

**S&S “Principals” Meeting
26 Jan 05 (1300)**

Principal Attendees: VADM Lippert (S&S Chair; DLA), Mr. Neal (S&S JCSG Alternate, Army), Mr. Berkson (USD AT&L), Mr. Estevez (USD AT&L), Lt Gen McNabb (S&S Principal, Joint Staff), Mr. Aimone (S&S Alternate Air Force), RDML Thompson (S&S Principal, Navy), B Gen Usher (S&S Principal, Marines), CAPT Wright (S&S Alternate, Navy).

Other Attendees: Col Neeley (S&S Exec Sec), CDR Goodwin (S&S XO), CAPT Coderre (S&S JCSG Navy lead), Col King (S&S JCSG Air Force Lead), COL Coe (S&S JCSG Army Lead), Col Faulkner (S&S JCSG Joint Staff Lead), Mr. Meconnahey (S&S JCSG COBRA Team Lead), LtCol Truba (S&S JCSG Marine Lead), Mr. Galloway (DoD IG), Mr. Meyer (OSD), Mr. Desiderio (OSD) Capt Rivera (S&S JCSG Marine Team), LCDR Stark (S&S JCSG Data team), Mr. Sears (S&S JCSG COBRA team), CAPT Myhre (Navy BRAC team), CDR Larcher (S&S JCSG Navy Team), Mr. Williams (S&S JCSG Army Team), Mr. Sears (S&S JCSG DLA Team), CDR Martin (S&S JCSG Navy Team), Major Champagne (S&S JCSG Data Team), CAPT Bianchi (USD AT&L), Mr. O'Rourke (DLA BRAC Team), Mr. Marshall (S&S JCSG DLA Team), Mr. Okabayashi (S&S JCSG Army Team), Ms. Lacy (S&S JCSG Army Team), Major Condon (Air Force BRAC team), Dr. Kelly (S&S JCSG Data team), Mr. Kramer (S&S JCSG Air Force Team), Mr. Deming (S&S JCSG Army team)

Minutes:

- The 32nd S&S JCSG Principals meeting commenced at 1305.
- VADM Lippert outlined for the principals his sense of the content and schedule for the upcoming briefs to the ISG and IEC.
- Mr. Neal briefed the status of the conflicts on the Sierra scenario. Mr. Neal reported that COL Coe had visited Sierra and discussed relevant issues with the Depot Commander and personnel. Mr. Neal stated that the Army was revalidating the data for Sierra, and assessing if any mission requirements required continued study. Mr. Neal noted that the Army SRG reviewed an Industrial JCSG proposal on Sierra that had a closure recommendation.
- VADM Lippert asked about the conflict between the Red River and Oklahoma City options. Mr. Williams noted that data was in hand, de-conflict options were pending with the Army, but that the eventual de-conflict would likely be done at the OSD level. VADM Lippert asked if the brief to the ISG or IEC would raise issues with Army or others since the Industrial JCSG had indicated a closure status. Mr. Neal stated that the Army has deleted the scenario for closure of Red River.

- Mr. Aimone briefed the status of a pending scenario data call being crafted between the S&S and the Industrial JCSGs that supported information collection on the seam between the retail and wholesale activities (Chart 10). Mr. Aimone briefed that while some data had been collected about the seam, data for indirect labor costs was not collected. VADM Lippert noted that addressing the seam issue extended to inventory savings as well as personnel savings. Mr. Aimone suggested that both the Industrial and S&S JCSGs looked at the relevant data, but he felt that the process was likely not described adequately in the data collection process. Mr. Neal discussed the possibility that excessive savings may have been estimated since two groups were looking at the seam and both were estimating savings resulting from transformational and BRAC opportunities. Mr. Aimone stated that data calls were pending, and that he expected that data would be received in mid February. Mr. Aimone stated he felt that the S&S and Industrial JCSGs could craft their briefs with good assumptions that would get at the proper level of savings, and identify the seam issue effectively.
- VADM Lippert stated that he was concerned that initiatives to date in this area were not aggressive enough and specifically reminded him of the National Inventory Material Management Initiative (NIMMs) effort which had not been aggressive enough.
- VADM Lippert asked again what the status of the data calls and analysis was between the S&S and Industrial JCSGs and why the FISCs were not being considered. VADM Lippert asked RADM Thompson if the Navy was comfortable with the FISCs being included in the analysis. RADM Thompson responded that he felt there was no choice but to include the FISCs. VADM Lippert directed that the issue be pursued and that the S&S JCSG attempt to finalize results and conclusions in February.
- Mr. Williams discussed his area of responsibility and the four scenarios planned for VADM Lippert to brief at the next ISG. VADM Lippert asked if the group had any questions about how Military Value was used. RADM Thompson stated that as long as Military Judgment was defensible as a basis for the decisions, then he was comfortable with the assessment. Mr. Berkson asked why the team had concluded on four sites. Mr. Williams noted that the team had looked at options for two, three, four and five sites. MilCon expenses in the five site scenario were excessive, and the four site option appeared to protect customer wait times. Mr. Williams noted that candidate Recommendation # S&S-0004 still required de-conflict with the Industrial JCSG. Mr. Williams added that a Navy scenario to close Barstow may also impact the final scenario.
- VADM Lippert asked about Hill AFB and what the status of shaping inventory at Hill was to support the Air Force's concern. Mr. O'Rourke stated that DLA was looking at the data and was expected to be complete with the analysis in a day or so. Mr. Williams noted that COBRA data would be re-run due to any concerns from

the Air Force plus other issues with problem data but he felt that any changes would be marginal after all these impacts were assessed.

- VADM Lippert asked if he could brief the privatization scenarios to the ISG on Friday. Col Neeley and Mr. Williams stated they felt he could brief as the scenarios were largely complete and only missing the SSEIs. In each case, the payback could improve since the services would be able to eliminate one round of stock buys for the privatized commodities and these savings were not in the previous payback calculations.
- Mr. Neal stated that he had heard a concern with reference to the Compressed Gas privatization scenario that some feared a loss of Richmond as a national treasure due to its capacity to handle ozone depleting substances. Mr. Williams noted that the Privatization options for Compressed Gases did not consider ozone depletion substances.
- Mr. Berkson asked how these three commodities were selected. VADM Lippert noted that these three likely represented three of the last major commodities left to go to a PBL, but that DLA for example continued to walk the aisles to identify those items that were eligible for similar initiatives. Mr. Berkson suggested that items managed across the various services were the hardest to migrate to a common PBL and felt that there was likely more out there. VADM Lippert noted that he felt the dialogue on these issues had been robust but that items could remain outside PBL opportunities despite an ever present effort to identify and consolidate procurement options.
- Col King briefed his candidate recommendations and consolidating ICP activities to one site. VADM Lippert noted that the job loss estimates due to realignment or BRAC reductions would be viewed with great concern in some of the ICP host communities.
- VADM Lippert stated that one of the features in the ICP consolidation scenarios was that large numbers of personnel were expected to move and that assumption may not bear out. VADM Lippert added he was concerned that having everything in one location may have significant unintended impacts. VADM Lippert offered that placing everything in one location made the site vulnerable if anything went wrong. VADM Lippert reminded the group that it should think of logistical issues such as the utility of nearby airports at various sites such as Columbus.
- On Candidate recommendation # S&S-0026, VADM Lippert asked the Air Force to explain if by going to a virtual ICP in the Air Force vice a single site, if a central command structure would be established (Comptroller, IT, etc.). Mr. Aimone concurred that consolidation of G&A was part of the plan. Mr. Berkson asked in addition to making a virtual ICP, how many people were expected to move. Col King stated that the scenario envisioned that approximately 500 personnel would move. Mr. Berkson asked how many personnel remained at the

ICP elements that would be eliminated. The group estimated the number of personnel involved in Air Force ICP activity for all sites at approximately 2,500. Mr. Aimone discussed that savings would logically follow consolidation and some personnel at the ICP were engaged in material management support to the depots that were the subject of the upcoming analysis in the “seam” data call.

- RADM Thompson was asked by VADM Lippert if the Navy scenario to consolidate at Mechanicsburg was acceptable. RADM Thompson noted that the service would support an opportunity to close a base but questioned if the low payback amount in 12 years would be assailed by interested communities. VADM Lippert asked how the MilVal assessment was logical if Philadelphia had a higher MilVal rating. Col King noted that Mil Val ratings were very close between Mechanicsburg and Philadelphia. VADM Lippert asked if MilCon concerns and space restrictions for items such as parking would make Philadelphia difficult to consolidate to. RADM Thompson noted that if DSCP closed then space would be available, but no savings for a base closure would accrue to the service, and the savings would come from executing both scenarios to move DSCP and NAVICP off of Philadelphia and close the base.
- Mr. Neal stated that for the Army scenarios, consolidating all ICP work to one location would be a challenge since the Army ICPs were not yet interchangeable to include the ERP systems and business processes. VADM Lippert expressed concerns that the ICP consolidation scenarios envisioned movements and/or realignments of people but that prior experience showed that people did not move. RADM Thompson stated that the Navy’s experience in previous BRAC rounds was that an average of 15% of the targeted work force was willing to move. VADM Lippert stated that it would likely be difficult to realign personnel from Philadelphia to Mechanicsburg despite a distance of 120 miles. VADM Lippert noted that any closure announcement would greatly impact morale in the middle of a war when 16 Billion dollars of business was being done at Philadelphia, and several Billion at Columbus, as examples and this was a potential issue that the Department needed to consider. The group continued to discuss trends in the workforce and preferences of employees for retirement, or willingness to move.
- VADM Lippert asked the group to assess if all savings were identified in the candidate recommendations to privatize tires, packaged POLs and compressed gases (Charts 15-20), to include consolidation of material and corporate contracting.
- Mr. Neal asked how moving DLR management to DLA equated to ICP consolidation. Col King stated that DLRs represented a slice of the functions performed by the ICPs so the two were not synonymous, but that impacts would be felt throughout the ICPs as a result of moving DLR management.
- VADM Lippert asked if the group felt that the ICP options would break readiness; this as a result of extensive personnel moves and the inability to reconstitute the

workforce at the new locations. RADM Thompson suggested that the savings likely outweighed the risks. Mr. Aimone suggested that there could be concerns that the effort did not go deep enough. Mr. Neal concurred with the Navy and stated there was no reason to not go forward.

- VADM Lippert asked how Military Value was addressed. MilVal needed to be explainable. Lt Gen McNabb asked if there was a way that MilVal between the Single Site ICP and Market basket options could be compared. VADM Lippert noted that if Military Judgment was being employed, that is different but the MilVal story still was not clearly defined among the options.
- Mr. Desiderio stated that Military Judgment was always considered as a part of Military Value but OSD was struggling with providing guidance and definitions across all of the groups for how to employ military judgment.
- VADM Lippert was concerned that MilVal needed additional clarification and directed the group to assess the MilVal factors and be ready next meeting to brief how Milval was being considered in the ICP scenarios.
- Col King then briefed the DLRs to DLA option as currently depicted in candidate recommendation # S&S-0035. He noted that the S&S JCSG had sought the assistance and advice of senior service expert military logisticians and the discussions were documented by a professional stenographer. VADM Lippert noted that he like the experts had key concerns about people, technical capability and the fact that with the nation at war, extensive changes and turbulence could break readiness. Col King noted that one of the problems was that each service considered technical and engineering issues differently. Col King suggested that in view of the complexities and potential confusion between each service and their respective understanding of ICP functions, perhaps the scenario data call supporting the DLR move be modified to give the components flexibility in answering based on each services unique interpretation. Col King added that the S&S JCSG understood that the ISG desired more aggressiveness in consolidating and transforming the Departments Supply and Storage functions. To look further at potential relocation, consolidation and transformation options, Col King's team ran an excursion of the optimization analysis to include all locations. Charts 35 and 36 were briefed and Col King discussed analysis using three optimization options and results allowing closure of as many as nine sites. Col King noted that this was a very monumental, generational leap and likely needed more analysis. Lt Gen McNabb suggested that the final site decisions were not really his major concern, but protecting the technical capabilities of the ICP and the direct support to the warfighter. Mr. Berkson suggested that the technical core of the ICP may be in the range of 20% of the ICP staff.
- VADM Lippert asked if the Principals wanted to pursue the optimization analysis further. Mr. Aimone noted that the Air Force was not interested. RADM Thompson stated that despite significant reservations, the Navy would

recommend pursuing the analysis. Mr. Neal stated the Army did not want to pursue the analysis. Lt Gen McNabb suggested that it may be necessary to obtain for ultimate decisions. VADM Lippert suggested that there could be value added but he had mixed feelings about proceeding due to the late date. Mr. Aimone noted that the data call should be very specific and that the leaders of the various organizations should, be the respondents. VADM Lippert directed that the analysis proceed and be expedited so that results could be briefed in Mid-February or sooner if possible.

- Mr. Meconnahey briefed his charts that lent support for consolidation of procurement, material and inventory management based on previous experiences in savings for material management initiatives at DLA.
- Mr. Berkson noted that savings from consolidation would swamp any people and space reductions. Likewise, if the technical links were broken, the cost to restore readiness would swamp any savings. VADM Lippert directed that the team pursue the analysis with a revised data call for candidate recommendation # S&S-0035. Lt Gen McNabb asked if the team would come back with a complete assessment savings across all procurement sites. Col Neeley stated the intent of the analysis was to gather and evaluate the type of savings data briefed by Mr. Meconnahey. Mr. Meconnahey reminded that his estimates were rough order of magnitude but designed to raise expectations about what results might be had in his recommended analysis.
- Col Neeley restated that the decision arrived at by the Principals was to approve a single ICP for each service but a virtual ICP for Air Force, and then compare these to candidate recommendation # S&S-0042 ICP mix, and candidate recommendation # S&S-0035, DLRs to DLA. This resulted in canceling candidate recommendations S&S-0027, 0006, 0031, 0040, 0028, 0036, 0038. Candidate recommendation 0046 remained active until team 1 results were finalized.
- Col Neeley briefed the way ahead and schedule. The meeting concluded at 1500.

Approved: *[Signature]*

ACTIVITY: S&S JCSG
 CONTROL NUMBER: 5033-0116
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 DATE RECEIVED 2 Feb 05
 TIME RECEIVED 1500
 Page 25 of 71

[Signature]

KEITH W. LIPPERT
 Vice Admiral, SC, USN
 Director,
 Defense Logistics Agency
 Chairman, Supply and Storage,
 Joint Cross Service Group

Attachments:

1. Briefing Slides



DCSI 11443

Supply and Storage Joint Cross-Service Group (S&S JCSG)

Principals' Meeting

January 26, 2005

Chair: VADM Keith Lippert



DCS 11443

Agenda

- Chairman's Remarks VADM Lippert
- Status Report Col Neeley
- New Developments Col Neeley
- JCSG Task Review Mr. Aimone
- Candidate Recommendations Mr. Bob Williams
- Decision Brief Col King
- New Development Data Mr. Meonnahey
- Way Ahead Col Neeley



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Status Report and New Developments

Col Neeley



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S&S JCSG Scenarios

- S&S-0004 Regionalization of Strategic Distribution (4 Regions)
- S&S-0005 Consolidate DLA ICPs in a Single Location

- S&S-0006 Consolidate USAF ICPs in a Single Location
- S&S-0010 Consolidate NAVICP in a Single Location (Mechanicsburg)
- S&S-0026 Consolidate USAF ICP C2 Operations

- S&S-0027 Consolidate USA ICPs in a Single Location (Ft. Monmouth)
- S&S-0028 Transfer Service Common DLRs to DLA
- S&S-0029 Consolidate USA ICPs in a Single Location (Redstone Arsenal)

- S&S-0030 Realign Storage & Distribution Functions at Sierra Army Depot
- S&S-0031 Consolidate USAF NICPs in a Single Location (Hill AFB)
- S&S-0035 Transfer Service ICPs to DLA and Consolidate (include DLRs)

- S&S-0036 Establish a Single USA ICP at Ft. Monmouth
- S&S-0038 Establish a Single USA ICP at Redstone Arsenal
- S&S-0040 Consolidate USAF ICPs in a Single Location (Warner-Robins AFB)

- S&S-0041 Consolidate NAVICP at NSA Philadelphia
- S&S-0042 Consolidate Service and DLA ICPs to Minimize Excess Capacity
- S&S-0043 Privatize Supply, Storage, and Distribution of Tires

- S&S-0044 Privatize Supply, Storage, and Distribution of Packaged POL Products
- S&S-0045 Privatize Supply, Storage, and Distribution of Compressed Gases
- S&S-0046 Regionalization of Strategic Distribution (4 Regions) / Oklahoma City



DCSR 11443

Status Report

- S&S-0004 Complete; Chair brief ISG and attend IEC Friday, 28 Jan 05
- Privatization scenarios (3) complete; awaiting SSEIs
- ICP Scenarios (14) complete
 - Awaiting SSEIs on six
 - Today's decision brief
- ECD for current set of 10 scenarios: 4 Feb 05



DC: 11443

New Developments (1)

- S&S and IJCSG coordinated tasking: supply “seams”, i.e., industrial maintenance retail supply activity
 - Current scope: industrial maintenance depot supply activity; process, people, space
 - Who owns this activity? Who captured what data?
 - S&S and IJCSG meeting 19 Jan 05: IJCSG Lead
 - ❑ S&S developed proposed Scenario Description for IJCSG
 - ❑ S&S provided IJCSG additional SDC questions
 - ❑ S&S generating “enabling” IJCSG scenario that realigns collocated DD operations in order to subsume depot maintenance supply operations
 - Challenges
 - ❑ Define and resolve scope
 - ❑ Time to collect and analyze data
 - Mr. Aimone



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New Developments (2)

- Transfer the management of all Depot Level Repairables (DLRs) to DLA
 - Reactivated S&S-0035 13 Jan 05
 - Scenario Data Call sent out 14 Jan 05
- Challenges
 - Define and resolve scope
 - Time to collect and analyze data
 - If approved as Candidate Recommendation, impact on other S&S ICP scenario candidate recommendations
- Col King



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Scenario ECD for ISG Submission

- S&S-0004 Four regional SDPs 21 Jan 05
- S&S-0030 Sierra Army Depot 21 Jan 05
- S&S-0043-0045 Privatization 28 Jan 05
- S&S-0046 OKC v. Red River 28 Jan 05
- S&S-0028 Common DLRs 28 Jan 05
- All others (14 ICP Scenarios) 4 Feb 05
 - Single Service
 - Virtual ICP
 - DOD (Market Basket)



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JCSG Task Review

Mr. Aimone



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Joint S&S and Industrial Scenario

- Integrating Materiel Management between the FOL and the Mx Floor
- While there is a seam between the JCSGs, materiel managers on the Mx Depot floor and DD were generally covered (Navy FISCs not considered)
- Quad Chart & associated SDC prepared to examine overall Depot materiel management activity
- At best, analysis would be complete end of Feb
- Could add general words to both group's reports stating that best business practices will be used to define the materiel management activity at the depots.



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Candidate Recommendations

Mr. Williams



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S&S JCSG: 4 Candidate Recommendations

S&S-0004: Regionalize Strategic Distribution (4 Regions)

- Eliminates 971 personnel positions (15% DDC CONUS total)
- Eliminates 25.6M sq ft storage capacity (50% DDC CONUS total)

S&S-0043: Privatize Wholesale Supply, Storage and Distribution of Tires

- Eliminates 61 personnel positions (.9% DDC CONUS total)
- Eliminates 1.6M sq ft storage capacity (3% DDC CONUS total)

S&S-0044: Privatize Wholesale Supply, Storage and Distribution of Packaged POL

- Eliminates 57 personnel positions (.8% DDC CONUS total)
- Eliminates .9M sq ft storage capacity (1.8% DDC CONUS total)

S&S-0045: Privatize Wholesale Supply, Storage and Distribution of Compressed Gases

- Eliminates 13 personnel positions (.2% DDC CONUS total)
- Eliminates 325K sq ft storage capacity (.6% DDC CONUS total)



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Candidate #S&S-0004

Candidate Recommendation (Summary): Reconfigure wholesale storage and distribution around 4 regional Strategic Distribution Platforms (SDPs): Susquehanna,, Warner Robins, Red River and San Joaquin. Disestablish DD Columbus. Realign the following DDs as Forward Distribution Points (FDPs): Tobyhanna, Norfolk, Richmond, Cherry Point, Albany, Jacksonville, Anniston, Corpus Christi, Oklahoma City, Hill, Puget Sound, San Diego and Barstow.

Justification

- ✓ Provides for regional support to customers worldwide
- ✓ Enhances strategic flexibility via multiple platforms to respond to routine requirements and worldwide contingencies
- ✓ Improves surge options and capabilities
- ✓ Returns significant storage infrastructure to host organizations
- ✓ Provides for significant personnel reductions

Military Value

- ✓ **Relative Military Value Against Peers:**
 - Region 1. SDP-Susquehanna: Ranked 1 out of 5
 - Region 2. SDP Warner Robins: Ranked 4 out of 5
 - Region 3. SDP Red River: Ranked 2 out of 3
 - Region 4. SDP San Joaquin: Ranked 2 out of 5
- ✓ **Military Judgment:** Applied in selecting SDPs for regions 2, 3 and 4 to minimize MILCON (capacity) and optimize support to customer organizations (geographical location).

Payback

- ✓ One-time Cost: \$223.4M
- ✓ Net Implementation Savings: \$202.9M
- ✓ Annual Savings: \$137.4M
- ✓ Payback Period: 2 Years
- ✓ NPV (Savings): \$1.5B

Impacts

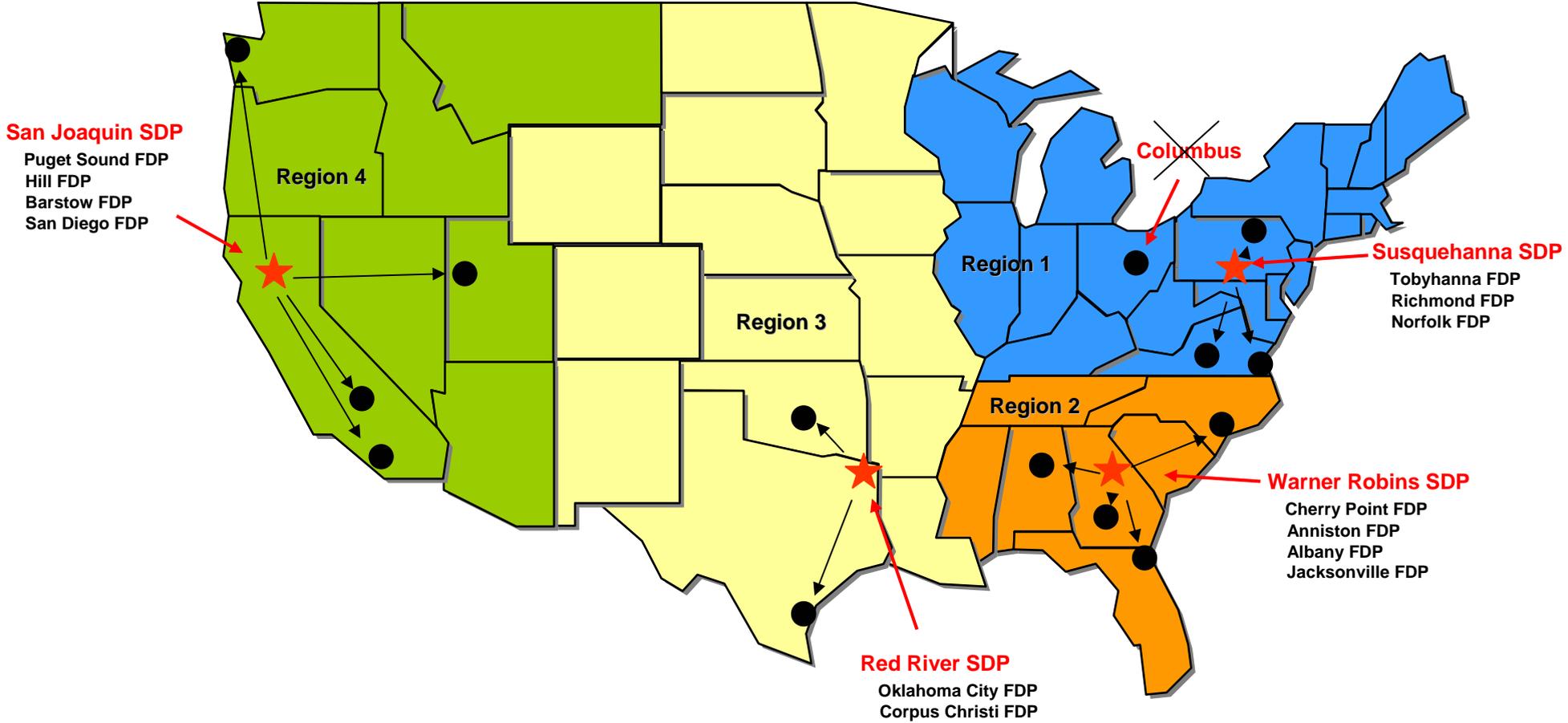
- ✓ **Criterion 6:** From -12 to -991 jobs; <0.1% to 0.22%
- ✓ **Criterion 7:** No impediments
- ✓ **Criterion 8:** Archeological issues; no impediments

- ✓ Strategy
- ✓ Capacity Analysis / Data Verification
- ✓ JCSG/MilDep Recommended
- ❑ De-conflicted w/JCSGs
- ✓ COBRA
- ✓ Military Value Analysis / Data Verification
- ✓ Criteria 6-8 Analysis
- ✓ De-conflicted w/MilDeps



DCST 11443

Candidate #S&S-0004





DCM 11443

Candidate #S&S-0043

Candidate Recommendation: Privatize wholesale supply, storage and distribution for all tires used by DoD. Disestablish tire supply functions performed by ICPs at Detroit Arsenal and Hill AFB. Disestablish tire storage and distribution functions performed at the following DDs: Columbus, Tobyhanna, Susquehanna, Richmond, Norfolk, Cherry Point, Albany, Warner Robins, Anniston, Jacksonville, Red River, Oklahoma City, Corpus Christi, Puget Sound, Hill, San Diego, Barstow, San Joaquin, and Pearl Harbor.

Justification

- ✓ Supports transformation by privatizing wholesale storage and distribution processes
- ✓ Allows use of latest technologies, expertise and business practices to improve support to customers
- ✓ Reduces excess storage capacity by 1.6M sq ft

Military Value

- ✓ **Relative Military Value Against Peers:** N/A
- ✓ **Military Judgment:** N/A

Involved activities were selected based solely on whether they performed supply, storage or distribution functions for tires

Payback

- ✓ One-Time Cost: \$3.5M
- ✓ Net Implementation Savings: \$35.9M
- ✓ Annual Savings: \$8.3M
- ✓ Payback Period: Immediate
- ✓ NPV (Savings): \$110.9M

Impacts

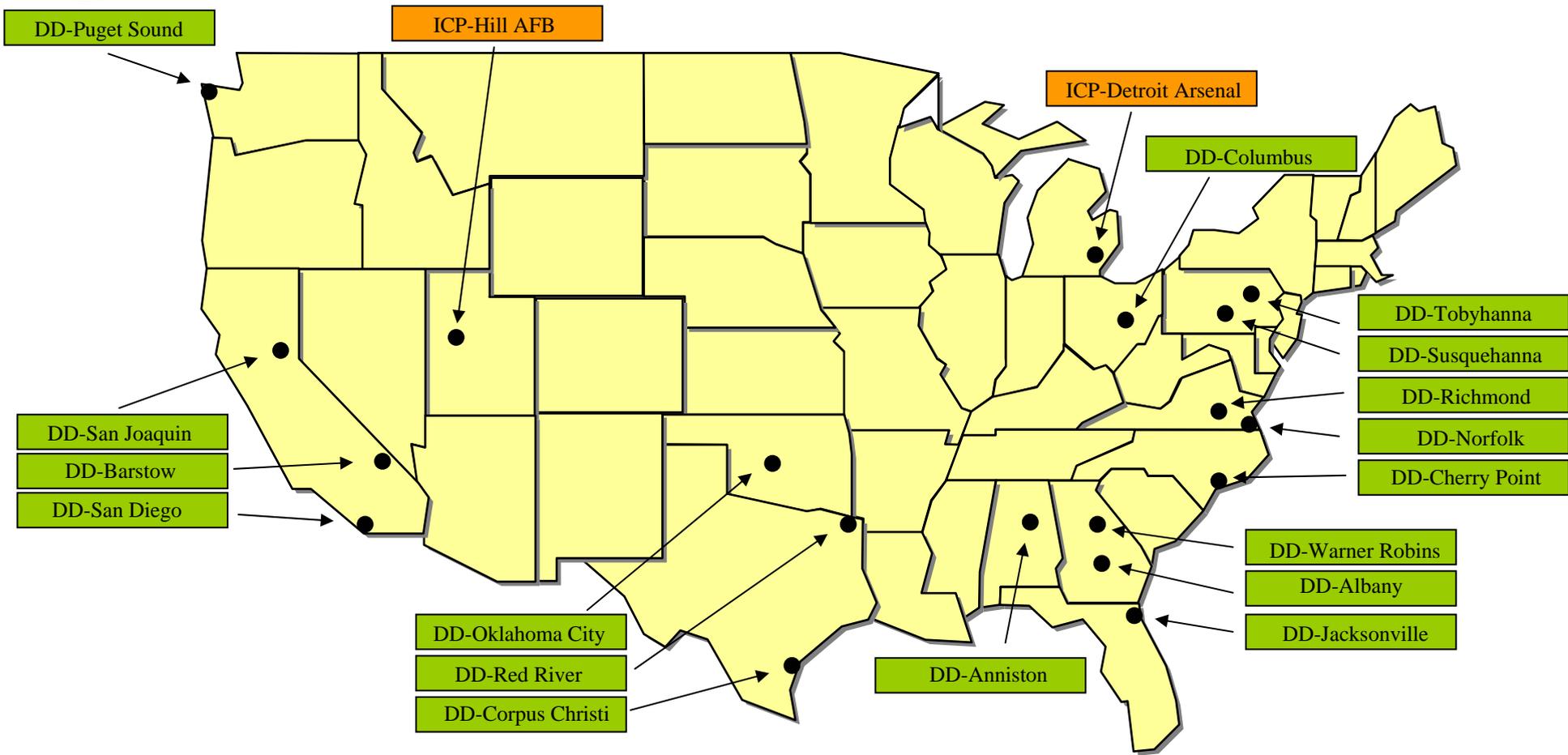
- ✓ **Criterion 6:** From -2 to -75 jobs; <0.1% to 0.11%
- ✓ **Criterion 7:** No impediments
- ✓ **Criterion 8:** No impediments expected; awaiting SSEI

- ✓ **Strategy**
- ✓ **Capacity Analysis / Data Verification**
- ✓ **JCSG/MilDep Recommended**
- ✓ **De-conflicted w/JCSGs**
- ✓ **COBRA**
- ✓ **Military Value Analysis / Data Verification**
- ❑ **Criteria 6-8 Analysis**
- ✓ **De-conflicted w/MilDeps**



DCR 11443

Candidate #S&S-0043





DD Form 11443

Candidate #S&S-0044

Candidate Recommendation: Privatize wholesale supply, storage and distribution for all packaged POL used by DoD. Disestablish packaged POL supply functions performed by ICPs at Defense Supply Center Richmond and NSA Mechanicsburg. Disestablish packaged POL storage and distribution functions performed at the following DDs: Columbus, Tobyhanna, Susquehanna, Richmond, Norfolk, Cherry Point, Albany, Warner Robins, Anniston, Jacksonville, Red River, Oklahoma City, Corpus Christi, Puget Sound, Hill, San Diego, Barstow, San Joaquin, and Pearl Harbor.

Justification

- ✓ Supports transformation by privatizing wholesale storage and distribution processes
- ✓ Allows use of latest technologies, expertise and business practices to improve support to customers
- ✓ Reduces excess storage capacity by .9M sq ft

Military Value

- ✓ **Relative Military Value Against Peers:** N/A
 - ✓ **Military Judgment:** N/A
- Involved activities were selected based solely on whether they performed supply, storage or distribution functions for packaged POL

Payback

- ✓ One-Time Cost: \$2.8M
- ✓ Net Implementation Savings: \$29.1M
- ✓ Annual Savings: \$6.4M
- ✓ Payback Period: Immediate
- ✓ NPV (Savings): \$86.8M

Impacts

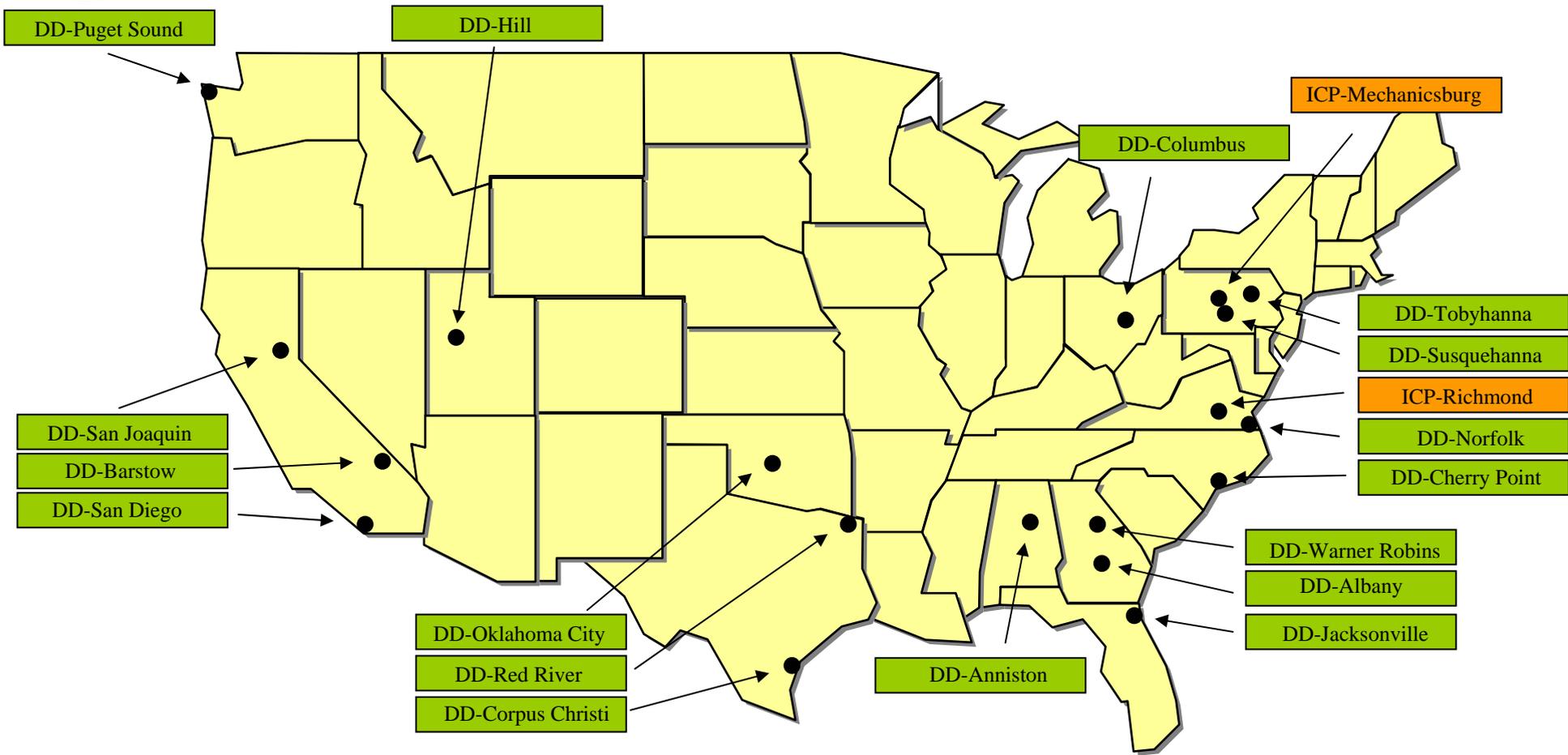
- ✓ **Criterion 6:** From -2 to -46 jobs; <0.1% all areas
- ✓ **Criterion 7:** No impediments
- ✓ **Criterion 8:** No impediments expected; awaiting SSEI

- ✓ **Strategy**
- ✓ **Capacity Analysis / Data Verification**
- ✓ **JCSG/MilDep Recommended**
- ✓ **De-conflicted w/JCSGs**
- ✓ **COBRA**
- ✓ **Military Value Analysis / Data Verification**
- ☐ **Criteria 6-8 Analysis**
- ✓ **De-conflicted w/MilDeps**



DD Form 11443

Candidate #S&S-0044





DCS 11443

Candidate #S&S-0045

Candidate Recommendation: Privatize wholesale supply, storage and distribution for all compressed gases used by DoD. Disestablish compressed gas supply functions performed by the ICP at Defense Supply Center Richmond. Disestablish compressed gas storage and distribution functions performed at the following DDs: Columbus, Tobyhanna, Susquehanna, Richmond, Norfolk, Cherry Point, Albany, Warner Robins, Anniston, Jacksonville, Red River, Oklahoma City, Corpus Christi, Puget Sound, Hill, San Diego, Barstow, San Joaquin, and Pearl Harbor.

Justification

- ✓ Supports transformation by privatizing wholesale storage and distribution processes
- ✓ Allows use of latest technologies, expertise and business practices to improve support to customers
- ✓ Reduces excess storage capacity by 325K sq ft

Military Value

- ✓ **Relative Military Value Against Peers:** N/A
 - ✓ **Military Judgment:** N/A
- Involved activities were selected based solely on whether they performed supply, storage or distribution functions for compressed gases

Payback

- ✓ One-Time Cost: \$1.1M
- ✓ Net Implementation Savings: \$8.2M
- ✓ Annual Savings: \$2.0M
- ✓ Payback Period: Immediate
- ✓ NPV (Savings): \$26.6M

Impacts

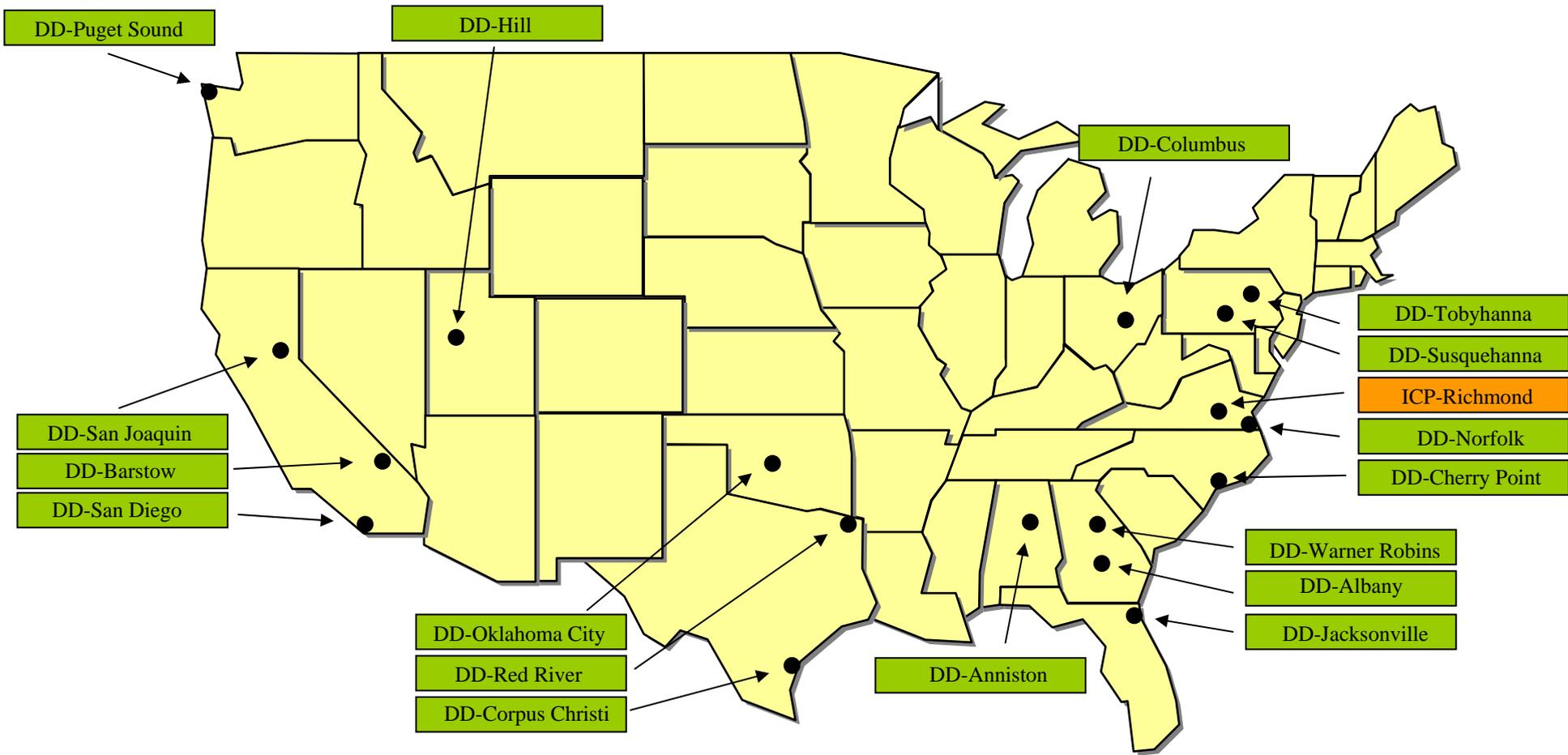
- ✓ **Criterion 6:** From -2 to -10 jobs; <0.1% all areas
- ✓ **Criterion 7:** No impediments
- ✓ **Criterion 8:** No impediments expected; awaiting SSEI

- ✓ **Strategy**
- ✓ **Capacity Analysis / Data Verification**
- ✓ **JCSG/MilDep Recommended**
- ✓ **De-conflicted w/JCSGs**
- ✓ **COBRA**
- ✓ **Military Value Analysis / Data Verification**
- ☐ **Criteria 6-8 Analysis**
- ✓ **De-conflicted w/MilDeps**



DCR 11443

Candidate #S&S-0045





DCM 11443



Decision Brief

Col King



DCM 11443



New Development Data

Mr. Meonnahey



DCM 11443

DLA Reparable Management & Procurement

Assumes DLA management (Select functions) with procurement of all reparable items

■ Potential Savings & Cost Avoidances:

- Infrastructure Savings: Positions: TBD Facilities Shutdown: TBD
- Cost Avoidance: Single ERP v Multiple ERP development: TBD
- Procurement Avoidance through consolidated procurements for the same vendor across components: 1-Time Reduction of inventory levels
 - Average Range: 20% to 33% Reduction

F404 engine contract w/ GE 66% reduction in DLA inventory

ROM: Yrly Procurements
USN \$1,000M
<u>DLA 10,000M</u>
\$11,000M

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
Phase-in:	-20%	-20%	-20%	-20%	-20%
	-\$2,200M	-\$2,200M	-\$2,200M	-\$2,200M	-\$2,200M

- Recurring Savings: Reduced inventory storage and carrying costs from reduced inventory levels 15% of Material Acquisition Value of New Procurements

ROM: Yrly Procurements
USN \$1,000M
<u>DLA 10,000M</u>
\$11,000M

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>Beyond</u>
Phase-in:	-3%	-6%	-9%	-12%	-15%	-15%
	-\$330M	-\$660M	-\$990M	-\$1,320M	-\$1,650M	-\$1,650M



DCM 11443

DLA Reparable Procurement Only

Assumes DLA procurement only of all reparable and consumable items

■ Potential Savings & Cost Avoidances:

- Infrastructure Savings: Positions: TBD Facilities Shutdown: TBD

Less than DLA Reparable Management & Procurement Option

- Cost Avoidance: Single ERP v Multiple ERP development: **Not Applicable**

- Procurement Avoidance through consolidated procurements for the same vendor across components: 1-Time Reduction of inventory levels

F404 engine contract w/ GE 66% reduction in DLA inventory.

ROM: Yrly Procurements

USN \$1,000M
 DLA 10,000M
 \$11,000M

Range: 20% to 33% Reduction

Phase-in:

FY07	FY08	FY09	FY10	FY11
-20%	-20%	-20%	-20%	-20%

Less than DLA Reparable Management & Procurement Option

- Recurring Savings: Reduced inventory storage and carrying costs from reduced inventory levels 15% of Material Acquisition Value of New Procurements

ROM: Yrly Procurements

USN \$1,000M
 DLA 10,000M
 \$11,000M

Phase-in:

FY07	FY08	FY09	FY10	FY11	Beyond
-3%	-6%	-9%	-12%	-15%	-15%

Less than DLA Reparable Management & Procurement Option



DCM 11443

DLA Common Repairables

Assumes DLA management and procurement of common reparable and consumable items Potential Savings & Cost Avoidances:

- Infrastructure Savings: Positions: TBD Facilities Shutdown: TBD

Less than DLA Repairable Management & Procurement Option

- Cost Avoidance: Single ERP v Multiple ERP development: **Not Applicable**

- Procurement Avoidance through consolidated procurements for the same vendor across components: 1-Time Reduction of inventory levels

- Average Range: 20% to 33% Reduction

F404 engine contract w/ GE 66% reduction in DLA inventory

Common DLR < 10%
All DLR

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
Phase-in:	-20%	-20%	-20%	-20%	-20%

Less than DLA Repairable Management & Procurement Option

- Recurring Savings: Reduced inventory storage and carrying costs from reduced inventory levels 15% of Material Acquisition Value of New Procurements

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>Beyond</u>
Phase-in:	-3%	-6%	-9%	-12%	-15%	-15%

Less than DLA Repairable Management & Procurement Option

COBRA Costs exceed benefit



DCM 11443



Way Ahead

Col Neeley



DCS 11443

Way Ahead

- 28 Jan** – *ISG Meeting (1030), VADM Lippert attends, Pentagon (3D1019)*
- 28 Jan** – *IEC Begins Review of Candidate Recommendations*
- 4 Feb** – *ISG Meeting (1030), RADM Thompson attends, Pentagon (3D1019)*
- 11 Feb** – *ISG Meeting (1030), Lt Gen McNabb attends, Pentagon (3D1019)*
- 14 Feb** – *JCSG Principals' Meeting (1500 – 1700), J4 Conference Room / 2C836*
- 22 Feb** – *JCSG Principals' Meeting (0930 – 1130), J4 Conference Room / 2C836*
- 25 Feb** – *ISG Meeting (1030), Lt Gen Wetekam attends, Pentagon (3D1019)*
- 4 Mar** – *ISG Meeting (1030), VADM Lippert attends, Pentagon (3D1019)*
- 11 Mar** – *ISG Meeting (1030), VADM Lippert attends, Pentagon (3D1019)*
- 14 Mar** – *JCSG Principals' Meeting (1500 – 1700), J4 Conference Room / 2C836*
- 18 Mar** – *ISG Meeting (1030), VADM Lippert attends, Pentagon (3D1019)*



DCM 11443

Way Ahead

25 Mar – *ISG Meeting (1530), VADM Lippert attends, Pentagon (3D1019)*

25 Mar – 25 Apr – *Report writing*

1 Apr – *ISG Meeting (1030), VADM Lippert attends, Pentagon (3D1019)*

8 Apr – *ISG completes review of candidate recommendations*

11 Apr - *JCSG Principals' Meeting (1500 – 1700), J4 Conference Room / 2C836*

15 Apr – *ISG Meeting (1530), VADM Lippert attends, Pentagon (3D1019)*

25 Apr – 6 May – *Report coordination*

9 May - *JCSG Principals' Meeting (1500 – 1700), J4 Conference Room / 2C836*

13 May – *ISG Meeting (1530), VADM Lippert attends, Pentagon (3D1019)*

16 May – *Secretary transmits recommendations to Commission*

20 May – *ISG Meeting (1530), VADM Lippert attends, Pentagon (3D1019)*

27 May – *ISG Meeting (1530), VADM Lippert attends, Pentagon (3D1019)*