

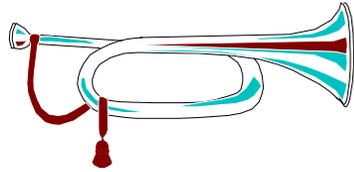


# AMC COST BUSTER\$ BUGLE



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15 June 1998



## Smart Buying Nets 7 Extra ACEs

When the Department of the Army gives you a set budget and says to build as many vehicles as possible, you have to find creative ways to minimize the unit cost. Thus, the M9 Armored Combat Earthmover (ACE) program office formed an Integrated Product Team (IPT) and applied the Alpha process, performance based contracting, and principles of Cost As an Independent Variable (CAIV) to the production contract. The end result? Savings of 16%, which translated into seven additional M9 ACEs for the troops in the field!

A key contributor to the savings was the use of remanufactured engines versus new engines. The ACE engine is a Cummins V903. Due to the age of the ACE design, this engine is no longer a regular production item for Cummins. As such, its unit price has jumped in recent years from \$36,000 in 1993 to \$44,000. Further, because of the M2/M3 Bradley upgrade to 600 horsepower engines, a large number of 500 hp engines were stored at the depot with no foreseeable use. Why not use these "free" engines in the ACE?

The Bradley program office agreed to "donate" their old engines. They were shipped to Cummins Recon in California for remanufacture to the ACE engine configuration.



Cummins Engine Company is an industry leader in remanufacturing with over thirty-three years of experience in salvage technology. All Cummins Recon components and engine assemblies are remanufactured to exacting specifications, subjected to functional testing to ensure performance equal to new, and given the same warranty as new Cummins' products. Only genuine Cummins parts are used in the process and all performance parts are replaced 100% new.

Using a horizontal and alpha contracting approach coupled with commercial pricing, TACOM was able to team with Cummins Corporate and Cummins ReCon to award the remanufacture and conversion of 51 diesel engines in one month and realize a total savings of \$962,000. This represents 43% savings over buying new engines. The per-engine cost of \$25,000 resulted in savings of \$19,000 per vehicle.

***IPT Participants:***

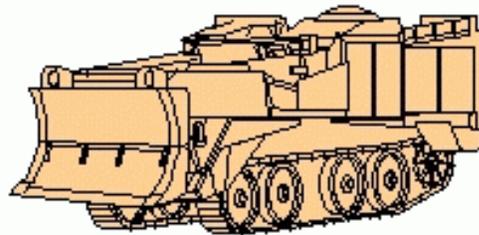
TACOM, PM TAWS  
 Karl Brobeil  
 Mike Bundshuh  
 Bill Porzondek  
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TACOM, Acquisition Center  
 Ellen Dennis  
 Paul Klott  
 John Simon

Cummins Engine Company (Corporate)  
 Stephen Hewitt  
 Thomas Terkhorn

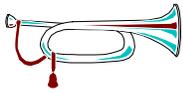
Cummins Recon  
 William Shumann  
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**Look for AMC CO\$T BU\$TER\$ on the World Wide Web at  
<http://amc.army.mil/amc/rm/costbust.html>**

**\*\*\*SUCCESS STORIES\*\*\*****Alpha Contracting Saves Cycle Time**

In November 1997, less than one year after production approval, the first Bradley Linebacker rolled off the line. In 1995, the Linebacker was designated as the Army's first Warfighting Rapid Acquisition Program (WRAP), with a goal to quickly design and field an air defense vehicle to protect the Army's heavy maneuver forces against helicopters, fixed-wing aircraft, and cruise missiles. Off the shelf technology was chosen to avoid a lengthy engineering and manufacturing development process. After considering several concepts, TRADOC selected as most effective a Stinger missile launcher mounted on the Bradley Fighting Vehicle System (BFVS). Following operational testing of several prototypes, in November 1996 approval was granted to begin full-scale production under the guidance of the PM BFVS, who established an IPT to quickly define the production strategy and work scope. Members came from the Acquisition Center, PM BFVS, PM Stinger, Defense Contract Management Command (DCMC), and United Defense (UDLP). The IPT developed a work scope, a performance specification, and a not-to-exceed price. A ceiling priced modification was awarded in June to allow the contractor to begin work immediately.

To quickly definitize this modification, an Alpha Team concurrently developed and evaluated UDLP's proposal. From the Acquisition Center, team members were Rod Gelhaus (PCO), Mary Dwyer, Vito Zuccaro and John Kerr; from PM BFVS, Scott Davis, Stan Bienkowski, Dave

Rutman, and Ralph Wampler. Key personnel from DCMC York and the resident Defense Contract Audit Agency (DCAA) office also participated, as well as UDLP engineering, production, and contracting personnel.

The PCO divided the group into sub-teams for material, labor, and subcontract costs, empowering each to reach settlements in their areas. The sub-teams quickly ran into difficulties because of changes to UDLP's manufacturing operations, including the transition of a number of functions to another facility. Other factors that greatly complicated negotiations were changes in the Bill of Materials and in Government Furnished Material. Budgetary constraints forced consideration of a change in quantity. Despite these difficulties, team members kept the lines of communication open and worked out each problem as it arose, reaching a negotiated settlement in only 59 days. The settlement represented a saving of about \$1.3M from the government estimate. Normal contracting procedures probably would have taken 160 days. The close cooperation between the parties also led to a much better understanding of the work scope, eliminating many problems often encountered after contract award. The IPT remains important, using weekly conference calls to continue the partnership throughout the life of the production contract.

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## Apache Catalog Contract

ACALA supports the components of the Apache Attack Helicopter 30MM cannon and its mountings, collectively called the Area Weapons System (AWS). The AWS is sole source to McDonnell Douglas Helicopter Systems (MDHS). For years, lengthy negotiations and multiple rate and requirements changes characterized the relationship between ACALA and MDHS. It was not unusual for a simple spare parts order to take 18 months to award. A team from TACOM-ACALA, MDHS, Defense Contract Management Command-MDHS Mesa (DCMC) and the Defense Contract Audit Agency (DCAA) has established an unusual contract -- a three to five-year requirements contract for helicopter weapon system spares

When new requirements were received, MDHS and ACALA decided to work together to find a better way of doing business. MDHS suggested a catalog for all the items they supply us. Since none of the items were commercial, we would need some way to determine that the prices were fair and reasonable. The large number of components precluded line-by-line negotiations, therefore, we sought a pricing methodology to be applied to all items.

A team organized by Bill McGatha of the ACALA Aircraft Weapons and Small Arms Product Center identified all the AWS items we were likely to buy. From the ACALA Acquisition Center, Sandra Fitzer, a contract specialist, Laurie Lampo, a cost and price analyst, and Steve Hultman, a technical cost and price analyst, traveled to Mesa, Arizona to work with their counterparts at MDHS, DCMC and DCAA to produce a contract and a price catalog. This team established labor hour bases, identified sources for

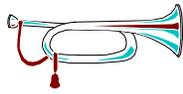
components, established their costs, and set up "wrap rates" to apply overheads and profits. This methodology could be applied easily to any number of items.

Price lists cover seven quantity ranges, from 1-3 to 200+, and also show the production lead-time for each initial shipment and the monthly production delivery rate. This allows delivery orders to be prepared without requesting any further information from the contractor. It also provides precise planning information for inventory managers. The team established a method of handling economic price adjustments on a prospective basis, making a long-term contract possible without renegotiations, while issuing firm fixed-price delivery orders.

The formal requirements contract contains about 130 lines. In addition to these items, there is a price list for items that ACALA does not buy, or that are not sole source to MDHS. These include items acquired by Defense Logistics Agency and components of the M242 25MM gun, manufactured by MDHS, which is used on the Bradley Fighting Vehicle. In all, more than 700 lines are priced in this catalog, allowing MDHS to rapidly respond to requests for quotations.

Initial large orders for guns and spares were placed against the requirements contract by the ACALA Acquisition Center. Ordering officers have now been appointed in the Aircraft Armaments and Small Arms Product Center who can place delivery orders against the requirements contract without reference to the Acquisition Center, resulting in the practical elimination of administrative lead-time.

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## Paperless Work Directive System

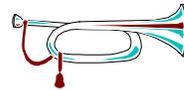
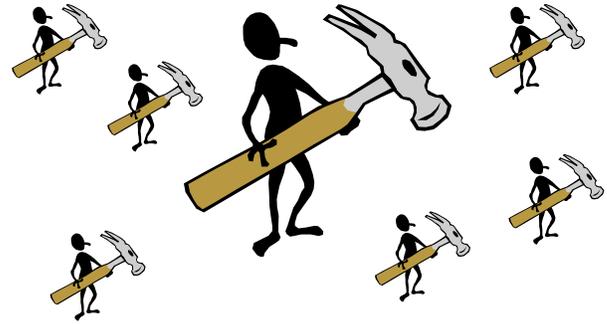
On 1 April 1998, General Dynamics Land Systems (GDLS) technicians completed the installation of Paperless Work Directive System software at TACOM-Warren for use on the Abrams System Technical Support (STS) Contract. The System links GDLS program managers, finance, and contracting officials with TACOM contracting personnel and technical representatives. It allows paperless document generation, review, signature, and archiving. The new system is expected to reduce cycle time substantially.

Work directives signed by the contracting officer are an essential part of management of the STS level of effort contract. The current contract has over 150 such work directives. The old system required GDLS to generate a paper document, route it through their management for approval, and send it to the Government Contracting Officer's Technical Representative (COTR). The COTR routed the work directive through appropriate technical advisors and sent it to the contract specialist, who reviewed it and forwarded it to the contracting officer for signature. The signed copy was then forwarded to GDLS.

The Paperless Work Directive System has one document, prepared electronically, with access to the signature blocks restricted through security software. Reviewers access the system, view and approve the document as needed. A phone call or electronic message can alert the next reviewer, or, when logged on, the system provides automatic notification. In theory, a paperless work directive could be generated and signed by all reviewers the same day.

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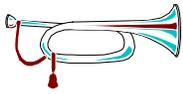
## TACOM's 7th Hammer Award

The Procurement Lead-Time Reduction Team received Vice President Gore's National Performance Review Hammer Award. Team members earned this recognition by adopting the principles of putting customers first, cutting red tape, and getting back to basics in Acquisition Streamlining. The team leader, Mr. Prince Young of the Acquisition Center, is located in Warren. The other members of the team are participants from all three sites where TACOM conducts business.

Procurement lead-time is the time between order and delivery. In March 1997, Secretary of the Army Togo West cited TACOM's success at exceeding the Department of Defense goals. Since then we have continued to set even higher goals for reducing lead times. In doing so, our team reinvented the wholesale logistics process and produced measurable efficiencies in the procurement of spare and repair parts. We not only saved time, we also saved money, allowing us to stretch precious taxpayer dollars to meet readiness and modernization goals. Our Lead-Time Reduction Team made the process changes which produced a 58% reduction in the time waiting, saving an estimated \$56.9M, while satisfying our multi-service customers.

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## Partnering Pays!

Partnering is a commitment between government and industry to improve communications and facilitate contract performance. It is accomplished through an informal process, with the primary goal of providing our customers with the highest quality supplies and services, on time and at reasonable prices. It is primarily an attitude adjustment in which the parties mutually commit to form a relationship of teamwork, cooperation, and good-faith performance.

The AMC Command Counsel, Mr. Ed Korte, asked for a representative from TACOM, CECOM and the IOC to form a Partnering Steering Committee. The committee researched the use of Partnering in many different contracting situations and traveled to most AMC Commands to hear the lessons learned from people who had worked on Partnered programs. Contractor as well as Government personnel were interviewed and all provided very candid comments on the impact Partnering had on their post-award relationship and contract performance. Based upon the feedback and experiences of the field and private sector, the Committee developed a four-step process for application of Partnering to AMC programs.

In April 1997, the committee published the Partnering for Success guide to assist and encourage Army contractors, PMs, contracting officers, and all contract stakeholders to improve the manner in which contracts are performed and administered. The guide contains an overview of what partnering is all about and why it's critical for Army programs to consider implementing a partnered approach to post-award efforts. In addition to promoting a clear four-step process, the

guide also includes numerous samples and 32 answers to commonly asked questions regarding partnering to help the reader better understand the process and its potential benefits for their program.

In a September 1997 ceremony at AMC Headquarters, MG James M. Link, AMC Chief of Staff, presented the members of the Steering Committee with the Meritorious Civilian Service Medal. The guide has been extremely well received within the AMC Acquisition Community, by senior leaders throughout AMC, the contract community, and the U.S. Government.

Four members of the AMC Partnering Team each received the Meritorious Civilian Service Award. They are:

- Kenneth Bousquet - Group Chief, Acquisition Center, U.S. Army Tank-automotive and Armaments Command (TACOM)
- Mark A. Sagan - Dep Chief Counsel, U.S. Army Communications - Electronics Command (CECOM)
- Dave C. DeFrieze - Attorney-Advisor, U.S. Army Industrial Operations Command (IOC)
- Stephen A. Klatsky - Assistant Command Counsel, Headquarters, Army Materiel Command (AMC).

A copy of the guide can be obtained by contracting Ken Bousquet or from the internet at:

[http://amc.army.mil/amc/command\\_counsel/](http://amc.army.mil/amc/command_counsel/)

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