

2005 REQUIREMENTS SYMPOSIUM



**BREAKOUT TOPIC:
Communications/Electronics
Commodity Council**

**542d
Materiel Sustainment
Group (MSUG)**

Briefer: Mr. Randy Jansen

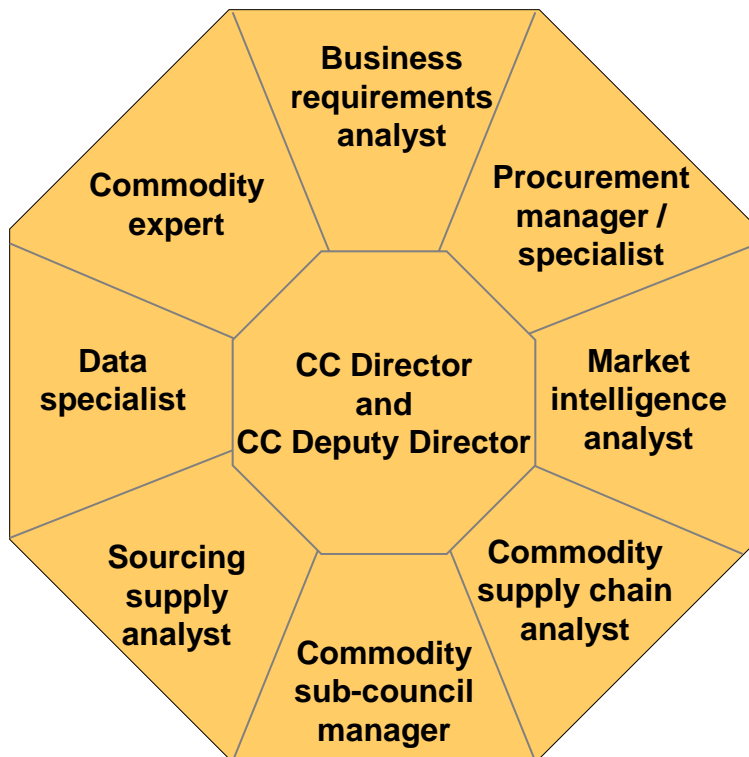
**Title: Director, Comm/Electronic
Commodity Council**



Commodity Council Overview



Commodity councils are cross-functional teams that will develop and execute AF-wide commodity sourcing strategies



Illustrative Commodity Council

Responsible For:

- Developing AFMC-wide commodity sourcing strategy
- Executing commodity sourcing strategy
- Monitoring supplier performance
- Developing and managing supplier relationships
- Researching commodity market

Not Responsible For:

- Developing the demand planning forecast
- Managing weapon systems or items
- Conducting tactical planning, scheduling and asset management
- Performing tactical contract management activities

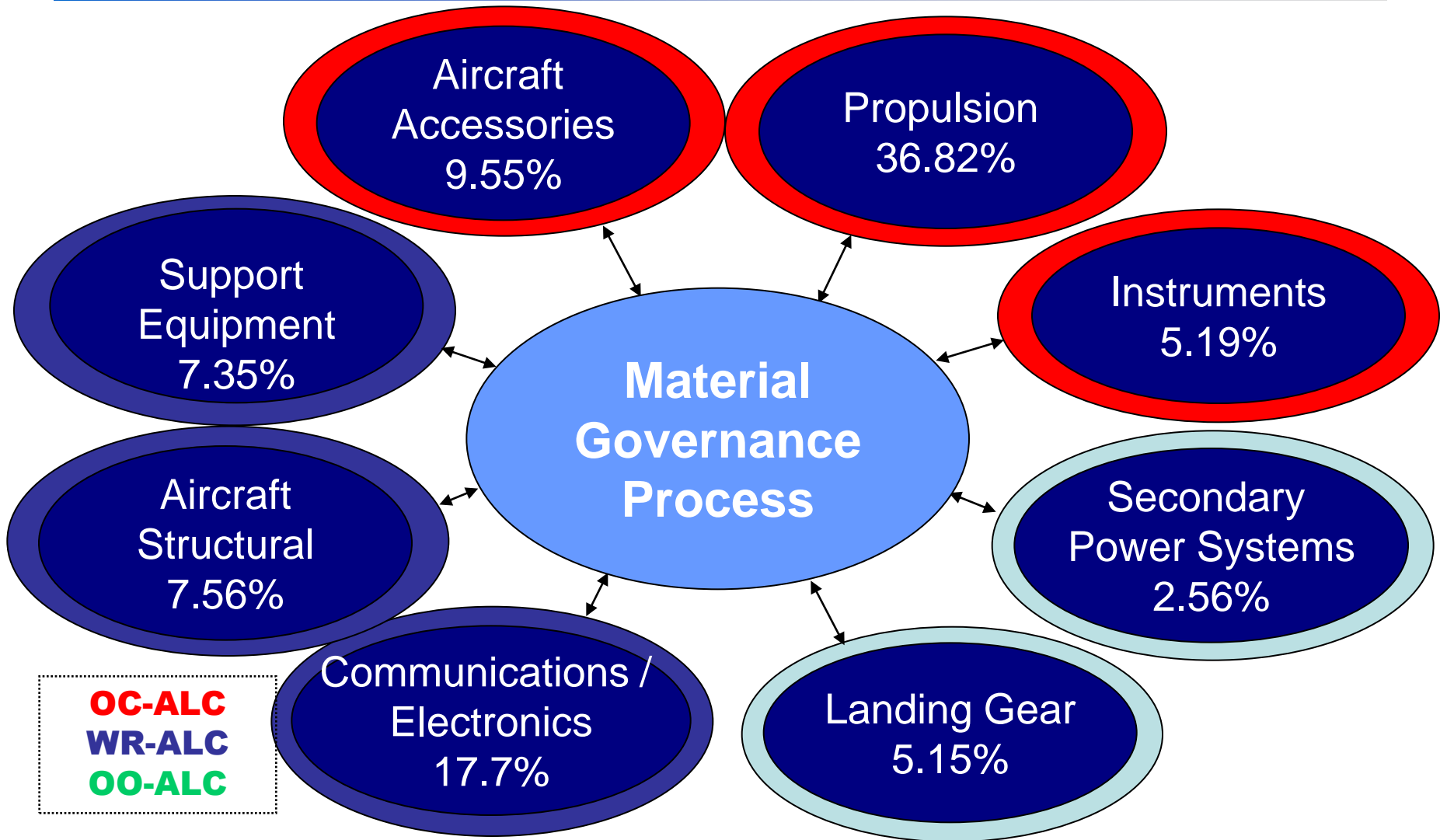
Commodity councils are enterprise wide and cross-functional

Note: List is not all inclusive



Commodity Groups

(92% Enterprise Spend)



OC-ALC
WR-ALC
OO-ALC



Commodity Council Goals



- Improve supply support to the War Fighter
 - Reduce MICAPS, Backorders, Customer Wait Time
- Reduce total ownership costs
 - Reduce pipeline inventory
 - Reduce administrative lead time
 - Eliminate duplication of effort
 - Improve reliability
 - Reduce item cost (leverage buying)

PSCM GOALS:

- 50% ↓ Source Cycle Time
- 20% ↓ Cost
- 20% ↑ Material Availability



Inefficient Business Practices



- Program Centric Focus
 - Duplication of effort – no visibility into similar programs
 - No leverage, competing for same capacity
- Transactional
 - Many contracts
 - Few NSNs per contract
 - Few contract actions per contract
- Tactical
 - Crisis management, reactionary, limited planning time
 - Suppliers also reacting, little planning time, EXPENSIVE
 - Doesn't always work – ex: long lead materials



Spend History



PSCM Commodity Group	# Supplier CAGEs	# NIINs	# Contracts	# Contract Actions	FY02-04 Total Spend \$
Aircraft Accessories	445	3,308	2,090	3,100	\$1,769,784,529
Aircraft Engines	390	2,855	1,593	3,545	\$6,463,390,521
Aircraft Structural	241	2,029	1,009	1,380	\$1,334,863,975
Communications - Electronics	751	9,818	3,713	6,282	\$2,962,186,709
Instruments	308	1,714	1,047	1,463	\$889,492,586
Landing Gear	122	1,016	894	1,111	\$886,064,288
Secondary Power Systems	41	246	169	268	\$456,365,982
Support Equipment	855	3,175	3,551	4,594	\$1,319,330,787
Other	254	824	605	1,160	\$462,706,214
* Unique Totals across all CCs	2,249	24,985	13,885	21,708	\$16,544,185,591

Source: Strategic Sourcing Spend Analysis Tool (FY02-FY04)



Future Business Practices



- Enterprise-wide procurement strategies
 - Reducing duplication of effort
 - Integrating customers and suppliers in strategy development
 - Driving commonality and standardization
 - Leveraging purchasing volume
- Strategic contracts & supplier relationships
 - Fewer contracts, more NSNs/contract, more orders/contract
 - Proactive planning, flexibility
 - Joint forecasting, sharing of data, partnerships
 - Win-Win opportunities
- Technology, innovation, new business practices
 - Electronic ordering, automatic payment, direct shipment



CECC Commodity Management Plan (CMP)



- **Commodity Profile**
- **Spend and Forecast Analysis**
- **Metrics and Performance Baselines**
- **Roadmap**
 - **Current Initiatives**
 - **Future Initiatives**
- **Challenges/Opportunities**



Commodity Description/Profile



- Extremely diverse spectrum of electronics and communications technologies
 - Spares, Repair, Services
 - Organic, Contract & Dual – Sole Source & Competitive
 - Affects all ALCs (as suppliers and customers)
 - Affects nearly every USAF weapon system
- Covers 74 FSCs within 8 FSGs
 - 63 Active FSCs (Spend or Forecast FY02-07)
 - 12,291 active items
- Largest active item population of AFMC Councils
- 2nd highest total spend of AFMC Councils



Customers and Suppliers



Customer Issues

- Commodity Council's processes must not adversely affect current Warfighter support
- Web survey sent to 22 Supply Chain Managers representing 94% of total forecast spend
 - #1 Issue: Forecast/Demand Data Management
 - #2 Issue: Obsolescence/Diminishing Manufacturers

Supplier/OEM Profile

- 737 Parent Organizations
- Top 15 Suppliers = 68% of Contract Spend
- 4.3% of total spend with Small Businesses
- Large Organic Repair component (31% of History)



63 Active FSCs within CECC

FSC	FSC DESCRIPTION	FSC	FSC DESCRIPTION
1220	Fire Control Computing Sights & Devices	5950	Coils and Transformers
1240	Optical Sighting and Ranging Equipment	5955	Oscillators & Piezoelectric Crystals
1260	Fire Cntl Designating & Indicating Equip	5960	Electron Tubes & Assoc Hardware
1265	Fire Control Transmitting & Receiving Eq	5961	Semiconductor Devices & Assoc Hardware
1270	Aircraft Gunnery Fire Control Components	5962	Microcircuits, Electronic
1280	Aircraft Bombing Fire Control Components	5963	Electronic Modules
1285	Fire Control Radar Equip, Except Airborne	5970	Elec Insulators and Insulating Material
1290	Miscellaneous Fire Control Equipment	5975	Electrical Hardware and Supplies
5805	Telephone and Telegraph Equipment	5977	Electrical Contact Brushes & Electrodes
5815	Teletype and Facsimile Equipment	5980	Optoelectronic Devices & Hardware
5820	Radio & TV Comm Equipment, Except Airborne	5985	Antennas, Waveguides & Related Equipment
5821	Radio and TV Comm Equipment, Airborne	5990	Synchros and Resolvers
5825	Radio Navigation Equip, Except Airborne	5995	Cable, Cord, Wire Assemblies
5826	Radio Navigation Equipment, Airborne	5996	Amplifiers
5831	Intercomm & Public Address Sys, Airborne	5998	Electrical & Elct Boards, Cards
5835	Sound Recording & Reproducing Equip	5999	Misc Electrical & Electronic Components



63 Active FSCs within CECC (cont'd)

FSC	FSC DESCRIPTION	FSC	FSC DESCRIPTION
5836	Video Recording and Reproducing Equipment	6130	Converters, Electrical, Nonrotating
5840	Radar Equipment, Except Airborne	6135	Batteries, Nonrechargeable
5841	Radar Equipment, Airborne	6140	Batteries, Rechargeable
5850	Visible & Invisible Light Comm Equipment	6145	Wire and Cable, Electrical
5855	Night Vision Equipment, Emitted and Reflec	6150	Misc Electric Power & Distribution Eq
5860	Stimulated Coherent Radiation Devices, Com	6160	Miscellaneous Battery Retaining Fixtures
5865	Elct Cntrmsrs, Cntr-Cntr-Msrs & Qck Rctn C	6210	Indoor & Outdoor Electric Lighting Fixture
5895	Miscellaneous Communication Equipment	6230	Electric Portable & Hand Lighting Equip
5905	Resistors	6240	Electric Lamps
5910	Capacitors	6340	Aircraft Alarm and Signal Systems
5915	Filters and Networks	6350	Misc Alarm, Signal and Security Detection
5920	Fuses, Arrestors, Absorbers, and Protectors	6710	Cameras, Motion Picture
5925	Circuit Breakers	6720	Cameras, Still Picture
5930	Switches	6740	Photo Developing and Finishing Equip
5935	Connectors, Electrical	6760	Photographic Equipment and Accessories
5945	Relays and Solenoids		



Top 10 Active FSCs Ranked by Total FY02-07 \$

FSC	FSC Description
5865	Elct Cntrmsrs, Cntr-Cntr-Msrs & Qck Rctn C
5895	Miscellaneous Communication Equipment
1270	Aircraft Gunnery Fire Control Components
5998	Electrical & Elct Boards, Cards & Asscted
5985	Antennas, Waveguides & Related Equipment
5841	Radar Equipment, Airborne
6130	Converters, Electrical, Nonrotating
5996	Amplifiers
5821	Radio and TV Comm Equipment, Airborne
5960	Stimulated Coherent Radiation Devices, Com

FSC 5865's \$808M total dollar amount is 12.8% of the total spend and forecast dollars.



CECC Focus Population Active NIINs

Population Segmentation	NIINs
Communication-Electronic-Electrical	625,861
Army/Navy/DLA/Contractor Managed	-533,326
No history, no forecast	-78,183
Coded AAC "V", "X" or "Y"	-2,061
Total Adjusted Population	12,291

Largest active item population for a PSCM Commodity Council

Initial focus is on the Active NIINs.

[Back](#)

AAC = Acquisition Advice Code: V, X, and Y values indicate which are not to be procured.

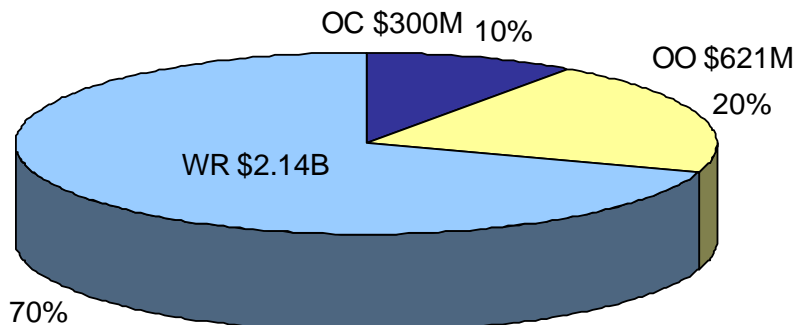


FY02-04 Spend Summary

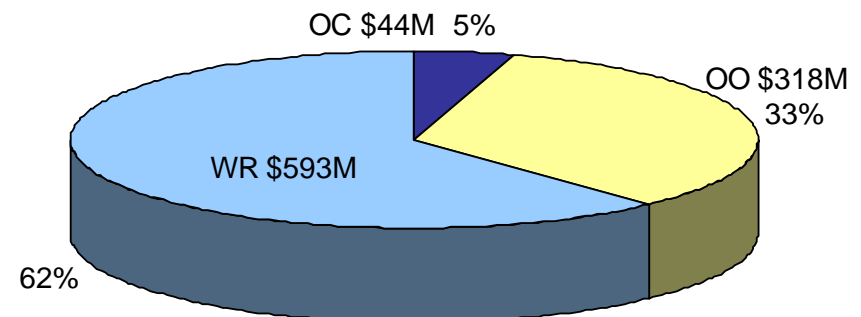


- **9,233 NIINs totaling \$3.06B**
 - 39% Spares; 61% Repair
- **Source of Supply Spend History**
 - Total Spend: WR-ALC 70%; OC-ALC 10%; OO-ALC 20%
 - Spares Spend: 69% Sole Source; 20% Competitive; 11% Unknown
- **Source of Repair Spend History**
 - 51% Organic; 49% Contract

Total Spend: SOS-ALC



Organic SOR ALC by Spend \$



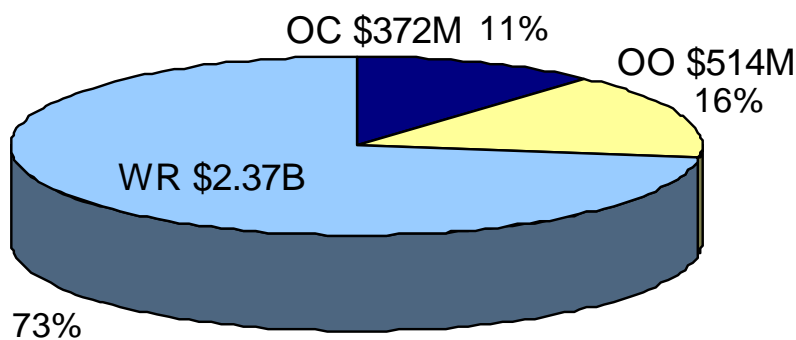


FY05-07 Forecast Summary

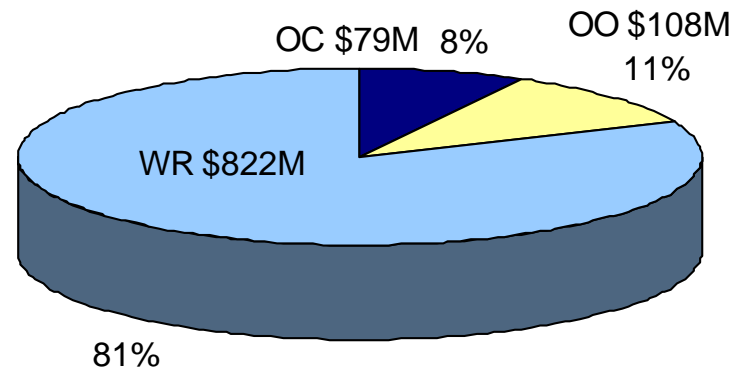


- **8,996 items totaling \$3.25 Billion**
 - 18% Spares; 82% Repair
- **Source of Supply Forecast**
 - Total Spend: WR-ALC 73%; OC-ALC 11%; OO-ALC 16%
 - Spares \$: 55% Sole Source; 25% Competitive; 20% TBD
- **Source of Repair Forecast**
 - 38% Organic; 33% CN/DMISA; 29% Dual/Other

Total Forecast: SOS-ALC

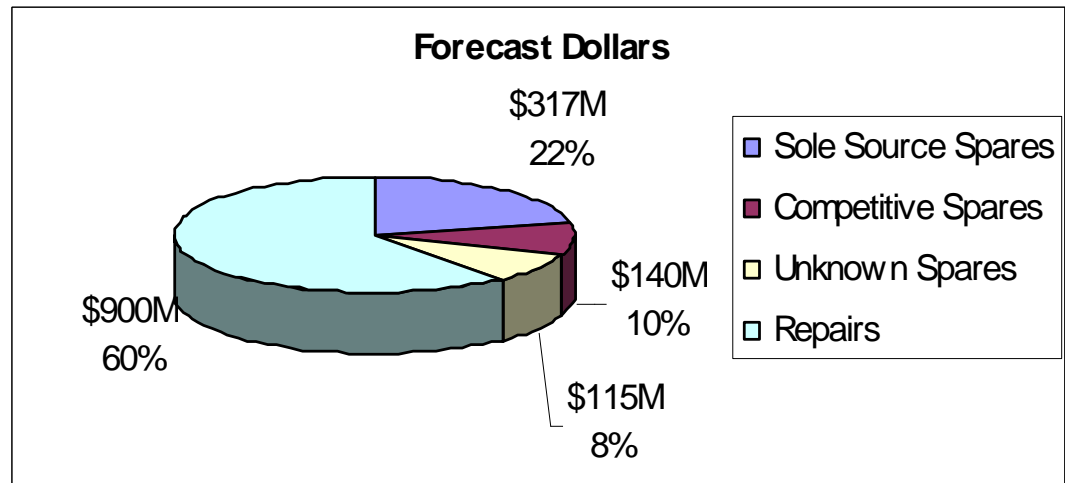
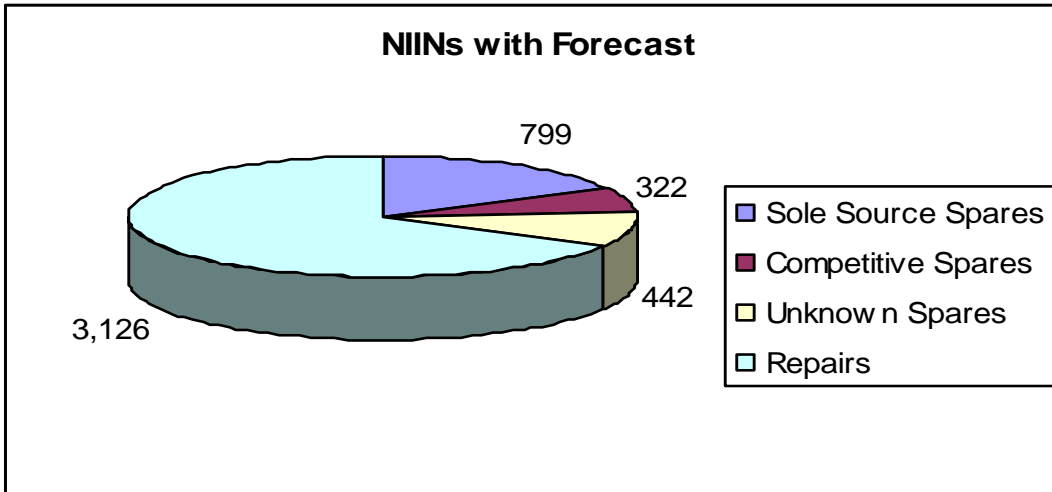


Organic SOR ALC By Forecast \$





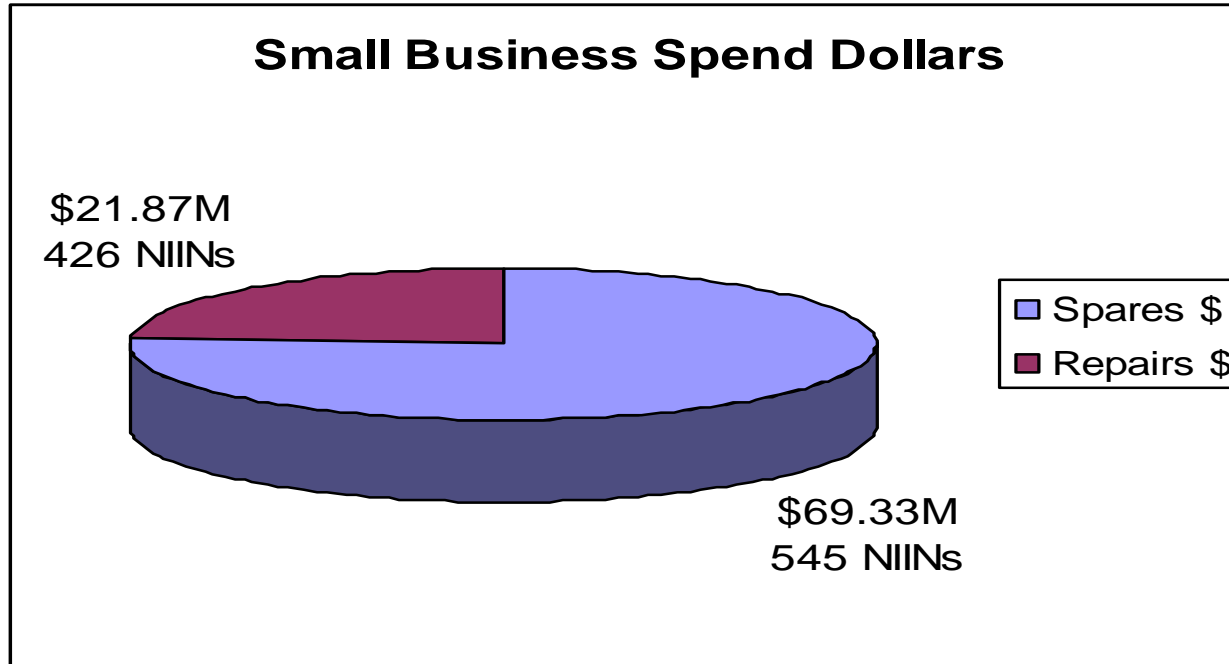
Forecasted Contract Sourcing Spares and Repairs



4,689 NIINs with Contract Sourcing have Forecast of \$1.47B



Sourcing in Spend History: Small Business



Small Business based on Socio-Economic qualifications provided by Central Contractor Registry

Small Business made up 4.3% of total \$2.1B contract spend.



Baseline Metrics



Contracting Activity*

- 5,785 NIINs Contracted
- 3,541 Contracts (NIINs-to-Contract Ratio = 1.63 : 1)
- 5,829 Contract Actions (K Actions-to-Contracts = 1.65 : 1)
- 737 Unique CAGE codes

Cycle Times

- Average ALT across all FSCs = 124.4 days
- Average PLT across all FSCs = 290.6 days
- Average of Document CWT 10.4 days
- Average Repair NIIN Shop Flow Days 69.2 days

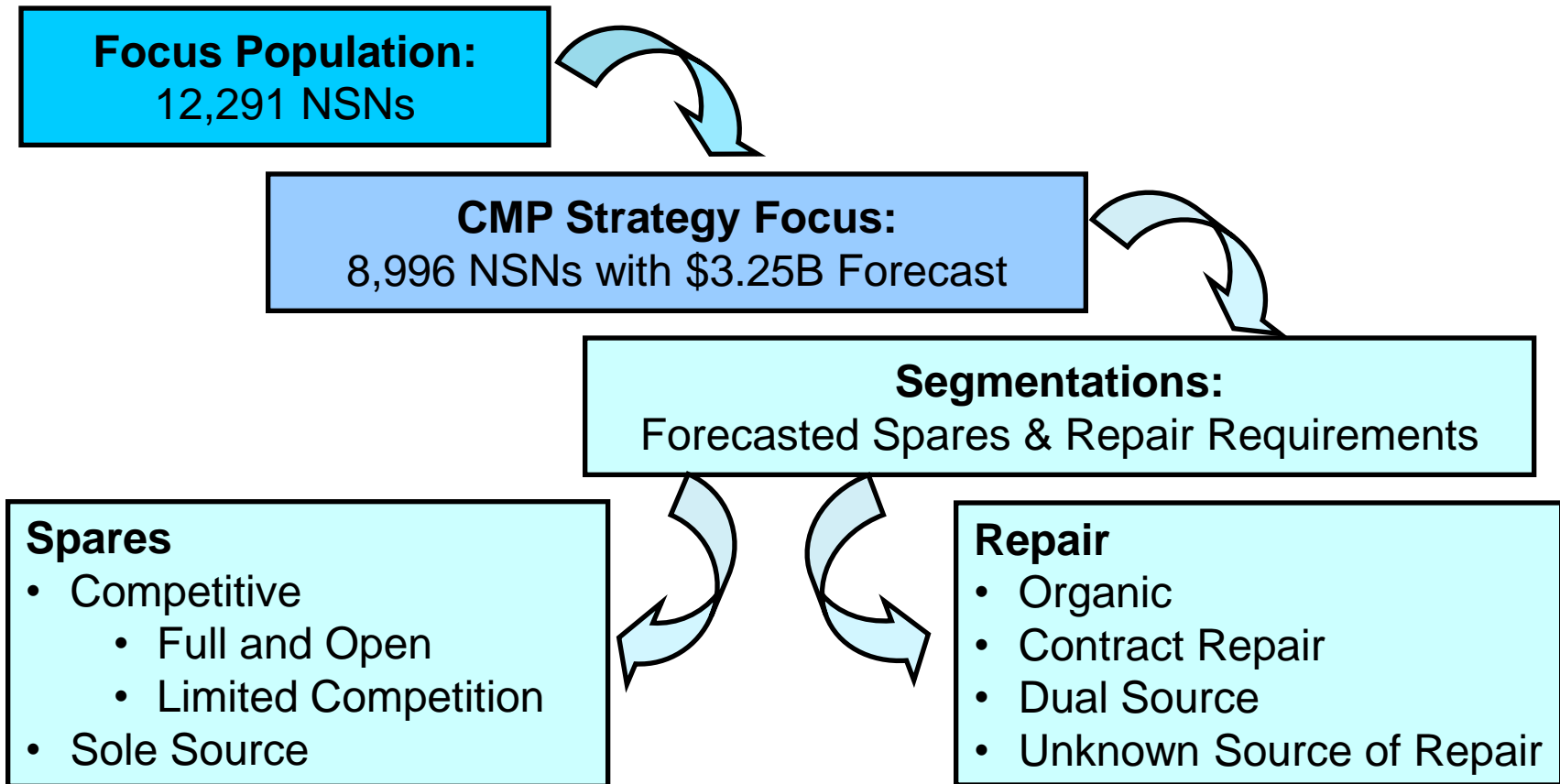
Performance

- Total MICAP Hours: 542k per Month
- Average NIIN MICAP Hours per Month 129.1
- Average NIIN has 1.5 Backorder Requisitions per year

* Note: Contracting ratios reflect only purchase activity in past three years, these metrics do not reflect the breadth of several large contracts



Strategy Development: Stratifying for Further Review



The stratifications facilitated further review and appropriate metric aggregation



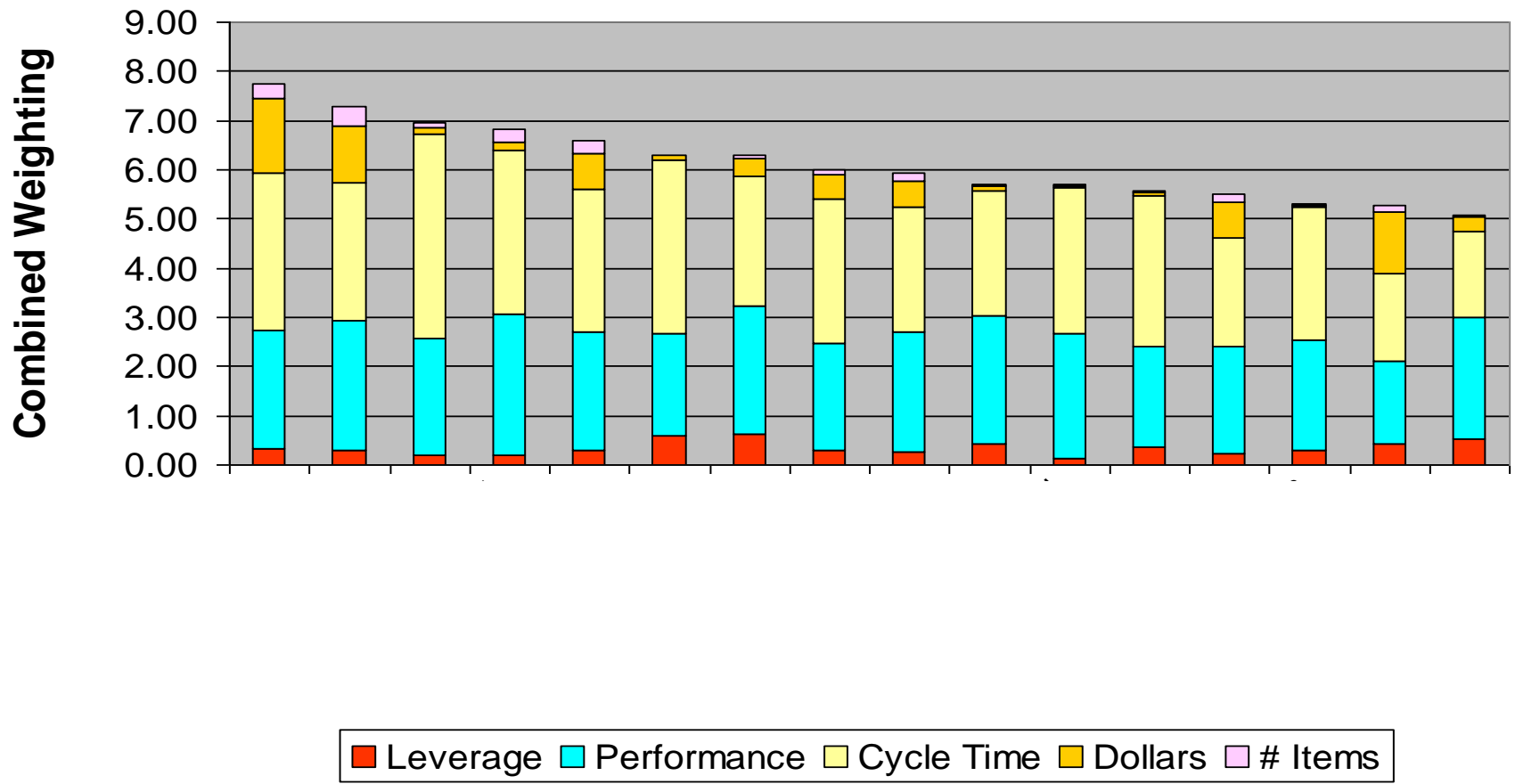
Strategy Development Prioritization Analysis

Weighted Parameters	Strategy Drivers	PSCM Goals		
		Cost	Cycle Time	A/C Avail
# NIIN Spend # NIIN Forecast	Item Population			✓
\$ Spend \$ Forecast	Potential \$ Value	✓		
ALT, PLT, CWT, Shop Flow Days	Cycle Times		✓	✓
# MICAP, MICAP Hrs, #B/O, B/O Freq	Performance		✓	✓
B Quad (High \$ + High Demand)	Leverage Potential	✓		



Proposed Strategies Weightings

Spiral Strategy Weightings





CECC Current Initiatives

Spiral One

Expansion of Existing Corporate Contracts

Strategy 1 Northrop Grumman/ Sole Source

Potential Expansion: 158 NIINs, \$186M 3Yr Forecast

Strategy 2 BAE Systems/ Sole Source

Potential Expansion: 242 NIINs, \$187M 3Yr Forecast

Strategy 3 Raytheon/ Sole Source

Potential Expansion: 156 NIINs, \$103M 3Yr Forecast

Strategy 4 Rockwell Collins/ Sole Source

Potential Expansion: 66 NIINs, \$99M 3Yr Forecast

New Corporate Contracts

Strategy 5 Sole Source Corporate Contract

Potential: 68 NIINs, 10 yr contract, \$370M estimated value

Strategy 6 Sole Source Corporate Contract

Potential: 51 NIINs, 10 yr contract, \$73M estimated value



CECC Future Initiatives

Spiral Two

Continue Working Sole Source Initiatives

Strategy 7 Sole Source Corporate Contract

Potential : 20 NIINs, \$15.9M 3Yr Forecast

Explore Other Opportunities

Strategy 8 Competitive Item Focus

Potential: 190 NIINs, \$68.6M 3 Yr Forecast

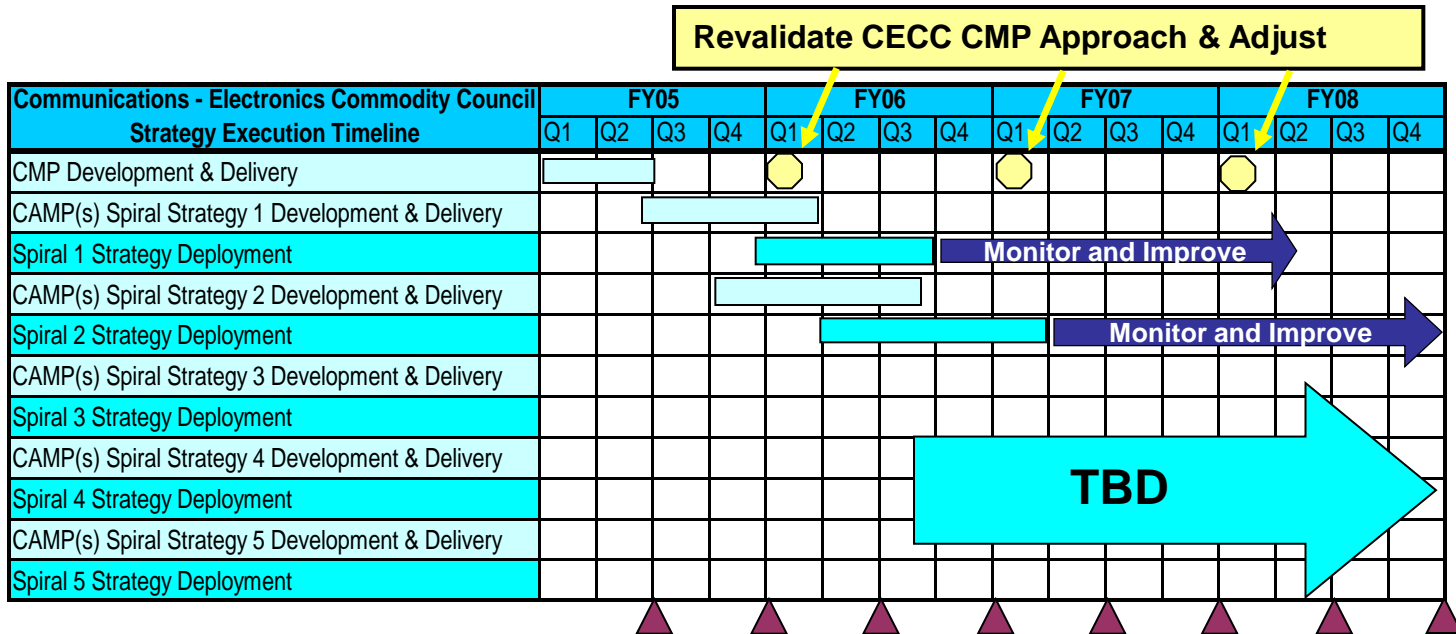
Strategy 9 Organic Repair

Potential: 125 NIINs, \$432.2M 3 Yr Forecast

- Potential Third Party Logistics Initiative for Spiral Two
 - Not limited to low dollar or low demand
 - Group suppliers who provide only one or two items
 - Combination of sole source and/or competitive items



Spiral Implementation Schedule



Spiral Deployment is based on the assumption that adequate resources will be available to execute contracting. CECC can provide support role for multiple strategies per spiral. Strategies requiring Source Selection panels will take much longer to execute.

Tactical contract consolidation: Each Comp cycle, identify requirements which can be consolidated and communicate to contracting community. Each Comp cycle, identify requirements which can be added to Corp Ks and initiate requisite action plan.

- CAMP strategy development Steps 1-4
- CAMP Strategy Execution Steps 5-7
- Contract Monitor & Improve Step 8



Program Challenges / Opportunities



- Parts Obsolescence and Diminishing Suppliers
 - Need to broaden supplier base
- Corporate Acquisitions
 - CAGE code validation
- Funding Constraints
 - Performance Based Logistics
 - Flexibility and Responsiveness to Changing Requirements
- Developing Win-Win Strategies
 - Public/Private Partnering with Depot
 - Incentivizing reliability improvements in a repair environment
 - Improving performance in a sole source environment



Government Focal Points



- Randy Jansen- Director 478 222-0250
- Janice Gillen- Deputy Director 478 222-0143
- Mary Jo Adams- Program Manager 478 222-0263
- Mike Myers- Program Manager 478 222-0341
- Donna Walcott- Contracting Officer 478 222-0333
- Victor Rozeboom- Engineer 478 222-0285
- Mike Coley- Equipment Specialist 478 222-0279
- Pam Cook- Sourcing Analyst 478 222-0336
- Debra Hester- Sourcing Analyst 478 222-0266
- John Stewart- Sourcing Analyst 478 222-0142



Summary



Questions, Comments, Discussion