are under the single management of the DLA. As of the date of this report, 7 Service supply depots have been transferred to DLA, these along with the 6 depots previously managed by DLA account for the 13 now under DLA management. The Department's business oriented approach and schedule calls for completing the supply depot consolidation initiative in June 1993.

The implementation of the supply depot consolidation initiative is based on a business oriented sequence of events: establishing each regional headquarters; transferring personnel and management responsibility; instituting phased procedural, operational, and systems changes site by site within the respective regions. The Department's implementation plan strategy is much the same as that followed in corporate mergers in the private sector: executing an orderly organizational merger, followed by the institution of a standard system for the entire organization. This approach allows personnel to first become delaminated to the new organizational structure and business methods without unduly traumatizing management and personnel with learning how to use a new information system. It allows the major benefits of consolidation or mergers to be obtained rather than holding those benefits (\$1.2 billion in savings) hostage to a standard system deployment schedule.

In addition to the consolidation of supply depots, the Department has another initiative underway, the Corporate Information Management (CIM) initiative. The computer system being developed under the CIM initiative to support activities performing distribution functions complements the management and operation supply depot consolidation initiative; however, it is not a prerequisite. The savings obtained through the fulfillment of the supply depot consolidation objectives are not dependent on the development and deployment of a standard computer system. The savings from the supply depot consolidation initiative result from elimination of the duplication in the management and operation of supply depots, while the CIM will reduce information systems costs by eliminating the duplicative development and maintenance costs of the current multiple computer systems and be more responsive to policy and procedural changes.

The lack of dependency results from many years of effort to develop and institutionalize the Defense Logistics Standard Systems (DLSS). The DLSS specify the mandatory standard procedures which specify codes, definitions, forms, transaction formats, timeframes, and performance standards that provide the standard business language for logistics functions. Use of the DLSS is mandatory, therefore, the computer systems developed over the years by the DoD Services/Agencies transfer logistics business information back and forth irrespective of the manufacturer of the computer hardware, the application language used, or the design activity that developed the application software. Each of the Department's supply depots has an operationally proven information system supporting it. Each of these systems meets the requirements of the activity it supports, implements DoD policy and procedures, and communicates with all Inventory Control Point and customer information systems via the Defense Logistics Standard Systems.

The supply depot consolidation has been proceeding according to schedule, transferring the Service distribution resources to the single manager while continuing to utilize the systems that are currently in place and operationally proven. This has allowed the single manager to maintain or improve distribution performance of the transferred supply depots; reduce the number of personnel by \*\*\*\*, save \$\*\*\*\* million, and begin the process of evolving to an optimal DoD-wide distribution system. The only site that incurred any statistically significant performance degradation was the site that had to absorb significant information systems changes during the management and operations transition period.

DLA is conducting ~~the~~ a detailed functional, technical, and business case analyses of the systems that are candidates for selection and evolution to the CIM Distribution System. The analysis is proceeding according to schedule, and the final decision is planned for early 1992. The benefits of that will be derived from ~~the~~ Both the supply depot consolidation initiative and CIM Distribution System initiative will bring about significant long term economies and efficiencies to the Department; however, while they complement one another, each initiative stands on its own merits. The supply depot consolidation initiative is not dependent on the CIM distribution system; however, <sup>nowhere</sup> the CIM Distribution system initiative is <sup>nowhere</sup> far more easily implemented at locations managed and operated by a single agency.

# Document Separator

**DEFENSE MANAGEMENT REPORT DECISION****SUBJECT:** Consolidation Of Defense Supply Depots**DOD COMPONENTS:** Army, Navy, Air Force, DLA**ISSUE:** The Department in its efforts to reduce overhead costs needs to revisit the concept of a single depot system.

	(TOA, Dollars in Millions)	
	<u>FY 1990</u>	<u>FY 1991</u>
Service Estimate	-	-
Alternative Estimate	-36.0	-164.9

**SUMMARY OF EVALUATION:** There are 33 supply depots in the DOD system. Each of the four Services and DLA manage "their own" depots. A number of these depots are located within 50 miles of each other. A small number are within 10 miles of another depot.

Consolidation of the management of all supply depots in a single Service or agency would result in significant reductions in: base and headquarters level overhead costs, systems developments costs; and significantly better utilization of the existing capacity, with a resulting increase in efficiency. Significant savings in transportation costs would also be realized because of the ability to improve the consolidation of shipments. It is difficult to tell, but the Services DMR proposals may also include some of these same savings.

The opportunity to improve utilization will permit the closure of 3-4 Depots in the near future, and provide the management structure to close others as the initiatives to reduce inventory are implemented. This action will also allow the deferral of a number of investments planned for the near future, and probably result in the termination of recent procurements by the Army.

The Service depots should be transferred to the Defense Logistics Agency. This action would be consistent with the original purpose of establishment of that agency. The management infrastructure is in place, and because of the rotation of military officers through DLA, they are already familiar with the operation of the Service depots and the Service systems.

A by-product of this decision would be a reduction of over 2,500 military personnel. DLA is primarily a civilian manned operation, and should not require 2,300 military personnel, the strength level reflected in the budget submissions. It should be possible to reduce this number to 500 in FY 1991 and 100 by 1995.

**ALTERNATIVE ESTIMATE:** Approve the consolidation of the management and operation of all DoD supply depots in the Defense Logistics Agency by 30 September 1990.

DECISION DEFERRED BY DEPUTY SECRETARY OF DEFENSE'S  
**DECISION** MEMORANDUM DATED NOVEMBER 9, 1989.

Date 11/9/89

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DETAIL OF EVALUATION: There are 33 supply depots in the DoD system. The supply depots handle wholesale and retail stocks under major supply system commands DESCOM, NAVSUP, Marine Corps, AFLC and DLA.

Many studies of the DoD Supply and Distribution System have been made over the years and a review of these studies seems to confirm the need for a single supply system.

The Blue Ribbon Panel Report to President and Secretary of Defense dated 1 July 1970, found the following:

"It is clear that significant military logistics improvement can be achieved through efficient, coordinated exploitation of new technologies in the areas of transportation, communications, automatic data processing (ADP), and integrated Procurement Management. To date, however, the full potential of these new technologies has not been realized, nor will they be realized in long-range logistics programs that are presently proposed by the Military Services."

From the Wholesale Interservice Depot Support Study (WIDS) 1982 prepared by the Logistics Systems Analysis Office.

"We examined the wholesale distribution system as an entity, identifying the relationships between materiel managers, depots and customers and the resulting distribution patterns. We observed a system which can only be characterized as sub-optimum. It is not a single system but five semi-autonomous systems which are loosely connected by very broad DoD policy guidance. Although each component has attempted to optimize its own system, there has not been a coordinated effort to optimize the DoD System as an entity.

The sub-optimal nature of the DoD System is apparent when system-wide characteristics are examined. For example, nearly 70 per cent of the tonnage shipped by all DoD depots is destined for customers or ports of embarkation which are located within 50 miles of at least one of the distribution depots included in the WIDS study.

Despite the proximity of customers to a depot, nearly 28 of every 100 pounds are shipped an average of 1,550 miles within CONUS before reaching the customer or port of embarkation, and the typical customer receives material from 18 different depots. This condition is not related to a scarcity of depots or storage space.

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We found that 33 depots encompassed in the WIDS study had vacant attainable storage space of 165 million cubic feet, which is greater than the total space occupied by any single component.

The reason for this sub-optimization is that the five Component systems do not act in unison."

### ORGANIZATION OF THE DOD COMPONENT SYSTEMS

#### AIR FORCE

The Air Force Logistics Command (AFLC) operates a vertical supply system in which each base, worldwide, is a customer, supplied directly from wholesale activities located in the United States. Requisitions received at the wholesale level provide consumption data and demand patterns and are not filtered through intervening control levels that aggregate many requisitions over long periods, thereby obscuring demand trends. The AFLC is responsible for the management and operation of the Air Force Supply System. Under the AFLC, the five Air Logistics Centers (ALCs) each contain an ICP and a depot. Each ALC also has a large industrial complex for the maintenance and overhaul of assigned weapon systems and components. The Air Force System is based upon the concept of central management and control. Each Inventory Control Point (ICP) exercises absolute control over the items for which it has management responsibility. The ICPs as part of the ALC, has worldwide item responsibility for the weapons systems assigned to the ALC. The ICP is the point of entry for all requisitions on the wholesale system and makes the decision as to the manner of satisfying each requisition. For the most part, worldwide supply for an item is performed out of the depot colocated with the ICP. The Air Force single point storage policy contrasts sharply with other components' distribution concepts which are, with minor exceptions, based on multiple point stockage policies.

#### ARMY

The Army Supply System, on the other hand, is not vertical, but horizontal. The Army Materiel Command operates five Materiel Readiness Commands (MRCs) and the Depot Systems Command (DESCOM). Each of the MRCs contains a National Inventory Control Point (NICP) within its organizational structure. The NICPs have the overall supply management responsibility for the items of supply assigned to the Army for management. DESCOM has the management responsibility for the Army depots performing storage and depot level maintenance activities. The Army system is based on the concept of central management and control. Each NICP exercises absolute control over the items for which it has management responsibility. The NICP determines how each customer's requisition will be satisfied and directs the appropriate depot to issue the item. This process applies to all Army managed items irrespective of the identity of the customer or depot. The Army

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has configured its depot system so that assemblies, components of equipment and repair parts are supplied primarily from three depots called Area Oriented Depots (AODs). Each is responsible for a geographic customer area. The AODs fill the vast majority, nearly 95 per cent, of the wholesale requisitions for Army items. The eight non-AODs are configured for the repair, maintenance and overhaul of major items assigned to them. These major item distribution depots do not stock secondary items for general distribution, but may stock 90 days of usage for funded maintenance requirements.

### NAVY

Under NAVSUP there are two ICPs, Ships Parts Control Center (SPCC) and Aviation Supply Office (ASO), which have overall supply management responsibility for ~~nearly all of the items assigned to the Navy for management.~~

The Navy system is based upon a combination of both centralized and decentralized management control. Each ICP exercises control over the items for which it has management responsibility, deciding what items to stock, where to stock them and how much to stock. The Navy maintains its accountable records at the stock point rather than at the ICP. If the customer point-of-entry for requisitions is one of the wholesale stock points, the stock point is generally permitted to make a decentralized issue and report it to the ICP after the fact. For those customers who transmit requisitions directly to the ICP, or for requisitions which are referred to the ICP from a stock point, the ICP will determine which stock point will issue the item.

The majority of Navy customers are located or homeported in the local area of the Supply Centers and Air Stations. Norfolk and Oakland are the major CONUS points of support for overseas activities and fleet units when deployed. They account for over half of the total wholesale issues made by the eight Navy depots. Navy customers have assigned requisition channels which, for various classes of items, may lead to either stock points or ICPs.

### MARINE CORPS

The Marine Corps (CMC) supply system is under the Deputy Chief of Staff (Installations and Logistics). The Marine Corp has a single ICP located in Albany, GA and it is responsible for the operation and technical direction of the Marine Corps three distribution facilities. The Marine Corps operates a two coast distribution system. Requisitions are processed through the ICP with the exception of aviation materiel which is managed and distributed by the Navy Aviation Supply Office.

### DEFENSE LOGISTICS AGENCY

The Defense Logistics Agency (DLA) is organized into a Headquarters, Primary Level Field Activities and other subordinate

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activities. DLA has six commodity oriented Defense Supply Centers (DSCs) or Inventory Control Points (ICPs) and six depots, two are colocated with an ICP. Wholesale DLA stocks are stored in various Service storage activities as well as DLA depots. DLA operates a centralized requisitioning and accounting and billing system. All requisitions, worldwide, are transmitted to the appropriate DSC for processing. DLA presently maintains stock in six of its own depots, two Army depots and seven Navy activities.

The DLA depots use a standard ADP system. The Services use their own depot systems which interface with the DLA system through the Military Standard Systems/Procedures, e.g., MILSTRIP, MILSTRAP, and others.

Given these similarities, the DoD component wholesale distribution systems may be characterized by one word -- "different." They are different in concept, different in operation, different in structure and they operate quite independently of one another. With notable exceptions, neither work load, storage space, nor resources are shared across components. Each component has developed its own ADP systems, and integral procedures tailored to its concept of operations.

AUTOMATED DATA SYSTEMS IN THE DOD COMPONENT SYSTEMS

One of the largest capital investments the Department makes in the management of its separate systems is in the area of ADP. The costs for the Central Design Activities (CDAs) that design, develop and maintain these five depot systems are:

	(\$000)	
	<u>FY 1990</u>	<u>FY 1991</u>
AIR FORCE - Stock Control & Distribution	23,510	24,211
ARMY - Standard Depot System	6,203	7,394
NAVY - Uniform ADP Processing System	8,388	11,455
MARINE CORPS - MCLB, Albany Ga	10,676	10,764
DLA - MOWASP/DWASP	6,598	6,813
	<u>55,375.</u>	<u>60,637</u>

The recurring workyears for the CDAs are 830. The Department in its efforts to reduce overhead costs needs to revisit the concept of a uniform DoD depot system.

AUTOMATED STORAGE AND RETRIEVAL SYSTEMS

The largest investment in warehousing space, ADP equipment and computer driven Material Handling Equipment (MHE) since World War II has been made by the Military Services and DLA in the last few years. This can only be looked at as a lost opportunity for the DoD to have developed a uniform system. Each Service and DLA designed by contract a site unique system. Each of the systems ha:

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problems interfacing with their Service depot processing systems designed by the CDAs. Each Military Service and DLA invested heavily in these systems in the last ten years.

Currently the Sharpe Army Western Distribution Center is in the process of competing the software contract for their facility. The original contractor defaulted after the MILCON portion was completed and the mechanized material equipment installed. In each of the Service/DLA systems the software interface has been the most serious problem. Each service designed man-to-material system with the exception of NAVY'S NISTARS which has both man-to-material and material-to-man. Although the systems concepts are similar and each service has had similar experiences with the software interface, no reduction in cost has been gained and each Service has reinvented the wheel.

This is especially true in the Army. The two Area Oriented Distribution Depots, (Sharpe and New Cumberland) awarded individual contracts to different construction contractors who subcontracted the computer systems on a site basis. Neither system is operational. The contracts were for the MILCON and computer driven material handling equipment (MHE) systems and were approximately \$150.0 million each. The MILCON and MHE has been installed, but is not operational. They will either remain vacant or be run manually until the software to run the Management Control System and the computer driven processing systems are delivered. The current anticipated delivery date is sometime in 1992. The software for the Army's three systems will be an additional \$30.0 million. The Army is currently planning to break ground for a third high rise storage and retrieval complex at Red River Army Depot (\$133.0 million). The contract was awarded to a different construction company, but the same computer company.

The additional capacity created by the three Army complexes greatly exceeds requirements in at least two depots (Sharpe and Red River). The Army's answer to this is that they will have to market their complexes to generate new work load to properly justify their existence. At the same time, DLA's depots have greater work load and their mechanization has been within existing facilities and at a lower cost. ~~DLA's depot at Tracy handles four times the work load of Sharpe Army depot with a total mechanization cost of~~ \$12.0 million. DLA cancelled the high rise storage complex that was scheduled for Tracy, when they realized the requirement could be met by transferring work load to Ogden, and that the experience of the Services in this area indicated that continuing to pursue this effort would not be economically sound.

The investment by the Department in these systems in the last 10 years exceeds \$700.0 million.

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OVERHEAD CONSOLIDATION

There are 43,000 personnel in supply depots. The level of overhead carried by each installation could be decreased significantly if they were consolidated into one agency or service. The cluster approach used in both the DODMDS Study and the WIDS Study indicates that many depots are located within 50 miles of another depot. Yet, each installation has a complete overhead staff including Personnel, Comptroller, Facilities Engineers, Administrative, Security, Maintenance, Motor pool, etc. Under one agency these staffs could easily be regionalized with a significant reduction in overhead personnel and no appreciable degradation in service.

The principal objective of military supply management, is to achieve the efficient, economical and practical operation of an integrated supply system to meet the needs of the Military Departments without duplicate or overlapping operations or functions. It could be questioned if, in fact, the Department is doing the best that can be done in this area. The annual cost of supply depot operations is approximately \$1.8 billion. Consolidation of the management and overhead functions could reduce this by 20 per cent or roughly \$350.0 million per year.

STORAGE CAPACITY

The storage capacity of the DoD depots is currently 78 per cent occupied. This would be acceptable if the total storage capacity of DoD were a coordinated effort. The Military Services and DLA have some depots that are saturated while other have excess capacity. In California, Sacramento Army Depot and Sharpe Army Depot both have excess capacity as does the Navy at NSC Oakland (70 per cent occupied) while the Air Force Base in Sacramento is at 98 per cent occupied and DLA's Depot in Tracy is 96 per cent occupied. These activities are located within 70 miles at the furthest point and several are within 10 miles of another Service depot. This situation continues to cause MILCON funding which may be unnecessary because the Services and DLA depots are all separately managed.

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No. 902

ACTIVITY	ATTAINABLE CUBIC FEET	OCCUPIED CUBIC FEET	PERCENTAGE OCCUPIED
Sacramento Army Depot	7229	5015	69.37
McClellan AFB	14615	14382	98.41
MCLB Barstow	21785	17552	80.57
NSC Oakland	27818	26215	94.24
NSC San Diego	13107	12836	97.93
Defense Depot Tracy	31378	30054	95.78
Sharpe Army Depot	24919	17506	70.25
TOTAL CALIFORNIA	140851	123560	87.72
Letterkenny Army Depot	38975	26926	69.09
New Cumberland	26562	23879	87.89
Tobyhanna Army Depot	21428	14299	66.73
SPCC Mechanicsburg	18712	11998	64.11
TOTAL PENNSYLVANIA	105677	77102	72.96
Tooele Army Depot	28261	18837	66.65
Hill Air Force Base	22095	18508	83.77
Defense Depot Ogden	44642	35618	79.79
TOTAL UTAH	94998	72963	76.80
Kelly Air Force Base	32230	31198	96.80
Red River	29118	24489	84.10
TOTAL TEXAS	61348	55687	90.77
Warner Robbins Center	24969	23946	95.90
MCLB Albany	27157	24432	89.97
TOTAL GEORGIA	52126	48378	92.80
NSC Norfolk	17290	10730	62.05
NSC Cheatham	15584	12368	79.36

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DMRD Continuation Sheet

No. 902

ACTIVITY	ATTAINABLE CUBIC FEET	OCCUPIED CUBIC FEET	PERCENTAGE OCCUPIED
NSC Norfolk South	1258	1258	100
DGSC Richmond	32151	29847	92.83
TOTAL VIRGINIA	66283	54203	81.77
Tinker Air Force Base	25125	24034	95.66
Lexington Blue Grass	9761	8314	85.18
DIPEF Atchison	8104	5256	64.85
NSC Charleston	8543	7138	83.55
MCAS Cherry Point	4100	4160	101.46
Anniston Army Depot Alabama	39626	29801	75.21
DCSC	30739	28379	92.32
Defense Depot Memphis	31528	33329	105.71
NSC Puget Sound	3658	3292	90
NSC Pear Harbor	8179	6723	82.2
NSC Jacksonville FL	NOT AVAILABLE	NOT AVAILABLE	NOT AVAILABLE
NSC Pensacola FL	3272	3010	92.0
TOTAL	693918	585329	84.35

**SUMMARY AND RECOMMENDATIONS**

Computer systems and warehousing complexes can no longer be designed and operated in isolation. They should be developed and employed in an environment of standardization and centralization to reduce time and costs. This will happen when there is a single integrated distribution system. To realize potential savings of \$350.0 million per year consolidation of functions must take place. Better utilization of storage capacity could reduce unnecessary MILCON in 1990-1993 by \$230.0 million.

The Defense Logistics Agency's mission is dedicated solely to the logistics support role and that makes it a reasonable choice to be the executive manager for all supply depots. Further, the DLA

## DMRD Continuation Sheet

DWASP system was initially designed to be the DoD system and is the newest main frame supply system in the Department. Rather than try to modify five separate systems to develop a hybrid system a decision to go with the DWASP system as the single DoD supply system will expedite the process of converting to one system.

Consolidation of West Coast depots under one agency involves annexing Sharpe Army Depot with Tracy Defense Depot in 1991. The new high rise complex will be better utilized due to the infusion of work load from DLA. The DLA DWASP system can run Sharpe on Tracy's current computer. In 1992 NSC Oakland should be moved to the Sharpe-Tracy Complex utilizing the new storage space and the new subsistence warehouse being built for Tracy. The land value of NSC Oakland is premium and the Port of Oakland has offered ~~\$100 million for its use.~~ Defense Depot Tracy can service the fleet by utilizing the Alameda Depot and transporting material the 45-50 miles distance to Alameda. The third phase would be to combine the small supply function of Sacramento Army Depot with Sharpe and close the supply function at Sacramento Army Depot, combining that work load with the Sharpe-Tracy-NSC Oakland Complex. In 1993, the work load at Mc Clellan should be merged with the new Complex and put their inventory from the D033 system on DWASP. The flexibility gained in storing material at the most convenient site with no artificial Service considerations, while eliminating duplicative overhead functions should make the projected savings achievable.

The New Cumberland Army Depot has recently completed construction on a new high rise storage and retrieval system, but does not have computer system to operate it. The complex contains 1.9 million square feet. At the same time the DLA depot at Mechanicsburg is saturated with work load and built a new high rise complex that will be operational in June 1990. The New Cumberland Complex could utilize much of the same software that the Mechanicsburg Depot will be using including the same main frame ADP system for requisition processing rather than spending an additional \$12.0 million for a software system that will not be delivered until 1992 leaving the complex empty and inoperable. Savings from consolidation of storage space and maximizing the combined work force are achievable since the depots are only 10 miles apart.

Hill Air Force Base and Ogden Defense Depot are located within 20 miles and can be consolidated to maximize storage space utilization and to reduce overhead costs. Hill is 83 per cent occupied and Ogden is 80 per cent occupied. The work load at Ogden can be shifted to other West Coast depots and the remaining can be consolidated with Hill AFB. This will generate a savings of \$8.0 million.

## DMRD Continuation Sheet

In order to realize these savings, the following specific actions are recommended:

- Establish a joint transition team to develop a new requisition flow and a plan and schedule to execute the transfer of all supply depots to DLA not later than September 30, 1990.

Personnel transfers should be completed by September 30, 1990.

The Army's Area Oriented Depots at Sharpe and New Cumberland should be merged with DLA depots at Tracy and Mechanicsburg and the inventory should be put on DLA's Depot Processing System.

Bay Area cluster depots (NSC Oakland and Sacramento Army Depot) should be transitioned to the Tracy-Sharpe Complex.

Hill Air Force Base and the DLA Depot at Ogden should be merged. McClellan Air Force supply depot function should be merged with DLA Depot at Tracy.

- Early out authority should be given to reduce the impact of consolidation.
- A number of MILCON projects should be cancelled as soon as possible to prevent further duplication of effort.

The MILCON for Defense Depot Tracy (\$46.8 million), New Cumberland Army Depot (\$14.0 million), and Defense Depot Mechanicsburg (\$40.0) should be cancelled. The MILCON contract for Red River Army Depot should be terminated (\$133.0 million).

- The software contract to develop a computer driven processing system for the Eastern and Western Distribution Centers should be cancelled (\$12.0 million) and the DLA DWASP system should be implemented at these sites.

DMRD Continuation SheetSERVICE ESTIMATE

	(\$ in Millions)		
	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Budget Authority</u>			
O&M, ARMY	672.8	707.0	467.3
O&M, NAVY	276.8	315.6	304.8
O&M, MARINE CORPS	65.0	59.9	63.0
O&M, AIR FORCE	374.9	372.2	380.6
O&M, DEFENSE AGENCIES	220.5	220.8	228.6
MILCON, ARMY	-	36.0	39.0
MILCON, DEFENSE AGENCIES	-	-	30.3
OTHER PROCUREMENT, ARMY	-	-	-
TOTAL	<u>1,610.0</u>	<u>1,711.5</u>	<u>1,513.6</u>

	(End Strength)		
	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel</u>			
ARMY	9,092	9,093	9,013
NAVY	7,094	7,008	6,782
MARINE CORPS	837	896	880
AIR FORCE	11,749	11,641	11,517
DLA	<u>7,693</u>	<u>7,204</u>	<u>6,848</u>
TOTAL	<u>36,465</u>	<u>35,842</u>	<u>35,040</u>

	(End Strength)		
	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Military Personnel</u>			
ARMY	199	199	196
NAVY	312	312	312
MARINE CORPS	89	145	144
AIR FORCE	1,597	1,585	1,591
DLA	<u>62</u>	<u>62</u>	<u>62</u>
TOTAL	<u>2,259</u>	<u>2,303</u>	<u>2,305</u>

ALTERNATIVE

	(\$ in Millions)		
	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Budget Authority</u>			
O&M, ARMY	-	-	-467.3
O&M, NAVY	-	-	-304.8
O&M, MARINE CORPS	-	-	-63.0
O&M, AIR FORCE	-	-	-380.6
O&M, DEFENSE AGENCIES	-	-	+1,183.7
MILPERS ARMY	-	-	-5.8
MILPERS NAVY	-	-	-12.6
MILPERS MARINE CORPS	-	-	-4.1
MILPERS AIR FORCE	-	-	-44.1
MILCON, ARMY	-	-36.0	-39.0
MILCON, DEFENSE AGENCIES	-	-	-15.3
OTHER PROCUREMENT, ARMY	-	-	-12.0
TOTAL	<u>-</u>	<u>-36.0</u>	<u>-164.9</u>

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DMRD Continuation Sheet

No. 902

	(End Strength)		
	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Civilian Personnel</u>			
ARMY			-9,013
NAVY			-6,782
MARINE CORPS			-880
AIR FORCE			-11,517
DLA			+26,044
TOTAL			-2,148

	(End Strength)		
	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>
<u>Military Personnel</u>			
ARMY	-	-	-196
NAVY	-	-	-312
MARINE CORPS	-	-	-141
AIR FORCE	-	-	-1,595
DEFENSE AGENCIES	-	-	+500
TOTAL	-	-	-1,744

OUTYEAR IMPACT:

<u>Budget Authority</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
O&M, ARMY	-425.8	-436.2	-444.9	-459.9
O&M, NAVY	-304.6	-312.2	-313.9	-319.5
O&M, MARINE CORPS	-65.3	-68.2	-67.5	-68.7
O&M, AIR FORCE	-384.9	-398.6	-409.2	-416.5
O&M DEFENSE AGENCIES	+1,081.0	+1,048.7	+1,020.2	+1,033.5
MILPERS ARMY	-6.1	-6.6	-7.0	-7.5
MILPERS NAVY	-13.1	-13.9	-14.7	-15.6
MILPERS MARINE CORPS	-4.3	-4.6	-4.9	-5.3
MILPERS AIR FORCE	-46.7	-50.5	-54.4	-58.5
MILCON, DEFENSE AGENCIES	-46.5	-10.0	-	-
REALIGN FACILITIES	-100.0	-2.0	-6.0	-
TOTAL	-316.3	-254.1	-302.3	-318.0

	(End Strength)			
	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>	
<u>Civilian Personnel</u>				
ARMY	-9,013	-9,013	-9,013	-9,013
NAVY	-6,756	-6,756	-6,756	-6,756
MARINE CORPS	-879	-879	-879	-879
AIR FORCE	-11,513	-11,512	-11,514	-11,514
DLA	+23,840	+21,608	+20,582	+20,582
TOTAL	-4,321	-6,552	-7,580	-7,580



THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

April 12, 1990

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
COMPTROLLER  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR OF ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Supply Depot Consolidation

This is in response to the Consolidation Study plan I received from the Assistant Secretary of Defense for Production and Logistics entitled "Defense Management Review Supply Depot Consolidation Study: Prototype of the Consolidation of Distribution Operations (27 March 1990)."

The consolidation of material distribution functions at defense supply depots, to improve overall performance and assist in controlling costs, is hereby approved. As a first step in this process, consolidation of the five supply depots in the San Francisco Bay Area will serve as a prototype and will be conducted in accordance with the Consolidation Study report referenced above. Planning for the consolidation of remaining defense material distribution functions will proceed immediately, and such further consolidation will proceed after the Bay Area Prototype has been implemented.

The Assistant Secretary of Defense for Production and Logistics will issue such instructions as may be necessary to implement this memorandum. Instructions to the Military Departments shall be issued through the Secretaries of the Military Departments.

The Assistant Secretary of Defense for Production and Logistics shall keep me informed on supply depot consolidation and shall submit a report to me through the Under Secretary of Defense for Acquisition

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not later than October 15, 1990, on progress in implementing this memorandum. This report will include detailed plans for additional consolidations of material distribution functions and a concept plan and time table for the transfer of the remaining defense distribution functions.

*D. J. Atwood*



ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301-8000

DISTRIBUTION AND  
LOGISTICS

April 13, 1990

MEMORANDUM FOR: SECRETARIES OF THE MILITARY DEPARTMENTS  
COMPTROLLER OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, DEFENSE LOGISTICS AGENCY

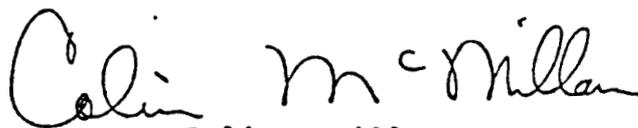
SUBJECT: Supply Depot Consolidation Plan

On April 12, 1990, the Deputy Secretary of Defense directed the consolidation, under the Defense Logistics Agency (DLA), of defense material distribution functions at DoD supply depots. He also approved implementation of the attached plan as a first step in the consolidation effort.

Accordingly, the Director, DLA, is responsible for planning and executing the Prototype consolidation to achieve the objectives of the attached plan. The Director, DLA, is directed to complete the detailed planning to support the "On Site Implementation Concept, Plan of Action and Milestones," identified on page 7 of the attached document. Director, DLA, will identify to the Comptroller, Department of Defense, the resources required to be transferred to DLA from the Services to execute the Prototype involving the material distribution functions at Sharpe Army Depot; Naval Supply Center, Oakland; Defense Depot Tracy; Sacramento Army Depot; and Sacramento Air Logistics Center. The resources associated with Sharpe Army Depot and Naval Supply Center, Oakland will be transferred not later than July 1, 1990.

By October 1, 1990, DLA is directed to submit detailed plans for the consolidation of material distribution functions in the Mechanicsburg, Pennsylvania, and Ogden, Utah areas and a concept plan and time table for the transfer of the remaining material distribution functions at DoD supply depots. On June 30, 1991, DLA will submit a report on the lessons learned from the Prototype to include the software, consolidation strategies, optimum geographic areas of consolidation, etc. This document will be reviewed by the independent prototype evaluation group and DLA will use the information from the prototype evaluation group in its future planning. No later than December 31, 1991, DLA is directed to provide an update to the concept plan and time table for the transfer of the remaining defense distribution functions with detailed plans for those transfers which will occur during calendar year 1992.

The Secretaries of the Military Departments are requested to support the planning and execution of all facets of the consolidation of defense material distribution functions. This includes, but is not limited to, assisting DLA with all personnel and information required to complete both the planning and implementation of the Deputy Secretary's directive. The Comptroller, Department of Defense, is requested to only adjust DLA and Service resources after review of the planning documents developed and submitted by DLA.

A handwritten signature in cursive script that reads "Colin McMillan".

Colin McMillan

ATTACHMENT

CC: DEPSECDEF  
USD (A)

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DEFENSE MANAGEMENT REVIEW  
SUPPLY DEPOT CONSOLIDATION STUDY

PROTOTYPE  
OF THE  
CONSOLIDATION OF  
DISTRIBUTION OPERATIONS

27 MARCH 1990

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Purpose: To demonstrate the cost-effectiveness and readiness response of consolidated Inter-Service/Agency distribution operations in order to achieve improved performance and economies of scale.

Objectives:

(1) Demonstrate that consolidated operations can maintain or improve readiness and meet customer mission needs at reduced costs.

(2) Demonstrate that software and procedures can be implemented which will permit consolidated, effective and efficient distribution processes.

(3) Demonstrate viability of pilot standard receipt, stow, issue and ship operations, which minimizes packing and shipping points.

(4) Utilize the best facilities of the prototype installations to accomplish effective use of storage space.

(5) Obtain savings from the consolidation of operations.

(6) Determine which traditional and planned Army Area Oriented Depot (AOD), Navy Naval Supply Center (NSC), Air Force Air Logistics Center (ALC), and Defense Logistics Agency (DLA) distribution functions can be performed in the combined operation.

Definition of Distribution:

Distribution is defined as all actions involving the receipt of new procurement, redistributions and field returns; storage of materiel (includes care of materiel in storage/care of supplies in storage); issue materiel; consolidation and containerization of materiel; preservation, packaging, packing and marking; physical inventory; quality control; traffic management; other transportation services; unit materiel fielding and set assembly/disassembly; transshipment and minor repair.

Scope of the Prototype:

(1) Applies to all stocks above consumer level.

(2) Excludes ammunition and bulk petroleum for the prototype.

(3) Prototype installations include NSC Oakland, Sharpe Army Depot, Defense Depot Tracy, Sacramento Army Depot, and Sacramento ALC, to include remote storage sites.

(4) Applies as a minimum to distribution operations at Oakland, Tracy, Sharpe and the Sacramento depots.

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The Services would still be responsible for their consumer stock, customer service, etc. For instance, in Oakland a SERVMART, a pier side purchase operation and a Customer Service operation would support the customer activities just as it does today; assisting all customers in expediting material release and shipment when and where required. (See annex B for functions included in the prototype and Service exclusions).

Criteria for Prototype:

(1) Base Line Measures: The Prototype Director, the joint Service/Agency subgroup and the on-site implementation team will develop the base line for before and after comparison. The data call for DMRD 902 will provide much of the facility/workload/space and cost data. Current DoD performance standards and Service standards will be included as part of the base line, even though some Service standards may exceed the DoD standards. Common measures of performance and cost will be developed to provide a basis for measuring resulting performance and cost savings. Some of these data are:

(a) Distribution Cost per line handled, fully burdened based on DoD unit cost criteria. (See annex C).

(b) Actual performance measurements for issues, receipts, denial rate, location survey rate and customer delivery/wait time and transportation performance. MILSTEP and ICE reports for FY 89 will be source documents. (See annex D).

(c) Storage space utilization including binnable, rack, and bulk storage. (See annex E).

(d) Throughput capacity on a one shift eight (8) hour five (5) day (1-8-5) basis. Design throughput for automated facilities and actual for manual operations will be used. (See annex F).

(2) Criteria for a Successful Prototype: The following criteria will be used to determine if prototype is successful:

(a) Systems Operations: Ability to use the uniform software to operate the consolidated operation with no degradation and to implement within the timeframes of the Plan of Action and Milestones (POAM).

(b) Cost Savings: Achievement of expected cost benefits and economics of operation. Cost Savings will be developed as part of the detailed implementation plan. (Reference Projected Cost/Savings for Defense Depot Consolidation annex G).

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(2) Implementation

	FY 90	FY 91	FY 92
O&M	.3m	6.5m	3.0m
PDA		<u>5.9m</u>	<u>3.0m</u>
Total	<u>.3m</u>	12.4m	3.0m

Cost Savings: The expected return on the investment to consolidate depot activities and implement the Defense Distribution System (DDS) will be achieved through system uniformity and operational streamlining. Cost savings through reduced levels of overhead by having common systems; operational efficiencies gained through efficient use of current facilities as well as converted/upgraded mechanization, centralized packing operations, increased shipment consolidation; and reduced transportation costs, is projected to generate an annual savings of \$31.7(M) after total implementation.

Prototype Management

(1) DLA will be the Prototype Director responsible for planning and execution of the consolidated distribution operation of the bay area. The Prototype Director will be empowered with necessary authority and resources to carry out the prototype. DLA will chair a flag level review and coordination group.

(2) The Prototype Director will chair a joint functional prototype group to monitor the POAM; maintain HQ cognizance over on-site implementation; resolve policy and procedural problems; provide quarterly status to the flag level group; and maintain overall control of the prototype. A subgroup will be responsible for development, implementation and coordination of software. Other subgroups will be established as required.

(3) It is essential to have on-site knowledge as well as DLA command presence to provide for a successful prototype. The Commander of DDTC will be the on-site Director and "dual hatted" as the Commander of the consolidated operations.

(4) An implementation group, chaired by Commander DDTC, will be established in the bay area, who will be responsible for developing the detailed implementation plan, resource requirement, organization, operational needs and execution.

(5) The Prototype Director will coordinate the uniform depot system development efforts with the DoD Corporate Information Management Group.

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PROTOTYPE OF DOD DISTRIBUTION SYSTEM (DDS)  
PLAN OF ACTION AND MILESTONES (POAM)

JAN 90	Identify/Document ADP Software Concept to Support DDS
17 JAN 90	DDS Flag Level Review + Coordination Group IPR
24 JAN 90	Establish DDS Subgroup of DMRD 902 PAT
29 JAN - 9 MAR 90	Draft Initial Concept PAPER/POAM
FEB 90 - SEP 90	Scope Prototype
7 FEB 90	Consolidation Executive Review Group (CERG) Guidance on Prototype Directors Lead Activity
FEB 90	Establish prototype Director
MAR 90	Gain Approval for DDS ADP Software Concept
MAR 90	Determine MACRO - Level Resource Alignment for Prototype Site Operations (Including ADP Software)
FEB 90 - MAY 90	Identify and Gather Baseline Prototype Data
MAR 90 - SEP 90	Identify & Satisfy Environmental Requirements (Relating to Original Mission Realignment)
MAR 90	Designate DSAC-H, Ogden, UT as lead CDA
MAR 90 - MAY 90	Identify Interface Requirements with Navy and Army CDAs
MAR 90 - JUN 90	Draft on Site Implementation Concept POAM
MAR 90 - SEP 90	Prototype Director Coordinate w/Services to Purge Excess and Outdated Stocks
26-30 MAR 90	DDS Subgroup Meeting on West Coast - Kick-Off
2 APR 90	Services Provide DDS Lead Activity with Interface Projections and Resource Requirements
6 APR 90	DDS ADP Subgroup Automation Document Master Plan, POAM
MAY - SEP 90	Identify and Document Initial Determination of Personnel Realignment Required for Prototype
JUN 90	1st DDS Flag Level Review & Coordination Group IPR
JUL 90	Direct ICPs to Realign Stockage Patterns to Optimize Stockage and Shipping Efficiency
JUL 90 - SEP 90	Interface Testing of DWASP/NISTARS in a Laboratory Environment
SEP 90 - Dec 90	Test DDS Interfaces with DLA, Navy, Army Systems

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SUBJECT: Defense Distribution System (DDS)

1. PURPOSE: The approved prototype of Distribution Depot consolidation in the Bay Area of California requires system support which optimizes the opportunities for functional consolidation and streamlining to obtain maximum benefits from the prototype. A proposal has been developed which will consist of interfacing modules of DoD components' systems into a 'best-of-breed' system, in the time frames necessary to support the prototype. The purpose of this paper is to describe this proposal in sufficient detail to request and obtain approval to proceed with development and implementation and obtain requisite funding and authority to execute those tasks.

2. BACKGROUND: During a series of briefings conducted by BGEN Phillips, USAF, HQ AFLC, the need for all DoD components to rapidly identify and review existing distribution systems to identify a 'best-of-breed' outcome became apparent. As an expansion of an existing DLA/Navy joint effort, a joint meeting involving all of the Components was held 18-26 January, 1990. All parties were invited to put their systems, functional requirements, unique applications, technical considerations, and development plans on the table. A travelling team representing all of the Components visited the four principal sites in the Bay Area, reviewing existing systems operations, facilities, and procedures, and spent a significant amount of time discussing potential site compatibilities and opportunities for functional consolidation and streamlining. The proposed system described in this paper is the result of this joint effort.

3. FUNCTIONAL DESCRIPTION: The Defense Distribution System will be comprised of portions of existing Components' systems. The receiving function will be supported by the existing DLA DWASP receiving system, enhanced by the issue from receiving functionality of the Air Force Stock Control and Distribution (SC&D) System. The functions of stow, pick, and process control will be supported by the Navy NISTARS System, which will use a combination of hand-held mobile communication devices and fixed-station terminals tailored to the specific configuration of each distribution activity. The DDS will also interface with and control, as required, Automated Materiel Handling Systems where they exist. The functions of Materiel Release Order (MRO) control (i.e. shipment unit consolidation, geographic area scheduling, workload planning and workload pull) will be supported by DWASP, which will also provide fully automated shipping and transportation functions (shipment planning, transportation unit consolidation, rating, routing, carrier selection, GBL preparation, small parcel costing and mode selection, small parcel manifesting, etc.). DWASP shipping will also provide both an automated seavan planning application and a

monitor human resource utilization in a near real time mode. The ADP operations manager is provided a modern CPU architecture with all the attendant tools and automated operations utilities, closely coupled with fully redundant nonstop minicomputers to drive critical control and user interface processes. Additionally, significant portions of the system can be regionally consolidated onto a single main frame host, with distributed processing provided in multiple locations all supported by the same host. No better combination of user, manager, and operations tools can be provided anywhere in the commercial or government sectors to provide the desired level of support within the time frames envisioned.

To support the operation of the DDS in a Component's activity which performs functions other than those associated with and supported by the DDS, each Component will continue to operate their own system to support these ancillary functions. These 'shell' systems would provide the interfaces with customers, the maintenance community, other Component-unique systems, industry, and the military forces in the field. The physical distribution functions would be excised from these systems and replaced by interfaces to the DDS. Fortuitously, each Component's 'shell' system operates in the same ADP environment as DWASP, which will facilitate this process. In addition, this increases the opportunity for consolidated data center operations. Upon successful implementation at each site, we would then investigate enhancing the functionality of the system prior to installation at SALC. Upon successful implementation at each site (Naval Supply Center Oakland, Defense Depot Tracy and Sharpe Army Depot), we would then modify the system as required to permit installation at Sacramento Air Logistics Center with and integrated real-time interface with SC&D.

5. BUSINESS CONSIDERATIONS: Business considerations associated with development and implementation of the DDS fall into three categories: estimated costs, use of contractual vehicles, and potential savings. These three areas are described below:

A summary of the costs to accomplish the implementation of the DDS to support the Distribution Depot consolidation prototype in the Bay Area is shown below:

	ADP DEVELOPMENT COSTS		
	(\$ in millions)		
	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
Contract services	1.0	3.0	.7
Implementation	0.5	1.5	.5
Hardware/software	1.8	12.3	.7
TOTALS	3.3	16.8	1.9

\*

Distribution Depot consolidation prototype would provide an existing, highly capable, government-owned system which demonstrably operates in varying, multi-service environments. Upon successful completion of the prototype and prior to further development we will consider enhancements to DDS or alternatives which would better meet DOD needs. To maximize the CDA savings, the next logical step would be to standardize the host systems, then proceed with DoD-wide fielding. In addition, DoD-wide fielding would also provide a common functional and systems foundation upon which to build the CIM-developed system of the future.

The ADP savings that come with the deployment of DDS are reduced costs for the development of the Services' shell systems, reduced ADP operations costs due to data center consolidations, and reduced CDA personnel costs due to the maintenance of a single standard warehousing system. Here is what deployment DoD-wide would look like. ADP services would be provided from a few regional data processing centers using one large CPU configuration for DWASP and the shells and one large interlinked NISTARS configuration. Each operational warehousing activity would have its own communications node to access the data center and to connect to any off-campus wide area networks of interest, such as the ICPs, DDN, Autodin, and industry. Further, each activity would have its own workstations and RF solution to support the management of the warehouses. Both the Navy's SPLICE (NISTARS) and SPAR contracts would be needed to support this deployment. The costs to support this deployment would be less than the development and deployment costs the Services had planned for their Service-unique systems prior to the DMR as the following example shows.

Prior to the DMR, the Navy had projected an annual cost to develop and deploy SPAR throughout the FYDP of roughly \$85 to \$95 million a year. This presumed deployment to consolidated Navy data centers which minimized the costs of ADP operations for SPAR within the Navy. By tailoring SPAR to use DDS universally in lieu of SPAR physical distribution subsystems, the annual cost to develop and deploy SPAR can be reduced to roughly \$50 million a year. This reduced cost includes reducing CDA end strength in support of SPAR by the end of the FYDP to 40% of the current number. Further, the Navy found that by deploying SPAR to consolidated data centers, using one machine in lieu of several and by closing/scaling down data centers, it could save more than \$100 million a year at full implementation. Savings in these same categories are likely achievable in the other Services. The savings that result from the reduced cost of developing and deploying SPAR and from deploying SPAR, DDS, as well as other Components' 'shell' systems in consolidated data centers would be partly offset by the Navy's fair share of the cost to deploy DDS in support of Navy activities. While this cost is yet to be determined it is probably not more than

FUNCTIONS INCLUDED IN PROTOTYPE  
AND SERVICE EXCLUSIONS

1. All distribution functions reflected in the paragraph on page 1 "Definition of Distribution" are included for all installations. Consumables and reparable are included.

2. Exclusions (not firm; subject to change during development of detailed implementation plan):

NAVY - NSC Oakland: Transshipments of materiel; customer service; technical services; pierside procurement; ordnance management and repair; SERVMART and overhead functions (ADP operations, financial management, facilities management, inventory control, quality assurance, comptroller and planning functions) other than that portion in direct support of Distribution.

AIR FORCE - Sacramento Air Logistics Center: Functions in support of the inventory control point are excluded as is the air freight terminal operation, household goods, passenger operations, rail operations, mobility training, Pacer intergrate and transportation overhead.

ARMY - Sharpe Army Depot: None.

DLA - Defense Depot Tracy (DDTC): None.

PERFORMANCE MEASUREMENT GOALS/ACTUAL

	DDTC		SHAD		NSC-O		SALC		PROTOTYPE	
	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual
On Time Receipt Reporting										
Procurement	99%	99.9%	92%	91%	90%	84.3%	90%	84%	99%	99%
Other	90%	99.9%	92%	99%	90%	84.3%	90%	90%	90%	90%
On Time Receipt Stow										
Procurement	1J	92%	92%	62%	1J		70%	92%	92%	92%
Other	1J	92%	92%	84%	1J		70%	92%	92%	92%
Issues-On Time										
All IPGs	2J	90%	90%	85%						
NMCs	2J	90%	90%	79%						
Depot Processing Timeliness										
IPG 1 (1 day)	99%	98.4%	4J	4J	92%	92.3%	95%	92%	98%	98%
IPG 2 (2 days)	99%	98.5%	4J	4J	85%	92%	95%	92%	99%	99%
IPG 3 (8 days)	95%	97.1%	4J	4J	80%	86.2%	95%	86%	95%	95%
Denial Rate	.8%	.56%	1.0%	1.7%	1%	1.54%	1%	1%	.8%	.8%
Location Survey	99%	98.9%	98%	97%	98%	97.4%	97%	97%	99%	99%
Location Reconciliation	97%	96.6%	4J	4J	4J	4J	97%	97%	97%	97%
CONUS Transportation	90%	89.7%	90%	91%	4J	4J	100%	100%	90%	90%
Inventory Prioritization Model										
Initial Item Accuracy										
Initial Unit Accuracy										
Mission Support Accuracy										
Unit Cost Goals (Being Developed)										

1J Included w/On Time Receipt Reporting

2J Not Measured

3J Depot and Transportation Segments Combined (Total 21 Days)

4J Not Furnished

5J One Day

6J 2 Day

7J FY 91 End of Fiscal Year data will be used

8J Receipts for Stock (DLA Receipts/New Procurement)

9J Only Applies to SALC

ARMY DSS ORDER SHIP TIME  
 AVERAGE DAYS  
 SURFACE SHIPMENTS ONLY - PRIORITY 09-15 REQUISITIONS

	<u>Goal</u>	<u>Sharpe</u>	Prototype <u>Goal</u>
KOREA	59	47.6	59
ALASKA	42	41.6	42
HAWAII	40	40.3	40
JAPAN	52	41.1	52
OKINAWA	56	66.0	56
FORSCOM-WEST	20	22.4	20

ARMY ALOC ORDER SHIP TIME  
 AVERAGE DAYS  
 PRIORITY 09-15 REQUISITIONS

	<u>Goal</u>	<u>Sharpe</u>	Prototype <u>Goal</u>
KOREA	28	21.4	28
ALASKA	26	23.3	26
HAWAII	25	21.1	25
JAPAN	29	24.6	29

Source: US Army Logistic Control Activity Evaluation

STORAGE SPACE UTILIZATION

(SF FT in 000)

Sharpe Army Depot

TOTAL SPACE USED FOR OPERATIONS: 3,296

TOTAL SPACE FOR AISLES, STRUCTURAL LOSS & SUPPORT SPACE: 1,867

STORAGE SPACE:

<u>CATEGORY</u>	<u>AVAILABLE</u>		<u>OCCUP'D</u>		<u>SF OCCP'D PERCENT</u>
	<u>SF</u>	<u>CF</u>	<u>SF</u>	<u>CF</u>	
TOTAL COVERED STORAGE	1,429	29,932	1,148	18,713	80.3
TOTAL OPEN STORAGE	2,952.	N/A	918	7,344	31.1

LOCATIONS:

<u>CATEGORY</u>	<u>NUMBER</u>	<u>OPENINGS OCCUPIED</u>	<u>PERCENT</u>
BINS (WDC)*	157,008	39,847	25.4
BINS (Other Bldg)	<u>156,050</u>	<u>105,884</u>	67.8
TOTAL BINS	313,058	145,731	46.5
RACKS (WDC)	35,564	9,686	27.2
RACKS (Other Bldg)	<u>16,291</u>	<u>14,656</u>	90.0
TOTAL RACKS	51,855	24,342	46.9
TOTAL BINS & RACKS	364,913	170,073	46.6

BULK COVERED:

WDC	N/A	33	N/A
OUTSIDE WDC	N/A	26,470	N/A
ROUGH & READY	N/A	5,943	N/A
SIERRA DEPOT	<u>N/A</u>	<u>16</u>	<u>N/A</u>
TOTAL BULK	N/A	32,462	N/A

BULK OPEN:

SHARPE	N/A	1,462	N/A
ROUGH & READY	<u>N/A</u>	<u>149</u>	<u>N/A</u>
TOTAL OPEN	N/A	1,611	N/A

\* Western Distribution Center (WDC)

STORAGE SPACE UTILIZATION  
(SQ FT in 000)

Sacramento ALC

TOTAL SPACE USED FOR OPERATIONS: 2,498

TOTAL SPACE FOR AISLES, STRUCTURAL LOSS & SUPPORT SPACE: 1,582

STORAGE SPACE:

CATEGORY (000)	AVAILABLE		OCCUPIED		SF OCCUP PERCENT
	SF	CF	SF	CF	
TOTAL COVERED STORAGE	916	14,756	915	14,745	99.0
TOTAL OPEN STORAGE	658	N/A	658	6,581	100.0

LOCATIONS:

<u>CATEGORY</u>	<u>NUMBER</u>	<u>OPENINGS OCCUPIED</u>	<u>PERCENT</u>
BIN	NOT AVAILABLE		99.8
RACK	NOT AVAILABLE		99.96
BIN & RACK TOTAL	NOT AVAILABLE		
BULK (COVERED)	NOT AVAILABLE		99.63

Sharpe Army Depot

THROUGHPUT CAPACITY (Lines) - 1-8-5:

	<u>WDC(1)</u>	<u>NON-MECH</u>	<u>CCP(2)</u>	<u>UMFP(3)</u>	<u>TOTAL</u>
RECEIPTS .	780	120			900
ISSUES	4,336	680			5,016
TRANSSHIPMENTS			2,984	88	3,072
TOTAL	5,116	800	2,984	88	<u>8,988</u>

ACTUAL THROUGHPUT (Lines) FY 89:

	<u>WDC(4)</u>	<u>NON-MECH(4)</u>	<u>CCP(2)</u>	<u>UMFP(3)</u>	<u>TOTAL</u>
RECEIPTS	512	44			566
ISSUES	2,744	244			2,988
TRANSSHIPMENTS			2,692	56	2,748
TOTAL(5)	3,256	288	2,692	56	<u>6,292</u>

NOTES:

(1) Design capacity: assumes a fully-intergrated operating system in the Western Distribution Center.

(2) Consolidation Containerization Point workload not included in regular receipt and issue workload. Lines transshipped are counted once, at time of receipt.

(3) Unit Materiel Fielding Point workload is Force Modernization equipment and initial support package staging and shipment not included in regular receipt and issue totals above.

(4) Estimated, had the WDC been in operation for all of FY 89; actual workflow (based on initial operation starting in Mar 89):

	<u>WDC</u>		<u>NON-MECH</u>	
	<u>Annual</u>	<u>Daily</u>	<u>Annual</u>	<u>Daily</u>
Receipts	.076M	304	.063M	252
Issues	.411M	1,644	.336M	1,344

(5) Does not include assembly/disassembly workload of 46.1K pieces.

THROUGHPUT CAPACITY

SACRAMENTO ALC

AUTOMATED WAREHOUSING SYSTEM (Peak Workload in 8 hr Period):

RECEIPTS:	2,085
OFF BASE SHIPMENTS:	1,745
ON BASE ISSUES:	1,750
MATERIAL CUSTODY:	<u>1,410</u>
TOTAL TRANSACTIONS:	<u>6,990</u>

(Average system response = 6.5 seconds)

NON-AUTOMATED WAREHOUSE PROCESSING

RECEIPTS	-	NOT AVAILABLE
ISSUES	-	NOT AVAILABLE
SHIPMENTS	-	NOT AVAILABLE

TOTAL

REWAREHOUSING	-	NOT AVAILABLE
INTERROGATIONS	-	NOT AVAILABLE

TOTAL

GRAND TOTAL	800
-------------	-----

TRANSPORTATION:

LOGAIR - 3 FLIGHTS/DAY (18 HR DAY) (COULD HANDLE 7)  
TRUCKS - 8 TO 10 DAY (COULD HANDLE UP TO 15)

PROJECTED COSTS/SAVINGS FOR DEFENSE DEPOT CONSOLIDATION

I. PROCUREMENT DEFENSE ACQUISITION COSTS (PDA)

A. Enhance receiving operations at Sharpe Area Oriented Depot (AOD).	\$1,500,000
B. Improve packing operations in AOD.	\$2,000,000
C. Additional High Rise Vehicles for AOD.	\$1,300,000
D. Install transporter floats at various locations.	\$ 500,000
E. Purchase additional transporter trucks.	\$ 600,000

II. OPERATIONS AND MAINTENANCE FUNDS

A. Improve storage facilities through maintenance and repair.	\$4,000,000
B. Install storage aids for enhanced cube utilization at the various sites.	\$2,000,000
C. Training of workforce for transition to Defense Distribution System operations.	\$ 500,000
D. Reworkhousing/transportation costs.	\$2,000,000
E. ADP equipment. Satellite terminals, cabling, etc. (Does not include software development.)	\$1,000,000
F. Initial administrative costs, i.e., forms, letterhead, etc.	\$ 200,000
G. Environmental Assessment	\$ 65,000

III. ADP DEVELOPMENT COSTS

A. Contract Services.	\$4,700,000
B. Implementation.	\$2,500,000
C. Hardware/Software.	\$14,800,000
<u>TOTAL CONSOLIDATION COSTS</u>	\$37,665,000

ANNEX G

II. EXPECTED TRANSPORTATION CONSOLIDATION SAVINGS

A. First and Second Destination transportation savings, \$6 million annually.

B. Consolidated Consolidation Containerization Point (CCP) savings, one site, \$1.5 million annually.

Total Transportation savings, \$7.5 Million Annually (can only be accomplished after the 2nd year of consolidation).

III. COST AVOIDANCE AT VARIOUS SITES

A. Military Construction (MILCON).

1. DDTC - Operations Support Facility FY 93, \$16,700,000.

2. SHAD - Hazardous Materiel Facility FY 93, \$7,950,000.

B. Procurement Defense Acquisition Savings (PDA).

1. DDTC - Operations Support Facility Mechanization FY 93, \$10,343,000.

2. DDTC - Mechanization for DLA Enhanced Distribution System FY 94, \$1,500,000.

SUMMARY

Assuming DDTC's productivity rate can be obtained for the test operations, the following would occur:

o DDTC Annual Receipts and Issues, 3,300,000 - 1562 Personnel Equivalents = 2112 lines per person.

o Workload:	DDTC	3,300,000
	SHAD	886,000
	NSC-O	1,558,200
	SALC	1,617,800
	TOTAL	<u>7,362,000</u>

Total workload 7,362,000 - DDTC annual lines per person 2,112 = 3,485 required personnel.

PROTOTYPE OF THE CONSOLIDATION OF DISTRIBUTION OPERATIONS  
 OPTION \_\_\_\_\_ COSTS/SAVINGS  
 (\* in Millions)

<u>DIRECT LABOR*</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
Civilian Salaries & Benefits	65.6	79.2	75.3	75.3	75.3
Civilian End Strength	2186	2640	2509	2509	2509
Military Salaries & Benefits	2.4	2.4	2.4	2.4	2.4
Military End Strength	42	42	42	42	42
Contract Labor	6.7	6.7	6.7	6.7	6.7
 <u>GENERAL &amp; ADMINISTRATIVE LABOR**</u>					
Civilian Salaries & Benefits	25.5	30.8	29.3	29.3	29.3
Civilian End Strength	851	1027	976	976	976
Military Salaries & Benefits	.9	.9	.9	.9	.9
Military End Strength	11	11	11	11	11
 <u>DIRECT NON-LABOR COSTS</u>					
Supplies	20.4	22.9	21.7	21.7	21.7
Transportation	23.9	23.8	20.8	20.8	20.8
<u>INDIRECT NON-LABOR COSTS</u>	38.8	40.2	36.5	36.5	36.5
 <u>CAPITAL INVESTMENT COSTS</u>					
Military Construction	0	0	-24.7	0	0
Equipment (Procurement Funded)	18.2	0	-10.3	-1.5	0
 <u>NET SAVINGS</u>					
Obligational Authority	10.3	23.3	66.7	33.2	31.7
Civilian End Strength	244	625	807	807	807
Military End Strength	0	0	0	0	0

\* Includes only the cost of labor involved in the hands-on receipt, storage, issue and distribution of supplies (e.g., warehousemen, forklift operators, automated storage and retrieval system operators, and packers).

\*\* Includes other supply depot personnel (e.g., finance office, legal office, personnel office, security personnel, commander, administrative staff, and supervisors).

(See Pages G2-G5 for Savings Computation)

PROJECTED SAVINGS AFTER CONSOLIDATION

I. PERSONNEL SAVINGS

A. Assumptions.

1. Early out authority will be provided and the expected rates of early out which will take place at Defense Depot Tracy (DDTC) also can be applied to the other installations.

2. Actual attrition rates experienced at DDTC will hold true for other installations.

3. Reductions-In-Force (RIF) which put people on the street will not take place. Use of RIF procedures for internal placements will be required.

4. Temporary employees comprise 9 percent of personnel population at DDTC and 18 percent in direct/8 percent in overhead or approximately 14 percent of personnel population at Naval Supply Center, Oakland (NSC-O).

6. Some hiring will be required at a small percentage factor of the attrition rate for high turnover positions, normally entry level.

B. Total existing personnel population performing distribution functions as identified in Annex B is 4,292.

1. Expected losses through early out authority, 17.5 percent of DDTC's permanent population eligible, assuming 25% of those eligible would retire, applying the same formula to the overall population, the results are as follows:

First Year Retirements	-	133
Second Year Retirements	-	44

2. Attrition rate for remaining permanent workforce will average 7 percent annually. Reductions through attrition will be as follows:

First Year Attrition	-	204
Second Year Attrition	-	256

3. Release of temporary workforce to reach personnel population goal of 3,485 within the first two years of test will reduce the total temporary workforce by approximately 74 percent, as follows:

First Year Temporary Employees	-	84
Second Year Temporary Employees	-	84

4. Total reductions through early outs, attrition, and release of temporary employees are 807--all to be achieved within first two years of test.

RECAP  
DDS PROTOTYPE COST/SAVINGS ESTIMATE

FY	90	91	<u>COST (\$M)</u>		94	95	TOTAL
			92	93			
PDA	1.8	18.2					20.0
O & M	1.8	11.0	4.9				17.7
TOTAL	3.6	29.2	4.9				37.7

	<u>SAVINGS (\$M)</u>						
O & M Salary		7.3	18.8	24.2	24.2	24.2	98.7
Transportation		1.5	3.0	6.0	6.0	6.0	22.5
CCP		1.5	1.5	1.5	1.5	1.5	7.5
MILCON				24.7			24.7
PDA				10.3	1.5		11.8
TOTAL		10.3	23.3	66.7	33.2	31.7	165.2

Net 5 Year Savings \$127.5M

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No. 902

**DEFENSE MANAGEMENT REPORT DECISION**

**SUBJECT:** Implementation Plan for the Consolidation of Supply Depots

**DOD COMPONENTS:** Army, Navy, Air Force, DLA

**ISSUE:** To reflect savings in the FY 1992-1993 budget associated with the implementation plan approved by the ASD(P&L).

	(Dollars in Millions)		
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Service Estimate (Oblig. Auth.)	-	-	-
Alternative (Oblig. Auth)	-35.8	-142.0	-263.3

**SUMMARY OF EVALUATION:** On November 18, 1990, the Deputy Secretary of Defense directed the Assistant Secretary of Defense (Production and Logistics) to submit to the Deputy Secretary a report on the actions taken to implement the decision to consolidate supply depots made in the Deputy Secretary's memorandum of April 12, 1990. In addition, he asked the ASD(P&L) to develop, with the Comptroller, a record of the budget savings associated with the implementation plan for incorporation into the Department's FY 1992-1993 budget.

On December 19, 1990, the ASD(P&L) approved the detailed plans for the consolidation, prepared by the Defense Logistics Agency (DLA) with Service participation, as required by the DEPSECDEF direction. The budget savings resulting from the plan, based on a conservative estimate, are \$1,298.3 million from FY 1991 thru FY 1997. The ASD(P&L) has informed the Military Departments and DLA that the FY 1992 consolidation schedule will be developed and announced within the next three to six months. Pending these final decisions, this DMRD adjusts obligational authority based on the tentative consolidation schedule in the plan approved by the ASD(P&L). Further adjustments, if necessary, will be made after approval of the final consolidation schedule.

**ALTERNATIVE ESTIMATE:** Reduce obligational authority in the Defense Stock Fund by \$35.8 million in FY 1991, \$142.0 million in FY 1992, and \$263.3 million in FY 1993. The actual obligational authority reductions will be taken in PBD 426.

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**DMRD Continuation Sheet**

No. 902

**SUMMARY OF ADJUSTMENTS**

**SERVICE ESTIMATE**

	Obligational/Budget Authority (Dollars in millions)		
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
	SF, ARMY	303.2	296.0
SF, NAVY	173.3	179.9	186.7
SF, AIR FORCE	186.3	196.2	197.3
SF, DEFENSE AGENCIES	313.5	354.9	370.1
O&M, MARINE CORPS	63.0	58.0	53.4
MILCON, AIR FORCE	16.0	-	-
MILCON, DEFENSE AGENCIES	40.5	-	-
<b>TOTAL</b>	<u>1,094.8</u>	<u>1,085.0</u>	<u>1,093.5</u>

**Civilian Personnel (End Strength)**

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
ARMY		4,857	4,565	4,466
NAVY		4,330	4,330	4,330
MARINE CORPS		808	808	808
AIR FORCE		11,743	10,599	9,847
DLA		8,393	8,216	7,943
<b>TOTAL</b>		<u>30,131</u>	<u>28,518</u>	<u>27,394</u>

**Military Personnel (End Strength)**

ARMY	13	13	13
NAVY	70	70	70
MARINE CORPS	114	111	109
AIR FORCE	1,141	1,060	988
DLA	62	62	62
<b>TOTAL</b>	<u>1,400</u>	<u>1,316</u>	<u>1,242</u>

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DMRD Continuation Sheet

No. 902

ALTERNATIVE

Obligational/Budget Authority  
(Dollars in Millions)

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
SF, ARMY		-246.0	-286.0
SF, NAVY		-129.9	-186.7
SF, AIR FORCE		-146.2	-197.3
SF, DEFENSE AGENCIES	-35.8	+380.0	+406.7
TOTAL (OA)	-35.8	-142.0	-263.3

Civilian Personnel (End Strength)

ARMY	-3,072	-3,685
NAVY	-3,330	-4,330
MARINE CORPS	-808	-808
AIR FORCE	-3,904	-4,904
DLA	+10,146	+11,606
TOTAL	-971	-2,293

Military Personnel (End Strength)

SF, ARMY	-48	-48
SF, NAVY	-70	-70
MILPERS, MARINE CORPS	-111	-109
SF, AIR FORCE	-810	-988
SF, DLA	+138	+138
TOTAL	-901	-1,077

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## DMRD Continuation Sheet

No. 902

**OUTYEAR IMPACT:**

	(Dollars in Millions)			
	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
SF, ARMY	-222.0	-222.0	-222.0	-222.0
SF, NAVY	-186.7	-186.7	-186.7	-186.7
SF, AIR FORCE	-197.3	-197.3	-197.3	-197.3
SF, DEFENSE AGENCIES	+ 336.2	+ 352.6	+ 439.0	+439.0
TOTAL (OA)	<u>-269.8</u>	<u>-253.4</u>	<u>-167.0</u>	<u>-167.0</u>

**Civilian Personnel (End Strength)**

ARMY	-3,605	-3,604	-3,604	-3,604
NAVY	-4,330	-4,330	-4,330	-4,330
MARINE CORPS	-808	-808	-808	-808
AIR FORCE	-4,904	-4,904	-4,904	-4,904
DLA	<u>+10,052</u>	<u>+8,911</u>	<u>+8,911</u>	<u>+8,911</u>
TOTAL	<u>-3,595</u>	<u>-4,735</u>	<u>-4,735</u>	<u>-4,735</u>

**Military Personnel (End Strength)**

SF, ARMY	-48	-48	-48	-48
SF, NAVY	-70	-70	-70	-70
MILPERS, MARINE CORPS	-141	-141	-141	-141
SF, AIR FORCE	-982	-968	-968	-968
SF, DLA	<u>+138</u>	<u>+138</u>	<u>+138</u>	<u>+138</u>
TOTAL	<u>-1,103</u>	<u>-1,089</u>	<u>-1,089</u>	<u>-1,089</u>

**FOR OFFICIAL USE ONLY** No. 902  
**DEFENSE MANAGEMENT REPORT DECISION**

**SUBJECT:** Implementation Plan for the Consolidation of Supply Depots

**DOD COMPONENTS:** Army, Navy, Air Force, DLA

**ISSUE:** What should the schedule be for consolidation of the DOD Supply Depots under DLA? What should the management structure be for the distribution organization?

	<u>(TOA, Dollars in Millions)</u>		
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Service Estimate (Stock Fund Obligations)	-	-	-260.0
Alternative Estimate	-43.0	-151.3	-152.3

**SUMMARY OF EVALUATION:** This DMRD:

- a. Directs the transfer of all Distribution Depots to DLA during FY 1991.
- b. Approves funding of \$75.0 million for implementation of an interim processing system (Defense Distribution System) for the Depots.
- c. Directs the transfer of Service Central Design Activities devoted to Depot systems to DLA by February 1, 1991.
- d. Directs the retention of the current Depot Commanders at the cluster areas for at least one year after consolidation.
- e. Disapproves the DLA proposal to create three regions.
- f. Direct the cancellation of a contract to evaluate the results of the depot consolidations.
- g. Deletes Military Construction projects in the Service budgets estimated to cost \$172.6 million.
- h. Reflects estimated savings of \$1,771.5 million through FY 1997.
- i. Civilianizes all military billets except those designated as JCS required.

**ALTERNATIVE ESTIMATE:** Approve the above actions; transfer obligational authority from the Services Stock Funds to the Defense Stock Fund based on the schedule above; reduce obligational authority in the Defense Stock Fund by \$43.0 million in FY 1991, \$151.3 million in FY 1992, and \$152.3 million in FY 1993; transfer \$16.5 million from the CIM account to DLA Procurement account in FY 1991; Approve \$37.5 million for the Defense Distribution System in FY 1992 and \$21.0 million in FY 1993; reduce Mil Con by \$172.6 million from FY 1990 through FY 1997.

DECISION \_\_\_\_\_ Date \_\_\_\_\_

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**DMRD Continuation Sheet**

No. 902

**DETAIL OF EVALUATION:** The decision of the Deputy Secretary on DMRD 902 in FY 1991 required a study of the proposed consolidation of Supply Depots. As a result of the subsequent study, the Deputy Secretary approved the consolidation of Supply Depots under DLA. DLA has developed an implementation plan which includes a concept of operations. In addition, DLA is in the process of developing an interim automated system -- the Defense Distribution System (DDS)-- which will give it some ability to merge the information systems of the formerly Service depots with the DLA system.

Progress by the Services has not kept pace with the intent of the DEPSECDEF decision to consolidate supply depots. While DLA is right to involve the Services in the internal decision process, DLA actions to-date have been very conservative. As a result, the Department is not achieving the near-term savings that appear possible. Finally, DLA proposals to create a regional management appears to be a reshuffling of Service overhead functions that the DEPSECDEF desires to eliminate. This proposal will very costly and that will dilute the savings that could be achievable because of the reductions in the overhead organizations of the Services.

To date, DLA has taken over the Army depot at Sharpe, California and the Navy depot at Oakland, California. The only other consolidations scheduled for this year are the Army depot at New Cumberland, Pennsylvania in February, and the Air Force and Army depots in Sacramento, California in July.

**CONSOLIDATION SCHEDULE.** The proposed DLA schedule for consolidation runs until June 1993. Studies done by DLA indicate significant reductions in overhead are possible from consolidation of those depots that are geographically close to each other. Planning is in process at those sites and there appears to be no reason why some transfers cannot begin to take place immediately. While all of the benefits to be achieved by the consolidation will not take place until deployment of DDS later in the year, trimming of overhead can begin immediately. Each of the areas has identified significant overhead reductions.

The table below displays the average cost in FY 1989 to process a line item (receipt or issue) in the Services and DLA depots:

Army	\$33.39
Navy	\$15.60
Air Force	\$21.36
TOTAL NON DLA DEPOTS	\$22.63
DLA	\$13.10

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**DMRD Continuation Sheet**

No. 902

As the table above indicates, significant savings are likely when DLA takes over the depots. In addition to the expectation of DLA reducing costs at the Service depots to the DLA level, there should be further savings because of the consolidation of overhead and the better utilization of overall DoD storage space.

The potential savings are so significant, the remaining Service depots should be transferred to DLA immediately, rather than over a three year period. This would permit DLA to fully concentrate on managing the system, instead of spending an inordinate amount of time negotiating with the Services. Continued management by committee will cost the department millions over the next few years.

Every effort will be made to ensure that the implementation schedule above does not adversely impact personnel affected by this decision.

The alternative would direct the transfer of all of the remaining depots to DLA in FY 1991, in accordance with the following schedule.

Alternative Consolidation Schedule:	
Obtain concept approval	Oct 90
Establish Defense Distribution Depot Pa. (New Cumberland and Mechanicsburg, Pa.)	Dec 15, 90
Merge Sacramento ALC Distribution and Sacramento Army Depot into Depot Tracy	Feb 1, 91
Establish Defense Distribution Depot Ogden (Hill ALC, Tooele and Ogden Depots)	Mar 1, 91
Transfer remaining Army distribution depots to DLA	Apr 1, 91
Transfer remaining Air Force distribution depots to DLA	June 1, 91
Transfer remaining Navy depots to DLA	Aug 91

This schedule may not provide adequate time for the transfer of all of the payroll records to the DLA system. If that is the case, the transfer should take place with DLA reimbursing the Services for their payroll costs until the records can be transferred.

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**DMRD Continuation Sheet**

No. 902

**DATA PROCESSING:** In order to achieve the savings detailed later in this DMRD of over \$1.8 billion a standard system must be developed that can be utilized across the 33 DoD depots. As previously indicated, DLA has identified the essential elements that would permit initial deployment of an interim system (DDS) by the end of FY 1991. The interim (until CIM produces a new system which should incorporate many aspects of the interim system) system includes the best features of the current DLA and Service systems. Programming of the Defense Distribution System (DDS) effort has been underway for a number of months. Deployment of DDS will require an investment of approximately \$75 million in hardware, including some mainframes, workstations, and software, in addition to the cost of the in-house programming effort.

The implementation of a single processing system is an essential ingredient in the creation of a DoD distribution system, and the realization of the savings described above in the functional area. However, it is likely that DLA will be able to amortize this \$75 million investment in its data processing operations. DLA plans to centralize depot processing at a new ADP building under construction at Ogden, Utah. This facility is scheduled to be completed in March 1991.

It is a credit to the Department that an interim system can be brought on line so quickly. All of the Services have assisted DLA in the identification of the essential ingredients of their individual systems. Without their cooperation, the progress in implementing DDS would not be possible. It is now up to DLA to take over the responsibility for DDS and make sure that this effort has not been wasted. Since all of the depots are being transferred to DLA, and DDS has been identified as the interim system, those Service Central Design Activities (CDA's) that work on Distribution systems should also be transferred immediately. These CDA's that are currently maintaining and improving individual Service systems for depots should be consolidated under the DLA Systems Automation Center (DSAC) to provide support for the DDS. The staffing of Central Design Activities supporting depots currently exceeds 800 for the four services and DLA.

The alternative assumes that DLA will phase this population down to approximately 200 over the next few years. It is expected that some of the personnel can be transferred to other functional CDA staffs at their current locations and that some can be relocated to meet other DLA CDA requirements. For example, DLA has a significant requirement for additional programmers for its material management system. Rather than hiring additional personnel, DLA could buy a significant amount of lead time in that area, by familiarizing this trained population with its material management system.

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**DMRD Continuation Sheet**

No. 902

Based on the above, the Alternative directs the transfer of the Service depot CDA personnel to DLA, and approves the funding of the following amounts for DDS:

APPROPRIATION	(Dollars in Million)			
	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
PROCUREMENT, DEFENSE AGENCIES	3,650	13,500	25,506	13,412
DEFENSE STOCK FUND	2,000	3,000	11,992	7,616
TOTALS	5,650	16,500	37,498	21,028
TOTAL OVER 4 YEARS (FY 1990-1993)	\$75,026			

FY 1991 Procurement funding will be made available from the CIM transfer account, since DDS has been identified as an interim CIM system. FY 1992 procurement funding, although identified as Procurement, Defense Agencies in this document, is expected to be funded through the Stock Fund if the Capital Budgeting Alternative is approved in another DMRD.

**EVALUATION CONTRACT:** The Assistant Secretary for Production and Logistics has \$200,000 set aside for the Logistics Management Institute (LMI) to evaluate the Supply Consolidation effort. Ordinarily, an amount of this magnitude might not be worth mentioning in an effort of this magnitude, and certainly an effort of this magnitude should be evaluated. However, if there is one area of the Department where baseline data and existing evaluation criteria already exist, it is this one.

Depot Commanders already operate with OSD and Agency goals in timeliness and quality. Examples are the time it takes to make the different priority issues, inventory accuracy, denial rates (inability to make an issue because the stock cannot be found when the system says it is there), etc. Data is reported to headquarters monthly and to OSD quarterly. In addition, unit cost data is available for FY 1989 and FY 1990, and the system is in place to measure costs the same way in the future.

The troubling aspect of the evaluation contract is the implication that some new criteria is to be used for evaluation, and that the consolidation effort will be evaluated on some other measures than what the local Commanders use in their day to day operations. Accordingly, the Alternative directs the cancellation of the evaluation contract with the Logistics Management Institute. LMI could be better utilized as an resource to assist DLA in looking at the local trouble spots that will inevitably develop during this period of change. LMI does have valuable expertise in this area.

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**DMRD Continuation Sheet**

No. 902

**LOCAL MANAGEMENT:** The following table displays the average cost in FY 1989 to process a receipt or shipment at the distribution depots that are geographically close to each other and will be under combined management:

Defense Depot Tracy	\$15.20
Sharpe Army Depot	42.91
Sacramento Air Logistics Center	26.22
Sacramento Army Depot	49.31
NSC Oakland	18.92
Defense Depot Ogden	12.30
Ogden Air Logistics Center	18.28
Toole Army Depot	30.30
Defense Depot Mechanicsburg, Pa	11.73
New Cumberland Army Depot, Pa	27.14
Tobyhanna Army Depot, Pa	33.73
Letterkenny Army Depot, Pa	35.53

DLA has already taken over Sharpe and NSC Oakland and will take over the other Bay area and Pennsylvania depots in the near future. The consolidation of supply depots under DLA management is the most critical DMR initiative approved by DEPSECDEF to date. The smooth transition of this multibillion dollar operation is not only vital to the success of the DMR process, but crucial to the continued high level of support and readiness provided to field commanders. It is of the utmost importance to the Department and National Security that the most experienced personnel be assigned to coordinate the consolidation of supply depots under DLA. Since the DLA Depot Commanders currently in place have extensive knowledge of the DLA distribution system, it is prudent from a business standpoint and in the best interest of the Department that these Commanding Officers remain in place until one year after the transition of all depots (August 1992).

The Alternative directs the retention of the existing DLA Commanders at the three cluster sites for at least one year after local consolidation.

**DLA MANAGEMENT STRUCTURE:** DLA is planning on dividing all 33 distribution depots into 3 regions, with a central staff managing each of the 3 regions. The three region concept envisions each area with a regional Commander and headquarters staff, and individual Site Commanders. The composition of the regions is as follows:

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**DMRD Continuation Sheet**

No. 902

EASTERN REGION

Defense Depot Richmond, Virginia (DDRV)  
Defense Depot Mechanicsburg, Pennsylvania (DDMP)  
New Cumberland Army Depot, Pennsylvania (NCAD)  
Tobyhanna Army Depot, Pennsylvania (TOAD)  
Letterkenny Army Depot, Pennsylvania (LEAD)  
Naval Supply Center, Norfolk, Virginia (NSC-N)  
Naval Supply Center, Charleston, South Carolina (NSC-C)  
Naval Supply Center, Jacksonville, Florida (NSC-J)  
Warner Robbins Air Logistics Center, Georgia (WR-ALC)  
Marine Corps Logistics Base Albany, Georgia (MCLB-A)  
Marine Corps Air Station Cherry Point, North Carolina (MCAS-CP)

CENTRAL REGION

Defense Depot Columbus, Ohio (DDCO)  
Defense Depot Memphis, Tennessee (DDMT)  
Red River Army Depot, Texas (RRAD)  
Corpus Christi Army Depot, Texas (CCAD)  
Anniston Army Depot, Alabama (ANAD)  
Naval Supply Center Pensacola, Florida (NSC-P)  
San Antonio Air Logistics Center (SA-ALC)  
Oklahoma City Air Logistics Center (OK-ALC)

WESTERN REGION

Defense Depot Ogden, Utah (DDOU)  
Defense Depot Tracy, California (DDTC)  
Sacramento Army Depot, California (SAAD)  
Sharpe Army Depot, California (SHAD)  
Toole Army Depot, Utah (TEAD)  
Naval Supply Center Oakland, California (NSC-O)  
Naval Supply Center Puget Sound, Washington (NSC-PS)  
Naval Supply Center San Diego, California (NSC-SD)  
Sacramento Air Logistics Center, California (SM-ALC)  
Ogden Air Logistics Center, Utah (OG-ALC)  
Marine Corps Logistics Base Barstow, California (MCLB-B)

The logic for consolidating the staffs for depots in close geographic proximity was recognized in the original decision in order to reduce staff levels. If DLA establishes three Regional Headquarters for CONUS, with Region Commanders while retaining individual Site Commanders, this will result in management layering rather than elimination of duplicate staffs in cluster areas as envisioned by the original decision. One of the basic goals of the DMR is to significantly reduce management layering. The DLA plan seems to be going in a different direction.

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The DLA plan is not sufficiently developed to determine the cost of creating the additional layer. However, the problem is not just the initial cost estimate. There is also a concern as to what the organization will look like in the future. Despite the best intentions of the current DLA leadership, management staffs have a history of growing. DLA already has a dedicated headquarters office with responsibility to provide policy, systems and management oversight of depots. While oversight of 25 organizations may appear to present a span of control problem, the headquarters office does not have responsibility for day to day operation of the local activities. Similarly, storage policy, other than for within a cluster is a headquarters function, with individual decision made by the inventory manager. It is difficult to imagine what decisions a region headquarters at Tracy can make about a depot at San Diego that cannot be made at a single central site.

The initial consolidation decision envisioned that efficiencies in the direct cost portion would result at complexes like Tracy-Sharpe, because they were close enough to be managed as if all of the warehouses were behind the same gate. It was envisioned that these clusters would be managed in the same manner that DLA had managed warehouses from Tracy that are located even further than Sharpe, in Stockton and Alameda. Instead, DLA has already installed a Regional Commander with five potential Site Commanders in the Bay area. The impact of this layering is already evident. Although there are savings being realized by the consolidation of overhead functions, the command arrangement achievement is already demonstrating that the potential savings envisioned in the alternative will be jeopardized by this arrangement.

Based on the above, the alternative does not provide the resources, including the necessary O-6 billets, to establish the regions or the site commanders offices. DLA should revise their plan to provide cluster depot complexes with a single Commander and staff and eliminate Site Commanders in favor of civilian Distribution Directors. Those depots that do not fit into the cluster concept, geographically, should remain as individual depots and report to the DLA Headquarters Distribution staff, for policy and guidance.

**DEPOT REALIGNMENTS AND CLOSURES:** This DMRD covers the existing 33 depots involved in the wholesale system. The workload and resources include the retail operations at those sites. The consolidation into geographic clusters will reduce the number of management areas to 25. It seems evident that the impact of reduced inventory because of reduced force levels, the inventory reduction plan, the gradual reliance on direct vendor delivery, and the increased capacity when the new facilities at Sharpe, New Cumberland, and Mechanicsburg can be fully utilized will result in excess capacity in the near future. The Alternative assumes

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## DMRD Continuation Sheet

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closure of at least 5 of the 33 sites, as well as the need to utilize the leased space at Piketon, Ohio.

**MILITARY CONSTRUCTION:** Because of the likelihood of excess capacity, the following construction projects should not be funded.

**MILCON REDUCTIONS:** (\$ in millions)

1990	ARMY	NEW CUMBERLAND AD	HAZARDOUS STORAGE	\$14.0
1990	ARMY	RED RIVER AD	DISTRIBUTION CTR	39.0
1990	AIR FORCE	ROBINS AFB	LOGISTICS COMPLEX	9.3
1990	AIR FORCE	LACKLAND AFB	LOGISTICS COMPLEX	8.0
1990	NAVY	NORFOLK NSC	GENERAL WAREHOUSE	6.2
1991	AIR FORCE	HILL AFB	DEPOT WAREHOUSE	16.0
1991	DLA	DEF CONSTRUCTION	BULK STG WAREHOUSE	13.5
		SUPPLY CENTER	TWO GENERAL PURPOSE	
1991	DLA	DEFENSE DEPOT	WAREHOUSES	15.1
		MECHANICSBURG	GEN PURPOSE WHSE	11.9
1991	DLA	DEF DEPOT MEMPHIS		
1992	ARMY	RED RIVER AD	GEN PURPOSE WHSE	1.1
1992	NAVY	SAN DIEGO NSC	GEN PURPOSE WHSE	8.6
1992	NAVY	PUGET SOUND NSC	HAZARDOUS WHSE	12.5
1993	ARMY	RED RIVER AD	HAZARDOUS WHSE	3.0
1993	ARMY	TOOLE AD	HAZARDOUS WHSE	9.0
1993	ARMY	LETTERKENNY AD	HAZARDOUS WHSE	5.4

**COST SAVINGS:** Based on reductions in overhead in the clusters, elimination of duplicate or multiple storage locations for single stock numbers, savings in transportation resulting from consolidated shipments, visibility of all area shipments, and utilization of the DLA guaranteed traffic program, and maintenance of a single system rather than five separate depot systems, it seems reasonable to assume that DLA should ultimately be able to operate the entire system at the same unit cost, in 1989 dollars that the Agency achieved in that year.

The following display illustrates the magnitude of savings that can be achieved if each Service operated their depots at the DLA cost which is 50 percent of the Service Depot Cost.

	(Dollars in millions)		
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
ARMY SF BUDGET	303.2	296.0	286.5
NAVY SF BUDGET	235.3	246.2	255.7
AIR FORCE SF BUDGET	186.3	196.2	197.3
DLA SF BUDGET	<u>313.5</u>	<u>354.9</u>	<u>370.1</u>
TOTAL	1,038.3	1,093.3	1,109.4

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Accordingly, the alternative reflects that DLA will achieve that goal over a five year period. No additional savings have been calculated for the impact of base closures. Estimates of savings from those actions will be made in conjunction with the base closure process, if and when decisions are made to study the closure of supply depots.

**JCS JOINT STAFF BILLET REQUIREMENTS:** DLA has demonstrated that it can accomplish the distribution mission primarily with a civilian workforce. Further, the cost of a civilian workforce is less than a military workforce; therefore as many military billets as possible should be converted to civilian positions. The alternative estimate recognizes a JCS identified requirement of approximately 200 military billets be retained and designated as Joint Service billets.

**SUMMARY OF ADJUSTMENTS**

**SERVICE ESTIMATE**

(Dollars in millions)

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Obligational/Budget Authority			
SF, ARMY	303.2	296.0	286.0
SF, NAVY	235.3	246.2	255.7
SF, MARINE CORPS	63.0	58.0	53.4
SF, AIR FORCE	186.3	196.2	197.3
SF, DEFENSE AGENCIES	313.5	354.9	370.1
MILCON, ARMY	39.0	-	-
MILCON, DEFENSE AGENCIES	30.3	-	-
TOTAL	<u>1,170.6</u>	<u>1,151.3</u>	<u>1,162.5</u>

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	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Civilian Personnel				
ARMY		3,425	3,150	2,930
NAVY		6,358	6,360	6,366
MARINE CORPS		808	808	808
AIR FORCE		10,412	10,016	9,471
DLA		<u>8,393</u>	<u>8,216</u>	<u>7,943</u>
TOTAL		29,396	28,550	27,518
 Military Personnel				
ARMY		223	223	223
NAVY		328	306	282
MARINE CORPS		114	111	109
AIR FORCE		1,597	1,585	1,591
DLA		<u>62</u>	<u>62</u>	<u>62</u>
TOTAL		2,324	2,287	2,267

ALTERNATIVE

(\$ in Millions)

Budget Authority				
SF, ARMY			-222.0	-221.0
SF, NAVY			-246.2	-255.7
SF, MARINE CORPS			- 58.0	- 53.4
SF, AIR FORCE			-196.2	-197.3
SF, DEFENSE AGENCIES			+ 650.2	+ 654.7
MILPERS ARMY			-6.1	-6.6
MILPERS NAVY			-13.1	-13.9
MILPERS MARINE CORPS			-4.3	-4.6
MILPERS AIR FORCE			-46.7	-50.5
MILCON, ARMY	53.0		- 1.1	-17.4
MILCON, NAVY	6.2		-21.1	
MILCON, AIR FORCE	17.3	-16.0	-12.2	
MILCON, DEFENSE AGENCIES		-40.5		
PROCUREMENT DEFENSE AGENCIES		<u>+13.5</u>	<u>+25.5</u>	<u>+13.4</u>
TOTAL		-76.5	-43.0	-152.3

(End Strength)

Civilian Personnel				
ARMY			-2,930	-2,930
NAVY			-6,366	-6,366
MARINE CORPS			-808	-808
AIR FORCE			-4,904	-4,904
DLA			<u>+23,507</u>	<u>+12,007</u>
TOTAL			-1,501	-3,001

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## DMRD Continuation Sheet

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	(End Strength)		
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Military Personnel			
SF, ARMY		-196	-196
SF, NAVY		-310	-310
SF, MARINE CORPS		-141	-141
SF, AIR FORCE		-1,591	-1,591
SF, DLA		+200	+200
TOTAL		<u>-2,038</u>	<u>-2,038</u>

### OUTYEAR IMPACT:

	(\$ IN MILLIONS)			
	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
SF, ARMY	-222.0	-222.0	-222.0	-222.0
SF, NAVY	-255.7	-255.7	-255.7	-255.7
SF, MARINE CORPS	- 53.4	- 53.4	- 53.4	- 53.4
SF, AIR FORCE	-197.3	-197.3	-197.3	-197.3
SF, DEFENSE AGENCIES	+ 571.9	+ 499.1	+ 426.3	+392.1
MILPERS ARMY	-7.0	-7.0	-7.0	-7.0
MILPERS NAVY	-14.7	-14.7	-14.7	-14.7
MILPERS MARINE CORPS	-4.9	-4.9	-4.9	-4.9
MILPERS AIR FORCE	-54.4	-54.4	-54.4	-54.4
MILCON, DEFENSE AGENCIES				
TOTAL	<u>-237.5</u>	<u>-310.3</u>	<u>-383.1</u>	<u>-417.3</u>

### Civilian Personnel

	(End Strength)			
ARMY	-2,930	-2,930	-2,930	-2,930
NAVY	-6,366	-6,366	-6,366	-6,366
MARINE CORPS	-808	-808	-808	-808
AIR FORCE	-4,904	-4,904	-4,904	-4,904
DLA	+10,506	+9,005	+7,504	+7,504
TOTAL	<u>-4,502</u>	<u>-6,003</u>	<u>-7,504</u>	<u>-7,504</u>

### Military Personnel

SF, ARMY	-196	-196	-196	-196
SF, NAVY	-310	-310	-310	-310
SF, MARINE CORPS	-141	-141	-141	-141
SF, AIR FORCE	-1,591	-1,591	-1,591	-1,591
SF, DLA	+200	+200	+200	+200
TOTAL	<u>-2,038</u>	<u>-2,038</u>	<u>-2,038</u>	<u>-2,038</u>

Classification UNCLAS when with attachments.

Date: 28 Dec 90



This Program Budget /Defense Management Report Decision document and attachments contain internal advice, recommendations, and subjective evaluations; its unauthorized release is prohibited.

FY 1992/1993

# BUDGET REVIEW

Consistent with Secretary of Defense coordination policy, coordination of your DPRB principal or his alternate is requested. Coordination below the principal deputy is discouraged.

CONSOLIDATION OF SUPPLY DEPOTS 902  
~~PROGRAM~~ /DEF MANAGEMENT REPORT DECISION TITLE No.

For coordination by DLA

Coordination required by 1700 hours 31 Dec 90

The attached Program Budget Decision (PBD) Defense Management Report Decision (DMRD) has been prepared as part of the formulation of the FY 1992/1993 Defense Budget. Priority handling is requested.

In order to permit completion of the FY 1992/1993 Budget Review in accordance with the approved schedule, it is requested that your coordination or comments on the attached form be received by the above date.

Questions concerning the PBD/DMRD may be referred to Mr./Ms. GRANT, Directorate for Management Office, DoD Comptroller, room 3A882 extensions 76148.

After coordination, please call extension AVTA, for hand pickup.

CASEY  
x53078

Enclosure(s)

Classification UNCLAS when with attachments.

COORDINATIONS on ~~DMRD~~ DMRD No. 902

SUBJECT: CONSOLIDATION OF SUPPLY DEPOTS

Coordinating Official	Concur	Non-Concur: Memo
USD(A)		
USD(Policy)		
ASD(FM&P)		
ASD(HA)		
ASD(PA&E)		
ASD(RA)		
ASD(SO/LIC)		
DIR(OT&E)		
OMB		
JCS		
ARMY		
NAVY		
AIR FORCE		
Other		
Other		

Prin Dep Compt \_\_\_\_\_

Coordinating Director(s) \_\_\_\_\_

Dep Compt (MS) \_\_\_\_\_

MS Director \_\_\_\_\_

Prepared by:

ARANT

x 76148

P&FC

FOR OFFICIAL USE ONLY No. 902

## DEFENSE MANAGEMENT REPORT DECISION

**SUBJECT:** Implementation Plan for the Consolidation of Supply Depots

**DOD COMPONENTS:** Army, Navy, Air Force, DLA

**ISSUE:** To reflect savings in the FY 1992-1993 budget associated with the implementation plan approved by the ASD(P&L).

	<u>(Dollars in Millions)</u>		
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Service Estimate (Oblig. Auth.)	-	-	-
Alternative (Oblig. Auth)	-62.0	-142.0	-263.3

**SUMMARY OF EVALUATION:** On November 18, 1990, the Deputy Secretary of Defense directed the Assistant Secretary of Defense (Production and Logistics) to submit to the Deputy Secretary a report on the actions taken to implement the decision to consolidate supply depots made in the Deputy Secretary's memorandum of April 12, 1990. In addition, he asked the ASD(P&L) to develop, with the Comptroller, a record of the budget savings associated with the implementation plan for incorporation into the Department's FY 1992-1993 budget.

On December 19, 1990, the ASD(P&L) approved the detailed plans for the consolidation, prepared by the Defense Logistics Agency (DLA) with Service participation, as required by the DEPSECDEF direction. The budget savings resulting from the plan, based on a conservative estimate, are \$1,325.3 million from FY 1992 thru FY 1997. The ASD(P&L) has informed the Military Departments and DLA that the FY 1992 consolidation schedule will be developed and announced within the next three to six months. Pending these final decisions, this DMRD adjusts obligational authority based on the tentative consolidation schedule in the plan approved by the ASD(P&L). Further adjustments, if necessary, will be made after approval of the final consolidation schedule.

**ALTERNATIVE ESTIMATE:** Reduce obligational authority in the Defense Stock Fund by \$62.0 million in FY 1991, \$142.0 million in FY 1992, and \$263.3 million in FY 1993.

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## DMRD Continuation Sheet

No. 902

### SUMMARY OF ADJUSTMENTS

#### SERVICE ESTIMATE

	Obligational/Budget Authority (Dollars in millions)		
	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
	SF, ARMY	303.2	296.0
SF, NAVY	173.3	179.9	186.7
SF, AIR FORCE	186.3	196.2	197.3
SF, DEFENSE AGENCIES	313.5	354.9	370.1
O&M, MARINE CORPS	63.0	58.0	53.4
MILCON, AIR FORCE	16.0	-	-
MILCON, DEFENSE AGENCIES	40.5	-	-
TOTAL	1,094.8	1,085.0	1,093.5

#### Civilian Personnel (End Strength)

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
ARMY	4,857	4,565	4,466	4,466
NAVY	4,330	4,330	4,330	4,330
MARINE CORPS	808	808	808	808
AIR FORCE	11,743	10,599	9,847	9,847
DLA	8,393	8,216	7,943	7,943
TOTAL	30,131	28,518	27,394	27,394

#### Military Personnel (End Strength)

ARMY	13	13	13
NAVY	70	70	70
MARINE CORPS	114	111	109
AIR FORCE	1,141	1,060	988
DLA	62	62	62
TOTAL	1,400	1,316	1,242

FOR OFFICIAL USE ONLY  
DMRD Continuation Sheet

No. 902

ALTERNATIVE

Obligational/Budget Authority

(Dollars in Millions)

	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
SF, ARMY		-246.0	-286.0
SF, NAVY		-129.9	-186.7
SF, AIR FORCE		-146.2	-197.3
SF, DEFENSE AGENCIES	-62.8	+380.0	+406.7
TOTAL (OA)	-62.8	-142.0	-263.3

Civilian Personnel (End Strength)

ARMY	-3,565	-4,466
NAVY	-3,330	-4,330
MARINE CORPS	-808	-808
AIR FORCE	-3,904	-4,904
DLA	+10,146	+11,606
TOTAL	-1,461	-2,902

Military Personnel (End Strength)

SF, ARMY	-13	-13
SF, NAVY	-70	-70
O&M, MARINE CORPS	-111	-109
SF, AIR FORCE	-810	-988
SF, DLA	+138	+138
TOTAL	-866	-1,042

FOR OFFICIAL USE ONLY  
DMRD Continuation Sheet

No. 902

OUTYEAR IMPACT:

	(Dollars in Millions)			
	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
SF, ARMY	-222.0	-222.0	-222.0	-222.0
SF, NAVY	-186.7	-186.7	-186.7	-186.7
SF, AIR FORCE	-197.3	-197.3	-197.3	-197.3
SF, DEFENSE AGENCIES	+ 336.2	+ 352.6	+ 439.0	+439.0
TOTAL (OA)	<u>-269.8</u>	<u>-253.4</u>	<u>-167.0</u>	<u>-167.0</u>

Civilian Personnel (End Strength)

ARMY	-4,058	-4,340	-4,340	-4,340
NAVY	-4,330	-4,330	-4,330	-4,330
MARINE CORPS	-808	-808	-808	-808
AIR FORCE	-4,904	-4,904	-4,904	-4,904
DLA	<u>+10,052</u>	<u>+8,911</u>	<u>+8,911</u>	<u>+8,911</u>
TOTAL	<u>-4,048</u>	<u>-5,471</u>	<u>-5,471</u>	<u>-5,471</u>

Military Personnel (End Strength)

SF, ARMY	-13	-13	-13	-13
SF, NAVY	-70	-70	-70	-70
O&M, MARINE CORPS	-141	-141	-141	-141
SF, AIR FORCE	-982	-968	-968	-968
SF, DLA	<u>+138</u>	<u>+138</u>	<u>+138</u>	<u>+138</u>
TOTAL	<u>-1,068</u>	<u>-1,054</u>	<u>-1,054</u>	<u>-1,054</u>

DEFENSE LOGISTICS AGENCY  
FACT SHEET

MRD No. 902

Subject: Implementation Plan for the Consolidation of Supply Depots

(\$M)

SUMMARY OF IMPACT:

	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
Initial Service Est		-260.0				
DMRD Adjustment	-151.3	-152.3	-237.5	-310.3	-383.1	-417.3
Current Service Est		-260.0				

DMRD 902 contains four recommendations which, if implemented, would be exceedingly disruptive. The DMRD: (1) directs the transfer of all Distribution Depots to DLA during FY 91, (2) directs the retention of the current Depot Commanders at the cluster areas for at least one year after consolidation, (3) disapproves the DLA proposal to create three Regions, (4) civilianizes all military billets except those designated as Joint Chief of Staff required.

ISSUES OF CONCERN:

(1). Consolidation Schedule: Acceleration of the Depot consolidation schedule is possible; however, there is little to be gained by disrupting the orderly schedule which was in the DLA Concept Plan. The ability to provide equal or superior service to the customer is a key implementation requirement of this consolidation effort. The schedule proposed in the DMRD adds risk of system failure with no additional benefits.

(2). Retain Current Depot Commanders: Selection of a DLA Depot Commander is the responsibility of DLA in coordination with the respective Service. Knowledge of the distribution business is a critical element in the selection of Depot Commanders.

(3). Disapprove the DLA proposal to Create Three Regions: The cluster concept would create an unmanageable "span of control" problem and inhibit the smooth transition from the Services to DLA. DLA's regional concept achieves economy of operation by consolidating both highly and moderately active material at primary sites, while slow and inactive material will be stored at the outlying sites. The migration of workload will reduce manpower requirements at the outlying sites while also consolidating support staff and overhead functions currently being performed at all of the 30 depots into three regions. When compared to today's overhead staffing requirements, the regional management structure does not add to the existing management layer and reduces staffing requirements by approximately 7,260 positions.

(4). Civilianize All Military Billets Except Those Designated As JCS Required: Military staffing in the consolidated DLA Depot system should be at no lower level than it is today. Currently, only 1/3 of the total DLA billets are joint coded. This is the result of a number of issues - Congressional limits on joint billets, availability of JSOs to fill billets etc., and not a judgment on which of the total DLA military are important and vital in fulfilling our role as a combat

support agency. Military manning is less than three percent of total DLA manning. The importance of a military staff in DLA is being relearned every day in Desert Shield. Coordination between wholesale logistics components and theatre logistics components is absolutely essential to effective, efficient, operational combat logistics support.

**CONCLUSION/RECOMMENDATION:**

Continue consolidation under the DLA concept plan.

DEFENSE MANAGEMENT REPORT DECISION

RADM Cole  
Sir, <sup>Ref</sup> in the first part  
on acceleration.....

DATE  
DUE DATE

Do we really want to  
leave the door open with  
a "partially concurred"  
~~acceleration~~ "acceleration  
is possible" ?  
otherwise OK JFH

DMRD# 902 SUBJECT: Implementation Plan for  
of Supply Depots.

ROUTING/COMMENTS:

DLA-O *JFH 11/13* DLA-Z  
DLA-W *JFH* DLA-M

SUMMARY OF IMPACT ON DLA: This DMRD:

1. Directs the transfer of all Distribution Depots to DLA during FY 91.
2. Approves funding of \$75.0 million for implementation of an interim processing system (Defense Distribution System) for the Depots.
3. Directs the transfer of Service Central Design Activities devoted to Depot systems to DLA by 1 February 1991.
4. Directs the retention of the current Depot Commanders at the cluster areas for at least 1 year after consolidation.
5. Disapproves the DLA proposal to create three regions.
6. Directs the cancellation of a contract to evaluate the results of the depot consolidations.
7. Deletes Military Construction projects in the Service budgets estimated to cost \$172.6 million.
8. Reflects estimated savings of \$1,771.5 million through FY 97.
9. Civilianizes all military billets except those designated as JCS required.

OTHER COMMENTS:

RECOMMEND PARTIAL CONCURRENCE:

*JFH*  
DLA-L *Castle 11/13/90*  
DLA-C *JFH 11/13/90*

DLA-DR \_\_\_\_\_ DLA-DE \_\_\_\_\_



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



IN REPLY  
REFER TO DLA-C

13 NOV 1990

MEMORANDUM FOR COMPTROLLER OF THE DEPARTMENT OF DEFENSE

SUBJECT: Defense Management Report Decision (DMRD) 902,  
Implementation Plan for the Consolidation of Supply  
Depots

CONSOLIDATION SCHEDULE. Transfer all Distribution Depots to DLA  
during FY 91.

RESPONSE: Nonconcur.

Acceleration of the Depot consolidation schedule is possible.  
However, there is little to be gained by disrupting the orderly  
schedule which was in the plan.

DATA PROCESSING.

1. Provide \$75.0 million to fund implementation of the Depot  
interim processing system - the Defense Distribution System  
(DDS).

RESPONSE: Concur.

2. Transfer Service Central Design Activities (CDA) devoted  
to Depot systems to DLA by 1 Feb 91.

RESPONSE: Partially Concur.

Transfer of personnel working Depot systems in Service CDAs to  
the Defense Logistics Agency (DLA) on 1 Feb 91 should provide  
sufficient resources to work DDS and to maintain the current  
service systems until DDS is in place. The actual number of  
personnel should be validated by the Office of the Secretary of  
Defense (OSD) prior to transfer. As the current Service  
distribution systems are replaced by DDS, the CDA work force will  
be reduced.

LOCAL MANAGEMENT. Retain current Depot Commanders at the cluster  
areas for at least 1 year after consolidation.

RESPONSE: Nonconcur.

SUBJECT: Defense Management Report Decision (DMRD) 902,  
Implementation Plan for the Consolidation of Supply  
Depots

Selection of a DLA Depot Commander is the responsibility of DLA in coordination with the respective Service. Just as in the business world, the prospective Commander's knowledge of the distribution business is a critical element in his/her selection to command. Familiarity with DLA policies and procedures is an added benefit. For both Defense Distribution Region West and Ogden, that familiarity exists as both incumbent DLA Commanders will remain in place after consolidation. In Defense Distribution Region East (DDRE), the New Cumberland Director of Distribution will become the Commander when the consolidation is effected. Today, he is working closely with the DLA personnel at Mechanicsburg in charge of the Depot consolidation. A competent DLA-trained staff will assist him in implementing DLA policies and procedures. Additionally, the new DDRE Deputy Commander and Distribution Director are currently assigned to the DLA Depot at Mechanicsburg and will remain at DDRE for at least a year after consolidation.

DLA MANAGEMENT STRUCTURE. Disapprove the DLA proposal to create three Regions.

RESPONSE: Nonconcur.

DLA's Regional management concept effectively establishes 3 central Depots (primary sites) with 21 outlying warehouse locations (specialized or satellite sites). Economy of operation will be gained by consolidating both highly and moderately active material at the primary site, while slow and inactive material will be stored at the outlying sites. The subsequent migration of workload to the primary sites will reduce manpower requirements at the outlying sites.

The major advantages accruing from the Regional concept are reduction of the DLA Headquarters span of control from 30 Depots to 3 Regions and the consolidation of support staff and overhead functions currently being performed at all of the 30 Depots into 3 Regions. These support staff and overhead functions are not properly performed by DLA Headquarters. The site Commanders are only responsible for day-to-day distribution operations and will have virtually no staff of their own. The consolidation of support staff and overhead functions will provide significant savings, i.e., a ten-fold reduction in the number of Transportation Officers, Civilian Personnel Officers, etc. This concept optimizes the consolidation of these types of functions, while continuing responsive support to the functional operating organizations. DLA Headquarters will still establish and control all policy matters with the Regions acting to implement and control execution.

DLA-C PAGE 3  
SUBJECT: Defense Management Report Decision (DMRD) 902,  
Implementation Plan for the Consolidation of Supply  
Depots

In each case, the Regional Headquarters are colocated with primary sites. Just as consolidation of active material provides for more economical operations, consolidation of overhead staff functions at the Regional Headquarters allows for economy of scale savings. Each site will have a Commander responsible for warehouse operations. A small support detachment from the Regional Headquarters will be in place to accomplish those functions that can only be done on-site such as personnel training. When compared to today's overhead staffing requirements, the Regional management structure does not add to the existing management layer and reduces staffing requirements by approximately 7,260 positions.

The "cluster concept" advocated by DMR 902 does not recognize the span of control problems associated with a consolidation effort of this magnitude. DLA Headquarters makes policy and the field implements policy. The "cluster concept" changes those roles, which would require increases in Headquarters staff. Our role then would become implementers as well as policy makers. This may be possible after consolidation has taken place, but during the initial phase, we will need the management structure of the Region concept to expeditiously and efficiently consolidate the 33 Depots. Upon completion, the cluster concept can be revisited if it appears that further savings can be achieved.

DEPOT REALIGNMENTS AND CLOSURES. Cancel the contract to evaluate the results of the Depot consolidations.

RESPONSE: Concur.

MILITARY CONSTRUCTION. Delete military construction projects in the Service budgets estimated to cost \$172.6 million.

RESPONSE: Nonconcur.

The 1990 New Cumberland Army Depot hazardous storage facility has been downsized to complement existing hazardous storage facilities. It is not excess.

COST SAVINGS. DMR 902 estimated savings are \$1,771.5 million through FY 97.

RESPONSE: Concur.

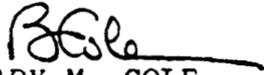
JOINT CHIEFS OF STAFF (JCS) JOINT STAFF BILLET REQUIREMENTS. Civilianize all military billets except those designated as JCS required.

RESPONSE: Nonconcur.

SUBJECT: Defense Management Report Decision (DMRD) 902,  
Implementation Plan for the Consolidation of Supply  
Depots

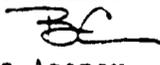
Military staffing in the consolidated DLA Depot system should be at no lower level than it is today. Currently, only 1/3 of the total DLA billets are joint coded. This is the result of a number of issues - Congressional limits on joint billets, availability of JSOs to fill billets etc., and not a judgement on which of the total DLA military are important or needed. They are all important and vital in fulfilling our role as a combat support agency. Military manning is less than 3 percent of total DLA manning. The importance of a military staff in DLA is being relearned everyday in Desert Shield. Coordination between wholesale logistics components and theatre logistics components is absolutely essential to effective, efficient operational combat logistics support.

1 Encl

  
BRADY M. COLE  
RADM, SC, USN  
Deputy Director

# COORDINATIONS on DMRD No. 902

**SUBJECT: IMPLEMENTATION PLAN FOR THE CONSOLIDATION OF SUPPLY DEPOTS**

	Coordinating Official	Concur	Non-Concur/ Memo
USD(A)			
USD(Policy)			
ASD(FM&P)			
ASD(HA)			
ASD(PA&E)			
ASD(RA)			
ASD(SO/LIC)			
DIR(OT&E)			
OMB			
JCS			
ARMY			
NAVY			
AIR FORCE			
Other	BRADY M. COLE, RADM, SC, USN  <del>Deputy Director, Defense Logistics Agency</del>	AS SPECIFIED IN COVERING MEMORANDUM OF 13 NOV 9	
Other			

Prin Dep Compt \_\_\_\_\_ Coordinating Director(s) \_\_\_\_\_

Dep Compt MS \_\_\_\_\_

MS Director \_\_\_\_\_

Prepared by B. Cundiff \_\_\_\_\_ x \_\_\_\_\_ P&FC \_\_\_\_\_

# COORDINATIONS on DMRD No. 902

SUBJECT: IMPLEMENTATION PLAN FOR THE CONSOLIDATION OF SUPPLY DEPOTS

	Coordinating Official	Concur		Non-Concur/ Memo
USD(A)				
USD(Policy)				
ASD(FM&P)				
ASD(HA)				
ASD(PA&E)				
ASD(RA)				
ASD(SO/LIC)				
DIR(OT&E)				
ONE				
JCS				
ARMY				
NAVY				
AIR FORCE				
Other	BRADY M. COLE, RADM, SC, USN <i>BC</i> <del>Deputy Director, Defense Logistics Agency</del>			AS SPECIFIED IN COVERING MEMORANDUM OF 13 NOV 90
Other				

Prin Dep Compt \_\_\_\_\_ Coordinating Director(s) \_\_\_\_\_

Dep Compt MS \_\_\_\_\_

MS Director \_\_\_\_\_

# COORDINATIONS on OMRD No. 902

SUBJECT: IMPLEMENTATION PLAN FOR THE CONSOLIDATION OF SUPPLY DEPOTS

	Coordinating Official	Concur		Non-Concur/ Memo
USD(A)				
USD(Policy)				
ASD(FM&P)				
ASD(HA)				
ASD(PA&E)				
ASD(RA)				
ASD(SO/LIC)				
DIR(OT&E)				
ONC				
JCS				
ARMY				
NAVY				
AIR FORCE				
Other	BRADY M. COLE, RADM, SC, USN Deputy Director, Defense Logistics Agency			AS SPECIFIED IN COVERING MEMORANDUM OF 13 NOV 90
Other				

Prin Dep Compt \_\_\_\_\_

Coordinating Director(s) \_\_\_\_\_

Dep Compt MS \_\_\_\_\_

\_\_\_\_\_

MS Director \_\_\_\_\_

\_\_\_\_\_

Prepared by

B. Cundiff

x

P&FC

\_\_\_\_\_

DLA STAFF SUMMARY SHEET

898440  
14 NOV 90

ROUTE TO	ACTION	SIGNATURE (Grade, Surname, and Date)	DATE
1 DIA-DE	Review		14 NOV 90
2 DIA-DC	approve		ORIGINATOR (Office Symbol)
DIA-D	Sign		DIA-C
		Signed	TELEPHONE EXTENSION
		BRADY M. COLE	46481
		FAAM, Sr. DM	ACTION OFFICER (Include Initials)
		Dating Initials	COLCMAN
		19 NOV 1990	SUSPENSE DATE

SUBJECT

DMRD 902 implementation Plan For the Consolidation of

SUMMARY

Supply Depots

DEFENSE LOGISTICS AGENCY  
**Inter-Office Memorandum**

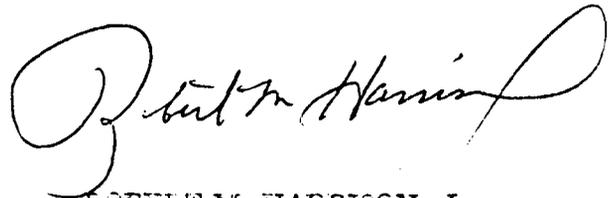
6 NOV 1990

REPLY  
REFER TO DLA-ZR

SUBJECT: Defense Management Report Decision (DMRD) 902, Consolidation of  
Supply Depots

TO: DLA-CB

DLA-Z concurs with the subject DMRD with the understanding that the  
\$75,000,000 funding covers investment costs only.



ROBERT M. HARRISON, Jr.  
Deputy Chief  
Information Resources  
Management Division



COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

SEP 17 1991

MEMORANDUM FOR GENERAL MCCAUSLAND

SUBJECT: DMRD 902, Supply Depot Consolidation

The DoD FY 1992-93 Budget Submission includes estimated DMR savings of over \$70 billion in 1991-1997. A significant number of skeptics outside DoD say we will not achieve the savings, that it is just a numbers game. Because DLA has two of the more visible and more significant early items on their plate-- Contract Management and Depot Consolidations--the spotlight is on you even more than might be expected. If you don't succeed, the entire DMR package will be called into question. Information we have, and which we have passed on to Mr. Atwood, indicates that the DCMC effort is going very well, and that the savings estimates will probably be exceeded.

However, there are some issues on supply depot consolidation that concern me. From here it looks like DLA is making decisions that might delay or preclude achievement of the DMRD 902 savings. Rather than waiting to write these concerns in a DMR where you have three days to respond, I thought I would give you an advance look at our concerns to see if we can resolve them before the budget process begins in earnest.

In general, there seems to be a lack of a DLA vision of how DoD supply distribution should look in five, ten or fifteen years, and how to change the way we are doing things now to get us effectively to that vision. I must confess that I say that because of my own vision of the future distribution system with a reduced overhead and base structure, a reduced inventory, and a responsive transportation network. Also, it appears that DLA is embarking on a consolidation plan that is lacking in economic analysis. I am concerned that we are moving on decisions without adequate information and without an overall plan and strategy. Examples leading to my concerns are detailed below:

LACK OF DATA ON THE REGION CONCEPT. I still have not seen any analysis that says multiple regions are the most effective or efficient way to manage supply depots. Have other concepts been explored? Why are three regions better than one? I strongly support realizing significant savings by consolidating some overhead functions, but what can Tracy do for San Diego that cannot be done from a single location somewhere else in CONUS? What functions should be performed at region(s) vs functions at activities? How many personnel are required at regions vs at activities? What is the difference in the numbers if there is one region or three? What is the cost of three regions vs one?

If the issue is span of control, where is the analysis to support that contention?

LOCATION OF REGIONS. I have seen no economic analysis on why regions should be located at primary distribution sites. Why not locate region(s) at sites where there is significant DLA presence? It is axiomatic that single-function sites are more expensive than multi-function sites because the base support costs cannot be spread over a number of business areas. Thus, a long range vision should assume that as we reduce our storage requirements because of reductions in inventory, the single mission sites will be the most likely to close.

With that vision in mind, we should be looking at locating the region(s) where there is already a large population, such as at Columbus or Richmond, or a Service installation. For example, if regions are justified, why place a region headquarters at a single-function site like Memphis? Why not at a multi-function site like Columbus? Or at an ALC, where the support infrastructure is in place. With no overall DLA vision, each program area seems to be going in its own direction. If a DIPEC maintenance site were to close, why Columbus, rather than a place like Rough and Ready, where there should be no other DLA presence?

The point is that DLA should have a vision for its future, and that vision should influence the changes now taking place. DLA's strategy to reach that vision should include plans to move out of single-function sites to minimize overhead costs. An example related to 902 savings is that, given DoD decisions to downsize the Services and the accompanying cut back in materiel needs, we will have excess storage capacity. DLA should perform an analysis on reduction of stock levels. You should look at downsizing projections, associated decrease in storage needs, other changes affecting distribution, and plan for the most efficient long term solutions. We should decide now--by objective analysis--which depots should be closed over the long term and make decisions that lead us effectively and economically to that end.

STORAGE POLICY. To what degree are storage decisions supported by any analysis? Where is the data that supports storing materiel closest to the customer? The depot consolidation plan indicates that DLA is ignoring the Deputy Secretary's decision on storing closest to the vendor. The Deputy Secretary has highlighted this policy to the Congress; it will undoubtedly become the subject of an IG or GAO audit. The policy was based on previous DLAO and DLA studies. It also was the basis of DLA's submission to the last base closure commission. (I am aware it was the reason they did not go along with recommendations made by one member to close DLA depots.) Is there any recent analysis that refutes the DLAO and DLA studies?

If DLA is not storing closest to the vendor, why not go with least cost? Why go with higher transportation costs? Without any indication of new data, it seems that DLA has reversed the Deputy Secretary's policy which was based on earlier DLA and DLAO studies. I would appreciate seeing the data and analysis that supports DLA changing the policy approved in the DMRD. To what extent is cost (unit cost, transportation) taken into consideration in storage decisions and policy? What guidance is being issued on returns as to location?

The DMRD embodied a previous DLA concept that modern transportation capability and the volatility and uncertainty of demand dictated a change in storage policy. The customer shouldn't care where materiel is stored. When he does, he can use the retail system for the items that concern him. DLA has already demonstrated that customer requirements can be met from any location. The challenge is to meet those requirements in the most economic manner.

INVESTMENT POLICY. What economic analysis supports investments? I am concerned that DLA is planning on making investments that will not pay for themselves. (We will be depreciating all investments.) Decisions should not be made on the basis of what already has been spent by the Services. What counts is the question of whether the additional funding brings a return on investment. If depot plans are subject to that question, it is not evident.

Will investments in Sharpe and New Cumberland pay for themselves? DLA should examine the AOD concept before putting more money into them, and not continue these investments just because the Army spent money on them. Why spend \$20 to 30 million to make these activities responsive bin activities, if the result will not better the efficiency now being realized in the depots now accomplishing the mission.

Where is the analysis that supports not building an approved warehouse in Columbus? The military construction was requested when DLA had a stockage concept of closest to the vendor. Will the warehouse be built, or is DLA proposing to rescind the funds?

SYSTEMS. There is a lack of clear accountability in developing the ADP systems(s) that will support depot consolidation. It is difficult to tell who is in charge. DLA should have the responsibility since you will be managing the depots, but responsibilities seem to be fragmented. An integration agency at a higher level is not needed and we plan on challenging that dilution of your responsibilities. It seems clear to me that executive agency guidance does not apply in this program.

I realize that you have to be responsive to your customers. However, it seems to me that this does not apply to the internal operation of the depots and the system that is used. You should

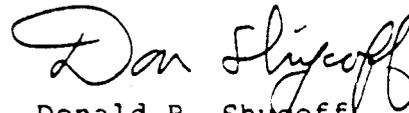
obviously take advantage of the talent and expertise of the Services, but there should be no doubt as to who is in charge and who is ultimately accountable. From my uninformed observation, decisions appear to be overly political rather than requirements-driven. This could lead to DLA implementing a system that someone else decided on, even if those who have to make the system work know that it is not effective or efficient. If an objective evaluation from current hands-on experience has been made, it is not apparent. What might help is for DLA to request that all of the Distribution CDA assets of the Services be transferred to DLA, and merged (managerially, not necessarily geographically) with DSAC Ogden.

My final concern is that the emotion involved in these issues not be allowed to influence the objectivity of the required analysis. There are many individuals with very strong feelings on these subjects, including me, who are not operating with quantitative analysis. I implore you to ensure that the analytical groups be protected from the pressures of those of us with preconceived notions.

I believe these examples give you an idea of our concerns. I do not believe that everything we do or write in OSD is ordained in heaven. However, it is incumbent on the DoD Components to present the case to the Deputy Secretary if they believe the information presented to him was incorrect or that there is additional information which would result in a revised decision. The Department cannot operate under a laissez-faire arrangement that has the Deputy Secretary describing his decisions to Congress one way, and having the Components doing business another way.

As you know, I have tremendous regard for the DLA people, and I know from personal experience how dedicated, professional, and capable they are individually and collectively. I recognize that this regard may have resulted in more demands, both quantitatively and qualitatively, being placed on DLA than the rest of the Department. However, I am convinced that the overall fiscal climate, as well as our responsibilities as public servants require us to take advantage of that capability.

I hope this memorandum is helpful in achieving the goals that I am sure we both share.



Donald B. Shyeoff  
Principal Deputy Comptroller



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

DLA-LP

27 JUN 1990

GENERAL ORDER

MO -- 16-90

I. Authority: Deputy Secretary of Defense letter 12 April 1990, Subject: Supply Depot Consolidation.

II. Pursuant to cited authority and effective 24 June 1990:

A. The Defense Depot Tracy, Tracy, California, is disestablished.

B. The Defense Distribution Region West (DDRW) is established as a Defense Logistics Agency (DLA) Primary Level Field Activity, to provide operational control and direction to DLA Distribution Sites (DDS). The Commander, DDRW, will report to the Deputy Director, DLA.

C. The Tracy Distribution Site (TDS) is established as a Distribution Site of DDRW. The distribution functions formerly performed at DDTC will be assumed by TDS. The Director, TDS, will report to the Commander, DDRW.

III. Administrative, security, and logistical support for TDS will be provided by DDRW.

BY ORDER OF THE DIRECTOR:

  
ROGER C. ROY  
Assistant Director  
Policy and Plans

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ATTACHMENT  
B



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

18 April 91

DLA-LPO

GENERAL ORDER

NO. 11-91

I. Authority: Deputy Secretary of Defense letter 12 April 1990, subject: Supply Depot Consolidation.

II. Pursuant to cited authority and effective 14 April 1991:

A. The Defense Depot Mechanicsburg (DDMP), Mechanicsburg, Pennsylvania, is disestablished.

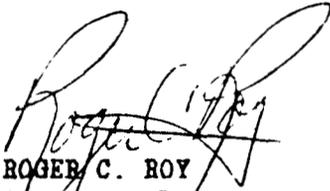
B. The Defense Distribution Region East (DDRE) is established as a Defense Logistics Agency (DLA) Primary Level Field Activity, to provide operational control and direction to assigned DLA Distribution Sites (DDS). The Commander, DDRE, will report to the Director, DLA.

C. The Distribution functions, and the permitted real estate and facilities at the New Cumberland Army Depot (NCAD) will be transferred to the Defense Logistics Agency, Defense Distribution Region East.

D. The Susquehanna Distribution Site (DDRE-SDS) is established. It is made up of storage facilities from the former DDMP and the former NCAD. The Commander, DDRE-SDS will report to the Commander, DDRE.

III. Administrative, security, and logistical support will be provided by DDRE and through Interservice Support Agreements.

BY ORDER OF THE DIRECTOR

  
ROGER C. ROY  
Assistant Director  
Policy and Plans

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DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
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ALEXANDRIA, VIRGINIA 22304-6100

DLA-LP

9 April 1992

GENERAL ORDER  
NO. - 28-92

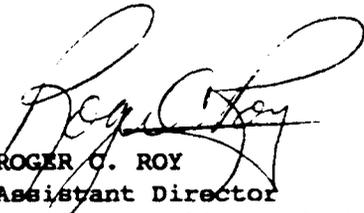
I. Authority:

- A. Assistant Secretary of Defense (Production and Logistics) memorandum, 27 February 1992, subject: Supply Depot Consolidation.
- B. DLA-D approval of DLA-L SSS, 6 March 1992, subject: Naming Convention for Depots Consolidated under DLA.

II. Reference DLA General Order No. 42, 30 December 1963.

III. Pursuant to cited authority and effective 16 March 1992, the Defense Depot Ogden, UT (DDOU), a primary level field activity (PLFA) of DLA, is redesignated as the Defense Distribution Depot Ogden, UT (DDOU).

BY ORDER OF THE DIRECTOR:

  
ROGER C. ROY  
Assistant Director  
Office of Policy and Plans

DISTRIBUTION:

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DEFENSE LOGISTICS AGENCY  
DEFENSE DISTRIBUTION REGION WEST  
P O BOX 900001  
STOCKTON, CA 95296



IN REPLY  
REFER TO

GENERAL ORDER  
NUMBER 92-01

81 JUL 1992

I. Authority: General Orders 16, 17 and 18-90, 27 June 1990 and DoD Memorandum, 12 April 1990, subject: Supply Depot Consolidation; DoD Memorandum, 13 April 1990, subject: Supply Depot Consolidation Plan, DoD Memorandum, 2 March 1991, subject: Supply Depot Consolidation, and DoD Memorandum, 27 February 1992, subject: Acceleration of DMDR 902 Supply Depot Consolidation.

II. Pursuant to cited authority and effective 24 June 1990, two distribution sites are established - San Joaquin Site (DDRW-FB), and Oakland Site (DDRW-FA), under Defense Distribution Region West (DDRW). Each Site Commander is responsible for the accomplishment of responsibilities for receipt, storage, physical inventories, location survey, care of materiel, packing, shipment of assigned items, and assembly of items and kits.

A. The Oakland Site (DDRW-FA) is established with four divisions and one office - Alameda Remote Distribution Division (DDRW-FAA), Packing/Shipping Division (DDRW-FAP), Product Receipt & Evaluation Division (DDRW-FAR), Warehousing Division (DDRW-FAW), and Program Support Office.

B. The San Joaquin Site (DDRW-FB) is established with three divisions and one office - Packing & Shipping Division (DDRW-FBP), Product Receipt & Evaluation Division (DDRW-FBR), Warehousing Division (DDRW-FAW), and Program Support Office (DDRW-FBS).

III. Pursuant to cited authority (paragraph I), and effective 14 April 1991, the Sacramento Remote Distribution Division (DDRW-FC), is established under Defense Distribution Region West (DDRW). Pursuant to cited authority and effective 21 April 1991, the Sacramento Specialized Distribution Site (DDRW-FD), located at McClellan Air Force Base is established under Defense Distribution Region West (DDRW). Each Commander/Manager is responsible for the accomplishment of responsibilities for receipt, storage, physical inventories, location survey, care of materiel, packing, shipment of assigned items, and assembly of items and kits.

A. The Sacramento Remote Distribution Division (DDRW-FC) is established as one division.

B. The Sacramento Specialized Distribution Site (DDRW-FD) is established with four divisions - Management Division (DDRW-FDM), Packing & Shipping Division (DDRW-FDP), Product Receipt & Evaluation Division (DDRW-FDR), and Warehousing Division (DDRW-FDW).

IV. Authority: General Orders 22, 23 and 24-02, 11 March 1992.

V. Pursuant to cited authority and effective 16 March 1992, three secondary field activity Depots are established under Defense Distribution Region West (DDRW).

A. The Defense Distribution Depot Barstow (DDBC-D) is established with three divisions and one office - Product Receipt and Evaluation Division (DDBC-E), Warehousing Division (DDBC-S), Packing & Shipping Division (DDBC-T), and Program Support Office (DDBC-X).

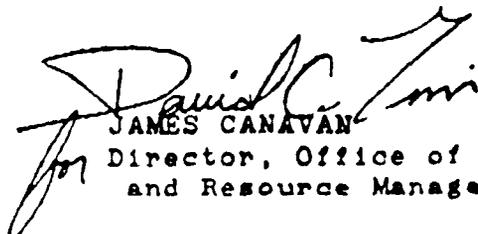
B. The Defense Distribution Depot Puget Sound (DDPW-D) is established with three divisions and one office - Product Receipt and Evaluation Division (DDPW-E), Warehousing Division (DDPW-S), Packing & Shipping Division (DDPW-T), and Program Support Office (DDPW-X).

C. The Defense Distribution Depot San Diego (DDDC-D) is established with five divisions and one office - Product Receipt & Evaluation Division (DDDC-E), Warehousing Division (DDDC-S), Packing & Shipping Division (DDDC-T), Long Beach Division (DDDC-Y), Installation Services Division (DDDC-W), and Program Support Office (DDDC-X).

VI. Authority: DLA-L letter, 9 April 1992, subject: Naming Convention for Depot Consolidation under DLA - L006.

VII. Pursuant to cited authority and effective 1 October 1992, the following sites/defense depots are renamed to establish uniformity:

- A. Defense Distribution Depot McClellan (DDMC).
- B. Defense Distribution Depot Oakland (DDOC).
- C. Defense Distribution Depot Sacramento (DDDS).
- D. Defense Distribution Depot San Joaquin (DDJC) (Sharpe Facility and Tracy Facility).

  
JAMES CANAVAN  
Director, Office of Planning  
and Resource Management

DISTRIBUTION

A



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
CAMERON STATION  
ALEXANDRIA, VIRGINIA 22304 6100

DLA-LP

9 April 1992

GENERAL ORDER  
NO. 28-92

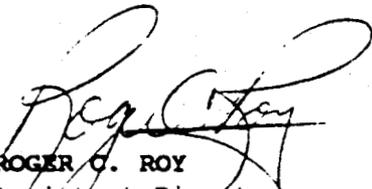
I. Authority:

- A. Assistant Secretary of Defense (Production and Logistics) memorandum, 27 February 1992, subject: Supply Depot Consolidation.
- B. DLA-D approval of DLA-L SSS, 6 March 1992, subject: Naming Convention for Depots Consolidated under DLA.

II. Reference DLA General Order No. 42, 30 December 1963.

III. Pursuant to cited authority and effective 16 March 1992, the Defense Depot Ogden, UT (DDOU), a primary level field activity (PLFA) of DLA, is redesignated as the Defense Distribution Depot Ogden, UT (DDOU).

BY ORDER OF THE DIRECTOR:

  
ROGER C. ROY  
Assistant Director  
Office of Policy and Plans

DISTRIBUTION:

2

can they meet? → 2 wants for  
a strategy. → 2 regional councils

Q: Based on community presentation that DLA changed values & did combinations before making decisions, can that be considered substantial deviation?

Q: Do you need <sup>more</sup> permits in CA to move Ogden waste to CA?

RUGWAY  
Q: What is DBERC ~~ability to~~ authority to deal w/  
English allege privatization

Permits for Newyay.

- Ben Gibson -



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT CHIEF OF STAFF  
FOR INSTALLATION MANAGEMENT



BASE REALIGNMENT AND CLOSURE OFFICE

TO:	FAX TELEPHONE #	VOICE TELEPHONE #	DATE-TIME GROUP
	696-0550		31 May 95-
	BRACO FAX TELEPHONE #		NUMBER OF PAGES
<i>Marlyn Wasleski</i>	DSN: 223-7621 / COMM: (703) 693-7621		<u>3</u> + HEADER
	FROM: HQDA DAIM-BO SITE 3 - 2D655	POC: MS. SUSAN BAUER  TELEPHONE # DSN: 223-7556 / COMM: (703) 693-7556	

REMARKS:

- Spoke w/ LTC D. Powell, Army TABS, 697-1765
- LTC Powell requested I fax memo directly.

*Susan*

001  
BRACO RM DIV  
05/31/95 09:32 0703 614 1568



DEPARTMENT OF THE ARMY  
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT  
600 ARMY PENTAGON  
WASHINGTON DC 20310-0600



REPLY TO  
ATTENTION OF

DAIM-BO (10c)

24 MAY 1995

MEMORANDUM FOR THE ARMY BASING STUDY (LTC D. POWELL)

SUBJECT: DLA LANGUAGE FOR OGDEN, UTAH

1. It has come to our attention that the Army Reserve requirement for an enclave at Ogden, Utah is greater than the 36,000 SF identified in the DLA language (see enclosure). In fact, the 36,000 SF covers the Reserve Center and does not include current motor pool and hardstand requirements. Further, the Utah State National Guard is forwarding an requirement through NGB for land and facilities at Ogden.

2. Defense Distribution Depot Ogden, Utah is operated by DLA. However, the property is owned by the Army and only permitted to DLA for use. Therefore, Army is concerned with any language that affects potential disposal of the property.

3. Based on the above information and the desire to allow the Army the greatest flexibility to provide required enclaves, it is recommended that the Commission adjust the first sentence of the DLA language for Ogden, Utah to read as follows:

“Close Defense Distribution Depot Ogden, Utah, except for minimum essential land and facilities for a Reserve Component enclave.”

4. The BRACO DLA POC, Ms. Susan Bauer has discussed findings addressed in paragraph 1 above and recommendation in paragraph 2 with DLA POC Ms. Tina Dorris. Ms. Dorris has agreed to work issue with Commission. However, both agree that request for DLA to work with Commission to adjust language should come officially from TABS.

5. Request TABS make official contact with DLA BRAC '95 analysis group and request their assistance supporting change to final language.

DAIM-BO (10c)  
SUBJECT: DLA LANGUAGE FOR OGDEN, UTAH

6. The BRACO POC for this actions is Ms. Susan H. Bauer, X37557.



Enclosure

DENNIS C. COCHRANE  
Colonel, EN  
Chief, Base Realignment  
and Closure Office

CF:  
MAJ R. Greenwell

**Return on Investment:** The total estimated one-time cost to implement this recommendation is \$85.7 million. The net of all costs and savings during the implementation period is a savings of \$14.8 million. Annual recurring savings after implementation are \$23.8 million with a return on investment expected in three years. The net present value of the costs and savings over 20 years is a savings of \$244.3 million.

**Impacts:** Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 3,349 jobs (1,300 direct jobs and 2,049 indirect jobs) over the 1996-to-2001 period in the Memphis, Tennessee-Arkansas-Mississippi Metropolitan Statistical Area, which is 0.6 percent of the area's employment. The cumulative economic impact of all BRAC 95 recommendations and all prior-round BRAC actions in the area over the 1994-to-2001 period could result in a maximum potential decrease equal to 1.5 percent of employment in the area.

The Executive Group determined that receiving communities could absorb the additional forces, missions, and personnel proposed, and concluded that environmental considerations do not prohibit this recommendation from being implemented.

### Defense Distribution Depot Ogden, Utah (DDOU)

**Recommendation:** Close Defense Distribution Depot Ogden, Utah, except for a 36,000 square foot cantonment for Army Reserve personnel. Material remaining at DDOU at the time of closure will be relocated to optimum storage space within the DoD Distribution System. As a result of the closure of DDOU, all DLA activity will cease at this location and DDOU will be excess to DLA needs.

**Justification:** The Defense Distribution Depot Ogden is a Stand-Alone Depot that supports the two large east and west coast depots and is used primarily for storage capability and local area demand. It is also the host for the Ogden complex. The decision to close the Ogden depot was based on declining storage requirements and capacity estimates for FY 01 and on the need to reduce infrastructure within the Agency.

Ogden tied for third place out of the six Stand-Alone Depots in the military value analysis. The higher scores for the Susquehanna and San Joaquin distribution depots in this analysis removed them from further consideration for closure. The variance of only 37 points out of a possible 1,000 between the third and sixth place depots in military value ranking for this category reinforced the importance of compliance with the DLA BRAC 95 Decision Rules and military judgment in the decision-making process.

A further consideration was DLA's desire to minimize distribution infrastructure costs. Closure of an entire installation will allow DLA to reduce infrastructure significantly

Encl 1

MAY 04 1995 11:28AM DDMW

P. 1



DEFENSE LOGISTICS AGENCY  
DEFENSE DISTRIBUTION REGION WEST  
P.O. BOX 360001  
STOCKTON, CA 95210-0101



WREPLY  
REPLY TO

4 MAY 1995

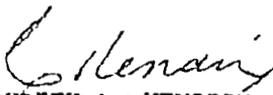
DDRW-TM (Mr. Jennings/DSN 462-9114/kg)

SUBJECT: Relocation of DDOU DEPMEDS to Hill

TO: MMDO  
ATTN: Mr. Sanchez

1. This is to confirm the agreement between Hill AFB and DLA to use Hill AFB as the location for the DEPMEDS operation. In support of the 1995 BRAC recommendations, the Air Force has officially offered to DLA 661,659 GSF of space at their Hill AFB location. Discussions have been ongoing between our DDOU Commander and Hill's Executive Director (Deputy Commander), who has agreed on the relocation of the DEPMEDS operation to Hill.

2. The space available at Hill, as offered by the Air Force, is more than adequate to accommodate the DEPMEDS mission. Our analysis shows that in combination with already existing vacant DLA space at Hill, we would utilize approximately 187,000 GSF of the space being offered by the Air Force for the DEPMEDS operation.

  
EDITH A. HENDRIX  
Director of Distribution



**Michael O. Leavitt**  
Governor  
**Major General James M. Miller**  
Adjutant General

# State of Utah

UTAH NATIONAL GUARD

12953 South Minuteman Drive  
P.O. Box 1778  
Draper, Utah 84020-1778  
(801) 576-3600, DSN 766-3600

UT-DPT-DDR

15 May 1995

MEMORANDUM FOR Commander, Defense Distribution Depot Ogden, 500  
West 12th Street, Ogden, UT 84407-5101

SUBJECT: Utah National Guard use of DDO

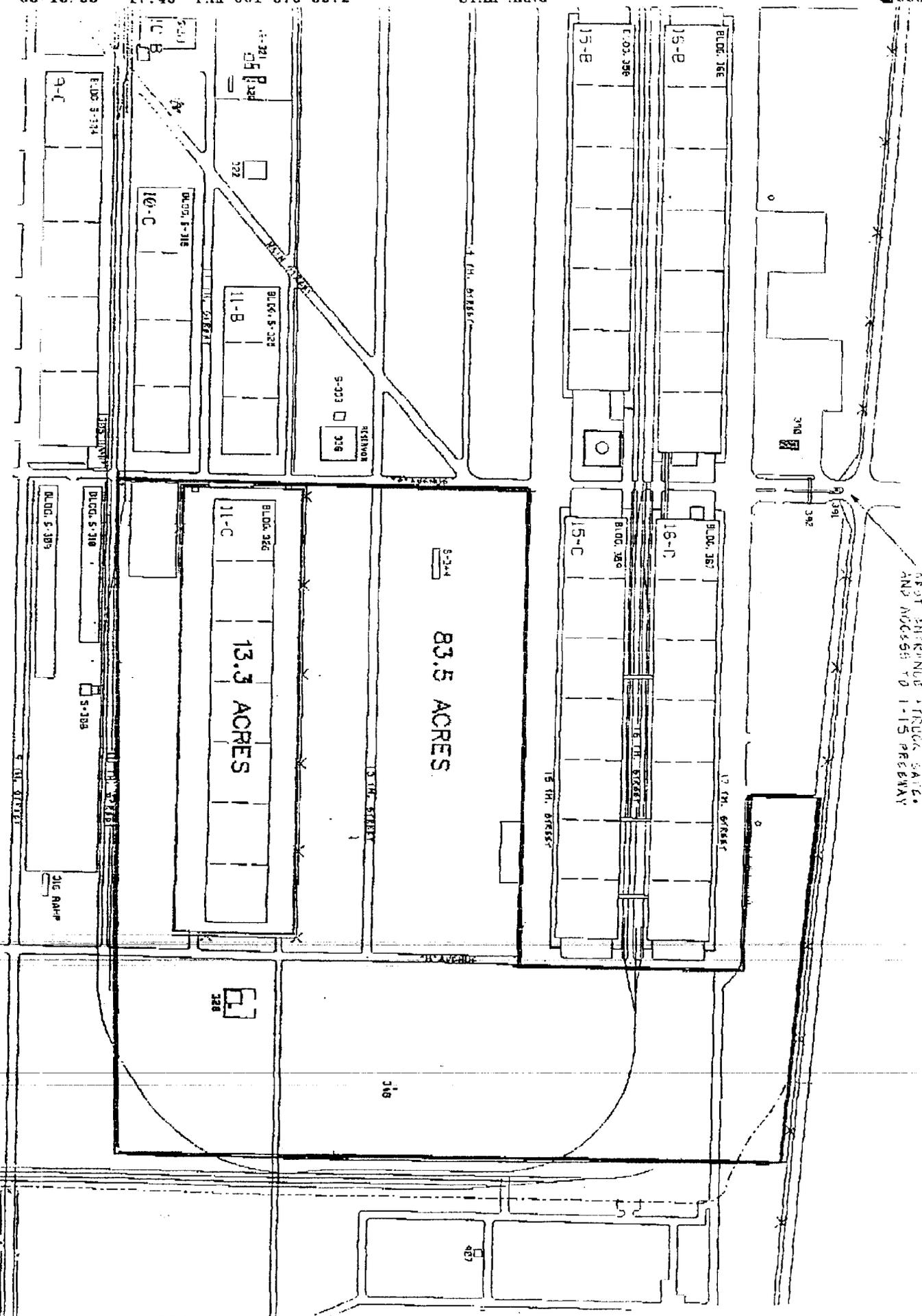
1. This is to notify you that the Utah National Guard (UTNG) is interested in retaining facilities at DDOU for an armory and Joint Language Training Center (JLTC). The enclosed diagram provides a graphic description of the 83.5 acres of intent.
2. DDO would provide an excellent armory location for the UTNG. The property concerned is collocated next to the Army Reserve Center and JLTC.
3. The JLTC, as you know, provides intelligence support to Department of Defense Agencies. Its continued operations is vital to this support and language training.
4. If you have any questions or need further assistance, please contact Colonel Carter at DSN: 766-3763 or Lieutenant Colonel Wilson at DSN: 766-3641.

FOR THE ADJUTANT GENERAL:

PHILLIP O. PEAY  
COL, GS, UTARNG  
Deputy Adjutant General

Encl





# Document Separator



## *DLA BRAC 95 Detailed Analysis*

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duplication and maximizing use of shared overhead. A contingent of human resource and financial liaison personnel will remain in place to support DCMAOs and DPROs in the geographic area.

### DCMCI

Like the DCMDs, DCMC International is also responsible for operational control and management oversight of field activities performing contract management services. All of its field activities are located outside of CONUS. DCMCI was excluded from analysis with its peer group since the number of contracts, the dollar value of contracts, and the number of contractors would not permit an equitable comparison.

The DCMCI mission could be performed from any locality. Various scenarios were analyzed with regard to DCMCI including merging it with one of the three DCMDs, splitting the function between the East and the West, merging it into a single large district, consolidating it with a DCMAO, and merging it with DCMC Headquarters. Military judgment determined that merging the DCMCI mission with DCMC Headquarters in the Washington, D.C. metropolitan area affords the opportunity to capitalize on management oversight and operational control and maximize use of shared overhead with HQ DLA and DCMC. It also affords the opportunity to take advantage of the location's proximity to the State Department and the International support infrastructure in Washington, D.C. and surrounding areas.

### DCMD West

The DCMD West is currently located in GSA-leased administrative space in El Segundo, CA. The BRAC 93 Commission found it was cost effective for the DCMD West to move from leased space to DoD-owned property in Long Beach, CA. However, the President's Five-Point Revitalization Plan, which affords communities the opportunity to obtain installations without substantial compensation, has significantly impacted the Navy's ability to consummate the exchange of land at Long Beach. The Long Beach Naval Shipyard, which was another option, has been placed on the BRAC 95 list for closure. The Navy and the Port Authority/City of Long Beach have not arrived at any agreement which would identify a site for the DCMD West. In order to attain the significant savings which will result by moving the organization into DoD space, the BRAC 93 recommendation should be revised/expanded to incorporate purchase of an existing office building by the Navy on behalf of DLA. This is a redirect of the Commission's BRAC 93 recommendation.

## **1995 DoD Recommendations and Justifications**

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### **Defense Contract Management District West (DCMDW) El Segundo, California**

**Recommendation:** This is a redirect of the following BRAC 93 Commission recommendation: "Relocate the Defense Contract Management District, El Segundo, California, to Long Beach Naval Shipyard, Los Angeles, California, or space obtained from exchange of land for space between the Navy and the Port Authority/City of Long Beach." The current recommendation is expanded to read: Relocate the DCMD, El Segundo, CA, (a) to Government property in the Los Angeles/Long Beach area, or, (b) to space obtained from exchange of land between the Navy and Port Authority/City of Long Beach, or (c) to a purchased office building, whichever is the most cost-effective for DoD.

**Justification:** The Defense Contract Management District West is currently located in GSA-leased administrative space in El Segundo, CA. The BRAC 93 Commission found it was cost effective for DCMD West to move from leased space to DoD-owned property. The Navy has been involved in exploratory discussions on behalf of DLA. However, the President's Five-Point Revitalization Plan, which affords communities the opportunity to obtain installations without substantial compensation, has significantly impacted the Navy's ability to consummate a land exchange at Long Beach with the Port Authority/City of Long Beach. The Long Beach Naval Shipyard, another option, has been placed on the BRAC 95 list for closure.

In order to attain the significant savings which will result by moving the organization into DoD space, the BRAC 93 recommendation is revised/expanded. This redirect eliminates the cost of a warehouse and reflects the requirement for reduced administrative space. This recommendation is consistent with the DCMC Concept of Operations and the DLA BRAC 95 Decision Rules.

**Return on Investment:** This is a redirect of a BRAC 93 recommendation. The total estimated one-time cost to implement this recommendation is \$10.3 million. The net of all costs and savings during the implementation period is a savings of \$10.9 million. Annual recurring savings after implementation are \$4.2 million with a return on investment expected immediately. The net present value of the costs and savings over 20 years is a savings of \$51.2 million.

**Impacts:** This recommendation will not result in a change in employment in the Los Angeles-Long Beach, California Primary Metropolitan Statistical Area because all affected jobs will remain in that area. The cumulative economic impact of all BRAC 95 recommendations and all prior-round BRAC actions in this area over the 1994-to-2001 period could result in a maximum potential decrease equal to 0.4 percent of employment in the area.

Commission recommends the following: disestablish Defense Contract Management District Midatlantic (DCMDM) and Defense Contract Management District Northcentral (DCMDN), and relocate the missions to DCMD Northeast, DCMD South, and DCMD West.

## Defense Contract Management

### District West

### El Segundo, California

*Category: Regional*

*Mission: Perform contract administration services for DoD organizations and other U.S. Government agencies*

*One-time Cost: \$ 12.5 million*

*Savings: 1994-99: \$ -5.1 million (Cost)*

*Annual: \$ 4.4 million*

*Payback: 9 years*

## SECRETARY OF DEFENSE RECOMMENDATION

Relocate the Defense Contract Management District West (DCMD West), El Segundo, California, to Long Beach Naval Shipyard, Los Angeles, CA.

## SECRETARY OF DEFENSE JUSTIFICATION

The DCMD West is currently located in GSA-leased administrative space in El Segundo, CA. Significant savings will result by moving the organization from GSA space to a building on Government property at Long Beach Naval Shipyard, CA. A number of available DoD properties were considered as potential relocation sites. The Naval Shipyard was selected because it does not involve the payment of Personnel Change of Station (PCS) costs. This move may require new construction to provide a building to receive the DCMD West.

## COMMUNITY CONCERNS

There were no formal expressions from the community.

## COMMISSION FINDINGS

The Commission found it was cost effective for DCMD West to move from leased space to DoD-owned property. Further, DoD was considering new construction at the Long Beach

Naval Shipyard for DCMD West and the Commission found it questionable to construct new facilities given the apparent abundance of available buildings on DoD installations or other federally owned buildings.

## COMMISSION RECOMMENDATION

The Commission finds the Secretary of Defense deviated substantially from final criterion 2. Therefore, the Commission recommends the following: relocate the Defense Contract Management District, El Segundo, California, to Long Beach Naval Shipyard, Los Angeles, California, or space obtained from exchange of land for space between the Navy and the Port Authority/City of Long Beach. The Commission finds this recommendation is consistent with the force structure plan and final criteria.

## Defense Distribution Depots

### Defense Distribution Depot

### Charleston, South Carolina

*Category: Distribution depots*

*Mission: Receive, store, and issue wholesale and retail (service owned) material in support of the Armed Forces*

*One-time Cost: \$ 12.6 million*

*Savings: 1994-1999: \$ -9.4 million (Cost)*

*Annual: \$ 1.1 million*

*Payback: 26 years*

## SECRETARY OF DEFENSE RECOMMENDATION

Disestablish Defense Distribution Depot Charleston, South Carolina (DDCS), and relocate the mission to Defense Distribution Depot Jacksonville, Florida (DDJF). Slow moving and/or inactive material remaining at DDCS at the time of the realignment will be relocated to available storage space within the DoD Distribution System.

## SECRETARY OF DEFENSE JUSTIFICATION

The decision to realign DDCS was driven by the Navy's decision to close several naval activities in Charleston, SC, eliminating DDCS's customer base. The loss of customer base along with sufficient storage space in the DoD distribution system drove the disestablishment. DDCS

costs for work stations and common office equipment to assist client agencies in developing this information. OPM may be consulted by client agencies to obtain information related to relocation of personnel.

NOTE: The client agency will be required to provide GSA a summary of its analysis under paragraph (b). The summary should be of sufficient depth to enable GSA to clearly understand the agency's mission needs and the data developed for each economic factor, including the source for the data. It should identify locations considered, state the level of importance of each factor and the impact of each factor upon the conclusions drawn by the agency in reaching its location decision. If required by GSA, the client agency shall provide more detailed documentation of its evaluation for OMB and Members of Congress.

(c) GSA shall survey agencies' mission, housing, and location requirements in a community and include these considerations in community-based policies and plans. These plans shall provide for the location of federally-owned and leased facilities, and other interests in real property including purchases, at locations which represent the best overall value to the Government consistent with agency requirements.

(d) Whenever practicable and cost-effective, GSA will consolidate elements of the same agency or multiple agencies in order to achieve the economic and programmatic benefits of consolidation.

(e) GSA will consult with local officials and other appropriate Government officials and consider their recommendations for, and review of, general areas of possible space or site acquisition. GSA will advise local officials of the availability of data on GSA plans and programs, and will agree upon the exchange of planning information with local officials.

(f) In satisfying agency requirements in an urban area, GSA will review agency requested delineated areas to ensure that the areas are within the centralized community business areas (CBAs) and adjacent areas of similar character, including other specific areas which may be recommended by local officials in accordance with Executive Order 12072. When developing the requested delineated area, the client agency shall comply with the requirements of Executive Order 12072 which requires that first consideration be given to CBAs and other designated areas. If the delineated area requested is outside the CBA, in whole or part, the client agencies must provide GSA with adequate justification to support the delineated area. GSA will consult with local officials to identify CBAs. Each GSA regional office will provide, upon agency request, a description of the identified CBA for the community in which the agency requires space.

(g) GSA is responsible for reviewing an agency's delineated area to confirm that, where appropriate, there is maximum use of existing Government-controlled space and that established boundaries provide competition when acquiring leased space.

(h) The presence of the Federal Government in the National Capital Region (NCR) is such that the distribution of Federal installations will continue to be a major influence in the extent and character of development. These policies shall be applied in the GSA National Capital Region on the most cost-effective basis, in conjunction with regional policies established by the National Capital Planning Commission and consistent with the general purposes of the National Capital Planning Act of 1959 (66 Stat. 781), as amended. These policies shall guide the development of strategic plans for the housing of Federal agencies within the National Capital Region.

(i) Consistent with the policies cited in paragraphs (a), (c), (d) and (e) above, the use of buildings of historic architectural, or cultural significance within the meaning of section 105 of the Public Buildings Cooperative Use Act of 1976 (90 Stat. 2505) will be considered as alternative sources for meeting Federal space needs.

**§ 101-17.206 Move policy.**

The situations which cause an agency to move and the responsibility for the relocation costs are indicated below. GSA is responsible for determining the most beneficial alternative course of action in each situation. (See § 101-17.101(i)(2) for a discussion of the telecommunications policy for GSA moves.)

(a) Lease expiration. GSA will determine if it is cost-effective to the Government to seek alternative leased space. Generally, this process will begin 16-24 months prior to lease expiration (or earlier for prospectus level projects) so that agencies have time to budget for expenses associated with above-standard alterations and telecommunications. When suitable federally owned or leased space is available to replace an expiring leased location, such space will be utilized in lieu of seeking alternative replacement leased space and the "lease expiration" funding responsibilities outlined in the matrix under Roman numeral "I" below will apply.

(b) Agency expansion. New requirements may generate the need for additional space. This can be provided at the existing location as contiguous expansion space, at a new location by separating the existing assignment from the new requirement, or by relocating the existing assignment and collocating with the expansion requirement at a new location. Acquisition of expansion space shall be scheduled to coincide with lease expiration to the maximum extent practicable. Respon-

sibility for the costs of space is as follows:

(1) GSA will pay for the expansion space (see § 101-17.206).

(2) The expanding agency pays for its telecommunications requirements.

(3) When an expansion is required because of an above-standard need for contiguous space, the expanding agency shall pay the costs, the displaced agency shall pay for the above-standard alterations and telecommunications services".

(c) Consolidation. It is GSA policy to take advantage of opportunities for consolidations into one location. An economic analysis shall be conducted to determine the cost effectiveness of a consolidation. To the maximum extent practicable, consolidation shall be planned to avoid lease expiration in order to minimize and reduce the costs of above-standard alterations and telecommunications. When an agency is GSA-directed, GSA will pay for the above-standard alterations, above-standard costs and like telecommunications. Consolidations involving multiple agency relocation may involve telecommunication facilities that are federally owned or leased space. Where agencies have consolidated facilities at an expiring leased location, the "lease expiration" funding responsibility shall be as follows:

Move situation

I. Lease Expiration	.....
II. Agency Expansion:	.....
1. Avail Contiguous	.....
2. Unavail Contiguous	.....
3. Split Assignment	.....
4. Displaced an Agency:	.....
A. Expanding Agency	.....
B. Displaced Agency	.....
III. Consolidations:	.....
Agency Initiated	.....
GSA Initiated	.....
IV. Emergency	.....
V. Repair/Alterations	.....

\* Effective October 1, 1991.

NOTE: Agencies shall be responsible for funding all above-standard telecommunications not included in their existing location.

(f) Preparation of agency relocation plan. GSA will give agencies notice of lease expiration to allow them time to budget for potential moves. GSA will

responsible for reviewing an unneeded area to confirm that, in the future, there is maximum use of Government-controlled space and that boundaries provide competing leased space.

presence of the Federal Government National Capital Region (NCR). The distribution of Federal income will continue to be a major influence and character of development policies shall be applied in the

Capital Region on the most basis, in conjunction with resources established by the National Planning Commission and consistent with the purposes of the National Housing Act of 1959 (66 Stat. 781), as amended. These policies shall guide the development of strategic plans for the housing agencies within the National Capital

at with the policies cited in (c), (d) and (e) above, the use of historic architectural, or cultural within the meaning of section 101-17.205 Public Buildings Cooperative Program Act (90 Stat. 2505) will be considered as a source for meeting Federal

move policy.

actions which cause an agency to be responsible for the relocation indicated below. GSA is responsible for determining the most beneficial course of action in each case. 101-17.205-2 for a discussion of the communication policy for

When GSA will determine if an agency is to be responsible for the relocation of leased space. Generally, this is 18-24 months prior to lease expiration for prospectus level actions. Agencies have time to budget for above-standard alterations associated with above-standard alterations and telecommunications. If a space is federally owned or leased and is to be replaced by an expiring space, such space will be utilized in an alternative replacement of the "lease expiration" fundings outlined in the matrix numeral "I" below will apply. Expansion. New requirements for the need for additional space. Provided at the existing location expansion space, at a new location, the existing assignment requirement, or by relocating assignment and collocating with requirement at a new location. Expansion space shall be provided with lease expiration to the extent practicable. Respon-

sibility for the costs of providing expansion space is as follows:

(1) GSA will pay for standard alterations in the expansion space (see § 101-17.208).

(2) The expanding agency will pay for all of its telecommunications and above-standard requirements.

(3) When an expanding agency has a justifiable need for contiguous expansion space and has to displace a neighboring agency, the expanding agency shall pay for its own moving costs, the displaced agency's moving cost and replication of the current above-standard alterations and "like telecommunications services".

(c) Consolidation. It is Federal Government and GSA policy to continually review the opportunities for consolidating several locations into one location. GSA shall prepare an economic analysis that demonstrates the cost effectiveness of consolidation. To the maximum extent practicable, agency consolidation shall be planned to coincide with lease expiration in order to keep costs to a minimum and reduce adverse impacts on agencies. When an agency consolidation is GSA-directed, GSA will pay for standard alterations, above-standard alterations, moving costs and like telecommunications service. Consolidations include both single and multiple agency relocations to a single facility. They may involve the backfill of vacant federally owned or leased space, or the construction or acquisition of new federally owned or leased space to house one or more agencies. Where agencies moving to such consolidated facilities are relocating from an expiring leased location, the "Lease Expiration" funding responsibilities outlined in the

matrix under Roman numeral "I" below apply. Where a relocation is not related to a lease expiration, GSA will apply the appropriate funding responsibilities as outlined in the matrix, under Roman numeral III.

(d) Emergency relocation. An emergency relocation results from an extraordinary event such as a fire, natural disaster, or immediate threat to the health and safety of occupants of the space which renders the current space unusable and requires that it be vacated. In these cases, it is necessary to act swiftly and expeditiously to react to the emergency. This may require obtaining approvals and funding authorizations from OMB and Congress. It is best to have a central coordinator or such a task and GSA is suited for this role. GSA will be responsible for paying standard alterations, existing above-standard alterations, moving costs and like telecommunications service for emergency relocations. In cases where a significant Rent increase results from an emergency relocation, the agency will be relieved of the new Rent until the beginning of the fiscal year immediately following the first full fiscal year after the relocation occurred.

(e) Repair and alteration relocations. When an agency is displaced by construction activities in its assigned space resulting from a GSA repair and alteration project, GSA will be responsible for funding standard alterations, replication of existing above-standard alterations, moving costs and like telecommunications service.

A summary of relocation situations and identification of the responsible party (GSA or agency) is as follows:

Move situation	Standard alterations	Existing above-standard	Moving costs	Telecommunications
I. Lease Expiration	GSA	Agency	GSA	Agency
II. Agency Expansion				
1. Avail Contiguous	GSA	Agency	GSA	Agency
2. Unavail Contiguous	GSA	Agency	GSA	Agency
3. Split Assignment	GSA	Agency	GSA	Agency
4. Displaced an Agency:				
A. Expanding Agency	GSA	ExpAgcy	ExpAgcy	ExpAgcy
B. Displaced Agency	GSA	ExpAgcy	ExpAgcy	ExpAgcy
III. Consolidations:				
Agency Initiated	GSA	Agency	GSA	Agency
GSA Initiated	GSA	GSA	GSA	GSA
IV. Emergency	GSA	GSA	GSA	GSA
V. Repair/Alterations	GSA	GSA	GSA	GSA

\* Effective October 1, 1992

NOTE: Agencies shall be responsible for funding all above-standard alterations and telecommunications not currently provided in their existing location.

(f) Preparation of agency budget estimates. GSA will give agencies sufficient advance notice of lease expiration (18-24 months) to allow them time to budget for the costs of potential moves. GSA will provide technical

support to assist agencies in the techniques of preparing budget estimates.

§ 101-17.207 Applications of socioeconomic considerations.

When actions are proposed to accomplish the reassignment or utilization of space through the relocation of an existing major work force, the effect on employees with

**PART 101-18—ACQUISITION OF REAL PROPERTY**

- Sec.  
101-18.000 Scope of part.  
101-18.001 Authority

**Subpart 101-18.1—Acquisition by Lease**

- 101-18.100 Basic policy.  
101-18.101 Acquisition by GSA.  
101-18.102 Acquisition by other agencies.  
101-18.103 Agency cooperation.  
101-18.104 Delegation of leasing authority.  
101-18.104-1 Limitations on the use of delegated authority.  
101-18.104-2 Categorical space delegations.  
101-18.104-3 Agency special purpose space delegations.  
101-18.105 Contingent fees and related procedure.  
101-18.106 Application of socioeconomic considerations.

**Subpart 101-18.2—Acquisition by Purchase or Condemnation**

- 101-18.200 Purpose.  
101-18.201 Basic acquisition policy.  
101-18.202 Expenses incidental to transfer.  
101-18.203 Litigation expenses.

**Subpart 101-18.3—(Reserved)**

**AUTHORITY:** 40 U.S.C. 486(c); sec. 1-201(b), E.O. 12072, 43 FR 36869.

**SOURCE:** 39 FR 23202, June 27, 1974, unless otherwise noted.

**§ 101-18.000 Scope of part.**

This part prescribes policies and procedures governing acquisition of interests in real property.

[58 FR 40592, July 29, 1993]

**§ 101-18.001 Authority.**

This part implements applicable provisions of the Federal Property and Administrative Services Act of 1949, as amended, 63 Stat. 377 (40 U.S.C. 471 et seq.); the Act of August 27, 1935, as amended, 49 Stat. 886 (40 U.S.C. 304c); the Public Buildings Act of 1950, as amended, Pub. L. 56-249, 73 Stat. 479 (40 U.S.C. 601-615); the Public Buildings Cooperative Use Act of 1975, Pub. L. 94-541, 90 Stat. 2505; the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Pub. L. 91-646, 84 Stat. 1894; the Federal Urban Land-Use Act, Pub. L. 90-577, 82 Stat. 1104 (40 U.S.C. 531-535); the Rural Devel-

opment Act of 1972, as amended, Pub. L. 92-419, 86 Stat. 657 (42 U.S.C. 3122); the Fair Housing Act, as amended, Pub. L. 90-284, 82 Stat. 81 (42 U.S.C. 3601 et seq.); Reorganization Plan No. 18 of 1950, 15 FR 3177, 64 Stat. 1270 (40 U.S.C. 490 note); Executive Order 12072, 43 FR 36869 (40 U.S.C. 490 note); and OMB Circular A-95 (41 FR 2052).

[58 FR 40592, July 29, 1993]

**Subpart 101-18.1 Acquisition by Lease**

**SOURCE:** 58 FR 40592, July 29, 1993, unless otherwise noted.

**§ 101-18.100 Basic policy.**

(a) GSA will lease privately owned land and building space only when needs cannot be satisfactorily met in Government-controlled space and:

(1) Leasing proves to be more advantageous than the construction of a new or alteration of an existing Federal building;

(2) New construction or alteration is not warranted because requirements in the community are insufficient or indefinite in scope or duration; or

(3) Completion of a new building within a reasonable time cannot be ensured.

(b) Available space in buildings under the custody and control of the United States Postal Service (USPS) will be given priority consideration in fulfilling Federal agency space needs.

(c) Acquisition of space by lease will be on the basis most favorable to the Government, with due consideration to maintenance and operational efficiency, and only at charges consistent with prevailing scales for comparable facilities in the community.

(d) Acquisition of space by lease will be by negotiation except where the sealed bid procedure is required by 41 U.S.C. 253(a). Except as otherwise provided in 41 U.S.C. 253, full and open competition will be obtained among suitable available locations meeting minimum Government requirements.

(e) When acquiring space by lease, the provisions of §101-17.205 regarding determination of the location of Federal facilities shall be strictly adhered to.

(f) When acquiring space by lease, provisions of section 110(a) of the National Historic Preservation Act of 1966 (16 U.S.C. 470), as amended, regarding the use of historic properties shall be strictly adhered to.

**§ 101-18.101 Acquisition by GSA.**

(a) GSA will perform all functions leasing building space, and land incidental thereto, for Federal agencies, except as provided in this subpart.

(b) Officials or employees of agencies for which GSA will acquire lease space shall at no time, before or after a space request is submitted to GSA, after a lease agreement is made, directly or indirectly contact lessors, offerors, or potential offerors for the purpose of making oral or written representation or commitments or agreements with respect to the terms of occupancy of particular space, tenant improvements, alterations and repairs, payment for overtime services, unless authorized by the Director of the Real Estate Division in the responsible GSA regional office or facility support center.

**§ 101-18.102 Acquisition by other agencies.**

(a) Acquisitions of leased space by agencies possessing independent statutory authority to acquire such space are not subject to GSA approval or authority.

(b) Upon request, GSA will perform on a reimbursable basis, all functions of leasing building space, and land incidental thereto, for Federal agencies possessing independent leasing authority.

(c) GSA reserves the right to accept or reject reimbursable leasing service requests on a case-by-case basis.

**§ 101-18.103 Agency cooperation.**

The heads of executive agencies shall:

(a) Cooperate with and assist the Administrator of General Services in carrying out his responsibilities respecting office buildings and space;

(b) Take measures to give GSA early notice of new or changing space requirements;

(c) Seek to economize their requirements for space; and

41 CFR 101

t of 1972, as amended, Pub. 86 Stat. 657 (42 U.S.C. 3122); Housing Act, as amended, 284, 82 Stat. 81 (42 U.S.C. 3601 Organization Plan No. 18 of 3177, 64 Stat. 1270 (40 U.S.C. Executive Order 12072, 43 FR S.C. 490 note); and OMB Cir. (41 FR 2052).

July 29, 1993]

101-18.1 Acquisition by Lease

§ FR 40592, July 29, 1993, unless noted.

0 Basic policy.

will lease privately owned building space only when not be satisfactorily met in Government-controlled space and: ... proves to be more advanced than the construction of a new building or an existing Federal

construction or alteration is warranted because requirements in the community are insufficient or inappropriate in scope or duration; or completion of a new building in a reasonable time cannot be expected.

available space in buildings under the custody and control of the United States Postal Service (USPS) will be given priority consideration in fulfilling agency space needs.

Acquisition of space by lease will be on a basis most favorable to the Government, with due consideration to the cost and operational efficiency and only at charges consistent with prevailing scales for comparable space in the community.

Acquisition of space by lease will be by negotiation except where the competitive procedure is required by 41 U.S.C. 101-11.6. Except as otherwise provided in 41 U.S.C. 253, full and open competition will be obtained among all available locations meeting Government requirements.

When acquiring space by lease, the provisions of §101-17.205 regarding selection of the location of Federal facilities shall be strictly adhered to.

(f) When acquiring space by lease, the provisions of section 110(a) of the National Historic Preservation Act of 1966 (16 U.S.C. 470), as amended, regarding the use of historic properties shall be strictly adhered to.

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§101-18.103 Agency cooperation.

The heads of executive agencies shall:

(a) Cooperate with and assist the Administrator of General Services in carrying out his responsibilities respecting office buildings and space;

(b) Take measures to give GSA early notice of new or changing space requirements;

(c) Seek to economize their requirements for space; and

(d) Continuously review their needs for space in and near the District of Columbia, taking into account the feasibility of decentralizing services or activities which can be carried on elsewhere without excessive costs or significant loss of efficiency.

§101-18.104 Delegation of leasing authority.

(a) Agencies are authorized to perform for themselves all functions with respect to the acquisition of leased space in buildings and land incidental thereto when the following conditions are met:

(1) The space may be leased for no rental, or for a nominal consideration of \$1.00 per annum, and shall be limited to terms not to exceed one (1) year;

(2) Authority has been requested by an executive agency and a specific delegation has been granted by the Administrator of General Services;

(3) A categorical delegation has been granted by the Administrator of General Services for space to accommodate particular types of agency activities, such as military recruiting offices or space for certain county level agricultural activities. A listing of categorical delegations is found at §101-18.104-2; or

(4) The required space is found by the Administrator of General Services to be wholly or predominantly utilized for the special purposes of the agency to occupy such space and is not generally suitable for use by other agencies. Prior approval of GSA shall be obtained before an agency initiates a leasing action involving 2,500 or more square feet of such special purpose space. The request for approval and a Standard Form 81 shall be filed with the GSA regional office having jurisdiction in the area of the proposed leasing action as shown in §101-17.4801. GSA's approval shall be based upon a finding that there is no vacant Government-owned or leased space available that will meet the agency's requirements.

A listing of agency special purpose space delegations is found at §101-18.104-3.

(b) The Departments of Agriculture, Commerce, and Defense may lease their own building space, and land incidental to its use, and provide for its op-

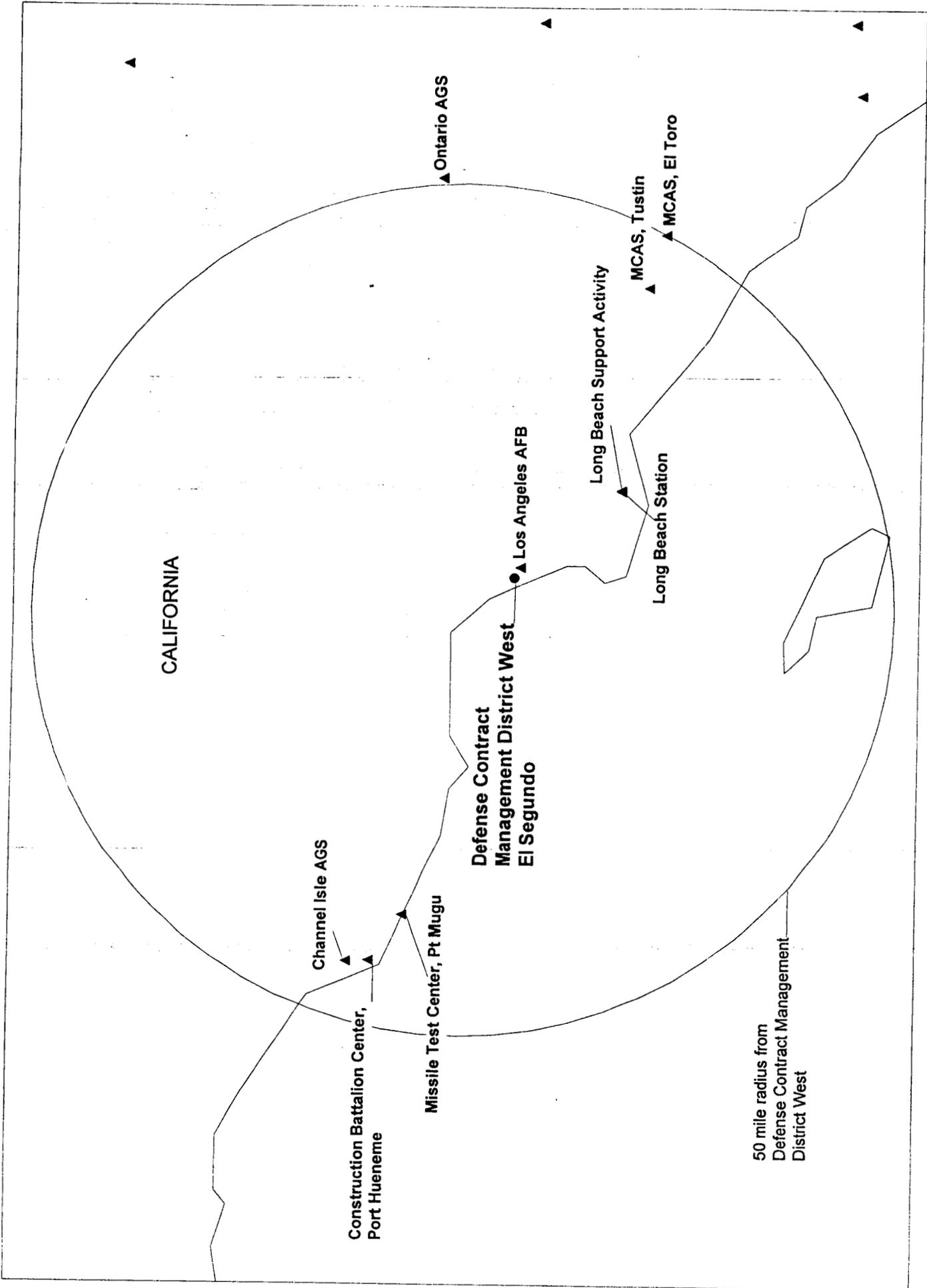
urban center. Such leases shall be for terms not to exceed five (5) years. A list of urban centers follows.

LIST OF URBAN CENTERS

Aberdeen, SD:  
Brown County  
Abil  
Jones County  
Taylor County  
Akron, OH:  
Portage County  
Summit County  
Alaska:  
The entire State  
Albany, GA:  
Dougherty County  
Albany, IL:  
Whiteside County  
Albany, OR:  
Linn County  
Albany-Schenectady-Troy, NY:  
Albany County  
Rensselaer County  
Saratoga County  
Schenectady County  
Albuquerque, NM:  
Bernalillo County  
Alexandria, LA:  
Rapides Parish  
Allentown-Bethlehem-Easton, PA-NJ:  
Lehigh County, PA  
Northampton County, PA  
Warren, NJ  
Altoona, PA:  
Blair County  
Amarillo, TX:  
Potter County  
Randall County  
Anaheim-Santa Ana-Garden Grove, CA:  
Orange County  
Ann Arbor, MI:  
Washtenaw County  
Asheville, NC:  
Buncombe County  
Athens, GA:  
Clarke County  
Atlanta, GA:  
Clayton County  
Cobb County  
De Kalb County  
Fulton County  
Gwinnett County  
Atlantic City, NJ:  
Atlantic County  
Augusta, GA-SC:  
Richmond County, GA  
Aiken County, SC  
Augusta, ME:  
Kennebec County  
Austin, TX:  
Travis County  
Bakersfield, CA:  
Kern County  
Baltimore, MD:

Baltimore County  
Carroll County  
Howard County  
Baton Rouge, LA:  
East Baton Rouge Parish  
Battle Creek, MI  
Calhoun County  
Bay City, MI:  
Bay County  
Beaumont-Port Arthur, TX  
Jefferson County  
Orange County  
Billings, MT:  
Yellowstone County  
Binghamton, NY-PA:  
Broome County, NY  
Tioga County, NY  
Susquehanna County, PA  
Birmingham, AL:  
Jefferson County  
Bismarck, ND:  
Burlough County  
Boise, ID:  
Ada County  
Boston, MA:  
Essex County  
Middlesex County  
Norfolk County  
Plymouth County  
Suffolk County  
Bridgeport, CT:  
Fairfield County  
New Haven County  
Brockton, MA:  
Bristol County  
Norfolk County  
Plymouth County  
Brownsville-Harlingen-San Benito, TX:  
Cameron County  
Buffalo, NY:  
Erie County  
Niagara County  
Burlington, VT:  
Chittenden County  
Butte, MT:  
Silver Bow County  
Calexico-El Centro, CA:  
Imperial County  
Canton, OH:  
Stark County  
Casper, WY:  
Natrona County  
Cedar Rapids, IA:  
Linn County  
Champaign-Urbana, IL:  
Champaign County  
Charleston, SC:  
Berkeley County  
Charleston, County  
Charleston, WV:  
Kanawha County  
Charlotte, NC:  
Mecklenburg County  
Union County  
Charlottesville, VA:

Chattanooga, TN:  
Hamilton County, TN  
Walker County, GA  
Cheyenne, WY:  
Laramie County  
Chicago, IL:  
Cook County  
Du Page County  
Kane County  
Lake County  
McHenry County  
Will County  
Cincinnati, OH-KY-IN:  
Clermont County, OH  
Hamilton County, OH  
Warren County, OH  
Boone County, KY  
Campbell County, KY  
Kenton County, KY  
Dearborn County, IN  
Cleveland, OH:  
Cuyahoga County  
Geauga County  
Lake County  
Medina County  
Clinton, OK:  
Custer County  
Cody, WY:  
Park County  
Colorado Springs, CO:  
El Paso County  
Columbia, MO:  
Boone County  
Columbia, SC:  
Lexington County  
Richland County  
Columbus, GA-AL:  
Chattahoochee County, GA  
Muscookee County, GA  
Russell County, AL  
Columbus, OH:  
Delaware County  
Franklin County  
Pickaway County  
Concord, NH:  
Merrimack County  
Corpus Christi, TX:  
Nueces County  
Dallas, TX:  
Collin County  
Dallas County  
Denton County  
Ellis County  
Davenport-Rock Island-Moline, IA:  
Scott County, IA  
Henry County, IL  
Rock Island County, IL  
Dayton, OH:  
Greene County  
Miami County  
Montgomery County  
Preble County  
Decatur, IL:  
Macon County  
Denver, CO:



CALIFORNIA

▲ Ontario AGS

▲ MCAS, Tustin

▲ MCAS, El Toro

▲ Long Beach Support Activity

▲ Long Beach Station

● Los Angeles AFB

Defense Contract Management District West El Segundo

▲ Channel Isle AGS

▲ Missile Test Center, Pt Mugu

▲ Construction Battalion Center, Port Hueneme

50 mile radius from Defense Contract Management District West

**DEFENSE CONTACT MANAGEMENT DISTRICT WEST, EL SEGUNDO, CA**

**RECOMMENDATION--REDIRECT:**

1993 REC:

Relocate the DCMD to Long Beach Naval Shipyard, LA, CA or space obtained from exchange of land for space between the Navy and the Port Authority/City of Long Beach.

**EXPAND THIS REC TO READ**

Relocate the DCMD to

- a. to Govt property in LA/Long Beach area
- b. to space obtained from exchange of land for space between the Navy and the Port Authority/City of Long Beach.
- c. to a purchased office building

whichever is the most cost-effective for DOD.

ISSUE: Is it legal to keep in the recommendation that they purchase a building

**DISCUSSION:**

- 1. If we close Long Beach, option "b" is not viable
- 2. Although Base Closure Law delegates GSA authority in ridding itself of excess property to DOD, it does not discuss moves

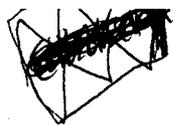
Moves are dictated by 41 C.F.R. § 101-17.206 Move policy.

The situations which cause an agency to move and the responsibility for the relocation costs are indicated below. GSA is responsible for determining the most beneficial alternative course of action in each situation.

DCMDW to move because now in DSA leased administrative space and want to move it to DOD owned property to save money.

*Substantive*  
*could be*  
*in alternative*  
*comparable*  
*space to start*  
*\$10 million*  
*maybe 2001*

*not illegal for them to have an option to purchase but cost estimate 17*



DEFENSE K MANAGEMENT, EL SEGUNDO, CA

1993 Rec

- 1) Move DCMD to
  - a) Long Beach
  - b) or space obtained from exchange of land by of L.B.

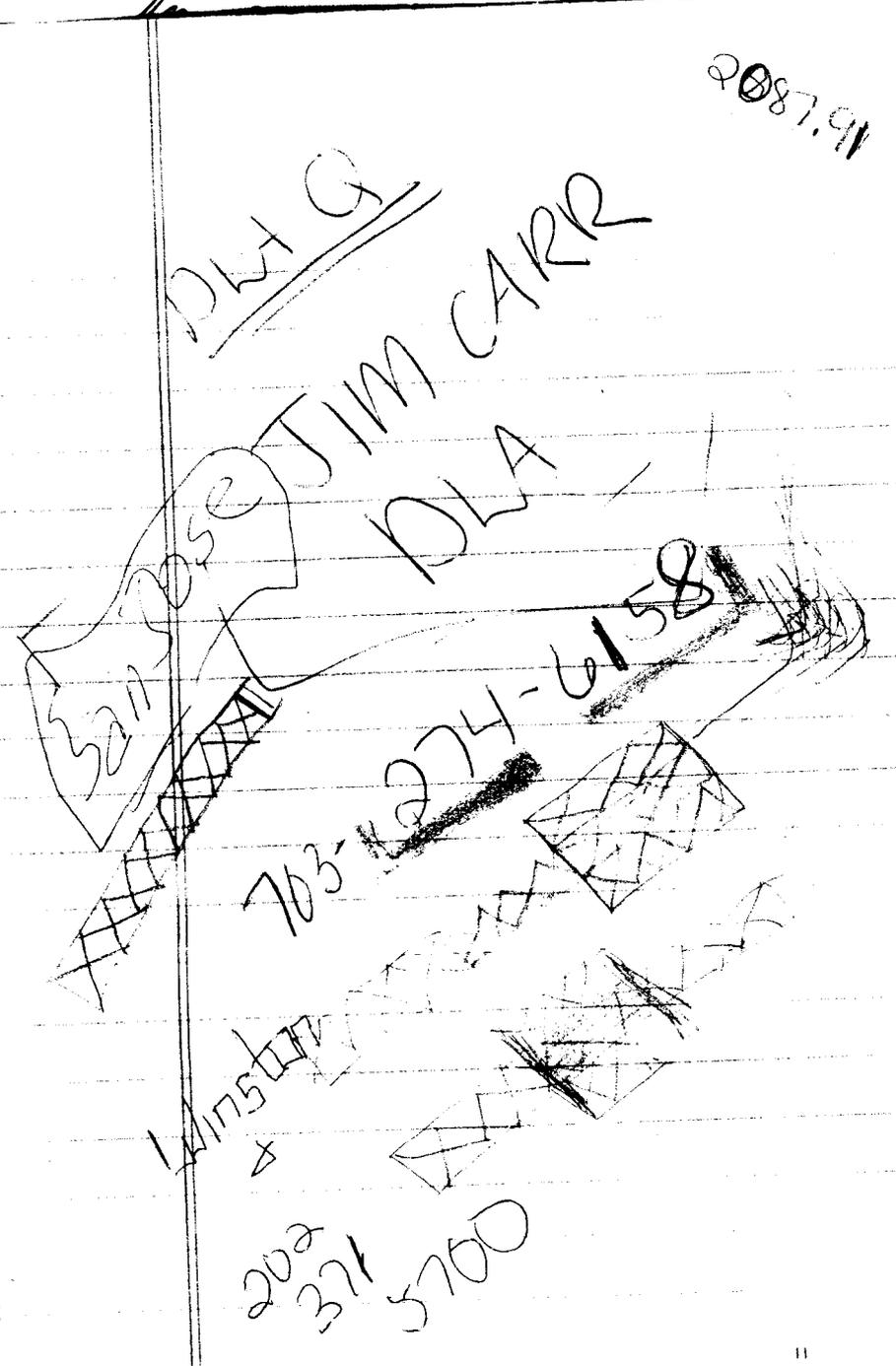
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space

101-18,100 Acquisition by lease

a) GSA will lease privately owned lands building space only when needs cannot be satisfactorily met in Govt controlled space

① Leasing proves more advantageous than construction of new or alteration of existing fed building

? ② New constr is not warranted because requirements in the community are insufficient or indefinite

③ Completion of a new building w/in a reasonable time cannot be ensured

prescribed by the President, except those buildings and grounds which are otherwise provided for by law; and when it shall be made to appear to the said Administrator of General Services, or to the officer under his direction having immediate charge of said public buildings and grounds, that any person or persons is in unlawful occupation of any portion of said public lands in the District of Columbia, it shall be the duty of said officer in charge thereof to notify the marshal of the District of Columbia in writing of such unlawful occupation, and the said marshal shall thereupon cause the said trespasser or trespassers to be ejected from said lands, and shall restore possession of the same to the officer charged by law with the custody thereof.

**PUBLIC BUILDINGS ACT OF 1949**

Pub. L. 81-105, June 16, 1949, 63 Stat. 199, as amended, 40 U.S.C. 298a, 298b, 298d.

\* \* \* \* \*

SEC. 404. The Administrator of General Services, together with the United States Postal Service where his office is concerned, is authorized to accept on behalf of the United States unconditional gifts of real, personal, or other property in aid of any project or function within their respective jurisdictions. 40 U.S.C. 298a

SEC. 405. The provisions of section 601 of the Economy Act, approved June 30, 1932, as amended, are hereby extended to authorize the Administrator of General Services to furnish services in the continental United States, on the basis of full reimbursement, at the request of the State Department, to any international body with which the United States Government is affiliated. 40 U.S.C. 298b

\* \* \* \* \*

SEC. 410. The Administrator of General Services is authorized, notwithstanding any other provision of law, to name, rename, or otherwise designate any building under the custody and control of the General Services Administration, regardless of whether it was previously named by statute. 40 U.S.C. 298d

**FEDERAL SPACE MANAGEMENT**

Ex. Ord. No. 12072, Aug. 16, 1978 (43 F.R. 36869; 3 CFR)

By the authority vested in me as President of the United States of America by Section 205(a) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 486(a)), and in order to prescribe appropriate policies and directives, not inconsistent with that Act and other applicable provisions of law, for

OPTIONAL FORM 89 (7-80)

**FAX TRANSMITTAL**

# of pages ▶ 3

To <i>Ty Trippet</i>	From <i>Jim Kane</i>
Dept./Agency	Phone # <i>213-894-3794</i>
Fax #	Fax #

the planning, acquisition, utilization, and management of Federal space facilities, it is hereby ordered as follows:

*1-1. Space Acquisition.*

1-101. Federal facilities and Federal use of space in urban areas shall serve to strengthen the Nation's cities and to make them attractive places to live and work. Such Federal space shall conserve existing urban resources and encourage the development and redevelopment of cities.

1-102. Procedures for meeting space needs in urban areas shall give serious consideration to the impact a site selection will have on improving the social, economic, environmental, and cultural conditions of the communities in the urban area.

1-103. Except where such selection is otherwise prohibited, the process for meeting Federal space needs in urban areas shall give first consideration to a centralized community business area and adjacent areas of similar character, including other specific areas which may be recommended by local officials.

1-104. The process of meeting Federal space needs in urban areas shall be consistent with the policies of this Order and shall include consideration of the following criteria:

(a) Compatibility of the site with State, regional, or local development, redevelopment or conservation objectives.

(b) Conformity with the activities and programs of other Federal agencies.

(c) Impact on economic development and employment opportunities in the urban area, including the utilization of human, natural, cultural, and community resources.

(d) Availability of adequate low and moderate income housing for Federal employees and their families on a non-discriminatory basis.

(e) Availability of adequate public transportation and parking and accessibility to the public.

1-105. Procedures for meeting space needs in urban areas shall be consistent with the policies of this Order and shall include consideration of the following alternatives:

(a) Availability of existing Federally controlled facilities.

(b) Utilization of buildings of historic, architectural, or cultural significance within the meaning of section 105 of the Public Buildings Cooperative Use Act of 1976 (90 Stat. 2507, 40 U.S.C. 612a).

(c) Acquisition or utilization of existing privately owned facilities.

(d) Construction of new facilities.

(e) Opportunities for locating cultural, educational, recreational, or commercial activities within the proposed facility.

1-106. Site selection and space assignments shall take into account the management needs for consolidation of agencies or activities in common or adjacent space in order to improve administration and management and effect economies.

*1-2. Administrator of General Services.*

1-201. The Administrator of General Services shall develop programs to implement the policies of this Order.

*1-3. General Provisions.*

1-301. The heads of the Executive agencies shall cooperate with the Administrator in implementing the policies of this Order and shall economize on their use of space. They shall ensure that the Administrator is given early notice of new or changing missions or organizational realignments which affect space requirements.

1-302. Executive agencies which acquire or utilize Federally owned or leased space under authority other than the Federal Property and Administrative Services Act of 1949, as amended, shall conform to the provisions of this Order to the extent they have the authority to do so.

1-303. Executive Order No. 11512 of February 27, 1970 is revoked.

August 16, 1978

JIMMY CARTER

#### GOVERNMENT WORK SPACE MANAGEMENT REFORMS

Ex. Ord. No. 12411, Mar. 29, 1982 (48 F.R. 15391; 3 CFR).

By the authority vested in me as President by the Constitution and laws of the United States of America, including Section 488 of Title 40 of the United States Code, in order to institute fundamental changes in the manner in which Federal work space is managed to ensure its efficient utilization, it is hereby ordered as follows:

SECTION 1. In order to make the Federal use of work space (including office space, warehouses and special purpose space, whether federally owned, leased or controlled) and related furnishings more effective in support of agency missions, minimize the acquisition of government resources, and reduce the administrative costs of the Federal government, the heads of all Federal Executive agencies shall:

(a) Establish programs to reduce the amount of work space, used or held, to that amount which is essential for known agency missions;

(b) Produce and maintain a total inventory of work space and related furnishings and declare excess to the Administrator of General Services all such holdings that are not necessary to satisfy existing or known and verified planned programs;

# Document Separator

ROBERT A. BORSKI  
20 DISTRICT PENNSYLVANIA

COMMITTEES  
PUBLIC WORKS AND  
TRANSPORTATION  
CHAIRMAN—SUBCOMMITTEE ON  
INVESTIGATIONS AND OVERSIGHT  
FOREIGN AFFAIRS

# Congress of the United States

## House of Representatives

Washington, DC 20515-3803

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### FAX COVER SHEET

FROM: Mark Vioth TO: Elizabeth King  
OFFICE: Base Closure Team  
CITY: \_\_\_\_\_  
PHONE #: \_\_\_\_\_  
FAX #: \_\_\_\_\_

DATE: 5/8  
TIME: 3:30

DOCUMENT REFERENCE: Letters on PLA item transfers

We are transmitting 7 pages, including this cover sheet.

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Sender: \_\_\_\_\_  
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DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
CAMERON STATION  
ALEXANDRIA, VIRGINIA 22304-6100



IN REPLY  
REFER TO

MMSX

March 31, 1995

Honorable Robert A. Borski  
House of Representatives  
Washington, DC 20515

Dear Congressman Borski:

I share your concerns for the DLA workforce in Philadelphia. I am also deeply troubled by the inaccurate perceptions that characterize the DLA BRAC recommendation as resulting in a total loss of jobs for the people of DISC. That will definitely not be the result, nor has it ever been our intention. My staff recently met with your staff to clarify our BRAC recommendations and the potential impact on the Philadelphia workforce. I hope the information contained in this letter ameliorates your concerns and helps to further clarify our intentions for the Philadelphia workforce. You have my personal assurance that these loyal and skilled men and women will not be forgotten or set aside in our planning.

Our concept of Inventory Control Point (ICP) operations separates the management of weapon system-type items and commercial items. Several options were analyzed, with one of the highest pay-off options being the establishment of a single weapon system ICP in Columbus, OH and a single commercial support ICP in Richmond, VA. This option was not chosen because of the inordinate risk associated with concentrating management of over 70% of the almost 4 million items we're responsible for in one location. Instead we opted for a less risky, lower pay-off alternative: the recommendation the Secretary of Defense forwarded to the BRAC Commission. That recommendation creates two weapon systems support ICPs, one in Richmond VA and the other in Columbus OH, and a single troop and general support ICP in Philadelphia, PA. Philadelphia was selected as our commercial center because, among other things, it has developed outstanding expertise in executing commercial practices and support arrangements over the last five years. The result is a worst case net loss of 385 military and civilian jobs in Philadelphia.

Our ICP business is on a steep decline as military force structure is being radically cutback due to budgetary constraints. Both DPSC and DISC will shrink in size at approximately 4% per year through 1999. This reduction is simply a reflection of the dwindling workload and as such is totally unrelated to BRAC. In 1999 we expect the Philadelphia workforces of both DISC and DPSC to be about 1500 each; with the reduction being attained, to the maximum extent possible, through workforce buyouts and normal retirement / attrition.

Due to the enormity of the effort involved in implementing our recommendation we have always intended that the workload transfers be phased over several years. We have also determined that we can gain some advantages by initially transferring the general support items to DISC because

MMSX PAGE 2  
Honorable Robert A. Borski

of operating and computer system similarities. Although these items will eventually migrate to the Troop and General Support ICP, the workload being transferred into Philadelphia is expected to generate approximately 1100 job opportunities for the DISC workforce. In addition, the ICPs at Richmond and Columbus will be seeking to hire some of the inventory management and procurement professionals from DISC. The vacancies created by those Richmond and Columbus job offers, coupled with the vacancies created by anyone in DPSC who decides to retire or resign rather than move from South Philadelphia to North Philadelphia should provide job opportunities for many, if not all, of the remaining 300 to 400 DISC employees. It also stands to reason that the population of items managed by the Troop and General Support ICP, and thus the employment opportunity, will most likely grow over time as acquisition reform moves us further and further away from military unique specifications.

I am personally committed to taking care of our highly valued ICP workforce. My recent experience with other DLA ICP consolidations suggests that we will be able to accommodate all those employees desiring to transfer. While the situation is not exactly the same as Philadelphia, the analogy is still valid. I intend to manage the personnel situation in Philadelphia in the same manner, concerned with, and sensitive to, the impact of BRAC decisions on all DLA employees.

I am available to answer any additional questions you may have.

Sincerely,

*and with my respect,*

*Ed Straw*

EDWARD M. STRAW  
Vice Admiral, SC, USN  
Director



DIRECTOR  
DEFENSE LOGISTICS AGENCY  
CAMERON STATION  
ALEXANDRIA, VA 22304-6100

April 28, 1995

Brigadier General Roy E. Beauchamp, USA  
Commander  
Defense Industrial Supply Center  
700 Robbins Avenue  
Philadelphia, PA 19111-5096

Dear General Beauchamp,

As you know, the Defense Department's recommendations to the BRAC Commission, which included DISC, have generated much justifiable concern in your workforce, the community, and in the media. These initial concerns and questions by your workforce were not able to be addressed immediately, leading to misperceptions and great anxiety regarding their jobs and their future. I believe that there is now enough firm information available which we can confidently communicate to the workforce, with assurances that I am personally committed to them. I also stand behind the actions and projected results I have delineated in letters to Congressman Borski, and now Mayor Rendell.

Please ensure that every member of the DISC workforce has access to a copy of each letter to take home to their families. In addition, please emphasize my commitment as stated in the enclosed letters to Congressman Borski and Mayor Rendell to first offer the DISC workforce those positions made available by the movement of the commercial-type items to DISC. Then, as the commercial items transition to the Troop and General Support Inventory Control Point, the DISC workforce will be afforded the first opportunity to transition to the resulting positions. My staff will be developing an equitable plan to accomplish this.

You have personally done a superb job in communicating with and leading your dedicated and professional workforce during this difficult period. I know you will continue to keep the dialogue open, and ensure that each employee has access to the facts and new information as it is available.

Sincerely,

EDWARD M. STRAW  
Vice Admiral, SC, USN

Enclosures



# **Inventory Control Point**

## **Implementation Planning for**

### **BRAC 95**

**Capt R. T. Moore III**  
**19 Apr 1995**





## § 351.203

that this exclusion does not apply to such reclassification actions that will take effect after an agency has formally announced a reduction in force in the employee's competitive area and when the reduction in force will take effect within 180 days. This exception ends at the completion of the reduction in force.

(4) The change of an employee from regular to substitute in the same pay level in the U.S. Postal Service field service.

(5) The release from a competitive level of a National Guard technician under section 709 of title 32, United States Code.

(6) Placement of an employee serving on an intermittent, part-time, on-call, or seasonal basis in a nonpay and nonduty status in accordance with conditions established at time of appointment.

## § 351.203 Definitions.

In this part:

*Annual Performance Rating of Record* means an official performance rating under a performance appraisal system approved by OPM in accordance with 5 U.S.C., chapter 43; or for an agency not subject to chapter 43, an official performance rating as provided for in the agency's appraisal system.

*Competing employee* means an employee in tenure group I, II, or III.

*Days* means calendar days.

*Function* means all or a clearly identifiable segment of an agency's mission (including all integral parts of that mission), regardless of how it is performed.

*Local commuting area* means the geographic area that usually constitutes one area for employment purposes. It includes any population center (or two or more neighboring ones) and the surrounding localities in which people live and can reasonably be expected to travel back and forth daily to their usual employment.

*Reorganization* means the planned elimination, addition, or redistribution of functions or duties in an organization.

*Representative rate* means the fourth step of the grade for a position subject

## 5 CFR Ch. I (1-1-95 Edition)

or similar wage-determining procedure, and for other positions, the rate designated by the agency as representative of the position.

*Transfer of function* means the transfer of the performance of a continuing function from one competitive area and its addition to one or more other competitive areas, except when the function involved is virtually identical to functions already being performed in the other competitive area(s) affected; or the movement of the competitive area in which the function is performed to another commuting area.

[51 FR 319, Jan. 3, 1986, as amended at 58 FR 65533, Dec. 15, 1993]

## § 351.204 Responsibility of agency.

Each agency covered by this part is responsible for following and applying the regulations in this part when the agency determines that a reduction in force is necessary.

## § 351.205 Authority of OPM.

The Office of Personnel Management may establish further guidance and instructions for the planning, preparation, conduct, and review of reductions in force through the Federal Personnel Manual system. OPM may examine an agency's preparations for reduction in force at any stage. When OPM finds that an agency's preparations are contrary to the express provisions or to the spirit and intent of these regulations or that they would result in violation of employee rights or equities, OPM may require appropriate corrective action.

## Subpart C—Transfer of Function

SOURCE: 52 FR 10024, Mar. 30, 1987, unless otherwise noted.

## § 351.301 Applicability.

This subpart is applicable when the work of one or more employees is moved from one competitive area to another as a transfer of function regardless of whether or not the movement is made under authority of a

## Office of Personnel Management

## § 351.303

## § 351.302 Transfer of employees.

(a) Before a reduction in force is made in connection with the transfer of any or all of the functions of a competitive area to another continuing competitive area, each competing employee in a position identified with the transferring function or functions shall be transferred to the continuing competitive area without any change in the tenure of his or her employment.

(b) An employee whose position is transferred under this subpart solely for liquidation, and who is not identified with an operating function specifically authorized at the time of transfer to continue in operation more than 60 days, is not a competing employee for other positions in the competitive area gaining the function.

(c) Regardless of an employee's personal preference, an employee has no right to transfer with his or her function, unless the alternative in the competitive area losing the function is separation or demotion.

(d) Except as permitted in paragraph (e) of this section, the losing competitive area must use the adverse action procedures found in 5 CFR part 752 if it chooses to separate an employee who declines to transfer with his or her function.

(e) The losing competitive area may, at its discretion, include employees who decline to transfer with their function as part of a concurrent reduction in force.

## § 351.303 Identification of positions with a transferring function.

(a) The competitive area losing the function is responsible for identifying the positions of competing employees with the transferring function. Two methods are provided to identify employees with the transferring function:

- (1) Identification Method One; and
- (2) Identification Method Two.

(b) Identification Method One must be used to identify each position to which it is applicable. Identification Method Two is used only to identify positions to which Identification Method One is not applicable.

(1) The employee performs the function during at least half of his or her work time; or

(2) Regardless of the amount of time the employee performs the function during his or her work time, the function performed by the employee includes the duties controlling his or her grade or rate of pay.

(d) Identification Method Two is applicable to employees who perform the function during less than half of their work time and are not otherwise covered by Identification Method One. Under Identification Method Two, the losing competitive area must identify the number of positions it needed to perform the transferring function. To determine which employees are identified for transfer, the losing competitive area must establish a retention register in accordance with this part that includes the name of each competing employee who performed the function. Competing employees listed on the retention register are identified for transfer in the inverse order of their retention standing. If for any retention register this procedure would result in the separation or demotion by reduction in force at the losing competitive area of any employee with higher retention standing, the losing competitive area must identify competing employees on that register for transfer in the order of their retention standing.

(e)(1) The competitive area losing the function may permit other employees to volunteer for transfer with the function in place of employees identified under Identification Method One or Identification Method Two. However, the competitive area may permit these other employees to volunteer for transfer only if no competing employee who is identified for transfer under Identification Method One or Identification Method Two is separated or demoted solely because a volunteer transferred in place of him or her to the competitive area that is gaining the function.

(2) If the total number of employees who volunteer for transfer exceeds the total number of employees required to perform the function in the competitive area that is gaining the function.



DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION  
1700 NORTH MOORE STREET SUITE 1425  
ARLINGTON, VA 22209  
703-696-0504

## FAX COVER SHEET

DATE: 6/7/95

TO: Thomas A. Glennon

FAX #: 202-606-0960  
2329

FROM: Elizabeth King

NUMBER OF PAGES (including cover): 3

CONTENTS:



**THE DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION**

**1700 NORTH MOORE STREET SUITE 1425**

**ARLINGTON, VA 22209**

**703-696-0504**

**ALAN J. DIXON, CHAIRMAN**

**COMMISSIONERS:**

**AL CORNELLA**

**REBECCA COX**

**GEN J. B. DAVIS, USAF (RET)**

**S. LEE KLING**

**RADM BENJAMIN F. MONTOYA, USN (RET)**

**MG JOSUE ROBLES, JR., USA (RET)**

**WENDI LOUISE STEELE**

**June 5, 1995**

**Thomas A. Glennon  
Career Entry Group  
Office of Staffing Policy and Operations  
Office of Personnel Management  
1900 E Street, NW  
Washington, D.C. 20415-0001**

**Dear Mr. Glennon:**

I am writing for an opinion as to whether Office of Personnel Management regulations would classify the scenario described below as a transfer of function, providing permanent employees the opportunity the right to move with their work, or as a transfer of workload that would not provide employees with any job rights.

The Defense Base Closure and Realignment Commission was established in 1990 by Congress to ensure a fair, non-partisan and timely process of closing and realigning military installations within the United States. The Commission is now engaged in the third and final round of closures and realignments authorized by law. The Commission is reviewing and analyzing a list of installations recommended by the Secretary of Defense for realignment and closure presented to the Commission on March 1, 1995. The Commission may make changes to this list and will present its final recommendations to the President no later than July 1, 1995.

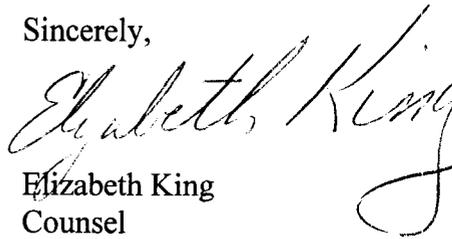
One of the recommendations presented by the Secretary of Defense involves a reorganization of work within the Defense Logistics Agency (DLA). In order to assist the Commission in our analysis, we would like an OPM opinion on the following scenario and whether it should be classified as a transfer of function or a transfer of workload:

DLA has five Inventory Control Points (ICPs), four of which manage a mix of weapon system, troop support and general support items. DLA's new concept of operations includes consolidating these activities by creating two ICPs which solely handle weapon systems and one ICP which solely handles troop and general support items. The recommendation designates the Defense General Supply Center in Richmond, Virginia and the Defense Construction Supply Center in Columbus, Ohio, each of which already perform some weapon system support, as the two sites for the weapon systems ICPs and recommends that Defense Personnel Support Center in Philadelphia, Pennsylvania expands its operation and become the sole troop and general support ICP.

In order to accomplish the consolidation, DLA recommends moving general and support item work, which is done by approximately 292 people, from Columbus to DPSC in Philadelphia. DLA also recommends moving troop and general support work, which is done by approximately 695, people from Richmond to DPSC. DLA then recommends that the Defense Industrial Supply Center (DISC) in Philadelphia be disestablished and that the general and support work done by approximately 141 people at DISC move to DPSC and the weapons support work done by approximately 1141 people at DISC move to Richmond, Virginia. Once all this movement has taken place, DPSC will have work for approximately 2600 people. At that time, DPSC will have approximately 1500 permanent employees and so will have the opportunity to fill approximately 1100 positions. DLA has classified these movements as workload transfers and have not provided employees with any rights to move with their job.

Since the Commission is working toward a deadline of July 1, 1995, a timely response would be greatly appreciated. Please contact me if you need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth King". The signature is written in dark ink and is positioned to the right of the typed name.

Elizabeth King  
Counsel

< CONFIRMATION REPORT >

06-07-1995(WED) 11:04

[ TRANSMIT ]

NO.	DATE	TIME	DESTINATION	PG.	DURATION	MODE	RESULT
19085	6-07	11:02	2026062329	3	0° 01' 23"	NORM.E	OK
				3	0° 01' 23"		

U.S. Office of Personnel Management  
Washington, D.C.  
Career Entry Group  
Office of Staffing Policy & Operations

703  
696-050

for - 23 696-0550

Date: 5/26/95

From: Thomas A. Glennon, Room 6504, (202) 606-2205  
FAX (202) 606-0960  
FTS 266-2205

To: Elizabeth King  
Barbara Compton

Number of pages (including this cover sheet):

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To INQUIRE about this message:  
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Remarks:

OTW Summary

**MODULE 4 (TRANSFER OF FUNCTION), UNIT A (REQUIRED PROCEDURES), SECTION 1.  
OVERVIEW OF TRANSFER OF FUNCTION**

**1. TRANSFER OF FUNCTION REGULATIONS.** OPM's transfer of function regulations are derived from the Veterans' Preference Act of 1944, as the law is codified in Section 3503 of title 5, United States Code.

o OPM implements the law through regulations published in Subpart C of Part 351 of title 5, Code of Federal Regulations (i.e., 5 CFR Part 351, Subpart C).

**2. PURPOSE OF THE TRANSFER OF FUNCTION REGULATIONS** (see 4-A-9). The transfer of function regulations provide that nontemporary employees have the right to move with their work if the alternative in the losing organization (i.e., the losing "Competitive Area") is separation or downgrading by reduction in force.

o "COMPETITIVE AREA" is a reduction in force term that the agency establishes on the basis of organization and geography (see 4-A-2-2).

o An employee has no right to transfer with the function unless the alternative in the losing competitive area is separation or downgrading by reduction in force.

o The losing competitive area may use adverse action procedures to separate any employee who chooses not to transfer with his or her function (see 4-A-9-2).

o An agency may not conduct a reduction in force solely to place employees who chose not to transfer with the function to a different local commuting area (see 4-A-9-3).

o An employee has no right to transfer with a terminated function, or with a function that that will cease within 60 days of transfer to a different competitive area (see 4-A-11).

**3. SUMMARY OF WHEN A TRANSFER OF FUNCTION TAKES PLACE BECAUSE OF AN ORGANIZATIONAL CHANGE** (see 4-A-2-1-a). A "TRANSFER OF FUNCTION" takes place when a function ceases in one competitive area and moves to one or more other competitive areas that do not perform the function at the time of transfer.

o The gaining competitive area may be in the same or a different agency.

o The movement of work within a competitive area is a "REORGANIZATION."

**4. SUMMARY OF WHEN A TRANSFER OF FUNCTION TAKES PLACE BECAUSE OF THE RELOCATION OF AN ORGANIZATION** (see 4-A-2-1-b). A "TRANSFER OF FUNCTION" also takes place when the entire competitive area moves to another local commuting area without any organizational change.

5. IDENTIFICATION OF EMPLOYEES WITH A TRANSFERRING FUNCTION. The losing competitive area is responsible for identifying employees with a transferring function (see 4-A-4-1).

(a) Two procedures are used to identify employees with a transferring function:

(1) "IDENTIFICATION METHOD ONE"; and

(2) "IDENTIFICATION METHOD TWO."

(b) IDENTIFICATION METHOD ONE (see 4-A-7). Under Identification Method One, the losing competitive area identifies an employee with a transferring function if:

(1) The employee performs the function during the majority of the employee's work time; or

(2) Regardless of the amount of time that the employee performs the function, the function includes the employee's grade-controlling duties (i.e., the transferring function would by itself support the employee's grade).

(c) IDENTIFICATION METHOD TWO (see 4-A-8). The losing competitive area uses Identification Method Two only to identify positions and employees not covered by Identification Method One.

o With Identification Method Two, only the number of employees needed to perform the function in the losing competitive area are identified for transfer.

o To determine which employees are identified for transfer under Identification Method Two, the losing competitive area uses retention registers that lists employees in the order of their respective reduction in force retention standing.

o Identification Method Two provides that the employee(s) with the lowest retention are identified for transfer with the function except in a closure situation, when the employees with the highest retention standing are identified for transfer.

(c) At its discretion, the losing and the gaining competitive areas can agree that volunteers may transfer with the function, provided that no employee who is identified for transfer is later separated or downgraded because of this decision (see 4-A-13).

6. USE OF RIF IN TRANSFER OF FUNCTION (see 4-A-9). If the transfer of function results in a surplus of employees in the gaining competitive area, all employees who elected to transfer with the function compete under the reduction in force regulations for positions on equal terms with other employees in the gaining competitive area.

7. USE OF TRANSFER OF FUNCTION CANVASS LETTERS (see 4-A-12). When a transfer of function will result in the employee moving to a different local commuting area, the losing competitive area may choose to use a TRANSFER OF FUNCTION CANVASS LETTER to determine which employees wish to be considered for positions at the new location.

o A transfer of function canvass letter does not guarantee an employee a position at the new location, but simply asks the employee to state an interest in transferring with the function.

o If the employee chooses not to transfer with the function, the losing competitive area may separate the employee through adverse action procedures at the time the function actually transfer to the gaining competitive area.

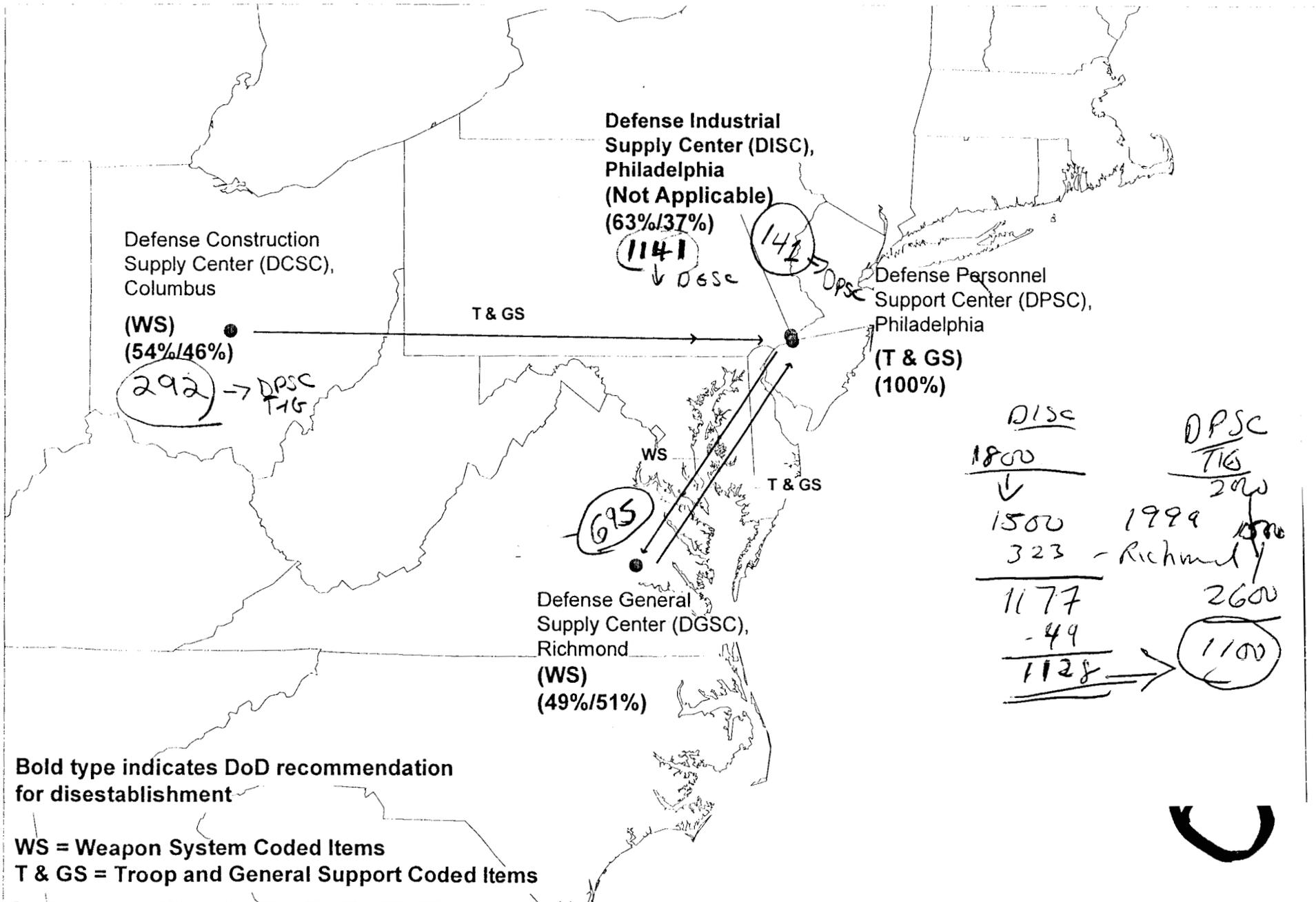
o An employee who chooses not to transfer with the function has no right to be in reduction in force competition for other positions in the losing competitive area.

o An employee who initially chooses to transfer with the function may later reconsider and decline to transfer; however, an employee who declines to transfer with the function may not later change the declination to an acceptance of the offer to transfer.

8. TRANSFER OF FUNCTION APPEALS (see 4-A-14). An employee may not file an appeal to the Merit Systems Protection based solely on a transfer of function issue.

o An employee who is subsequently reached for a reduction in force or adverse action may raise transfer of function as in issue in that appeal.

# Inventory Control Points DoD Recommendation



(Functional transfer)  
to more people  
& then too  
many  
RIFs

DPSC

- Presently has 2000 jobs  
w/ 4% ↓ 1500 jobs

→ it has becomes Troop + General Support will  
2600 people total  
all there

of

Cites

7pm Supp 351-1 2  
1

Chap S 10-2

C.F.R. Chap 5

Section 351

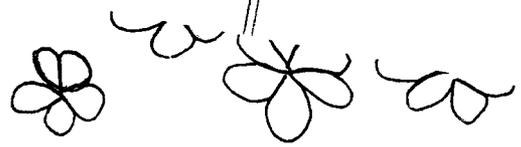
323 extra jobs  
in  
Richmond

weapons sites  
Richmond

12:30

FROM Supp 351-1  
Chap S 10-2

C.F.R. Chap 5  
Sect 351, 203



Rhoda Lawrence - OPM

~~206-696-8521~~

606-1700

Went to court  
can speak in  
general terms

Tom Glennon

606-0960

2205

MSPB redefined in 1984  
- not number  
- has to do with

THG 5  
3503

Children v US  
222 CoB 557

Vol 20  
MSPR  
p. 595

5 CFR §351.301 TRANSFER OF AUTHORITY

- Applicable when work of ~~one~~ years is moved from one competitive area to another as a transfer of function.

a) Before RIF is made or connection w/ transfer of any or all functions of a competitive area to another continuing competitive area, each competing employee in a position ID of the transferring function or shall be transferred to the continuing competitive area w/o any change in the tenure of his employ

workload = 10,000 hrs of engine work - to do this - people  
weapons workload to Reimund

Transfer of function §351.203 Def

↳ Def: means transfer of performance of a continuing function from one competitive area + its addition to one or more other competitive areas, except when THE FUNCTION INVOLVED IS VIRTUALLY IDENTICAL TO FUNCTIONS ALREADY BEING PERFORMED IN THE OTHER ~~a~~ COMPETITIVE AREAS AFFECTED.

<sup>60</sup> this is not a transfer of function

- DISC is disestablished
- Create 1 ICP for management of troop + general support at DPSC in Phila
- Create 2 ICPs for weapons at Columbus + Richmond

↳ To lose 385

Columbus 358

Richmond gains 323

Disc establishing

Columbus 358 jobs → eliminated

323 civilian gain to Richmond from Philly

- all of Columbus goes to Philly

Jim: want everyone to stay in place + more work load

- Columbus = net losses<sup>Philly</sup>
- Rehnat = net gains

DPSC

5/2

Capt Bob Moore

wants to know if we can

change the language to

merge DPSC + DISC rather

than disestablish DISC.

We said ok - send w

letter. Told that to

Kathy Kelleher - She said

they had tried that for Sec

report + were not met

ASD

TYNDALL  
M. J. [unclear]  
ALIST

Jim

- Articulation of hypotheticals

~~to be done~~

Vieth

null

Mark from Rep. Borker  
225-8251

Transfer Richmond to  
DISC  
- Philly will do zero

ish

- 1) Designate DISC as general supply center
- 2) Merge DISC + DPSC  
or realign  
- make it a transfer of functions

□  
□  
□

TERRY

Project DISC, not be disestablished  
- word

- don't want Philly to  
bump

DPSC/DISC

- Trying to find better word than disestablished  
DISC

- we think DLA's intent was to merge

- disestablish doesn't give folks job rights

- want commission to change word

↳ Mayor will ~~read~~ read letter

1800 assigned to DISC

Bob

- They are taking down fly in the ointment  
is good word

after all

Shebeck  
202-586-1522

wording to Adm Straw

↳ Philly gets, Philly gets

Bob: Bet to Richmond + Columbus get their jobs then  
move them too

Adm Straw  
1400

1800 DISC  
click to  
55<sup>th</sup> to Richmond