

U.S. ARMY MATERIEL COMMAND

Army Materiel Command Support to the Warfighter and Logistics Update

Presented To:

*Land and Maritime Supply Chains
Business Conference and Exhibition
Columbus, Ohio*

Presented By:

*MG Mitchell Stevenson
Deputy Chief of Staff for Operations, G-3*

9/29/2005 Date: 8/31/2005



UNCLASSIFIED



Purpose / Agenda

❖ *AMC Mission, Organization, Presence and Business Volume*

❖ *RESET Operations*

❖ *Support to the War Effort*

- ⇒ Forward Repair Activities (FRA)
- ⇒ Add-On Armor (AOA)
- ⇒ Air Conditioner parts

❖ *Initiatives*

- ⇒ Depot Maintenance
 - Lean 6 Sigma / Rapid Review Team (RRT)
 - Customer Pay
 - Kitting
- ⇒ Purchasing and Supply Management (PSM)
- ⇒ Army Prepositioned Stocks (APS)



Mission

Provide superior technology, acquisition support and logistics to ensure dominant land force capability for Soldiers, the United States, and our Allies.



“If a Soldier shoots it, drives it, flies it, wears it, or eats it, Army Materiel Command helps provide it.”



AMC Major Subordinate Commands



Army Materiel Command

GEN Benjamin Griffin 	LTG Richard Hack 	Ms. Kathryn Szymanski 
Civilian 800 Military 72		

Communications-Electronics Command

MG Michael R. Mazzucchi 	Mr. Victor J. Ferlise 
Civilian 6,971 Military 98	

Chemical Materials Agency

Mr. Michael Parker 	COL Peter Cooper 
Civilian 2,448 Military 12	

Tank-automotive & Armaments Command LCMC

MG Mike Lenaers 	Mr. Jack Dugan 
Civilian 11,241 Military 99	

Research, Development & Engineering Command

MG Roger Nadeau 	Dr. Robin Keesee 
Civilian 12,046 Military 246	

Army Field Support Command

MG Jerome Johnson 	COL Carl Cartwright 
Civilian 5,530 Military 209	

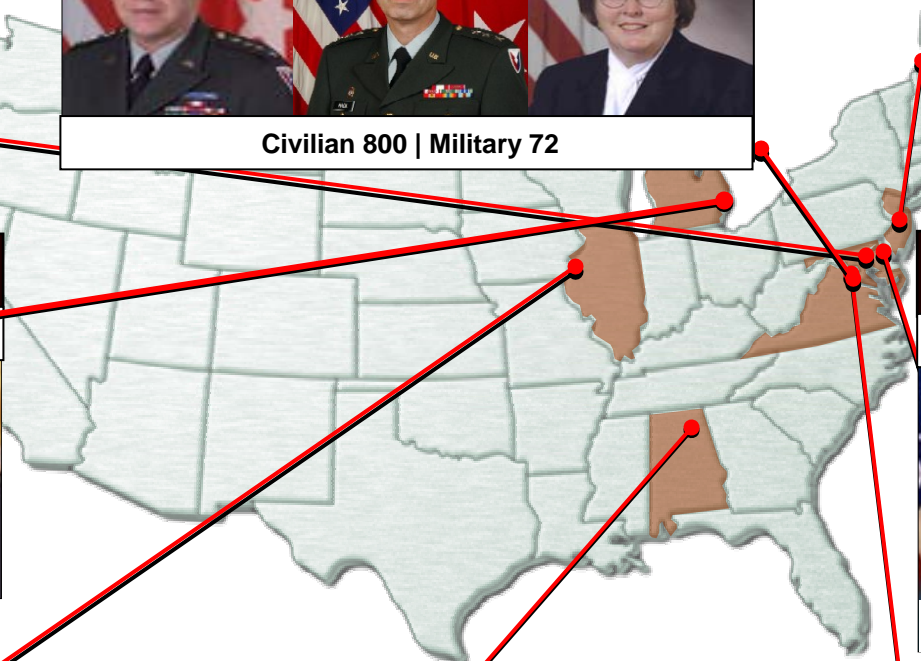
Aviation and Missile Command LCMC

MG James Pillsbury 	Mr. Richard W. Amos 
Civilian 8,246 Military 208	

Presence Personnel – 49,100 * Locations – 149 States – 43 Countries – 38 Total AMC in SWA – 53,000 * FY 05 Authorizations
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US Army Security Assistance Command

MG Craig Hackett 	Mr. Rick Alpaugh 
Civilian 560 Military 50	

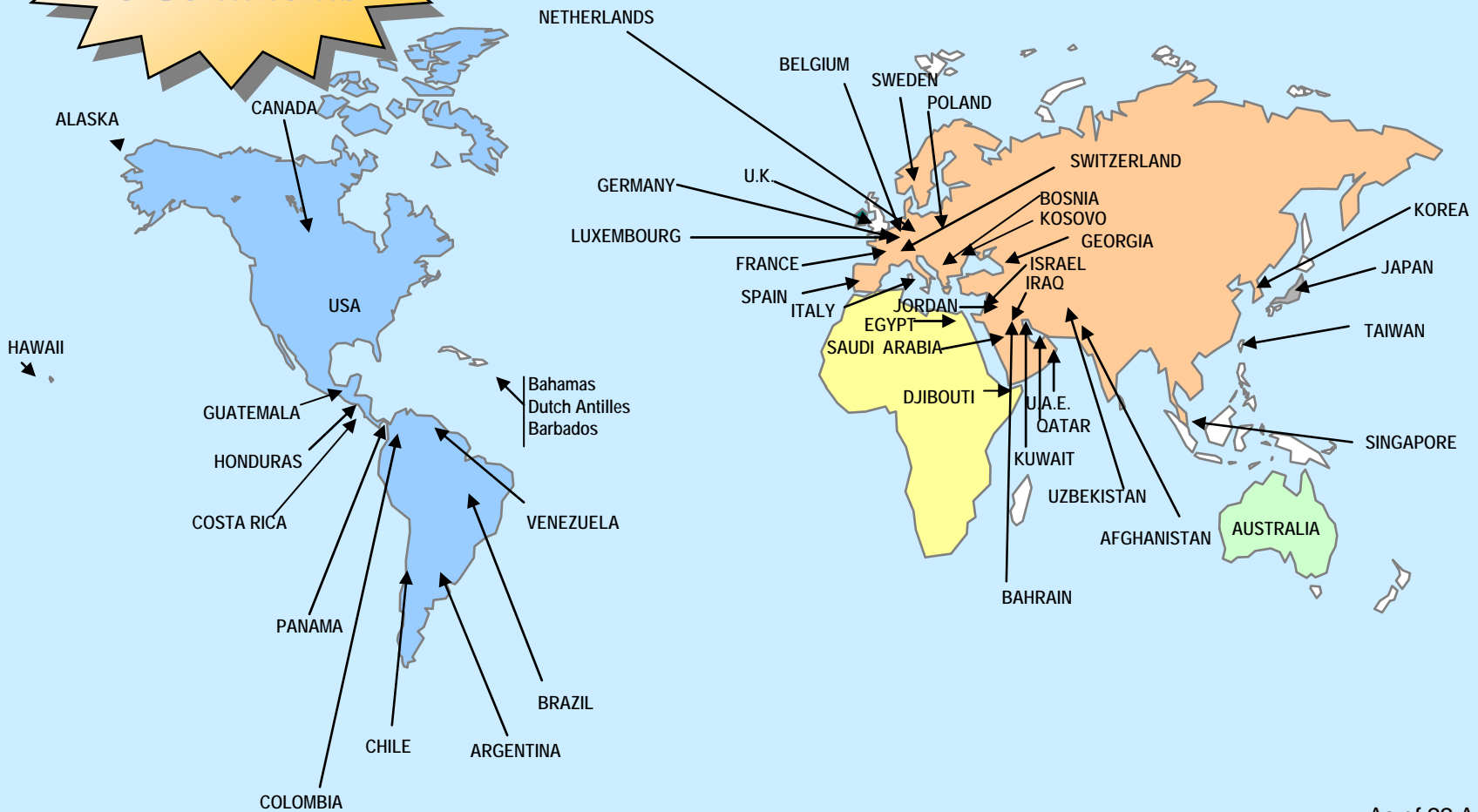




AMC's Global Reach

*Providing Support to Soldiers Across the World;
24 Hours a Day, 7 Days a Week, 365 Days a Year*

**45 Nations
6 Continents**



As of 22 August 2005



US Army Materiel Command

❖ *Scope:*

- 120,000 Army managed lines of supply
- 118,000 requisitions per month (peak 154K in FY04)
- \$32M in obligations per day
- 128 major systems supported
- \$21B in wholesale inventory (100% in DLA warehouses)
- \$2B in retail inventory in 741 Supply Support Activities
- Single Manager for conventional Ammo in DoD
- \$6 to \$8B annual obligation authority

❖ *Workforce:*

- 48,927 civilians
- 1,014 military

❖ *Warfighter Focus:*

- Supports over 300,000 deployed soldiers in 120 countries, assists with activation of over 240,000 Reserve Component soldiers, and sustains the Army
- The G3 Operations, serves as the principal AMC Staff activity responsible for the preparation and sustainment of the war fighter in peace and war, today and tomorrow.



RESET

What is RESET? A series of actions to restore equipment to a desired level of combat capability commensurate with future mission requirements and availability of resources.

AMC's RESET Mission

- ❖ Serve as the Army's Materiel Executive Agent for RESET
- ❖ Develop plan and concept to expedite repair of major systems to support OIF/OEF
- ❖ Deploy teams to assess status of critical equipment
- ❖ Support committed force structure equipment restoration to the desired level of combat effectiveness
- ❖ Reestablish Ammo War reserve and return ammo to Pre-war stockage levels
- ❖ Reconstitute APS Strategic capability to include sustainment, operational project stocks and Stay Behind Equipment, as required.

RESET is an Army / Industry Partnership

- ❖ Coordinated AMC & PEO / PM logistics plan
- ❖ Workloading organic & commercial sources

Aviation: Bell Boeing; DynCorp(CSC); Defense Support Systems; Lear Siegler Inc; Honeywell International, Inc; Sikorsky Aircraft Corp. Lesko;

Tracked Vehicles: General Dynamics Land Systems; United Defense Limited Partnership

Wheeled Vehicles: OshKosh Trucking Co. (OTC); Stewart & Stevenson; Maine Military Authority; Armor Holdings, Inc.

Construction Equipment/Material Handling Equipment: Caterpillar; Kalmar; JLG Industries; Jerome Increase Case

Chemical Defense Equipment: Smith Detection Company; General Dynamics Land Systems

Soldier Systems: Guild Association, Inc.; Maine Military Authority

Small Arms: General Dynamics Armament & Technical Products; Colt Defense; FNMI

Missile Systems: Raytheon

Commo/Electronics: R.A. Miller; Engineering & Professional Services; Raytheon; Lockheed Martin; ITT Defense; Rockwell Collins Gov't Systems; BAE Systems; SAFT America; Northrop Grumman Mission Systems

Generators: Technical & Management Service Corporation; Engineered Support Services

Ammunition: Alliant Techsystems, Inc.; Esterline Armtec

Above list of industry partners not all inclusive

RESET Accomplishments

100,000 Small Arms

1,555 Tracked vehicles
9,426 HMMWV
7,074 Trucks
3,579 Trailers

Depot Spt to Other Svcs
~ \$193M (Examples)
 Tanks -- USMC
 Small Arms -- USMC
 Helicopters -- USAF/USN
 Missile Guid. -- USAF
 Nav, Radars -- USAF
 Threat Emitter -- USAF
 HMMWVs -- USAF
 Chem. Alarms -- USAF

1,765* Aircraft
345 AH-64
265 CH-47
877 UH-60
270* OH-58

(not inclusive of SOA or
 *SEP programs)

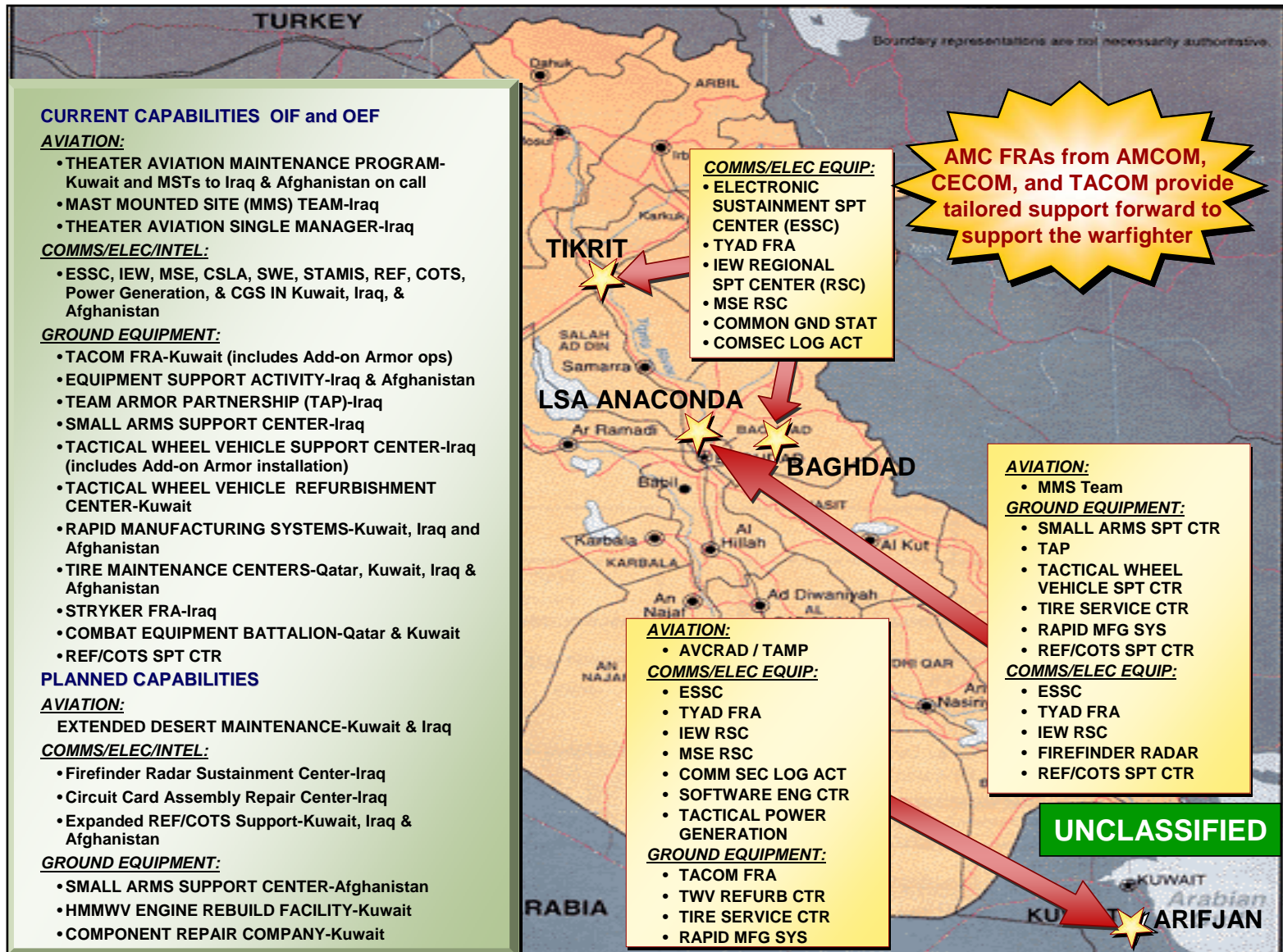
1,893 Commo/Electric

9 Patriot Battalions
82 MLRS

2775 Missile Systems
125,000 Short Tons of
Ammunition

Forward Repair Activities (FRA)

Locations in Support of OIF





Vehicle Protection for an Expeditionary Force

Add-on Armor: An important program that protects our Soldiers



**Requirement: 10,311 M-114 Up-Armored HMMWVs
Produced New to Date: 9,550
Target Production: 550/month**



**Requirement: 13,377 Medium and Heavy
Vehicle Add-on-Armor Kits
Installed to Date: 7,896 Target: 400 installs/week**



**Requirement: 13,872 Add-on-Armor Kits
Installed to Date: 13,055 Target: 350 installs/month**

Data as of 4 Aug 05

9/29/2005 Date: 8/31/2005

Slide: 11

HMMWV Air Conditioner

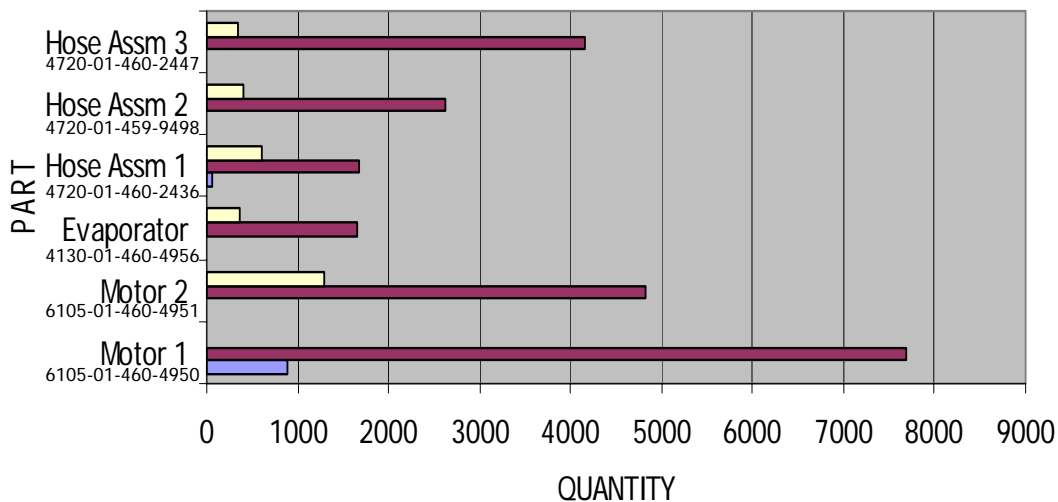
Critical Parts Shortages

- ❖ The Army is currently facing a seasonal challenge with A/C parts for the Up-Armored HMMWV fleet in theater
- ❖ Increase in vehicle requirements to 10,311 HMMWVs has exacerbated the parts shortage
- ❖ Secondary supplier faced challenges with piece parts
- ❖ Get Well Date for all parts shortages: End of 1st Qtr FY06

Harsh summer
conditions in Iraq.
Temperature up to
130 ° F

AC PARTS STATUS for TACOM

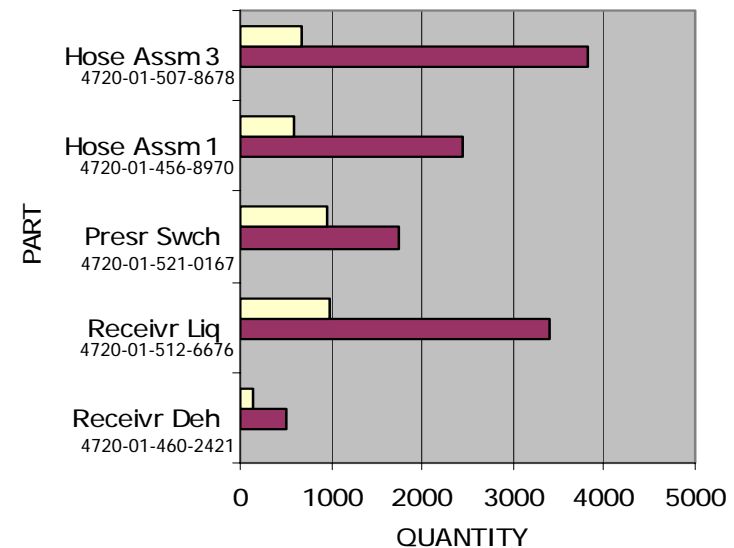
On hand Due in Due out



Data as of 23 AUG 05

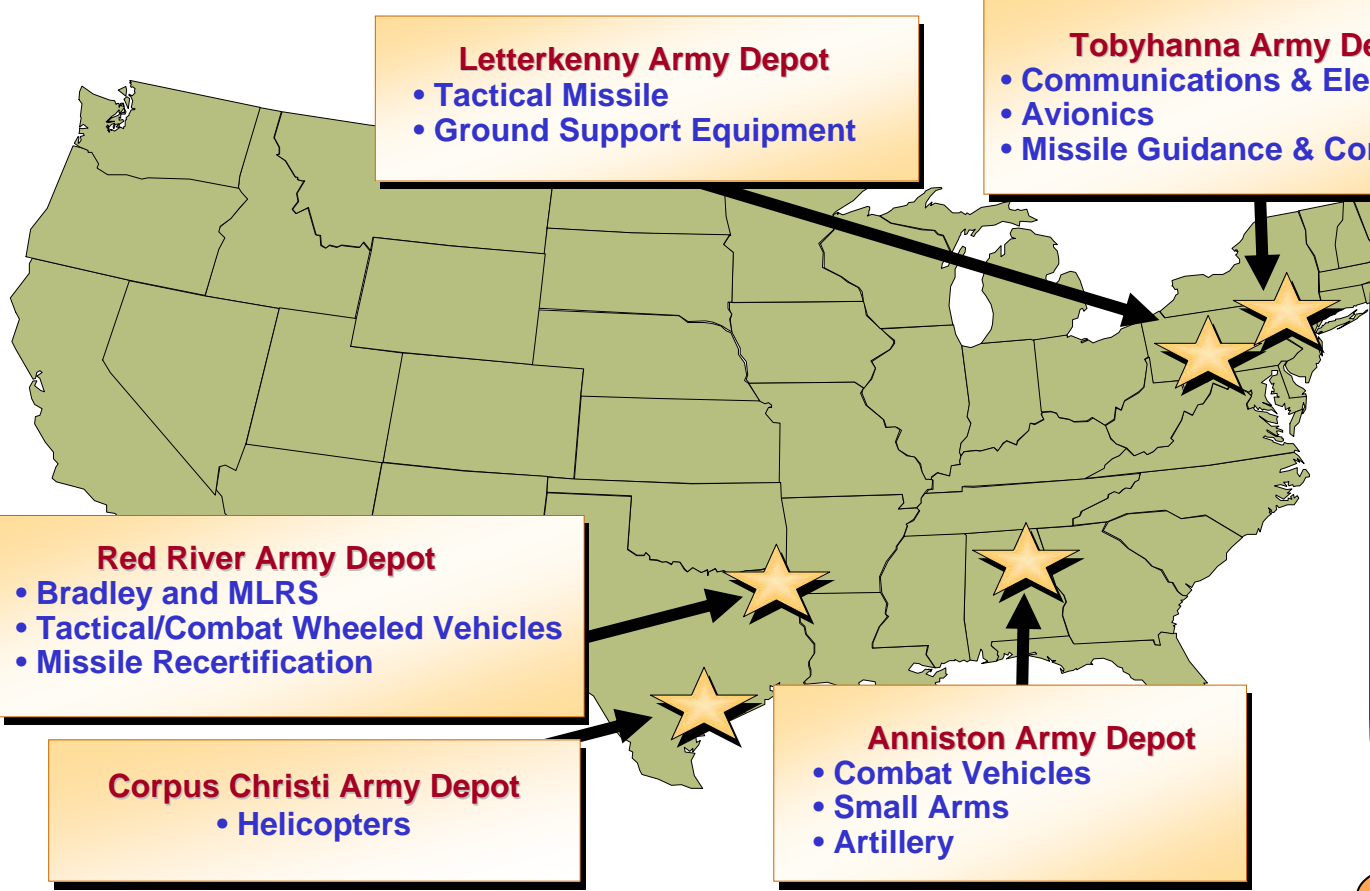
AC PARTS STATUS for DLA

On Hand Due In Due Out

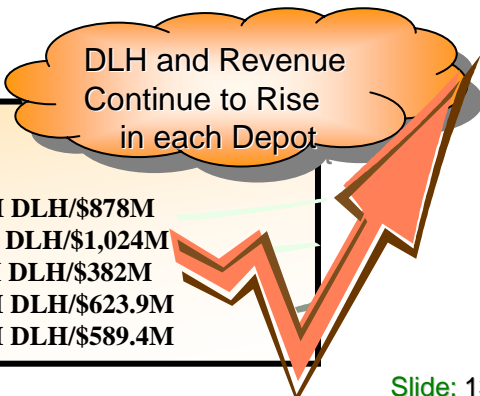


Data as of 23 AUG 05

Depot Maintenance... A Growing Business Sector



- ### Depot Functions
- Complete End Item Overhaul
 - Component Overhaul
 - Remanufacturing
 - Other Military Service Work
 - Other Government Work
 - Public-Private Partnerships on-site
 - ✓ *Manufacturing*
 - ✓ *Maintenance*
 - Fabrication of Commercially Unavailable Components and Parts
 - ✓ *Reverse Engineering*
 - ✓ *Flexible Light Manufacturing*
 - Forward Repair Capability in Theater



	Direct Labor Hour (DLH) Ramp-up/Revenue Earned		
	FY 03	FY 04	FY 05
Anniston	3.2M DLH/\$566.5M	3.9M DLH/\$693.64M	EOY Projection 5.1M DLH/\$878M
Corpus Christi	3.3M DLH/\$630M	3.8M DLH/\$898.0 M	EOY Projection 4.2M DLH/\$1,024M
Letterkenny	1.2M DLH/\$224.4M	1.5M DLH/\$299.9M	EOY Projection 2.1M DLH/\$382M
Red River	2.1M DLH/281.1M	2.8M DLH/\$416.3M	EOY Projection 4.1M DLH/\$623.9M
Tobyhanna	2.9M DLH/\$393.1M	4.2M DLH/\$405.6M	EOY Projection 5.1M DLH/\$589.4M

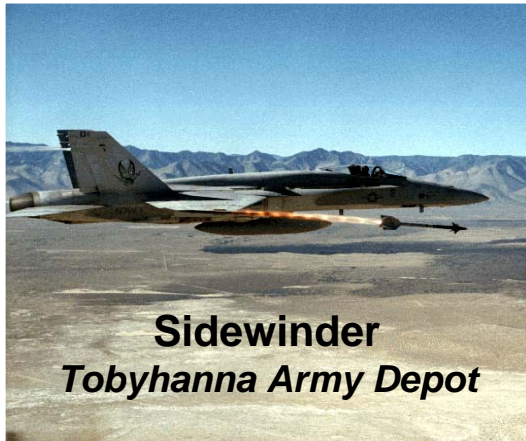
Depot Lean Six Sigma Achievements

- ❖ Mean Time Between Overhaul increased from 309 hours to 900+ hours
- ❖ Overhaul cycle time reduced from 300+ to 100 days



- ❖ Kitting enabled production ramp from 300 to 700 weapons/month

- ❖ Production capability increased from 13 in 2004 to 27 in 2005



- ❖ Productivity improved by 12%
- ❖ Unit Maintenance Cost reduced by 46%



- ❖ \$990K in Lean savings to SOCOM in FY04
- ❖ Turn around time reduced from 10 weeks to only 8.8 days



- ❖ Repair cycle time reduced 50%
- ❖ Throughput increased from 6 vehicles/day to 26/day
- ❖ Doubled first pass inspection
- ❖ Reduced cost by 1/3

Rapid Review Team (RRT)

❖ **Mission:** *Conduct rapid, hard-hitting assessments of AMC organic industrial base – make recommendations to:*

- Improve quality
- Reduced cycle times
- Reduce cost

❖ **RRT industry experts in:**

- Production/maintenance
- Supply chain management
- Lean Six Sigma

❖ **3 assessments completed:**

- Anniston Army Depot (6-8 Jun)
- Red River Army Depot (27-30 Jun)
- Letterkenny Army Depot (5-7 Jul)

❖ **Upcoming assessments include:**

- Fort Rucker
- Tobyhanna Army Depot
- Rock Island Arsenal
- Fort Hood
- Pine Bluff Arsenal

• Deficient forecasting
• Workarounds
• Central receiving
• Limited automated inventory management

Initial team composed of senior managers from General Motors/Toyota

General Findings

Best Practices

- ❖ Management of assemblies and kits rather than individual parts
- ❖ ISO 9001/14001 certification (Industry quality management standard)
- ❖ Staff rides to commercial operations to identify what “right” looks like
- ❖ Return of dollars to customers to increase buying power

Improvements required

- ❖ Supply chain management is #1 problem
- ❖ Need use of “bottomline” production metrics and visual indicators of performance
- ❖ Limited response to depot lessons learned
- ❖ Production flow

Specific recommendations provided to the Depots and MSCs



Collaborative Planning, Forecasting, & Replenishment (CPFR)

- ❑ **Government / Industry Partnership:** Follow-on to joint DLA/AMC Vender Initiated Parts Resupply (VIPR) Pilot
- ❑ **TACOM:** Collaboration with vendors focused on information sharing, joint requirements planning, and forecasting
 - ❑ Team Tire commodities - 51 NSNs
 - ❑ PM LTV - 1100 NSNs (will include DLA data)
 - ❑ M1 AGT 1500 – 1100 NSNs (will include DLA data)
- ❑ **AMCOM:** Full CPFR implementation
 - ❑ Apache – AMCOM Team Apache and Boeing
 - ❑ Will include 2nd-tier suppliers

- **Share demand & supply data; Improve forecasting**
- **Create collaboration PROCESS**
- **Win-Win partnership to support Warfighter, meet joint business goals, smooth supply response**



Anniston Kitting Project

Concept:

Pre-bundling associated parts to simplify individual production cell processes.

Strategic Objectives

- ❖ Cost optimization providing “best value”
- ❖ Enhance mission accomplishment by
 - ❖ Improving repair cycle time
 - ❖ Lowering cost to overhaul
- ❖ Standardization of processes (Maintenance, supply, information) across the enterprise



Anniston Army Depot (ANAD) and DSCC partner to streamline materiel flow

- ❖ DLA manages reciprocating engine kitting components
- ❖ DLA develops kits aimed at simplifying production
- ❖ Kits are used by ANAD only
- ❖ DSCC procures all kit material
- ❖ ANAD pays as kits are consumed

Results to date:

- ❖ ANAD kits sales - 30 million dollars to date
- ❖ Percent kits delivered on time - 100%
- ❖ Percent of complete kits in the last 3 months - 100%
- ❖ Kit configuration for V8 Cummins currently being added

AMC is interested in pursuing other kitting opportunities...

Purchasing and Supply Management (PSM)

Best Business Practices

aka
Strategic Sourcing (SS)

What is PSM / SS?

- ⇒ Strategic, enterprise-wide, multi-functional way of 'managing' supply chain
 - Allows Army to leverage its buying power
 - Improves quality & delivery
 - Reduces costs / inventory, cycle times

What is AMC doing to promote PSM?

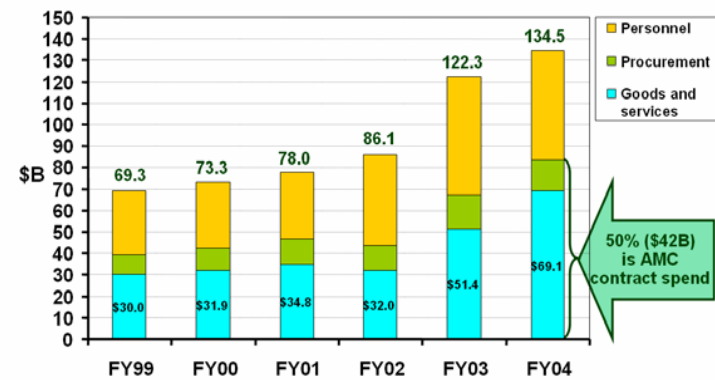
- ⇒ Initiating Joint Pilot to Implement best PSM practices
 - AMCOM – Rotor Blades (Joint service)

How does this impact Industry?

- ⇒ Reduces costs / admin time
- ⇒ Integrates acquisition/forecasting
- ⇒ Promotes strategic integration with industry
- ⇒ Promotes single face to industry
- ⇒ Benefits Small Businesses too

AMC is 50% of
Army spend

Purchased Goods and Services Represent a Significant Portion of the Army's Budget



SOURCE: OUSD (Comptroller), National Defense Budget Estimates for FY1999-FY2005, March 1999-March 2004, Tables 6-3, 6-6.
http://www.dod.mil/comptroller/ser/budget/2005/fy2005_greenbook.pdf,
 and Ctr Pers from <http://www.acslm.army.mil/budget/fin/0105/omab01.pdf>, Operations & Maintenance, Army OP32 Exhibit

NOTE: RDT&E, MILCON, and Family Housing Ctr Pers estimated by using average cost/FTE.



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AMC LESSONS LEARNED

OIF Requirements Determination

Issue: Computing requirements for critical items for War Reserves, and stock and issue materiel to meet contingency requirements.

SUCSESSES

- ❖ Adequate supplies to defeat Iraqi Army
- ❖ Prepositioned Equipments repair parts stocks were adequate
- ❖ Configured loads were successful



CHALLENGES

- ❖ National level stocks were inadequate for some items.
- ❖ Industrial surge capability was not adequate for some items. (track shoes, BA5590 batteries)
- ❖ Funding process for required stocks too cumbersome

LESSONS LEARNED:

1. Update consumption planning factors.
2. Develop strategy to stock critical materiel for operations.
3. Plan to help the industrial base to meet resource demands.



AMC LESSONS LEARNED

Issue: Reacting to enemy threats with effective and timely materiel solutions

SUCCESSSES

- ❖ Rear slat armor for M1 tank engine compartments.
- ❖ Combating Improvised Explosive Devices with smart solutions.
- ❖ Add-on Armor for wheeled vehicles, >28,000 to date.
- ❖ Cage or Slat Armor for Stryker vehicles.

CHALLENGES

- ❖ Multiple threats, Improvised Explosive Devices, Rocket Propelled Grenades.
- ❖ Past focus was not on countermine technology.
- ❖ Time and distance a disadvantage.
- ❖ Modification done in theater.

LESSON LEARNED: Science and technology can and must focus on a changing enemy threat. Industrial base and log structure must remain agile to produce and apply materiel solutions.





AMC LESSONS LEARNED:

Future Role of the Industrial Base (IB)

Issue: What role should the Organic IB (depots, arsenals and production plants) and Diminishing Manufacturing Sources & Material Shortages (DMSMS) mission areas play to meet future mission requirements?

Conclusions and Recommendations from Stakeholders:

- ❖ Organic IB will be supplier for legacy systems
- ❖ Organic IB will focus on core capabilities and maintenance that support contingency requirements
- ❖ Adopt industry Public-Private Partnership (P3) best practices: embrace the state-of-the-art
- ❖ Maintain P3 with Industry for resulting synergies



LESSON LEARNED: The Organic IB must focus on:

1. Technology & modernization
2. Core competencies to support contingency requirements



Summary

- ❖ **AMC is on a wartime footing for production, repair and contracting.**
- ❖ **Along with our industry partners, we are decisively engaged in supporting our Army both in theater alongside our Soldiers and at home.**
- ❖ **Maintenance work in our depots continues to grow... RESET of Army Systems will last at least 2 years after hostilities cease.**
- ❖ **Great opportunities exist for the defense suppliers to contribute to AMC's mission and logistics initiatives ... we welcome your suggestions to improve support to our Soldiers.**
- ❖ **Thank you for all you have done and are doing for the Army in Supporting our Soldiers at War today!**

For more information on how to conduct business with AMC, please go to our website:

<http://www.amc.army.mil/amc/smlbus/howto-new.doc>



BACKUPS

Army Logistics -- It's Big Business



Depot Maintenance

Spares Parts Support

Make, Store, Inspect, and Load Munitions

Army Pre-Positioned Stocks (APS)

Logistics Civil Augmentation Program (LOGCAP)

Forward Repair Activities (FRA) Equipment Support Activities (ESA)

FY05 Pres Bud and Supplemental Workload

- 493 M1 Tanks - \$935M
- 457 Aviation Fleet - \$830.8M (188 Blackhawk, 42 Apaches)
- 5371 HMMWVs - \$264M
- 65 Firefinder - \$40.4M
- 111 Radio's - \$30.1M
 - 46 ea TACSAT - \$14.5M
 - 64 ea TROPO - \$15.6M

- AMC manages 1.1M repair parts
- FY04 sales > \$9.3B
- Projected FY05 sales: \$9.9B
- Avg \$24M to \$36M repair parts delivered every day
- FY04 AMC provided almost \$10B in direct support of OIF War Fighters

Army's Repair Program > Boeing's & GM's combined

- FY05 Budget of \$1.6 Billion for acquisition
- AMC manages a ~\$300 Million Ammo program
- Stores ~2.8 million tons of ammo
- Manages ~24.3 million sq ft
- Airlifted ~4013 s/t of ammo thru Dec 04
- Sealifted ~169,321 s/t Nov 02 - Dec 04
- Shipped over 12,195 containers

Manage Chem Defense

- Equips ~120K deploying soldiers

- AMC manages APS worldwide
- APS equipment and stocks in use in Iraq, Afghanistan, and the Horn of Africa
- FY04 program: \$333.9M
- Reset all APS equipment ~ \$3.6B
- One Hvy BCT UA has > 6500 pieces of authorized equipment
- APS ammunition is valued at \$7.7B (600K s/t)

- AMC provides Log Support services in 7 countries worldwide
- > \$17B program

Managing:

- 84 Dining Facilities
- 90 Base Camps
- 31 Forward Operating Bases
- 2 Detainee Camps
- 2 APODs
- 5 COM Sites
- 6 MND Sites

Providing

- Base Camp Operations
- Construction & Facilities Mgmt
- Theater Transportation / Distribution Support
- Supply & Maintenance
- Fuel Distribution
- Water Production/Ice
- Prime Power

- AMC SWA FRAs = three countries/12 locations
- AMC Personnel in SWA FRAs = 20,776 (Mil DAC & KTR)
- Operational Costs estimate for FY05 ~ \$361M
- Completed > 112,800 work orders since 1 Jan 03
- Applied > 22,000 Add-On Armor Kits to Tactical Vehicles
- Retrograded > 130,000 repairable components out of SWA



Army Materiel Command

***AMC Mission . . .
Provide superior technology,
acquisition support and
logistics to ensure dominant land
force capability for Soldiers,
the United States, and our Allies.***



Supporting the Warfighter..



AMCOM LCMC

- ❖ Forward Repair
- ❖ Aircraft RESET
- ❖ Retrograde / Overhaul
- ❖ Component Repair



TACOM LCMC

- ❖ Forward Repair
- ❖ Vehicle RESET
- ❖ Retrograde / Overhaul
- ❖ Component Repair



CECOM LCMC

- ❖ Forward Repair
- ❖ Commo RESET
- ❖ Retrograde / Overhaul
- ❖ Component Repair



AFSC

- ❖ LOGCAP Program
- ❖ Logistics Assistance Program
- ❖ Add-on-Armor Installation in Theater



Chemical Materials Agency

- ❖ Demilitarization
- ❖ Storage, Security and Surety
- ❖ Support to Allied Nations



Joint Munitions Command

- ❖ Munitions Production
- ❖ Modernization Programs
- ❖ Quality Assurance
- ❖ Component Repair



RDECOM

- ❖ Forward Area Science and Technology Teams
- ❖ Research and Development
- ❖ Leveraging Science and Technology



USASAC

- ❖ Foreign Military Sales
- ❖ Foreign Assistance Efforts
- ❖ International Cooperation

Army Prepositioned Stocks (APS)

APS - A Key Strategic Hedge

- ❖ APS 3 & 5 successfully used in OIF1 (3ID): First time APS used in combat
- ❖ Provides a flexible strategic response capability for the COCOMs
- ❖ Provides an early entry force and theater opening capability

Modularity Conversion Dates

APS-4	APR 05
APS-5(2)	SEP 05
ASF-I	JAN 06
ASF-II	JAN 07
ASF III	JUN 08
ASF-IV	MAY 05
ASF-V	JUN 09-12

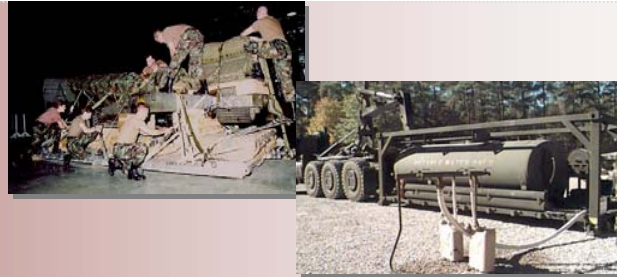
PREPOSITIONED SETS

- ❖ 6 BRIGADE SETS AUTHORIZED –
Heavy Brigade Combat Teams (UA)
- ❖ UNIT EQUIPMENT AND SUPPORT ITEMS
Sustainment Support Brigades
- ❖ PROVIDES REDUCED RESPONSE TIME



OPERATIONAL PROJECTS

- ❖ EQUIPMENT DESIGNED TO PROVIDE
UNIQUE MISSION SPECIFIC PACKAGES
Located forward positioned and at depots



SUSTAINMENT

- ❖ SUPPORTS TWO MAJOR THEATERS OF WAR
- ❖ STOCKS PREPOSITIONED GLOBALLY





Forward Repair Activities



Ground Equipment

- ❖ TACOM Forward Repair Activities - Kuwait
 - 45 CIVs from our depots/arsenals
 - Component repairs and installation of Add-on Armor kits
- ❖ Tactical Wheeled Vehicle Support Center
 - 5 CIVs and 160 contractors at Camp Anaconda
 - Repairs & services for tactical vehicles and MHE; AoA kit installation
- ❖ Tactical Wheel Vehicle Refurbishment Center Arifjan, Kuwait (200 Contractors)
- ❖ Small Arms Support Ctr - Camp Anaconda
- ❖ STRYKER FRA (PM Funded)
- ❖ TACOM Reset Assessment Team
- ❖ Mobile Tire Service Centers -Qatar, Kuwait, Iraq & Afghanistan



Aviation

- ❖ Aviation Depot Maintenance Roundout Unit (approx. 248 military)
- ❖ Theater Aviation Supply Support Activity (approx 20 contractors)
- ❖ Mast Mounted Sight / EETF (3 contractors)
- ❖ Theater Aviation Single Manager (approx 26 military/civilian)

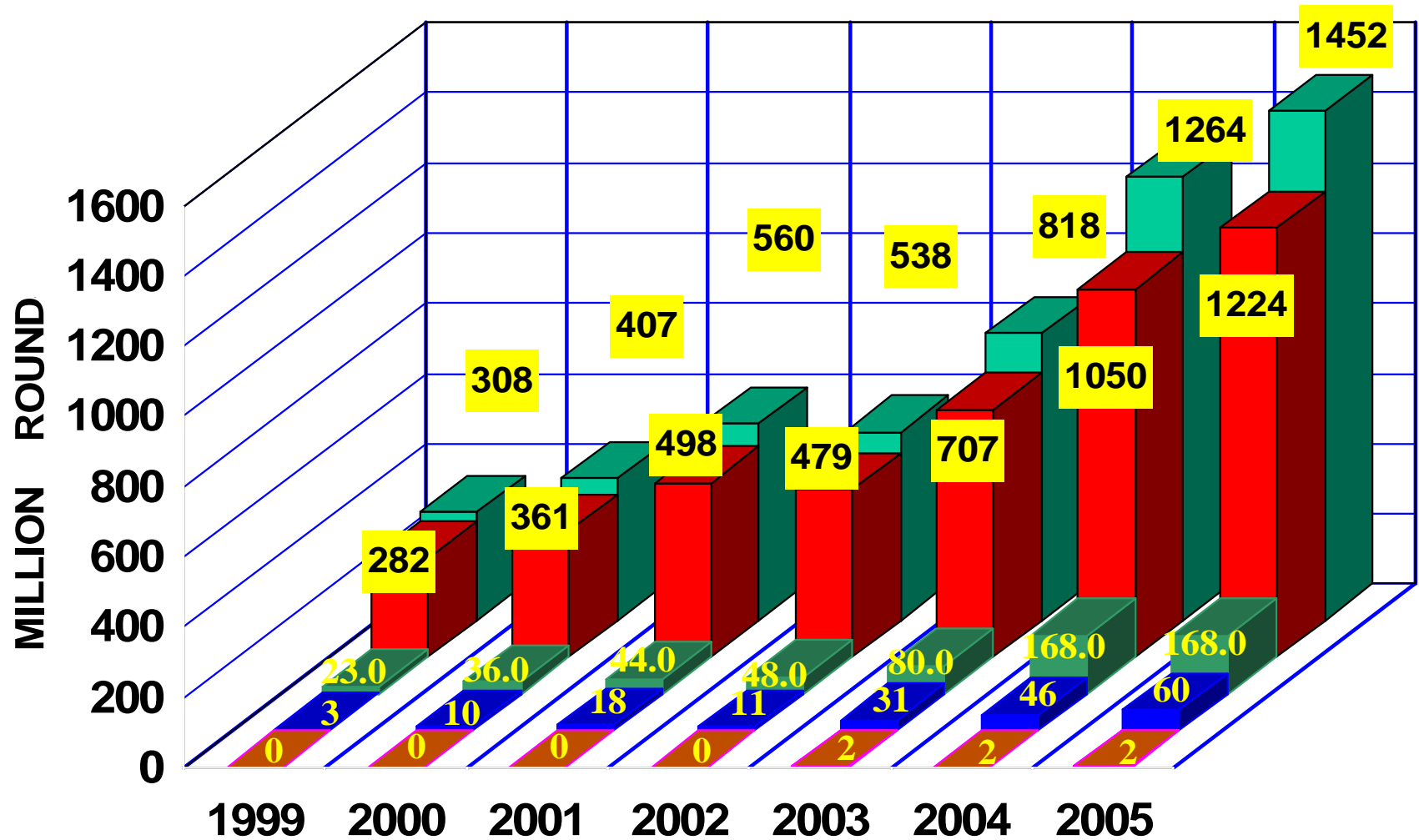
Communications/ Electronics

- ❖ Electronic Sustainment Spt Ctrs - 180 CIVs & contractors at Balad, Arifjan, Kuwait and Iraq
- ❖ Tobyhanna FRAs - Supports STAMIS, TIER II, CGS and Fire Finder
- ❖ Intelligence Electronic Warfare RSCs - Supports Tactical IEW and selected PM systems
- ❖ Mobile Subscriber Equipment RSC- Supports MSE and CHS-II
- ❖ Software Engineering Center- Provides software technical support at Camp Arifjan
- ❖ Tactical Generator Environment Control Unit FRA Arifjan, Kuwait



Providing Strategic Value by Leveraging the National Industrial Base; Essential to Maintaining Operational Tempo – Key to Executing Reset Strategy

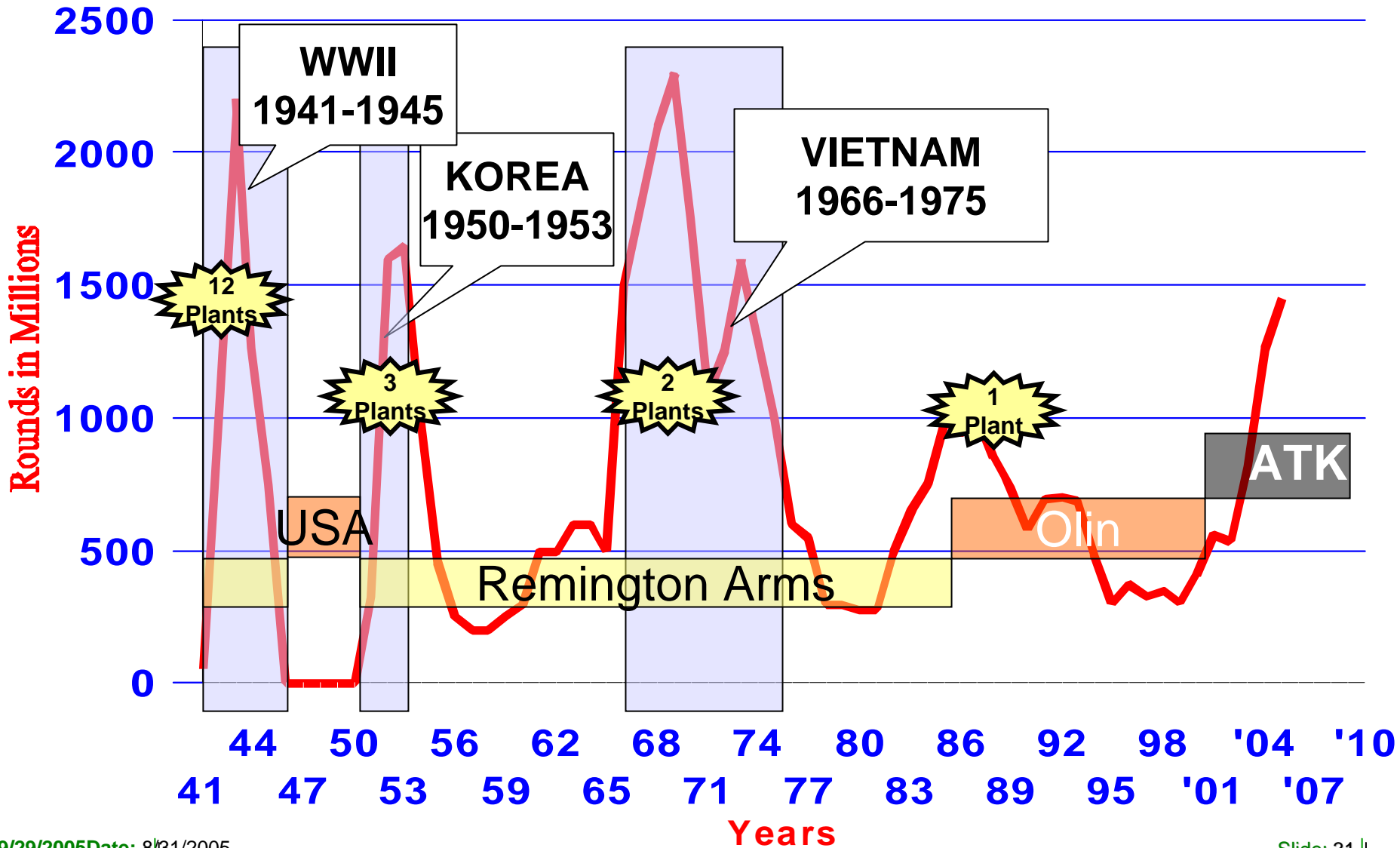
Annual Production



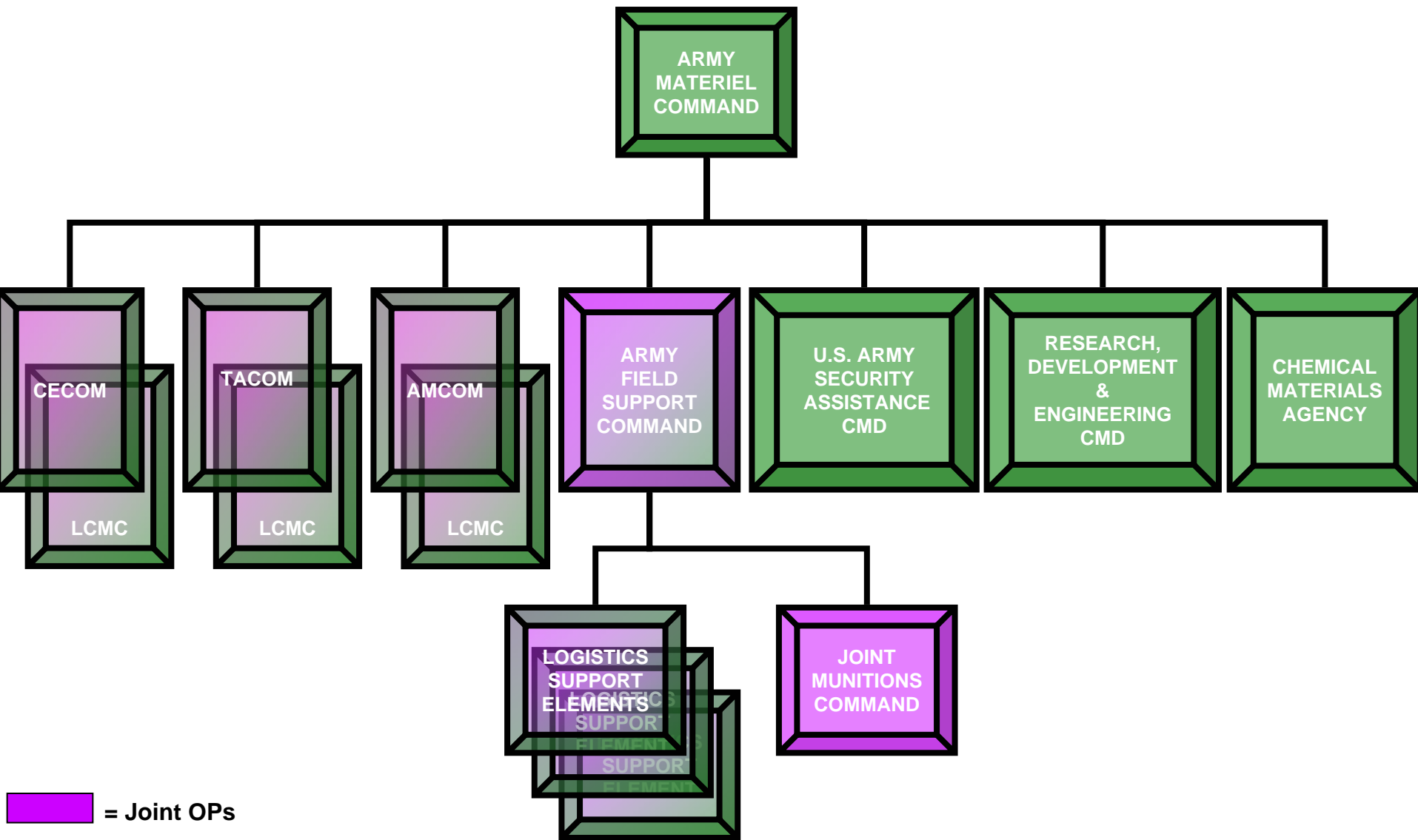
■ 20MM
 ■ CAL.50
 ■ 7.62MM
 ■ 5.56MM
 ■ TOTAL

LCAAP

Production History



AMC Organizational Structure





BACK UP PSM CHARTS

Firms Are Changing Their PSM Practices

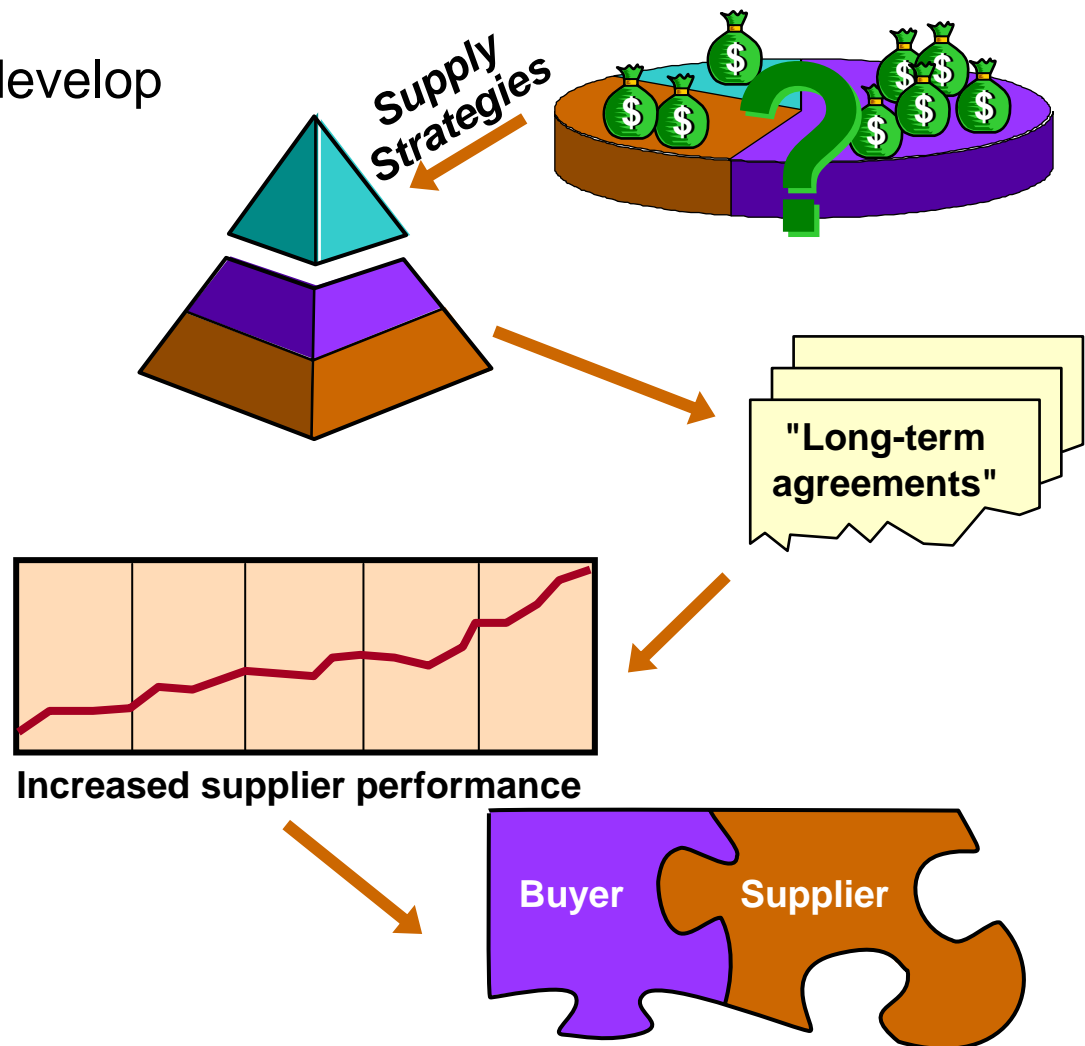
Conduct firm-wide "spend"/ supplier/market analyses & develop supply strategies

Rationalize supply base, consolidate contracts

Establish long-term partnerships with best suppliers

Help key suppliers improve quality, cost, and service

Integrate key suppliers into organization



The Paradigm Shifts from Managing Items

and Contracts to Managing Suppliers and Capacity

Strategic

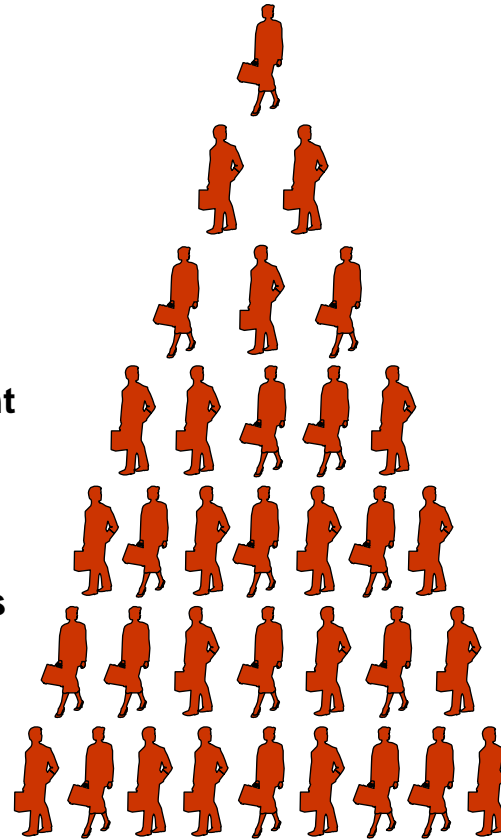


Tactical

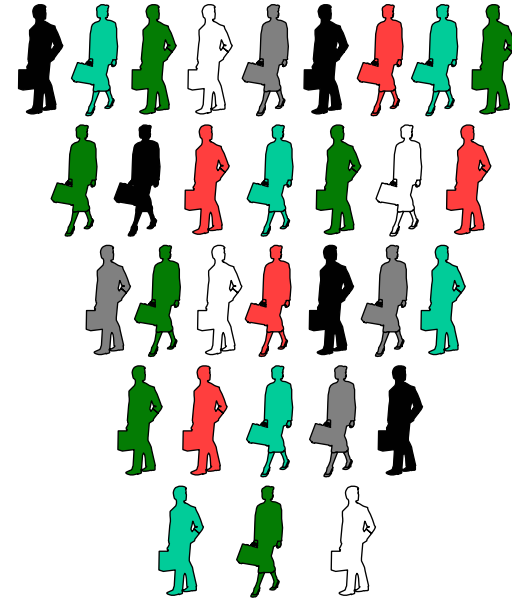
Activities

Market knowledge
 Supply base management
 Supply chain management
 Commodity strategy
 Risk management
 Sourcing strategy
 Supplier development
 Supplier capability assessment
 Strategic negotiation
 Supplier performance evaluation/reporting
 Establish performance metrics
 Commercial (tactical) negotiation
 Supplier selection
 Order processing

From tactical buying

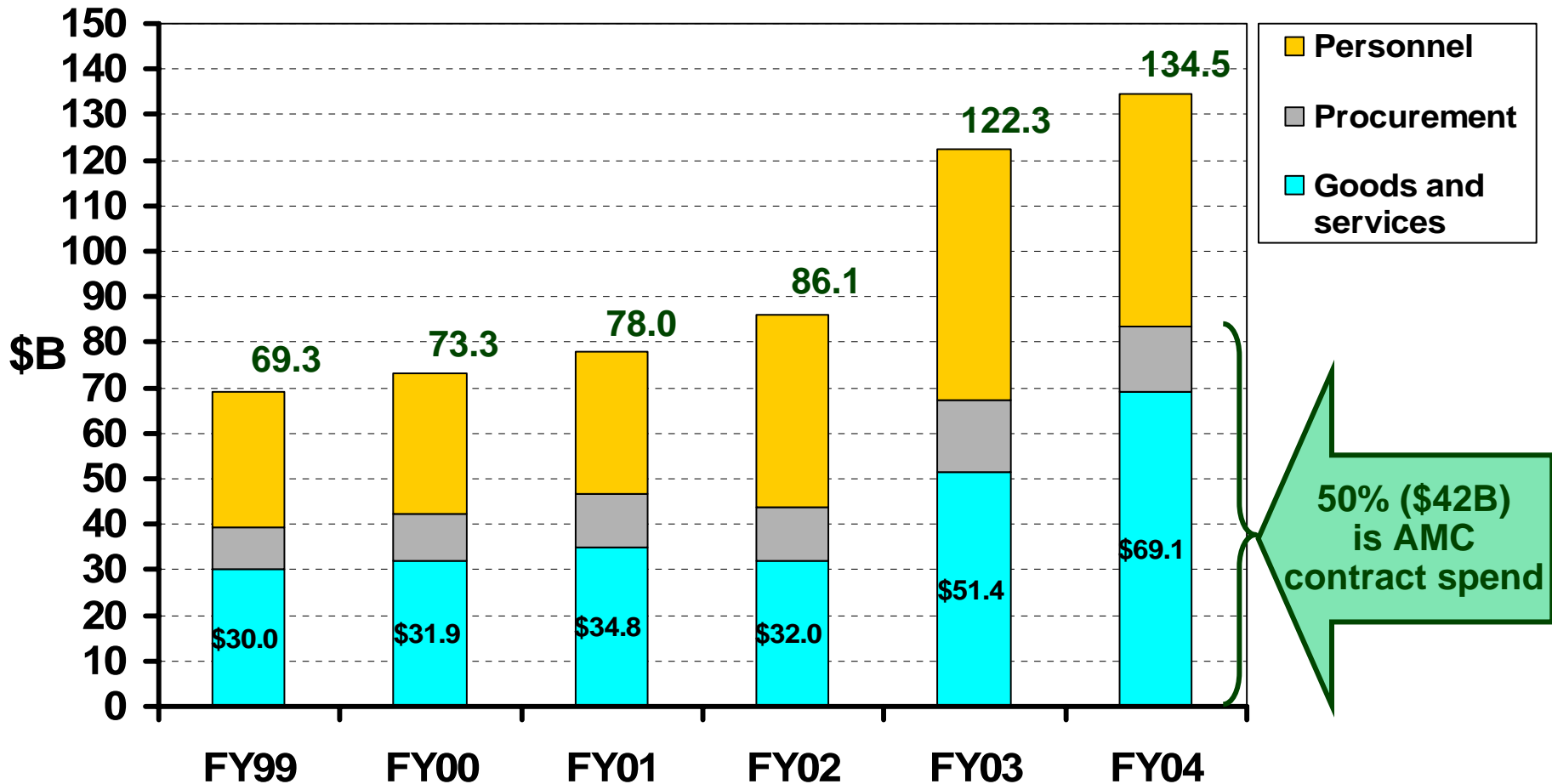


CPO/VPSM
 to strategic PSM



Adapted from Ron Casbon, Bethlehem Steel, "Implementing New and Changing Supplier Relationships Through Strategic Sourcing to Achieve Win/Win Results," presented at 2nd Annual Strategic Sourcing Management Conference, Institute for International Research, San Diego, CA, February 22, 1999.

Purchased Goods and Services Represent a Significant Portion of the Army's Budget



SOURCE: OUSD (Comptroller), *National Defense Budget Estimates for FY1999–FY2005*, March 1998–March 2004, Tables 6-3, 6-6. http://www.dod.mil/comptroller/defbudget/fy2005/fy2005_greenbook.pdf; and Civ Pers from <http://www.asafm.army.mil/budget/fybm/FY05/oma/vol1.pdf>, Operations & Maintenance, Army OP32 Exhibit.

NOTE: RDT&E, MILCON, and Family Housing Civ Pers estimated by using average cost/FTE.



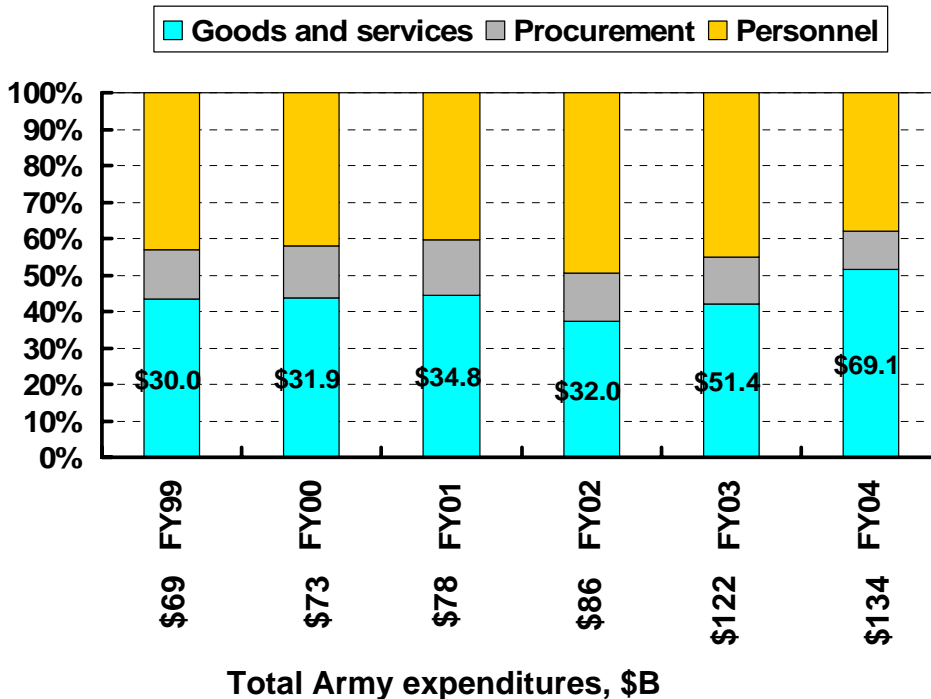
Having Many Contracts in the Same FSC May

Indicate Prospective Targets for Reducing Transaction Costs

	<i>Federal Supply Class</i>	<i># Ctrx</i>	<i># Ctr ID codes</i>	<i>% Ctrx sole srce</i>	<i>\$s M</i>	<i>% Ctrx small biz</i>	<i># PO cds</i>
1	<i>RDTE/Other Defense-Applied Res</i>	618	431	24	494	65	7
2	<i>Tire/Tubes, Pneumatic, Except AC</i>	432	39	17	206	65	6
3	<i>ADP Software</i>	371	255	61	43	53	27
4	<i>Misc Elec Power & Distribution Eq</i>	367	132	25	34	56	12
5	<i>RDTE/Other Res & Dev-Basic Res</i>	336	253	14	221	66	10
6	<i>Miscellaneous Hardware</i>	324	229	28	23	71	18
7	<i>Engineering Technical Services</i>	316	242	48	888	40	17
8	<i>ADP Support Equipment</i>	316	166	20	23	70	22
9	<i>Guns, through 30 mm</i>	310	156	55	384	51	14
10	<i>Maint & Repair of Eq/Misc Eq</i>	274	210	11	8	60	12
	<i>Other</i>	17,007	7,369	39	28,431	55	32
	<i>Total</i>	20,256	8,282	38	30,754	56	32

Complexity of Army Procurement

Purchased Goods and Services Represent a Significant Portion of the Army's Budget



❖ Procurements in FY04

- \$76 B in purchases
- 239 different purchase office codes
- 118,923 different contracts
- 50,365 different contractor I.D. codes
- 45,306 different parent company I.D. codes
- 1,865 Federal Supply Class/product service codes

	<u>% of \$s</u>	<u>% of contracts</u>
▪ Sole source contracts	38	37
▪ Three or more bids	39	28
▪ Small business contracts	21	55
▪ Set aside contracts	6	5
▪ Purchase orders	3	73

❖ Army Goal: Establish strategic relationships with vendors

- Senior leadership interaction
- Supplier focused management teams
- Collaborative planning and forecasting--share planning information, inventory, and demand data
- Continuous improvement plans—cost and performance
- Contingency plan evaluation / risk assessments
- Corporate contracts for sole sourced items

AMC plans to work closer with industry