



BRAC Commission

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Received

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August 15, 2005

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2005 Defense Base Closure and Realignment Commission
 2521 S. Clark St., Ste. 600
 Arlington, VA 22202

Commissioners:

I understand that you are rapidly reaching decision points relative to your recommendation to the President. On behalf of the Southwest Georgia Alliance for Progress, a BRAC Community Action Group for the area immediate to the Marine Corps Logistics Base in Albany, GA, we wish to thank you for your effort. However, moving depot maintenance functions from the control of the Depot/Maintenance Center Commander to the Defense Logistics Agency is counter productive and unwise.

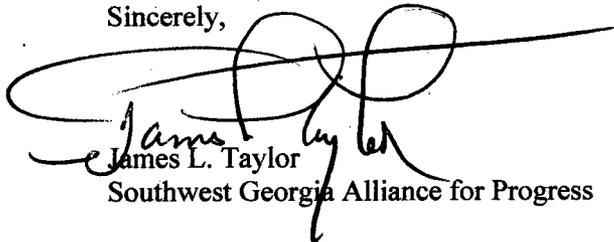
On behalf of the Alliance and Depot Commanders, you are urged to review the provisions of this BRAC proposal. The attached memo prepared by Kutak Rock fairly represents our position and is worthy of your consideration. As a former Depot Commander, I can tell you without hesitation that to lose control of spares, either major components or spare parts, reconditioned or new, is hazard to the health and performance of a Depot Maintenance Activity.

We sincerely appreciate your consideration of the attached document and this request.

CAMPAIGN COMMITTEE

- Ben Barrow*
- Barry Cohen*
- Luke Flatt, Chairman*
- Sherman Willis*

Sincerely,



James L. Taylor
 Southwest Georgia Alliance for Progress

Attachment

Memo

To: 2005 Base Realignment and Closure (BRAC) Commission
Subject: Supply and Storage (S&S) Joint-Cross Service Group's (JCSG's)
Recommendations Regarding Consolidation of Depot Activities

The S&S JCSG recommends consolidating what are currently depot maintenance functions under the Defense Logistics Agency (DLA). The specific recommendation can be found on page 21 of the S&S JCSG's 2005 Base Closure and Realignment Report, Volume XI. We strongly oppose this recommendation. It is contrary to the intent of the BRAC legislation, contrary to Core Logistics statutes, fails to recognize the critical requirements of the depot maintenance functions, violates and restricts a maintenance depot commander's command and control authority, lacks sufficient analysis/justification, places unjustified reliance on unsupported business process engineering, and jeopardizes the maintenance depots' ability to support the Warfighter. As such, the recommendation is in substantial deviation from the military value criteria. We ask the nine members of the independent BRAC Commission to exercise their authority to reject this flawed recommendation.

The Introduction to the Supply and Storage Joint Cross-Service Group Report sets out guidelines and target areas for group focus and data calls, but quickly follows with a set of recommendations that significantly violate its own organizational philosophy on supply, storage and distribution. The report clearly states an "appropriate level of S&S involvement" must focus on "above installation" activities—essentially wholesale levels of supply, storage and distribution. Yet a significant segment of the group's recommendations insert DLA into the middle of depot maintenance production and clearly interfere with "installation and below" production processes at logistics bases and depots.

We believe the data gathering and subsequent analyses did not provide the S&S Group with a full understanding of functions that are critical components of complex depot maintenance operations. If approved, this recommendation will result in transfer of technically-oriented, vital maintenance/supply interactive functions not compatible with DLA's automated, high volume business practices and will seriously jeopardize efficiency and effectiveness of military service industrial maintenance production capabilities.

Any useful delineation of the S&S JCSG's proposed approach to consolidating these service "supply activities," how it might function under DLA management control, and where it might improve operational efficiency, is totally absent from the report. There is also no analysis of imposed command and control changes and impacts. It appears that top level compilation of DoD-wide manpower and infrastructure which included any remote association with "supply & storage," drew conclusions that redundancy, excess capacity and underutilized resources can be eliminated by transferring ownership to a single command: DLA. This simple thesis is dangerous, flawed with misunderstanding of current methods, invokes multiple impacts on industrial production line efficiencies, and will ultimately result in warfighter sustainment shortfall.

This set of S&S recommendations must be fully understood, studied, analyzed and impartially evaluated. In our view, the proposed changes are mind boggling, impacts are serious, and consequences are far reaching. Transformation goals are essential, but cannot be used as a

cover for overly aggressive raids of vital processes and functions from within other command core work areas.

The basis of the BRAC S&S recommendation is “transformation.” However, transformation is a nebulous term that should not be confused with logical reasoning and a rational assessment of impact on mission, cost, and savings. The United States General Accountability Office Report, GAO-5-785 (July 2005), expresses uncertainty with the S&S recommendation. (See GAO-05-785, pages 5 and 25-26). The GAO urged the BRAC Commission to review these recommendations in more detail. We strongly urge you to do the same, but also ask that you investigate the impact of the recommendation on the depot maintenance missions.

The S&S Recommendation has wide-reaching implications for the entire Defense Department which must be addressed.

Specifically:

1. DLA Wholesale Supply versus Depot Maintenance “Shop Stock”

The JCSG mistakenly assumes that because the maintenance depots must requisition parts and materials, store work-in-process and customer owned equipment, and move work in process among various production shops, those functions must be the same as the supply functions DLA, performs. They are not. In fact, there are essential differences.

Depot maintenance personnel do not requisition materials for resale or redistribution; they requisition repair parts for maintenance programs and induct reparable materiel already in storage at the co-located DLA depot for maintenance repair. The parts are ordered by technicians who are intimately involved with the repair process and parts availability. Many of the parts are customer-owned (*e.g.*, PEO/PM- or field user-owned). This is “shop stock.” Should DLA attempt to take over this function, they would still have to receive the information from a depot technician; there would still be a need for the depot to perform functions from a shop floor perspective, etc. The co-located or remote DLA distribution depot currently provides no requisitioning services for a depot and merely operates as a distribution center—receiving, storing and issuing wholesale materiel for the Services’ inventory control points. Similarly, materiel movement positions within a depot are solely in support of in-house maintenance functions. These personnel may deliver repair parts/shop stock that are already owned by the depot or a customer to a specific shop but also move items that are under any type of repair from one shop to another, such as moving an asset from an electronic technician’s work bench to sandblast to a paint booth. They are performing intershop movements in direct support of the depot maintenance mission. Under the S&S recommendation, however, the clear-cut accountability that exists at the maintenance depots today would be destroyed. Under the S&S recommendation, a depot maintenance employee would remove the engine from a tactical vehicle, turn the body over to DLA to transport it to another depot maintenance shop for painting, call DLA to return the painted body once completed, reinstall the engine, and then turn the completely overhauled vehicle over to DLA for final shipment. Under the S&S recommendation, these simple internal movements of equipment and material among the various industrial shops would now involve two separate organizations, and two separate chains of command for what is essentially one single mission/function (*i.e.*, depot maintenance).

2. Job Order Control

Currently, parts are ordered and pre-positioned in an Automated Storage and Retrieval System (ASRS) pending decision to floor the work order. ASRS provides high grade inventory protection, control, and security for a variety of production materials. Work-in-process, assemblages, bill of material parts, etc. are binned, palletized or packaged and set aside in ASRS with full confidence that the combination will be available for withdrawal and return to shop as called. Prior to construction of ASRS, in-process assemblages were set aside within shop, under work benches, in shop storage racks, anywhere where they could be readily accessed when needed. Flexible, rapid response, storage capability is a critical part of a clean, efficient maintenance work loading system. Flexibility permits technicians to pull in process work from ASRS inventory, add parts, check quality, apply the modification, and return it to a location with inventory records noted for update. Command and control of the ASRS is essential for the maintenance depot to provide a lean work area, free of all items/assemblages except those currently being worked. Moreover, all ASRS parts are costed on receipt, stored and accounted for by depot maintenance work or job order. Release to the shop floor is by production order and work breakdown structure number. This accounting and tracking method is essential to properly identify costs directly to the correct depot maintenance repair program on the shop floor. DLA accounts for wholesale inventories by federal stock number and has no mission to store, account for and control by production order. Differences between a supply and a maintenance production environment invite disharmony.

3. Work-In-Process (WIP)

ASRS inventory includes numerous pallets of WIP—repairables partly worked, parts, components, partial assemblages where work has started but set aside from the work bench for a variety of causes (such as new work with urgent priority, lack of parts, or change of customer specification). Work-in-process, assemblages, and parts are tagged, palletized, assigned a temporary stock number for identification and stored/reserved by job order pending later return to performing shops. The multi-purpose inventory control system must be stored “as is” in order to protect, control and account for this WIP. For example, electronics is a commodity that requires flexibility and responsiveness for rapid change of work schedule, clearing of work space and induction of new work in an organized, controlled manner. The maintenance depot’s command and control over WIP is key to success. Why would any company give control and management of WIP to another entity?

The importance of job order control and WIP to the maintenance mission cannot be dismissed. The success of a maintenance depot rises and falls on its ability to effectively manage its job orders and WIP. DLA cannot control, store, or issue by job order. It does not fit anywhere in their systems because DLA manages by stock number. When you move from stock number to job order number, you’ve crossed an important line. You are no longer talking about moving sealed packages, unit pack, or controlled humidity storage. With a job order focus, the packages are opened and on the work bench, where the blue collar maintenance worker who paints the metal and installs an engine on the production line can pull one widget from the box when (s)he needs it. This is not within the DLA mission or expertise, and it undermines the viability of the depot maintenance mission.

4. Command Authority

The maintenance depot commanders are responsible for ensuring weapon systems are repaired and returned to the Warfighter on time, within cost allowances, and at the highest level

of quality possible. To do that, they need to control the total maintenance function, to include managing the supplies and materials inherent to that function. A commander needs the authority to prioritize, schedule, and direct all aspects of that function. Breaking that command and control authority, as the JCSG recommends, would seriously jeopardize mission accomplishment. The commanders would no longer control critical sub-processes that are vital to the overall maintenance activity and ultimately provide expeditious service to the warfighter.

5. Systems Compatibility

DLA functions use the Distribution Supply System (DSS) for various supply-related processing functions such as receipt, storage, issue, inventory, etc. The Army (for example) is presently implementing the Logistics Management Program (LMP). In addition, the Automated Storage and Retrieval System (ASRS) being used at depots is a stand alone system for which the software has been configured to interface with LMP, a customized system for file transfer from the ASRS to LMP and back. This in turn interfaces with other elements of LMP in financial and production areas. DLA's ability to effectively merge these two systems into a cohesive Enterprise Resource Planning system has not yet been demonstrated. Failure to "prove out" processing compatibility before implementation would cripple the depot maintenance mission.

6. Central Depot Concept

In 1997, U. S. Army Audit Agency issued Report AAA97-161, titled, "Management of Repair Parts for Maintenance." The report described costly problems and redundancies in a Service's and the DLA supply operations. The report did, however, praise the viability of an initiative called Central Depot Concept (CDC). CDC took responsibility for receipt of depot maintenance equipment from DLA and gave it back to the Army. This restructuring allowed the DLA to drastically reduce its manpower footprint within the Army facility by eliminating the DLA receiving functions within the Army depot.

This initiative also eliminated the redundancy of having two receiving functions on the installation, one DLA- and one Service-owned. Prior to the implementation of the CDC, DLA would receive the material, then hand it to the Depot receiving functions where it would be received again. Elimination of these redundancies saved the DLA millions. It also saved the Army millions by eliminating the payment of the required DLA transaction fees for receipt, storage and issue of these materials. The Army implemented CDC as a National Performance Review (NPR) initiative. Following an extensive analysis of alternatives by a team of Army and DLA experts, the CDC study concluded that the best and most cost-effective alternative was to consolidate inventories and store installation supply activity material in the depot maintenance retrieval system (ASRS) under Army, not DLA control, establish central receiving areas for shop stock at the retrieval system under depot, not DLA control, and assign responsibility for managing all retail inventories, including shop stock, to the depot. Tobyhanna, the CDC eliminated a layer of inventory and the redundant handling of material that occurred between the DLA activity and the depots, resulted in savings of at least \$5 million annually, reduced retail inventories by at least \$60 million, decreased delivery times, decreased the amount of excess material, and improved inventory visibility. The report identified net savings and cost avoidances exceeded \$40 million. The CDC initiative resulted in the receipt of the Hammer Award by Vice President Gore for making a government that "works better and costs less." If not questioned by this Commission, the Secretary's BRAC 2005 recommendation would now reverse the highly successful CDC. The Army would be required to, for example, re-establish duplicative receiving and inspection points for material, lose visibility over material and assets, increase in-shop inventories, and delay delivery of critical weapon systems.

7. Service-Managed Shop Stock Is Essential

The S&S recommendation would retain only “the minimum necessary supply, storage, and distribution functions and inventories required to support (the depot), and to serve as a wholesale Forward Distribution Point”. This portion of the recommendation is consistent with the CDC initiative noted above. In effect, the only supply and storage resources left at the depot would be those required to support their single, dedicated customer—the maintenance depot. Therefore, a more logical recommendation would be to retain existing resources under the Command and Control of the maintenance depot, rather than place it under DLA. In addition, experience shows that DLA frequently takes credit for alleged cost-cutting measures, such as outsourcing, which may show savings on the DLA ledger, but translate into decreased responsiveness to the depot maintenance mission. If the S&S recommendation is implemented, the depot maintenance mission will suffer.

8. Differences in Command and Control

The S&S JCSG claims that the recommendation “eliminates redundant supply and storage functions at industrial installations.” In reality, there is a clear distinction between the functions performed by DLA and those performed by the maintenance depots. DLA performs supply, storage, and distribution for wholesale supply purposes.

Its focus is on common commodities used by multiple customers and on stocking large quantities of those commodities for extended periods in case the wholesale system requires it. The maintenance depots, however, deal only with their own unique below retail, customer-owned supplies specifically required for those specific customers. Their focus is on specialized limited quantities of high turnover supplies needed specifically for their maintenance customers. They are two distinctly different systems serving two distinctly different purposes. The Depot’s inventory is “retail inventory”—parts and equipment already purchased by the Depot (from DLA and other sources). This is considered “restricted stock” for specific maintenance programs at the Depots; it is NOT available for anyone else to purchase or request. The maintenance depot inventory solely supports the depot maintenance mission—materials and parts needed to repair weapon systems. Transferring these functions from the depots to DLA would result in the loss of depot scheduling flexibility to meet production requirements.

9. Need for Objective Independent Analysis

There is great variety in the missions, staffing, productivity, and resources of “supply, storage, and distribution” work currently performed at each industrial facility. Yet the S&S JCSG appears to have consistently assumed an arbitrary reduction in staffing at each industrial site. How could such substantive variety in the missions and resources at each site, have yielded such a consistent level of savings? The analysis for consolidating parts management functions (budget, funding, contracting, cataloging, requisition, processing, customer service, item management, stock control, weapon system secondary item support, requirements determination, integrated material management technical support inventory control pint functions for consumable items) is lacking. There is no evidence to show that transferring such critical, sophisticated missions to entities with no experience in these missions will meet warfighter requirements. An objective, independent study needs to be done before this recommendation receives any further consideration.

10. DLA Overextended Its Capabilities

In Report Number D-2001-076, dated March 13, 2001, the Department of Defense Inspector General (IG) identified inadequate procurement support by a DLA supply center which was exacerbated by the BRAC 1995 recommendation to transfer additional workload to that center. The IG found that inadequate procurement support was largely responsible for a 48% increase in backorders and a purchase request backlog increase of 40%. Before BRAC 1995 was implemented in July 1999, purchase requests were being awarded in 85 days and were filled from stock at an 88% rate. In 2000, DLA averaged 107 days to award a purchase request and the requisition from stock rate fell to 83%. Consequently, depot maintenance was not being performed on time, equipment was not returned to the warfighter as scheduled, idle hours rose while repair work was delayed, and major components were overscheduled for repair in order to "rob back" parts (removing parts from one component in order to complete the repair process on another component). In addition, the IG determined that the DLA Center initiated new, untested business practices instead of focusing on traditional business activities, thereby diverting resources from priority needs and reducing the number of personnel, and overworking remaining personnel needed to process purchase requests. Concerns had been raised that the Service maintenance depots by-pass the supply system by directly procuring required parts and materials. Yet the DoD IG Report highlights the primary reason for this: DLA's failure to procure and deliver materials and parts on a timely basis. The DoD IG report verifies that DLA overestimated its capabilities in BRAC 1995. As a result, warfighter support was negatively impacted. Thorough analysis with supporting documentation must be performed to ensure that DoD does not repeat the painful lessons of the past.

11. Depot Maintenance Core Capabilities

Title 10 USC 2464 declares as a matter of national defense policy and law that the Department of Defense must possess core logistics capabilities necessary to maintain and repair the weapon systems and other military equipment required to fulfill strategic and contingency plans prepared by the Chair of the Joint Chiefs of Staff. In essence, this law recognizes the criticality of depot maintenance to our national security. Another law, 10 USC 2460, defines depot maintenance to include the material maintenance or repair requiring overhaul, upgrading, or rebuilding of parts, assemblies, or subassemblies, testing and reclamation of equipment. Clearly, Congress placed significant emphasis on the performance of depot maintenance, recognizing that a ready and able maintenance workforce is critical to national defense.

Subsumed in the definition of depot maintenance are the hundreds of technical skills required to ensure that these missions are accomplished. It includes the skilled people at the maintenance centers who handle military equipment, manage the shop stock to ensure the components are in the right shop at the right time, schedule and track the work through the facility to ensure the equipment is repaired on time and at the right price, track materials and equipment in the maintenance center, or deliver the equipment from a maintenance holding area directly to the worksite when it is required—and not a day late. These individuals do not move equipment from storage to the loading dock; they manage the equipment pursuant to specific technical requirements for the system. These individuals do not order supplies, they manage the materials and the equipment as it passes from one depot maintenance process to another, ensuring that the maintenance schedules and cost estimates are honored. Without them—as an integral part of the depot maintenance mission—the performance of core logistics work cannot be efficiently accomplished.

12. Scheduling Production

Repairables and repositioned parts are inducted to the shop floor based on work order priority, customer requirement, analysis of parts inventory, shop capacity and sequence of production. Analysis of raw stock and parts on hands frequently allows selected shop work to reach sub-assembly completion incrementally. Parts availability data by job order is critical to decisions on when, where and how much shop work can commence. This intimate knowledge of the depot maintenance mission, so critical to the success in scheduling depot maintenance work, is not found in DLA.

13. Non-Standard Consumable Inventory

Propositioned consumables come from multiple sources—requisition, depot purchase, fabrication, disassembly, cannibalization, customer furnished. Parts held for overhaul may be mostly standard items of supply while raw stocks, parts, assemblages for special fabrication projects are likely to be non-stock-numbered, unique, special order, acquired per customer spec. All are customer costed and owned, held by job order pending production schedule and flooring decisions. Frequent monitoring of job order inventory is critical for all production decisions. This is another example of how depot maintenance requires a retail focus, not a wholesale focus within the expertise of DLA.

14. Team Managed Inventory

Production engineers, production controllers, requisitioners, expeditors, equipment specialists, and shop leaders are all part of a team working together, dedicated to order completion on time, within budget, with customer satisfaction. Each has acquired technical knowledge of end item/reparable performance requirements and all share vital data on work problems and status of parts needed for job completion—on hand, on order, back ordered, long lead, support shop fabrication. This kind of expertise is not resident within DLA and is not within its core competencies.

15. Excess Determinations

With most normal overhaul work, close-out of a job order generates action to excess/dispose of unused parts. Standard parts are returned to wholesale inventory with or without credit pending standard need-to-buy retention criteria. Excessing takes a different route with most reimbursable projects—prototype, manufacture, fabrication, and high cost jobs. All parts are customer owned, hence consultation with customers takes place, decisions are based on other existing or anticipated job orders calling for same parts. Standard demand-oriented excessing procedures—used by DLA—would result in bad decisions, waste, and unnecessary costs. In short this is a function which is inextricably tied to the requirements of the maintenance depot, not the DLA supply system.

16. Requisitioners

Requisitioners are assigned work on a commodity basis. Because purchase actions frequently involve engineer specification review, engineer/requisitioner interaction is critical, as is interaction with suppliers to view samples for form and fit concerns. Requisitioners have developed sufficient technical expertise to assist with best buy results for success on the production line. This is particularly true for prototype and new design fabrication orders. This is

yet another function tied to the requirements of the maintenance depot, not to DLA's core competencies.

17. Labor Cost Controls

Jobs related to DLA are normally charged as direct overhead. Prototype and new design assemblies may call out specific engineer/supply tasks within the negotiated statement of work (SOW). Program Executive Officers, Program Managers, and commodity managers seek explicit initial cost data for follow on production planning. Such SOWs encourage and require direct charge of supply related work hours. Coordinating budget, bid, negotiation and costing with another command would be cumbersome, impractical, and time consuming for any maintenance depot. On the other hand, omitting supply costs will change final cost calculations called out in the SOW. This further demonstrates that the recommendation attempts to artificially segment what is really a single functional entity, namely depot maintenance.

18. Communications Security (COMSEC)

Tobyhanna Army Depot has a unique COMSEC maintenance mission involving highly classified cryptographic equipment. As a result of those requirements, the COMSEC equipment and materiel are received, stored and maintained at a single, specially designed facility separate from the rest of the maintenance mission. Any attempts to segment this singular function by injecting DLA in the receipt, storage, and issue portions of the operation would create needless redundancies, break the currently clear chain of custody/accountability, and would interfere with the National Security Agency (NSA) requirement to track COMSEC equipment by serial number-a capability/system for which Tobyhanna Army Depot has the interface. DLA does not receive or issue materiel by serial number nor do they report those issues and receipts to the National Security Agency (NSA), which is vital to these commodities. In fact, DLA does not comply with any of the COMSEC requirements. This is an example of how unique requirements were ignored by the JCSG in arriving at its conclusions.

This summary of our concerns substantiates that the S&S recommendations must be thoroughly reviewed by the BRAC Commission and its staff. More information and data can be forwarded as needed. We appreciate the opportunity to challenge the soundness of these proposals and recommendations. The rationale for these recommendations is sorely lacking. The adverse impact on the Warfighter is clear. Substantial deviation from the criteria is evident