



DLA's Aviation Supply & Demand Chain Manager

DLA Procurement Operations

Warner Robins

Aircraft Structural & Mechanical

Items

Virtual Prime Vendor

18 Nov 09

Briefer:

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Supplier Relationship Manager



Overview

DLA's Aviation Supply & Demand Chain Manager

- **The Reason for Change**
- **Notional VPV Items and Spend**
- **Notional VPV Strategy**
- **Candidate Items**
- **Technical Considerations**
- **BCA Requirements**
- **Current Action Items**



The Reason For Change

DLA's Aviation Supply & Demand Chain Manager

- Manpower constraints driving PR backlog
 - Arbitrary manpower reductions = larger backlog
 - Increases backorders and associated customer wait time
- 1000s of tactical buys = more opportunity for error, contract mods, closeout issues
- Long ALT & PLT lead-times drive higher inventory levels
- High variability in ALT & PLT
 - Low ATP rate = poor demand/supply planning results
- Administrative costs often exceeds cost of product
- Delays in awards drive program execution issues



Notional VPV Items and Spend

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- Group of items include DLA Consumables (95% of the items) and Depot Level Repairables (DLRs) (5% of the items)
- FSCs supported: 1560 (1610, 1615, and 5342 may also be included)
- Items have a unit price value of <\$5K
- Based on initial data pull of approximately 10-year forecast there are approximately 11,000 items in this universe with an estimated annual forecast of \$85M
 - Data will be further refined for return on investment
- Technical requirements and item qualification will be an issue if items are not procured from identified qualified source



Notional VPV Strategy

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- VPV to serve as integrator for 100s of suppliers
 - Responsible for delivering items on receipt of orders
 - Not responsible for stock, store, & issue to customers
- Establish Collaborative Supply Planning (Jul Timeframe)
 - Annual competition specific to contractors in each group
 - Contractors have 45 days to price all FY items identified from final buy computations
 - Pricing results published in contract catalogs
- Notional 5-year contract period
 - 2-year basic contract; award term: 3 potential option years
 - Potential Award Term Metrics:
 - Delivery 40%
 - Small business utilization 25%
 - Overall contract/program performance 20%
 - Cost control 15%



Notional VPV Strategy

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- Individual RFPs issued for each set-aside category
- ID/IQ contracts
- Use Technically Acceptable –Risk/Price Performance Trade-off (TA-R/PPT) Source Selection
- Each offeror will be required to price a list of items that are identified to represent actual requirements for FY10
 - Based on source selection items will be associated to each contractor
 - Initial orders awarded with Source Selection Decision will be associated with the items evaluated from RFP
- Immediately upon award (if award is made in late FY10) each contractor will be required to price FY11 items



Notional Structural VPV Strategy



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Multiple Set Asides Annual Competition Within Each Group

Service Disabled Veteran

ABC

XYZ

TGC

SDV compete against each other

Annual value \$20M
Specific Set of NSNs

HubZone

CBA

ZYX

Rosie

Hub compete against each other

Annual Value \$20M
Specific Set of NSNs

**Competition
Drives
Better
Business**

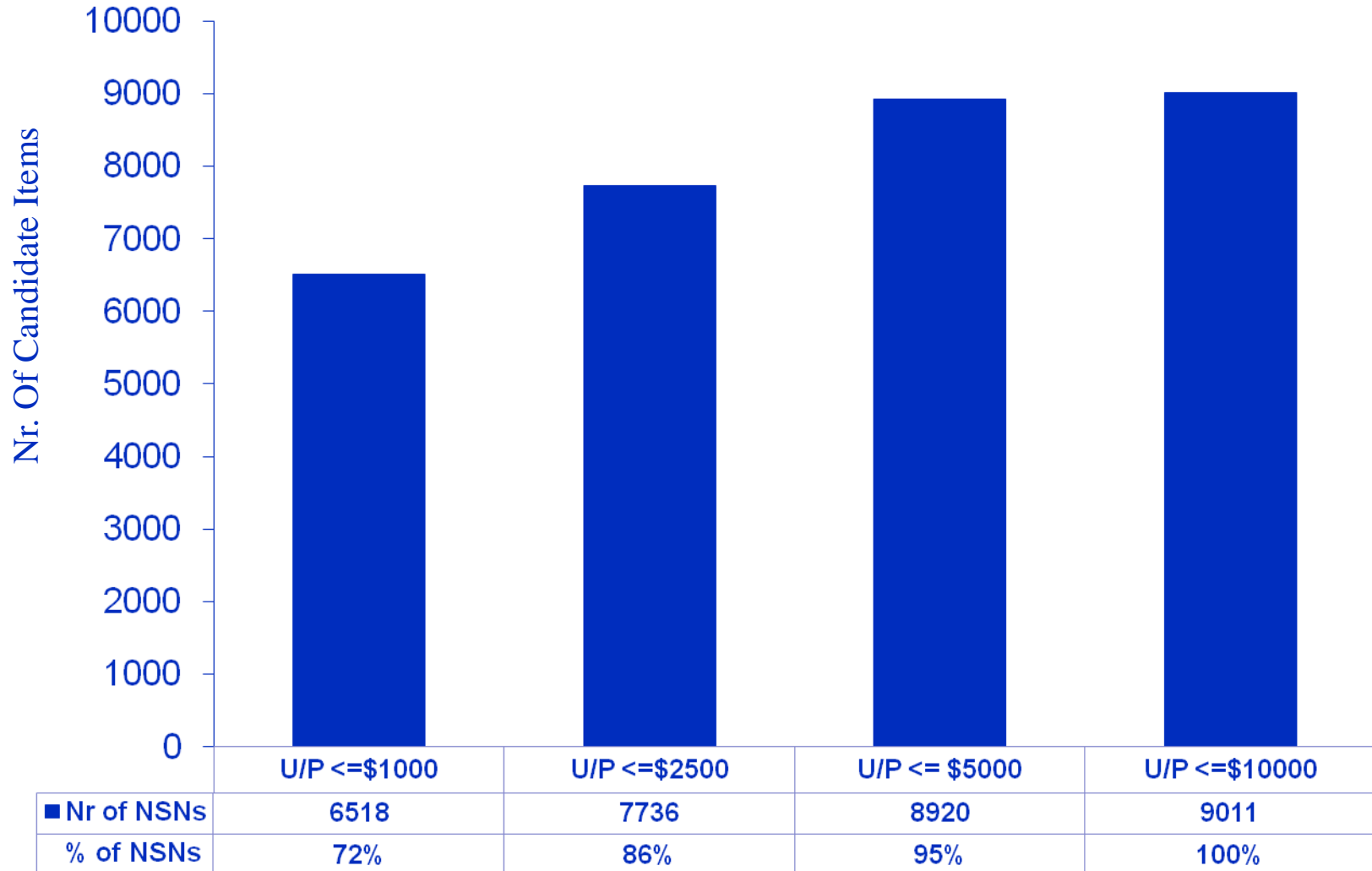
Final strategy based on market research results



Candidate FSCs

1560, 1610, 1615, 5342

DLA's Aviation Supply & Demand Chain Manager

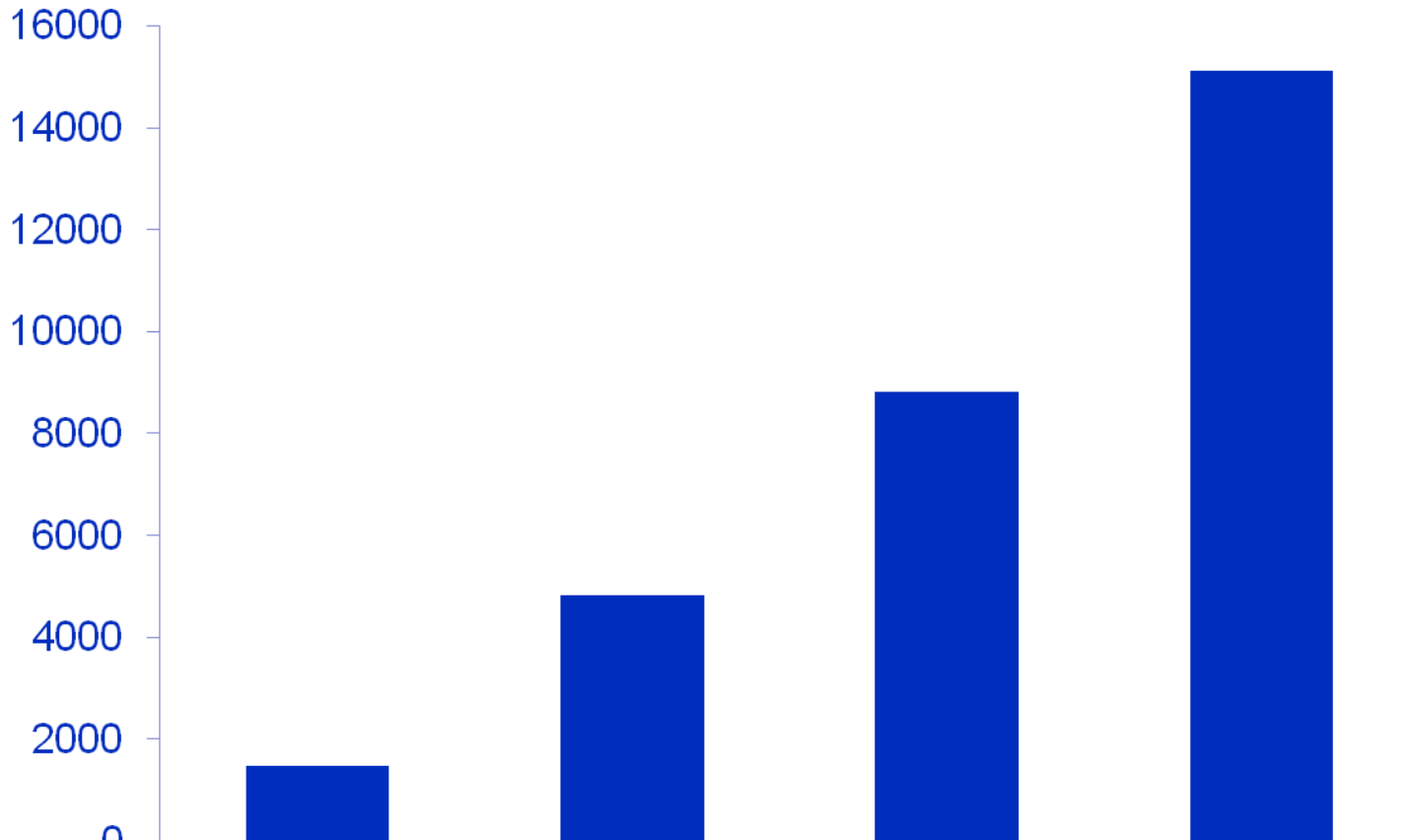




DLA EXAMPLE

FSCs 1560, 1610, 1615, 5342

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Nr of P.O.s & Contracts

2006

2007

2008

Total

1476

4827

8808

15111



Technical Considerations

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- Discipline process defined in contract to support technical issues
 - Part number changes/errors
 - Technical data deficiencies
 - Alternate sources for new manufacture
 - Surplus offers
 - Testing requirements
- Contractor can't proceed w/o Government engineering approval

Bottomline: Gov't retains configuration control and OSS&E



BUSINESS CASE ANALYSIS (BCA) REQUIREMENTS

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- Reduce Cost
 - Reduce Material Costs
 - Reduce acquisition costs (estimated based on Market Research and proven savings on similar contracts)
 - Reduce inventory holding costs
 - Reduce Administrative Costs
 - Orders under LTC vs. 1000s of tactical orders/contracts
 - Reduce total contract actions
- Reduce end-to-end supply chain variability
 - Predictable ALT and PLT lead-times
 - Improve on-time delivery time rates
 - Improve product quality
- Increase weapon system availability



CURRENT ACTION ITEMS

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- Complete Data Analysis
- Complete Market Research
- Complete BCA
- Notional Acquisition Schedule
 - Follow-up Industry Day/Risk Analysis early 2010
 - RFP Release Mar 2010
 - Proposals Received May 2010
 - Source Selection Decision Aug 2010