

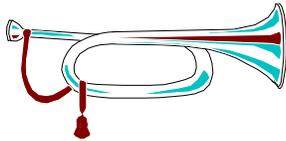


AMC COST BUSTERS BUGLE



Vol. 4

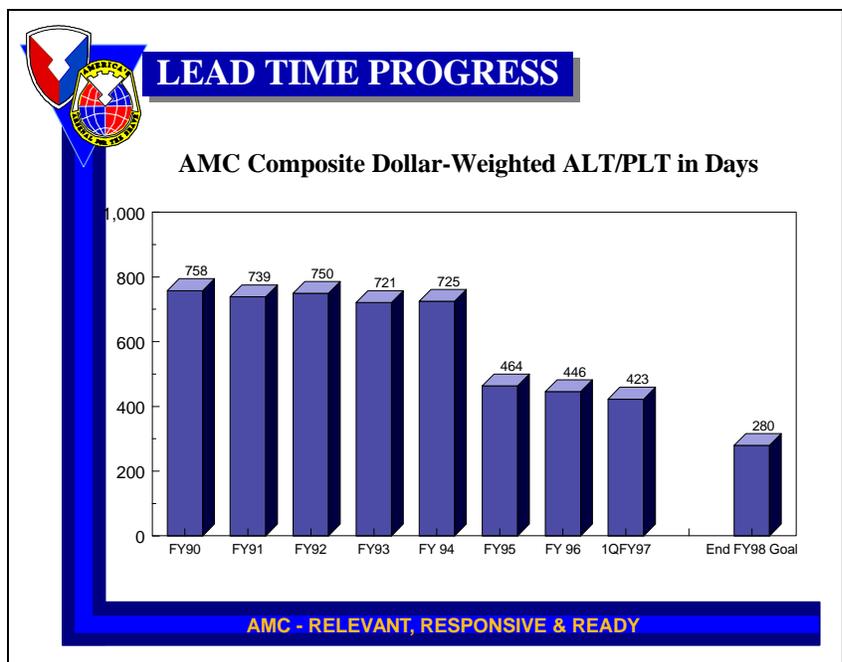
28 February 1997



LOGISTICS AND ACQUISITION TEAM TO SAVE BIG BUCKS!

AMC has already saved the Army \$400 million by becoming more efficient in buying spare parts and has promised to save \$278 million more during the POM period. Over the past two years, we've made a concerted effort to reduce the time it takes to buy spare and repair parts. Lead time is the number of days from the requirement for a part until it is on the shelf at a depot or shipped directly to a customer. To keep a continuous supply while waiting for delivery, we must have inventory on hand or on order to meet daily needs. Keeping inventory is expensive -- not just in storage cost but also because it requires lots of cash to pay the contractors, cash we don't get back until we sell the part. By shortening the lead time, we can reduce inventory levels, improve our cash flow, and lower the surcharge that is a part of the price that the troops pay when they requisition parts through the supply system. Reducing secondary item lead times has been a joint effort between the logistics and acquisition functional communities.

Metrics Track Progress. There are two major metrics used to track lead times. The first is the dollar weighted average lead time from the Budget Stratification Report, which is a tool used to forecast requirements. The lead time for each part is projected based on the last representative buy, then multiplied by the dollar value and average demand of the item to get the total inventory requirement (in dollars). The sum of requirements for all items is divided by the average demand of all parts (again in dollars) to get an equivalent number of days. This metric is given to OSD and Congress and is the report card they use to evaluate the Army against other services and Defense agencies. The other metric used is the linear (non-dollar weighted) average lead time. This metric is obtained from the RCS 127 Central Procurement Workloading Report and reflects actual historical data on contracts completed each quarter.



When the General Accounting Office and the DoD Inspector General audited lead times, AMC compared badly to other services, prompting us to institute a number of lead time reduction initiatives including:

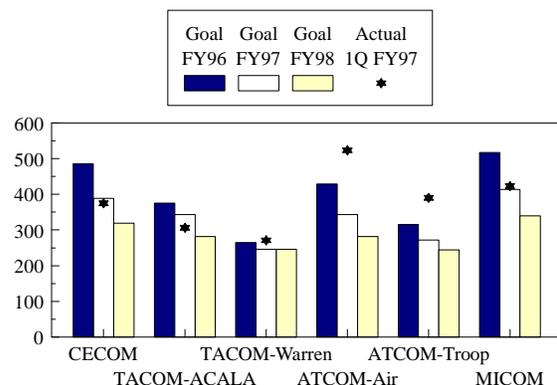
- Renewed command emphasis, with quarterly reports on metrics by each MSC.
- Mandated one-time 10 percent Administrative Lead Time (ALT) and 20 percent Production Lead Time (PLT) reductions implemented through our automated systems. ALT is the time from requirements origination to contract award. ALT is *our* time, which can be reduced through streamlined processes. PLT is the time from contract award until delivery. PLT is the *contractor's* processing time, to build, package and ship the part. While we can't directly control how long it takes the contractor to produce, we can greatly influence it by applying the principles of acquisition reform.
- A Process Action Team with members from both the logistics and acquisition communities and from the impacted MSCs and the HQ, which studied the problem and developed over 60 recommendations for improving both materiel management and acquisition processes to reduce lead time. Each MSC developed a unique implementation plan. Key recommendations involve better automation, a standardized tracking system, teaming of Integrated Materiel Management Centers (IMMCs) and Acquisition Centers, and greater use of flexible long term contracts.
- A pilot program, currently being developed by the HQ and CECOM for re-engineering acquisition (including spares) using a multi-functional team approach and other elements of acquisition reform initiatives.

Impressive Results. The original target was a 25 percent reduction from the FY90 baseline (758 days dollar weighted) by FY95, with a long term goal of 50 percent reduction by FY00. A more aggressive goal has been established of 280 days by the end of FY98 (over 60 percent reduction). Current composite dollar weighted ALT/PLT is 421 days (Dec 96), a 44 percent reduction.

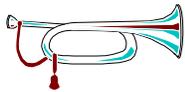
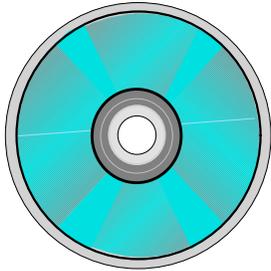
Translating these efficiencies into dollars, AMC has promised the Army Chief of Staff, General Reimer, that it can save \$473M over the next six years due to lead time reduction. We have already achieved our FY 97 goal of \$195M and will meet our FY98/FY99 goal of \$113M once DA's budget has been approved by OSD. These savings are not AMC dollars but are reductions in the OPTEMPO accounts of the field units. These reductions are made possible because lower lead times result in lower inventory requirements yielding a one time savings as inventory that doesn't have to be replaced is sold and the additional cash generated is used to offset the surcharge and lower the prices that troop units pay for spares. These lower prices allow the units to maintain readiness with fewer OPTEMPO dollars.

POC: Mr. Gene Duncan DSN: 767-9237
 Ms. Emily Clarke DSN: 767-9404

Targets and Progress by MSC



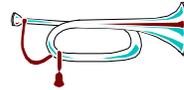
*****S U C C E S S S T O R I E S *****



Faster, Cheaper, and Greener!

In recent months the folks at ATCOM initiated support of the Spare Parts Acquisition Process technical data needs with CD ROM as a replacement for the aperture card medium that has been used for more than a quarter century. Initial results are quite favorable. Preliminary figures resulting from side-by-side comparison of the two mediums show a minimum annual production cost savings of 25 percent and a 50 percent reduction in ALT. In addition to these savings, CD ROM is a cleaner, safer, more environmentally friendly system with the elimination of the need for costly chemicals (anhydrous ammonia, film developer and fixer) all of which require special handling.

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Ordering Officers - Good Idea Spreads!

Some item managers at CECOM have been given special training and certified as "ordering officers," permitting them to write delivery orders against pre-priced Indefinite Delivery/Indefinite Quantity (ID/IQ) type contracts. This allows Acquisition Center personnel to concentrate on new contracts. Reductions in ALT have been taken for those contracts in place, with an average savings of 45 days. CECOM recently hosted a training session where item managers from other MSCs were trained and certified. TACOM-ACALA is also using ordering officers for a long term catalogue contract with McDonnell Douglas. Buys are initiated with a minimum of ALT and products can be received within 30 days.

POC (CECOM): Mr. Gary Webber

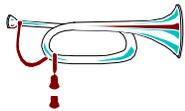
DSN: 992-4794

POC (TACOM): Mr. Mark Merches

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**Look for AMC COST BUSTERS\$ on the World Wide Web at
<http://www.amc.army.mil/amc/rm/costbust.html>**



Tracking Helps Find Best Path

A CECOM system will allow tracking of an acquisition from the identification of a requirement through contract completion. Each segment of the process has standards associated with it and the acquisition is measured against that standard. This will allow accountability down to the individual level, facilitate the reward of positive performance, identify abnormalities in the acquisition process and trigger any out-of-standard actions. By readily identifying process abnormalities, this management tool will enable proactive corrective actions to occur in a “real time” environment. Reduced ALTs are anticipated. Phase One, DBOF ALT tracking and performance implementation, began this month. Subsequent phases will track the performance of primary items.

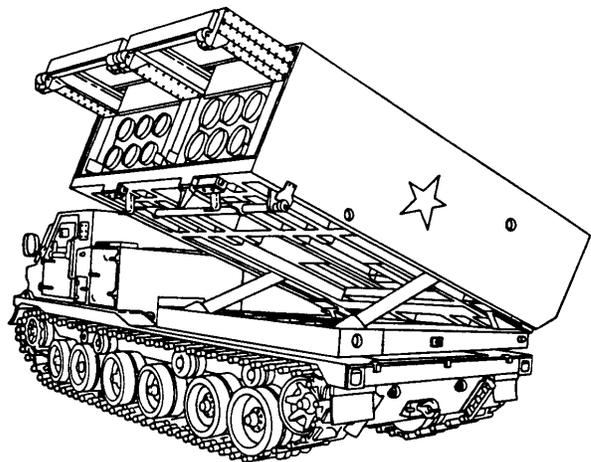
POC: Mr. Garry Webber
 DSN: 992-4794

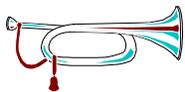


Prepositioning Speeds Tech Data

The MICOM Research, Development, and Engineering Center, along with key personnel from the IMMC and the Acquisition Center, evaluated the Technical Loop Review Process for cost savings and processing time reduction. This evaluation resulted in a value engineering proposal that hastens the process by prepositioning technical data. Procurement packages now go through the technical loop review in advance of the acquisition cycle by preloading the packages into the technical loop review process. Preloading requires the IMMC to forecast secondary items requirements well ahead of the time that the actual requirement (procurement package) is generated. This process change greatly reduces the ALT.

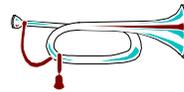
POC: Mr. Kenneth Dulaney
 DSN: 746-3776





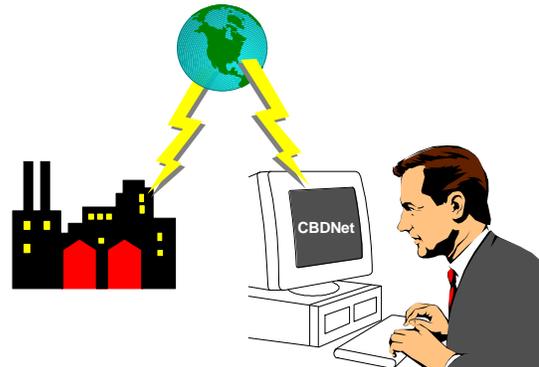
Long Term Contracts Save Time and Dollars

The TACOM-Warren IMMC has identified a list of items that we buy from UNICOR (Federal Prison Industries) that would more efficiently be purchased using a long term contract. This will allow UNICOR to identify sources and lock in prices for component parts from vendors for 5 years while allowing TACOM to issue call orders to satisfy requirements for wiring harnesses, cables and similar items. Meetings have been held with UNICOR and TACOM representatives to address issues such as tech data and ordering agreements. This should allow for efficiencies, shorter lead times and zero cost growth over the life of the contract.
 POC: Ms. Debbie Washer
 DSN: 786-5206



Rock Island Saves 10 Months

TACOM-ACALA experienced problems in procuring face forms for M40/M42 series masks, putting the item on the top backorder listing three times. A make or buy analysis was initiated in April and Rock Island Arsenal won the contract. ALT/PLT will be reduced by 10 months, and 14,400 backorders will be eliminated on this item which is vital to maintain the mask's serviceability while in storage.
 POC: Ms. Roberta Wright
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Internet Ads Pay Off

The Red River Army Depot Directorate of Contracting now advertises the depot's procurement needs via the Internet to the Commerce Business Daily (CBD). By using CBDNet, a procurement synopsis is transmitted and posted for next-day publication, down from six days and reducing the cost of publication from \$18 to \$5.
 POC: Mr. Patton Tidwell
 DSN: 829-2876

The AMC Cost Busters Bugle is a newsletter designed to share ideas and success stories throughout the Command. If you have a good news story to include, see your local Efficiency Czar or call Mr. Phil Brodowski at AMC Headquarters on DSN 767-1104.